Columbia Gas of Pennsylvania, Inc.
2016 General Rate Case
Docket No. R-2016-2529660
Standard Data Request
GASROR No. 06-10
Volume 2 of 3

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Rate of Return

Question No. GAS-ROR-006:

Please supply copies of all presentations by the Company's and, if applicable, its parent's management to securities analysts during the past 2 years. This would include presentations of financial projections.

Response:

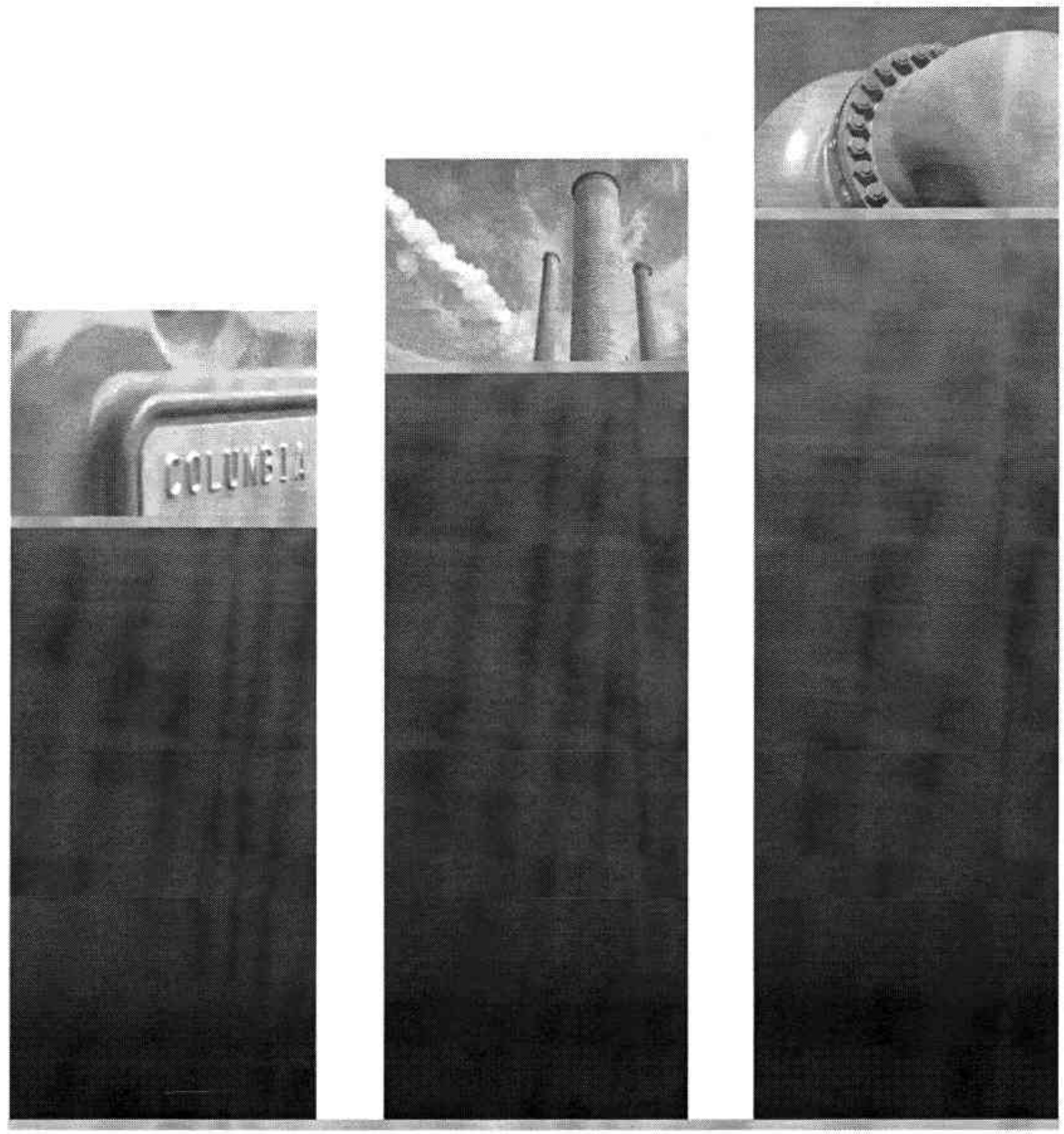
Columbia Gas of Pennsylvania, Inc. (Company) is a wholly owned subsidiary of NiSource Gas Distribution, Inc. (NGD), which is a subsidiary of NiSource Inc. (Parent). Neither the Company nor NGD have made presentations to securities analysts separate from the Parent.

Presentations made by the Parent from the past 2 years are included in Attachments A – J.

B U I L D I N G

Supplemental Slides

Fourth Quarter/Year-End 2013 Earnings
February 18, 2014



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Forward-Looking Statements

This document contains forward-looking statements within the meaning of federal securities laws. These forward-looking statements are subject to various risks and uncertainties. Factors that could cause actual results to differ materially from the projections, forecasts, estimates and expectations discussed herein include, among other things, weather; fluctuations in supply and demand for energy commodities; growth opportunities for NiSource's businesses; increased competition in deregulated energy markets; the success of regulatory and commercial initiatives; dealings with third parties over whom NiSource has no control; actual operating experience of NiSource's assets; the regulatory process; regulatory and legislative changes; the impact of new environmental laws and regulations; the results of material litigation; changes in pension funding requirements; changes in general economic, capital and commodity market conditions; counter-party credit risk; and the matters set forth in the "Risk Factors" sections in NiSource's most recent Form 10-K and subsequent Forms 10-Q, many of which are beyond the control of NiSource. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this presentation. NiSource expressly disclaims a duty to update any of the forward-looking statements contained in this document.

With regard to Net Operating Earnings Guidance for 2014 – it should be noted that there will likely be differences between net operating earnings and GAAP earnings for matters including, but not limited to, weather, and other factors. NiSource is not able to estimate the impact of such items on GAAP earnings and, as such, is not providing earnings guidance on a GAAP basis.

Key Takeaways – Year-End 2013

Continued Execution of NiSource's Infrastructure Investment Strategy

- Results in line with guidance for seventh consecutive year
  - Earnings Per Share of $1.58*
- Total shareholder return outperformed utility indices for the fifth consecutive year
  - Total shareholder return of 36 percent
  - Dividend increase of ~4 percent
- Successfully delivered on a record $2 billion infrastructure investment program
- Long-term infrastructure modernization programs now in place across all business units
- Financial foundation to support $30+ billion infrastructure investment inventory

** Net Operating Earnings from Continuing Operations (non-GAAP); For a reconciliation to GAAP, see Schedule 1 of the Company's Feb. 18, 2014 Earnings Release*

Year-End 2013 Financial Highlights

Financial Results at Upper End of 2013 Earnings Guidance

Non-GAAP**	2013*	2012*	Change*
Net Operating Earnings from Continuing Operations	$493.9	$425.8	$68.1
Net Operating Earnings Per Share	$1.58	$1.46	$0.12
Operating Earnings	$1,146.3	$1,069.6	$76.7

GAAP	2013*	2012*	Change*
Income from Continuing Operations	$490.9	$408.8	$82.1
Earnings Per Share	$1.57	$1.40	$0.17
Operating Income	$1,143.4	$1,040.1	$103.3

** All results listed in millions, except for EPS;*
*** For a reconciliation to GAAP, see Schedule 1 of the Company's Feb. 18, 2014 Earnings Release*

2013 Total Shareholder Return: 36 Percent

Year-End 2013 Financing Highlights

Solid Liquidity & Financial Profile

- Solid liquidity position – $1.6B as of Dec. 31, 2013
- Issued $1.25B, 30-year notes at attractive rates
- Increased revolver by $500M to $2B, extended term to Sept. 2018
- Expanded Commercial Paper Program by $1B to $1.5B in Feb. 2013
- Total debt to capitalization 60% as of Dec. 31, 2013
- Investment-grade credit rating upgraded Baa2 /P2 by Moody's; Fitch affirms BBB- rating

Well-Positioned to Support Robust Investment Program

Columbia Pipeline Group – Year-End 2013

Continued Execution of Infrastructure Investment Strategy

- Operating earnings $441.2M in 2013 vs. $397.8M in 2012*
- First year modernization settlement recovery approved; began on Feb. 1, 2014
- Line 1570 and Giles County projects received FERC approval in early Feb.
- Hickory Bend Gathering System began initial service in Dec. 2013
- 2014 capital investment: ~$800M

Looking Ahead:

Project	Key Components	Status
Pipeline Modernization	• 5-year initial settlement term • $1.5B investment during initial settlement term • Part of $4B - $5B investment program	• 2013 investment recover began on Feb. 1, 2014 • ~$300M modernization investments projected in 2014
Pennant Midstream, LLC Hickory Bend Gathering System *50/50 Joint Venture with Harvest Pipeline*	• Gathering and processing facilities serving Utica Shale region • 600 million cubic feet/day gathering; 200 million cubic feet/day processing • ~$320M initial joint venture investment (NI: $160M)	• Initial service began in Dec. 2013 • Evaluating expansion needs, including additional processing capabilities
Pennant Midstream, LLC NGL Pipeline *50/50 Joint Venture with Harvest Pipeline*	• NGL pipeline in eastern Ohio connecting the Hickory Bend processing facility to the UEO Kensington facility • 90K barrels per day capacity	• Projected in service Q3 2014
Cameron Access Project	• New pipeline facilities along Columbia Gulf to connect numerous supply basins Cameron LNG export terminal • Up to 800,000 dekatherms per day • ~$300M investment	• LNG facility received DOE approval for export on Feb. 11, 2014 • Binding precedent agreements in place • Project in service by YE 2017
Other In-Progress Regulated Growth Projects	• More than $550M in projects currently in flight • Additional 1BCF+ of additional capacity projected	• Complete details available in Appendix on slide 15

Expanding Inventory of Investment Opportunities

** Non-GAAP. For a reconciliation to GAAP, see Schedule 2 of the Company's Feb. 18, 2014 Earnings Release*

Electric Operations – Year-End 2013

Modernization Investments Provide Growth, Customer & Economic Benefits

- Operating earnings $265.3M in 2013 vs. $237.6M in 2012*
- First Schahfer FGD Unit placed into service ahead of schedule, on budget
- ~$1.1B electric system modernization filing approved by IURC
- 2014 capital investment: ~$450M

Looking Ahead:

Highlight	Key Components	Status
Electric system modernization program	• Seven-year plan filed with the IURC (enabled by SB560 enacted in 2013) • ~$1.1B investment focused on replacing poles, transformers and other related equipment	• Filing approved by IURC on Feb. 17 • Investments scheduled to begin in mid-2014
Electric Generating Plant Environmental Investments	• ~$850M in total environmental investments • Schahfer Flue Gas Desulfurization (FGD) investments: Units 14 & 15 • Michigan City FGD: Unit 12 • Enhanced mercury and particulate controls (MATS)	• Schahfer Unit 14 in service on budget, ahead of schedule • Schahfer Unit 15 on schedule, on budget • Michigan City FGD construction in progress • MATS investments approved by IURC
Electric Transmission System Enhancement – Reynolds to Topeka Project	• 100-mile, 345-kV transmission project • $250M-$300M investment • Projected in-service latter part of 2018	• Final route selected • Right of way acquisition in progress
Electric Transmission System Enhancement – Reynolds to Greentown (*Joint Project*)	• 66-mile, 765-kV transmission project • $300M-$400M investment (NIPSCO portion $150M - $200M) • Projected in-service latter part of 2018	• Preliminary planning in progress • Stakeholder outreach has begun

A Focus on Execution, Customer Service, Reliability and the Environment

** Non-GAAP. For a reconciliation to GAAP, see Schedule 2 of the Company's Feb. 18, 2014 Earnings Release*

NiSource Gas Distribution – Year-End 2013

$10B+ Inventory of Long-Term Infrastructure Investments

- Operating earnings $448.8M in 2013 vs. $438.4M in 2012*
- Kentucky rate order supports infrastructure replacement recovery and $7.7 million in additional annual revenues
- Massachusetts rate order with new rates expected by March 1, 2014
- Record capital investment in 2014: ~$815M

Looking Ahead

Highlight	Key Components	Status
NIPSCO natural gas system modernization program	• Seven-year plan filed with the IURC (enabled by SB560 enacted earlier this year) • ~$700M investment focused on system modernization and extensions to rural customers	• Filed with IURC on Oct. 3, 2013 • Investments scheduled to begin in mid-2014
Columbia Gas of Massachusetts Base Rate Case	• Filed April 16, 2013 • Requested revenue increase of ~$30M • Supports expanded infrastructure plans with timely investment recovery	• A decision with rates in effect projected for March 1, 2014
Columbia Gas of Virginia Industrial Customer Expansion	• ~$15M growth project to serve major industrial customer • Columbia Gas Transmission will execute a complementary project to interconnect with CGV (~$25M investment)	• Projected in-service late 2014
Infrastructure Modernization	• ~$10B long-term program across service territory	• Complete program update outlined in Appendix on slide 18

Disciplined Project Execution | Increasing Customer Value | Engaging Stakeholders

** Non-GAAP. For a Reconciliation to GAAP, See Schedule 2 of the Company's Feb. 18, 2014 Earnings Release*

Key Takeaways – 2014

Continued Execution of NiSource's Infrastructure Investment Strategy

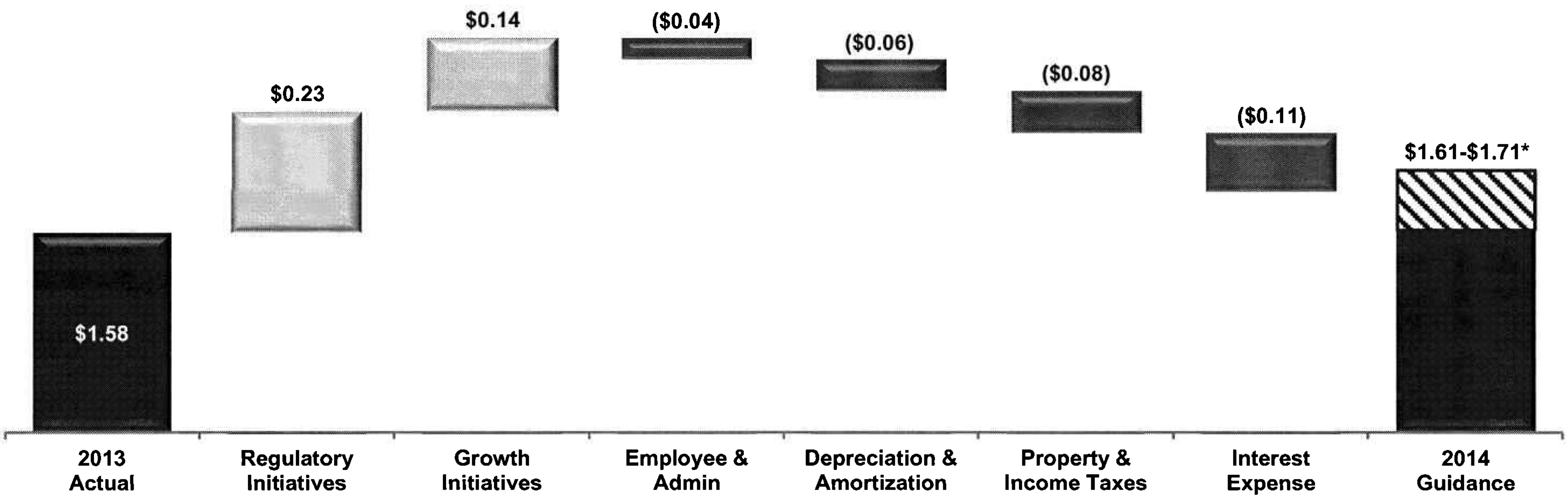
- Sustainable long-term growth
  - 2014 EPS guidance: $1.61 to $1.71 per share*
- ~$2B capital plan outlined for 2014
  - 75% of investments dedicated to earnings accretive and revenue-generating projects
- Long-term inventory of modernization, growth and midstream opportunities continues to grow
- Balanced, transparent approach to funding capital requirements
- Commitment to investment-grade credit, sustainable growth, strong liquidity and a growing dividend

Well-Established Platform for Sustainable Growth and Value Creation

** Net Operating Earnings from Continuing Operations (non-GAAP)*

2013 to 2014 Earnings Per Share (Non-GAAP)

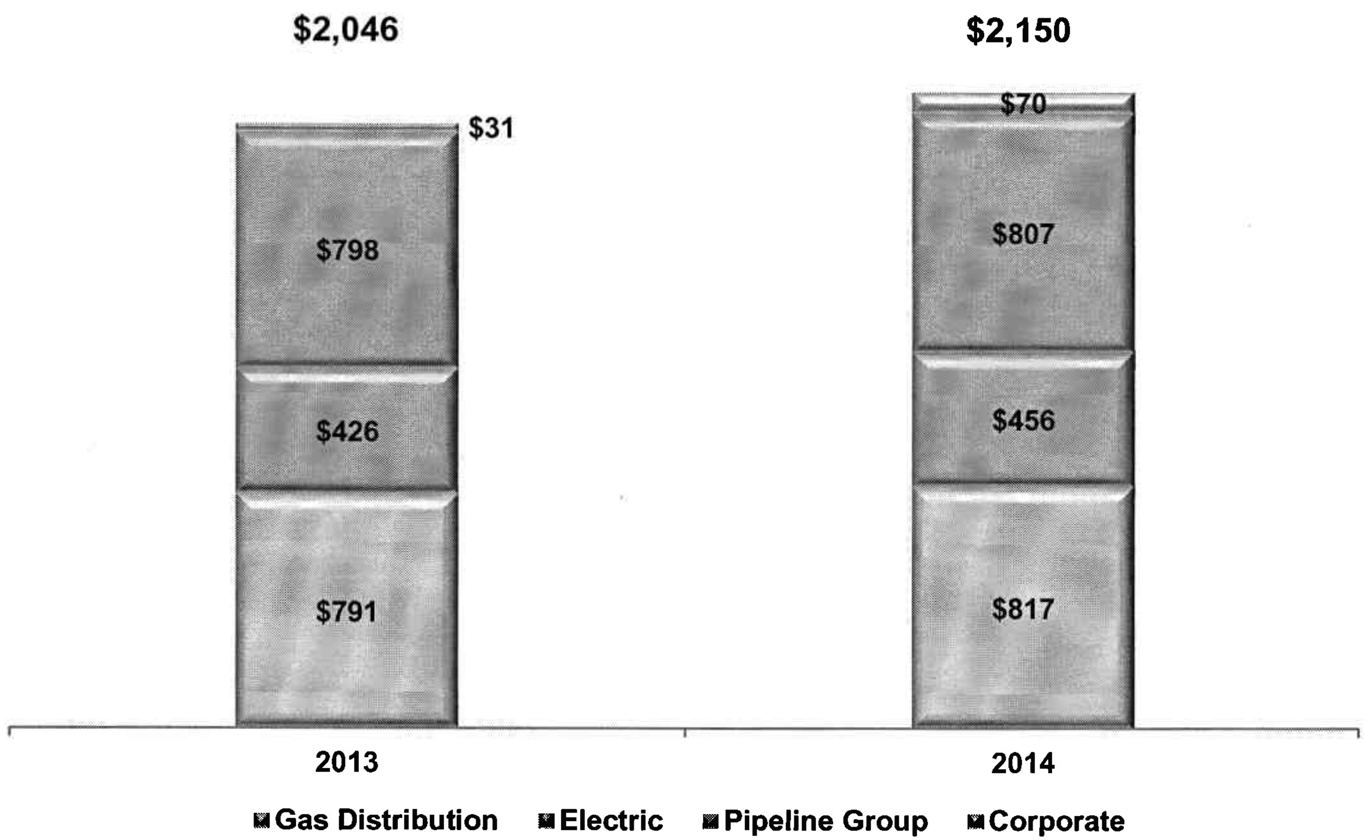
2014 EPS Guidance Range $1.61 - $1.71*



* Projected Net Operating Earnings from Continuing Operations (non-GAAP)

Capital Expenditures ($M)

2013 Actual and 2014 Forecasted CapEx

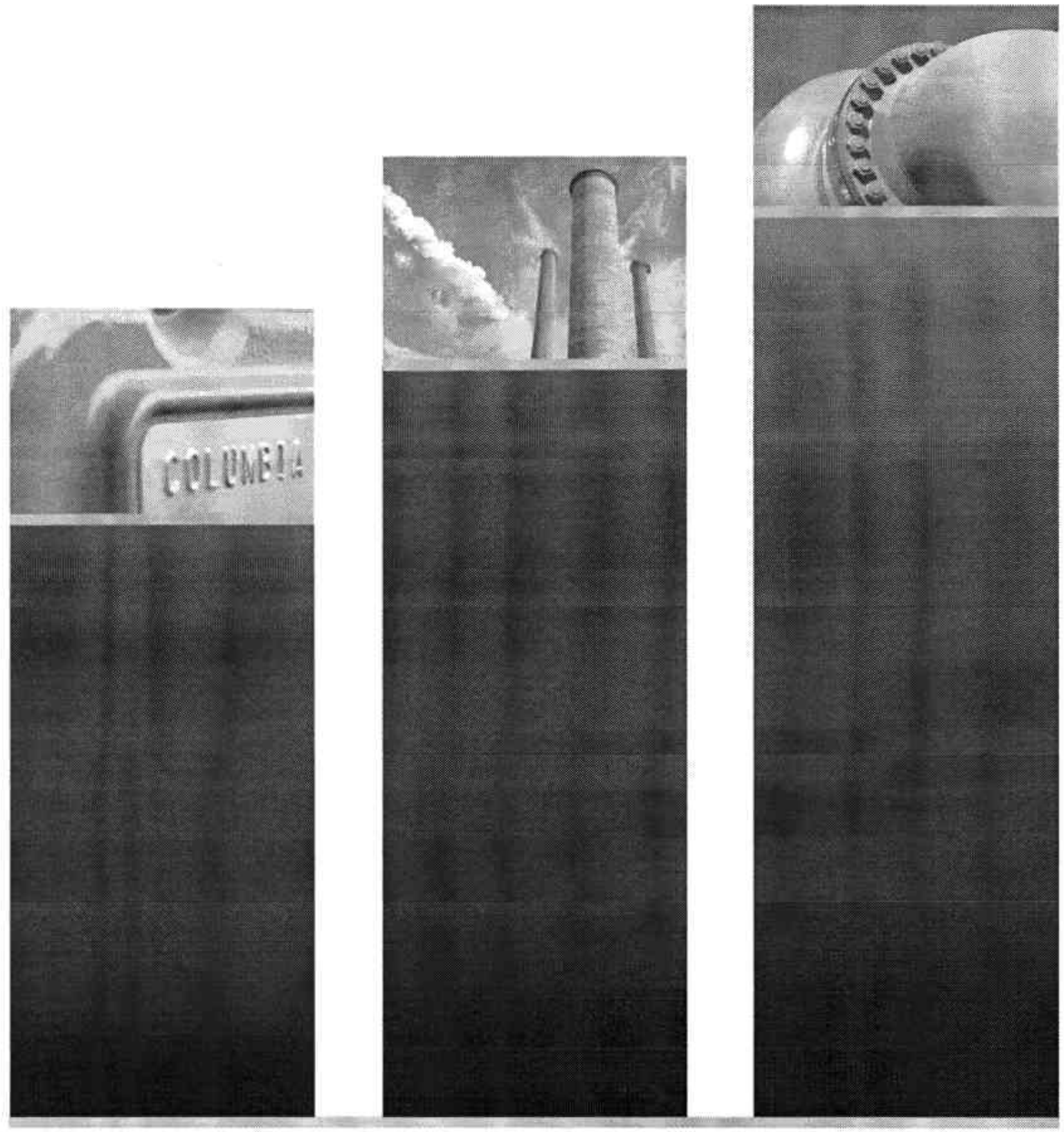


2014 Growth & Tracker ~$1,656M (77%) and Age & Condition ~$494M (23%)

B U I L D I N G

Appendix

Fourth Quarter/Year-End 2013 Earnings
February 18, 2014



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Capitalization ($M)

Total Debt to Capitalization 60.0% as of 12/31/13

	Actual 12/312013			Actual 12/31/2012		
	Debt	Equity	Total	Debt	Equity	Total
Long-Term Debt	$ 7,593.2	$ -	$ 7,593.2	$ 6,819.1	$ -	$ 6,819.1
Short-Term Debt	433.6	-	433.6	543.6	-	543.6
Sale of A/R	265.1	-	265.1	233.3	-	233.3
Current Portion of Long-Term Debt	542.1	-	542.1	507.2	-	507.2
Common Equity	-	5,886.6	5,886.6	-	5,554.3	5,554.3
Total Capitalization Per Balance Sheet	**$ 8,834.0**	**$ 5,886.6**	**$14,720.6**	**$ 8,103.2**	**$ 5,554.3**	**$13,657.5**
% of Capitalization Per Balance Sheet	**60.0%**	**40.0%**	**100.0%**	**59.3%**	**40.7%**	**100.0%**

Moody's Baa2 /P2 • S&P BBB- /A3 • Fitch BBB- /F3

Current Liquidity ($M)

	Actual 12/31/13	Maturity
Committed Credit Facility	$ 2,000	September 2018
Less:		
Drawn on Credit Facility	-	
Commercial Paper	(434)	
Letters of Credit	(14)	
Add:		
Cash & Equivalents	27	
Net Available Liquidity	**$ 1,579**	

CPG Regulated Pipeline & Storage Growth Update

M $3B-$4B Opportunity
Marketing

1 **Millennium** **~$90M** (NI: $45M) **2Q '13 & 1Q '14**
Marcellus: Deliver Marcellus supplies to multiple markets with expanded compression at Minisink (+150 MMcf/Day) and Hancock (+175 MMcf/Day)

2 **Virginia LNG Facility** **~$30M** **Phase 1: 4Q '13** **Phases 2 & 3: '14 - '15**
Facility Upgrade: Multi-phased project over three years to upgrade and maintain service to existing customers. (120 MMcf/Day)

3 **Warren County** **~$35M** **2Q '14**
Gas Generation: Expansion to serve Virginia Power's new 1,300 MW plant (250 MMcf/Day)

4 **West Side Expansion** **~$200M** **4Q '14**
Marcellus: Transport supply to growing Southeast Markets (~500 MMcf/Day) with limited interim service currently being provided.

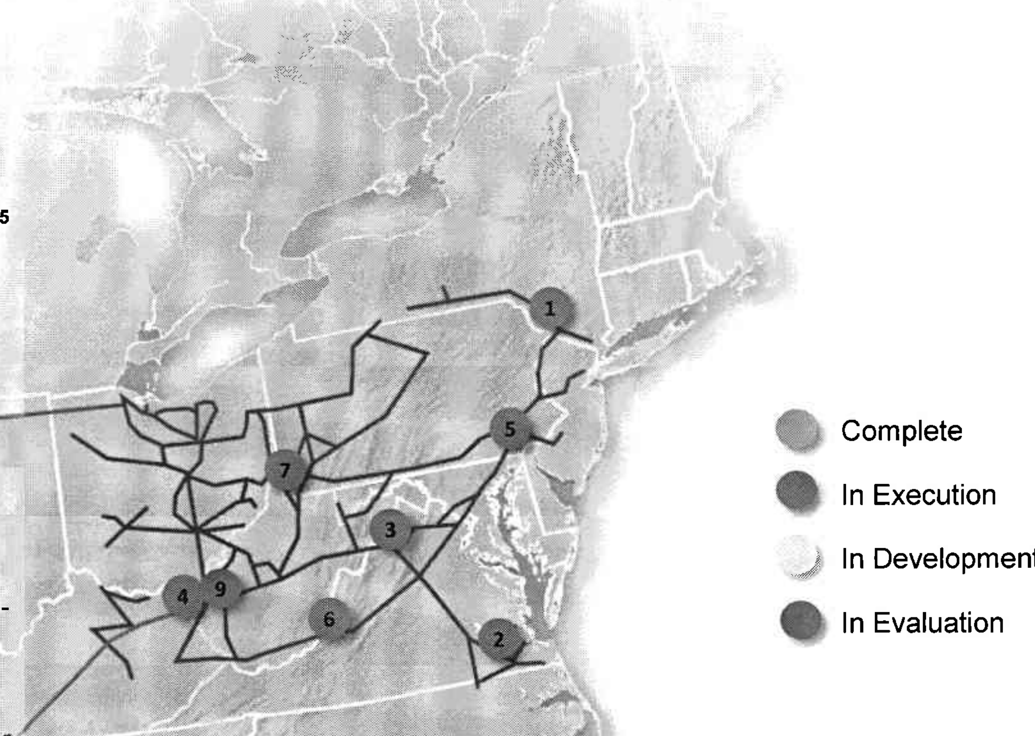
5 **East Side Expansion** **~$275M** **3Q '15**
Marcellus: Connect northern Marcellus supplies to Northeast and Mid-Atlantic Markets (~315 MMcf/Day)

6 **Giles County** **~$40M** **CPG $25M - CGV $15M** **4Q '14**
Gas Conversion: Pipeline extension to serve coal-to-natural gas boiler conversion (~45 MMcf/Day). FERC Approved Feb. 7, 2014

7 **Line 1570** **~$20M** **4Q '14**
Marcellus: Increased takeaway capacity (~100 MMcf/Day). FERC Approved Feb. 7, 2014

8 **Cameron Access Project** **~$300M** **YE '17**
Transport supplies from numerous basins into Cameron's LNG facility via a new pipeline and additional compression. (~800 MMcf/Day)

9 **Rayne / Leach Express** **TBD** **TBD**
Marcellus / Utica: Facilitates transportation of Marcellus and Utica production to markets on Columbia Gas (Leach) and Columbia Gulf (Rayne). (Rayne = ~800 MMcf/Day; Leach = ~1.0 Bcf/Day)



M $4B-$5B Opportunity
Modernization

Columbia Gas Modernization **$300M/Yr** **2013 – 2018**

FERC approved (1/2013) - 5 Year settlement agreement (with potential extension provisions) to execute a comprehensive, balanced and transparent pipeline modernization program. The program started in 2013…first year tracker filed in December 2013 and approved for February 2014 recovery.

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CPG Midstream & Minerals Growth Update

M Midstream — **$1B-$1.5B Opportunity**

			In-Service
10	**Majorsville**	**~$85M**	**3Q '10**
11	**Big Pine Gathering**	**~$165M**	**2Q '13**
12	**Pennant JV – Hickory Bend Gathering/Processing**	**~$320M** (NI = ~$160M)	**4Q '13**
13	**Pennant JV – NGL Pipeline**	**~$50M (NI = $25M)**	**3Q '14**
14	**Washington County Gathering**	**~$120M**	**2H '15**
15	**Pennant JV – Phase II**	**~$300M (NI = $150M)**	**TBD**

10 **Majorsville** — **~$85M** — **In-Service 3Q '10**
Marcellus: Gathers wet gas to processing facility and provides downstream pipeline market access with additional pipeline and compression assets (325 MMcf/Day)

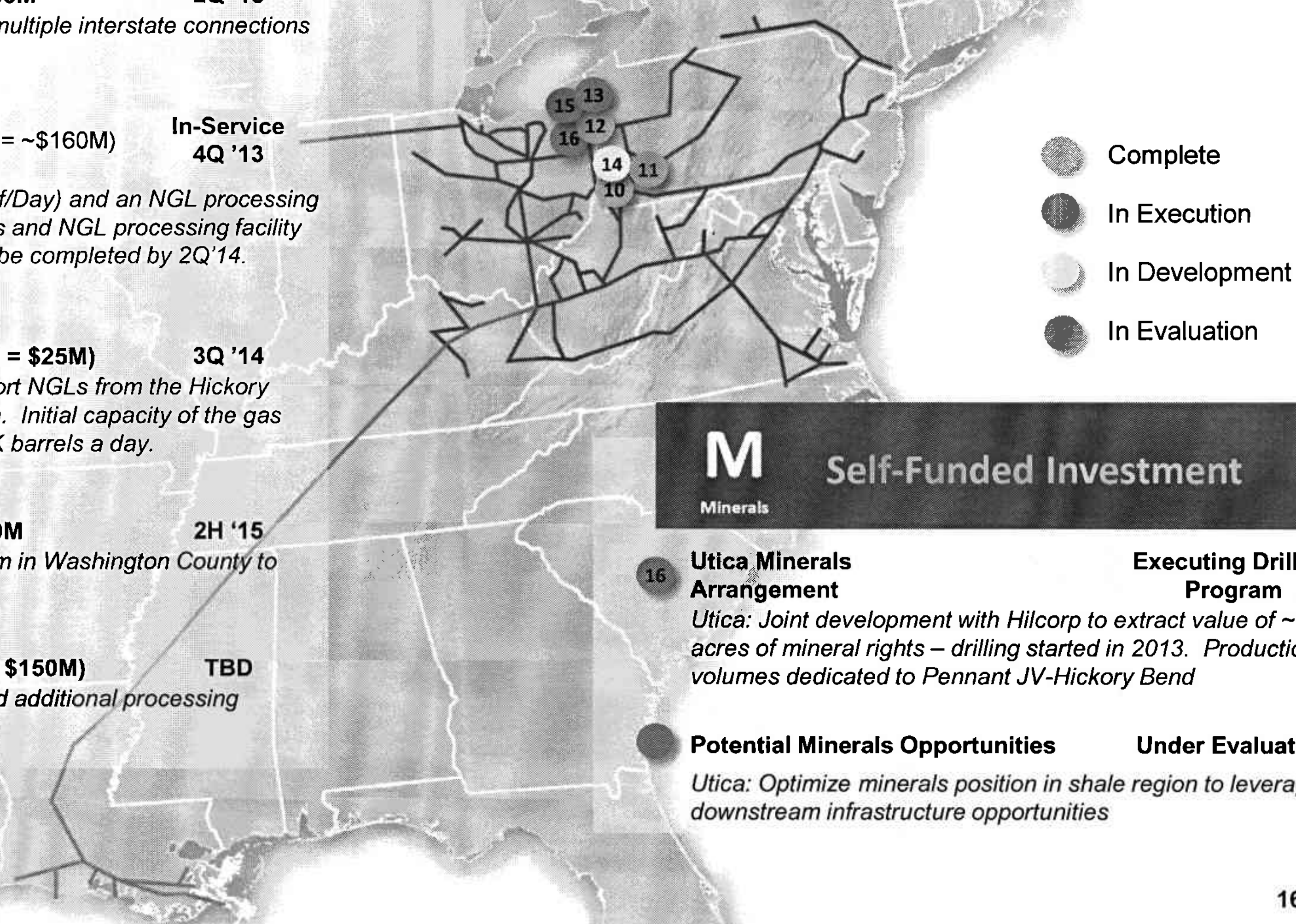
11 **Big Pine Gathering** — **~$165M** — **In-Service 2Q '13**
Marcellus: ~60 Miles of Pipeline with multiple interstate connections (425 MMcf/Day)

12 **Pennant JV – Hickory Bend Gathering/Processing** — **~$320M** (NI = ~$160M) — **In-Service 4Q '13**
Utica: ~55 miles of Pipeline (600MMcf/Day) and an NGL processing facility (200 MMcf/Day); Ohio pipelines and NGL processing facility completed; Pennsylvania pipelines to be completed by 2Q'14.

13 **Pennant JV – NGL Pipeline** — **~$50M (NI = $25M)** — **3Q '14**
Utica: Pipeline development to transport NGLs from the Hickory Bend processing facility to Kensington. Initial capacity of the gas liquids pipeline is expected to be ~90K barrels a day.

14 **Washington County Gathering** — **~$120M** — **2H '15**
Marcellus: Greenfield gathering system in Washington County to gather wellhead production.

15 **Pennant JV – Phase II** — **~$300M (NI = $150M)** — **TBD**
Utica: Gathering system extension and additional processing facilities.



M Minerals — **Self-Funded Investment**

16 **Utica Minerals Arrangement** — **Executing Drilling Program**
Utica: Joint development with Hilcorp to extract value of ~120k acres of mineral rights – drilling started in 2013. Production volumes dedicated to Pennant JV-Hickory Bend

Potential Minerals Opportunities — **Under Evaluation**
Utica: Optimize minerals position in shale region to leverage downstream infrastructure opportunities

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Electric Operations Infrastructure Investment Update

Upgrade Generation Fleet
($700M - $1.4B Opportunity)

			In-Service
1	**U14 FGD**	**~$250M**	**YE '13**

ECRM (Environmental Cost Recovery Mechanism - 100% Tracked) FGD (Flue Gas Desulfurization) facility at Schahfer Generating Station

U15 FGD **~$250M** **YE'14**
ECRM (100% Tracked) FGD facility at Schahfer Generating Station

U12 FGD **~$250M** **YE'15**
ECRM (100% Tracked) FGD facility at Michigan City Generating Station

NOx Upgrades **~$50M** **YE'15**
ECRM (100%Tracked) NOx upgrades and monitoring

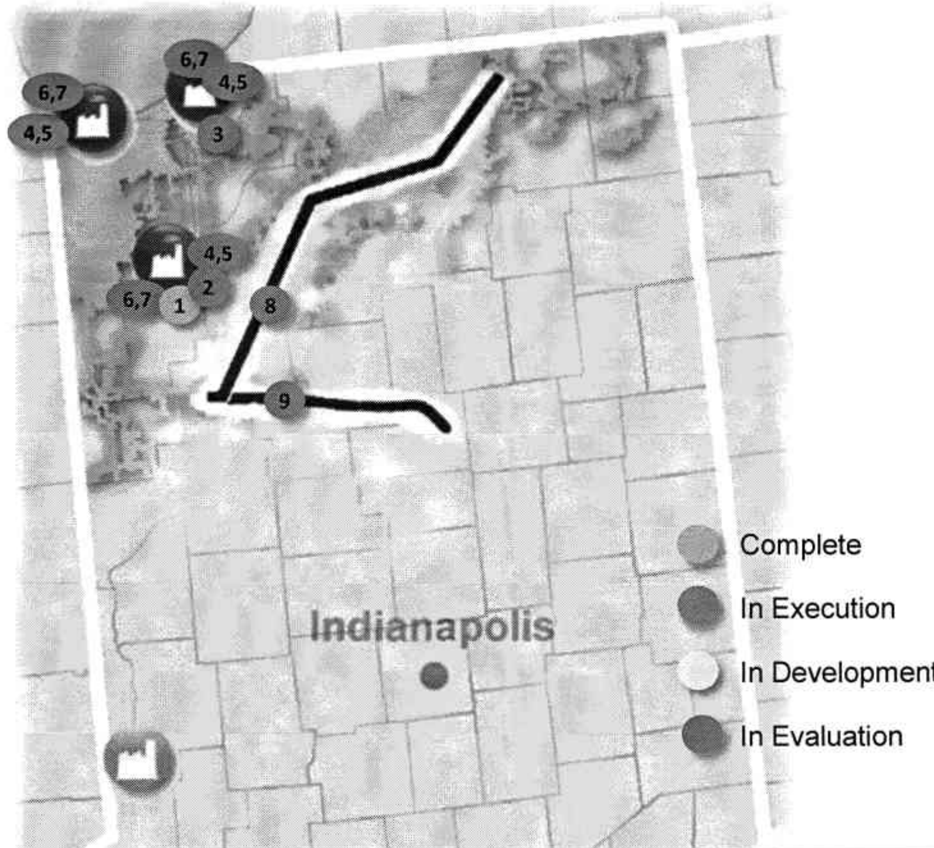
MATS **~$60M** **YE'13/YE'14/YE'15**
ECRM (100%Tracked) projects enhancing mercury and particulate controls at all coal plants

Water Treatment **$25M - $130M** **YE'17/YE'18**
Environmental: SB 251 (80% Tracked / 20% Deferred) projects enhancing wastewater treatment at all coal plants and water intake modifications at Bailly Station

7 **Coal Ash Improvements** **$100M - $300M** **TBD**
Environmental: SB 251 (80% Tracked / 20% Deferred) projects upgrading ash handling and disposal at all coal plants

Infrastructure Modernization Program
($3B - $4B Opportunity)

NIPSCO Electric Distribution & Transmission Modernization **7-Year Investment ~$1.1B** **Approved / Implemented: 2014**
Modernization: SB 560 (80% Tracked / 20% Deferred) NIPSCO is implementing year 1 of its 7-year, ~$1.1B electric infrastructure replacement plan. The plan was approved by the IURC on February 17, 2014 and requires NIPSCO to file a rate case within seven years.



Enhance Transmission System
($500M - $1.0B Opportunity)

8 **Reynolds-Topeka** **$250M - $300M** **2H 2018**
MISO MVP: FERC approved 345-kV transmission project from Reynolds Substation to Hiple Substation (100 miles) – route determination complete…right-of-way acquisition in process.

9 **Greentown-Reynolds** **$300M - 400M (NI: $150M – $200M)** **2H 2018**
MISO MVP – partnership: FERC approved 765-kV transmission project from Reynolds Substation to Greentown Substation (66 miles) – final route not determined

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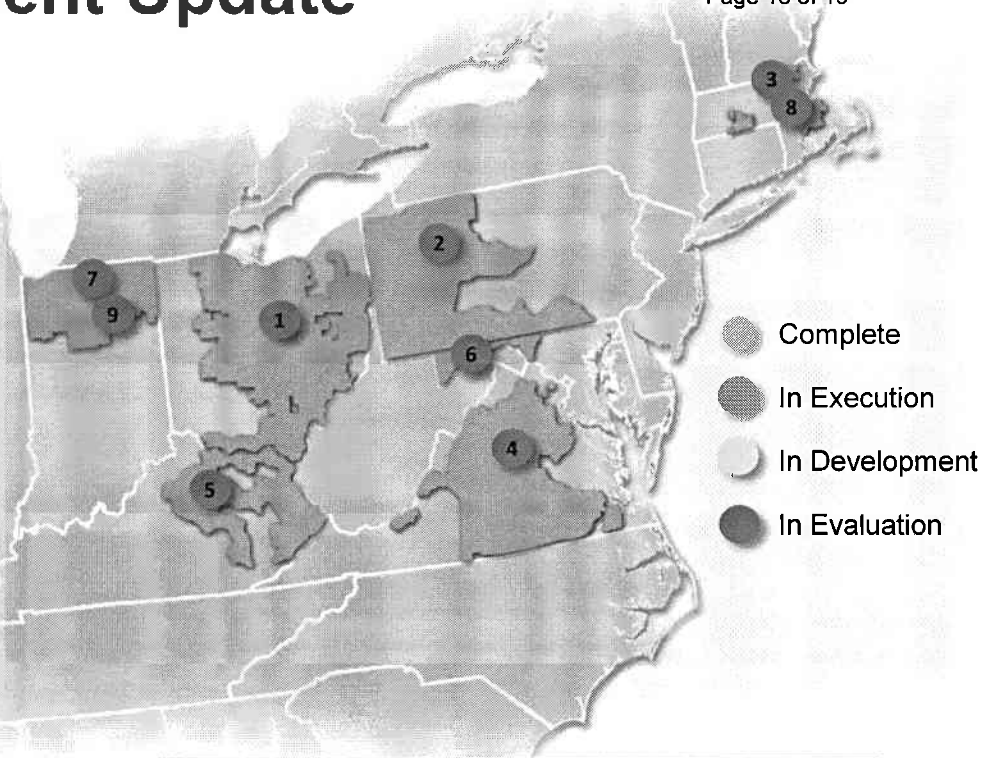
NGD Infrastructure Investment Update

Infrastructure Modernization Programs ($10B+ Opportunity)



Annual Investment

1 **Columbia Gas of Ohio** **$150M - $200M** **20+ Years**
Tracked: Execution of established Infrastructure Replacement Program; annual tracker filings with 5-year program renewal (next renewal 2018)

2 **Columbia Gas of Pennsylvania** **$100M - $150M** **20+ Years**
Rate Case/Tracked: Execution of established Infrastructure Replacement Program; recovery utilizes forward test year rate case filings supplemented by periodic DSIC filings under Act 11

3 **Columbia Gas of Massachusetts** **$25M - $50M** **20+ Years**
Tracked: Execution of established Infrastructure Replacement Program; annual tracker filings, program approved in 2009 and expanded in 2012 rate case

4 **Columbia Gas of Virginia** **$20M - $35M** **20+ Years**
Tracked: Execution of established Infrastructure Replacement Program; annual tracker filings with 5-year program renewal (next renewal 2017); Amended filing, approved 7/3/13, increases annual investment, expands eligible facilities and provides more annual flexibility

5 **Columbia Gas of Kentucky** **$10M - $15M** **20+ Years**
Tracked: Execution of established Infrastructure Replacement Program with annual tracker filings

6 **Columbia Gas of Maryland** **$5M - $10M** **20+ Years**
Rate Case/Tracked: Execution of established Infrastructure Replacement Program; rate case filings with make whole filings for up to three subsequent years

7 **NIPSCO – Gas** **$50M - $115M** **7 Years**
Modernization: SB 560 (80% Tracked / 20% Deferred) – pending approval. The NIPSCO Gas 7-year, ~$700M gas infrastructure replacement plan also contains plans to expand natural gas service into rural areas of Indiana.

Current Regulatory Activity

8 **Columbia Gas of Massachusetts – Rate Case** **Requested Increase: $30M** **Filed: 2Q '13 Effective: 1Q '14**
Filing supports CMA's continued effort to modernize pipeline infrastructure and transform its operations to serve customers safely, reliably and cost-effectively.

9 **NIPSCO – Gas** **Seven-Year ~$700M Investment Plan** **Filed: 4Q '13 Effective: 2014**
NIPSCO filed its 7-year, ~$700M gas infrastructure replacement plan on October 3, 2013. The plan is expected to be approved and implemented during 2014. Once approved NIPSCO will be required to file a rate case within the 7-year period.

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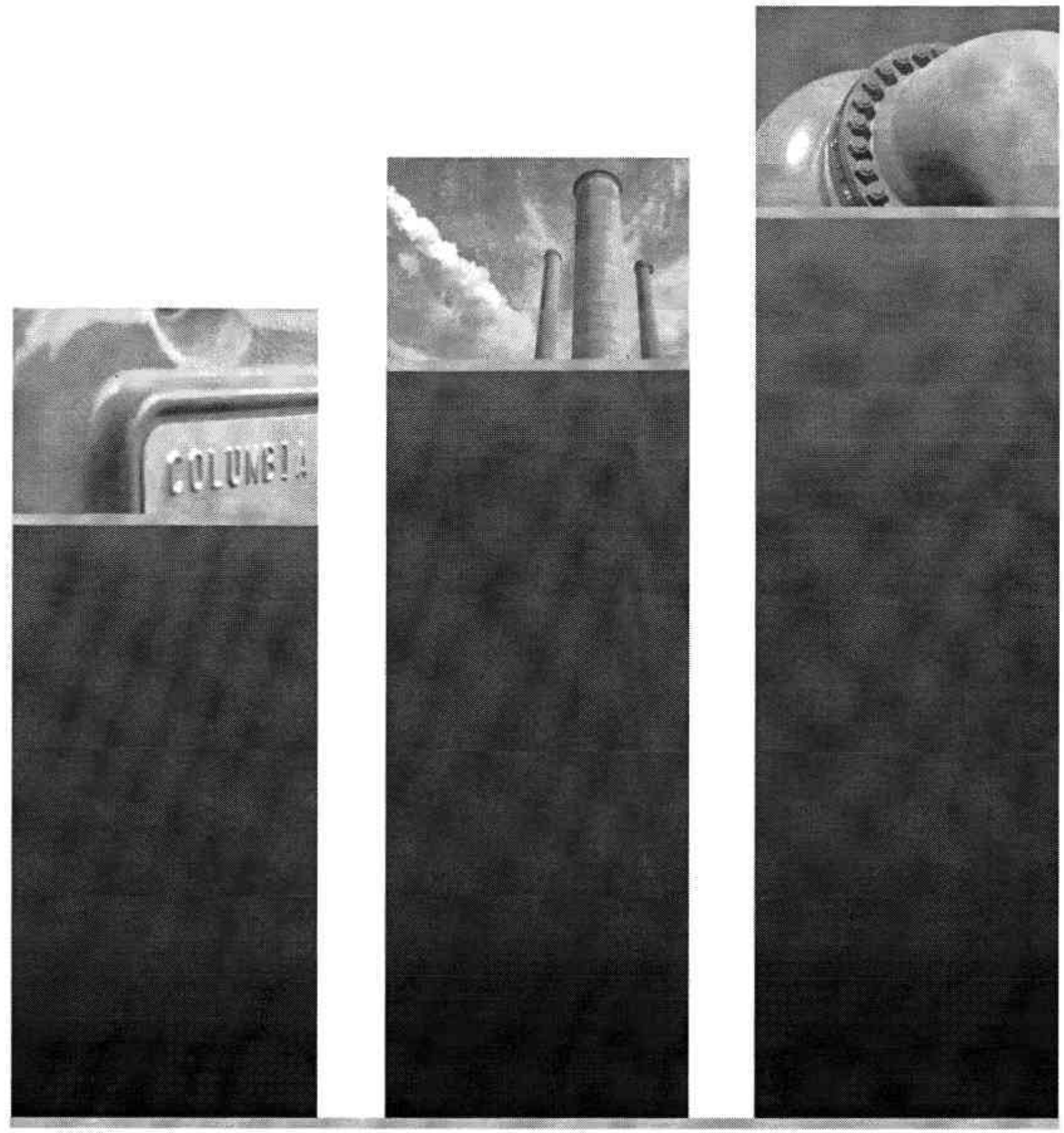
Key Path Forward Markers

		2013 Completed	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15
Liquidity	2013 LT Debt Issuances : $750M (30 Years @ 4.80%) / $500M (30 Years @ 5.65%)	✓								
Liquidity	LT Debt Maturities: $500M (7/2014) / $250M (4/2015) / $230M (11/2015)				▲		▲			▲
Liquidity	Increased Credit Facility Capacity from $1.5B to $2.0B and Extended Term Until 9/2018	✓								
Liquidity	DRIP: ~$50M/year									
Gas Distribution	Columbia Gas of MA – Rate Case (Effective)		▲							
Gas Distribution	Columbia Gas of MD – Rate Case	✓								
Gas Distribution	Columbia Gas of PA – Rate Case	✓								
Gas Distribution	Columbia Gas of KY – Rate Case	✓								
Gas Distribution	NIPSCO Gas – Rate Case Extension	✓								
Gas Distribution	NIPSCO Gas – Infrastructure Replacement – SB 560 (Approval of 7-Year Plan / Implementation)			▲						
Gas Distribution	Infrastructure Replacement Programs (~$350-$450M Per Year)									
Electric	NIPSCO – FGD's: U14, U15, U12 (U14 Completed - 2013 / U15 In-Service / U12 In-Service)	✓				▲				▲
Electric	Infrastructure Replacement Program – SB 560 (Approval of 7-Year Plan / Implementation)		▲							
Electric	MISO Approved Transmission Projects (Planning & Construction / In-Service 2018)									
Columbia Pipeline Group	Giles County (FERC Approval / In-Service)		▲			▲				
Columbia Pipeline Group	Pennant NGL Pipeline (In-Service)				▲					
Columbia Pipeline Group	Pennant JV – Hickory Bend Gathering/Processing (In-Service)	✓								
Columbia Pipeline Group	Big Pine Gathering (In-Service)	✓								
Columbia Pipeline Group	Warren County Project (In-Service)			▲						
Columbia Pipeline Group	Millennium Pipeline – Expanded Compression (Minisink Completed - 2013 / Hancock In-Service)	✓	▲							
Columbia Pipeline Group	Columbia Gas Modernization (2013 Tracker Implementation / Execution)		▲							
Columbia Pipeline Group	West Side Expansion (In-Service)					▲				
Columbia Pipeline Group	East Side Expansion (In-Service)								▲	
Columbia Pipeline Group	Virginia LNG Facility Upgrade (Phase 1: Completed 2013 / Phase 2 & Phase 3: In-Service)	✓				▲				▲
Columbia Pipeline Group	Line 1570 (FERC Approval / In-Service)		▲			▲				

B U I L D I N G

Supplemental Slides

First Quarter 2014 Earnings
April 30, 2014



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Key Takeaways – First Quarter 2014

Continued Execution of NiSource's Infrastructure Investment Strategy

- Results in line with 2014 earnings guidance of $1.61 to 1.71 per share
  - First quarter earnings per share: $0.82*
- Continued execution of customer, regulatory and modernization programs across all three business units
- Record $2.2 billion 2014 capital investment program on track
- New rates in effect in Massachusetts; rate case on schedule in Pennsylvania
- Pipeline modernization investment recovery began in February
- Expanding inventory of pipeline and midstream growth projects

Building Long-Term, Sustainable Growth

** Net Operating Earnings from Continuing Operations (non-GAAP); For a reconciliation to GAAP, see Schedule 1 of the Company's April 30, 2014 Earnings Release*

First Quarter 2014 Financial Highlights

Results In Line With 2014 Earnings Guidance

Non-GAAP**	Q1 2014*	Q1 2013*	Change*
Net Operating Earnings from Continuing Operations	$258.4	$215.3	$43.1
Net Operating Earnings Per Share	$0.82	$0.69	$0.13
Operating Earnings	$509.1	$427.9	$81.2

GAAP	Q1 2014*	Q1 2013*	Change*
Income from Continuing Operations	$266.4	$216.0	$50.4
Earnings Per Share	$0.85	$0.69	$0.16
Operating Income	$533.7	$428.9	$104.8

** All results listed in millions, except for EPS;*
*** For a reconciliation to GAAP, see Schedule 1 of the Company's April 30, 2014 Earnings Release*

A Compelling Investment Opportunity

First Quarter 2014 Financing Highlights

Financial Foundation to Support Robust Capital Investment Program

- Continued strong liquidity position of ~$1.7B as of March 31, 2014
- ~77% of investments focused on revenue-generating opportunities
- Total debt to capitalization ~60% as of March 31, 2014
- Balanced, transparent approach to funding capital requirements
- Commitment to investment-grade credit, sustainable growth, strong liquidity and a growing dividend

Moody's Baa2 /P2 | S&P BBB- /A3 | Fitch BBB- /F3

Results In Line With 2014 Earnings Guidance

Columbia Pipeline Group – First Quarter 2014

Project Inventory Expands to Support Shale Infrastructure Needs

- Operating earnings $158.9 in Q1 2014 vs. $133.3M in Q1 2013*
- First year modernization settlement recovery approved; began on Feb. 1, 2014
- Growing inventory of investment opportunities
- 2014 capital investment: More than $800M

Looking Ahead:

Project	Key Components	Status
Washington County Gathering Project	• Additional gathering and compression facilities • Long-term gathering agreements in place • Up to 100 million cubic feet per day • ~$120M investment	• Projected in service 2H 2015
Pennant Midstream, LLC NGL Pipeline *50/50 Joint Venture with Harvest Pipeline*	• NGL pipeline in eastern Ohio connecting the Hickory Bend processing facility to the UEO Kensington facility • 90K barrels per day capacity • ~$50M investment (NI: $25M)	• Projected in service Q3 2014
Cameron Access Project	• New pipeline facilities along Columbia Gulf to connect numerous supply basins to the Cameron LNG export terminal • Up to 800 million cubic feet per day • ~$300M investment	• LNG facility received DOE approval for export on Feb. 11, 2014 • Binding precedent agreements in place • Project in service by YE 2017
Pipeline Modernization	• 5-year initial settlement term • $1.5B investment during initial settlement term • Part of $4B - $5B investment program	• 2013 investment recovery began on Feb. 1, 2014 • ~$300M modernization investments projected in 2014
Other In-Progress Growth Projects	• Expanding mix of new and ongoing investments to support continued system reliability and shale production	• Complete details available in Appendix on slides 13-14

** Non-GAAP. For a reconciliation to GAAP, see Schedule 2 of the Company's April 30, 2014 Earnings Release*

Electric Operations – First Quarter 2014

Modernization Investments Provide Growth, Customer & Economic Benefits

- Operating earnings $74.2M in Q1 2014 vs. $64.9M in Q1 2013*
- Infrastructure modernization program investments initiated
- Electric transmission projects progressing in line with expectations
- 2014 capital investment: ~$450M

Looking Ahead:

Highlight	Key Components	Status
Electric system modernization program	• Seven-year, ~$1.1B investment focused on replacing poles, transformers and other related equipment	• Filing approved by IURC on Feb. 17, 2014 • Investments begin in 2014
Electric Generating Plant Environmental Investments	• ~$850M in total environmental investments • Schahfer Flue Gas Desulfurization (FGD) investments: Units 14 & 15 • Michigan City FGD: Unit 12 • Enhanced mercury and particulate controls (MATS)	• Schahfer Unit 14 in service • Schahfer Unit 15 and Michigan City Unit 12 on schedule, on budget
Electric Transmission System Enhancement – Reynolds to Topeka Project	• 100-mile, 345-kV transmission project • $250M-$300M investment • Projected in-service latter part of 2018	• Final route selected • Right of way acquisition in progress
Electric Transmission System Enhancement – Reynolds to Greentown (*Joint Project*)	• ~70-mile, 765-kV transmission project • $300M-$400M investment (NIPSCO portion $150M - $200M) • Projected in-service latter part of 2018	• Preliminary planning in progress • Stakeholder outreach continues

** Non-GAAP. For a reconciliation to GAAP, see Schedule 2 of the Company's April 30, 2014 Earnings Release*

NiSource Gas Distribution – First Quarter 2014

$10B+ Inventory of Long-Term Infrastructure Investments

- Operating earnings $280.1M in Q1 2014 vs. $233.3M in Q1 2013*
- Massachusetts rate order in line with expectations, $19 million in additional annual revenues
- Most recent Ohio infrastructure replacement rider approved on April 23
- 2014 capital investment: ~$815M

Looking Ahead

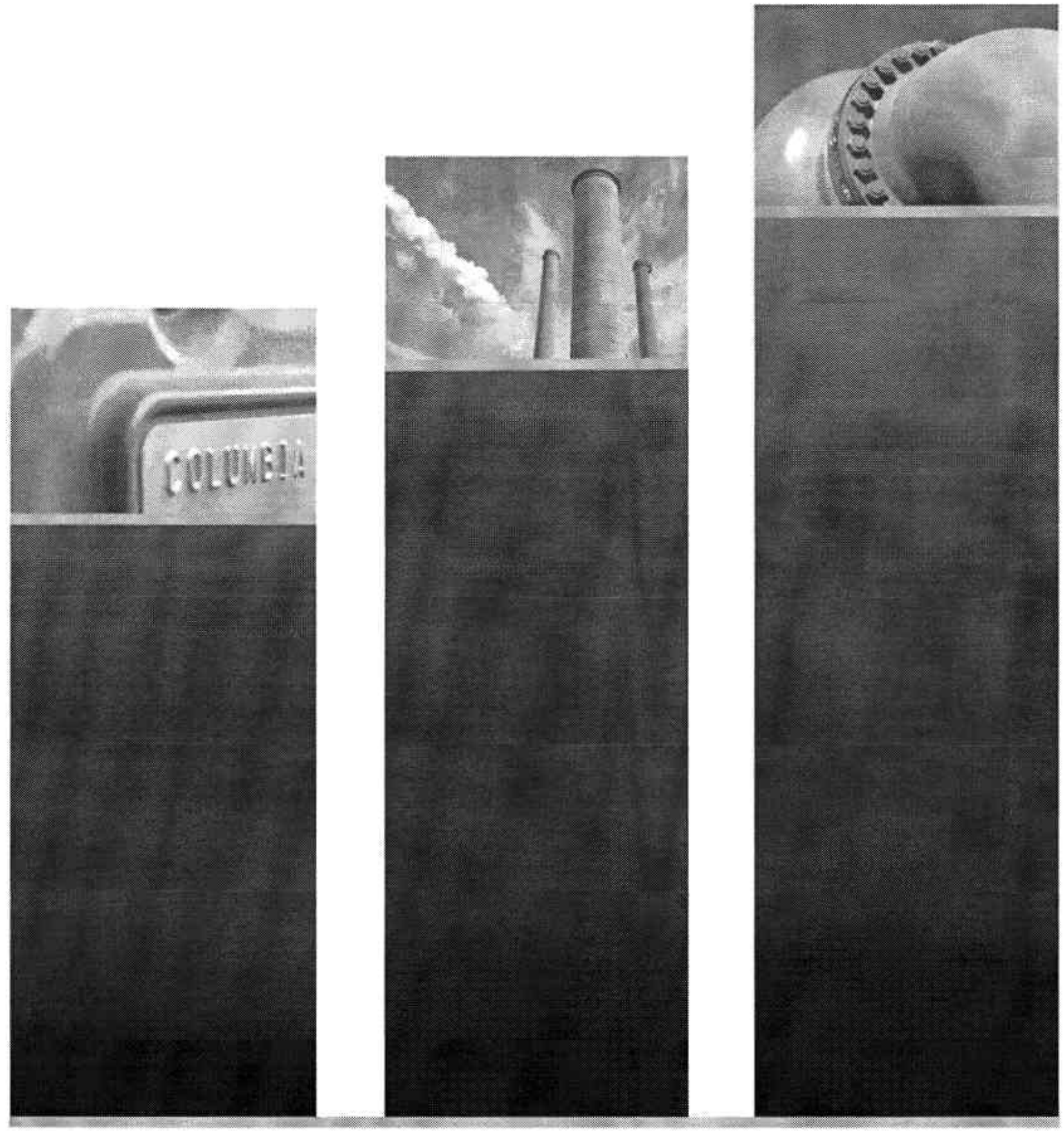
Highlight	Key Components	Status
NIPSCO natural gas system modernization program	• Seven-year plan filed with the IURC • ~$700M investment focused on system modernization and system extensions to rural customers	• IURC decision expected as early as April 30, 2014 • Investments scheduled to begin in mid-2014
Columbia Gas of Pennsylvania Base Rate Case	• Filed March 21, 2014 • Requested revenue increase of ~$54M • Supports continuation of robust infrastructure modernization plans	• A decision with rates in effect projected later this year
Columbia Gas of Virginia Industrial Customer Expansion	• ~$15M growth project to serve major industrial customer • Columbia Gas Transmission will execute a complementary project to interconnect with CGV (~$25M investment)	• On schedule, on budget • Projected in-service late 2014
Infrastructure Modernization	• ~$10B+ long-term program across service territory	• Complete program update outlined in Appendix on slide 16

** Non-GAAP. For a Reconciliation to GAAP, See Schedule 2 of the Company's April 30, 2014 Earnings Release*

B U I L D I N G

Appendix

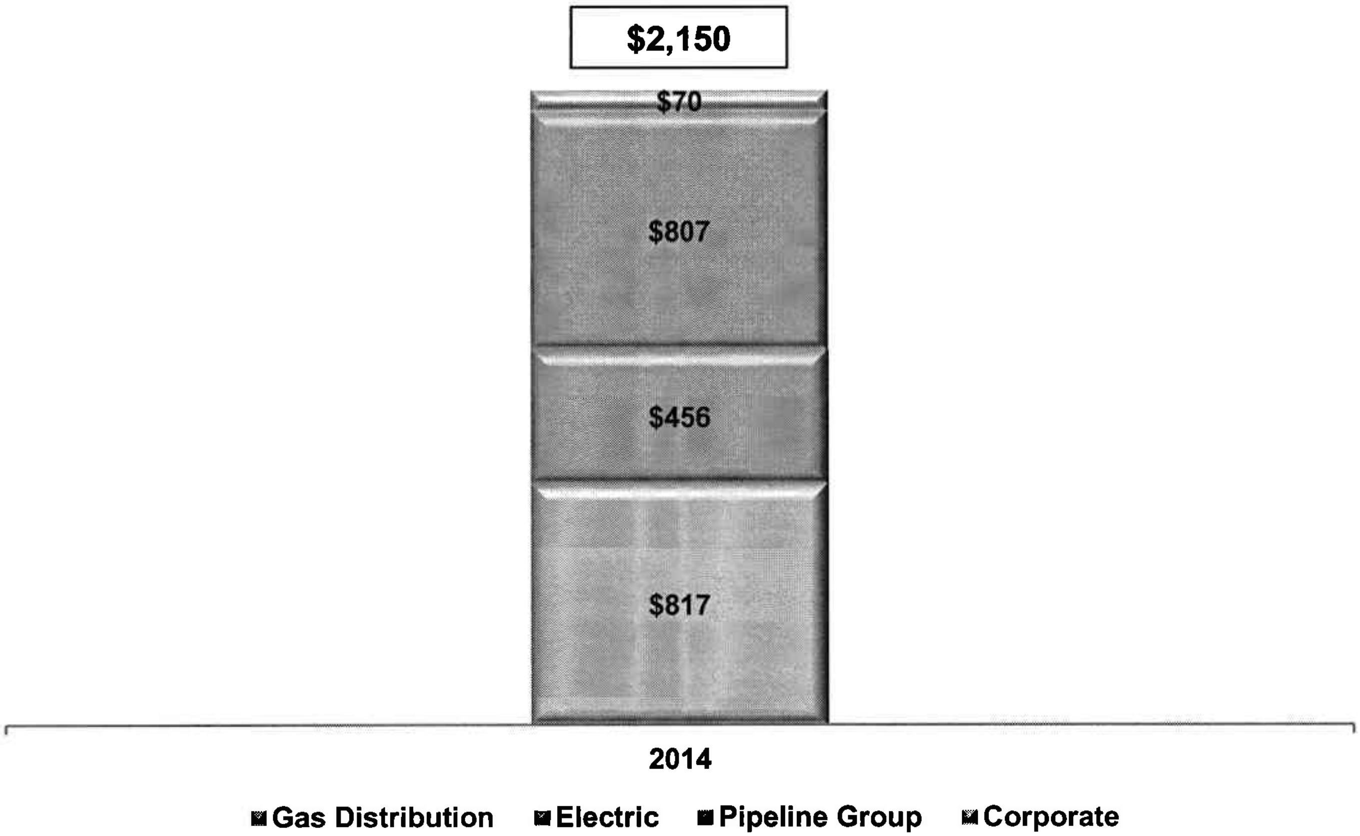
First Quarter 2014 Earnings
April 30, 2014



NiSource®

Capital Expenditures ($M)

2014 Forecasted CapEx



2014 Growth & Tracker ~$1,656M (77%) and Age & Condition ~$494M (23%)

Capitalization ($M)

Total Debt to Capitalization 59.9% as of 3/31/14

	Actual 3/31/2014			Actual 12/31/2013		
	Debt	Equity	Total	Debt	Equity	Total
Long-Term Debt	$ 7,638.5	$ -	$ 7,638.5	$ 7,593.2	$ -	$ 7,593.2
Short-Term Debt	297.5	-	297.5	433.6	-	433.6
Sale of A/R	515.0	-	515.0	265.1	-	265.1
Current Portion of Long-Term Debt	530.5	-	530.5	542.1	-	542.1
Common Equity	-	6,012.1	6,012.1	-	5,886.6	5,886.6
Total Capitalization Per Balance Sheet	**$ 8,981.5**	**$ 6,012.1**	**$14,993.6**	**$ 8,834.0**	**$ 5,886.6**	**$14,720.6**
% of Capitalization Per Balance Sheet	**59.9%**	**40.1%**	**100.0%**	**60.0%**	**40.0%**	**100.0%**

Moody's Baa2 /P2 • S&P BBB- /A3 • Fitch BBB- /F3

Current Liquidity ($M)

	Actual 3/31/2014	Maturity
Committed Credit Facility	$ 2,000	September 2018
Less:		
Drawn on Credit Facility	-	
Commercial Paper	(298)	
Letters of Credit	(14)	
Add:		
Cash & Equivalents	38	
Net Available Liquidity	**$ 1,726**	

NiSource

CPG Regulated Pipeline & Storage Growth Update

M $3B-$4B Opportunity
Marketing

			In-Service
1	**Millennium**	~$90M (NI: $45M)	2Q '13 & 1Q '14
2	**Virginia LNG Facility**	~$30M	Phase 1: 4Q '13; Phases 2 & 3: '14 - '15
3	**Warren County**	~$35M	2Q '14
4	**West Side Expansion**	~$200M	4Q '14
5	**East Side Expansion**	~$275M	3Q '15
6	**Giles County**	~$40M CPG $25M - CGV $15M	4Q '14
7	**Line 1570**	~$20M	4Q '14
8	**Cameron Access Project**	~$300M	YE '17
9	**Rayne / Leach Express**	TBD	4Q '17
10	**WB Express**	TBD	4Q '18

1 **Millennium** ~$90M (NI: $45M) 2Q '13 & 1Q '14
Marcellus: Deliver Marcellus supplies to multiple markets with expanded compression at Minisink (+150 MMcf/Day) and Hancock (+175 MMcf/Day)

2 **Virginia LNG Facility** ~$30M Phase 1: 4Q '13, Phases 2 & 3: '14 - '15
Facility Upgrade: Multi-phased project over three years to upgrade and maintain service to existing customers. (120 MMcf/Day)

3 **Warren County** ~$35M 2Q '14
Gas Generation: Expansion to serve Virginia Power's new 1,300 MW plant (250 MMcf/Day)

4 **West Side Expansion** ~$200M 4Q '14
Marcellus: Transport supply to growing Southeast Markets (~500 MMcf/Day) with limited interim service currently being provided.

5 **East Side Expansion** ~$275M 3Q '15
Marcellus: Connect northern Marcellus supplies to Northeast and Mid-Atlantic Markets (~315 MMcf/Day)

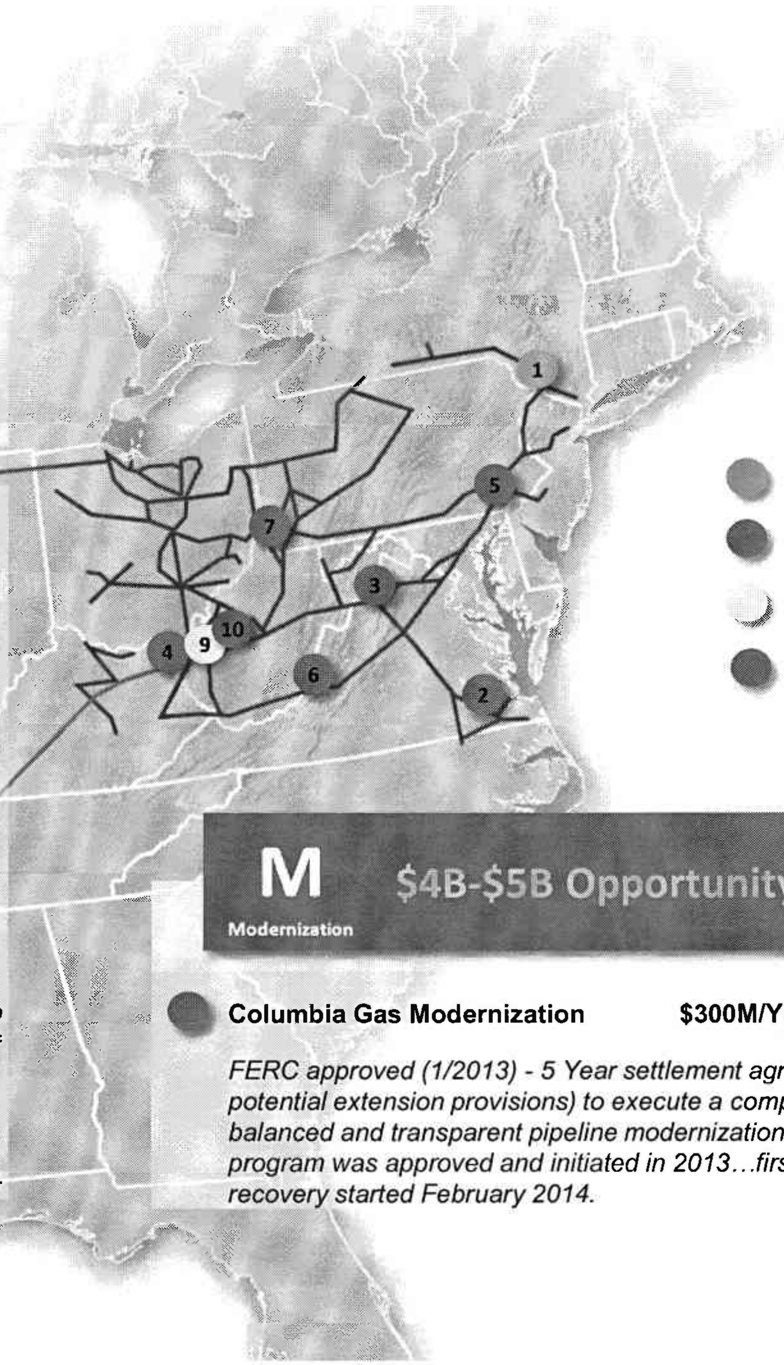
6 **Giles County** ~$40M CPG $25M - CGV $15M 4Q '14
Gas Conversion: Pipeline extension to serve coal-to-natural gas boiler conversion (~45 MMcf/Day). FERC Approved Feb. 7, 2014

7 **Line 1570** ~$20M 4Q '14
Marcellus: Increased takeaway capacity (~100 MMcf/Day). FERC Approved Feb. 7, 2014

8 **Cameron Access Project** ~$300M YE '17
Transport supplies from numerous basins into Cameron's LNG facility via a new pipeline and additional compression. (~800 MMcf/Day)

9 **Rayne / Leach Express** TBD 4Q '17
Marcellus / Utica: Facilitates transportation of Marcellus and Utica production to markets on Columbia Gas (Leach = ~1.5 Bcf/Day) and Columbia Gulf (Rayne = ~800 MMcf/Day).

10 **WB Express** TBD 4Q '18
Marcellus: Facilitates transportation of Marcellus production to markets on Columbia Gas east towards Loudoun and west towards Leach (~+1.0 Bcf/Day).



Complete
In Execution
In Development
In Evaluation

M $4B-$5B Opportunity
Modernization

Columbia Gas Modernization **$300M/Yr** **2013 – 2017**

FERC approved (1/2013) - 5 Year settlement agreement (with potential extension provisions) to execute a comprehensive, balanced and transparent pipeline modernization program. The program was approved and initiated in 2013...first year tracker recovery started February 2014.

NiSource

CPG Midstream & Minerals Growth Update

M Midstream — $1B-$1.5B Opportunity

10 **Majorsville** — **~$85M** — **In-Service 3Q '10**
Marcellus: Gathers wet gas to processing facility and provides downstream pipeline market access with additional pipeline and compression assets (325 MMcf/Day)

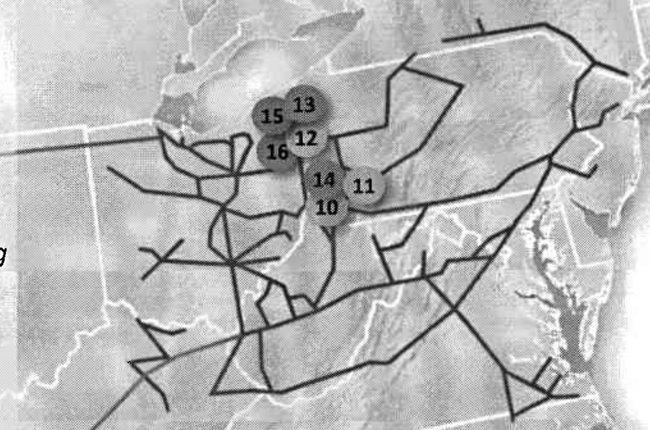
11 **Big Pine Gathering** — **~$165M** — **In-Service 2Q '13**
Marcellus: ~60 Miles of Pipeline with multiple interstate connections (425 MMcf/Day)

12 **Pennant JV – Hickory Bend Gathering/Processing** — **~$320M** (NI = ~$160M) — **In-Service 4Q '13**
Utica: ~55 miles of Pipeline (600MMcf/Day) and an NGL processing facility (200 MMcf/Day); Ohio pipelines and NGL processing facility completed; Pennsylvania pipelines to be completed by 2Q'14.

13 **Pennant JV – NGL Pipeline** — **~$50M (NI = $25M)** — **3Q '14**
Utica: Pipeline development to transport NGLs from the Hickory Bend processing facility to Kensington. Initial capacity of the gas liquids pipeline is expected to be ~90K barrels a day.

14 **Washington County Gathering** — **~$120M** — **2H '15**
Marcellus: Greenfield gathering system in Washington County, PA to gather wellhead production.

15 **Pennant JV – Phase II** — **~$300M (NI = $150M)** — **TBD**
Utica: Gathering system extension and additional processing facilities.



- Complete
- In Execution
- In Development
- In Evaluation

M Minerals — Self-Funded Investment

16 **Utica Minerals Arrangement** — **Executing Drilling Program**
Utica: Joint development with Hilcorp to extract value of ~120k acres of mineral rights – drilling started in 2013. Production volumes dedicated to Pennant JV-Hickory Bend

Potential Minerals Opportunities — **Under Evaluation**
Utica: Optimize minerals position in shale region to leverage downstream infrastructure opportunities

NiSource

Electric Operations Infrastructure Investment Update

Upgrade Generation Fleet
($700M - $1.4B Opportunity)

			In-Service
1	**U14 FGD**	**~$250M**	**YE '13**

ECRM (Environmental Cost Recovery Mechanism - 100% Tracked) FGD (Flue Gas Desulfurization) facility at Schahfer Generating Station

U15 FGD — **~$250M** — **YE'14**
ECRM (100% Tracked) FGD facility at Schahfer Generating Station

U12 FGD — **~$250M** — **YE'15**
ECRM (100% Tracked) FGD facility at Michigan City Generating Station

NOx Upgrades — **~$50M** — **YE'15**
ECRM (100%Tracked) NOx upgrades and monitoring

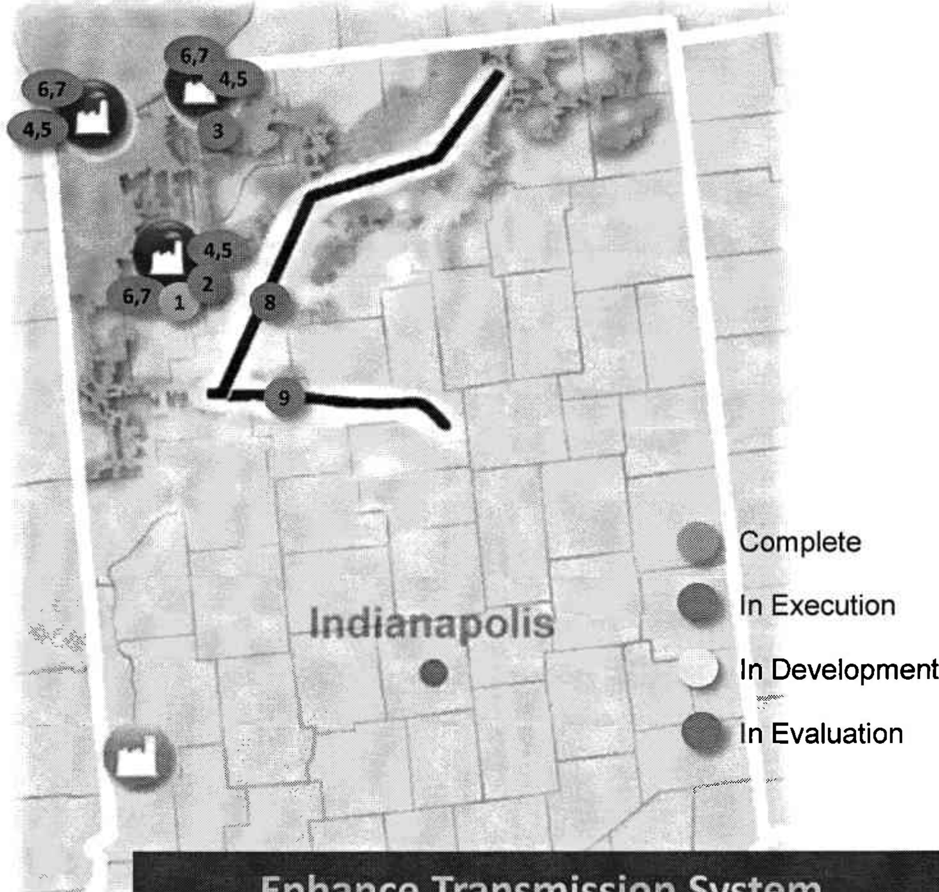
MATS — **~$60M** — **YE'13/YE'14/YE'15**
ECRM (100%Tracked) projects enhancing mercury and particulate controls at all coal plants

6 **Water Treatment** — **$25M - $130M** — **YE'17/YE'18**
Environmental: SB 251 (80% Tracked / 20% Deferred) projects enhancing wastewater treatment at all coal plants and water intake modifications at Bailly Station

7 **Coal Ash Improvements** — **$100M - $300M** — **TBD**
Environmental: SB 251 (80% Tracked / 20% Deferred) projects upgrading ash handling and disposal at all coal plants

Infrastructure Modernization Program
($3B - $4B Opportunity)

NIPSCO Electric Distribution & Transmission Modernization — **7-Year Investment ~$1.1B** — **Approved / Implemented: 2014**
Modernization: SB 560 (80% Tracked / 20% Deferred) NIPSCO is implementing year 1 of its 7-year, ~$1.1B electric infrastructure replacement plan. The plan was approved by the IURC on February 17, 2014 and requires NIPSCO to file a rate case within seven years.



Enhance Transmission System
($500M - $1.0B Opportunity)

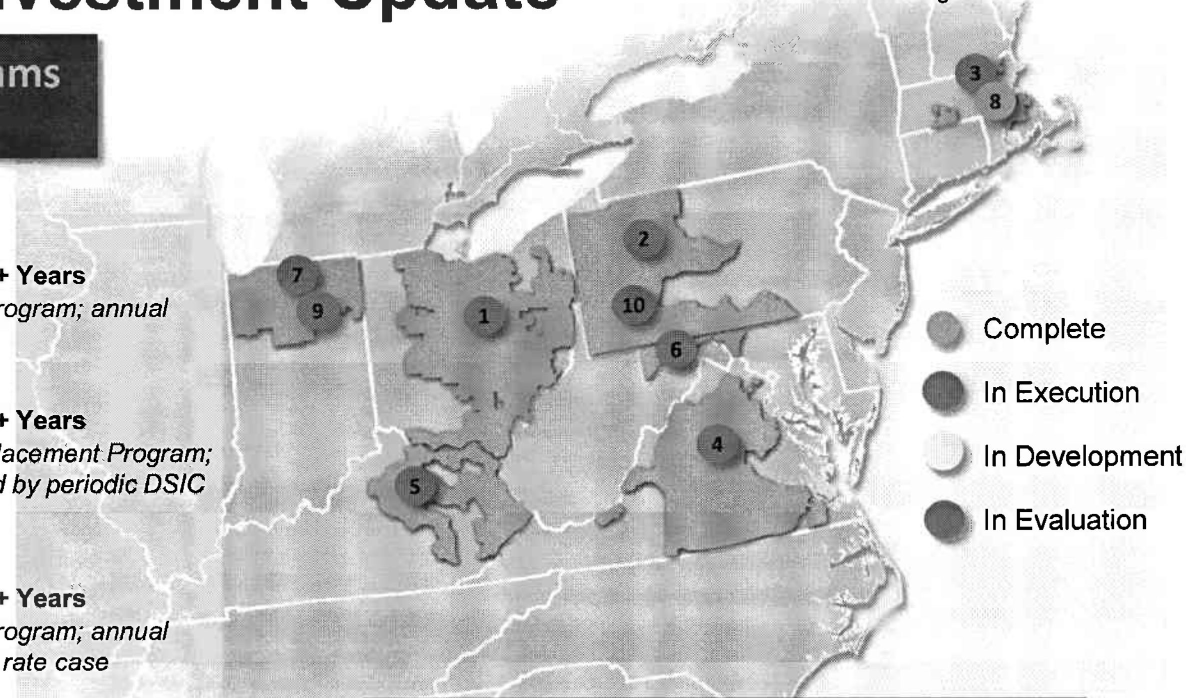
8 **Reynolds-Topeka** — **$250M - $300M** — **2H 2018**
MISO MVP: FERC approved 345-kV transmission project from Reynolds Substation to Hiple Substation (100 miles) – route determination complete…right-of-way acquisition and permitting activities continue.

9 **Greentown-Reynolds** — **$300M - 400M** **(NI: $150M – $200M)** — **2H 2018**
MISO MVP – partnership: FERC approved 765-kV transmission project from Reynolds Substation to Greentown Substation (~70 miles) – public open house held in January 2014.

NiSource®

NGD Infrastructure Investment Update

Infrastructure Modernization Programs
($10B+ Opportunity)



Annual Investment

1 **Columbia Gas of Ohio** **$150M - $200M** **20+ Years**
Tracked: Execution of established Infrastructure Replacement Program; annual tracker filings with 5-year program renewal (next renewal 2018)

2 **Columbia Gas of Pennsylvania** **$100M - $150M** **20+ Years**
Rate Case/Tracked: Execution of established Infrastructure Replacement Program; recovery utilizes forward test year rate case filings supplemented by periodic DSIC filings under Act 11

3 **Columbia Gas of Massachusetts** **$25M - $50M** **20+ Years**
Tracked: Execution of established Infrastructure Replacement Program; annual tracker filings, program approved in 2009 and expanded in 2013 rate case

4 **Columbia Gas of Virginia** **$20M - $35M** **20+ Years**
Tracked: Execution of established Infrastructure Replacement Program; annual tracker filings with 5-year program renewal (next renewal 2017)

Columbia Gas of Kentucky **$10M - $15M** **20+ Years**
Tracked: Execution of established Infrastructure Replacement Program with annual tracker filings

6 **Columbia Gas of Maryland** **$5M - $10M** **20+ Years**
Rate Case/Tracked: Execution of established Infrastructure Replacement Program; rate case filings with make whole filings for up to three subsequent years

7 **NIPSCO – Gas** **$50M - $115M** **7 Years**
Modernization: SB 560 (80% Tracked / 20% Deferred) – pending approval. The NIPSCO Gas 7-year, ~$700M gas infrastructure replacement plan also contains plans to expand natural gas service into rural areas of Indiana.

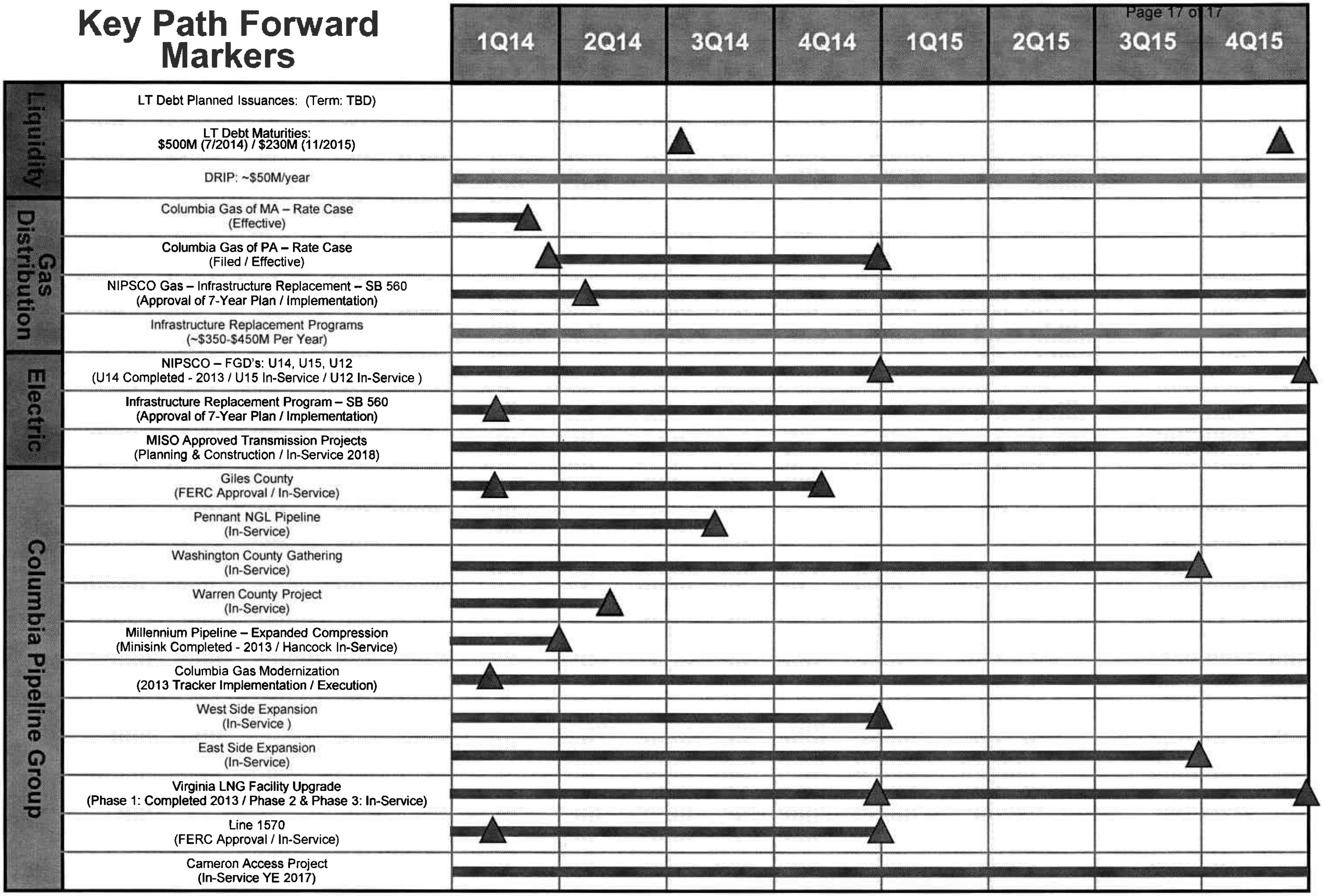
Current Regulatory Activity

8 **Columbia Gas of Massachusetts – Rate Case** **Approved increase $19.3M** **Effective: March '14**
Filing supports CMA's continued effort to modernize pipeline infrastructure and transform its operations to serve customers safely, reliably and cost-effectively.

NIPSCO – Gas **Seven-Year ~$700M Investment Plan** **Filed: 4Q '13** **Effective: 2014**
NIPSCO filed its 7-year, ~$700M gas infrastructure replacement plan on October 3, 2013. The plan is expected to be approved and implemented during 2014. Once approved NIPSCO will be required to file a rate case within the 7-year period.

10 **Columbia Gas of Pennsylvania – Rate Case** **Requested Increase: $54M** **Filed: 1Q '14** **Effective: 4Q '14**
Filing supports CPA's capital investments to enhance pipeline safety initiatives and customer programs. This is the second filing under Act 11, using a forward test-year that extends to 12/31/2015.

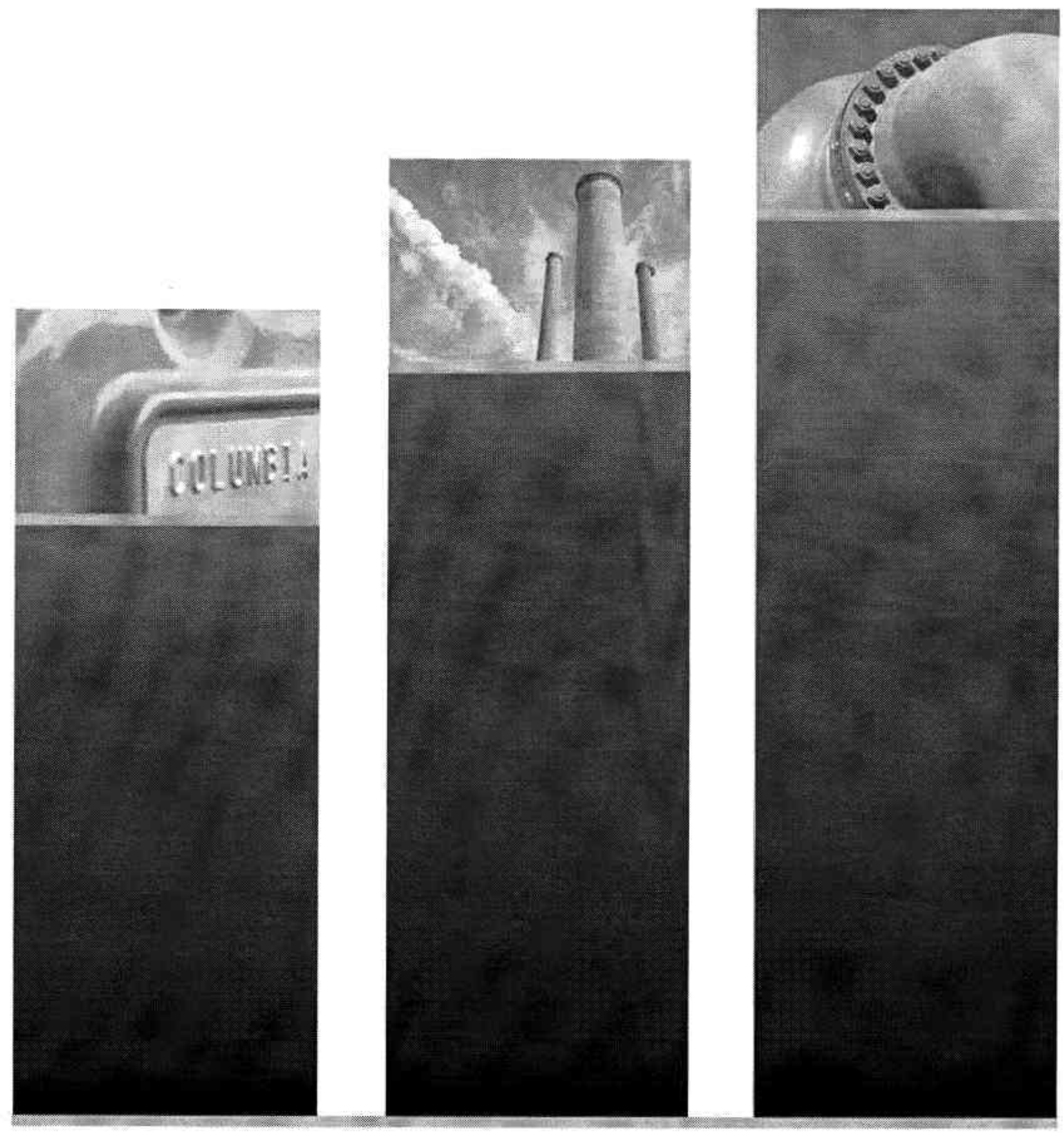
Key Path Forward Markers



BUILDING

Supplemental Slides

Second Quarter 2014 Earnings
July 31, 2014



NiSource®

Forward-Looking Statements

This document contains forward-looking statements within the meaning of federal securities laws. These forward-looking statements are subject to various risks and uncertainties. Factors that could cause actual results to differ materially from the projections, forecasts, estimates and expectations discussed herein include, among other things, weather; fluctuations in supply and demand for energy commodities; growth opportunities for NiSource's businesses; increased competition in deregulated energy markets; the success of regulatory and commercial initiatives; dealings with third parties over whom NiSource has no control; actual operating experience of NiSource's assets; the regulatory process; regulatory and legislative changes; the impact of new environmental laws and regulations; the results of material litigation; changes in pension funding requirements; changes in general economic, capital and commodity market conditions; counter-party credit risk; and the matters set forth in the "Risk Factors" sections in NiSource's most recent Form 10-K and subsequent Forms 10-Q, many of which are beyond the control of NiSource. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this presentation. NiSource expressly disclaims a duty to update any of the forward-looking statements contained in this document.

With regard to Net Operating Earnings Guidance for 2014 – it should be noted that there will likely be differences between net operating earnings and GAAP earnings for matters including, but not limited to, weather, and other factors. NiSource is not able to estimate the impact of such items on GAAP earnings and, as such, is not providing earnings guidance on a GAAP basis.

Key Takeaways – Second Quarter 2014

Continued Execution of NiSource's Infrastructure Investment Strategy

- Financial results on track to deliver at the upper half of 2014 earnings guidance range of $1.61 to 1.71 per share
  - Second quarter earnings per share: $0.25*
- Growing inventory of significant pipeline growth and midstream investments
- Legislative action in Massachusetts supports infrastructure modernization investment
- NIPSCO Gas $700M modernization program approved
- Record $2.2 billion 2014 capital investment program on track

Building Long-Term, Sustainable Growth

** Net Operating Earnings from Continuing Operations (non-GAAP); For a reconciliation to GAAP, see Schedule 1 of the Company's July 31, 2014 Earnings Release*

Second Quarter 2014 Financial Highlights

Results on Track for Upper Half of Full-Year Earnings Guidance Range

Non-GAAP**	Q2 2014*	Q2 2013*	Change*
Net Operating Earnings from Continuing Operations	$77.9	$72.8	$5.1
Net Operating Earnings Per Share	$0.25	$0.23	$0.02
Operating Earnings	$219.1	$194.7	$24.4

GAAP	Q2 2014*	Q2 2013*	Change*
Income from Continuing Operations	$78.5	$72.4	$6.1
Earnings Per Share	$0.25	$0.23	$0.02
Operating Income	$219.6	$194.0	$25.6

** All results listed in millions, except for EPS;*
*** For a reconciliation to GAAP, see Schedule 1 of the Company's July 31, 2014 Earnings Release*

A Compelling Investment Opportunity

Second Quarter 2014 Financing Highlights

Financial Foundation to Support Robust Capital Investment Program

- Continued strong liquidity position of ~$1.2B as of June 30, 2014
- ~77% of infrastructure investments focused on revenue-generating opportunities
- Total debt to capitalization ~60.6% as of June 30, 2014
- Balanced, transparent approach to funding capital requirements
- Commitment to investment-grade credit, sustainable earnings growth, strong liquidity and a growing dividend

Moody's Baa2 /P2 | S&P BBB- /A3 | Fitch BBB- /F3

Results on Track for Upper Half of Full-Year Earnings Guidance Range

Columbia Pipeline Group – Second Quarter 2014

Project Inventory Expands Further to Support Shale Supply Development

- Operating earnings $103.7M in Q2 2014 vs. $88.8M in Q2 2013*
- $300M/year pipeline modernization program on track
- Warren County project ready for service
- Rayne and Leach XPress projects discussions in advanced stages of development
- WB XPress development activities proceeding well
- 2014 capital investment: ~$825M

Looking Ahead:

Project	Key Components	Status
Utica Access Project	• New pipeline facilities to transport Utica Shale gas into liquid trading points on the Columbia Transmission system • 200 million cubic feet per day • ~$50M investment	• Projected in service by YE 2016
Big Pine Expansion Project	• Additional gathering and compression facilities connected to Big Pine Gathering System • Up to 175 million cubic feet per day	• Currently in advanced discussion with customers • Projected in service Q2 2015
Washington County Gathering Project	• Additional gathering and compression facilities • Long-term gathering agreements in place • Up to 100 million cubic feet per day • ~$120M investment	• Projected in service 2H 2015
Pennant Midstream, LLC NGL Pipeline *50/50 Joint Venture with Harvest Pipeline*	• NGL pipeline in eastern Ohio connecting the Hickory Bend processing facility to the UEO Kensington facility • 90K barrels per day capacity • ~$60M investment (NI: $30M)	• Projected in service Q3 2014
Other In-Progress Growth and Modernization Projects	• Expanding mix of new and ongoing investments to support continued system reliability and shale production • ~$300M in modernization investments in 2014	• Complete details available in Appendix on slides 13-14

** Non-GAAP. For a reconciliation to GAAP, see Schedule 2 of the Company's July 31, 2014 Earnings Release*

Electric Operations – Second Quarter 2014

Modernization Investments Provide Growth, Customer & Economic Benefits

- Operating earnings $59.8M in Q2 2014 vs. $58.6M in Q2 2013*
- Environmental, transmission, modernization investments on schedule, on budget
- Energy efficiency program extension requested
- 2014 capital investment: ~$440M

Looking Ahead:

Highlight	Key Components	Status
Electric System Modernization Program	• Seven-year, ~$1.1B investment focused on replacing poles, transformers and other related equipment	• Filing approved by IURC on Feb. 17, 2014 • Investments in progress
Electric Generating Plant Environmental Investments	• ~$850M in total environmental investments • Schahfer Flue Gas Desulfurization (FGD) investments: Units 14 & 15 • Michigan City FGD: Unit 12 • Enhanced mercury and particulate controls (MATS)	• Schahfer Unit 14 in service • Schahfer Unit 15 and Michigan City Unit 12 on schedule, on budget
Electric Transmission System Enhancement – Reynolds to Topeka Project	• 100-mile, 345-kV transmission project • $250M-$300M investment • Projected in-service latter part of 2018	• Final route selected • Right of way acquisition in progress
Electric Transmission System Enhancement – Reynolds to Greentown (*Joint Project)*	• ~70-mile, 765-kV transmission project • $300M-$400M investment (NIPSCO portion $150M - $200M) • Projected in-service latter part of 2018	• Final route selected • Stakeholder outreach continues

** Non-GAAP. For a reconciliation to GAAP, see Schedule 2 of the Company's July 31, 2014 Earnings Release*

NiSource Gas Distribution – Second Quarter 2014

$10B+ Inventory of Long-Term Infrastructure Investments

- Operating earnings $62.5M in Q2 2014 vs. $51.8M in Q2 2013*
- New Massachusetts legislation supports infrastructure modernization efforts
- NIPSCO Gas seven-year modernization program approved
- 2014 capital investment: ~$785M

Looking Ahead

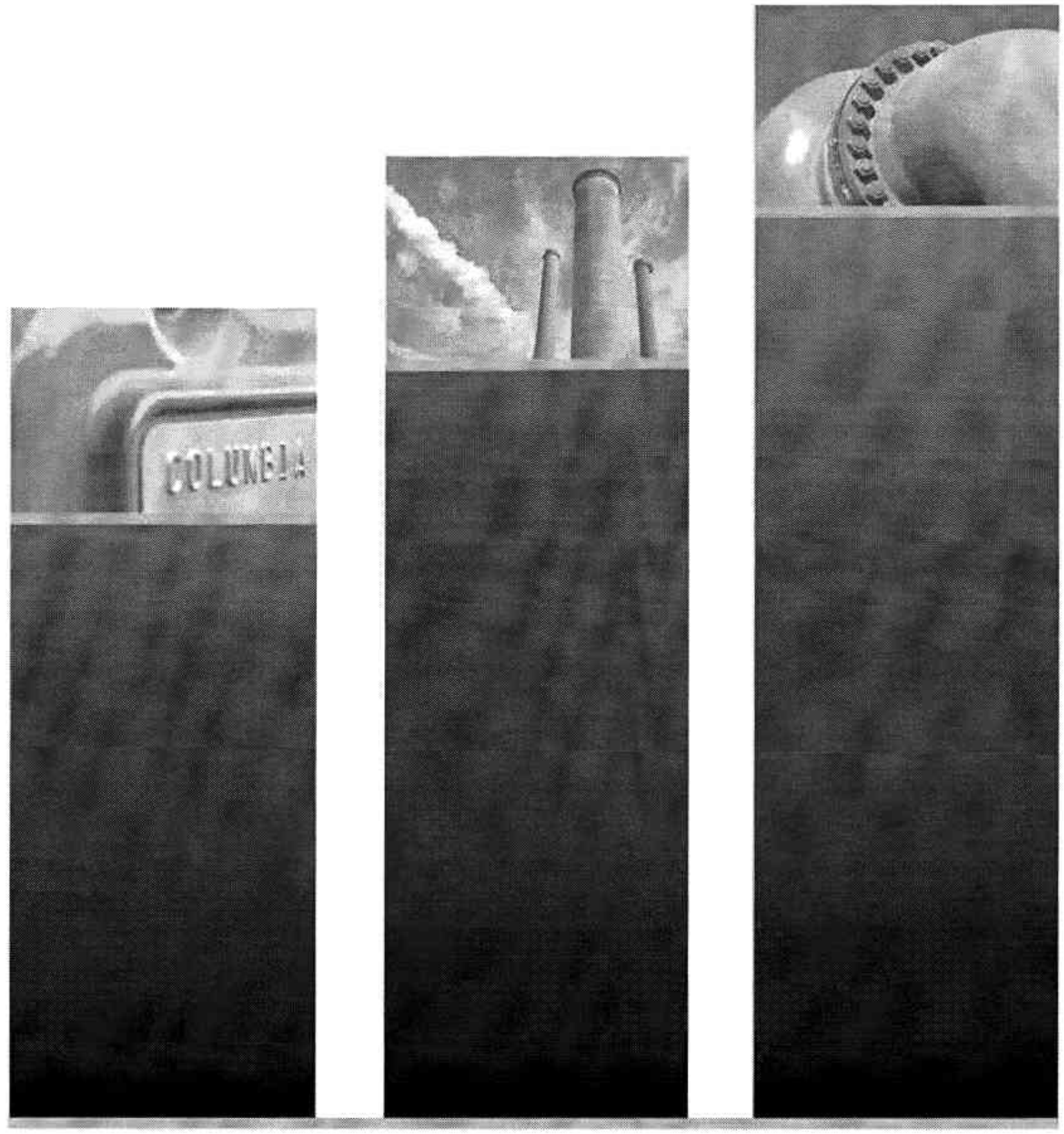
Highlight	Key Components	Status
NIPSCO Natural Gas System Modernization Program	• Seven-year plan focused on system modernization and system extensions to rural customers • ~$700M investment	• Filing approved by IURC on April 30, 2014 • Investments initiated
Columbia Gas of Virginia Base Rate Case	• Filed April 30, 2014 • Requested revenue increase of $25M • Supports multi-year system modernization program	• A decision with rates in effect projected by the end of 2014
Columbia Gas of Pennsylvania Base Rate Case	• Filed March 21, 2014 • Requested revenue increase of ~$54M • Supports continuation of robust infrastructure modernization plans	• A decision with rates in effect projected later this year
Columbia Gas of Virginia Industrial Customer Expansion	• ~$15M growth project to serve major industrial customer • Columbia Gas Transmission will execute a complementary project to interconnect with CGV (~$25M investment)	• On schedule, on budget • Projected in-service late 2014
Infrastructure Modernization Investments	• ~$10B+ long-term program across service territory	• Complete program update outlined in Appendix on slide 16

** Non-GAAP. For a Reconciliation to GAAP, See Schedule 2 of the Company's July 31, 2014 Earnings Release*

B U I L D I N G

Appendix

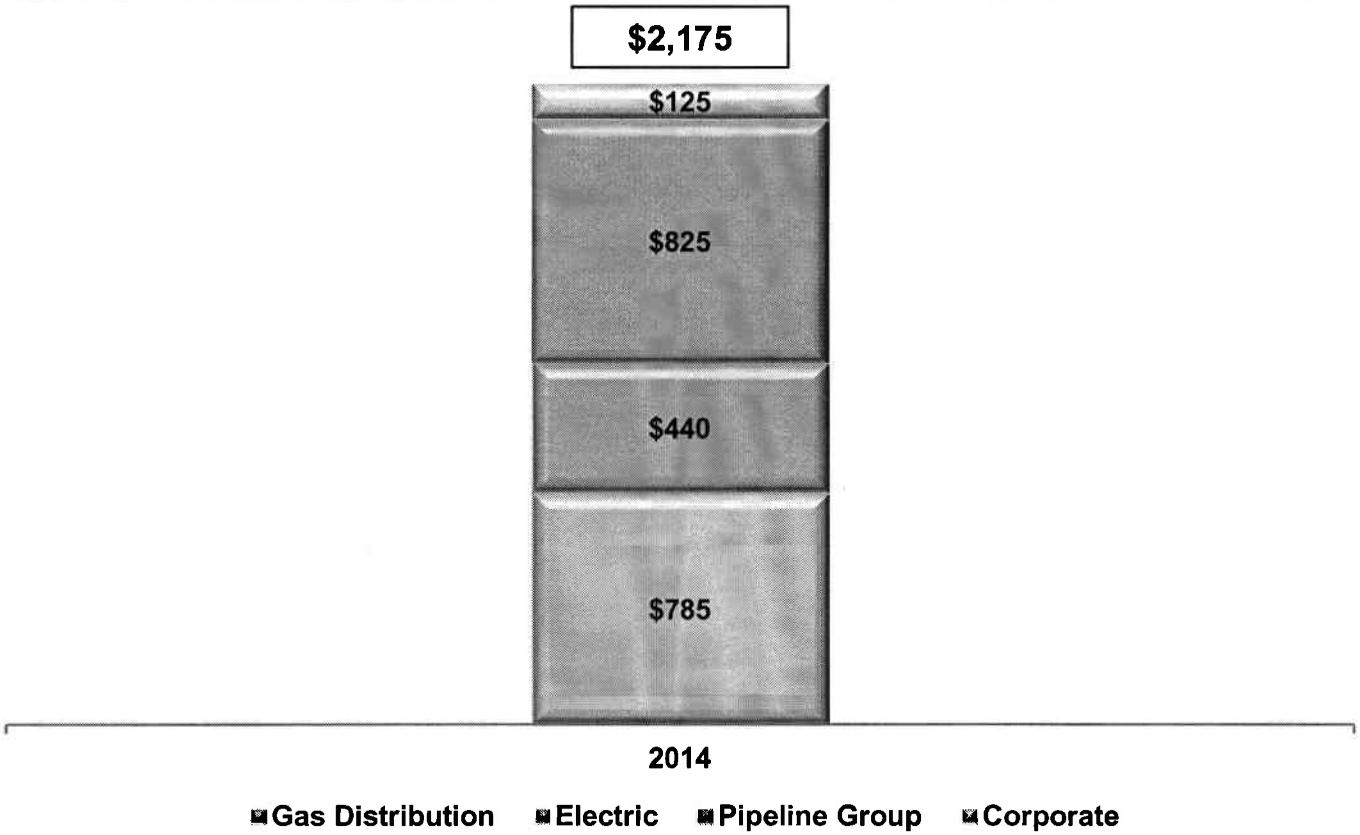
Second Quarter 2014 Earnings
July 31, 2014



NiSource®

Capital Expenditures ($M)

2014 Forecasted CapEx



2014 Growth & Tracker ~$1,675M (77%) and Age & Condition ~$500M (23%)

Capitalization ($M)

Total Debt to Capitalization 60.6% as of 6/30/14

	Actual 6/30/2014			Actual 12/31/2013		
	Debt	Equity	Total	Debt	Equity	Total
Long-Term Debt	$ 7,640.6	$ -	$ 7,640.6	$ 7,593.2	$ -	$ 7,593.2
Short-Term Debt	801.1	-	801.1	433.6	-	433.6
Sale of A/R	300.0	-	300.0	265.1	-	265.1
Current Portion of Long-Term Debt	530.0	-	530.0	542.1	-	542.1
Common Equity	-	6,028.3	6,028.3	-	5,886.6	5,886.6
Total Capitalization Per Balance Sheet	**$ 9,271.7**	**$ 6,028.3**	**$15,300.0**	**$ 8,834.0**	**$ 5,886.6**	**$14,720.6**
% of Capitalization Per Balance Sheet	**60.6%**	**39.4%**	**100.0%**	**60.0%**	**40.0%**	**100.0%**

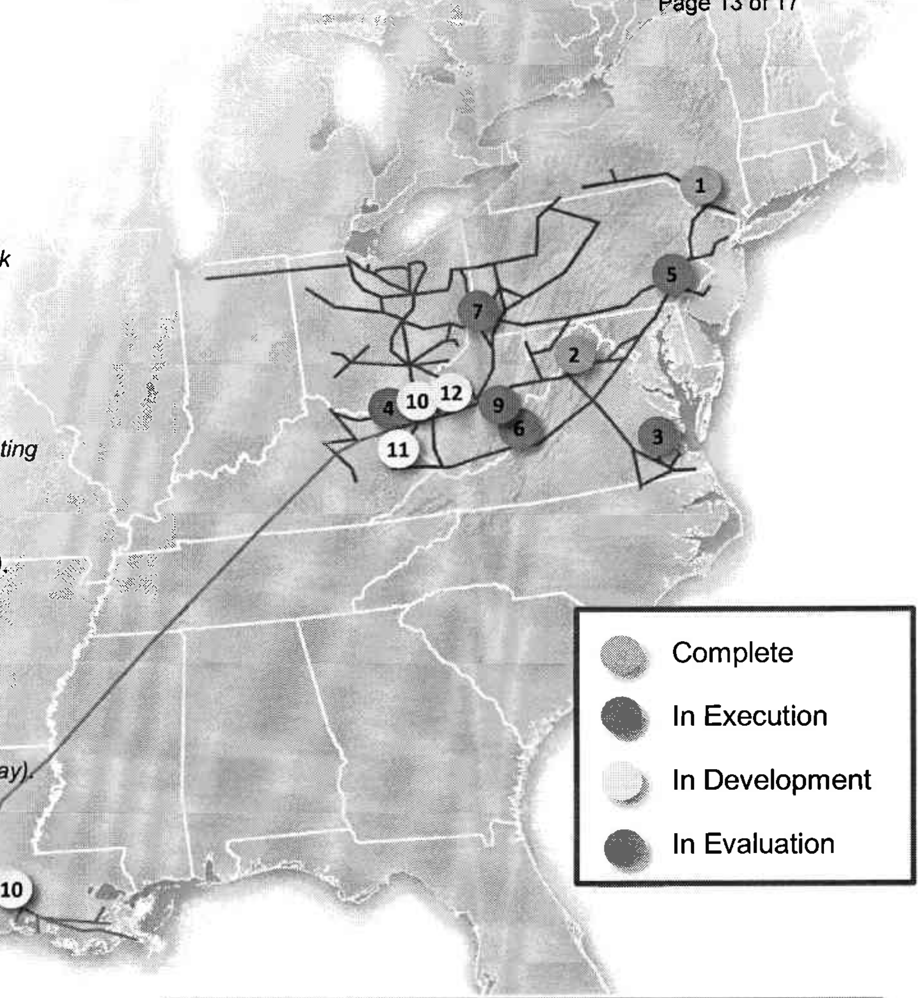
Moody's Baa2 /P2 • S&P BBB- /A3 • Fitch BBB- /F3

Current Liquidity ($M)

	Actual 6/30/2014	Maturity
Committed Credit Facility	$ 2,000	September 2018
Less:		
Drawn on Credit Facility	-	
Commercial Paper	(801)	
Letters of Credit	(14)	
Add:		
Cash & Equivalents	18	
Net Available Liquidity	**$ 1,203**	

CPG Regulated Pipeline & Storage Growth Update

M Marketing — **$3B-$4B Opportunity**



			In-Service
1	**Millennium**	**~$90M** (NI: $45M)	**2Q '13 & 1Q '14**

Marcellus: Deliver Marcellus supplies to multiple markets with expanded compression at Minisink (+150 MMcf/Day) and Hancock (+175 MMcf/Day)

2 **Warren County** — **~$35M** — **2Q '14**
Gas Generation: Expansion serving Virginia Power's new 1,300 MW plant (250 MMcf/Day)

3 **Virginia LNG Facility** — **~$30M** — **Phase 1: 4Q '13; Phases 2 & 3: '14 - '15**
Facility Upgrade: Multi-phased project over three years to upgrade and maintain service to existing customers. (~120 MMcf/Day)

4 **West Side Expansion** — **~$200M** — **4Q '14**
Marcellus: Transport supply to the Gulf Coast and growing Southeast Markets (~500 MMcf/Day).

5 **East Side Expansion** — **~$275M** — **3Q '15**
Marcellus: Connect northern Marcellus supplies to Northeast and Mid-Atlantic Markets (~315 MMcf/Day)

6 **Giles County** — **~$40M** (CPG $25M - CGV $15M) — **4Q '14**
Gas Conversion: Pipeline extension to serve coal-to-natural gas boiler conversion (~45 MMcf/Day).

7 **Line 1570** — **~$20M** — **4Q '14**
Marcellus: Increased takeaway capacity (~100 MMcf/Day).

8 **Cameron Access Project** — **~$310M** — **3Q '17**
Transport supplies from numerous basins into Cameron's LNG facility via a new pipeline and additional compression. (~800 MMcf/Day)

9 **Utica Access Project** — **~$50M** — **4Q'16**
Greenfield pipeline to transport growing supply onto existing Columbia Gas line. (~200 MMcf/Day)

10 **Rayne / Leach XPress** — **TBD** — **4Q '17**
Marcellus / Utica: Facilitates transportation of Marcellus and Utica production to markets on Columbia Gas (Leach = ~1.5 Bcf/Day) and Columbia Gulf (Rayne = ~800 MMcf/Day).

11 **Kentucky Power Project** — **~$25M** — **2Q '16**
Gas Conversion: Expansion project to serve gas-fired power plant in Kentucky (~70MMcf/Day).

12 **WB XPress** — **TBD** — **4Q '18**
Marcellus: Expansion to provide supply access to markets on Columbia Gas east towards Loudoun and west towards Leach (~1.3 Bcf/Day).

M Modernization — **$4B-$5B Opportunity**

Columbia Gas Modernization — **$300M/Yr** — **2013 – 2017**
FERC approved (1/2013) - 5 Year settlement agreement (with potential extension provisions) to execute a comprehensive, balanced and transparent pipeline modernization program. The program was approved and initiated in 2013...first year tracker recovery started February 2014.

CPG Midstream & Minerals Growth Update

M Midstream — **$1B-$1.5B Opportunity**

			In-Service
13	**Majorsville**	**~$85M**	**3Q '10**
14	**Big Pine Gathering**	**~$165M**	**2Q '13**
15	**Pennant JV – Hickory Bend Gathering/Processing**	**~$320M (NI = ~$160M)**	**4Q '13**
16	**Pennant JV – NGL Pipeline**	**~$60M (NI = ~$30M)**	**3Q '14**
17	**Washington County Gathering**	**~$120M**	**2H '15**
18	**NMS Interconnects**	**~$10M**	**4Q '14**
19	**Big Pine Expansion**	**TBD**	**2Q '15**
20	**Pennant JV – Phase II**	**~$300M (NI = ~$150M)**	**TBD**

13 **Majorsville** — *Marcellus: Gathers wet gas to processing facility and provides downstream pipeline market access with additional pipeline and compression assets (325 MMcf/Day)*

14 **Big Pine Gathering** — *Marcellus: ~60 Miles of Pipeline with multiple interstate connections (425 MMcf/Day)*

15 **Pennant JV – Hickory Bend Gathering/Processing** — *Utica: ~45 miles of Pipeline (500 MMcf/Day) and an NGL processing facility (200 MMcf/Day); Pipelines and NGL processing facility complete.*

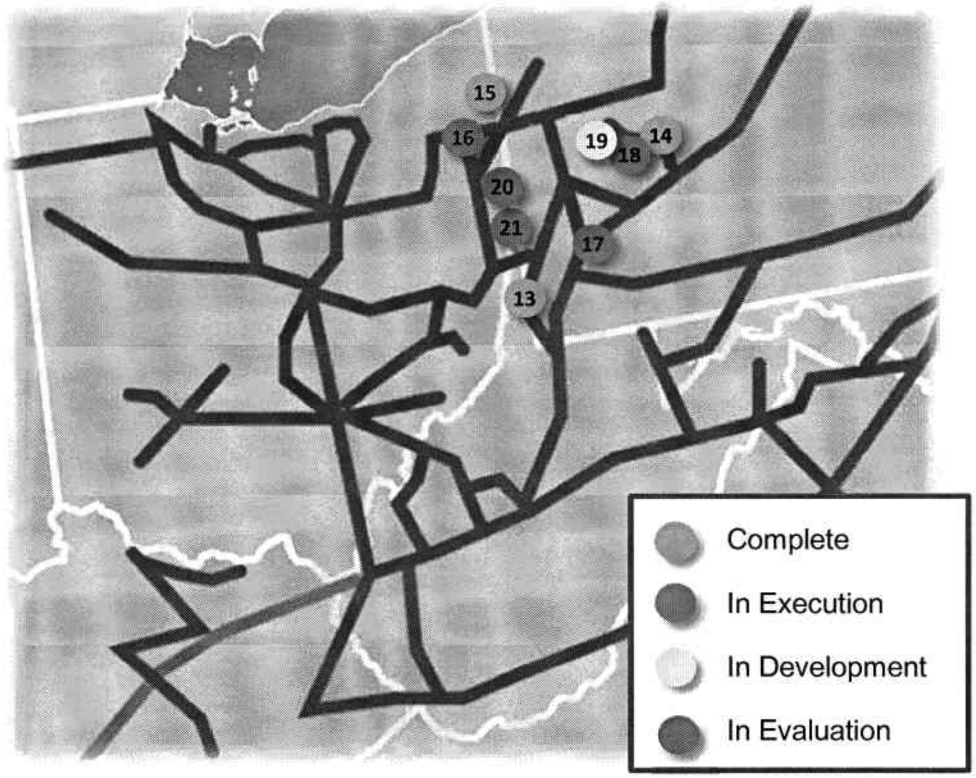
16 **Pennant JV – NGL Pipeline** — *Utica: Pipeline development to transport NGLs from the Hickory Bend processing facility to Kensington. Capacity of the gas liquids pipeline is expected to be up to ~90K barrels a day.*

17 **Washington County Gathering** — *Marcellus: Greenfield gathering system in Washington County, PA to gather wellhead production.*

18 **NMS Interconnects** — *Marcellus: Interconnects along the Big Pine Gathering System to transport new supplies.*

19 **Big Pine Expansion** — *Marcellus: A nine mile, 20 inch lateral to Bluestone Processing Plant and incremental compression on Big Pine (~175 MMcf/Day).*

20 **Pennant JV – Phase II** — *Utica: Gathering system extension and additional processing facilities.*



M Minerals — **Self-Funded Investment**

21 **Utica Minerals Arrangement** — **Executing Drilling Program**
Utica: Joint development with Hilcorp to extract value from a combined acreage of mineral rights – drilling started in 2013. Production volumes dedicated to Pennant JV-Hickory Bend

Potential Minerals Opportunities — **Under Evaluation**
Utica: Optimize minerals position in shale region to leverage downstream infrastructure opportunities

Electric Operations Infrastructure Investment Update

Upgrade Generation Fleet
($700M - $1.4B Opportunity)

			In-Service
1	**U14 FGD**	**~$250M**	**YE '13**

ECRM (Environmental Cost Recovery Mechanism - 100% Tracked) FGD (Flue Gas Desulfurization) facility at Schahfer Generating Station

2 **U15 FGD** — **~$250M** — **YE'14**
ECRM (100% Tracked) FGD facility at Schahfer Generating Station

3 **U12 FGD** — **~$250M** — **YE'15**
ECRM (100% Tracked) FGD facility at Michigan City Generating Station

4 **NOx Upgrades** — **~$50M** — **YE'15**
ECRM (100%Tracked) NOx upgrades and monitoring

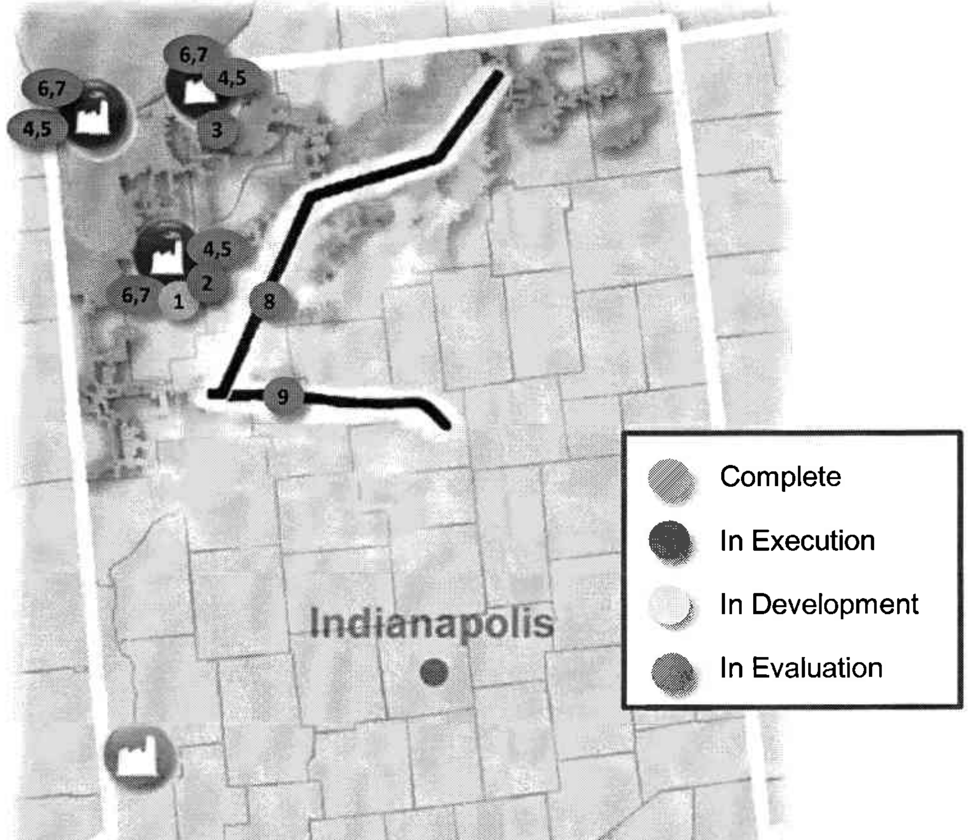
5 **MATS** — **~$60M** — **YE'13/YE'14/YE'15**
ECRM (100%Tracked) projects enhancing mercury and particulate controls at all coal plants

6 **Water Treatment** — **$25M - $130M** — **YE'17/YE'18**
Environmental: SB 251 (80% Tracked / 20% Deferred) projects enhancing wastewater treatment at all coal plants and water intake modifications at Bailly Station

7 **Coal Ash Improvements** — **$100M - $300M** — **TBD**
Environmental: SB 251 (80% Tracked / 20% Deferred) projects upgrading ash handling and disposal at all coal plants

Infrastructure Modernization Program
($3B - $4B Opportunity)

NIPSCO Electric Distribution & Transmission Modernization — **7-Year Investment ~$1.1B** — **Approved / Implemented: 2014**
Modernization: SB 560 (80% Tracked / 20% Deferred) NIPSCO is implementing year 1 of its 7-year, ~$1.1B electric infrastructure replacement plan. The plan was approved by the IURC on February 17, 2014 and requires NIPSCO to file a rate case within seven years.

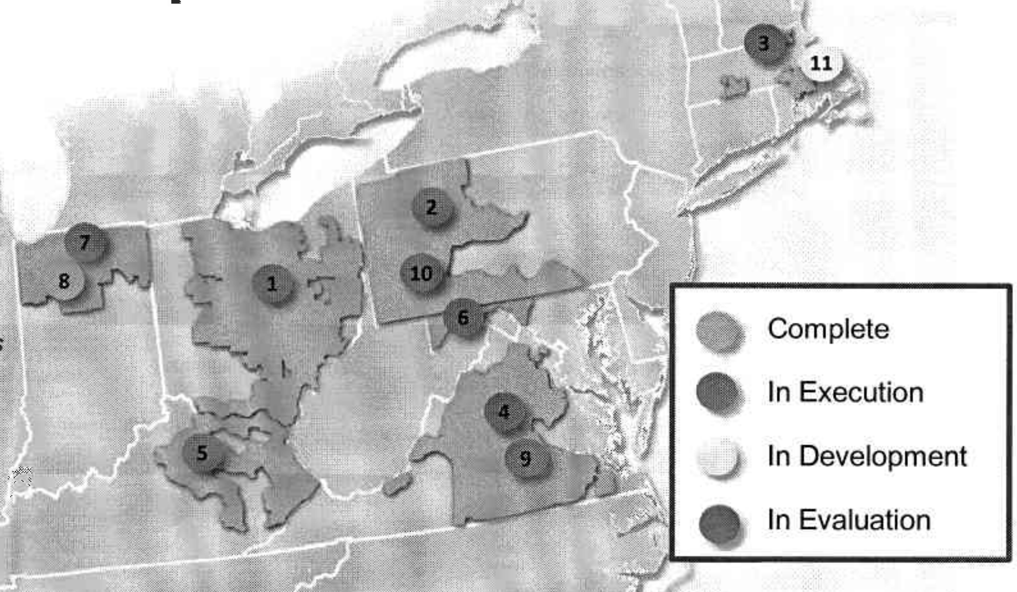


Enhance Transmission System
($500M - $1.0B Opportunity)

8 **Reynolds-Topeka** — **$250M - $300M** — **2H 2018**
MISO MVP: FERC approved 345-kV transmission project from Reynolds Substation to Hiple Substation (100 miles) – route determination complete…right-of-way acquisition and permitting activities continue.

9 **Greentown-Reynolds** — **$300M - 400M (NI: $150M – $200M)** — **2H 2018**
MISO MVP – partnership: FERC approved 765-kV transmission project from Reynolds Substation to Greentown Substation (~70 miles) – route determination complete…right-of way acquisition to begin soon.

NGD Infrastructure Investment Update



Infrastructure Modernization Programs ($10B+ Opportunity)

Annual Investment

1 **Columbia Gas of Ohio** **$150M - $200M** **20+ Years**
Tracked: Execution of established Infrastructure Replacement Program; annual tracker filings with 5-year program renewal (next renewal 2018)

2 **Columbia Gas of Pennsylvania** **$100M - $150M** **20+ Years**
Rate Case/Tracked: Execution of established Infrastructure Replacement Program; recovery utilizes forward test year rate case filings supplemented by periodic DSIC filings under Act 11

3 **Columbia Gas of Massachusetts** **$25M - $50M** **20+ Years**
Tracked: Execution of established Infrastructure Replacement Program; annual tracker filings, program approved in 2009 and expanded in 2013 rate case

4 **Columbia Gas of Virginia** **$20M - $35M** **20+ Years**
Tracked: Execution of established Infrastructure Replacement Program; annual tracker filings with 5-year program renewal (next renewal 2017)

5 **Columbia Gas of Kentucky** **$10M - $15M** **20+ Years**
Tracked: Execution of established Infrastructure Replacement Program with annual tracker filings

6 **Columbia Gas of Maryland** **$5M - $10M** **20+ Years**
Rate Case/Tracked: Execution of established Infrastructure Replacement Program; rate case filings with make whole filings for up to three subsequent years

7 **NIPSCO – Gas** **$50M - $115M** **7 Years**
Modernization: SB 560 (80% Tracked / 20% Deferred). The NIPSCO Gas 7-year, ~$700M gas infrastructure replacement plan also contains plans to expand natural gas service into rural areas of Indiana. The plan was approved by the IURC on April 30, 2014.

Current Regulatory Activity

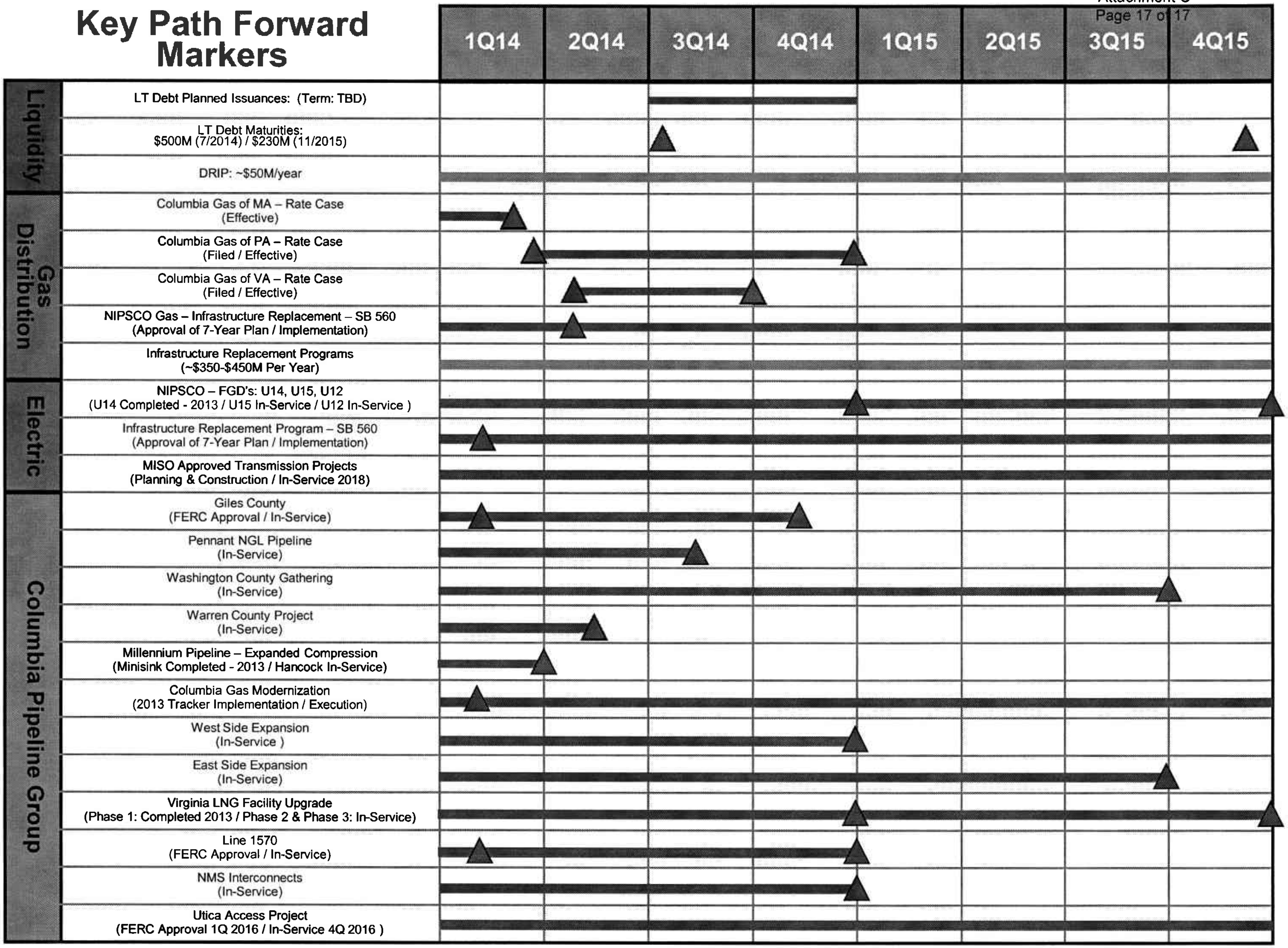
8 **NIPSCO – Gas** **Seven-Year ~$700M Investment Plan** **Effective: April '14**
NIPSCO's ~$700M gas infrastructure replacement plan.

9 **Columbia Gas of Virginia – Rate Case** **Requested Increase: $25M** **Filed: 2Q '14 Effective: 3Q '14**
Filing supports CGV's capital investments associated with a multi-year gas distribution modernization program.

10 **Columbia Gas of Pennsylvania – Rate Case** **Requested Increase: $54M** **Filed: 1Q '14 Effective: 4Q '14**
Filing supports CPA's capital investments to enhance pipeline safety initiatives and customer programs. This is the second filing under Act 11, using a forward test-year that extends to 12/31/2015.

11 **Columbia Gas of Massachusetts – Infrastructure Filing** **TBD** **TBD**
CMA plans to file an infrastructure plan under the provision of House Bill 4164 by October 31, 2014 with an anticipated effective date of May 1, 2015.

Key Path Forward Markers



Supplemental Slides

Third Quarter 2014 Earnings

October 30, 2014

NiSource®

Forward-Looking Statements

This presentation contains forward-looking statements within the meaning of federal securities laws. These forward-looking statements are subject to various risks and uncertainties. Examples of forward-looking statements in this presentation include statements and expectations regarding future dividends, operating earnings growth, EBITDA growth, earnings per share growth, capital investments, net investment/rate base growth, financing needs and plans, investment opportunities and the planned separation of our natural gas pipeline and related businesses. Factors that could cause actual results to differ materially from the projections, forecasts, estimates and expectations discussed in these presentations include, among other things, the timing to consummate the transactions described herein; the risk that a condition to consummation is not satisfied; disruption to operations as a result of the proposed transactions; the inability of one or more of the businesses to operate independently following the completion of the proposed transactions; weather; fluctuations in supply and demand for energy commodities; growth opportunities for NiSource's businesses; increased competition in deregulated energy markets; the success of regulatory and commercial initiatives; dealings with third parties over whom NiSource has no control; actual operating experience of NiSource's assets; the regulatory process; regulatory and legislative changes; changes in general economic, capital and commodity market conditions; and counter-party credit risk, and the matters described in the "Risk Factors" section of the Form S-1 filed by Columbia Pipeline Partners LP and the matters described in the "Risk Factors" section in NiSource's 2013 Form 10-K, and subsequent NiSource filings on Form 10-Q, many of which are beyond the control of NiSource. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this presentation. NiSource expressly disclaims any duty to update any of the forward-looking statements contained in these presentations.

The planned separation of our natural gas pipeline and related businesses is subject to the satisfaction of a number of conditions, including the final approval of NiSource's Board of Directors. There is no assurance that such a separation will in fact occur.

With regard to Net Operating Earnings Guidance for 2014 – it should be noted that there will likely be differences between net operating earnings and GAAP earnings for matters including, but not limited to, weather, and other factors. NiSource is not able to estimate the impact of such items on GAAP earnings and, as such, is not providing earnings guidance on a GAAP basis.

Key Takeaways – Third Quarter 2014

Infrastructure Investment Strategy Drives Continued Growth

- Financial results on plan for quarter and on track to deliver at the upper half of 2014 guidance range of $1.61 to $1.71 per share
  - Year-to-date earnings per share: $1.21*
- Record $2.2 billion 2014 capital investment program on track
- NiSource/Columbia Pipeline Group separation on track
  - Expected tax-free and value creating with no adverse impact on ongoing operations
  - Both companies expected to have investment-grade credit ratings
  - Separation expected to be completed in mid-2015
- Columbia Pipeline Partners LP registration statement filed on Sept. 29

Long-term Expected Investment Inventory Now $42 to $45 Billion

** Net Operating Earnings from Continuing Operations (non-GAAP); For a reconciliation to GAAP, see Schedule 1 of the Company's Oct. 30, 2014 Earnings Release*

Third Quarter 2014 Financial Highlights

Results on Track for Upper Half of Full-Year Earnings Guidance Range

Non-GAAP**	Q3 2014*	Q3 2013*	Change*
Net Operating Earnings from Continuing Operations ($M)	$45.5	$57.1	($11.6)
Net Operating Earnings Per Share	$0.14	$0.18	($0.04)
Operating Earnings ($M)	$180.3	$183.7	($3.4)

GAAP	Q3 2014*	Q3 2013*	Change*
Income from Continuing Operations ($M)	$31.5	$49.5	($18.0)
Earnings Per Share	$0.10	$0.16	($0.06)
Operating Income ($M)	$157.8	$176.4	($18.6)

A Compelling Investment Opportunity

** All results listed in millions, except for EPS;*
*** For a reconciliation to GAAP, see Schedule 1 of the Company's Oct. 30, 2014 Earnings Release*

Third Quarter 2014 Financing Highlights

Financial Foundation to Support Robust Capital Investment Program

- Continued strong liquidity position of ~$900M as of Sept. 30, 2014
- ~76% of infrastructure investments focused on revenue-generating opportunities
- Total debt to capitalization ~62% as of Sept. 30, 2014
- Balanced, transparent approach to funding capital requirements
- Commitment to investment-grade credit, sustainable earnings growth, strong liquidity and a growing dividend

Moody's Baa2 /P2 | S&P BBB- /A3 | Fitch BBB- /F3

Results on Track for Upper Half of Full-Year Earnings Guidance Range

Columbia Pipeline Group – Third Quarter 2014

Expected Investment Inventory of $12 to $15 Billion Over 10 Years

- Operating Earnings $94.4M in Q3 2014 vs. $98.7M in Q3 2013*
- ~$330M modernization cost-recovery filing planned for 2014 investments
- West Side Expansion, Giles County projects placed in service on time and on budget this October
- Encouraging interest for Mountaineer XPress project
- 2014 Capital investment: ~$830M

Looking Ahead:

Project	Key Components	Status
Leach XPress & Rayne XPress Projects	• Major new pathway for Marcellus and Utica Shale production with new facilities in Ohio and West Virginia • ~1.5 billion cubic feet per day on Columbia Transmission • ~1 billion cubic feet per day on Columbia Gulf • ~$1.75B investment	• Projected in service Q4 2017
WB XPress Project	• Access to East Coast markets, including Cove Point LNG export terminal • ~1.3 billion cubic feet per day • ~$870M investment	• Expected to clear remaining conditions during Q4 2014 • Projected in service Q4 2018
Big Pine Expansion Project	• Additional gathering and compression facilities connected to Big Pine Gathering System • Up to 175 million cubic feet per day • ~$65M investment	• Projected in service Q3 2015
Washington County Gathering Project	• Additional gathering and compression facilities • Long-term gathering agreements in place • ~$120M investment	• Projected in service by YE 2015, with additional expansion as production increases
Other In-Progress Growth and Modernization Projects	• Expanding mix of new and ongoing investments to support continued system reliability and shale production	• Complete details available in Appendix on slides 13-14

** Non-GAAP. For a reconciliation to GAAP, see Schedule 2 of the Company's Oct. 30, 2014 Earnings Release*

Electric Operations – Third Quarter 2014

~$10B Inventory of Expected Long-Term Infrastructure Investments

- Operating Earnings $90.2M in Q3 2014 vs. $90.5M in Q3 2013*
- FGD on Schahfer Unit 15 to be placed in service by the end of 2014
- Right of way acquisition in progress for both electric transmission projects
- 2014 Capital investment: ~$425M

Looking Ahead:

Highlight	Key Components	Status
Electric System Modernization Program	• Seven-year, ~$1.1B investment focused on replacing poles, transformers and other related equipment	• Filing approved by IURC on Feb. 17, 2014 • Investments in progress
Electric Generating Plant Environmental Investments	• ~$850M in total environmental investments • Schahfer Flue Gas Desulfurization (FGD) investments: Units 14 & 15 • Michigan City FGD: Unit 12 • Enhanced mercury and particulate controls (MATS)	• Schahfer Unit 14 in service • Schahfer Unit 15 in service by YE 2014 • Michigan City Unit 12 on plan
Electric Transmission System Enhancement – Reynolds to Topeka Project	• 100-mile, 345-kV transmission project • $250M-$300M investment • Projected in-service latter part of 2018	• Final route selected • Right of way acquisition in progress • Stakeholder outreach continues
Electric Transmission System Enhancement – Reynolds to Greentown (*Joint Project*)	• ~70-mile, 765-kV transmission project • $300M-$400M investment (NIPSCO portion $150M-$200M) • Projected in-service latter part of 2018	• Final route selected • Right of way acquisition in progress • Stakeholder outreach continues
Long-term Infrastructure Investments	• ~$10B expected long-term program, including system modernization, environmental upgrades and transmission projects	• Complete program update outlined in Appendix on slide 15

** Non-GAAP. For a reconciliation to GAAP, see Schedule 2 of the Company's Oct. 30, 2014 Earnings Release*

NiSource Gas Distribution – Third Quarter 2014

~$20B+ Inventory of Expected Long-Term Infrastructure Investments

- Operating Earnings $1.0M in Q3 2014 vs. loss of ($0.5M) in Q3 2013*
- Virginia's industrial customer expansion ready for service
- NIPSCO Gas modernization seven-year investment now targeted at ~$860M
- 2014 Capital investment: ~$825M

Looking Ahead

Highlight	Key Components	Status
Columbia Gas of Massachusetts Priority Pipe Replacement Plan	• Recovery of planned 2015 investments targeted to begin on May 1, 2015 • Legislation authorizing accelerated recovery of infrastructure modernization investments took effect on June 26	• 2015 plan to be filed with the PUC on Oct. 31, 2014
Columbia Gas of Pennsylvania Base Rate Case	• Settlement proposed revenue increase of ~$33M • Supports continuation of robust infrastructure modernization plans	• Settlement filed Sept. 5 • Decision expected by YE 2014
Columbia Gas of Virginia Base Rate Case	• Filed April 30, 2014 • Requested revenue increase of $25M • Supports multi-year system modernization program, growth and safety investments	• A decision is expected in Q1 2015
NIPSCO Natural Gas System Modernization Program	• Seven-year plan focused on system modernization and system extensions to rural customers • ~$860M investment, up from the initial $710M approved	• Original filing approved by IURC on April 30, 2014 • Investments initiated
Infrastructure Modernization Investments	• ~$20B+ expected long-term program across service territory	• Complete program update outlined in Appendix on slide 16

** Non-GAAP. For a Reconciliation to GAAP, See Schedule 2 of the Company's Oct. 30, 2014 Earnings Release*

Appendix

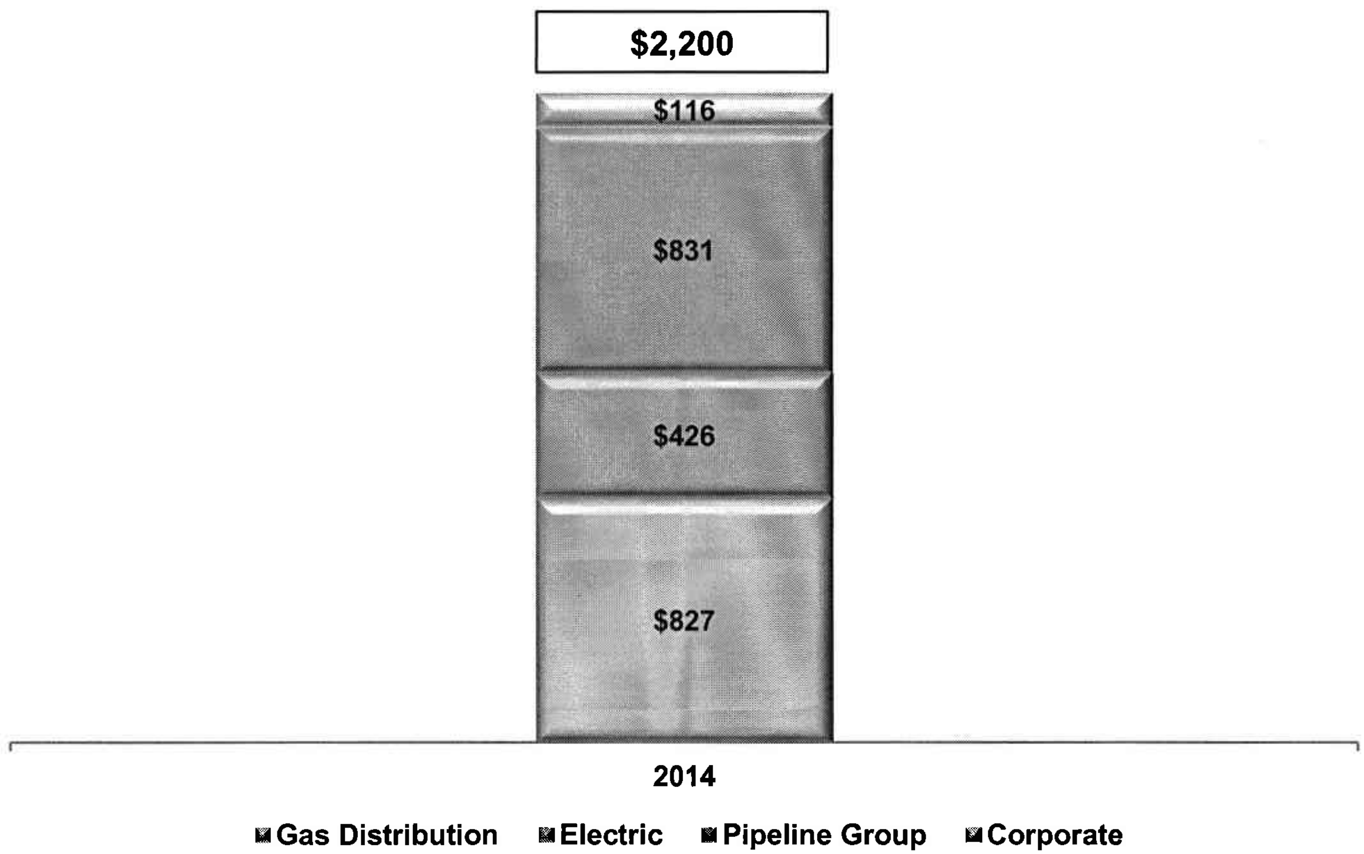
Third Quarter 2014 Earnings

October 30, 2014

NiSource®

Capital Expenditures ($M)

2014 Forecasted CapEx



2014 Growth & Tracker ~$1,670M (76%) and Age & Condition ~$530M (24%)

Capitalization ($M)

Total Debt to Capitalization 61.8% as of 9/30/14

	Actual 9/30/2014			Actual 12/31/2013		
	Debt	**Equity**	**Total**	**Debt**	**Equity**	**Total**
Long-Term Debt	$ 8,397.4	$ -	$ 8,397.4	$ 7,593.2	$ -	$ 7,593.2
Short-Term Debt	1,105.3	-	1,105.3	433.6	-	433.6
Sale of A/R	205.8	-	205.8	265.1	-	265.1
Current Portion of Long-Term Debt	18.7	-	18.7	542.1	-	542.1
Common Equity	-	6,007.3	6,007.3	-	5,886.6	5,886.6
Total Capitalization Per Balance Sheet	**$ 9,727.2**	**$ 6,007.3**	**$15,734.5**	**$ 8,834.0**	**$ 5,886.6**	**$14,720.6**
% of Capitalization Per Balance Sheet	**61.8%**	**38.2%**	**100.0%**	**60.0%**	**40.0%**	**100.0%**

Moody's Baa2 /P2 • S&P BBB- /A3 • Fitch BBB- /F3

Current Liquidity ($M)

	Actual 9/30/14	Maturity
Committed Credit Facility	$ 2,000	September 2018
Less:		
Drawn on Credit Facility	-	
Commercial Paper	(1,105)	
Letters of Credit	(15)	
Add:		
Cash & Equivalents	18	
Net Available Liquidity	**$ 898**	

NiSource

CPG Regulated Pipeline & Storage Growth Update

M Marketing — **~$7-9B Opportunity (10 Years)**

Project	CapEx	In-Service
1 **Millennium**	**~$90M** (NI: $45M)	**2Q '13 & 1Q '14**
2 **Warren County**	**~$35M**	**2Q '14**
3 **Chesapeake LNG**	**~$35M**	**Three Phases: 2013 - 2015**
4 **West Side Expansion**	**~$200M**	**4Q '14**
5 **East Side Expansion**	**~$275M**	**3Q '15**
6 **Giles County**	**~$40M** (CPG $25M - CGV $15M)	**4Q '14**
7 **Line 1570**	**~$20M**	**4Q '14**
8 **Cameron Access Project**	**~$310M**	**1Q '18**
9 **Utica Access Project**	**~$50M**	**4Q'16**
10 **Rayne / Leach XPress**	**~$1.75B** (Rayne $330M - Leach $1.4B)	**4Q '17**
11 **AEP Big Sandy**	**~$25M**	**2Q '16**
12 **WB XPress**	**~$870M**	**4Q '18**
13 **Mountaineer XPress**	**TBD**	**TBD**

1 **Millennium** — *Marcellus: Deliver Marcellus supplies to multiple markets with expanded compression at Minisink (+150 MMcf/Day) and Hancock (+175 MMcf/Day)*

2 **Warren County** — *Gas Generation: Expansion serving Virginia Power's new 1,300 MW plant (250 MMcf/Day)*

3 **Chesapeake LNG** — *Facility Upgrade: Multi-phased project over three years to upgrade and maintain service to existing customers. (~120 MMcf/Day)*

4 **West Side Expansion** — *Marcellus: Transport supply to the Gulf Coast and growing Southeast Markets (~500 MMcf/Day).*

5 **East Side Expansion** — *Marcellus: Connect northern Marcellus supplies to Northeast and Mid-Atlantic Markets (~315 MMcf/Day)*

6 **Giles County** — *Gas Conversion: Pipeline extension to serve coal-to-natural gas boiler conversion (~45 MMcf/Day).*

7 **Line 1570** — *Marcellus: Increased takeaway capacity (~100 MMcf/Day).*

8 **Cameron Access Project** — *Transport supplies from numerous basins into Cameron's LNG facility via a new pipeline and additional compression. (~800 MMcf/Day).*

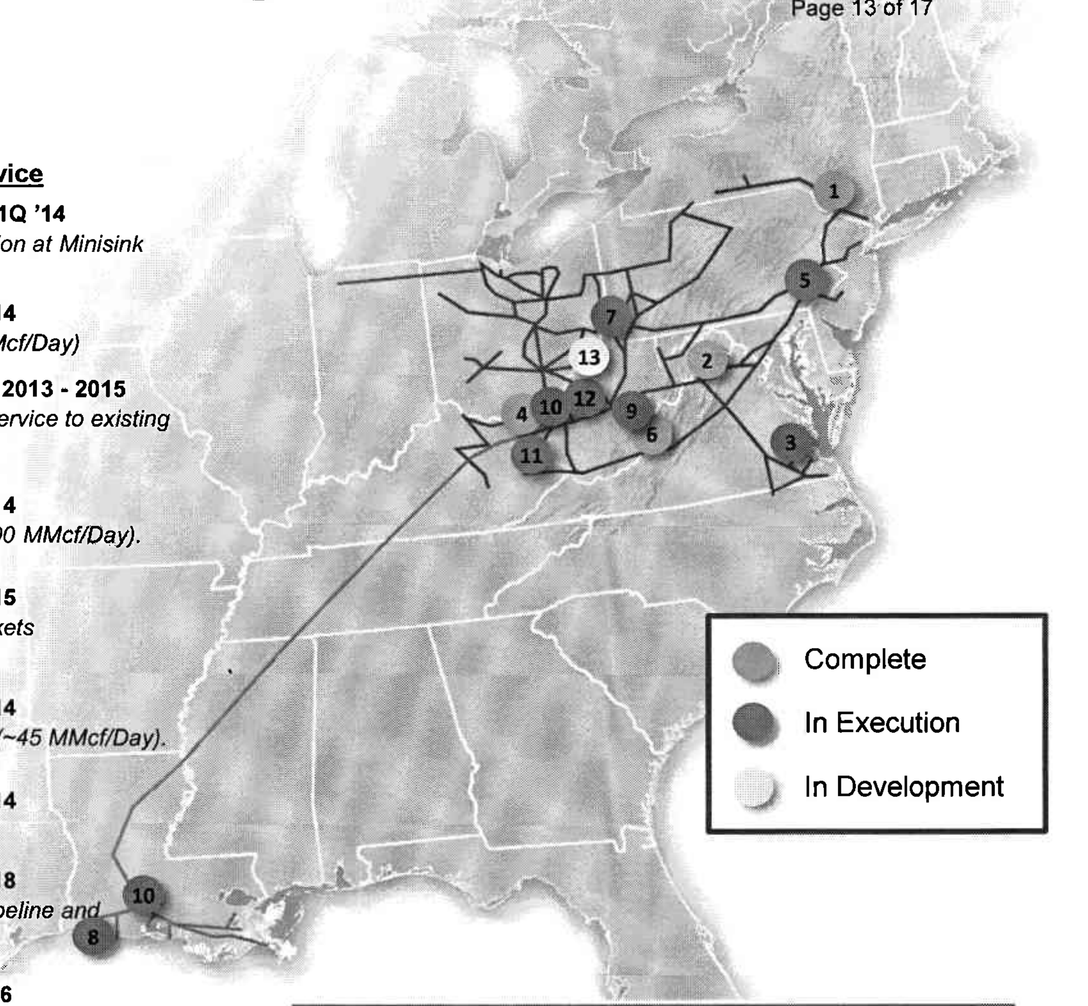
9 **Utica Access Project** — *Greenfield pipeline to transport growing supply onto existing Columbia Gas line. (~200 MMcf/Day)*

10 **Rayne / Leach XPress** — *Marcellus / Utica: Facilitates transportation of Marcellus and Utica production to markets on Columbia Gas (Leach = ~1.5 Bcf/Day) and Columbia Gulf (Rayne = ~1.0 Bcf/Day).*

11 **AEP Big Sandy** — *Gas Conversion: Expansion project to serve gas-fired power plant in Kentucky (~70MMcf/Day).*

12 **WB XPress** — *Marcellus / Utica: Incremental transport capacity to move growing production to various markets across CPG's footprint (~1.3 Bc/Day).*

13 **Mountaineer XPress** — *Marcellus / Utica: Incremental capacity from Noble County, OH via Leach Xpress header (~750MMcf/Day to ~2.5 Bcf/Day).*



M Modernization — **~$4-5B Opportunity (10-15 Years)**

Columbia Gas Modernization — **$300M/Yr** — **2013 – 2017**

FERC approved (1/2013) - 5 Year settlement agreement (with potential extension provisions) to execute a comprehensive, balanced and transparent pipeline modernization program. The program was approved and initiated in 2013…first year tracker recovery started February 2014.

CPG Midstream & Minerals Growth Update

M Midstream — **~$2B Opportunity (10 Years)**

Project	CapEx	In-Service
13 **Majorsville**	**~$85M**	**3Q '10**
14 **Big Pine Gathering**	**~$165M**	**2Q '13**
15 **Pennant JV – Hickory Bend Gathering/Processing**	**~$330M (NI = ~$165M)**	**4Q'13 & 2Q'14**
16 **Pennant JV – NGL Pipeline**	**~$60M (NI = ~$30M)**	**4Q '14**
17 **Washington County Gathering**	**~$120M**	**Two Phases: 2015 - 2018**
18 **NMS Interconnects**	**~$10M**	**4Q '14**
19 **Big Pine Expansion**	**~$65M**	**3Q '15**
20 **Pennant JV – Phase II**	**~$500M (NI = ~$250M)**	**2015 - 2018**
21 **Appalachia G&P**	**~$500M**	**2016 - 2018**

13 — *Marcellus: Gathers wet gas to processing facility and provides downstream pipeline market access with additional pipeline and compression assets (~325 MMcf/Day)*

14 — *Marcellus: ~60 Miles of Pipeline with multiple interstate connections (~425 MMcf/Day)*

15 — *Utica: ~45 miles of Pipeline (500 MMcf/Day) and an NGL processing facility (200 MMcf/Day); Pipelines and NGL processing facility complete.*

16 — *Utica: Pipeline development to transport NGLs from the Hickory Bend processing facility to Kensington. Capacity of the gas liquids pipeline is expected to be up to ~90K barrels a day.*

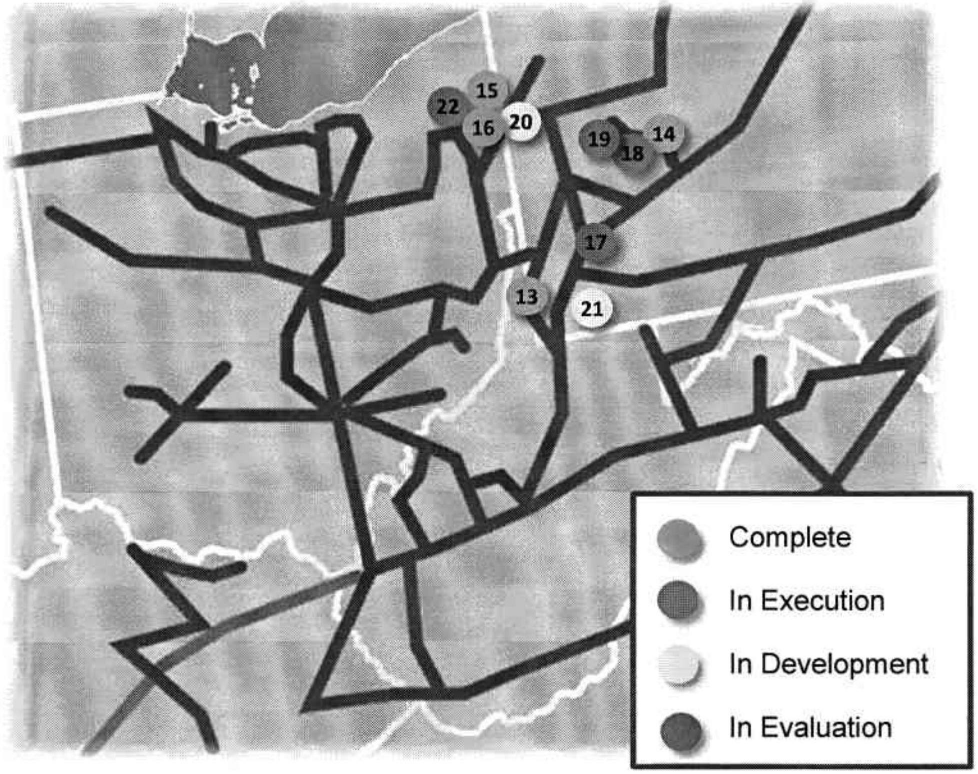
17 — *Marcellus: Greenfield gathering system in Washington County, PA to gather wellhead production.*

18 — *Marcellus: Interconnects along the Big Pine Gathering System to transport new supplies.*

19 — *Marcellus: A nine mile, 20 inch lateral to Bluestone Processing Plant and incremental compression on Big Pine (~175 MMcf/Day).*

20 — *Utica: Gathering system expansion and additional processing facilities.*

21 — *Marcellus / Utica: Gathering systems and processing facilities.*



M Minerals — **Self-Funded Investment**

22 **Utica Minerals Arrangement** — **Executing Drilling Program**
Utica: Joint development with Hilcorp to extract value from a combined acreage of mineral rights – drilling started in 2013. Production volumes dedicated to Pennant JV-Hickory Bend

Potential Minerals Opportunities — **Under Evaluation**
Utica: Optimize minerals position in shale region to leverage downstream infrastructure opportunities

Electric Operations Infrastructure Investment Update

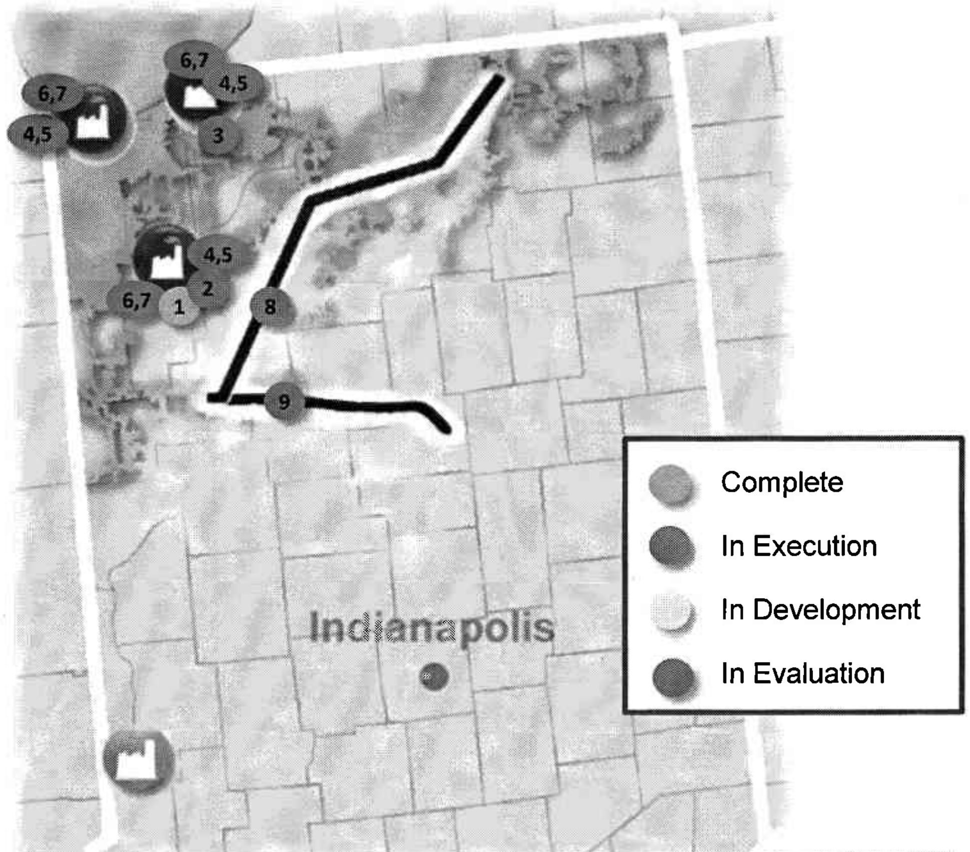
Upgrade Generation Fleet (~$2B Opportunity)

Project	CapEx	In-Service
1 **U14 FGD**	**~$250M**	**YE '13**
ECRM (Environmental Cost Recovery Mechanism - 100% Tracked) FGD (Flue Gas Desulfurization) facility at Schahfer Generating Station		
2 **U15 FGD**	**~$250M**	**YE'14**
ECRM (100% Tracked) FGD facility at Schahfer Generating Station		
3 **U12 FGD**	**~$250M**	**YE'15**
ECRM (100% Tracked) FGD facility at Michigan City Generating Station		
4 **NOx Upgrades**	**~$50M**	**YE'15**
ECRM (100%Tracked) NOx upgrades and monitoring		
5 **MATS**	**~$60M**	**YE'13/YE'14/YE'15**
ECRM (100%Tracked) projects enhancing mercury and particulate controls at all coal plants		
6 **Water Treatment**	**$25M - $130M**	**YE'18/YE'19/YE'20**
Environmental: SB 251 (80% Tracked / 20% Deferred) projects enhancing wastewater treatment at all coal plants and water intake modifications at Bailly Station		
7 **Coal Ash Improvements**	**$100M - $300M**	**TBD**
Environmental: SB 251 (80% Tracked / 20% Deferred) projects upgrading ash handling and disposal at all coal plants		

Infrastructure Modernization Program (~$7B Opportunity)

NIPSCO Electric Distribution & Transmission Modernization | **7-Year Investment ~$1.1B** | **Approved / Implemented: 2014**

Modernization: SB 560 (80% Tracked / 20% Deferred) NIPSCO is implementing year 1 of its 7-year, ~$1.1B electric infrastructure replacement plan. The plan was approved by the IURC in February 2014 and requires NIPSCO to file a rate case within seven years. In August 2014, NIPSCO filed its first semi-annual tracker as required by SB 560, reaffirming its commitment to the $1.1B capital investment level.



Enhance Transmission System (~$1B Opportunity)

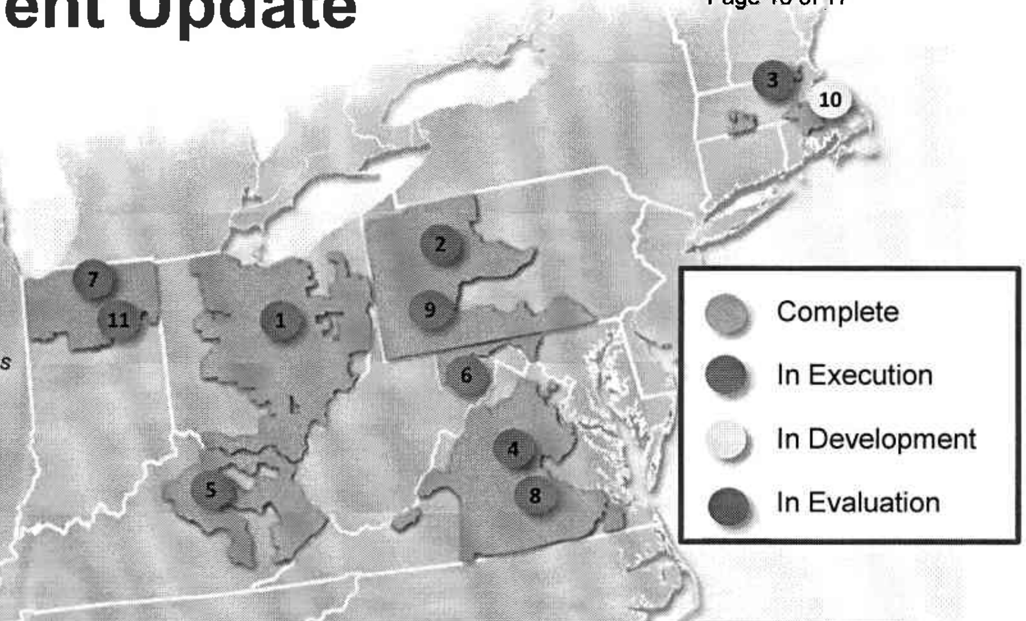
8 **Reynolds-Topeka** | **$250M - $300M** | **2H 2018**

MISO MVP: FERC approved 345-kV transmission project from Reynolds Substation to Hiple Substation (100 miles) – route determination complete…right-of-way acquisition and permitting activities continue.

9 **Greentown-Reynolds** | **$300M - $400M (NI: $150M – $200M)** | **2H 2018**

MISO MVP – partnership: FERC approved 765-kV transmission project from Reynolds Substation to Greentown Substation (~70 miles) – route determination complete…right-of way acquisition started.

NGD Infrastructure Investment Update



Infrastructure Modernization Programs (~$20B Opportunity)

Annual Investment

1 **Columbia Gas of Ohio** **$175M - $200M** **20+ Years**
Tracked: Execution of established Infrastructure Replacement Program; annual tracker filings with 5-year program renewal (next renewal 2018)

2 **Columbia Gas of Pennsylvania** **$125M - $175M** **20+ Years**
Rate Case / Tracked: Execution of established Infrastructure Replacement Program; recovery utilizes forward test year rate case filings supplemented by periodic DSIC filings under Act 11

3 **Columbia Gas of Massachusetts** **$40M - $60M** **20+ Years**
Tracked: Execution of established Infrastructure Replacement Program; annual tracker filings to be made under the provisions of House Bill 4164

4 **Columbia Gas of Virginia** **$20M - $30M** **20+ Years**
Tracked: Execution of established Infrastructure Replacement Program; annual tracker filings with 5-year program renewal (next renewal 2017)

5 **Columbia Gas of Kentucky** **~$10M** **20+ Years**
Tracked: Execution of established Infrastructure Replacement Program with annual tracker filings

6 **Columbia Gas of Maryland** **~$10M** **20+ Years**
Rate Case / Tracked: Execution of established Infrastructure Replacement Program; rate case filings with make whole filings for up to three subsequent years

7 **NIPSCO Gas – Modernization** **$80M - $120M** **7 Years**
80% Tracked / 20% Deferred (Senate Bill 560): The NIPSCO Gas 7-year infrastructure replacement plan also contains provisions to expand natural gas service into rural areas of Indiana. The plan was approved at ~$700M by the IURC in April 2014. In August 2014, NIPSCO updated the 7-year plan to ~$860M through it's first semi-annual tracker filing supporting additional capital investment opportunities.

Current Regulatory Activity

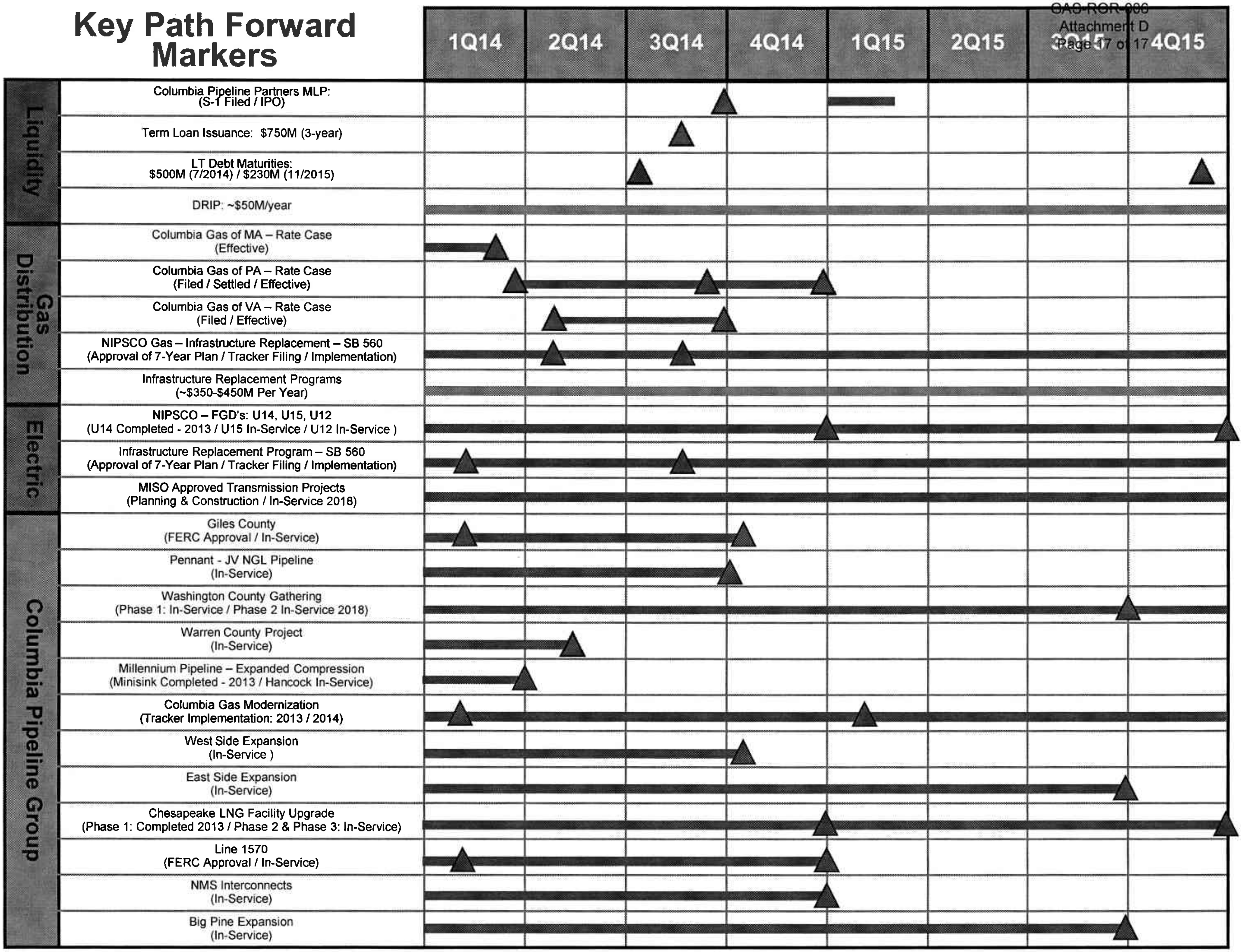
8 **Columbia Gas of Virginia – Rate Case** **Requested Increase: $25** **Filed: 2Q '14 Effective: 3Q '14**
Filing supports CGV's capital investments associated with a multi-year gas distribution modernization program. New rates are in effect (subject to refund).

9 **Columbia Gas of Pennsylvania – Rate Case** **Settled Increase: ~$33M** **Settlement: 3Q '14 Effective: 4Q '14**
Filing supports CPA's capital investments to enhance pipeline safety initiatives and customer programs. The filing was settled in September 2014, and if approved, will be effective in 4Q 2014. This is the second filing under Act 11, using a forward test-year that extends to 12/31/2015.

10 **Columbia Gas of Massachusetts – Infrastructure Filing** **TBD** **Filed: Oct '14 Effective: May '15**
CMA plans to file its annual infrastructure replacement plan under the provision of House Bill 4164.

11 **NIPSCO Gas – Modernization** **Seven-Year Plan Updated to ~$860M** **Filed: 3Q '14 Effective: 1Q'15**
NIPSCO filed it's first semi-annual gas tracker as required by SB 560. The filing supports additional capital investments related to increased demand for rural expansion.

Key Path Forward Markers



Creating Two Premier Energy Infrastructure Companies

NiSource Inc.
Investor Day

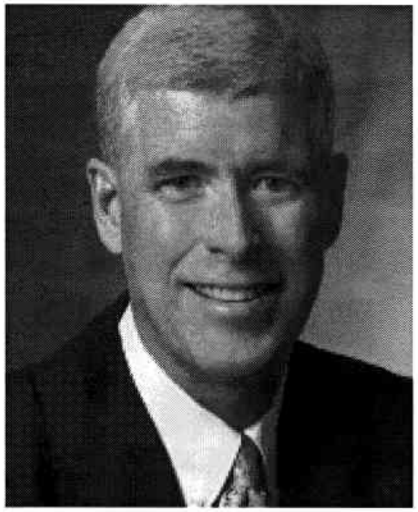
Millennium Broadway
New York, NY | 09.29.14

Forward Looking Statements

This presentation contains forward-looking statements within the meaning of federal securities laws. These forward-looking statements are subject to various risks and uncertainties. Examples of forward-looking statements in this presentation include statements and expectations regarding future dividends, operating earnings growth, EBITDA growth, earnings per share growth, capital investments, net investment/rate base growth, financing needs and plans, and investment opportunities. Factors that could cause actual results to differ materially from the projections, forecasts, estimates and expectations discussed in these presentations include, among other things, the timing to consummate the transactions described herein; the risk that a condition to consummation is not satisfied; disruption to operations as a result of the proposed transactions; the inability of one or more of the businesses to operate independently following the completion of the proposed transactions; weather; fluctuations in supply and demand for energy commodities; growth opportunities for NiSource's businesses; increased competition in deregulated energy markets; the success of regulatory and commercial initiatives; dealings with third parties over whom NiSource has no control; actual operating experience of NiSource's assets; the regulatory process; regulatory and legislative changes; changes in general economic, capital and commodity market conditions; and counter-party credit risk, and the matters described in the "Risk Factors" section of the Form S-1 filed by Columbia Pipeline Partners LP and the matters described in the "Risk Factors" section in NiSource's 2013 Form 10-K, and subsequent NiSource filings on Form 10-Q, many of which are beyond the control of NiSource. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this presentation. Future earnings and other financial projections are illustrative only and do not constitute guidance by the Company. NiSource expressly disclaims a duty to update any of the forward-looking statements contained in these presentations.

The potential distribution of CPG shares is subject to the satisfaction of a number of conditions, including the final approval of NiSource's Board of Directors. There is no assurance that such distribution will in fact occur.

Speaker Bios

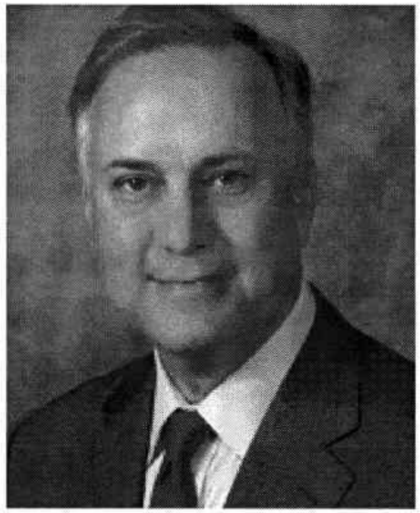


Bob Skaggs

President &
Chief Executive Officer

Bob is President and Chief Executive Officer of NiSource Inc. He is responsible for the strategic direction of the company, as well as for overseeing its day-to-day operations. Bob was named President in October 2004 and added the CEO responsibilities effective July 2005.

He earned a bachelor's degree in economics from Davidson College, a law degree from West Virginia University and a master's degree in business administration from Tulane University.



Steve Smith

Executive VP &
Chief Financial Officer

Steve is Executive Vice President and Chief Financial Officer of NiSource Inc. He is responsible for the company's corporate finance functions, information technology, supply chain services, and real estate and facilities management.

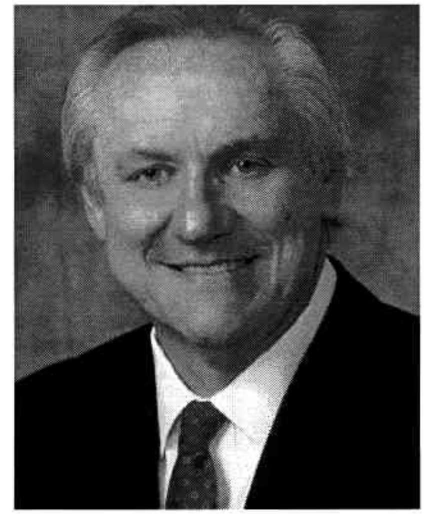
He earned a bachelor's degree in petroleum engineering from the Colorado School of Mines and a master's degree in business administration from the University of Chicago Graduate School of Business.

Joe Hamrock

Executive VP & Group CEO,
NiSource Gas Distribution

Joe oversees NiSource's gas distribution companies in Kentucky, Maryland, Massachusetts, Ohio, Pennsylvania and Virginia. He joined NiSource in May 2012.

He earned a bachelor's degree in electrical engineering from Youngstown State University and a master's degree in business administration from the Massachusetts Institute of Technology in Cambridge, where he was a Sloan fellow.



Jim Stanley

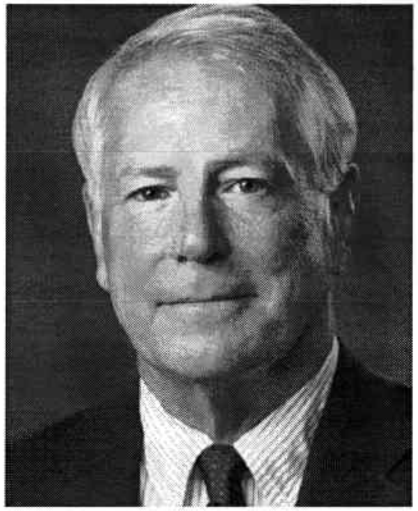
Executive VP & Group CEO,
NIPSCO

Jim oversees NiSource's Indiana gas and electric utility, including all regulatory, operations and project management. He joined NiSource in October 2012.

He earned his bachelor's degree in accounting from Ball State University.

NiSource®

Speaker Bios

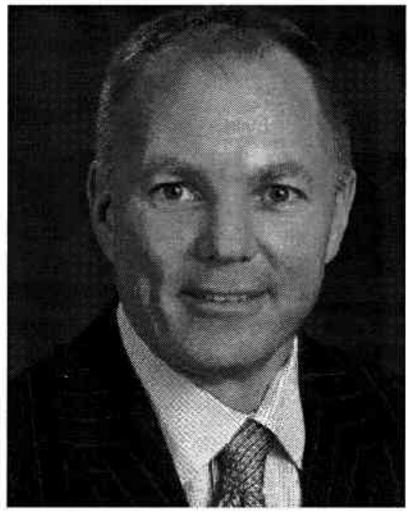


Glen Kettering

Executive VP & Group CEO, Columbia Pipeline Group

Glen oversees all regulatory, commercial, operations and capital investment programs at Columbia Pipeline Group.

He earned a bachelor's degree in business administration from West Virginia University and a law degree from the West Virginia University College of Law

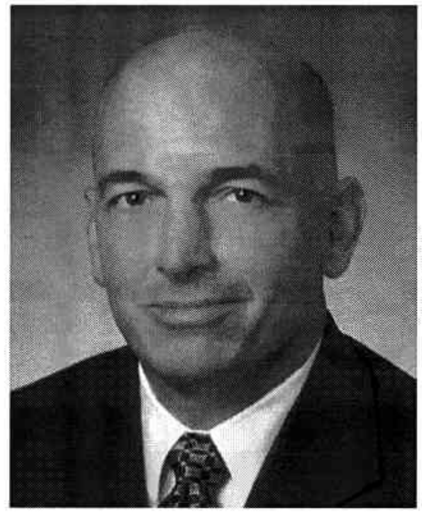


Stan Chapman III

Chief Commercial Officer, Columbia Pipeline Group

Stan is responsible for all of Columbia Pipeline Group's regulated commercial operations, which includes marketing, business development, gas control, customer service, rates and regulatory affairs.

He earned a bachelor's degree in economics from Texas A&M University and a master's degree in business administration from the University of St. Thomas.



Brett Stovern

Chief Operating Officer, Midstream Services

Brett is responsible for all Columbia Pipeline Group's midstream and minerals activities. Prior to his role, he served as Chief Financial Officer for Columbia Pipeline Group.

He earned his bachelor's degree in accounting from California State Polytechnic University and is a Certified Public Accountant.

Shawn Patterson

President, Operations & Project Delivery, Columbia Pipeline Group

Shawn is responsible for operations, engineering and project management across Columbia Pipeline Group. He also oversees the execution of CPG's modernization and growth programs.

He earned a bachelor's degree in civil engineering from Rose-Hulman Institute of Technology and a master's degree in business administration from University of Notre Dame.

NiSource®

Today's Agenda

NiSource Investor Day 2014

8:00 – 8:30 AM	Registration and Welcome	
8:30 – 9:30 AM	Separation Overview	Bob Skaggs, Steve Smith
9:30 – 9:45 AM	Break	
9:45 – 10:30 AM	NiSource Utility Company	Jim Stanley, Joe Hamrock
10:30 – 11:30 AM	Columbia Pipeline Group	Glen Kettering, CPG Leadership
11:30 AM – 12:00 PM	Financial Profile	Steve Smith
12:00 – 12:30 PM	Q&A	Team
12:30 – 12:35 PM	Closing Remarks	Bob Skaggs

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Separation Overview

Bob Skaggs

President & Chief Executive Officer

Strategic Separation Expected to Deliver Significant Value

Plan to Separate Columbia Pipeline Group Into a Stand-Alone, Publicly Traded Company

- ✓ Creates two pure-play, premier energy infrastructure companies
- ✓ Enhances overall long-term earnings and dividend growth potential
- ✓ Provides strategic clarity, significant scale, unique assets and customer bases
- ✓ Permits disciplined execution of two distinct, growth investment strategies
- ✓ Results in two well-capitalized entities, expected to maintain investment-grade ratings

Opportunity to Create Immediate and Long-Term Value for Shareholders

Creating Two Premier Energy Infrastructure Companies

Logical Step in Successful, Long-Term Growth Strategy	Expected to Unlock Full Potential for Both Companies
Pure-Play Businesses	Focused on Distinct Investment Opportunities, Assets and Customers
Execution Capability	Experienced Teams and Proven Track Records at Both Companies
Investor Alignment	Investors Attracted to Unique Investment and Risk Profiles

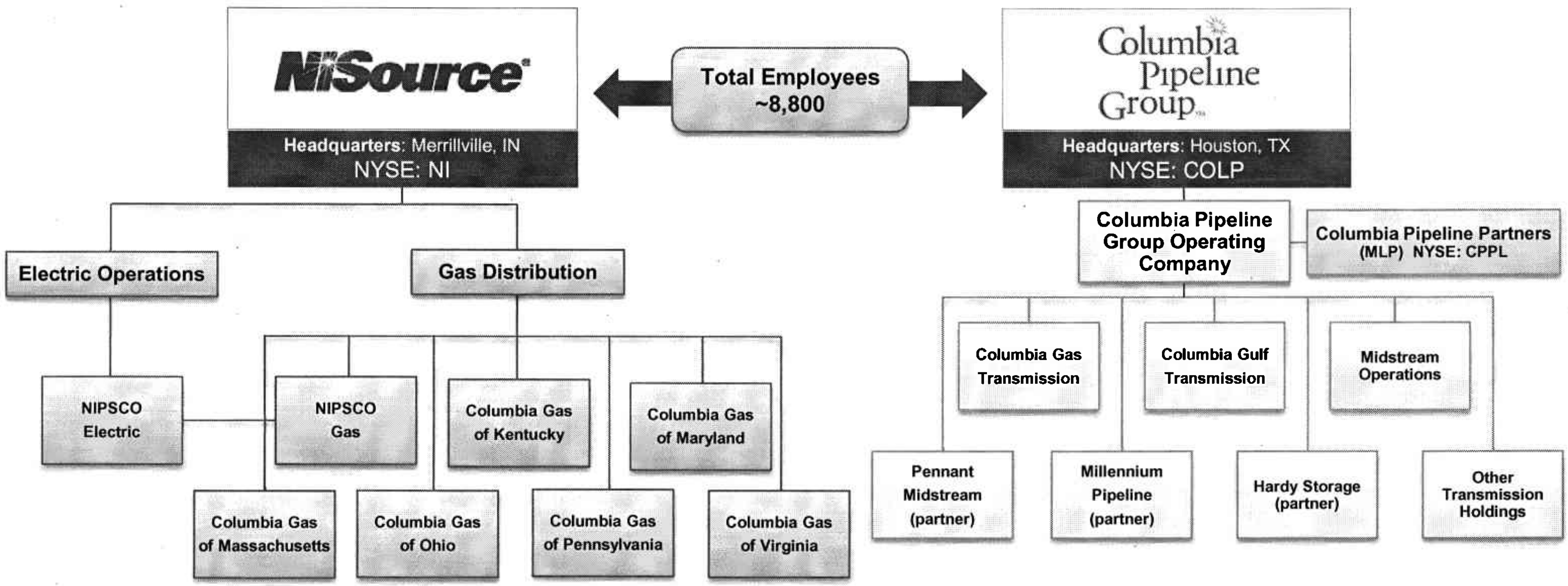
Independent Companies Better Able to Realize Growth Opportunities

Columbia Pipeline Group

NiSource

Opportunity to Create Immediate and Long-Term Value for Shareholders

Separation Snapshot



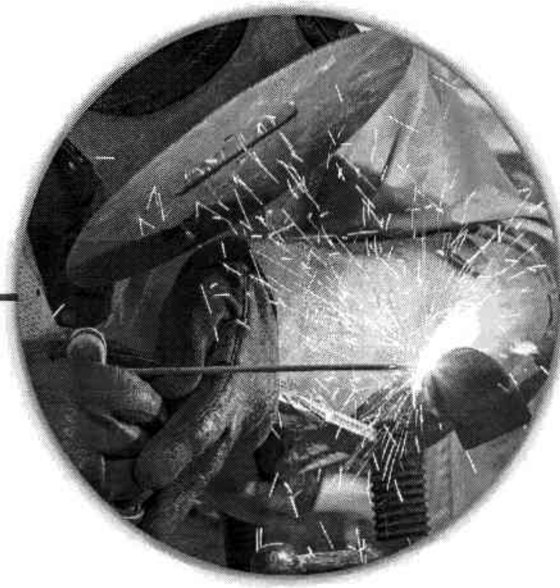
Maintaining Commitments to Customers, Employees and Communities

NiSource

Creating Two Premier Energy Infrastructure Companies

NiSource

- **Pure-Play Natural Gas & Electric Utilities**
- Proven operators, focused on safety, reliability and customer service
- Significant long-term infrastructure investment opportunity expected to sustain strong earnings and dividend growth
- Constructive regulatory policies and stakeholder support across jurisdictions
- Expected to maintain investment-grade credit rating



Columbia Pipeline Group

- **Pure-Play Pipeline, Midstream & Storage Company**
- Significant scale and footprint in Marcellus/Utica, Midwest, Mid-Atlantic and Gulf Coast markets
- Significant modernization and organic growth opportunities expected to support robust EBITDA and dividend growth
- Expected to maintain investment-grade credit rating
- MLP expected to provide access to capital to fund CapEx needs

Two Well-Capitalized Energy Infrastructure Companies With Compelling Investment Propositions

Two Premier Pure-Play Companies With Significant Scale

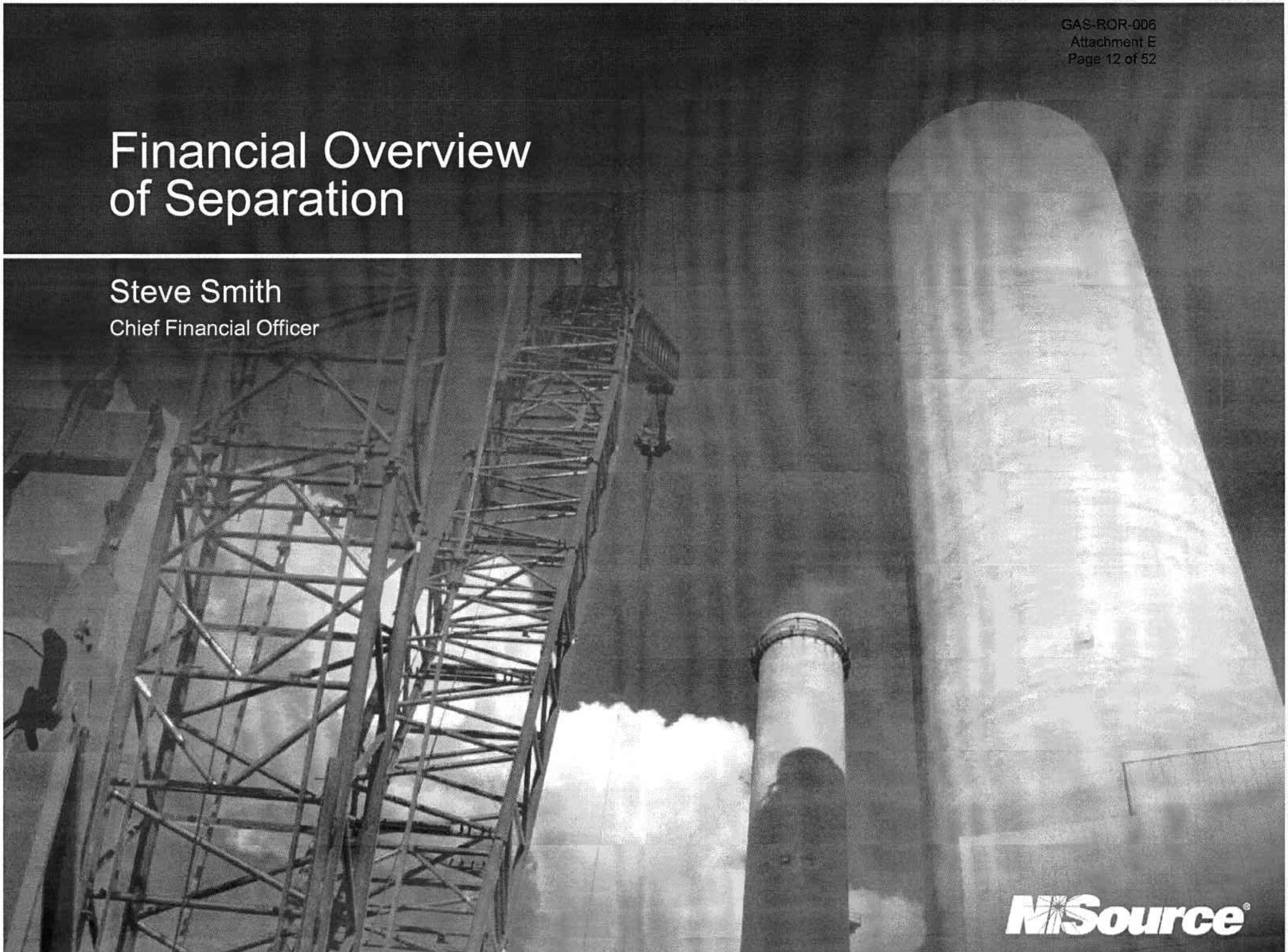
NiSource		Columbia Pipeline Group
~4M Gas/Electric Distribution	**Customers**	LDCs, Producers, Marketers, Electric Generators and Other Large End Users
~58K Miles Distribution Pipe 3,300 MW Generation ~2,800 Circuit Miles Transmission	**Operations**	~15K Miles of Transmission ~1.3 Tcf of Throughput Per Year 35 Storage Fields, ~300 Bcf Working Capacity
~$7.4B; Expected to Grow on Average by ~8% per year	**Rate Base*/Net Investment Growth**	~$4B; Expected to Grow to ~$12.5B+ by 2020
~$30B Over 20+ Years	**Investment Opportunity**	$12-15B Over Next 10 Years
7 States	**Footprint**	Marcellus, Utica; Midwest, Mid-Atlantic and Gulf Coast Markets

Significant Growth Potential With Stable Financial Profiles

*As of 12/31/2013

Financial Overview of Separation

Steve Smith
Chief Financial Officer



NiSource

Two Premier Companies with Significant Growth Potential

NiSource		Columbia Pipeline Group
Pure-Play Natural Gas & Electric Utilities Company	**Strategic Focus & Clarity**	Pure-play Pipeline, Midstream & Storage Company
Utility System Modernization & Organic Growth (~$30B Over 20+ Years; ~75% Revenue-Producing)	**Long-Term Investment Opportunity**	Pipeline/Midstream Growth & Modernization ($12-15B Over Next 10 Years; ~90% Fixed Fee)
~$7.4B; Expected to Grow on Average by ~8% Per Year	**Rate Base*/Net Investment Growth**	~$4B; Expected to Grow to ~$12.5B by 2020
Expected Net Earnings Growth 4-6% Per Year	**Long-Term Growth**	Expected EBITDA Growth Driven By Net Investment Growth
Expected to Average 4-6% Per Year	**Long-Term Dividend Growth**	Expected to be Driven By Net Investment Growth
Expected to Maintain Investment-Grade Credit Rating with Strong Liquidity	**Investment-Grade Credit**	Expected to Maintain Investment-Grade Credit Rating with Strong Liquidity

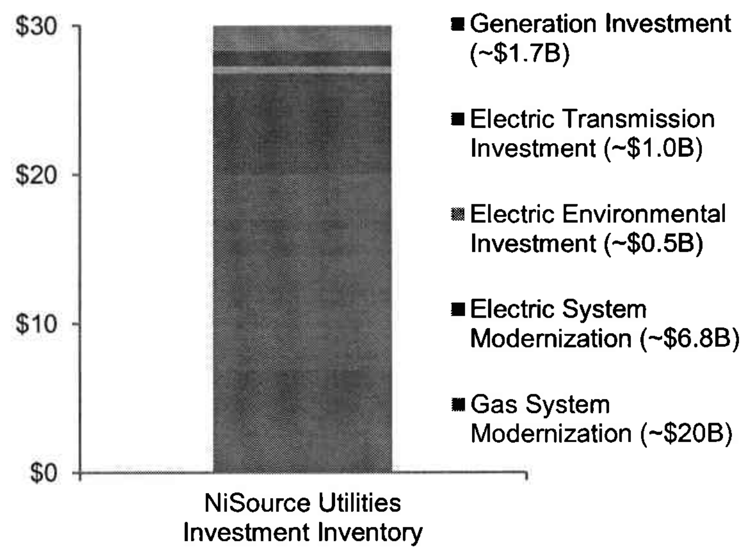
Strong Financial Profiles, Compelling Investment Opportunities

*As of 12/31/2013

Significant Inventory of Projected Growth & Modernization Projects

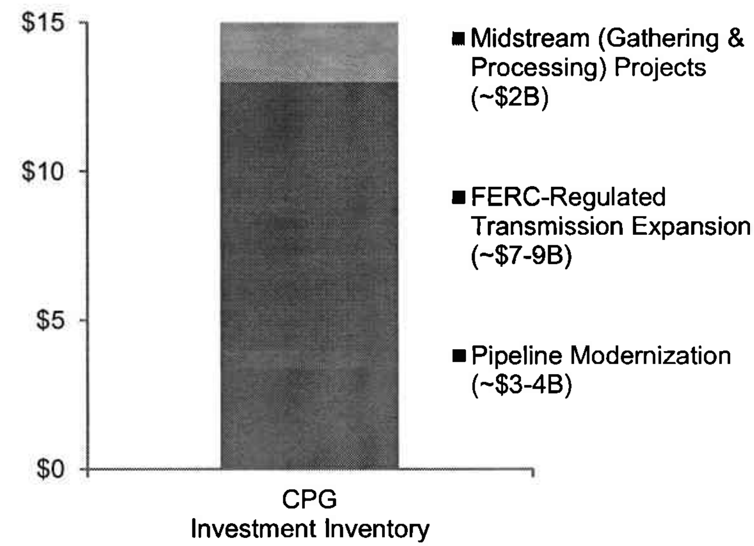
NiSource

~$30B of expected infrastructure investment opportunities over next 20+ years should provide visible organic growth



Columbia Pipeline Group

$12-15B of expected infrastructure investment opportunities over next 10 years should provide sustainable growth



Long-Term Investments Drive Growth for Each Company

NiSource®

Establishing Columbia Pipeline Group (CPG)

MLP
1Q/2015

Columbia Pipeline Partners (NYSE: CPPL)

- Forming MLP
- MLP will be primary funding source for CPG growth capital
- Expected IPO during 1Q 2015

Separation
Mid-2015

Debt Recapitalization (~$3B)

- NiSource Utility Company plans to reduce its net debt prior to separation
- CPG plans to fund a one-time cash distribution to NiSource by issuing its own long-term debt
- NiSource Utility Company debt financing will remain at NiSource Finance Corp.

Anticipated Tax-Free Separation for NiSource and Shareholders

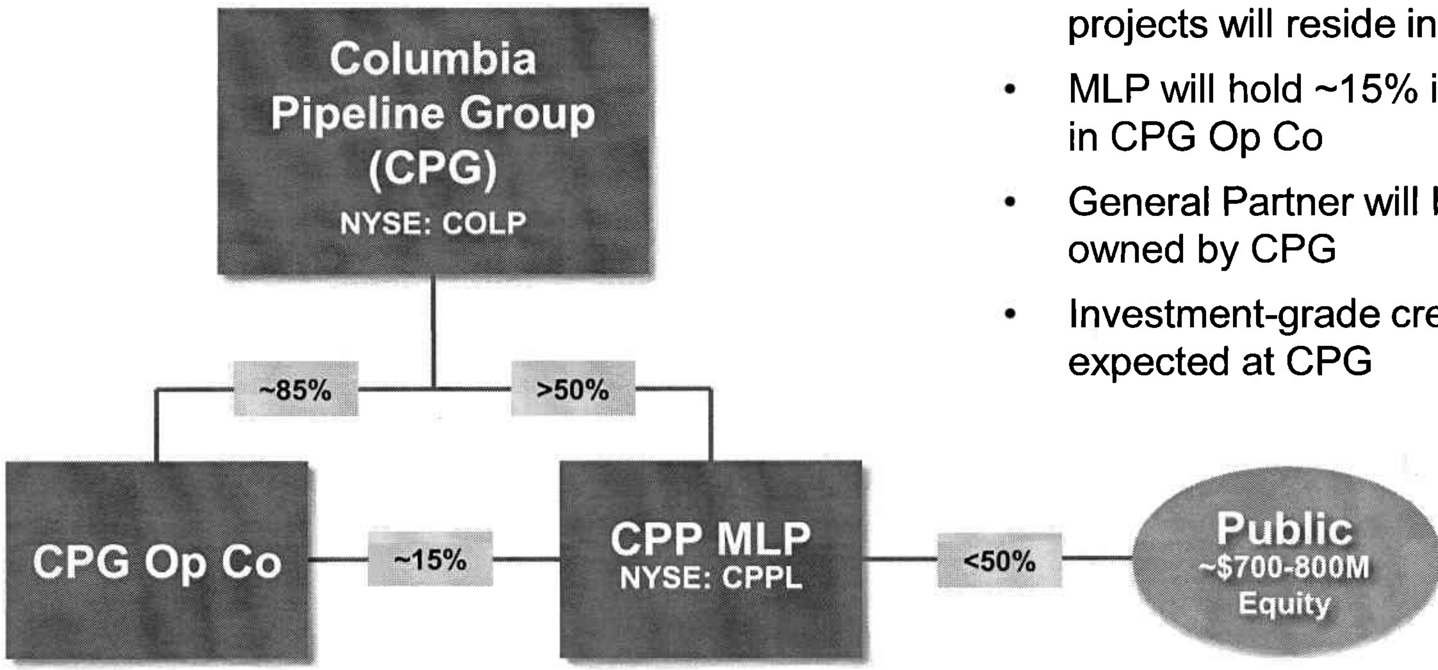
- NiSource shareholders would receive a pro-rata dividend of shares of CPG (NYSE: COLP)
- Dividend expected to be maintained in total at separation and grow thereafter

Two Well-Capitalized Companies, Poised to Deliver Enhanced Long-Term Value

NiSource®

Transparent Approach to Future CPG Funding

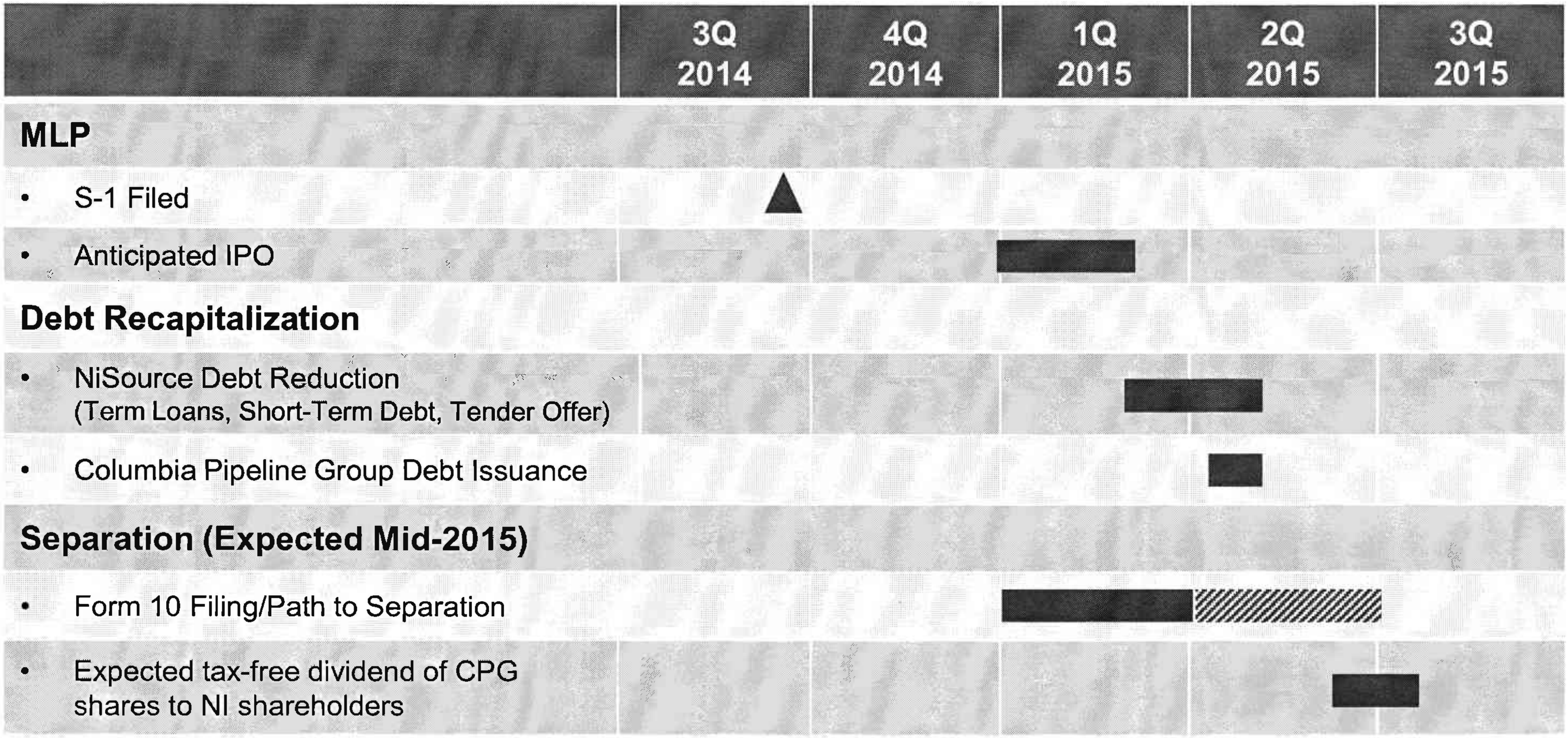
Columbia Pipeline Partners (CPPL) S-1 Filed September 29, 2014



- ~100% of CPG assets and growth projects will reside in CPG Op Co
- MLP will hold ~15% initial interest in CPG Op Co
- General Partner will be 100% owned by CPG
- Investment-grade credit rating expected at CPG

MLP Formed Prior To CPG Separation

Separation Timeline



Straightforward Approach to Delivering Enhanced Value

NiSource

Summary: Creating Two Premier Energy Infrastructure Companies

Two Companies Positioned to Realize Enhanced Growth Opportunities

NiSource®

Expected to Unlock Full Potential for Both Companies

Focused on Distinct Investment Opportunities, Assets and Customers

Experienced Teams, Proven Track Records

Unique Investment and Risk Profiles

Columbia Pipeline Group℠

Opportunity to Create Immediate and Long-Term Value for Shareholders

NiSource:
Premier, Pure-Play Natural Gas & Electric Utilities

Joe Hamrock
EVP and Group CEO, NiSource Gas Distribution

Jim Stanley
EVP and Group CEO, NIPSCO

NiSource®

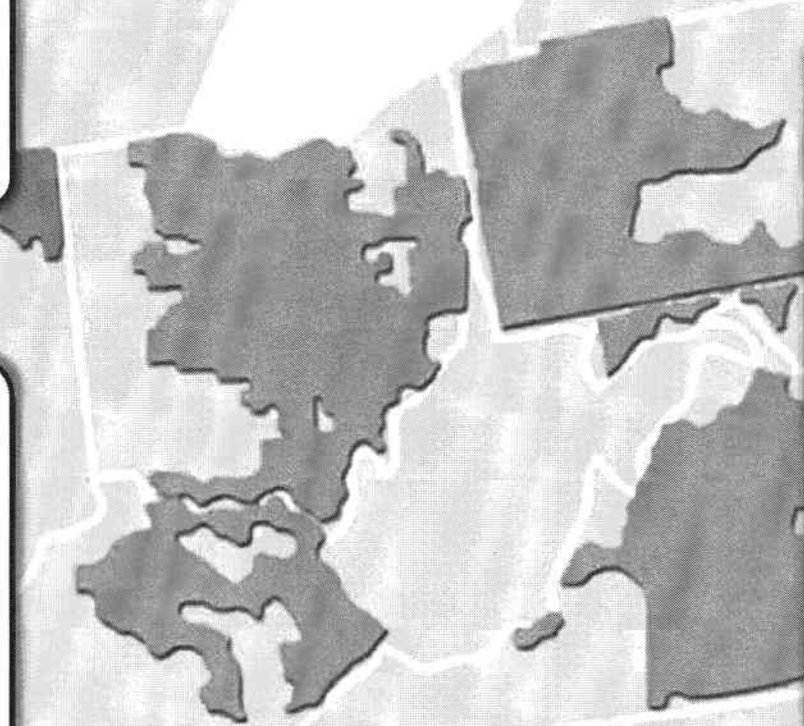
NiSource: Premier, Pure-Play Natural Gas & Electric Utilities

- ✓ Industry-leading regulated natural gas and electric utilities company
- ✓ Expected to maintain investment-grade credit rating
- ✓ ~$30B infrastructure investment inventory – driving earnings and dividend growth
- ✓ ~75% of CapEx expected to be revenue-producing
- ✓ Complementary customer programs, rate structures and tracker mechanisms established in all jurisdictions
- ✓ Proven performance in providing safe, reliable, affordable service

100 Percent Regulated + Significant Scale Supports Long-Term Growth

NiSource®

NiSource: 100% Regulated Natural Gas & Electric Utilities



NIPSCO

- Indiana Natural Gas Distribution
- Indiana Electric Generation, Transmission & Distribution

Columbia Gas

Gas Distribution Companies

- Kentucky
- Maryland
- Massachusetts
- Ohio
- Pennsylvania
- Virginia

- Large Scale Footprint Across 7 States
- ~3.5M Gas LDC Customers
- ~500K Electric Customers
- Strong Performance and Execution Track Record
- Extensive System Modernization and Organic Growth Inventory
- Constructive Regulatory Environments
- Strong Customer Service

A Strong, Well Established Platform for Growth

NiSource

NiSource Natural Gas & Electric Utilities: Significant Size and Scale

NIPSCO Electric

Fully Integrated Electric Utility in Indiana
- ~500,000 Customers
- 3,300 MW of Environmentally Compliant Generation
- Rate Base ~$3.0B

Columbia Gas of Ohio

- ~1.4 Million Customers
- ~20,000 Miles of Pipe
- Rate Base ~$1.4B

Columbia Gas of Massachusetts

- ~300,000 Customers
- ~4,800 Miles of Pipe
- Rate Base ~$500M

NIPSCO Gas

- ~800,000 Customers
- ~17,000 Miles of Pipe
- Fair Value Rate Base ~$800M

Columbia Gas of Pennsylvania

~400,000 Customers
- ~7,400 Miles of Pipe
- Rate Base ~$950M

Columbia Gas of Kentucky

- ~140,000 Customers
- ~2,600 Miles of Pipe
- Rate Base ~$200M

Columbia Gas of Virginia

- ~250,000 Customers
- ~5,000 Miles of Pipe
- Rate Base ~$500M

Columbia Gas of Maryland

- Complementary to PA Operations
- ~33,000 Customers
- ~750 Miles of Pipe
- Rate Base ~$60M

Growing Rate Base, Earning Allowed Returns

*Rate Base as of 12/31/2013

NiSource®

NiSource Natural Gas & Electric Utilities: Strong Execution Track Record

- ✓ Substantial, growing rate base, earning allowed returns
- ✓ Stable and affordable rate design, ~75% of CapEx expected to be revenue-producing
- ✓ Constructive environment for modernization investment and timely recovery
- ✓ Industry-leading safety and reliability performance
- ✓ Robust customer programs and solid satisfaction levels
- ✓ Collaborative, constructive stakeholder relationships

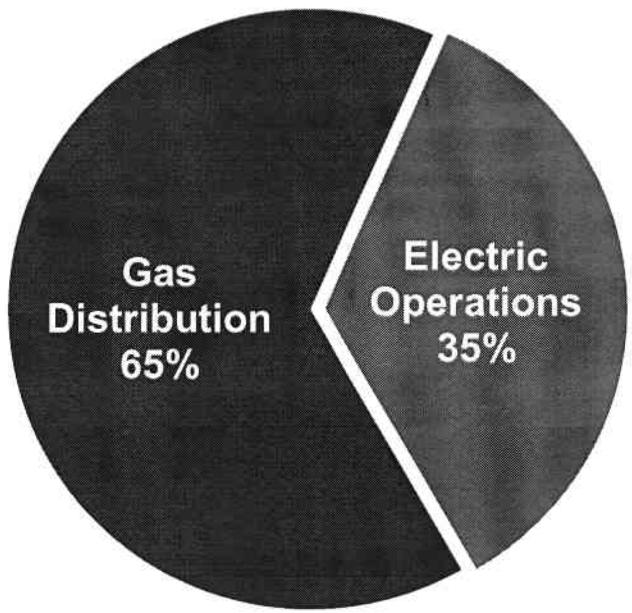
NiSource®

NiSource Natural Gas & Electric Utilities: Business Profile

Pure-Play Utility With Large Footprint Across Seven States

Gas Distribution Utilities

- Total Rate Base of ~$4.4B*
- Constructive Regulatory Environments
- Significant Modernization Investment Programs



Operating Earnings

Fully Integrated Electric Utility

- Total Rate Base of ~$3.0B*
- Constructive Regulatory Environment
- Significant Modernization, Enhancement and Environmental Investment Programs

Expected Rate Base Growth Averages ~8% / Year

*Rate Base as of 12/31/2013

NiSource®

NiSource Natural Gas & Electric Utilities: Investment-Driven Growth Strategy

~$30B / 20+ Year Infrastructure Investment Inventory

~$1.2B
Expected Annual Capital Investment

4-6%
Expected EPS & Dividend Growth

Disciplined Capital Management, Timely Investment Recovery

NiSource®

NiSource Natural Gas Utilities: Attractive Regulatory Construct

Aligning Revenue, Costs and Investments

LDC	Fixed Rate Design (% of Distribution Charge)	Decoupling/Weather Normalization
Columbia Gas of Ohio	**100%**	**N/A**
Columbia Gas of Pennsylvania	**~50%**	✓
Columbia Gas of Massachusetts	**~30%**	✓
Columbia Gas of Virginia	**~55%**	✓
Columbia Gas of Kentucky	**~60%**	✓
Columbia Gas of Maryland	**~35%**	✓
NIPSCO Gas	**~60%**	**-**

Stable Rate Structures: >80% Non-Volumetric Revenue Stream

NiSource®

NiSource Natural Gas Utilities: Industry-Leading Modernization Programs

~$20B / 20+ Year Infrastructure Program Investment Opportunity

LDC	Expected Annual Investment ($ in Millions)	Recovery	Total Investment Opportunity
Columbia Gas of Ohio	$175 – $200	Tracked	~$5.4B
Columbia Gas of Pennsylvania	$125 – $175	Forward Test Year/Tracked	~$5.7B
Columbia Gas of Massachusetts	$40 – $60	Tracked	~$2.0B
Columbia Gas of Virginia	$20 – $30	Tracked	~$0.8B
Columbia Gas of Kentucky	~$10	Tracked	~$1.0B
Columbia Gas of Maryland	~$10	Tracked	~$0.4B
NIPSCO Gas	$80 – $120	Tracked	~$4.5B
Total Annual Investment:	**~$460 – $605**		**~$20B**

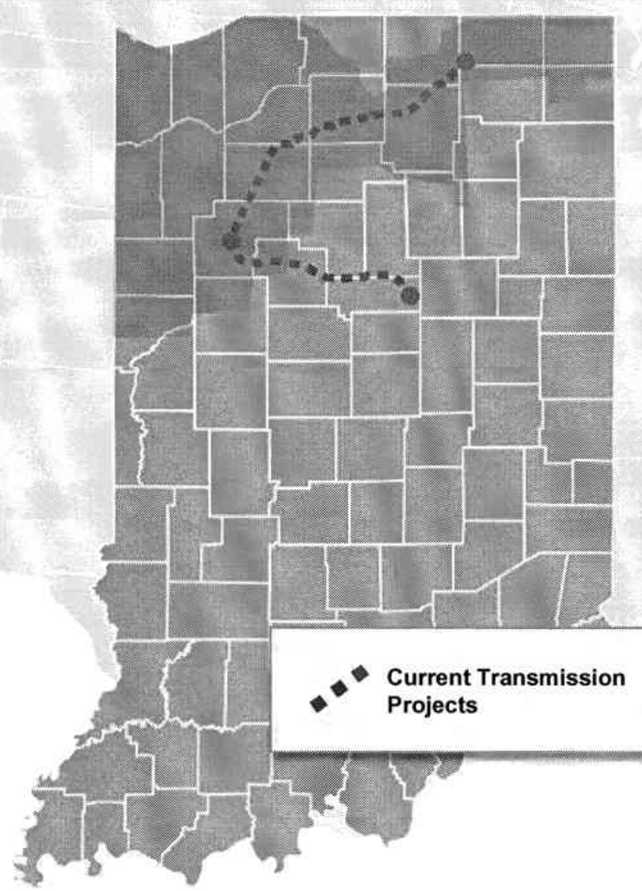
Stakeholder-Aligned, Transparent Recovery Mechanisms

NiSource®

NiSource Electric Utility:
NIPSCO Infrastructure Investment

~$10B / 20+ Year Electric Infrastructure Investment Opportunity

NIPSCO Electric Investments	Tracked Recovery	Expected Annual Investment ($ in millions)	Total Investment Opportunity
Electric System Modernization Program	✓	$70 – $250	~$6.8B
Environmental Compliance	✓	$25 – $100	~$0.5B
Transmission Enhancements/Growth	N/A	$80 – $150	~$1.0B
Generation Upgrades	N/A	TBD	~$1.7B
Total Annual Investment:		~$175 – $500	~$10B



Stakeholder-Aligned, Transparent Recovery Mechanisms

NiSource®

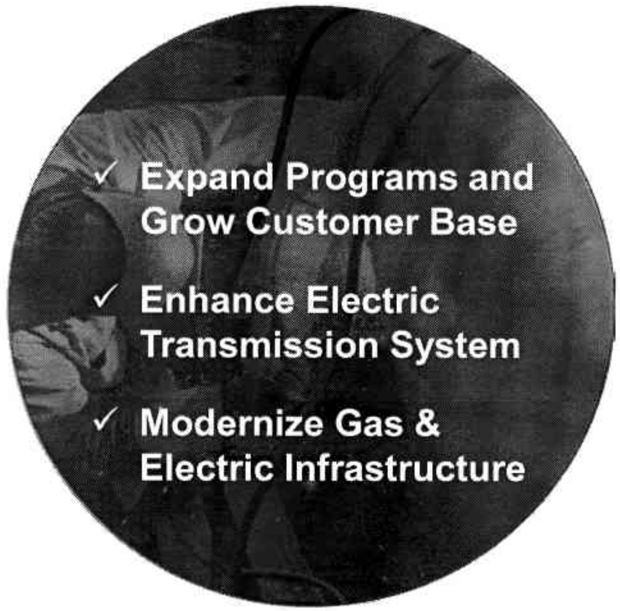
NiSource Natural Gas & Electric Utilities: Summary

~$30B / 20+ Year Infrastructure Investment Inventory

- ✓ Industry-leading regulated natural gas and electric utilities company
- ✓ Track record of collaborative execution and safe, reliable service
- ✓ Complementary rate structures and tracker mechanisms; ~75% of CapEx expected to be revenue-producing
- ✓ Disciplined capital management; solid, investment-grade credit rating

~$1.2B
Expected Annual Capital Investment

→



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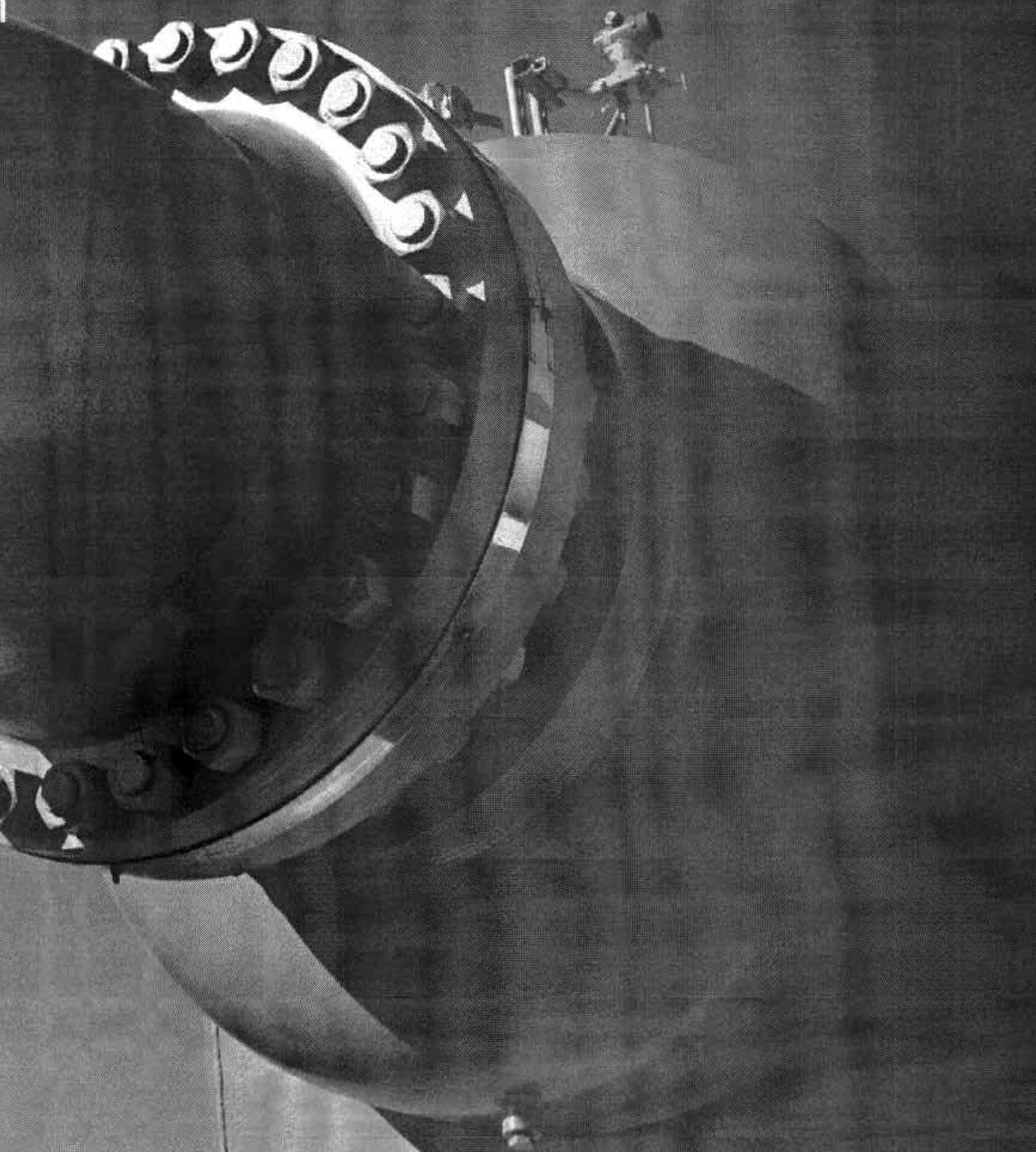
4-6%
Expected EPS & Dividend Growth

Driving Long-Term Earnings and Dividend Growth

Columbia Pipeline Group (CPG):

A Premier Pipeline, Midstream & Storage Company



Glen Kettering
EVP and Group CEO, Columbia Pipeline Group

Stan Chapman
EVP and Chief Commercial Officer

Brett Stovern
Chief Operating Officer, Midstream

Shawn Patterson
President, Operations and Project Delivery

CPG: A Premier Pipeline, Midstream & Storage Company

- ✓ Highly focused, pure-play pipeline, midstream and storage company
- ✓ Strategically located infrastructure links Marcellus and Utica supply regions to the Midwest, Mid-Atlantic and Gulf Coast markets
- ✓ Transformational growth project inventory potential: $12-15B over 10 years
- ✓ Net investment growth expected to drive EBITDA and dividend growth
- ✓ Expected to maintain investment-grade credit profile and strong liquidity

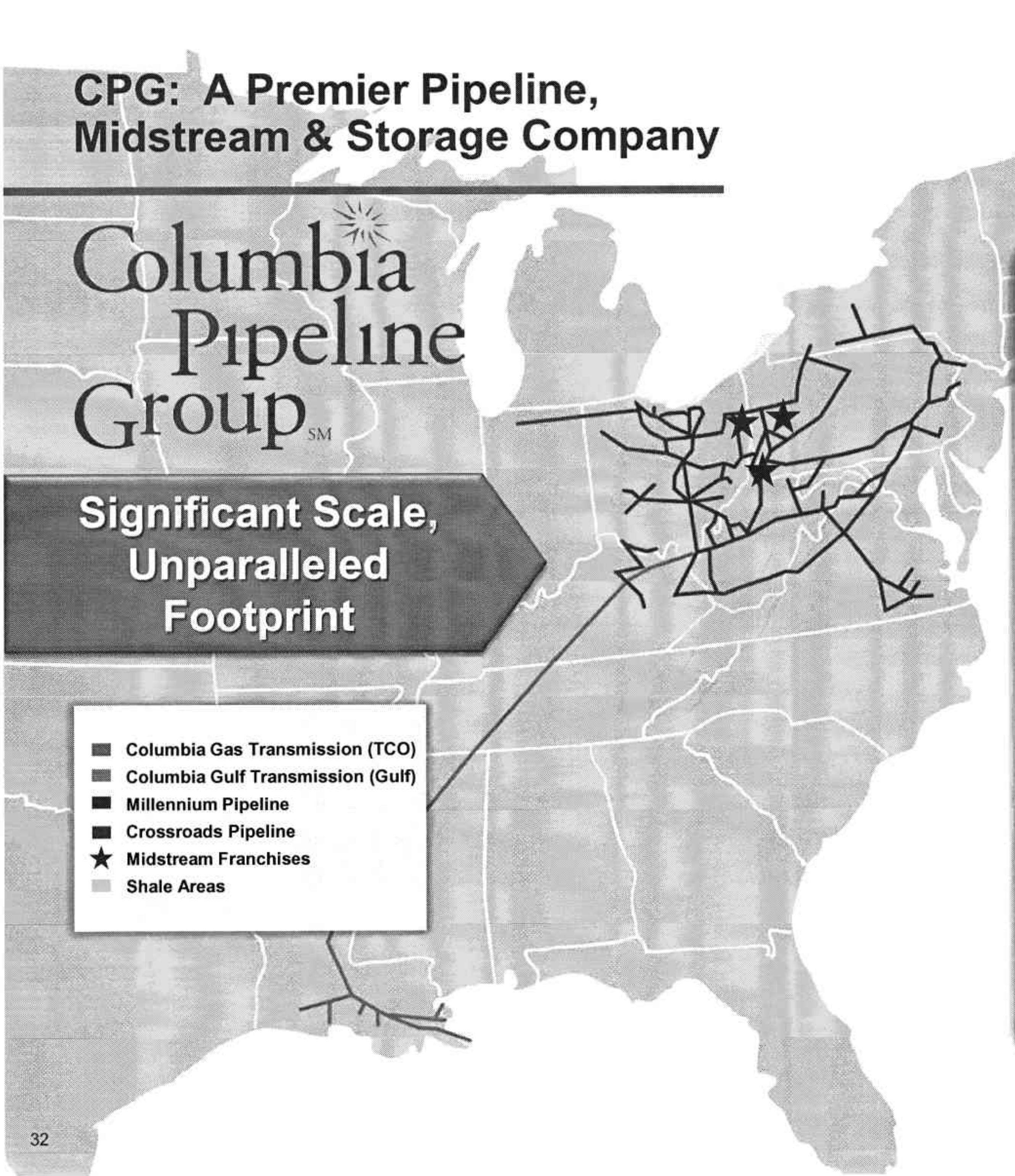
Significant Scale + Unparalleled Footprint + Substantial Investment Inventory

NiSource®

CPG: A Premier Pipeline, Midstream & Storage Company

Columbia Pipeline Group[SM]

Significant Scale, Unparalleled Footprint



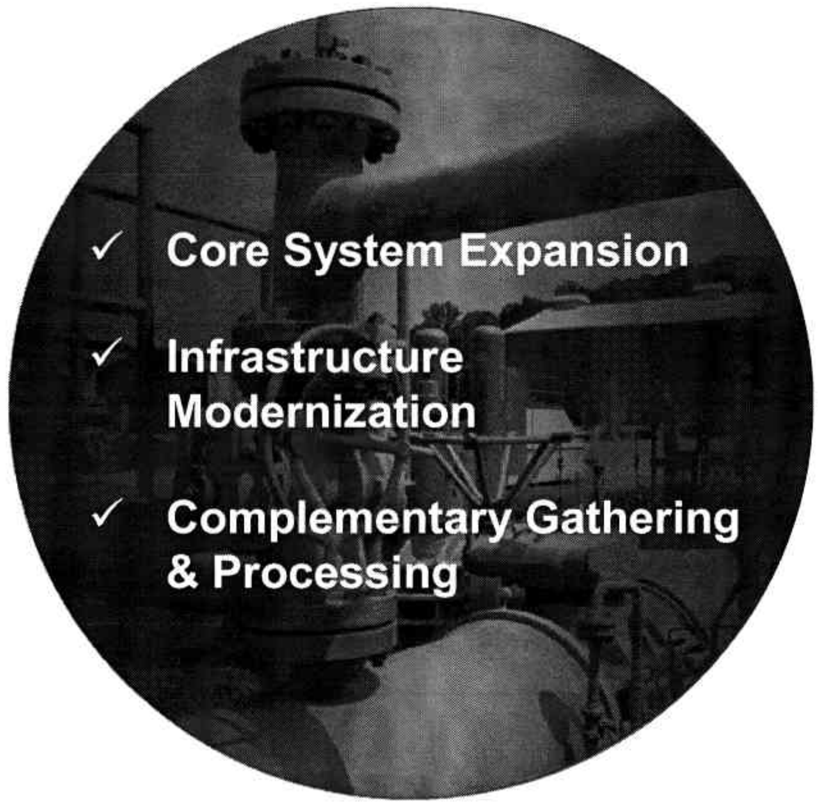
- **Serving Attractive Midwest, Mid-Atlantic and Gulf Coast Markets**
- **Strategically Positioned Overlaying Marcellus and Utica Shale Regions**
- **15,000+ Pipeline Miles**
- **1.3 Tcf Annual Throughput; ~10 Bcf/Day of Transportation Capacity**
- **~300 Bcf of Working Storage Capacity; 4.5 Bcf/Day of Peak Day Storage Deliverability**
- **Diversified Customer Base: LDCs, Gas-Fired Electric Generators, Producers and Marketers**
- **Anchored by Long-Term Contracts**

CPG: Investment-Driven Growth Strategy

$12-15B Expected Organic Growth and Modernization Projects

~$1B+
Expected Annual Capital Investment

→



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Long-Term EBITDA & Dividend Growth

Highly Visible, Attractive Investment Profile

NiSource®

CPG: A Premier Pipeline, Midstream & Storage Company

Stable Revenue Streams

- ~90% Demand Based
- Underpinned with Long-Term Firm Contracts
- Minimal Commodity/Volumetric Exposure
- Customer Supported Modernization Program in Place

Strategic Footprint

- Strategically Situated in Marcellus and Utica Shale Regions
- Serving Attractive Midwest, Mid-Atlantic and Gulf Coast Markets

Significant Scale

- ~$4B Net Investment (Expected to grow to ~$12.5B by 2020)
- $12-15B of Expected Investment Opportunity Over 10 Years

Disciplined Financial Model

- Rigorous Capital Management and MLP
- Disciplined Project Management and Execution

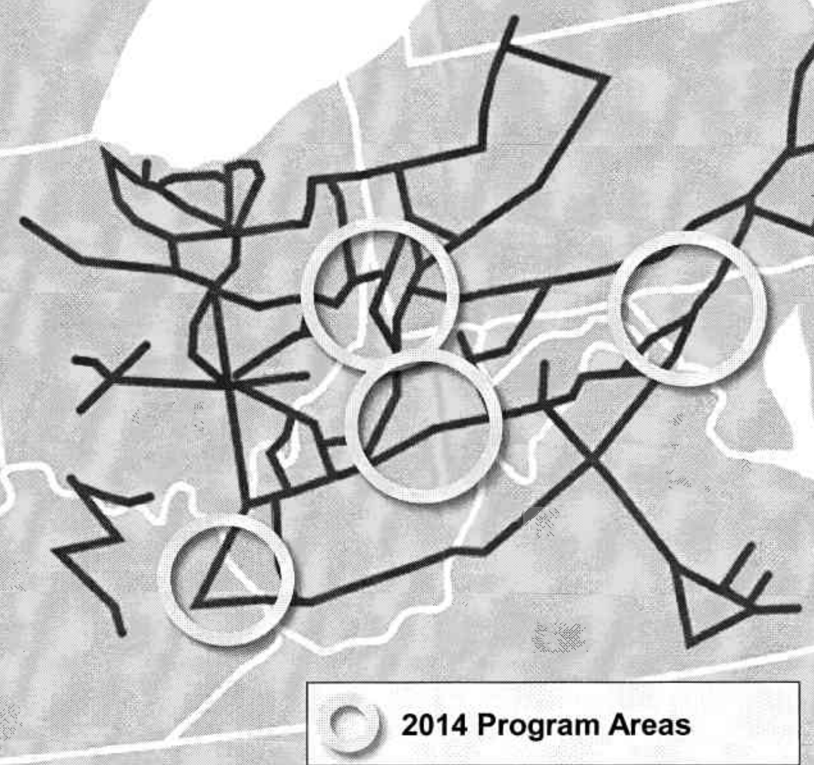
Transformational Investment-Driven Growth

NiSource®

CPG: System Modernization Program

$4-5B of Long-Term Investment Over 10-15 Years

- **Groundbreaking FERC-Approved Settlement**
- **~$300M/Year Investment to Modernize Columbia Gas Transmission**
  - Upgrading Compression
  - Replacing Aging Infrastructure
  - Increasing In-Line Inspection
- **Timely Recovery on Investment**
  - February 1 recovery for facilities placed in-service by October 31 of the prior year

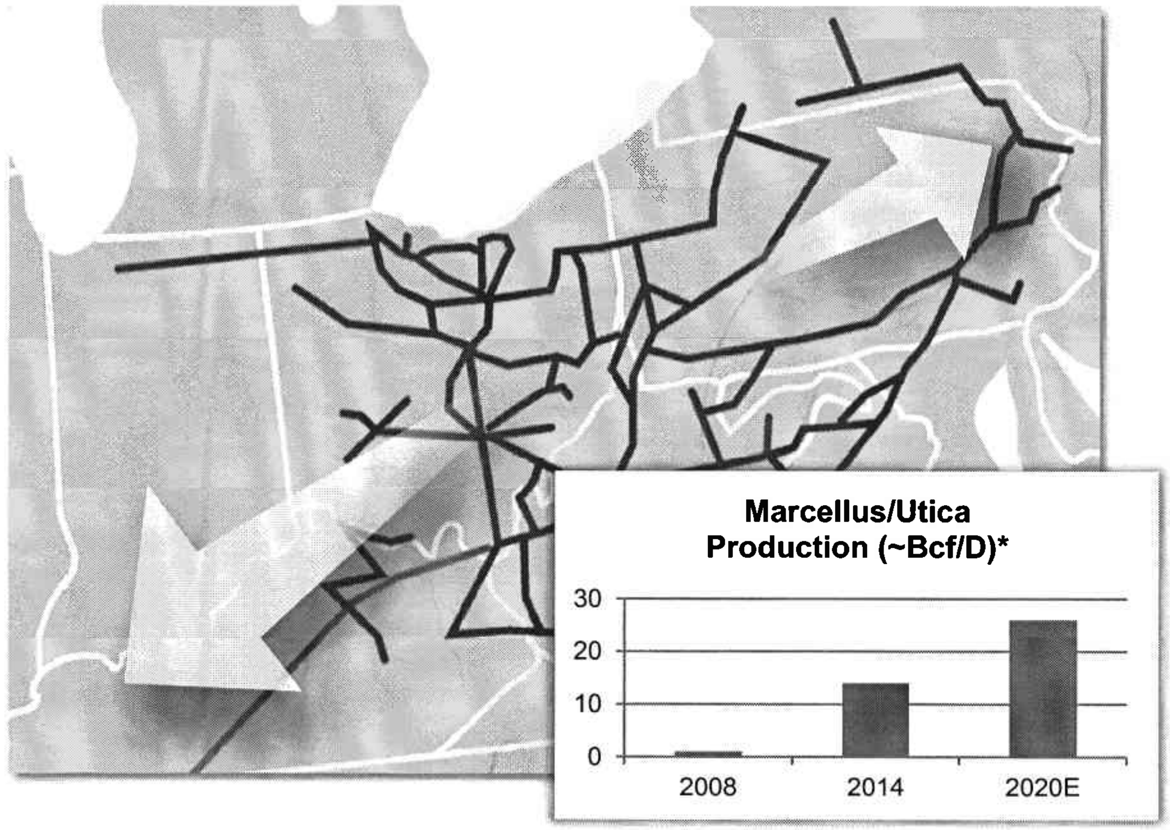


Customer Benefits: Enhancing… Flexibility, Reliability, Safety

CPG Growth: Unique Opportunity Created by Strategic Footprint

CPG Well Positioned in Rapidly Changing Landscape

- **Past** – Gas Flows from Gulf Coast to Appalachia, Mid-Atlantic and Northeast Markets
- **Current** – Production Growth and New Pipelines
- **Future** – Expected Production Growth Makes Appalachia Low Cost Supply Base; Gas Flows to the Northeast and Gulf Coast



Transformational Growth Opportunities

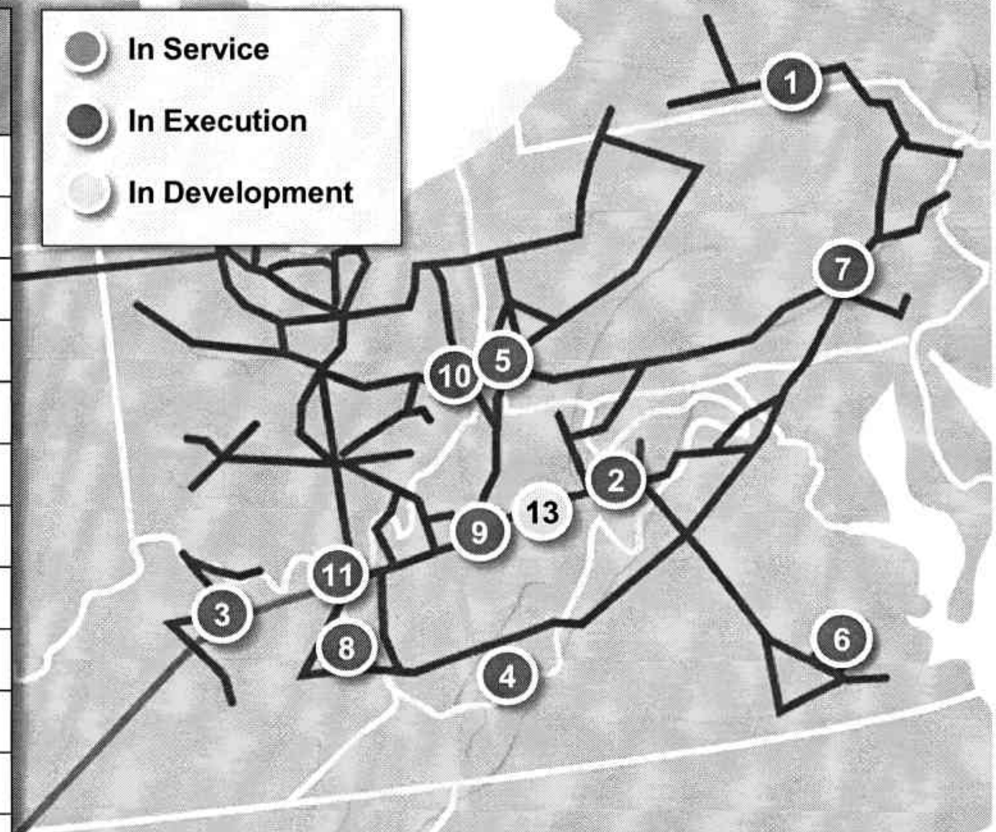
* Source: Wood Mackenzie

NiSource

CPG: FERC-Regulated Growth Projects

~$3.6B in Current Growth Projects

($MM)	Project	Expected CapEx ($ in millions)	Expected In-Service
1	Millennium - Hancock	$20	1Q 2014
2	Warren County	$35	2Q 2014
3	West Side	$200	4Q 2014
4	Giles County	$25	4Q 2014
5	Line 1570 Upgrade	$20	4Q 2014
6	Chesapeake LNG	$35	2015
7	East Side	$275	3Q 2015
8	AEP Big Sandy	$25	2Q 2016
9	Utica Access	$50	4Q 2016
10	Leach XPress	$1,420	4Q 2017
11	Rayne XPress	$330	4Q 2017
12	Cameron Access	$310	1Q 2018
13	WB Expansion	~$875	4Q 2018



System Modernization: $4-5B over 10-15 Years

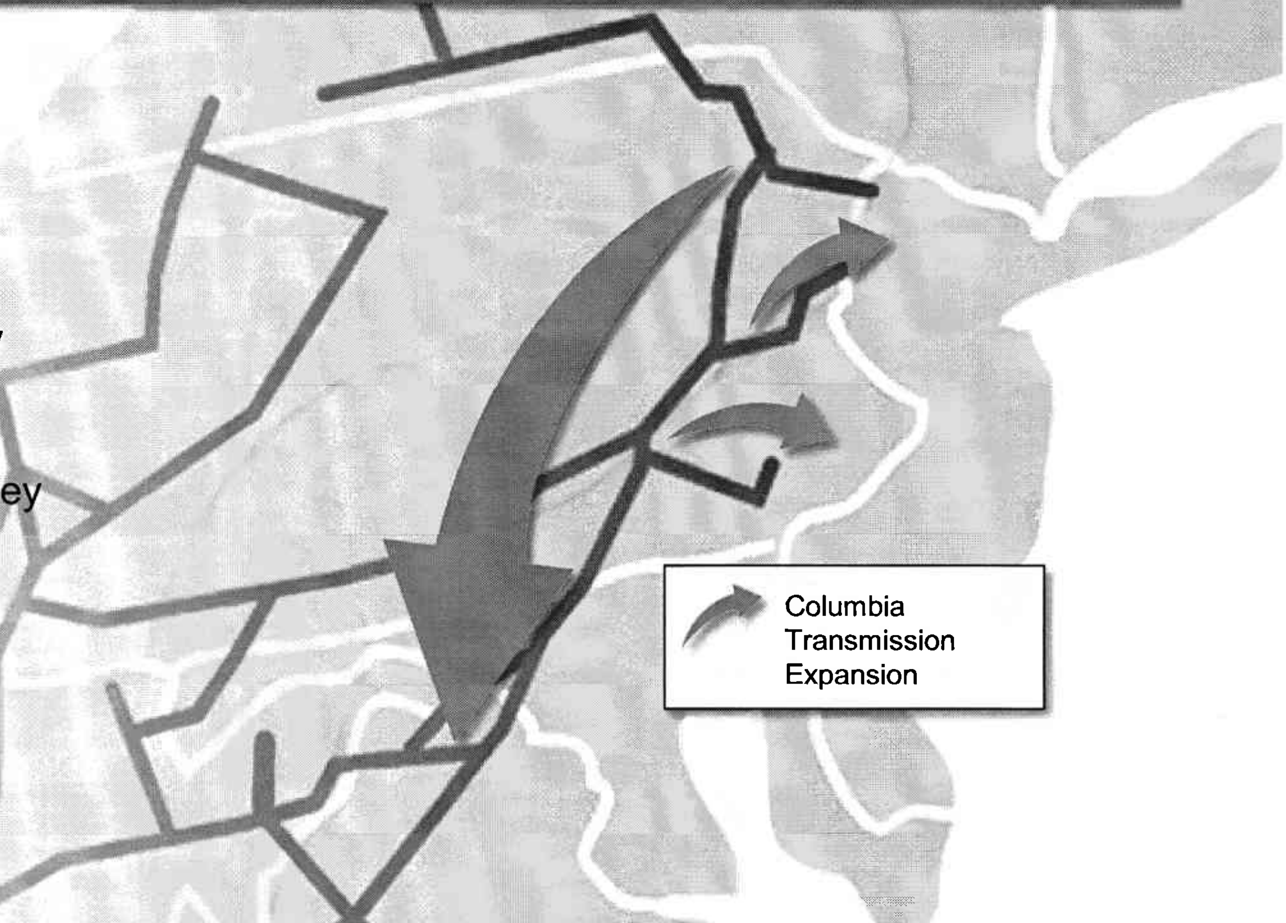
12

NiSource®

CPG Growth:
East Side Expansion

~$275M Investment, Supported by East Coast LDCs and Marcellus Producers

- Expands facilities to transport Northeast Marcellus supplies to Mid-Atlantic markets
- **~315 MMcf/D** of additional capacity
- Key Customers: South Jersey Gas, South Jersey Resources, New Jersey Natural Gas, Cabot, Southwest Energy
- Planned In-Service: 3Q 2015



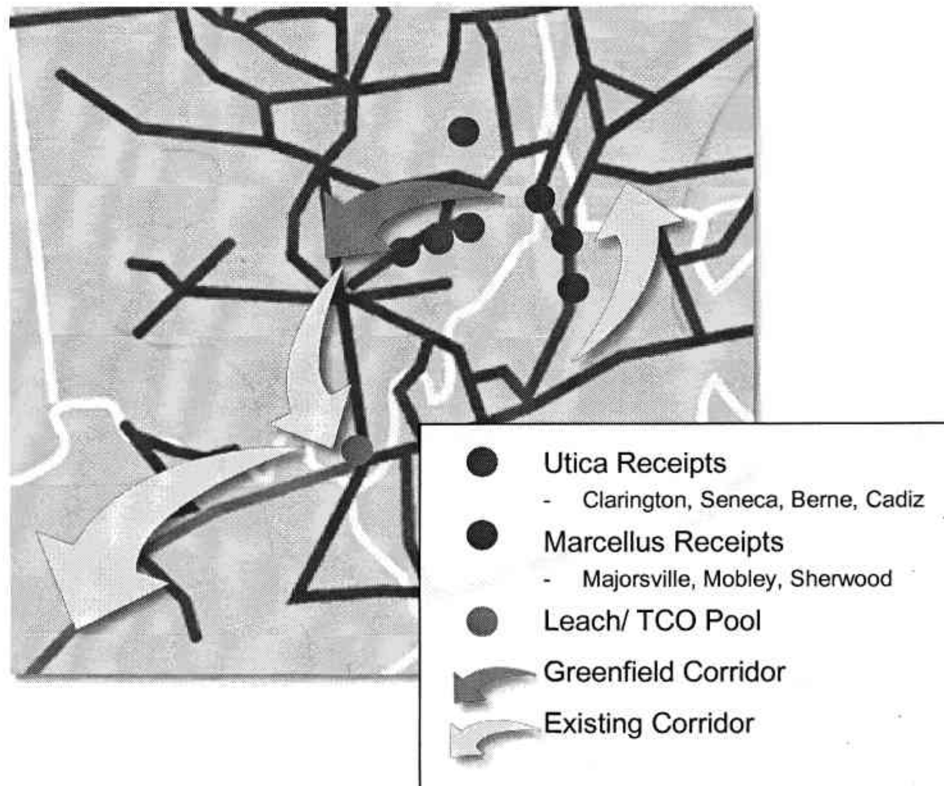
Linking New Supplies to Growing Markets

NiSource

CPG Growth: Leach and Rayne XPress Projects

Combined ~$1.75B Investment, Supported by Long-Term Firm Contracts

- Adding capacity to transport **1.5 Bcf/D** of Marcellus and Utica supplies from constrained production areas to liquid transaction locations/markets
- ~160 miles of new gas transmission pipeline
- ~165,000 HP of additional compression across multiple sites
- Key Customers: Range Resources, Kaiser Francis, Noble and American Energy Partners
- Planned In-Service: 4Q 2017



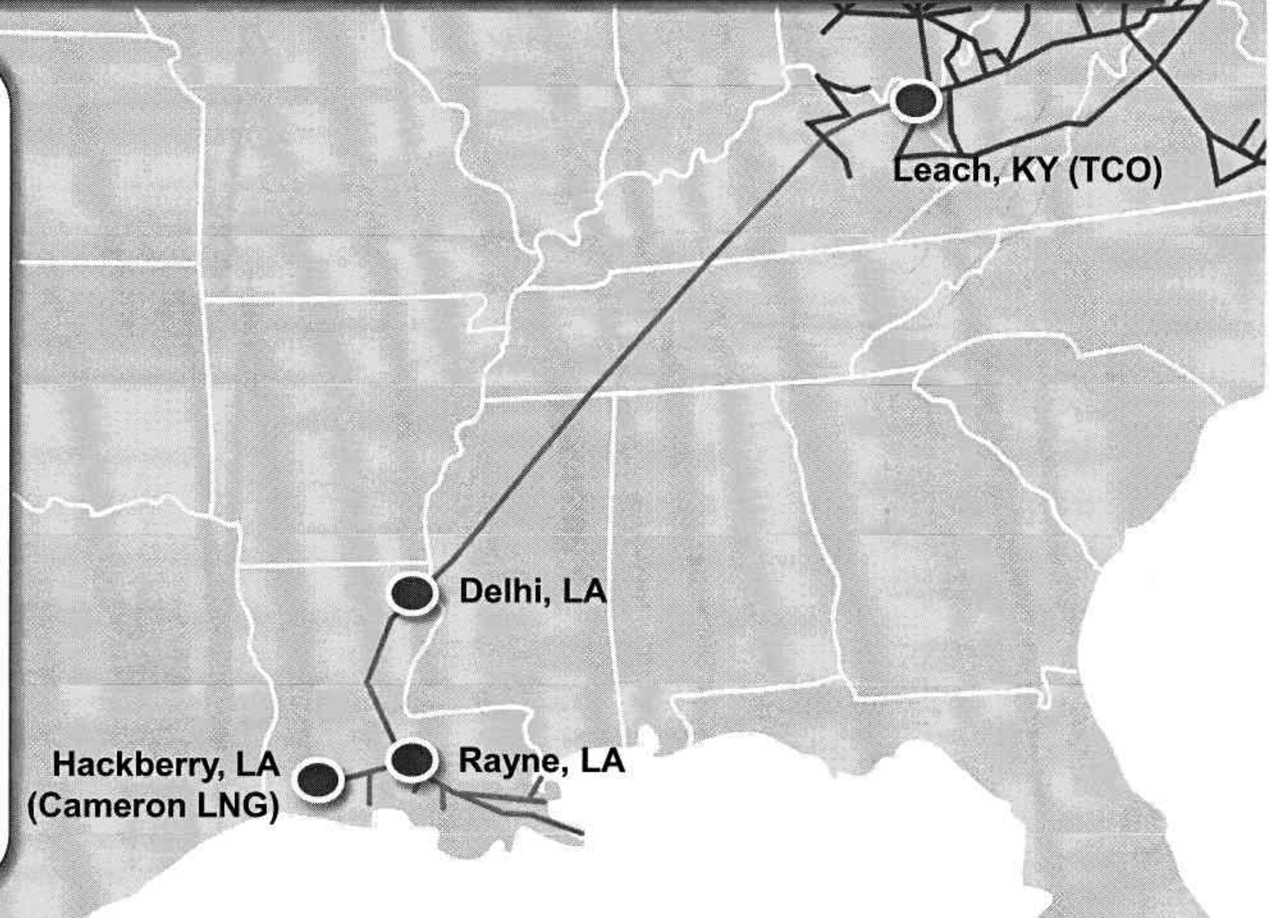
Transformational Growth Opportunities

NiSource

CPG Growth: Cameron Access Project

~$310M Investment, Linking Shale Supplies to LNG Export Market

- Transports supplies from numerous basins to Cameron LNG facility
- New pipeline to the Cameron LNG Facility providing **800 MMcf/D** of capacity from Rayne, Louisiana compressor station
- Key Customers: GDF Suez SA and MMGS, Inc.
- Planned In-Service: 1Q 2018

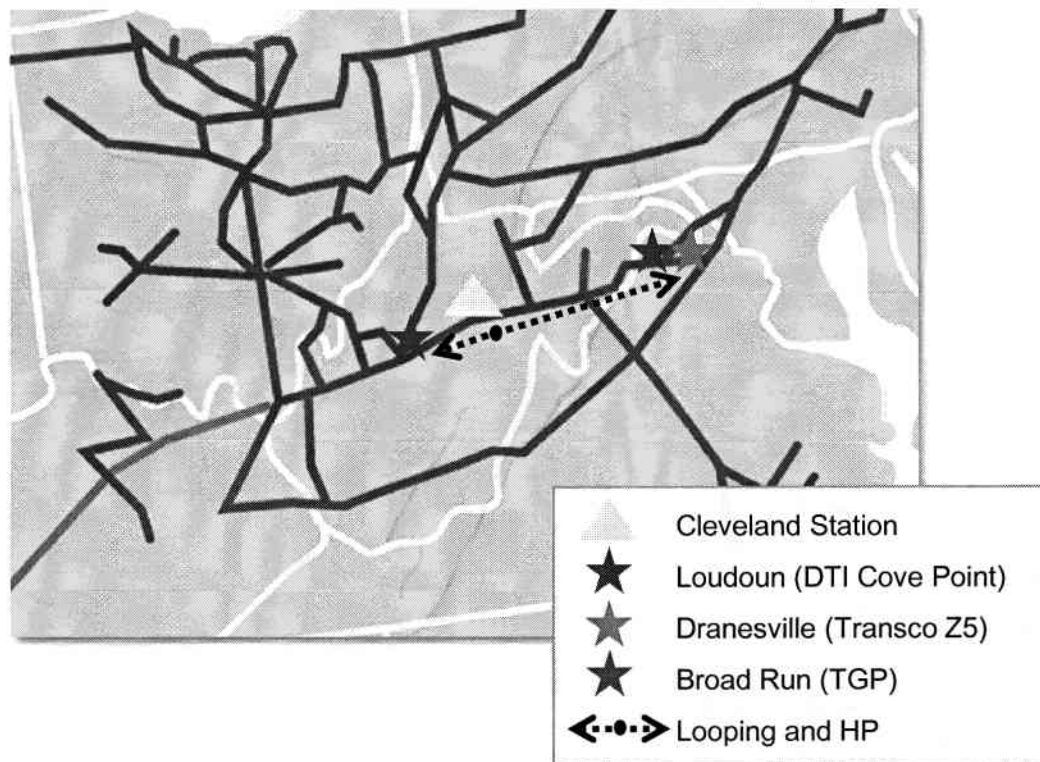


Transformational Growth Opportunities

CPG Growth: WB XPress Project*

~$875M Investment, Linking Marcellus Supplies to Gulf and East Coast Markets

- Additional capacity providing market access for Marcellus supplies
  - **500 MMcf/D east** toward Loudon
  - **800 MMcf/D west** toward Broad Run
- Looping and compression
- Key Customers: Antero and Noble Energy
- Planned In-Service: 4Q 2018



Transformational Growth Opportunities

* In Advanced Development

CPG: Growing Midstream Franchise

Majorsville Gathering System

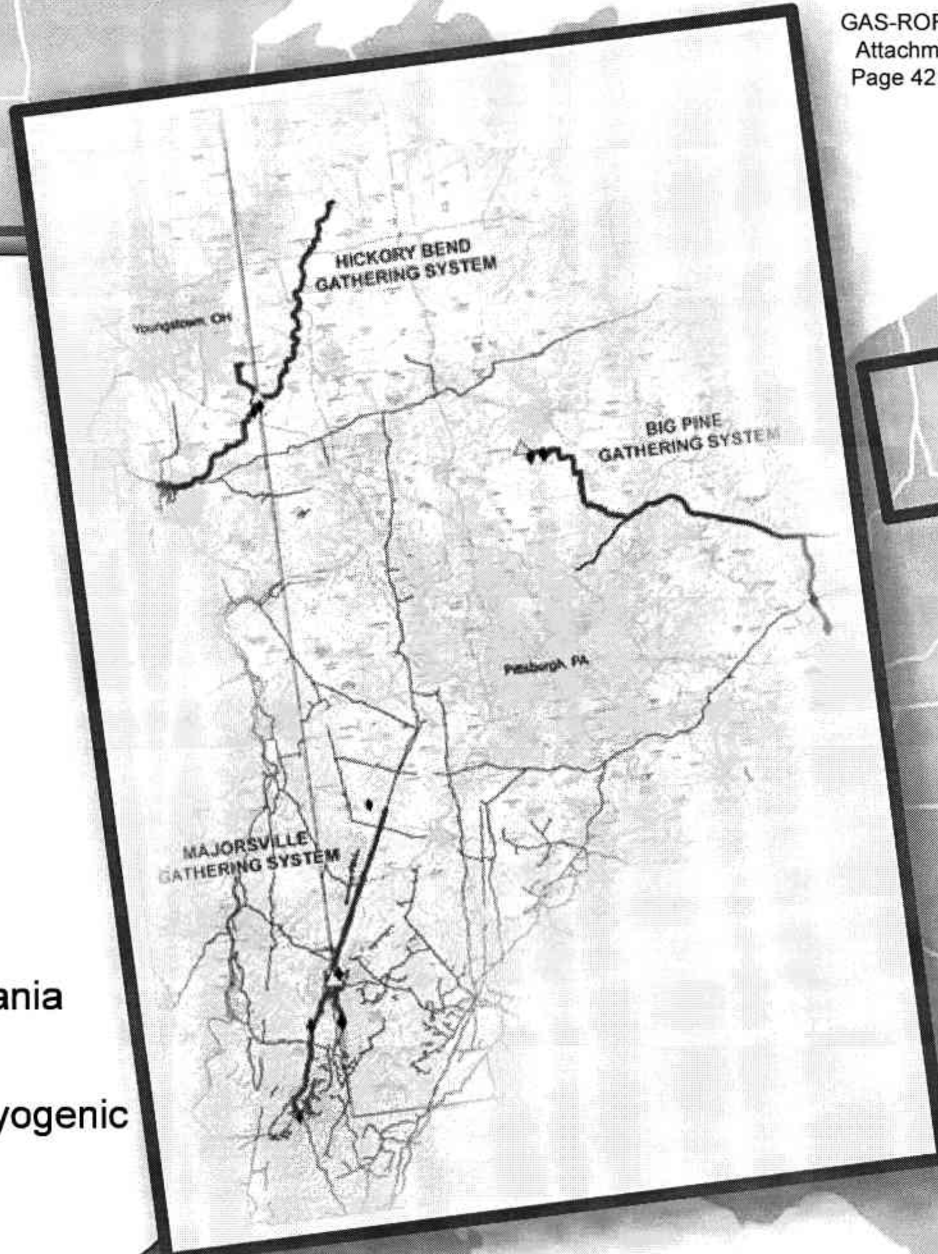
- Northern West Virginia and Southwest Pennsylvania
- 350 MMcfd wet gas gathering pipeline system

Big Pine Gathering System

- Western Pennsylvania
- 20" and 24" high pressure gathering pipeline system

Hickory Bend Gathering System – Pennant Midstream Services, LLC

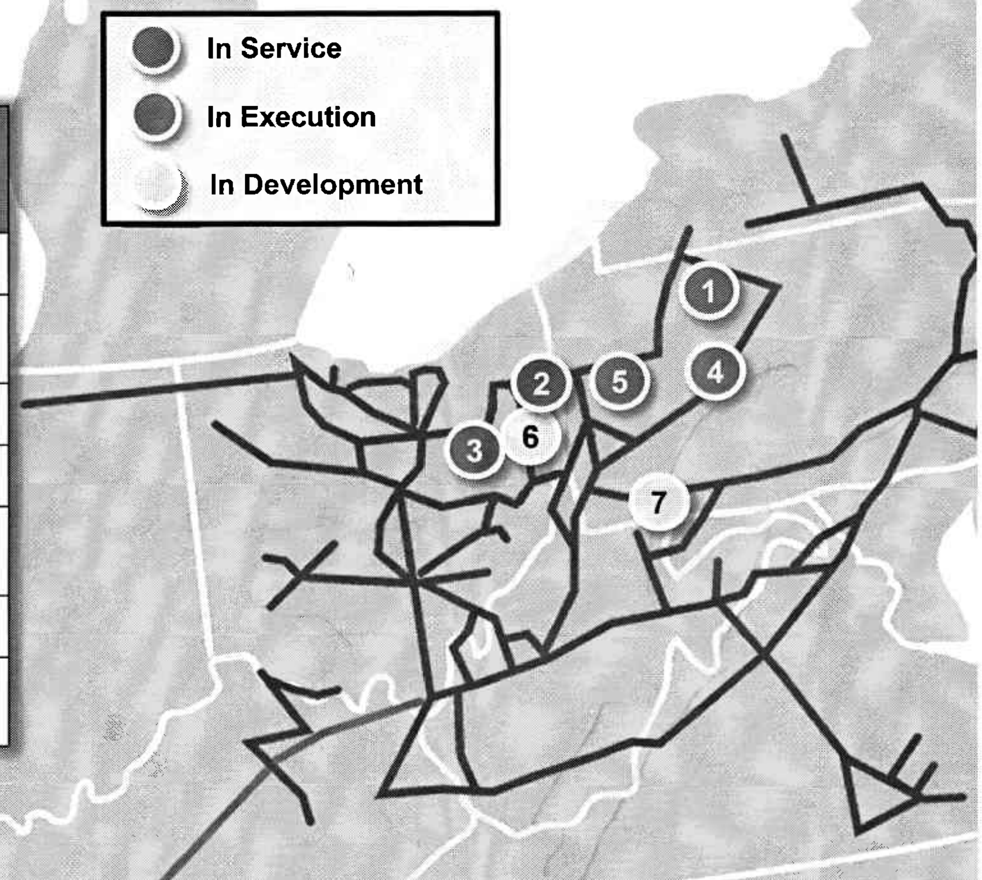
- Northeast Ohio and Western Pennsylvania
- 50/50 partnership with Hilcorp affiliate
- Wet gas gathering pipeline facilities, cryogenic processing plant and NGL pipeline



An Established Midstream Player

CPG Growth: Current Midstream Projects

($MM)	Project	Expected CapEx ($ in millions)	Expected In-Service
1	Big Pine	$165	2Q 2013
2	Pennant Gathering/Processing	$165	4Q 2013-2Q 2014
3	Pennant NGL Pipeline	$30	3Q 2014
4	Big Pine Expansion	$65	2Q 2015
5	Washington County Gathering	$120	2015-2018
6	Pennant II	$250	2015-2018
7	Appalachia Gathering/Processing	$500	2016-2018

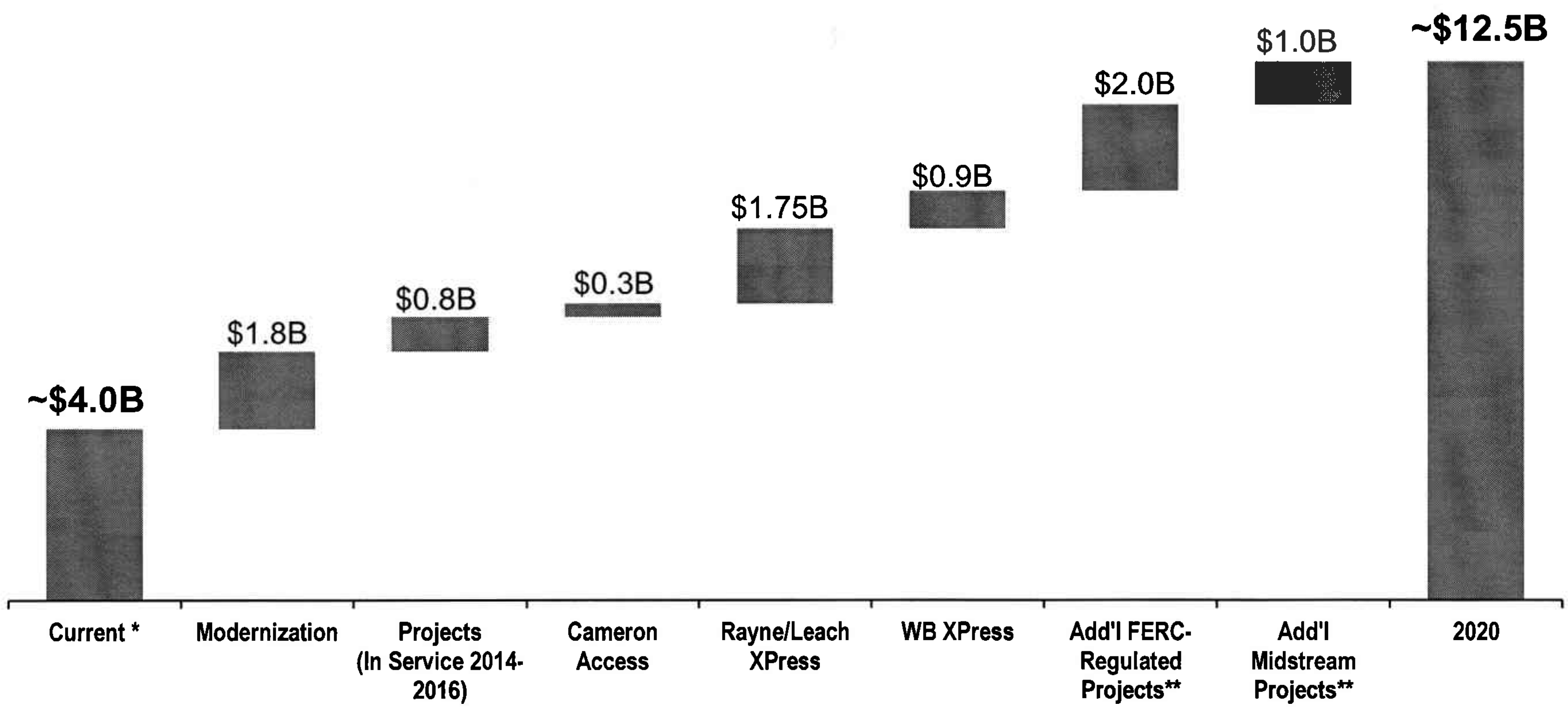


~$1.3B in Current Midstream Growth Projects

NiSource

CPG Investments Expected to Build Significant Scale

Executing on a Robust Investment Opportunity



Significant Net Investment Growth Through 2020

* As of 12/31/2013
** In Development

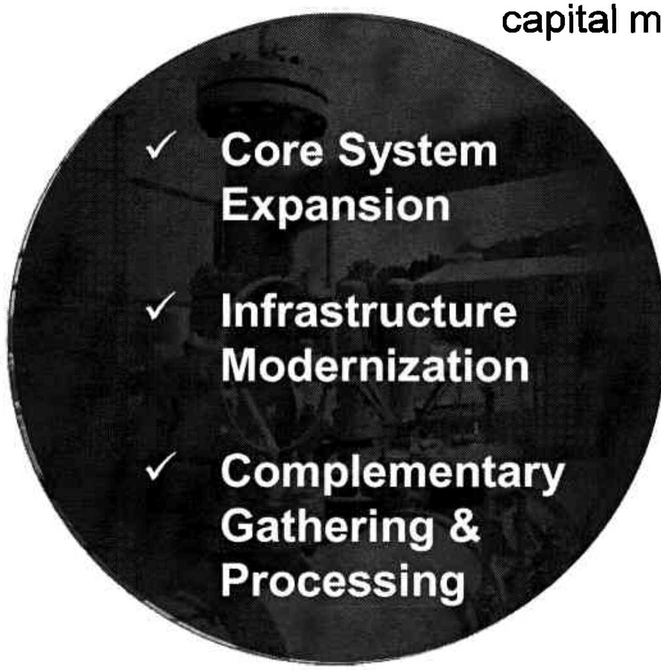
NiSource®

CPG: A Premier Pipeline, Midstream & Storage Company

$12-15B of Expected Organic Growth and Modernization Projects Over 10 Years

- ✓ Stable, ~90% fixed revenue stream, underpinned with long-term contracts
- ✓ Strategic footprint, well situated in Marcellus/Utica shale region
- ✓ Significant scale, with ~$4B in net investment, expected to grow to ~$12.5B by 2020
- ✓ Disciplined financial model, with rigorous capital management and MLP

~$1B+ Expected Annual Capital Investment →



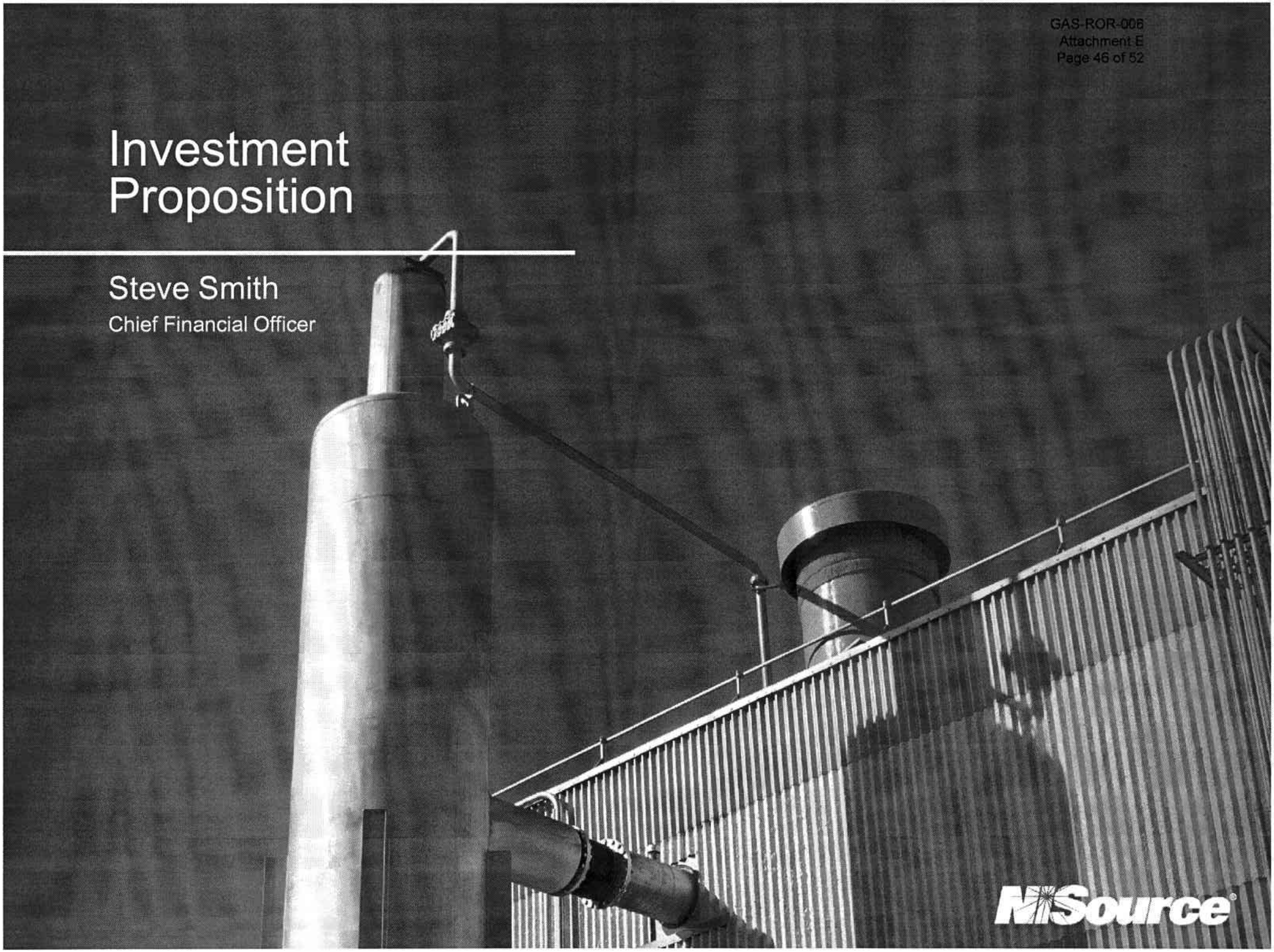
→ Long-Term EBITDA and Dividend Growth

Positioned for Transformational, Investment-Driven Growth

NiSource®

Investment Proposition

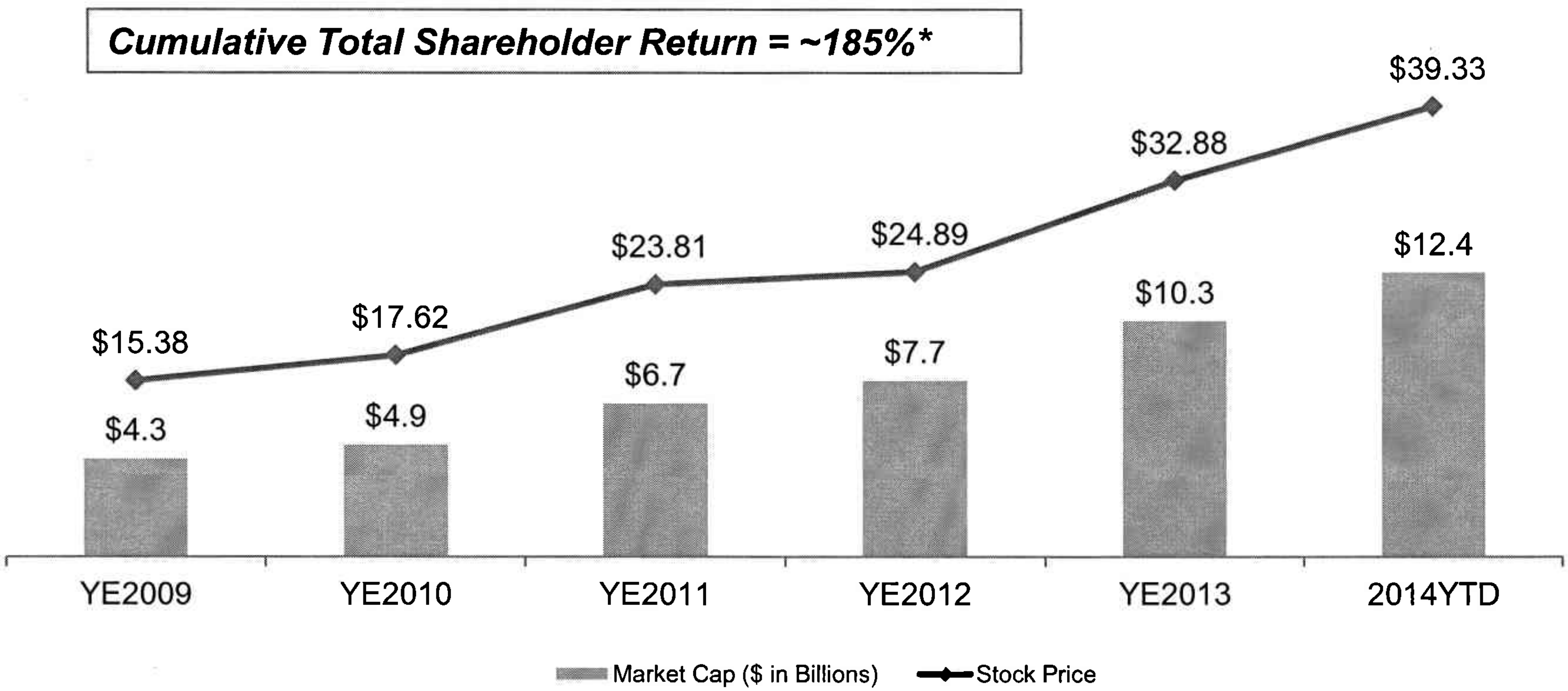
Steve Smith
Chief Financial Officer



NiSource®

NiSource Has Historically Delivered Significant Shareholder Value

Established Track Record and Commitment to Creating Shareholder Value



Separation is a Logical Step in Continuing a Long-Term Value-Creation Strategy

* Includes common stock price appreciation + dividends paid from 1/1/2010 to 9/23/2014

NiSource

Potential to Deliver Enhanced Shareholder Value

Separation would create two well-positioned energy companies, each with high quality assets, focused investment plans and opportunities

- ✓ Highlights and unlocks the value of two unique businesses
- ✓ Both businesses positioned to deliver enhanced earnings growth driven by clear, identified investment-based growth plans
- ✓ Track record of sustained execution for both businesses

Unique strengths should lead to enhanced valuations

- ✓ Increased transparency for each business
- ✓ Improved investor alignment
- ✓ Robust capital investment portfolios for both companies

Other expected key shareholder/ stakeholder benefits:

- ✓ Strong credit profile
- ✓ Manageable cost to achieve
- ✓ Efficient capital funding for each business
- ✓ Dividend expected to be maintained in total at separation and grow thereafter

NiSource®

NiSource Utility Company: Key Investment Considerations

Premier Pure-Play Natural Gas & Electric Utilities Company

NiSource

- ✓ Focused Business Strategy
- ✓ 100% Regulated Companies Operating in Constructive Regulatory Environments
- ✓ Significant Scale with ~4.0M Customers Across 7 States
- ✓ ~$30B of Expected Infrastructure Investment Over 20+ years
- ✓ Expected to Maintain Current Investment Grade Credit Ratings
- ✓ Expected Earnings and Dividend Growth of 4-6% Annually

A Compelling Investment Proposition

Columbia Pipeline Group: Key Investment Considerations

Pure-Play Pipeline, Midstream & Storage Company

Columbia Pipeline Group℠

- ✓ **Focused Business Strategy**
- ✓ **Strategically Located Assets**
  - In rapidly growing Marcellus/Utica production regions with significant investment opportunities
  - Physically linked to major demand centers
- ✓ **Long-Term Modernization Opportunity**
- ✓ **Significant Scale:**
  - $12-15B of expected investment over next 10 years
  - Net Investment expected to grow from ~$4B to ~$12.5B by 2020
- ✓ **Expected to Maintain Current Investment Grade Credit Ratings**
- ✓ **MLP Funding Vehicle**
- ✓ **Expected EBITDA and Dividend Growth Driven by Net Investment Growth**

A Compelling Investment Proposition

NiSource®


Closing Remarks
Bob Skaggs
President & Chief Executive Officer
NiSource

Summary: Creating Two Premier Energy Infrastructure Companies

Two Companies Positioned to Realize Enhanced Growth Opportunities

NiSource®

Expected to Unlock Full Potential for Both Companies

Focused on Distinct Investment Opportunities, Assets and Customers

Experienced Teams, Proven Track Records

Unique Investment and Risk Profiles

Columbia Pipeline Group℠

Opportunity to Create Immediate and Long-Term Value for Shareholders

NiSource®

Q4 2014 Earnings Release & Supplemental Slides

NiSource®

NiSource Inc. Q42015 Earnings

NEWS

NiSource

801 E. 86th Avenue
Merrillville, IN 46410

February 18, 2015

FOR ADDITIONAL INFORMATION

Media
Mike Banas
Communications Manager
(219) 647-5581
mbanas@nisource.com

Investors
Randy Hulen
Vice President, Investor Relations
(219) 647-5688
rghulen@nisource.com

NiSource Reports 2014 Earnings

- Results exceed 2014 guidance range
- Infrastructure investment, regulatory programs driving continued growth
- Columbia Pipeline Partners IPO completed successfully
- Separation remains on track for mid-2015
- Projected long-term growth rates highlighted for both NiSource and Columbia Pipeline Group

MERRILLVILLE, Ind. – NiSource Inc. (NYSE: NI) today announced net operating earnings from continuing operations (non-GAAP) of $542.5 million, or $1.72 per share, for the twelve months ended December 31, 2014, compared to net operating earnings from continuing operations (non-GAAP) of $493.9 million, or $1.58 per share in 2013 – representing an 8.9 percent year-over-year increase. Consolidated operating earnings (non-GAAP) for the twelve months ended December 31, 2014, were $1,270.3 million compared to $1,146.3 million in 2013.

On a GAAP basis, NiSource reported income from continuing operations for the twelve months ended December 31, 2014, of $530.7 million, or $1.68 per share, compared with $490.9 million, or $1.57 per share in 2013. Operating income was $1,262.4 million for the twelve months ended December 31, 2014, compared with $1,143.4 million in 2013. Refer to Schedule 2 for the items included in 2014 and 2013 GAAP operating income but excluded from operating earnings.

For the three months ended December 31, 2014, NiSource's net operating earnings (non-GAAP) were $160.7 million, or $0.51 per share, compared with $148.7 million, or $0.47 per share for the same period in 2013. On a GAAP basis, income from continuing operations for the three months ended December 31, 2014, was $154.3 million, or $0.49 per share, compared with $153.0 million, or $0.49 per share, for the same period in 2013.

"2014 was truly a watershed year for NiSource, anchored by focused execution of our well-established infrastructure investments and the initiation of strategic and transformational growth plans," NiSource President & Chief Executive Officer **Robert C. Skaggs, Jr.** said. "Supported by a record $2.2 billion capital investment program, NiSource again delivered on our earnings commitments and, for the sixth consecutive year, produced total returns for shareholders that exceeded the performance of the major utility indices."

In addition to the notable achievements in 2014, NiSource successfully completed the initial public offering (IPO) of common units in **Columbia Pipeline Partners LP** (NYSE: CPPL) on February 11, 2015. Columbia Pipeline Partners issued a press release outlining its pre-IPO financial results for 2014 this morning.

Columbia Pipeline Group separation plans on track

On September 28, 2014, NiSource announced that its Board of Directors approved, in principle, plans to separate its natural gas pipeline and related businesses into a stand-alone, publicly traded company, Columbia Pipeline Group (CPG).

The separation remains on schedule, with a preliminary Form 10 for CPG filed with the U.S. Securities & Exchange Commission on February 6, 2015. Key expected board members and executive team members for both companies were announced in late 2014 and early 2015. NiSource also entered into two $1.5 billion revolving credit facilities in December to support the liquidity needs of both NiSource and CPG following the separation. Both facilities will become effective at the time of the separation. In addition, Columbia Pipeline Partners entered into a $500 million facility effective with the completion of its initial public offering. The post-separation NiSource facility will amend and replace the company's existing $2.0 billion revolving credit agreement.

"We remain on track to complete the transition in mid-2015," Skaggs said. "Following the separation, both companies are expected to move forward as independent, investment-grade, pure-play entities with experienced teams focused on executing – and elevating – multi-billion-dollar infrastructure investment plans."

The recapitalization process associated with the separation is expected to take place in the second quarter of 2015. As outlined at NiSource's September Investor Day, the recapitalization process will include CPG issuing its own long-term debt prior to the separation to fund a one-time cash distribution to NiSource, which will ultimately reduce NiSource's net debt. NiSource shareholders would retain their current shares of NiSource stock and receive a pro-rata dividend of shares of CPG stock in a transaction that is expected to be tax-free to NiSource and its shareholders. The actual number of CPG shares that would be distributed to NiSource shareholders will be determined prior to closing.

Robust long-term investment and growth outlooks for both companies

NiSource's natural gas and electric utilities have identified approximately $30 billion in infrastructure investment opportunities over the next 20-plus years. These investments, paired with complementary regulatory and customer programs, are expected to deliver long-term earnings and dividend growth averaging 4-6 percent per year. NiSource's infrastructure investment inventory is focused on core utility modernization and expansion projects that provide tangible value to customers and communities. NiSource's utility capital investments are expected to reach approximately $1.3 billion in 2015.

CPG has developed a significant portfolio of organic growth investment opportunities that complement its seminal customer-supported system modernization program. Those opportunities are expected to result in approximately $12-$15 billion in growth capital investment over the next 10 years. These infrastructure projects, many of which are already under way, are expected to drive significant increased net investment, resulting in anticipated annual adjusted EBITDA growth in the mid-to-upper-teens over the next several years. CPG's annual dividend growth is expected to be commensurate with this adjusted EBITDA growth. In 2015, CPG's capital investments are expected to reach approximately $1.1 billion, up from approximately $850 million in 2014.

Beyond the projected long-term annual growth and 2015 capital investment rates provided above, NiSource is not providing full-year guidance due to the pending separation of NiSource and CPG. As the separation date moves closer, both companies plan to provide additional details on their respective performance expectations.

There will likely be differences between the projected non-GAAP long-term average annual growth rates presented above and their GAAP comparisons. Due to the unpredictability of weather and other factors, NiSource will not be providing projected long-term average annual GAAP growth rates.

Columbia Pipeline Group continues with core modernization program, transformational growth projects

During 2014, CPG further enhanced its strategic asset position in the Marcellus and Utica Shale production regions by placing in service several new market-driven facility expansions, originating several major growth projects and continuing to deliver on its system modernization program. Key execution highlights for CPG include:

- CPG placed more than $300 million in regulated system expansion projects in service in 2014, adding approximately 1.1 billion cubic feet of system capacity. A key project placed in service was the approximately $200 million **West Side Expansion** project. Fully subscribed with long-term contracts, the project involved making a portion of **Columbia Gulf Transmission** system bi-directional and capable of transporting 540 million cubic feet per day of Marcellus Shale production to Gulf Coast and southeast markets.

- In December, CPG filed to recover costs related to the second year of investments under the **Columbia Gas Transmission long-term system modernization** program. The filing with the Federal Energy Regulatory Commission (FERC) reflects approximately $320 million in facilities placed in service as of October 31, 2014. Recovery of these investments began on February 1, 2015. A settlement with the company's customers – approved in early 2013 – addresses the initial five years of an expected 10-15 year program that exceeds $4 billion in investment.

- Also in December, the FERC approved construction of CPG's **East Side Expansion** project. The project will provide approximately 315 million cubic feet per day of additional capacity for Marcellus Shale supplies to reach growing – and capacity constrained – northeastern and mid-Atlantic markets. The approximately $275 million project is expected to be placed in service in the third quarter of 2015.

- Progress continues on several other major growth projects, including CPG's approximately $1.8 billion combined investment in the **Leach** and **Rayne XPress** projects, which will provide additional market access for Marcellus and Utica Shale production. Other projects in various stages of execution include the $870 million **WB XPress** project, the $310 million **Cameron Access** project, the $50 million **Utica Access** project, the $30 million **Chesapeake LNG Plant Upgrade** project, and the $25 million **Kentucky Power Plant Conversion** project. Together these projects will add approximately 4 billion cubic feet of new capacity commitments across the CPG system, including access to LNG export facilities in Louisiana and Maryland.

- CPG also is in advanced commercial discussions with customers regarding the proposed **Mountaineer XPress** and **Gulf XPress** projects, which would provide further transportation capacity out of the Marcellus and Utica Shale production basins. The company expects to provide additional information about the scope and timeline of the projects in the first half of 2015.

- **Columbia Midstream Group (CMG)**, formerly NiSource Midstream Services, placed its $60 million natural gas liquids line project in service during the fourth quarter of 2014. The line is part of the Pennant Midstream, LLC 50/50 partnership with Harvest Pipeline, an affiliate of Hilcorp Energy, and connects the Hickory Bend Cryogenic Processing Plant to the UEO Kensington facility in northeast Ohio. Initial capacity is approximately 45,000 barrels of liquids per day with expansion potential up to 90,000 barrels per day. The partnership's Hickory Bend Processing Plant and gathering facilities went in service in the first half of 2014.

- CMG also is on schedule to place the first phase of its $120 million **Washington County Gathering** project and its approximately $65 million **Big Pine Gathering System Expansion** project in service before the end of 2015.

"CPG continues to execute on a wide variety of high-value projects, many of which are aimed at delivering efficient capacity for customers transporting natural gas supplies out of the Marcellus and Utica formations to liquid markets," Skaggs said. "Our strategic footprint also provides us with significant opportunities to competitively optimize and expand our system to meet the growing needs of our customers, including competitively priced supply for local utilities, gas-fired power generation and LNG exporters; and access to growing, high-value markets for producers."

NIPSCO places second scrubber in service, remains on plan with modernization, environmental and growth investments

During the fourth quarter of 2014, NiSource's Indiana natural gas and electric business, ***Northern Indiana Public Service Co.*** (NIPSCO), remained on track with a broad agenda of reliability, modernization, customer service and environmental improvements. Key execution highlights for NIPSCO include:

- In December, NIPSCO placed its final **flue gas desulfurization (FGD) unit** in service at its R.M. Schahfer Electric Generating Station. This unit, like the one placed in service during the fourth quarter of 2013, was delivered on time and on budget. A third FGD unit, this one at NIPSCO's Michigan City Generating Station, is on schedule to be placed in service by the end of 2015. These investments are part of more than $850 million in environmental projects completed or in progress that allow NIPSCO to continue generating electricity using low-cost, reliable and efficient facilities, while improving air quality.

- NIPSCO filed its 2015 investment plans with the Indiana Utility Regulatory Commission (IURC) under the company's seven-year, nearly $2 billion **electric and natural gas modernization programs**. The company completed nearly $120 million of modernization projects in 2014 and plans to invest approximately $185 million in 2015.

- Progress also continued on two major NIPSCO electric transmission projects designed to enhance region-wide system flexibility and reliability. Right-of-way acquisition and permitting are under way for both projects. The **Greentown-Reynolds** project is an approximately 70-mile, 765-kilovolt line being constructed in a joint development agreement with Pioneer Transmission, and the **Reynolds-Topeka** project is a 100-mile, 345-kilovolt line. These projects involve an investment of approximately $500 million for NIPSCO and are anticipated to be in service by the end of 2018.

- Also during the quarter, NIPSCO received approval from the IURC to extend its **Green Power Rate Program**. The company also reached a settlement agreement to continue its **Feed-in Tariff Program**. The Green Power Rate program, introduced in early 2013, allows customers to designate a portion or all of their monthly electric usage to be attributable to power generated by renewable energy sources. The Feed-in Tariff program, originally introduced in 2012, allows customers to generate their own electricity via small-scale renewable resources and sell it back to the company.

Gas Distribution unit maintains execution focus with continued progress on modernization investments and regulatory initiatives

The ***NiSource Gas Distribution*** (NGD) companies continue to execute against their expanded infrastructure replacement and enhancement programs, complemented by a variety of customer programs and regulatory initiatives. Three recent regulatory execution highlights for NGD include:

- On November 12, 2014, the Pennsylvania Public Utility Commission approved a settlement in **Columbia Gas of Pennsylvania's** (CPA) base rate case. The case provides for recovery of CPA's investments in its well-established infrastructure modernization program and will increase annual revenues by approximately $33 million. New rates went into effect on December 20, 2014.

- **Columbia Gas of Virginia** (CGV) reached a settlement on its base rate case in December 2014. The Hearing Examiner issued a recommendation to approve the settlement, and CGV expects a decision by the Virginia State Corporation Commission by the end of the first quarter of 2015. The case seeks to recover costs related to significant capital investments CGV has made to improve its system and accommodate growth, as well as costs incurred related to a number of initiatives designed to improve the safety and reliability of its system. If the settlement is approved as filed, the case would provide a base rate increase of approximately $25 million, including recovery of pipeline safety program costs.

- **Columbia Gas of Massachusetts** (CMA) filed its 2015 Gas System Enhancement Plan on October 31, 2014, under new legislation authorizing accelerated recovery of gas infrastructure modernization investments. If approved by the Massachusetts Department of Public Utilities, cost recovery associated with the enhancement plan – which would increase annual revenues by approximately $2.6 million – would begin on May 1, 2015.

"NiSource's utilities remain focused on executing their robust infrastructure plans," Skaggs said. "This industry-leading platform for growth provides significant reliability, safety and environmental benefits to our existing and new customers, while also delivering shareholder returns through transparent recovery mechanisms."

<u>Full-Year 2014 Operating Earnings - Segment Results (non-GAAP)</u>

NiSource's consolidated operating earnings (non-GAAP) for the year ended December 31, 2014, were $1,270.3 million, compared to $1,146.3 million for the same period in 2013. Refer to Schedule 2 for the items included in 2014 and 2013 GAAP operating income but excluded from operating earnings.

Operating earnings for NiSource's business segments for the year ended December 31, 2014, are discussed below.

Columbia Pipeline Group Operations reported operating earnings of $490.7 million for the year ended December 31, 2014, compared with operating earnings of $441.2 million for the prior year period. Net revenues, excluding the impact of trackers, increased by $79.1 million primarily due to higher demand margin revenue as a result of growth projects placed into service and new firm contracts. Additionally, there was an increase in net revenues as a result of higher mineral rights royalty revenue.

Operating expenses, excluding the impact of trackers, increased by $40.3 million primarily due to higher employee and administrative costs, increased outside service costs, higher depreciation, a prior year gain on the sale of storage assets and increased property taxes. These increases were partially offset by gains on the conveyance of mineral interests and a decrease in software data conversion costs. Equity earnings increased by $10.7 million primarily from increased earnings at Millennium Pipeline.

Electric Operations reported operating earnings of $287.7 million for the year ended December 31, 2014, compared with operating earnings of $265.3 million for the prior year period. Net revenues, excluding the impact of trackers, increased by $46.9 million primarily due to increased industrial margins and higher environmental investment cost recovery. Additionally, net revenues increased as a result of two electric transmission projects authorized by the Midcontinent Independent System Operator (MISO) and higher off-system sales. These increases were partially offset by a decrease in transmission upgrade revenue included in net revenues in the prior year.

Operating expenses, excluding the impact of trackers, increased by $24.5 million due primarily to increased electric generation costs largely due to maintenance-related outages and higher employee and administrative costs.

Gas Distribution Operations reported operating earnings of $517.4 million for the year ended December 31, 2014, compared with operating earnings of $448.8 million for the prior year period. Net revenues, excluding the impact of trackers, increased by $126.3 million primarily attributable to an increase in regulatory and service programs, including the impact of the 2013 rate settlement at Columbia Gas of Pennsylvania, the new rates at Columbia Gas of Massachusetts, as well as, the implementation of new rates under Columbia Gas of Ohio's approved infrastructure replacement program. Additionally, there was increased residential, commercial and industrial usage, higher revenue due to an increase in residential and commercial customers and increased off-system sales.

Operating expenses, excluding the impact of trackers, increased by $57.7 million due primarily to higher employee and administrative costs, increased depreciation due to higher capital expenditures, higher outside service costs, increased other taxes, and higher uncollectibles. These increases were partially offset by lower environmental costs.

Corporate and Other Operations reported an operating earnings loss of $25.5 million for the year ended December 31, 2014, compared to an operating earnings loss of $9.0 million for the comparable prior period. The increased loss is primarily due to employee and administrative costs and consulting fees.

Other Items
Interest expense increased by $28.8 million due the issuance of long-term debt in April and October 2013 and the expiration of interest rate swaps in July 2014, partially offset by the maturity of long-term debt in March 2013 and July 2014.

Other, net reflected income of $22.3 million compared to income of $24.2 million in 2013.

The effective tax rate of net operating earnings was 36.1 percent compared to 34.6 percent for the same period last year due to higher state income taxes, primarily an Indiana state income tax change.

Fourth Quarter 2014 Operating Earnings - Segment Results (non-GAAP)

NiSource's consolidated operating earnings (non-GAAP) for the three months ended December 31, 2014, were $361.8 million, compared to $340.0 million for the same period in 2013. Refer to Schedule 2 for the items included in 2014 and 2013 GAAP operating income but excluded from operating earnings.

Operating earnings for NiSource's business segments for the three months ended December 31, 2014, are discussed below.

Columbia Pipeline Group Operations reported operating earnings of $133.7 million for the three months ended December 31, 2014, compared with operating earnings of $120.4 million for the prior year period. Net revenues, excluding the impact of trackers, increased by $17.9 million primarily due to higher demand margin revenue as a result of growth projects placed into service and new firm contracts.

Operating expenses, excluding the impact of trackers, increased by $8.0 million primarily due to an increase in outside service costs, higher employee and administrative costs and increased depreciation. These increases were partially offset by gains on the conveyance of mineral interests. Equity earnings increased by $3.4 million primarily from increased earnings at Millennium Pipeline.

Electric Operations reported operating earnings of $63.5 million for the three months ended December 31, 2014, compared with operating earnings of $51.3 million for the prior year period. Net revenues, excluding the impact of trackers, increased by $5.1 million primarily due to increased environmental investment cost recovery and two electric transmission projects authorized by the MISO.

Operating expenses, excluding the impact of trackers, decreased by $7.1 million due primarily to lower employee and administrative costs and decreased other taxes.

Gas Distribution Operations reported operating earnings of $173.8 million for the three months ended December 31, 2014, compared with operating earnings of $164.2 million for the prior year period. Net revenues, excluding the impact of trackers, increased by $29.3 million primarily attributable to increases in regulatory and service programs, including the impact of new rates at Columbia Gas of Virginia and Columbia Gas of Massachusetts and the implementation of new rates under Columbia Gas of Ohio's approved infrastructure replacement program.

Operating expenses, excluding the impact of trackers, increased by $19.7 million due primarily to increased outside service costs, higher depreciation, and increased employee and administrative costs.

Corporate and Other Operations reported an operating earnings loss of $9.2 million for the three months ended December 31, 2014, compared to operating earnings of $4.1 million for the comparable prior period. The change is primarily due to increased employee and administrative costs.

Other Items
Interest expense increased by $5.3 million due to the expiration of interest rate swaps in July 2014, decreased AFUDC (Allowance for Funds Used During Construction) balances and the issuance of long-term debt in August 2014, partially offset by the maturity of long-term debt in July 2014.

Other, net reflected income of $1.1 million compared to income of $2.1 million in 2013.

The effective tax rate of net operating earnings was 35.0 percent compared to 35.8 percent for the same period last year.

About NiSource
NiSource Inc. (NYSE: NI), based in Merrillville, Indiana, is a Fortune 500 company engaged in natural gas transmission, storage and distribution, as well as electric generation, transmission and distribution. NiSource operating companies deliver energy to 3.8 million customers located within the high-demand energy corridor stretching from the Gulf Coast through the Midwest to New England. Information about NiSource and its subsidiaries is available via the Internet at www.nisource.com. NI-F

Forward-Looking Statements
This news release contains forward-looking statements within the meaning of federal securities laws. These forward-looking statements are subject to various risks and uncertainties. Examples of forward-looking statements in this release include statements and expectations regarding the timing of the separation, as well as NiSource's business following the separation and the leadership of NiSource and Columbia Pipeline Group, Inc. following the separation. Factors that could cause actual results to differ materially from the projections, forecasts, estimates and expectations discussed in this release include, among other things, the timing to consummate the transactions described herein; the risk that a condition to consummation is not satisfied; disruption to operations as a result of the proposed transactions; the inability of one or more of the businesses to operate independently following the completion of the proposed transactions; weather; fluctuations in supply and demand for energy commodities; growth opportunities for NiSource's businesses; increased competition in deregulated energy markets; the success of regulatory and commercial initiatives; dealings with third parties over whom NiSource has no control; actual operating experience of NiSource's assets; the regulatory process; regulatory and legislative changes; changes in general economic, capital and commodity market conditions; and counter-party credit risk, and the matters set forth in the "Risk Factors" section in NiSource's 2013 Form 10-K and subsequent NiSource filings of Form 10-Q, many of which are beyond the control of NiSource. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this news release. Future earnings and other financial projections are illustrative only and do not constitute guidance by the Company. NiSource expressly disclaims a duty to update any of the forward-looking statements contained in this release.

The potential distribution of CPG shares is subject to the satisfaction of a number of conditions, including the final approval of NiSource's Board of Directors. There is no assurance that such distribution will in fact occur.

NiSource Inc.
Consolidated Net Operating Earnings (Non-GAAP)
(unaudited)

(in millions, except per share amounts)	Three Months Ended December 31, 2014	Three Months Ended December 31, 2013	Twelve Months Ended December 31, 2014	Twelve Months Ended December 31, 2013
Net Revenues				
Gas Distribution	$ **718.3**	$ 683.5	$ **2,578.4**	$ 2,225.3
Gas Transportation and Storage	**522.4**	461.3	**1,872.7**	1,646.4
Electric	**392.1**	386.2	**1,677.1**	1,563.2
Other	**57.1**	61.6	**328.1**	224.4
Gross Revenues	**1,689.9**	1,592.6	**6,456.3**	5,659.3
Cost of Sales (excluding depreciation and amortization)	**560.8**	547.1	**2,224.2**	1,815.5
Total Net Revenues	**1,129.1**	1,045.5	**4,232.1**	3,843.8
Operating Expenses				
Operation and maintenance	**438.6**	403.5	**1,633.7**	1,519.2
Operation and maintenance - trackers	**123.6**	94.8	**483.4**	354.7
Depreciation and amortization	**153.5**	145.9	**602.4**	573.6
Depreciation and amortization - trackers	**1.2**	—	**3.1**	3.7
Gain on sale of assets	**(13.7)**	(7.3)	**(34.5)**	(18.4)
Other taxes	**57.1**	60.5	**246.4**	235.9
Other taxes - trackers	**20.7**	18.4	**73.9**	64.7
Total Operating Expenses	**781.0**	715.8	**3,008.4**	2,733.4
Equity Earnings in Unconsolidated Affiliates	**13.7**	10.3	**46.6**	35.9
Operating Earnings	**361.8**	340.0	**1,270.3**	1,146.3
Other Income (Deductions)				
Interest expense, net	**(115.8)**	(110.5)	**(443.6)**	(414.8)
Other, net	**1.1**	2.1	**22.3**	24.2
Total Other Deductions	**(114.7)**	(108.4)	**(421.3)**	(390.6)
Operating Earnings From Continuing Operations				
Before Income Taxes	247.1	231.6	**849.0**	755.7
Income Taxes	86.4	82.9	**306.5**	261.8
Net Operating Earnings from Continuing Operations	**160.7**	148.7	**542.5**	493.9
GAAP Adjustment	**(6.4)**	4.3	**(11.8)**	(3.0)
GAAP Income from Continuing Operations	$ **154.3**	$ 153.0	$ **530.7**	$ 490.9
Basic Net Operating Earnings Per Share from Continuing Operations	$ **0.51**	$ 0.47	$ **1.72**	$ 1.58
GAAP Basic Earnings Per Share from Continuing Operations	$ **0.49**	$ 0.49	$ **1.68**	$ 1.57
Basic Average Common Shares Outstanding	**315.8**	313.4	**315.1**	312.4

NiSource Inc.
Segment Operating Earnings (Non-GAAP)
(unaudited)

Gas Distribution Operations *(in millions)*	Three Months Ended December 31, **2014**	2013	Twelve Months Ended December 31, **2014**	2013
Net Revenues				
Sales revenues	$ **999.0**	$ 924.6	$ **3,574.5**	$ 3,056.0
Less: Cost of gas sold	**467.9**	455.0	**1,762.7**	1,419.7
Net Revenues	**531.1**	469.6	**1,811.8**	1,636.3
Operating Expenses				
Operation and maintenance	**197.7**	181.9	**763.6**	728.1
Operation and maintenance - trackers	**58.2**	28.3	**136.7**	96.7
Depreciation and amortization	**55.9**	51.7	**217.6**	201.4
Other taxes	**24.8**	25.1	**102.6**	96.6
Other taxes - trackers	**20.7**	18.4	**73.9**	64.7
Total Operating Expenses	**357.3**	305.4	**1,294.4**	1,187.5
Operating Earnings	$ **173.8**	$ 164.2	$ **517.4**	$ 448.8
GAAP Adjustment	**0.8**	2.1	**19.6**	(3.4)
GAAP Operating Income	$ **174.6**	$ 166.3	$ **537.0**	$ 445.4

Columbia Pipeline Group Operations *(in millions)*	Three Months Ended December 31, **2014**	2013	Twelve Months Ended December 31, **2014**	2013
Net Revenues				
Transportation revenues	$ **239.3**	$ 215.8	$ **837.1**	$ 774.7
Storage revenues	**48.9**	48.6	**197.2**	196.4
Other revenues	**52.3**	57.5	**312.9**	208.7
Total Operating Revenues	**340.5**	321.9	**1,347.2**	1,179.8
Less: Cost of sales	**0.1**	0.1	**0.3**	0.4
Net Revenues	**340.4**	321.8	**1,346.9**	1,179.4
Operating Expenses				
Operation and maintenance	**127.3**	117.0	**429.2**	389.4
Operation and maintenance - trackers	**59.1**	58.4	**322.4**	234.0
Depreciation and amortization	**30.9**	28.0	**118.6**	106.9
Gain on sale of assets	**(13.7)**	(7.3)	**(34.5)**	(18.4)
Other taxes	**16.8**	15.6	**67.1**	62.2
Total Operating Expenses	**220.4**	211.7	**902.8**	774.1
Equity Earnings in Unconsolidated Affiliates	**13.7**	10.3	**46.6**	35.9
Operating Earnings	$ **133.7**	$ 120.4	$ **490.7**	$ 441.2
GAAP Adjustment	**—**	—	**—**	0.2
GAAP Operating Income	$ **133.7**	$ 120.4	$ **490.7**	$ 441.4

NiSource Inc.
Segment Operating Earnings (Non-GAAP)
(unaudited)

Electric Operations *(in millions)*	Three Months Ended December 31, **2014**	2013	Twelve Months Ended December 31, **2014**	2013
Net Revenues				
Sales revenues	$ **392.4**	$ 386.6	$ **1,678.5**	$ 1,564.8
Less: Cost of sales	**135.5**	134.2	**609.7**	542.6
Net Revenues	**256.9**	252.4	**1,068.8**	1,022.2
Operating Expenses				
Operation and maintenance	**113.4**	116.8	**450.6**	424.6
Operation and maintenance - trackers	**6.3**	8.1	**24.3**	24.0
Depreciation and amortization	**60.3**	60.2	**241.3**	240.7
Depreciation and amortization - trackers	**1.2**	—	**3.1**	3.7
Other taxes	**12.2**	16.0	**61.8**	63.9
Total Operating Expenses	**193.4**	201.1	**781.1**	756.9
Operating Earnings	$ **63.5**	$ 51.3	$ **287.7**	$ 265.3
GAAP Adjustment	**0.5**	2.0	**(5.0)**	0.2
GAAP Operating Income	$ **64.0**	$ 53.3	$ **282.7**	$ 265.5

Corporate and Other Operations *(in millions)*	Three Months Ended December 31, **2014**	2013	Twelve Months Ended December 31, **2014**	2013
Operating (Loss) Earnings	$ **(9.2)**	$ 4.1	$ **(25.5)**	$ (9.0)
GAAP Adjustment	**(11.8)**	—	**(22.5)**	0.1
GAAP Operating (Loss) Income	$ **(21.0)**	$ 4.1	$ **(48.0)**	$ (8.9)

NiSource Inc.
Segment Volumes and Statistical Data

Gas Distribution Operations	Three Months Ended December 31, 2014	Three Months Ended December 31, 2013	Twelve Months Ended December 31, 2014	Twelve Months Ended December 31, 2013
Sales and Transportation (MMDth)				
Residential	**88.3**	90.3	**295.2**	272.3
Commercial	**54.6**	54.4	**189.6**	172.9
Industrial	**128.2**	127.1	**512.9**	494.5
Off System	**9.3**	14.7	**44.9**	70.4
Other	**—**	—	**(0.1)**	0.4
Total	**280.4**	286.5	**1,042.5**	1,010.5
Weather Adjustment	**(2.6)**	(3.9)	**(36.4)**	(3.4)
Sales and Transportation Volumes - Excluding Weather	**277.8**	282.6	**1,006.1**	1,007.1
Heating Degree Days	**2,084**	2,122	**6,176**	5,698
Normal Heating Degree Days	**2,034**	2,034	**5,610**	5,610
% Colder than Normal	**2%**	4%	**10%**	2%
Customers				
Residential			**3,098,052**	3,079,575
Commercial			**282,749**	281,535
Industrial			**7,637**	7,663
Other			**15**	22
Total			**3,388,453**	3,368,795

Columbia Pipeline Group Operations	Three Months Ended December 31, 2014	Three Months Ended December 31, 2013	Twelve Months Ended December 31, 2014	Twelve Months Ended December 31, 2013
Throughput (MMDth)				
Columbia Transmission	**355.5**	356.2	**1,379.4**	1,354.3
Columbia Gulf	**153.4**	149.0	**626.7**	643.0
Crossroads Pipeline	**4.3**	4.5	**16.7**	16.9
Intrasegment eliminations	**(23.4)**	(27.6)	**(128.7)**	(239.4)
Total	**489.8**	482.1	**1,894.1**	1,774.8

NiSource Inc.
Segment Volumes and Statistical Data

	Three Months Ended December 31,		Twelve Months Ended December 31,	
Electric Operations	**2014**	2013	**2014**	2013
Sales (Gigawatt Hours)				
Residential	**779.6**	811.0	**3,384.2**	3,444.7
Commercial	**932.2**	952.0	**3,864.2**	3,881.9
Industrial	**2,546.6**	2,426.6	**10,114.2**	9,339.7
Wholesale	**190.2**	5.1	**675.5**	669.7
Other	**43.5**	40.5	**148.2**	132.0
Total	**4,492.1**	4,235.2	**18,186.3**	17,468.0
Weather Adjustment	**(7.0)**	(28.9)	**72.3**	(2.4)
Sales Volumes - Excluding Weather	**4,485.1**	4,206.3	**18,258.6**	17,465.6
Cooling Degree Days			**663**	798
Normal Cooling Degree Days			**806**	806
% Colder than Normal			**(18)%**	(1)%
Electric Customers				
Residential			**403,272**	402,638
Commercial			**54,635**	54,452
Industrial			**2,352**	2,374
Wholesale			**751**	725
Other			**5**	5
Total			**461,015**	460,194

NiSource Inc.

Schedule 1 – Reconciliation of Net Operating Earnings to GAAP

(in millions, except per share amounts)	Three Months Ended December 31, 2014	Three Months Ended December 31, 2013	Twelve Months Ended December 31, 2014	Twelve Months Ended December 31, 2013
Net Operating Earnings from Continuing Operations (Non-GAAP)	**$ 160.7**	$ 148.7	**$ 542.5**	$ 493.9
Items excluded from operating earnings				
Net Revenues:				
Weather - compared to normal	**1.3**	4.1	**14.3**	1.2
Settlement agreement	**—**	—	**—**	(3.2)
Operating Expenses:				
Transaction costs	**(10.3)**	—	**(19.2)**	—
Loss on sale of assets and asset impairments	**(1.5)**	—	**(3.0)**	(0.9)
Total items excluded from operating earnings	**(10.5)**	4.1	**(7.9)**	(2.9)
Other Deductions:				
Tax effect of above items	**4.1**	(1.7)	**3.1**	1.1
Income taxes - discrete items	**—**	1.9	**(7.0)**	(1.2)
Total items excluded from net operating earnings	**(6.4)**	4.3	**(11.8)**	(3.0)
Reported Income from Continuing Operations - GAAP	**$ 154.3**	$ 153.0	**$ 530.7**	$ 490.9
Basic Average Common Shares Outstanding	**315.8**	313.4	**315.1**	312.4
Basic Net Operating Earnings Per Share from Continuing Operations	**$ 0.51**	$ 0.47	**$ 1.72**	$ 1.58
Items excluded from net operating earnings (after-tax)	**(0.02)**	0.02	**(0.04)**	(0.01)
GAAP Basic Earnings Per Share from Continuing Operations	**$ 0.49**	$ 0.49	**$ 1.68**	$ 1.57

NiSource Inc.
Schedule 2 – Adjustments by Segment from Operating Earnings to GAAP
For the Quarter ended December 31,

2014 *(in millions)*	Gas Distribution	Columbia Pipeline Group	Electric	Corporate & Other	Total
Operating Earnings (Loss)	$ 173.8	$ 133.7	$ 63.5	$ (9.2)	$ 361.8
Net Revenues:					
Weather - compared to normal	0.8	—	0.5	—	1.3
Total Impact - Net Revenues	**0.8**	—	**0.5**	—	**1.3**
Operating Expenses:					
Transaction costs	—	—	—	(10.3)	(10.3)
Loss on sale of assets and asset impairments	—	—	—	(1.5)	(1.5)
Total Impact - Operating Expenses	—	—	—	**(11.8)**	**(11.8)**
Total Impact - Operating Income (Loss)	**$ 0.8**	**$ —**	**$ 0.5**	**$ (11.8)**	**$ (10.5)**
Operating Income (Loss) - GAAP	**$ 174.6**	**$ 133.7**	**$ 64.0**	**$ (21.0)**	**$ 351.3**

2013 *(in millions)*	Gas Distribution	Columbia Pipeline Group	Electric	Corporate & Other	Total
Operating Earnings	$ 164.2	$ 120.4	$ 51.3	$ 4.1	$ 340.0
Net Revenues:					
Weather - compared to normal	2.1	—	2.0	—	4.1
Total Impact - Net Revenues	**2.1**	—	**2.0**	—	**4.1**
Total Impact - Operating Expenses	—	—	—	—	—
Total Impact - Operating Income	**$ 2.1**	**$ —**	**$ 2.0**	**$ —**	**$ 4.1**
Operating Income - GAAP	**$ 166.3**	**$ 120.4**	**$ 53.3**	**$ 4.1**	**$ 344.1**

NiSource Inc.
Schedule 2 – Adjustments by Segment from Operating Earnings to GAAP
For the Twelve Months ended December 31,

2014 (*in millions*)	Gas Distribution	Columbia Pipeline Group	Electric	Corporate & Other	Total
Operating Earnings (Loss)	$ 517.4	$ 490.7	$ 287.7	$ (25.5)	$ 1,270.3
Net Revenues:					
Weather - compared to normal	19.4	—	(5.1)	—	14.3
Total Impact - Net Revenues	19.4	—	(5.1)	—	14.3
Operating Expenses:					
Transaction costs	—	—	—	(19.2)	(19.2)
Gain (Loss) on sale of assets and asset impairments	0.2	—	0.1	(3.3)	(3.0)
Total Impact - Operating Expenses	0.2	—	0.1	(22.5)	(22.2)
Total Impact - Operating Income (Loss)	$ 19.6	$ —	$ (5.0)	$ (22.5)	$ (7.9)
Operating Income (Loss) - GAAP	$ 537.0	$ 490.7	$ 282.7	$ (48.0)	$ 1,262.4

2013 (*in millions*)	Gas Distribution	Columbia Pipeline Group	Electric	Corporate & Other	Total
Operating Earnings (Loss)	$ 448.8	$ 441.2	$ 265.3	$ (9.0)	$ 1,146.3
Net Revenues:					
Weather - compared to normal	1.0	—	0.2	—	1.2
Settlement agreement	(3.2)	—	—	—	(3.2)
Total Impact - Net Revenues	(2.2)	—	0.2	—	(2.0)
Operating Expenses:					
(Loss) Gain on sale of assets and asset impairments	(1.2)	0.2	—	0.1	(0.9)
Total Impact - Operating Expenses	(1.2)	0.2	—	0.1	(0.9)
Total Impact - Operating (Loss) Income	$ (3.4)	$ 0.2	$ 0.2	$ 0.1	$ (2.9)
Operating Income (Loss) - GAAP	$ 445.4	$ 441.4	$ 265.5	$ (8.9)	$ 1,143.4

NiSource Inc.
Consolidated Income Statements (GAAP)
(unaudited)

(in millions, except per share amounts)	Three Months Ended December 31, 2014	Three Months Ended December 31, 2013	Twelve Months Ended December 31, 2014	Twelve Months Ended December 31, 2013
Net Revenues				
Gas Distribution	**$ 719.0**	$ 685.7	**$ 2,597.8**	$ 2,226.3
Gas Transportation and Storage	**522.4**	461.3	**1,872.7**	1,643.2
Electric	**392.6**	388.2	**1,672.0**	1,563.4
Other	**57.1**	61.6	**328.1**	224.4
Gross Revenues	**1,691.1**	1,596.8	**6,470.6**	5,657.3
Cost of Sales (excluding depreciation and amortization)	**560.7**	547.2	**2,224.2**	1,815.5
Total Net Revenues	**1,130.4**	1,049.6	**4,246.4**	3,841.8
Operating Expenses				
Operation and maintenance	**572.5**	498.3	**2,136.3**	1,873.9
Depreciation and amortization	**154.7**	145.9	**605.5**	577.3
Gain on sale of assets and impairment, net	**(12.2)**	(7.3)	**(31.5)**	(17.5)
Other taxes	**77.8**	78.9	**320.3**	300.6
Total Operating Expenses	**792.8**	715.8	**3,030.6**	2,734.3
Equity Earnings in Unconsolidated Affiliates	**13.7**	10.3	**46.6**	35.9
Operating Income	**351.3**	344.1	**1,262.4**	1,143.4
Other Income (Deductions)				
Interest expense, net	**(115.8)**	(110.5)	**(443.6)**	(414.8)
Other, net	**1.1**	2.1	**22.3**	24.2
Total Other Deductions	**(114.7)**	(108.4)	**(421.3)**	(390.6)
Income from Continuing Operations before Income Taxes	**236.6**	235.7	**841.1**	752.8
Income Taxes	**82.3**	82.7	**310.4**	261.9
Income from Continuing Operations	**154.3**	153.0	**530.7**	490.9
(Loss) Income from Discontinued Operations - net of taxes	**(0.1)**	(1.2)	**(0.7)**	6.3
Gain on Disposition of Discontinued Operations - net of taxes	**—**	—	**—**	34.9
Net Income	**$ 154.2**	$ 151.8	**$ 530.0**	$ 532.1
Basic Earnings Per Share				
Continuing operations	**$ 0.49**	$ 0.49	**$ 1.68**	$ 1.57
Discontinued operations	**—**	(0.01)	**—**	0.13
Basic Earnings Per Share	**$ 0.49**	$ 0.48	**$ 1.68**	$ 1.70
Diluted Earnings Per Share				
Continuing operations	**$ 0.49**	$ 0.49	**$ 1.67**	$ 1.57
Discontinued operations	**—**	(0.01)	**—**	0.13
Diluted Earnings Per Share	**$ 0.49**	$ 0.48	**$ 1.67**	$ 1.70
Basic Average Common Shares Outstanding	**315.8**	313.4	**315.1**	312.4
Diluted Average Common Shares	**317.5**	314.8	**316.6**	313.6

NiSource Inc.
Consolidated Balance Sheets (GAAP)
(unaudited)

(in millions)		**December 31, 2014**		December 31, 2013
ASSETS				
Property, Plant and Equipment				
Utility plant	$	**25,234.8**	$	23,303.7
Accumulated depreciation and amortization		**(9,578.6)**		(9,256.5)
Net utility plant		**15,656.2**		14,047.2
Other property, at cost, less accumulated depreciation		**360.9**		317.9
Net Property, Plant and Equipment		**16,017.1**		14,365.1
Investments and Other Assets				
Unconsolidated affiliates		**452.6**		373.7
Other investments		**210.4**		204.0
Total Investments and Other Assets		**663.0**		577.7
Current Assets				
Cash and cash equivalents		**25.4**		26.8
Restricted cash		**24.9**		8.0
Accounts receivable (less reserve of $25.2 and $23.5, respectively)		**1,070.1**		1,005.8
Gas inventory		**445.1**		354.6
Underrecovered gas and fuel costs		**32.0**		46.4
Materials and supplies, at average cost		**106.0**		101.2
Electric production fuel, at average cost		**64.8**		44.6
Exchange gas receivable		**63.1**		70.6
Regulatory assets		**193.5**		142.8
Deferred income taxes		**272.1**		175.3
Prepayments and other		**169.5**		183.1
Total Current Assets		**2,466.5**		2,159.2
Other Assets				
Regulatory assets		**1,696.4**		1,522.2
Goodwill		**3,666.2**		3,666.2
Intangible assets		**264.7**		275.7
Deferred charges and other		**92.4**		87.8
Total Other Assets		**5,719.7**		5,551.9
Total Assets	$	**24,866.3**	$	22,653.9

NiSource Inc.
Consolidated Balance Sheets (GAAP) (continued)
(unaudited)

(in millions, except share amounts)	**December 31, 2014**	December 31, 2013
CAPITALIZATION AND LIABILITIES		
Capitalization		
Common Stockholders' Equity		
Common stock - $0.01 par value, 400,000,000 shares authorized; 316,037,421 and 313,675,911 shares outstanding, respectively	**$ 3.2**	$ 3.2
Additional paid-in capital	**4,787.6**	4,690.1
Retained earnings	**1,494.0**	1,285.5
Accumulated other comprehensive loss	**(50.6)**	(43.6)
Treasury stock	**(58.9)**	(48.6)
Total Common Stockholders' Equity	**6,175.3**	5,886.6
Long-term debt, excluding amounts due within one year	**8,155.9**	7,593.2
Total Capitalization	**14,331.2**	13,479.8
Current Liabilities		
Current portion of long-term debt	**266.6**	542.1
Short-term borrowings	**1,576.9**	698.7
Accounts payable	**670.6**	619.0
Customer deposits and credits	**294.3**	262.6
Taxes accrued	**266.7**	254.8
Interest accrued	**140.7**	136.4
Overrecovered gas and fuel costs	**45.6**	32.2
Exchange gas payable	**136.2**	186.4
Deferred revenue	**25.6**	18.5
Regulatory liabilities	**62.4**	60.2
Accrued capital expenditures	**61.1**	26.7
Accrued liability for postretirement and postemployment benefits	**5.9**	6.2
Legal and environmental	**24.2**	32.3
Other accruals	**378.1**	302.3
Total Current Liabilities	**3,954.9**	3,178.4
Other Liabilities and Deferred Credits		
Deferred income taxes	**3,661.6**	3,277.8
Deferred investment tax credits	**17.3**	20.9
Deferred credits	**101.1**	91.9
Deferred revenue	**—**	17.1
Accrued liability for postretirement and postemployment benefits	**675.9**	527.5
Regulatory liabilities	**1,673.8**	1,669.8
Asset retirement obligations	**159.4**	174.4
Other noncurrent liabilities	**291.1**	216.3
Total Other Liabilities and Deferred Credits	**6,580.2**	5,995.7
Commitments and Contingencies	**—**	—
Total Capitalization and Liabilities	**$ 24,866.3**	$ 22,653.9

NiSource Inc.
Statements of Consolidated Cash Flows (GAAP)
(unaudited)

Year Ended December 31, *(in millions)*		2014		2013
Operating Activities				
Net Income	$	**530.0**	$	532.1
Adjustments to Reconcile Net Income to Net Cash from Continuing Operations:				
Depreciation and amortization		**605.5**		577.3
Net changes in price risk management assets and liabilities		**2.6**		2.6
Deferred income taxes and investment tax credits		**299.1**		287.4
Deferred revenue		**1.5**		(7.2)
Stock compensation expense and 401(k) profit sharing contribution		**72.3**		50.7
Gain on sale of assets and impairments, net		**(31.5)**		(17.5)
Income from unconsolidated affiliates		**(45.8)**		(35.7)
Gain on disposition of discontinued operations - net of taxes		**—**		(34.9)
Loss (Income) from discontinued operations - net of taxes		**0.7**		(6.3)
Amortization of discount/premium on debt		**10.0**		9.4
AFUDC equity		**(21.7)**		(18.5)
Distributions of earnings received from equity investees		**37.8**		32.1
Changes in Assets and Liabilities				
Accounts receivable		**(63.1)**		(94.8)
Income tax receivable		**3.3**		125.9
Inventories		**(119.9)**		(9.2)
Accounts payable		**37.6**		67.8
Customer deposits and credits		**107.3**		(6.9)
Taxes accrued		**9.8**		2.6
Interest accrued		**4.3**		3.8
Overrecovered gas and fuel costs		**27.9**		8.6
Exchange gas receivable/payable		**(42.8)**		21.0
Other accruals		**5.1**		2.2
Prepayments and other current assets		**(10.1)**		(17.0)
Regulatory assets/liabilities		**(246.6)**		479.1
Postretirement and postemployment benefits		**138.2**		(549.1)
Deferred credits		**13.0**		10.5
Deferred charges and other noncurrent assets		**(0.4)**		20.3
Other noncurrent liabilities		**(3.1)**		(9.5)
Net Operating Activities from Continuing Operations		**1,321.0**		1,426.8
Net Operating Activities (used for) from Discontinued Operations		**(1.4)**		10.0
Net Cash Flows from Operating Activities		**1,319.6**		1,436.8
Investing Activities				
Capital expenditures		**(2,028.5)**		(1,879.9)
Insurance recoveries		**11.3**		6.4
Proceeds from disposition of assets		**12.8**		18.0
Restricted cash (deposits) withdrawals		**(17.1)**		38.7
Contributions to equity investees		**(69.2)**		(125.4)
Other investing activities		**(25.9)**		(67.9)
Net Investing Activities used for Continuing Operations		**(2,116.6)**		(2,010.1)
Net Investing Activities from Discontinued Operations		**—**		118.7
Net Cash Flows used for Investing Activities		**(2,116.6)**		(1,891.4)
Financing Activities				
Issuance of long-term debt		**748.4**		1,307.6
Repayments of long-term debt and capital lease obligations		**(521.0)**		(510.9)
Premiums and other debt related costs		**(8.7)**		(3.2)
Change in short-term debt, net		**878.1**		(78.1)
Issuance of common stock		**30.3**		43.7
Acquisition of treasury stock		**(10.2)**		(8.1)
Dividends paid - common stock		**(321.3)**		(305.9)
Net Cash Flows from Financing Activities		**795.6**		445.1
Change in cash and cash equivalents used for continuing operations		**—**		(138.2)
Change in cash and cash equivalents (used for) from discontinued operations		**(1.4)**		128.7
Cash and cash equivalents at beginning of period		**26.8**		36.3
Cash and Cash Equivalents at End of Period	$	**25.4**	$	26.8

Supplemental Slides

Fourth Quarter & Year-End
2014 Earnings

February 18, 2015

NiSource®

Forward-Looking Statements

This presentation contains forward-looking statements within the meaning of federal securities laws. These forward-looking statements are subject to various risks and uncertainties. Examples of forward-looking statements in this presentation include statements and expectations regarding the timing of the separation, as well as NiSource's business following the separation and the leadership of NiSource and Columbia Pipeline Group, Inc. following the separation. Factors that could cause actual results to differ materially from the projections, forecasts, estimates and expectations discussed in this presentation include, among other things, the timing to consummate the transactions described herein; the risk that a condition to consummation is not satisfied; disruption to operations as a result of the proposed transactions; the inability of one or more of the businesses to operate independently following the completion of the proposed transactions; weather; fluctuations in supply and demand for energy commodities; growth opportunities for NiSource's businesses; increased competition in deregulated energy markets; the success of regulatory and commercial initiatives; dealings with third parties over whom NiSource has no control; actual operating experience of NiSource's assets; the regulatory process; regulatory and legislative changes; changes in general economic, capital and commodity market conditions; and counter-party credit risk, and the matters set forth in the "Risk Factors" section in NiSource's 2013 Form 10-K and subsequent NiSource filings of Form 10-Q, many of which are beyond the control of NiSource. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this presentation. Future earnings and other financial projections are illustrative only and do not constitute guidance by the Company. NiSource expressly disclaims a duty to update any of the forward-looking statements contained in this presentation.

There will likely be differences between the projected non-GAAP long-term average annual growth rates presented herein and their GAAP comparisons. Due to the unpredictability of weather and other factors, NiSource will not be providing projected long-term average annual GAAP growth rates.

The planned separation of our natural gas pipeline and related businesses is subject to the satisfaction of a number of conditions, including the final approval of NiSource's Board of Directors. There is no assurance that such a separation will in fact occur.

Key Takeaways – Year-End 2014

- Financial results of $1.72 per share exceed 2014 guidance*
- Delivered ~32% total shareholder return
- Executed a record $2.2 billion of capital investments
- Significant regulatory progress, enhanced infrastructure investment inventory
- Originated a number of transformational growth projects at Columbia Pipeline Group (CPG)
- Completed successful IPO of Columbia Pipeline Partners LP
- NiSource/CPG separation on track for mid-2015
  - Projected post-separation CPG average annual growth rate:
    - Mid-to-upper-teens adjusted EBITDA growth | Dividend growth commensurate with EBITDA growth
  - Projected post-separation NiSource Utilities average long-term annual growth rate:
    - 4-6% earnings growth | 4-6% dividend growth

Infrastructure Investment, Regulatory Progress Drives Continued Growth

* Net Operating Earnings from Continuing Operations (non-GAAP); For a reconciliation to GAAP, see Schedule 1 of the Company's Feb. 18, 2015 Earnings Release

Year-End 2014 Financial Highlights

Results Exceed Full-Year Earnings Guidance Range

Non-GAAP*	2014	2013	Change*
Net Operating Earnings from Continuing Operations ($M)	$542.5	$493.9	$48.6
Net Operating Earnings Per Share	$1.72	$1.58	$0.14
Operating Earnings ($M)	$1,270.3	$1,146.3	$124.0

GAAP	2014	2013	Change*
Income from Continuing Operations ($M)	$530.7	$490.9	$39.8
Earnings Per Share	$1.68	$1.57	$0.11
Operating Income ($M)	$1,262.4	$1,143.4	$119.0

Solid Growth Across Pipeline & Utility Businesses

* For a reconciliation to GAAP, see Schedule 1 of the Company's Feb. 18, 2015 Earnings Release

Financing Highlights

Delivering on Current Plan, Positioning for Separation

- Continued strong liquidity position of ~$720M as of Dec. 31, 2014
- ~76% of infrastructure investments focused on revenue-generating opportunities in 2014
- Total debt to capitalization ~62% as of Dec. 31, 2014
- Credit facilities in place to support post-separation operations at CPG and NiSource
  - $1.5B, five-year facility at both NiSource and CPG effective upon separation; $500M facility at CPPL effective at IPO
- Separation recapitalization process to commence in second quarter
  - Expect to maintain current investment-grade credit ratings at both companies

Separation of NiSource/Columbia Pipeline Group On Track

Columbia Pipeline Group – Year-End 2014

Expected Investment Inventory of $12 to $15 Billion Over 10 Years

- Operating earnings $490.7M in 2014 vs. $441.2M in 2013*
- ~$320M modernization cost-recovery filing made with the FERC; recovery began February 2015
- Completed more than $300M, 1.1 billion cubic feet in regulated system expansion projects in 2014
- Advancing commercial discussions for proposed Mountaineer XPress and Gulf XPress projects
- 2015 capital investment plan: ~$1.1B

Looking Ahead:

Project	Key Components	Status
East Side Expansion	• Marcellus production access to East Coast & Mid-Atlantic markets • ~315 million cubic feet/day • ~$275M investment	• FERC approval received in Dec. 2014 • Projected in service Q3 2015
Leach XPress & Rayne XPress Projects	• Major new pathway for Marcellus and Utica Shale production • ~1.5 billion cubic feet/day on Columbia Transmission • ~1 billion cubic feet/day on Columbia Gulf • ~$1.8B investment	• Projected in service Q4 2017
WB XPress Project	• Access to East Coast markets, including Cove Point LNG export terminal • ~1.3 billion cubic feet/day • ~$870M investment	• Projected in service Q4 2018
Columbia Midstream Projects	• Big Pine Expansion project will add up to 175 million cubic feet/day (~$65M investment) • Washington County Gathering project includes additional gathering and compression facilities adding up to 240 million cubic feet/day (~$120M total investment)	• Big Pine Expansion projected in service Q3 2015 • First phase of Washington County Gathering projected in service by YE 2015, with additional expansion expected
Other In-Progress Growth and Modernization Projects	• Expanding mix of new and ongoing investments to support continued system expansion and modernization	• Complete details available in Appendix on slides 17-18

** Non-GAAP. For a reconciliation to GAAP, see Schedule 2 of the Company's Feb. 18, 2015 Earnings Release*

Electric Operations – Year-End 2014

~$10B Inventory of Expected Long-Term Infrastructure Investments

- Operating earnings $287.7M in 2014 vs. $265.3M in 2013*
- FGD on Schahfer Unit 15 placed in service on time and on budget in December 2014
- 2015 capital investment plan: ~$400M

Looking Ahead:

Highlight	Key Components	Status
Electric System Modernization Program	• Seven-year, ~$1.1B investment focused on replacing poles, transformers and other related equipment • 2015 investments projected at ~$67M	• 2015 investment plans approved by IURC
Electric Generating Plant Environmental Investments	• ~$850M in total environmental investments • Schahfer Flue Gas Desulfurization (FGD) investments: Units 14 & 15 • Michigan City FGD: Unit 12 • Enhanced mercury and particulate controls (MATS)	• Schahfer Unit 14 in service • Schahfer Unit 15 in service • MATS controls in place/under construction • Michigan City Unit 12 on plan for completion by year-end 2015
Electric Transmission System Enhancement – Reynolds to Topeka Project	• 100-mile, 345-kV transmission project • $250M-$300M investment • Projected in service latter part of 2018	• Construction to begin in 1H 2015 • Right of way acquisition in progress • Stakeholder outreach continues
Electric Transmission System Enhancement – Reynolds to Greentown *(Joint Project)*	• ~70-mile, 765-kV transmission project • $300M-$400M investment (NIPSCO portion $150M-$200M) • Projected in service latter part of 2018	• Final route selected • Right of way acquisition in progress • Stakeholder outreach continues
Long-term Infrastructure Investments	• ~$10B expected long-term program, including system modernization, environmental upgrades and transmission projects	• Complete program update outlined in Appendix on slide 19

** Non-GAAP. For a reconciliation to GAAP, see Schedule 2 of the Company's Feb. 18, 2015 Earnings Release*

NiSource Gas Distribution – Year-End 2014

~$20B+ Inventory of Expected Long-Term Infrastructure Investments

- Operating earnings $517.4M in 2014 vs. $448.8M in 2013*
- New rates in effect at Columbia Gas of Pennsylvania - $33 million annual revenue increase
- ~325 miles of priority pipe replaced during year
- 2015 capital investment: ~$900M

Looking Ahead:

Highlight	Key Components	Status
Columbia Gas of Massachusetts Priority Pipe Replacement Plan	• Recovery of planned 2015 investments targeted to begin on May 1, 2015	• Plan filed with the PUC • Recovery expected to begin on May 1, 2015
Columbia Gas of Virginia Base Rate Case	• Filed April 30, 2014 • Settlement reached in Dec. 2015: ~$25 million proposed revenue increase including pipeline safety program recovery • Supports multi-year system modernization program, growth and safety investments	• Settlement filed in Dec. 2014 • Final decision expected in Q1 2015
NIPSCO Natural Gas System Modernization Program	• Seven-year plan focused on system modernization and system extensions to rural customers • ~$840M investment, up from the initial $710M approved • 2015 investments projected at ~$120M	• 2015 investment plans approved by IURC
Infrastructure Modernization Investments	• ~$20B+ expected long-term program across service territory	• Complete program update outlined in Appendix on slide 20

GAS-ROR-006
Attachment F
Page 30 of 44

** Non-GAAP. For a reconciliation to GAAP, see Schedule 2 of the Company's Feb. 18, 2015 Earnings Release*

NiSource Key Takeaways – 2015

Continued Solid Growth Projected Across Pipeline & Utility Businesses

- Deliver on current NiSource business strategy
  - Continued execution of infrastructure investments, regulatory strategy, project origination
  - ~$2.4B capital investments planned across CPG and NiSource Utilities in 2015
    - CPG: ~$1.1B | NIPSCO Electric: ~$400M | NGD: ~$900M
- Execute the NiSource/CPG separation in mid-2015
  - Initial Form 10 Registration Statement filed
  - Experienced leadership and operational teams in place for both companies
  - Revolving credit facilities in place; recapitalization to begin in second quarter

Separation of NiSource / Columbia Pipeline Group On Track

Supplemental Slides

Predecessor Fourth Quarter &
Year-End 2014 Earnings

February 18, 2015

Columbia
Pipeline Partners

Columbia Pipeline Partners

A Best-In-Class Master Limited Partnership

- Experienced Leadership Team
- Strong and Supportive Sponsor
- Stable and Predictable Cash Flows
- Financial Strength & Flexibility
- Strategic Footprint & Integrated Service Platform
- Robust Growth Profile

Columbia Pipeline Partners

Columbia Pipeline Partners

A Best-In-Class Master Limited Partnership

- ~54M units offered at $23 each – ~$1.2B offering
- $500M revolving credit facility in place, effective at IPO

Columbia Pipeline Partners LP Predecessor Historical								
	Three Months Ended December 31,				Year Ended December 31,			
In Millions		2014		2013		2014		2013
Operating Revenues	$	340.4	$	321.8	$	1,346.9	$	1,179.4
Operating Income	$	133.2	$	119.7	$	488.7	$	439.6
Net Income	$	64.4	$	71.7	$	269.1	$	266.9
Adjusted EBITDA**	$	160.6	$	150.5	$	598.5	$	542.7

*** For a reconciliation to GAAP, see Schedule 1 of the Columbia Pipeline Partners Feb. 18, 2015 Earnings Release*

NiSource Appendix

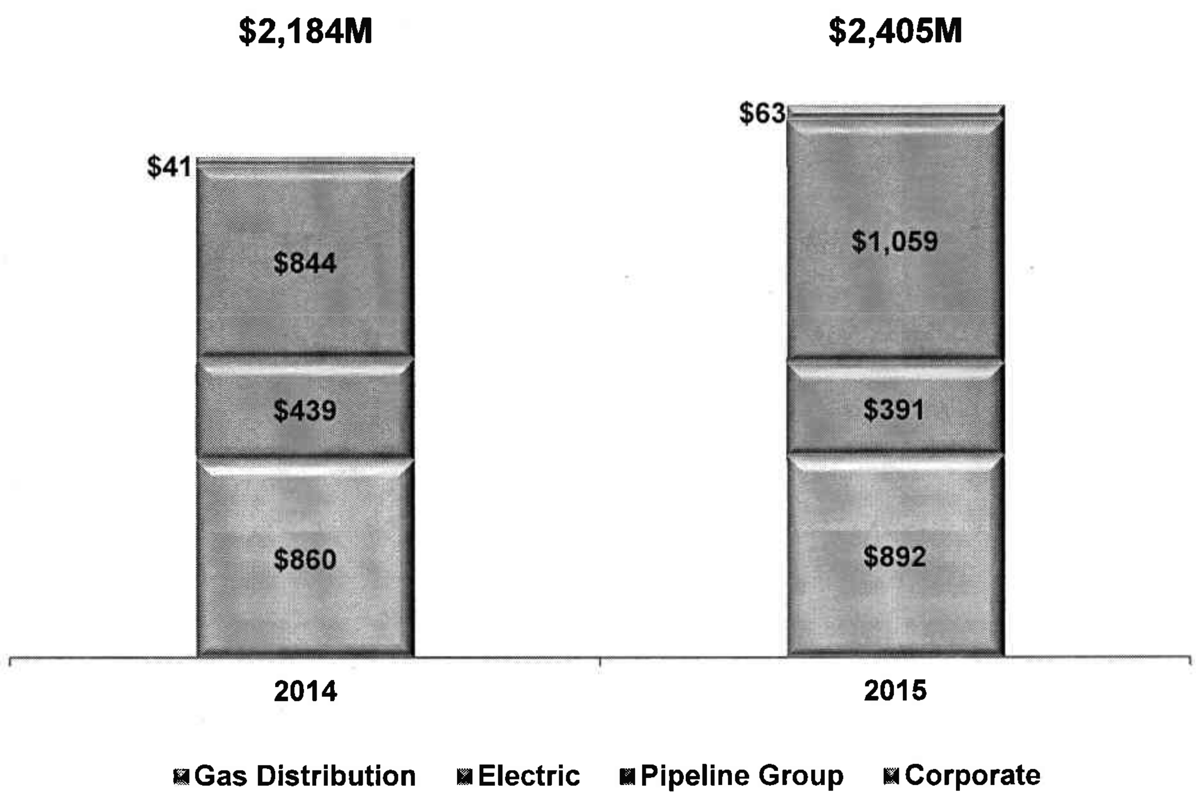
Fourth Quarter & Year-End
2014 Earnings

February 18, 2014

NiSource®

Capital Expenditures ($M)

2014 Actual and 2015 Forecasted CapEx



2015 Growth & Tracker ~$1,875M (78%) and Age & Condition ~$530M (22%)

Capitalization ($M)

Total Debt to Capitalization 61.8% as of 12/31/14

	Actual 12/31/2014			Actual 12/31/2013		
	Debt	Equity	Total	Debt	Equity	Total
Long-Term Debt	$ 8,155.9	$ -	$ 8,155.9	$ 7,593.2	$ -	$ 7,593.2
Short-Term Debt	1,292.6	-	1,292.6	433.6	-	433.6
Sale of A/R	284.3	-	284.3	265.1	-	265.1
Current Portion of Long-Term Debt	266.6	-	266.6	542.1	-	542.1
Common Equity	-	6,175.3	6,175.3	-	5,886.6	5,886.6
Total Capitalization Per Balance Sheet	**$ 9,999.4**	**$ 6,175.3**	**$ 16,174.7**	**$ 8,834.0**	**$ 5,886.6**	**$14,720.6**
% of Capitalization Per Balance Sheet	**61.8%**	**38.2%**	**100.0%**	**60.0%**	**40.0%**	**100.0%**

Moody's Baa2 / P2 • S&P BBB- / A3 • Fitch BBB- / F3

Current Liquidity ($M)

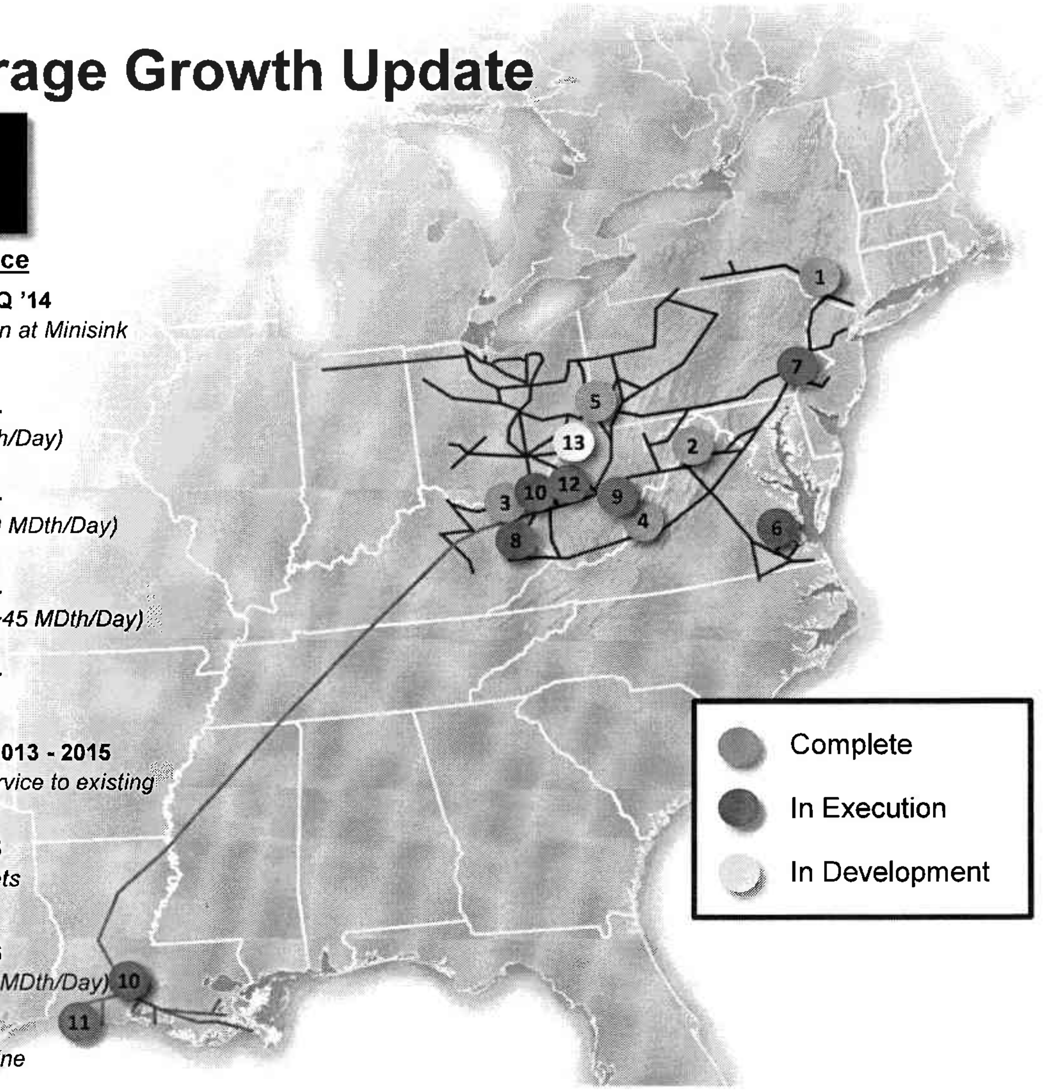
	Actual 12/31/14	Maturity
Committed Credit Facility*	$ 2,000	September 2018
Less:		
Drawn on Credit Facility	(500)	
Commercial Paper	(1,105)	
Letters of Credit	(15)	
Add:		
Cash & Equivalents	25	
Net Available Liquidity	**$ 718**	

** Existing $2.0B NFC Revolver will be revised to $1.5B and extended five years from date of separation (new estimated expiration date of July 1, 2020)*

CPG Regulated Pipeline & Storage Growth Update

M Marketing — **~$7-9B Opportunity (10 Years)**

Project	CapEx	In-Service
1 **Millennium** *Marcellus: Deliver Marcellus supplies to multiple markets with expanded compression at Minisink (+150 MDth/Day) and Hancock (+175 MDth/Day)*	**~$90M** (NI: $45M)	**2Q '13 & 1Q '14**
2 **Warren County** *Gas Generation: Expansion serving Virginia Power's new 1,300 MW plant (250 MDth/Day)*	**~$35M**	**2Q '14**
3 **West Side Expansion*** *Marcellus: Transport supply to the Gulf Coast and growing Southeast Markets (~540 MDth/Day)*	**~$200M**	**4Q '14**
4 **Giles County** *Gas Conversion: Pipeline extension to serve coal-to-natural gas boiler conversion (~45 MDth/Day)*	**~$40M** (CPG $25M - CGV $15M)	**4Q '14**
5 **Line 1570** *Marcellus: Increased takeaway capacity (~100 MDth/Day)*	**~$20M**	**4Q '14**
6 **Chesapeake LNG** *Facility Upgrade: Multi-phased project over three years to upgrade and maintain service to existing customers (~120 MDth/Day)*	**~$30M**	**Three Phases: 2013 - 2015**
7 **East Side Expansion** *Marcellus: Connect northern Marcellus supplies to Northeast and Mid-Atlantic Markets (~315 MDth/Day)*	**~$275M**	**3Q '15**
8 **Kentucky Power Plant** *Gas Conversion: Expansion project to serve gas-fired power plant in Kentucky (~70 MDth/Day)*	**~$25M**	**2Q '16**
9 **Utica Access Project** *~5-Mile greenfield pipeline to transport growing supply onto existing Columbia Gas line (~205 MDth/Day)*	**~$50M**	**4Q'16**
10 **Rayne / Leach XPress** *Marcellus / Utica: Facilitates transportation of Marcellus and Utica production to markets on Columbia Gas (~1.5 Bcf/Day) and Columbia Gulf (~1.0 Bcf/Day)*	**~$1.8B** (Rayne $380M - Leach $1.4B)	**4Q '17**
11 **Cameron Access Project** *Transport supplies from numerous basins into Cameron's LNG facility via a new pipeline and additional compression. (~800 MDth/Day)*	**~$310M**	**1Q '18**
12 **WB XPress** *Marcellus / Utica: Incremental transport capacity to move growing production to various markets across CPG's WB line (~1.3 Bcf/Day)*	**~$870M**	**4Q '18**
13 **Mountaineer and Gulf XPress** *Marcellus / Utica: Incremental capacity from OH, SW, PA, and WV to TCO pool and Leach (~2.7 Bcf/Day)*	**TBD**	**TBD**



M Modernization — **~$4-5B Opportunity (10-15 Years)**

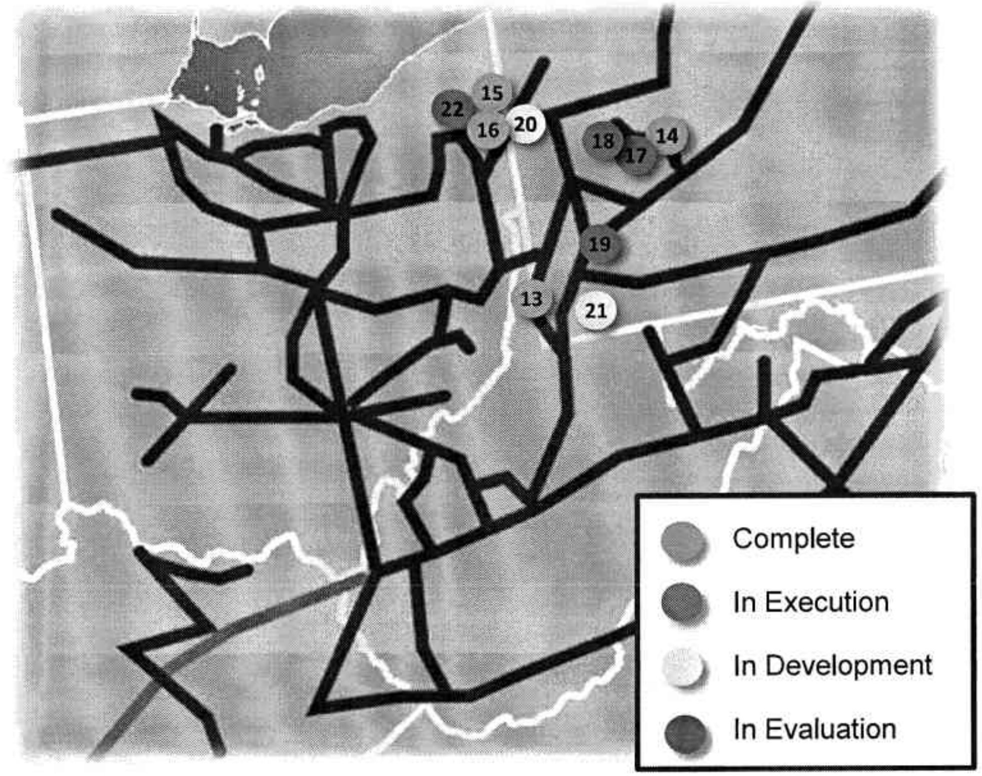
Project	CapEx	In-Service
Columbia Gas Modernization *FERC approved (1/2013) – 5-Year settlement agreement (with potential extension provisions) to execute a comprehensive, balanced and transparent pipeline modernization program. Approximately $620M of new facilities have been placed in service during the first two years of the program.*	**$300M/Yr.**	**2013 – 2017**

* The Alexandria compression portion of Columbia Gulf's West Side Expansion will be placed in service in Q3 2015

CPG Midstream & Minerals Growth Update

M Midstream — **~$2B Opportunity (10 Years)**

Project	CapEx	In-Service
13 **Majorsville**	**~$85M**	**3Q '10**
Marcellus: Gathers wet gas to processing facility and provides downstream pipeline market access with additional pipeline and compression assets (~325 MDth/Day)		
14 **Big Pine Gathering**	**~$165M**	**2Q '13**
Marcellus: ~60 miles of pipeline with multiple interstate connections (~425 MDth/Day)		
15 **Pennant JV – Hickory Bend Gathering/Processing**	**~$330M (NI = ~$165M)**	**4Q'13 & 2Q'14**
Utica: ~45 miles of pipeline (500 MDth/Day) and an NGL processing facility (200 MDth/Day); pipelines and NGL processing facility complete		
16 **Pennant JV – NGL Pipeline**	**~$60M (NI = ~$30M)**	**4Q '14**
Utica: Pipeline development to transport NGLs from the Hickory Bend processing facility to Kensington; capacity of the gas liquids pipeline is expected to be up to ~90K barrels a day		
17 **Columbia Midstream Group Interconnects**	**~$10M**	**2Q '15**
Marcellus: Interconnects along the Big Pine Gathering System to transport new supplies		
18 **Big Pine Expansion**	**~$65M**	**3Q '15**
Marcellus: A 10-mile, 20-inch lateral to Bluestone Processing Plant and incremental compression on Big Pine (~175 MDth/Day)		
19 **Washington County Gathering**	**~$120M**	**Two Phases: 2015 - 2018**
Marcellus: Greenfield gathering system in Washington County, PA to gather wellhead production		
20 **Pennant JV – Phase II**	**~$500M (NI = ~$250M)**	**2015 - 2018**
Utica: Gathering system expansion and additional processing facilities		
21 **Appalachia G&P**	**~$500M**	**2016 - 2018**
Marcellus / Utica: Gathering systems and processing facilities		



M Minerals — **Self-Funded Investment**

22 **Utica Minerals Arrangement** — **Executing Drilling Program**
Utica: Joint development with Hilcorp to extract value from a combined acreage of mineral rights – drilling started in 2013. Production volumes dedicated to Pennant JV-Hickory Bend

Potential Minerals Opportunities — **Under Evaluation**
Utica: Optimize minerals position in shale region to leverage downstream infrastructure opportunities

Electric Operations Infrastructure Investment Update

Upgrade Generation Fleet
(~$2B Opportunity)

Project	CapEx	In-Service
1 **U14 FGD**	**~$250M**	**YE'13**
2 **U15 FGD**	**~$250M**	**YE'14**
3 **U12 FGD**	**~$265M**	**YE'15**
NOx Upgrades	**~$30M**	**YE'15**
MATS	**~$50M**	**YE'13/YE'14/YE'15**
Water Treatment	**$25M - $130M**	**YE'18/YE'19/YE'20**
7 **Coal Ash Improvements**	**$100M - $300M**	**TBD**

1 **U14 FGD** — *ECRM (Environmental Cost Recovery Mechanism - 100% Tracked) FGD (Flue Gas Desulfurization) facility at Schahfer Generating Station*

2 **U15 FGD** — *ECRM (100% Tracked) FGD facility at Schahfer Generating Station*

3 **U12 FGD** — *ECRM (100% Tracked) FGD facility at Michigan City Generating Station*

NOx Upgrades — *ECRM (100%Tracked) NOx upgrades and monitoring*

MATS — *ECRM (100%Tracked) projects enhancing mercury and particulate controls at all coal plants*

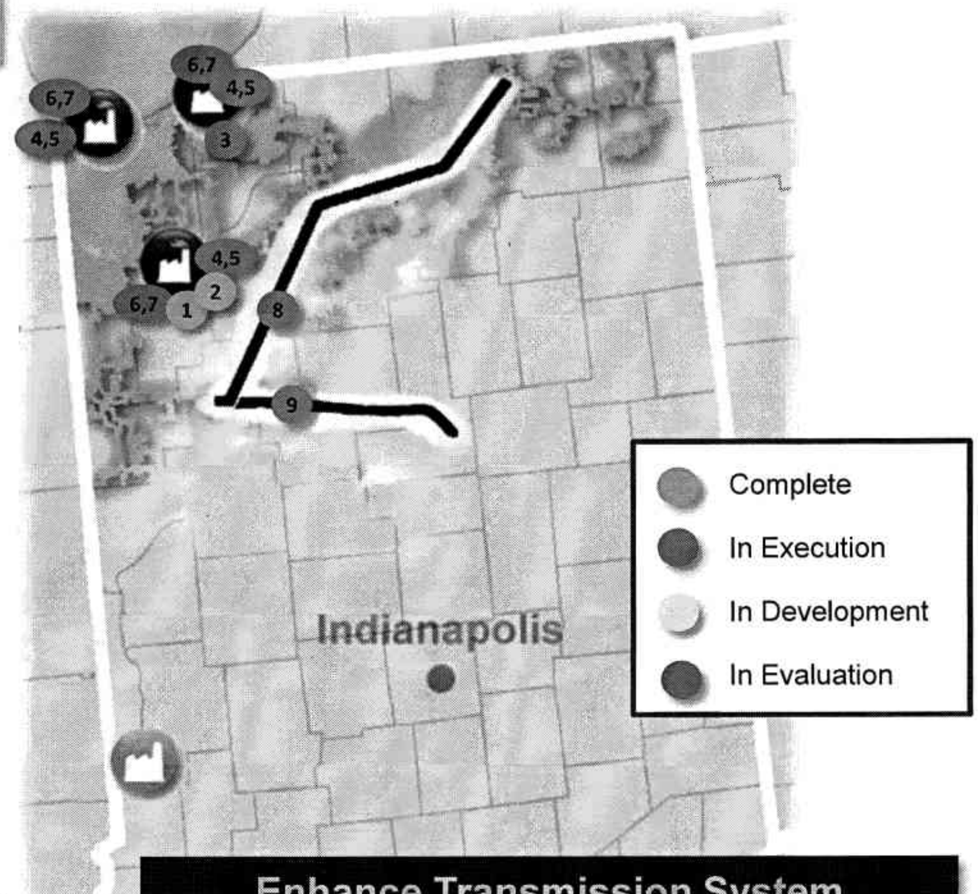
Water Treatment — *Environmental: SB 251 (80% Tracked / 20% Deferred) projects enhancing wastewater treatment at all coal plants and water intake modifications at Bailly Station*

7 **Coal Ash Improvements** — *Environmental: SB 251 (80% Tracked / 20% Deferred) projects upgrading ash handling and disposal at all coal plants*

Infrastructure Modernization Program
(~$7B Opportunity)

NIPSCO Electric Distribution & Transmission Modernization	7-Year Investment	Approved / Implemented: 2014
	~$1.1B	

Modernization: SB 560 (80% Tracked / 20% Deferred) NIPSCO implemented year 1 of its 7-year, ~$1.1B electric infrastructure replacement plan. The plan was approved by the IURC in February 2014 and requires NIPSCO to file a rate case within seven years. In August 2014, NIPSCO filed its first semi-annual tracker as required by SB 560, reaffirming its commitment to the $1.1B capital investment level. An order was received in November 2014 with factors in effect December 2014 (subject to refund).



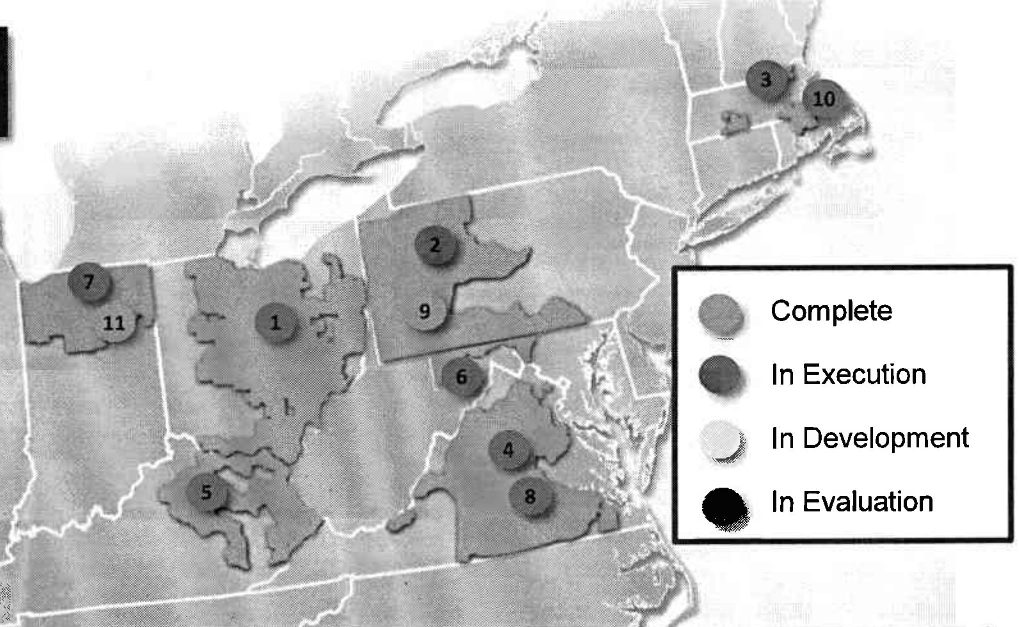
Enhance Transmission System
(~$1B Opportunity)

8 **Reynolds-Topeka** **$250M - $300M** **2H 2018**
MISO MVP: FERC approved 345-kV transmission project from Reynolds Substation to Hiple Substation (100 miles) – route determination complete… right-of-way acquisition and permitting activities continue.

9 **Greentown-Reynolds** **$300M - $400M (NI: $150M – $200M)** **2H 2018**
MISO MVP – partnership: FERC approved 765-kV transmission project from Reynolds Substation to Greentown Substation (~70 miles) – route determination complete…right-of way acquisition and permitting activities continue.

NGD Infrastructure Investment Update

Infrastructure Modernization Programs (~$20B Opportunity)



Annual Investment

1 **Columbia Gas of Ohio** **$175M - $200M** **20+ Years**
Tracked: Execution of established Infrastructure Replacement Program; annual tracker filings with 5-year program renewal (next renewal 2018)

2 **Columbia Gas of Pennsylvania** **$125M - $175M** **20+ Years**
Rate Case / Tracked: Execution of established Infrastructure Replacement Program; recovery utilizes forward test year rate case filings supplemented by periodic DSIC filings under Act 11

3 **Columbia Gas of Massachusetts** **$40M - $60M** **20+ Years**
Tracked: Execution of established Infrastructure Replacement Program; annual tracker filings to be made under the provisions of House Bill 4164

4 **Columbia Gas of Virginia** **$20M - $30M** **20+ Years**
Tracked: Execution of established Infrastructure Replacement Program; annual tracker filings with 5-year program renewal (next renewal 2017)

5 **Columbia Gas of Kentucky** **~$10M** **20+ Years**
Tracked: Execution of established Infrastructure Replacement Program with annual tracker filings

6 **Columbia Gas of Maryland** **~$10M** **20+ Years**
Rate Case / Tracked: Execution of established Infrastructure Replacement Program; rate case filings with make whole filings for up to three subsequent years

7 **NIPSCO Gas – Modernization** **$120M - $140M** **7 Years**
80% Tracked / 20% Deferred (Senate Bill 560): The NIPSCO Gas 7-year infrastructure replacement plan also contains provisions to expand natural gas service into rural areas of Indiana. The original ~$700M plan was approved by the IURC in April 2014. In August 2014, NIPSCO filed an updated 7-year plan supporting additional capital investment opportunities. This update was approved in January 2015 resulting in an ~$840M 7-year plan.

Current Regulatory Activity

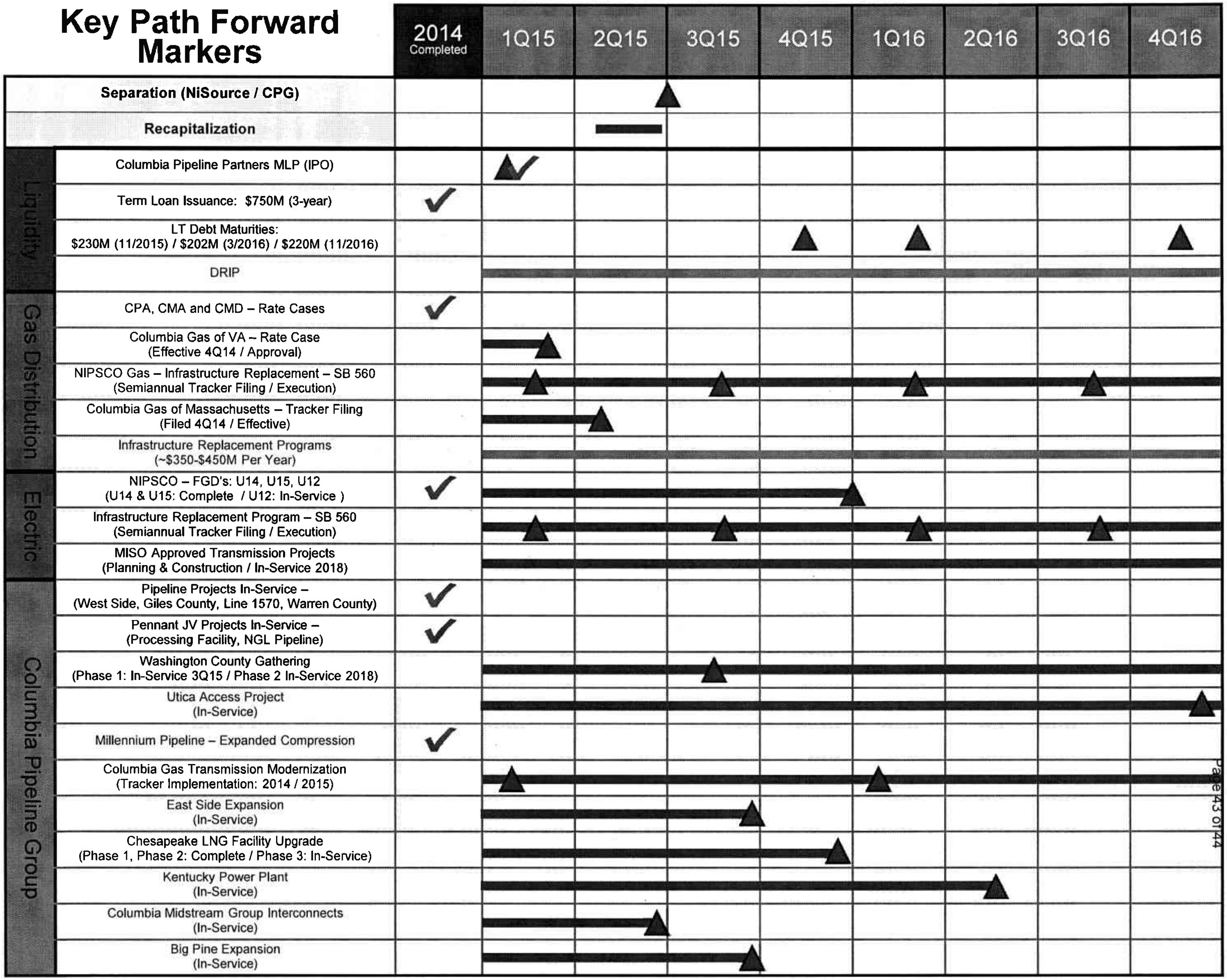
8 **Columbia Gas of Virginia – Rate Case** **Settled Increase: ~$25M** **Settlement: 4Q'14 Approval: 1Q'15**
Filing supports CGV's capital investments associated with a multi-year gas distribution modernization program

9 **Columbia Gas of Pennsylvania – Rate Case** **Settled Increase: ~$33M** **Settlement: 3Q'14 Effective: 4Q'14**
Filing supports CPA's capital investments to enhance pipeline safety initiatives and customer programs. The filing was settled in September 2014 and approved by the Commission in November with new rates in effect in December 2014. This is the second filing under Act 11, using a forward test-year that extends to 12/31/2015.

10 **Columbia Gas of Massachusetts – Gas System Enhancement Filing** **Requested Increase: $2.6M** **Filed: Oct'14 Effective: May'15**
Filing supports CMA's infrastructure modernization program by allowing accelerated recovery on certain investments associated with the program. This is CMA's first filing under the provision of House Bill (HB) 4164.

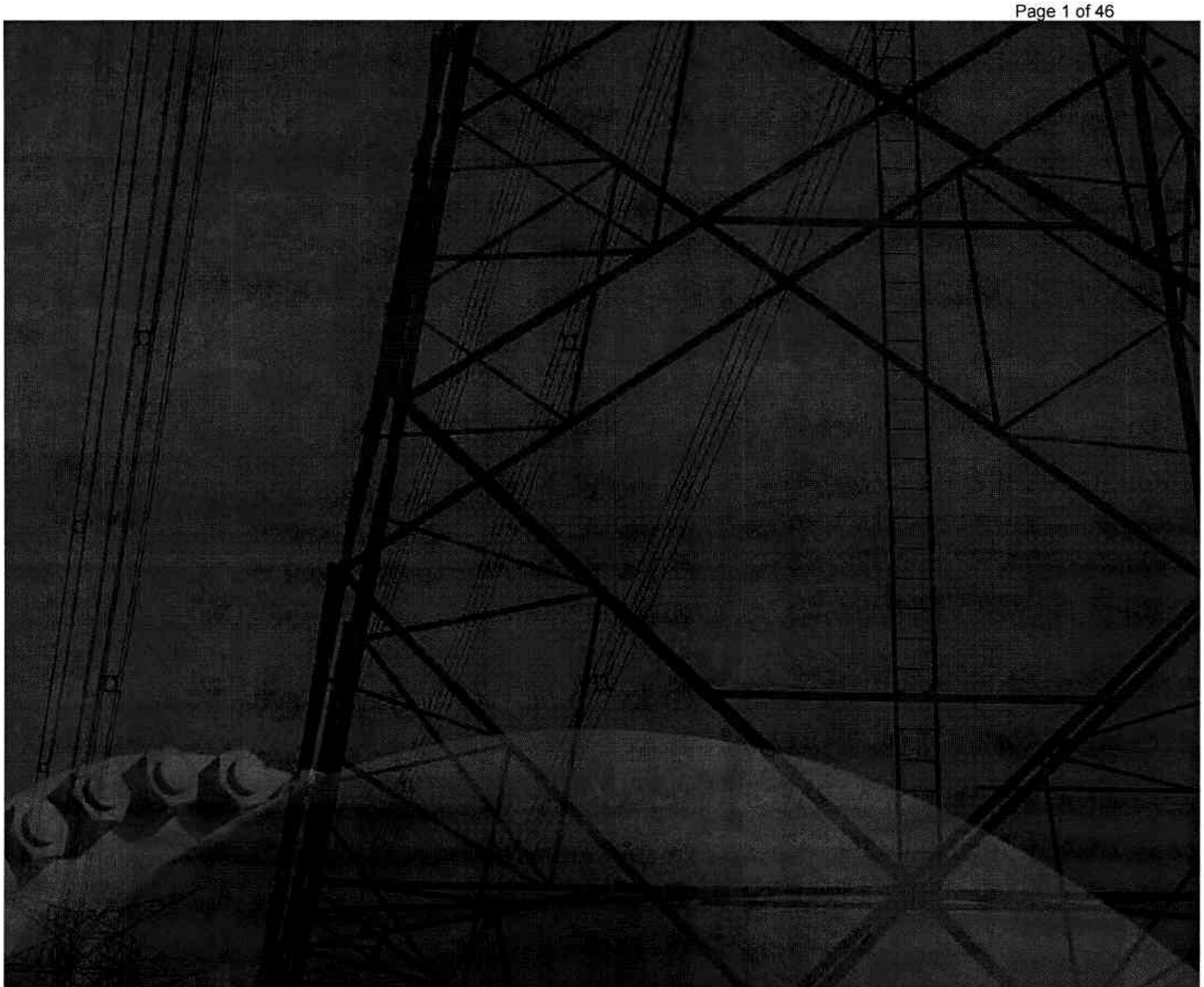
11 **NIPSCO Gas – Modernization** **Seven-Year Plan Approved for ~$840M** **Filed: 3Q'14 Effective: 1Q'15**
NIPSCO filed it's first semi-annual gas tracker as required by SB 560. The filing supports additional capital investments related to increased demand for rural expansion and was approved in January 2015.

Key Path Forward Markers



NiSource Inc. 801 East 86th Avenue Merrillville, Indiana 46410
www.nisource.com NYSE:NI

Investor Relations
Randy Hulen 219-647-5688 rghulen@nisource.com
Umair Quraishi 219-647-4586 uquraishi@nisource.com



Q1 2015 Earnings Release & Supplemental Slides

Including Columbia Pipeline Partners

NiSource

Q1 2015 NiSource Earnings Information

NEWS

NiSource

801 E. 86th Avenue
Merrillville, IN 46410

April 30, 2015

FOR ADDITIONAL INFORMATION

Media	**Investors**	
Mike Banas	Randy Hulen (NiSource)	Bruce Connery (CPG)
Communications Manager	Vice President	Vice President
(219) 647-5581	(219) 647-5688	(713) 386-3603
mbanas@nisource.com	rghulen@nisource.com	blconnery@nisource.com

NiSource Reports First Quarter 2015 Earnings

- Consistent execution of core infrastructure investment strategy
- Columbia Pipeline Group separation on track for July 1, 2015
- Companies to highlight post-separation growth strategies on May 14, 2015

MERRILLVILLE, Ind. – NiSource Inc. (NYSE: NI) today announced net operating earnings from continuing operations – controlling interest (non-GAAP) of $268.3 million, or $0.85 per share, for the three months ended March 31, 2015, compared with $258.4 million, or $0.82 per share, for the same period in 2014. Operating earnings for the first quarter (non-GAAP) were $528.7 million, compared to $509.1 million in the prior period.

On a GAAP basis, NiSource reported income from continuing operations – controlling interest of $268.4 million, or $0.85 per share, for the three months ended March 31, 2015, compared with $266.4 million, or $0.85 per share, for the same period in 2014. Operating income for the first quarter was $530.1 million, compared to $533.7 million in the prior period. Schedules 1 and 2 of this news release contain a reconciliation of net operating earnings and operating earnings to GAAP net income and operating income, respectively.

"Our core infrastructure-focused business strategies at our utilities and pipeline businesses continued to deliver solid financial and operational results," NiSource President & Chief Executive Officer **Robert C. Skaggs, Jr.** said. "NiSource teams are successfully delivering on significant growth and modernization projects, advancing a variety of important regulatory and customer programs, and implementing our plan to separate into two premier, independent companies."

Columbia Pipeline Group separation on track for July 1, 2015

During the first quarter, NiSource continued to make progress on its planned separation of Columbia Pipeline Group (CPG) into a stand-alone, publicly traded company, which is expected to become effective on July 1, 2015. CPG is expected to begin trading the next day on the New York Stock Exchange under the ticker symbol "CPGX."

In early April, the companies discussed their respective financial plans with the three major credit rating agencies. NiSource expects that CPG will be formally rated prior to its May debt recapitalization transaction and that NiSource's credit rating will be addressed at or just prior to the separation.

"We are solidly on track with our core separation strategies and key goals at both companies," Skaggs said. "Each company will be positioned to be premier in its respective business segment – well capitalized, with robust and transparent long-term growth plans, expected growing dividends and solid leadership – with the capacity and focus to deliver enhanced long-term growth."

The debt recapitalization process is expected to close in May 2015 and will include CPG issuing its own long-term debt to fund a one-time cash distribution to NiSource prior to the separation, which will be used, in large part, to reduce NiSource's net debt.

At the separation, NiSource shareholders will retain their current shares of NiSource stock and receive a pro-rata dividend of shares of CPG stock, expected to be at a 1-to-1 ratio. The actual number of CPG shares to be distributed to NiSource shareholders will be determined prior to closing. The transaction is expected to be tax-free to NiSource and its shareholders, and is subject to various conditions, including final approval by the NiSource board of directors.

Webcasts scheduled for May 14, 2015, to highlight independent company investment propositions

To highlight NiSource's and CPG's growth strategies following the planned separation, the companies are hosting webcasts on Thursday, May 14, 2015.

NiSource's post-separation executive team, led by announced Chief Executive Officer **Joseph Hamrock**, will present an update on the separation process, and provide an overview of its pure-play utility investment and customer proposition from 9:00 a.m. – 10:30 a.m. ET. A webcast of the event with accompanying presentations will be available at www.nisource.com. The webcast also will be archived at the NiSource website.

CPG's post-separation executive team, led by announced Chairman & Chief Executive Officer Bob Skaggs, will provide an overview of CPG's business strategy, highlighting its growth and infrastructure investment inventory, from 10:30 a.m. – noon ET. A webcast of the event with accompanying presentations will be available at www.nisource.com. The webcast also will be archived at the NiSource website.

First Quarter 2015 Highlights

Columbia Pipeline Group growth projects address market needs and complement long-term system modernization program

During the first quarter, CPG continued to strengthen its competitive market position in the Marcellus and Utica Shale production regions by advancing several major growth projects and executing on the company's long-term system modernization program. In total, CPG is on track to invest approximately $1.1 billion in these and other infrastructure projects during 2015.

- In January, CPG commenced the third year of the **Columbia Gas Transmission long-term system modernization program**. CPG expects to invest approximately $300 million in modernization investments during the year. Recovery of approximately $320 million of investments made in 2014 began on February 1, 2015. A settlement with the company's customers – approved in early 2013 – addresses the initial five years of an expected 10-15 year program that exceeds $4 billion in investment.

- On March 27, CPG launched binding open seasons for its proposed **Mountaineer XPress** (MXP) and **Gulf XPress** (GXP) projects. These projects, which have a critical mass of firm customer commitments in place, would provide significant new transportation capacity for Marcellus and Utica Shale production. MXP would provide up to 2.7 billion cubic feet per day of firm transportation capacity along the Columbia Gas Transmission system. GXP would provide nearly 900 million cubic feet per day of firm transportation capacity by adding compression and looping along the existing Columbia Gulf Transmission system. Together, both projects could involve an investment of approximately $2.6 billion. CPG is very encouraged by the results of the open season, which concluded April 23.

- CPG's **East Side Expansion** project remains on schedule to be placed in service in the fourth quarter of 2015. The $275 million project will provide approximately 315 million cubic feet per day of additional capacity for Marcellus Shale supplies to reach growing – and capacity constrained – northeastern and mid-Atlantic markets.

- Progress continues on several other major growth projects, including CPG's approximately $1.8 billion combined investment in the **Leach** and **Rayne XPress** projects, the $850 million **WB XPress** project, the $310 million **Cameron Access** project, the $50 million **Utica Access** project, the $30 million **Chesapeake LNG Plant Upgrade** project, and the $25 million **Kentucky Power Plant Conversion** project. Together, these projects will entail approximately 4 billion cubic feet of new capacity commitments across the CPG system, including access to LNG export facilities in Louisiana and Maryland.

- Columbia Midstream Group remains on budget and schedule with the first phase of its $120 million **Washington County Gathering** project and its approximately $65 million **Big Pine Expansion** project. Both are expected to be in service before the end of 2015.

NIPSCO on track with modernization, environmental and electric transmission investments

Northern Indiana Public Service Co. (NIPSCO), NiSource's Indiana natural gas and electric business, remains on track with a broad agenda of reliability, modernization, customer service and environmental investments.

- NIPSCO remains on schedule and on budget with its **flue gas desulfurization (FGD) unit** at its Michigan City Generating Station. The approximately $265 million project is expected to be placed in service by the end of this year. Another approximately $80 million in environmental investments also will be completed at NIPSCO's coal-fired generating facilities this year. These investments, supported with cost recovery, help improve air quality and ensure NIPSCO's generation fleet remains in compliance with current environmental regulations. These investments also help ensure that NIPSCO can continue offering low-cost, reliable and efficient generating capacity for its customers.

- During the first quarter, NIPSCO commenced 2015 investments under the company's seven-year, approximately $2 billion electric and natural gas modernization programs. The company plans to invest approximately $193 million ($124 million gas | $69 million electric) on modernization projects in 2015. The investments will help improve system reliability and safety while delivering economic development benefits to the region. NIPSCO remains committed to these investments while continuing to work through the legal process following a recent Indiana Court of Appeals decision.

- Progress also continued on two major NIPSCO electric transmission projects designed to enhance region-wide system flexibility and reliability. The **Greentown-Reynolds** project is an approximately 70-mile, 765-kilovolt line being constructed in a joint development agreement with Pioneer Transmission, and the **Reynolds-Topeka** project is a 100-mile, 345-kilovolt line. Right-of-way acquisition and permitting are under way for both projects and construction has begun on the Reynolds-Topeka line. These projects involve an investment of approximately $500 million for NIPSCO and are anticipated to be in service by the end of 2018.

Gas Distribution segment maintains execution focus with continued progress on modernization investments and regulatory initiatives

NiSource Gas Distribution companies continue to execute expanded infrastructure replacement and enhancement programs, complemented by a variety of customer programs and regulatory initiatives.

- NiSource expects to invest approximately $900 million during 2015 as part of more than $20 billion in long-term infrastructure investment opportunities for the company's gas distribution businesses. These investments **help improve reliability and safety for customers and the community**, provide additional customer access to natural gas service and reduce emissions. Through transparent recovery mechanisms, these investments also generate sustainable returns for shareholders.

- On March 19, **Columbia Gas of Pennsylvania** (CPA) filed a rate case with the Pennsylvania Public Utility Commission to support continuation of CPA's infrastructure modernization and safety programs. If approved as filed, the case would increase annual revenues by approximately $46 million. A decision is expected later this year.

- **Columbia Gas of Massachusetts** (CMA) filed a base rate case on April 16, 2015, with the Massachusetts Department of Public Utilities (DPU). The case seeks to recover costs to support CMA's multi-year modernization plan to maintain the safety and reliability of natural gas service for customers. If approved as filed, the case would increase annual revenues by approximately $49 million. A decision is expected with rates in effect by March 1, 2016.

- A decision on CMA's 2015 **Gas System Enhancement Plan** is expected to be issued by the DPU later today. Cost recovery associated with the 2015 investments outlined in the current plan would begin on May 1, 2015, and increase annual revenues by approximately $2.6 million.

- **Columbia Gas of Virginia's** base rate case remains pending with the Virginia State Corporation Commission. A stipulated settlement with staff and intervening parties approved a revenue increase of approximately $25 million. A final order is expected later this year.

- On April 22, the Public Utilities Commission of Ohio approved **Columbia Gas of Ohio's** (COH) annual infrastructure replacement and demand-side management rider. The rider provides for recovery of COH's well-established pipeline replacement program and customer energy efficiency program investments.

<u>First Quarter 2015 Operating Earnings - Segment Results (non-GAAP)</u>

NiSource's consolidated operating earnings (non-GAAP) for the three months ended March 31, 2015, were $528.7 million, compared to $509.1 million for the same period in 2014. Refer to Schedule 2 for the items included in 2015 and 2014 GAAP operating income but excluded from operating earnings.

Operating earnings for NiSource's business segments for the three months ended March 31, 2015, are discussed below.

Columbia Pipeline Group Operations reported operating earnings of $163.0 million for the three months ended March 31, 2015, compared with operating earnings of $158.9 million for the prior year period. Net revenues, excluding the impact of trackers, increased by $21.6 million primarily due to higher demand margin revenue as a result of growth projects placed into service and new firm contracts. This increase was partially offset by decreased mineral rights royalty revenue.

Operating expenses, excluding the impact of trackers, increased by $23.1 million primarily due to lower gains on the conveyance of mineral interests, higher employee and administrative costs and increased depreciation. Equity earnings increased by $5.6 million primarily from increased earnings at Millennium Pipeline and Pennant Midstream.

Electric Operations reported operating earnings of $67.2 million for the three months ended March 31, 2015, compared with operating earnings of $74.2 million for the prior year period. Net revenues, excluding the impact of trackers, decreased by $0.2 million primarily due to decreased off-system sales and lower industrial margins. These decreases were partially offset by lower fuel handling costs, higher revenue related to two electric transmission projects authorized by the Midcontinent Independent System Operator (MISO), and increased environmental investment cost recovery.

Operating expenses, excluding the impact of trackers, increased by $6.8 million due primarily to higher employee and administrative costs and increased environmental expenses.

Gas Distribution Operations reported operating earnings of $305.8 million for the three months ended March 31, 2015, compared with operating earnings of $280.1 million for the prior year period. Net revenues, excluding the impact of trackers, increased by $42.8 million primarily attributable to increases in regulatory and service programs, including the impact of new rates at Columbia Gas of Pennsylvania, Columbia Gas of Virginia and Columbia Gas of Massachusetts, as well as the implementation of new rates under Columbia Gas of Ohio's approved infrastructure replacement program.

Operating expenses, excluding the impact of trackers, increased by $17.1 million due primarily to increased employee and administrative costs, higher depreciation and increased outside service costs.

Corporate and Other Operations reported an operating earnings loss of $7.3 million for the three months ended March 31, 2015, compared with an operating loss of $4.1 million for the three months ended March 31, 2014. The increase is primarily due to higher employee and administrative costs.

Other Items
Interest expense, net was $111.0 million for the three months ended March 31, 2015 compared to interest expense, net of $109.1 million for the prior period.

Other, net reflected income of $7.1 million compared to income of $4.5 million in 2014 primarily due to current period transmission agreement income.

The effective tax rate of net operating earnings was 35.2 percent compared to 36.1 percent for the same period last year.

About NiSource
NiSource Inc. (NYSE: NI), based in Merrillville, Indiana, is a Fortune 500 company engaged in natural gas transmission, storage and distribution, as well as electric generation, transmission and distribution. NiSource operating companies deliver energy to 3.8 million customers located within the high-demand energy corridor stretching from the Gulf Coast through the Midwest to New England. Information about NiSource and its subsidiaries is available via the Internet at www.nisource.com. NI-F

Forward-Looking Statements
This news release contains forward-looking statements within the meaning of federal securities laws. These forward-looking statements are subject to various risks and uncertainties. Examples of forward-looking statements in this release include statements and expectations regarding the timing of the separation, as well as NiSource's and CPG's leadership, business, performance and growth following the separation. Factors that could cause actual results to differ materially from the projections, forecasts, estimates and expectations discussed in this release include, among other things, the timing to consummate the transactions described herein; the risk that a condition to consummation is not satisfied; disruption to operations as a result of the proposed transactions; the inability of one or more of the businesses to operate independently following the completion of the proposed transactions; weather; fluctuations in supply and demand for energy commodities; growth opportunities for NiSource's businesses; increased competition in deregulated energy markets; the success of regulatory and commercial initiatives; dealings with third parties over whom NiSource has no control; actual operating experience of NiSource's assets; the regulatory process; regulatory and legislative changes; changes in general economic, capital and commodity market conditions; and counter-party credit risk, and the matters set forth in the "Risk Factors" section in NiSource's 2014 Form 10-K, many of which are beyond the control of NiSource. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this news release. NiSource expressly disclaims any obligation to update, amend or clarify any of the forward-looking statements contained in this release to reflect events, new information or circumstances occurring after the date of this release except as required by applicable law.

The potential distribution of CPG shares is subject to the satisfaction of a number of conditions, including the final approval of NiSource's Board of Directors. There is no assurance that such distribution will in fact occur.

NiSource Inc.
Consolidated Net Operating Earnings (Non-GAAP)
(unaudited)

(in millions, except per share amounts)	Three Months Ended March 31, 2015	2014
Net Revenues		
Gas Distribution	**$ 1,061.3**	$ 1,193.3
Gas Transportation and Storage	**628.0**	578.5
Electric	**391.9**	445.3
Other	**46.3**	77.0
Gross Revenues	**2,127.5**	2,294.1
Cost of Sales (excluding depreciation and amortization)	**806.0**	1,061.3
Total Net Revenues	**1,321.5**	1,232.8
Operating Expenses		
Operation and maintenance	**404.6**	376.9
Operation and maintenance - trackers	**149.0**	124.3
Depreciation and amortization	**156.4**	148.7
Depreciation and amortization - trackers	**1.1**	—
Gain on sale of assets	**(5.3)**	(17.5)
Other taxes	**72.3**	70.6
Other taxes - trackers	**30.1**	30.5
Total Operating Expenses	**808.2**	733.5
Equity Earnings in Unconsolidated Affiliates	**15.4**	9.8
Operating Earnings	**528.7**	509.1
Other Income (Deductions)		
Interest expense, net	**(111.0)**	(109.1)
Other, net	**7.1**	4.5
Total Other Deductions	**(103.9)**	(104.6)
Operating Earnings From Continuing Operations		
Before Income Taxes	**424.8**	404.5
Income Taxes	**149.6**	146.1
Net Operating Earnings from Continuing Operations	**275.2**	258.4
Net Operating Earnings from Continuing Operations - Noncontrolling Interest	**(6.9)**	—
Net Operating Earnings from Continuing Operations - Controlling Interest	**268.3**	258.4
GAAP Adjustment	**0.1**	8.0
GAAP Income from Continuing Operations - Controlling Interest	**$ 268.4**	$ 266.4
Basic Net Operating Earnings Per Share from Continuing Operations	**$ 0.85**	$ 0.82
GAAP Basic Earnings Per Share from Continuing Operations	**$ 0.85**	$ 0.85
Basic Average Common Shares Outstanding	**316.6**	314.2

NiSource Inc.
Segment Operating Earnings (Non-GAAP)
(unaudited)

Gas Distribution Operations *(in millions)*	Three Months Ended March 31, 2015	2014
Net Revenues		
Sales revenues	$ 1,436.9	$ 1,543.9
Less: Cost of gas sold	722.6	923.0
Net Revenues	714.3	620.9
Operating Expenses		
Operation and maintenance	193.4	181.4
Operation and maintenance - trackers	98.4	47.4
Depreciation and amortization	56.1	52.2
Other taxes	30.5	29.3
Other taxes - trackers	30.1	30.5
Total Operating Expenses	408.5	340.8
Operating Earnings	$ 305.8	$ 280.1
GAAP Adjustment	19.4	21.7
GAAP Operating Income	$ 325.2	$ 301.8

Columbia Pipeline Group Operations *(in millions)*	Three Months Ended March 31, 2015	2014
Net Revenues		
Transportation revenues	$ 251.1	$ 222.3
Storage revenues	50.0	50.0
Other revenues	38.7	73.3
Total Operating Revenues	339.8	345.6
Less: Cost of sales	0.1	0.1
Net Revenues	339.7	345.5
Operating Expenses		
Operation and maintenance	102.2	94.7
Operation and maintenance - trackers	43.6	71.0
Depreciation and amortization	32.5	29.7
Gain on sale of assets	(5.3)	(17.5)
Other taxes	19.1	18.5
Total Operating Expenses	192.1	196.4
Equity Earnings in Unconsolidated Affiliates	15.4	9.8
Operating Earnings	$ 163.0	$ 158.9
GAAP Adjustment	—	—
GAAP Operating Income	$ 163.0	$ 158.9

NiSource Inc.
Segment Operating Earnings (Non-GAAP)
(unaudited)

Electric Operations *(in millions)*	Three Months Ended March 31, **2015**	2014
Net Revenues		
Sales revenues	$ **393.0**	$ 445.7
Less: Cost of sales	**125.7**	180.4
Net Revenues	**267.3**	265.3
Operating Expenses		
Operation and maintenance	**113.2**	106.6
Operation and maintenance - trackers	**7.0**	5.9
Depreciation and amortization	**61.1**	60.4
Depreciation and amortization - trackers	**1.1**	—
Other taxes	**17.7**	18.2
Total Operating Expenses	**200.1**	191.1
Operating Earnings	$ **67.2**	$ 74.2
GAAP Adjustment	**2.8**	4.7
GAAP Operating Income	$ **70.0**	$ 78.9

Corporate and Other Operations *(in millions)*	Three Months Ended March 31, **2015**	2014
Operating Earnings (Loss)	$ **(7.3)**	$ (4.1)
GAAP Adjustment	**(20.8)**	(1.8)
GAAP Operating Income (Loss)	$ **(28.1)**	$ (5.9)

NiSource Inc.
Segment Volumes and Statistical Data

Gas Distribution Operations	Three Months Ended March 31, 2015	2014
Sales and Transportation (MMDth)		
Residential	**153.1**	156.5
Commercial	**88.7**	90.1
Industrial	**146.8**	136.8
Off System	**13.5**	14.3
Other	**—**	0.2
Total	**402.1**	397.9
Weather Adjustment	**(35.5)**	(36.1)
Sales and Transportation Volumes - Excluding Weather	**366.6**	361.8
Heating Degree Days	**3,404**	3,437
Normal Heating Degree Days	**2,892**	2,892
% Colder than Normal	**18%**	19%
Customers		
Residential	**3,111,880**	3,094,353
Commercial	**284,081**	283,000
Industrial	**7,641**	7,570
Other	**15**	20
Total	**3,403,617**	3,384,943

Columbia Pipeline Group Operations	Three Months Ended March 31, 2015	2014
Throughput (MMDth)		
Columbia Transmission	**497.3**	459.5
Columbia Gulf	**145.7**	184.9
Crossroads Pipeline	**5.1**	5.7
Intrasegment eliminations	**(28.7)**	(61.6)
Total	**619.4**	588.5

NiSource Inc.
Segment Volumes and Statistical Data

	Three Months Ended March 31,	
Electric Operations	**2015**	2014
Sales (Gigawatt Hours)		
Residential	**865.8**	896.2
Commercial	**940.0**	935.5
Industrial	**2,425.4**	2,607.1
Wholesale	**116.9**	311.8
Other	**34.6**	33.4
Total	**4,382.7**	4,784.0
Weather Adjustment	**(42.2)**	(70.0)
Sales Volumes - Excluding Weather	**4,340.5**	4,714.0
Electric Customers		
Residential	**403,409**	402,676
Commercial	**54,695**	54,378
Industrial	**2,354**	2,370
Wholesale	**747**	724
Other	**5**	5
Total	**461,210**	460,153

NiSource Inc.

Schedule 1 – Reconciliation of Net Operating Earnings to GAAP

	Three Months Ended March 31,	
(in millions, except per share amounts)	**2015**	2014
Net Operating Earnings from Continuing Operations - Controlling Interest	**$ 268.3**	$ 258.4
Items excluded from operating earnings		
Net Revenues:		
Weather - compared to normal	**22.2**	26.4
Operating Expenses:		
Transaction costs	**(20.5)**	—
Loss on sale of assets and asset impairments	**(0.3)**	(1.8)
Total items excluded from operating earnings	**1.4**	24.6
Other Deductions:		
Tax effect of above items	**(0.7)**	(9.6)
Income taxes - discrete items	**(0.6)**	(7.0)
Total items excluded from net operating earnings	**0.1**	8.0
GAAP Income from Continuing Operations - Controlling Interest	**$ 268.4**	**$ 266.4**
Basic Average Common Shares Outstanding	**316.6**	314.2
Basic Net Operating Earnings Per Share from Continuing Operations	**$ 0.85**	$ 0.82
Items excluded from net operating earnings (after-tax)	—	0.03
GAAP Basic Earnings Per Share from Continuing Operations	**$ 0.85**	$ 0.85

NiSource Inc.

Schedule 2 – Adjustments by Segment from Operating Earnings to GAAP
For the Quarter ended March 31,

2015 (*in millions*)	Gas Distribution	Columbia Pipeline Group	Electric	Corporate & Other	Total
Operating Earnings (Loss)	**$ 305.8**	**$ 163.0**	$ 67.2	$ (7.3)	$ 528.7
Net Revenues:					
Weather - compared to normal	19.4	—	2.8	—	**22.2**
Total Impact - Net Revenues	**19.4**	—	**2.8**	—	22.2
Operating Expenses:					
Transaction costs	—	—	—	(20.5)	**(20.5)**
Loss on sale of assets and asset impairments	—	—	—	(0.3)	**(0.3)**
Total Impact - Operating Expenses	—	—	—	**(20.8)**	**(20.8)**
Total Impact - Operating Income (Loss)	**$ 19.4**	**$ —**	**$ 2.8**	**$ (20.8)**	**$ 1.4**
Operating Income (Loss) - GAAP	**$ 325.2**	**$ 163.0**	**$ 70.0**	**$ (28.1)**	**$ 530.1**

2014 (*in millions*)	Gas Distribution	Columbia Pipeline Group	Electric	Corporate & Other	Total
Operating Earnings (Loss)	**$ 280.1**	**$ 158.9**	**$ 74.2**	**$ (4.1)**	**$ 509.1**
Net Revenues:					
Weather - compared to normal	21.7	—	4.7	—	**26.4**
Total Impact - Net Revenues	**21.7**	—	**4.7**	—	**26.4**
Operating Expenses:					
Loss on sale of assets and asset impairments	—	—	—	(1.8)	**(1.8)**
Total Impact - Operating Expenses	—	—	—	**(1.8)**	**(1.8)**
Total Impact - Operating Income (Loss)	**$ 21.7**	**$ —**	**$ 4.7**	**$ (1.8)**	**$ 24.6**
Operating Income (Loss) - GAAP	**$ 301.8**	**$ 158.9**	**$ 78.9**	**$ (5.9)**	**$ 533.7**

NiSource Inc.
Consolidated Income Statements (GAAP)
(unaudited)

(in millions, except per share amounts)	Three Months Ended March 31, 2015	2014
Net Revenues		
Gas Distribution	**$ 1,080.7**	$ 1,215.0
Gas Transportation and Storage	**628.0**	578.5
Electric	**394.7**	450.0
Other	**46.3**	77.0
Gross Revenues	**2,149.7**	2,320.5
Cost of Sales (excluding depreciation and amortization)	**806.0**	1,061.3
Total Net Revenues	**1,343.7**	1,259.2
Operating Expenses		
Operation and maintenance	**574.1**	501.2
Depreciation and amortization	**157.5**	148.7
Gain on sale of assets	**(5.0)**	(15.7)
Other taxes	**102.4**	101.1
Total Operating Expenses	**829.0**	735.3
Equity Earnings in Unconsolidated Affiliates	**15.4**	9.8
Operating Income	**530.1**	533.7
Other Income (Deductions)		
Interest expense, net	**(111.0)**	(109.1)
Other, net	**7.1**	4.5
Total Other Deductions	**(103.9)**	(104.6)
Income from Continuing Operations before Income Taxes	**426.2**	429.1
Income Taxes	**150.9**	162.7
Income from Continuing Operations	**275.3**	266.4
Loss from Discontinued Operations - net of taxes	**—**	(0.2)
Net Income	**275.3**	266.2
Less: Net income attributable to noncontrolling interest	**6.9**	—
Net Income attributable to NiSource	**$ 268.4**	$ 266.2
Amounts attributable to NiSource:		
Income from continuing operations	**$ 268.4**	$ 266.4
Loss from discontinued operations	**—**	(0.2)
Net Income attributable to NiSource	**$ 268.4**	$ 266.2
Basic Earnings Per Share		
Continuing operations	**$ 0.85**	$ 0.85
Discontinued operations	**—**	—
Basic Earnings Per Share	**$ 0.85**	$ 0.85
Diluted Earnings Per Share		
Continuing operations	**$ 0.85**	$ 0.85
Discontinued operations	**—**	—
Diluted Earnings Per Share	**$ 0.85**	$ 0.85
Dividends Declared Per Common Share	**$ 0.52**	$ 0.50
Basic Average Common Shares Outstanding	**316.6**	314.2
Diluted Average Common Shares	**317.4**	315.1

NiSource Inc.
Consolidated Balance Sheets (GAAP)
(unaudited)

(in millions)	March 31, 2015	December 31, 2014
ASSETS		
Property, Plant and Equipment		
Utility plant	$ 25,593.9	$ 25,234.8
Accumulated depreciation and amortization	(9,686.7)	(9,578.6)
Net utility plant	15,907.2	15,656.2
Other property, at cost, less accumulated depreciation	376.2	360.9
Net Property, Plant and Equipment	16,283.4	16,017.1
Investments and Other Assets		
Unconsolidated affiliates	447.9	452.6
Other investments	208.7	210.4
Total Investments and Other Assets	656.6	663.0
Current Assets		
Cash and cash equivalents	42.0	25.4
Restricted cash	21.6	24.9
Accounts receivable (less reserve of $40.3 and $25.2, respectively)	1,152.0	1,070.1
Gas inventory	134.4	445.1
Underrecovered gas and fuel costs	25.5	32.0
Materials and supplies, at average cost	109.0	106.0
Electric production fuel, at average cost	75.5	64.8
Exchange gas receivable	77.0	63.1
Regulatory assets	159.5	193.5
Deferred income taxes	277.2	272.1
Prepayments and other	187.3	169.5
Total Current Assets	2,261.0	2,466.5
Other Assets		
Regulatory assets	1,683.2	1,696.4
Goodwill	3,666.2	3,666.2
Intangible assets	261.9	264.7
Deferred charges and other	86.6	92.4
Total Other Assets	5,697.9	5,719.7
Total Assets	$ 24,898.9	$ 24,866.3

NiSource Inc.
Consolidated Balance Sheets (GAAP) (continued)
(unaudited)

(in millions, except share amounts)		**March 31, 2015**		December 31, 2014
CAPITALIZATION AND LIABILITIES				
Capitalization				
NiSource Common Stockholders' Equity				
Common stock - $0.01 par value, 400,000,000 shares authorized; 317,281,405 and 316,037,421 shares outstanding, respectively	$	**3.2**	$	3.2
Additional paid-in capital		**5,048.4**		4,787.6
Retained earnings		**1,597.5**		1,494.0
Accumulated other comprehensive loss		**(46.6)**		(50.6)
Treasury stock		**(79.0)**		(58.9)
Total NiSource Common Stockholders' Equity		**6,523.5**		6,175.3
Noncontrolling interest in consolidated subsidiaries		**946.2**		—
Total Equity		**7,469.7**		6,175.3
Long-term debt, excluding amounts due within one year		**7,957.9**		8,155.9
Total Capitalization		**15,427.6**		14,331.2
Current Liabilities				
Current portion of long-term debt		**462.7**		266.6
Short-term borrowings		**314.0**		1,576.9
Accounts payable		**563.9**		670.6
Dividends payable		**82.4**		—
Customer deposits and credits		**172.6**		294.3
Taxes accrued		**287.1**		266.7
Interest accrued		**81.4**		140.7
Overrecovered gas and fuel costs		**172.3**		45.6
Exchange gas payable		**65.8**		136.2
Deferred revenue		**25.5**		25.6
Regulatory liabilities		**102.0**		62.4
Accrued capital expenditures		**80.3**		61.1
Accrued liability for postretirement and postemployment benefits		**5.9**		5.9
Legal and environmental		**25.4**		24.2
Other accruals		**317.1**		378.1
Total Current Liabilities		**2,758.4**		3,954.9
Other Liabilities and Deferred Credits				
Deferred income taxes		**3,803.5**		3,661.6
Deferred investment tax credits		**16.7**		17.3
Deferred credits		**105.5**		101.1
Accrued liability for postretirement and postemployment benefits		**653.7**		675.9
Regulatory liabilities		**1,678.6**		1,673.8
Asset retirement obligations		**160.9**		159.4
Other noncurrent liabilities		**294.0**		291.1
Total Other Liabilities and Deferred Credits		**6,712.9**		6,580.2
Commitments and Contingencies		**—**		—
Total Capitalization and Liabilities	$	**24,898.9**	$	24,866.3

NiSource Inc.
Statements of Consolidated Cash Flows (GAAP)
(unaudited)

Three Months Ended March 31, *(in millions)*	2015	2014
Operating Activities		
Net Income	$ 275.3	$ 266.2
Adjustments to Reconcile Net Income to Net Cash from Continuing Operations:		
Depreciation and amortization	157.5	148.7
Net changes in price risk management assets and liabilities	(0.5)	0.8
Deferred income taxes and investment tax credits	135.1	148.9
Deferred revenue	5.3	1.8
Stock compensation expense and 401(k) profit sharing contribution	19.4	13.9
Gain on sale of assets	(5.0)	(15.7)
Income from unconsolidated affiliates	(14.5)	(9.6)
Loss from discontinued operations - net of taxes	—	0.2
Amortization of debt related costs	2.5	2.4
AFUDC equity	(6.0)	(4.0)
Distributions of earnings received from equity investees	18.3	7.6
Changes in Assets and Liabilities		
Accounts receivable	(93.8)	(265.1)
Income tax receivable	—	0.9
Inventories	297.2	274.0
Accounts payable	(84.2)	126.5
Customer deposits and credits	(121.7)	(23.1)
Taxes accrued	22.0	19.3
Interest accrued	(59.3)	(61.1)
Over (Under) recovered gas and fuel costs	133.2	(74.2)
Exchange gas receivable/payable	(84.3)	(134.2)
Other accruals	(60.3)	(30.1)
Prepayments and other current assets	(16.2)	4.5
Regulatory assets/liabilities	90.6	2.9
Postretirement and postemployment benefits	(21.6)	(19.3)
Deferred credits	5.8	8.4
Deferred charges and other noncurrent assets	5.2	(0.2)
Other noncurrent liabilities	4.3	4.0
Net Operating Activities from Continuing Operations	604.3	394.4
Net Operating Activities from (used for) Discontinued Operations	—	(0.4)
Net Cash Flows from Operating Activities	604.3	394.0
Investing Activities		
Capital expenditures	(407.5)	(386.3)
Proceeds from disposition of assets	11.7	5.3
Restricted cash withdrawals (deposits)	3.3	(2.9)
Distributions from (contributions to) equity investees	1.2	(31.0)
Other investing activities	2.4	7.0
Net Cash Flows used for Investing Activities	(388.9)	(407.9)
Financing Activities		
Issuance of common units of CPPL, net of issuance costs	1,168.4	—
Repayments of long-term debt and capital lease obligations	(8.0)	(9.1)
Change in short-term borrowings, net	(1,262.9)	113.8
Issuance of common stock	5.9	8.9
Acquisition of treasury stock	(20.1)	(10.0)
Dividends paid - common stock	(82.1)	(78.5)
Net Cash Flows (used for) from Financing Activities	(198.8)	25.1
Change in cash and cash equivalents from continuing operations	16.6	11.6
Change in cash and cash equivalents from (used for) discontinued operations	—	(0.4)
Cash and cash equivalents at beginning of period	25.4	26.8
Cash and Cash Equivalents at End of Period	$ 42.0	$ 38.0

Columbia Pipeline Partners

5151 San Felipe
Houston, Texas 77056
NYSE: CPPL

NEWS RELEASE

April 30, 2015

FOR ADDITIONAL INFORMATION:

Investors:
Bruce Connery
Vice President, Investor Relations
(713) 386-3603
blconnery@nisource.com

Media:
James Yardley
Director, External Communications
(713) 386-3366
jyardley@nisource.com

Columbia Pipeline Partners LP Reports Solid First Quarter Results

- Completed initial public offering
- Generated $18.2 million of Adjusted EBITDA and $15.9 million of Distributable Cash Flow for the post-IPO period
- Announced a prorated cash distribution of $0.0912 per unit for the post-IPO period
- $500 million revolving credit facility in place and undrawn

HOUSTON - Columbia Pipeline Partners LP (NYSE: CPPL) ("CPPL"), a NiSource Inc. (NYSE: NI) company, today reported financial and operating results for the portion of the first quarter 2015 between the close of its initial public offering ("IPO") on February 11, 2015, and March 31, 2015 (the "Post-IPO Period").

"Columbia Pipeline Partners delivered solid results and visible long-term growth," **Robert C. Skaggs Jr.**, chairman and chief executive officer of CPPL said. "By advancing several major growth projects and executing on Columbia Gas Transmission's long-term system modernization program, the team continues to strengthen our competitive market position in the Marcellus and Utica Shale production regions."

CPPL reported Post-IPO Period net income attributable to limited partners of $13.3 million, or $0.13 per limited partner unit and Adjusted EBITDA (a non-GAAP measure) of $18.2 million. CPPL generated Distributable Cash Flow (a non-GAAP measure) of $15.9 million for the Post-IPO Period, which represents 1.73x coverage of the Post-IPO Period distribution of $9.2 million. The distribution represents the prorated amount of CPPL's minimum quarterly distribution of $0.1675 per unit, or $0.67 per unit on an annualized basis. Please see the definitions of non-GAAP measures and the reconciliation to the most comparable measure calculated in accordance with GAAP in the "Non-GAAP Financial Measures" section of this press release.

Presentation of Financial Statements

CPPL's consolidated financial statements include the accounts of CPPL and its consolidated subsidiary, CPG OpCo LP ("OpCo"). CPPL holds a 15.7% limited partner interest and a non-economic general partner interest in OpCo. As CPPL controls OpCo through the ownership of its general partner CPPL consolidates OpCo in its consolidated financial statements and shows Columbia Energy Group's ("CEG"), which is CPPL's sponsor, 84.3% ownership in OpCo as a non-controlling interest.

Balance Sheet

On February 11, 2015, CPPL secured a $500 million revolving credit facility, which remains undrawn.

Capital Expenditures

Capital expenditures totaled $191.0 million the first quarter, which includes expansion capital of $169.5 million and maintenance capital of $21.5 million. Expansion capital expenditures were mostly attributable to the Columbia Gas Transmission modernization program, the Leach and Rayne XPress projects and the East Side Expansion project. Additional details about the company's growth projects can be found in the Columbia Pipeline Group section of the NiSource first quarter 2015 earnings release issued on April 30, 2015.

Distributable Cash Flow, Adjusted EBITDA and Capital Expenditure Forecast

CPPL's guidance for the 12 months ending December 31, 2015 remains unchanged from what was presented in CPPL's IPO Registration Statement on Form S-1.

Initial Public Offering

On February 11, 2015, CPPL closed its IPO of 46,811,398 million common units representing limited partner interests in CPPL at $23.00 per common unit. In addition to the common units issued at closing, 7,021,709 common units were issued pursuant to the full exercise of the underwriters' option to purchase additional common units at the IPO price. All common units began trading on the New York Stock Exchange on February 6, 2015 under the symbol "CPPL."

The public common unitholders own a 53.5% limited partner interest in CPPL. CEG owns the remaining 46.5% limited partner interest in CPPL, 100% of the general partner of CPPL and all of CPPL's incentive distribution rights.

First Quarter 2015 Operating Results

The following is a comparison of operating results for the first quarter of 2015 compared to the first quarter of 2014. Earnings for the periods prior to the date of the IPO are derived from the financial statements and accounting records of CPPL's Predecessor, which is comprised of NiSource Inc.'s Columbia Pipeline Group Operations reportable segment.

Operating revenues, excluding the impact of trackers, increased by $21.1 million primarily due to higher demand margin revenue as a result of growth projects placed into service and new firm contracts. This increase was partially offset by decreased mineral rights royalty revenue.

Operating expenses, excluding the impact of trackers, increased by $22.7 million primarily due to lower gains on the conveyances of mineral interests, higher employee and administrative costs and increased depreciation.

Equity earnings increased by $5.1 million primarily due to new compression assets being placed into service at Millennium Pipeline and the Pennant facilities going fully in-service.

Other income (deductions) in the first quarter of 2015 reduced income by $7.1 million compared to a reduction in income of $10.3 million in the same period in 2014. The decrease was primarily due to an increase in the equity portion of Allowance for Funds Used During Construction (AFUDC).

Conference Call

CPPL and NiSource Inc. (NYSE: NI) will host a joint investor conference call at 9 a.m. ET (8 a.m. CT) on Thursday, April 30, 2015, to review its first quarter 2015 financial results. All interested parties may listen to the conference call live on April 30 by logging onto the Columbia Pipeline Partners investor relations website at http://investors.columbiapipelinepartners.com.

A replay of the call will be available beginning at noon ET on April 30, through 11:59 p.m. ET on May 7. To access the recording, call (855) 859-2056 and enter conference ID 23684343. For international participants to hear the replay, please dial (404) 537-3406 and enter the same pass code as above, 23684343. A recording of the call also will be archived on the Columbia Pipeline Partners website.

Non-GAAP Financial Measure

Adjusted EBITDA and Partnership Distributable Cash Flow

We define Adjusted EBITDA as net income before interest expense, income taxes, and depreciation and amortization, plus distributions of earnings received from equity investees, less equity earnings in unconsolidated affiliates and other, net. We define Partnership Distributable Cash Flow as Adjusted EBITDA less net cash interest expense, maintenance capital expenditures, gain on sale of assets and distributable cash flow attributable to noncontrolling interest plus proceeds from gain on sale of assets and any other known differences between cash and income.

Adjusted EBITDA and Partnership Distributable Cash Flow are non-GAAP supplemental financial measures that management and external users of our financial statements, such as industry analysts, investors, lenders and rating agencies, may use to assess the viability of acquisitions and other capital expenditure projects and the returns on investment of various investment opportunities.

We believe that the presentations of Adjusted EBITDA and Partnership Distributable Cash Flow will provide useful information to investors in assessing our financial condition and results of operations. The GAAP measures most directly comparable to Adjusted EBITDA and Partnership Distributable Cash Flow are Net Income and Net Cash Flows from Operating Activities. Our non-GAAP financial measures of Adjusted EBITDA and Partnership Distributable Cash Flow should not be considered as an alternative to GAAP net income or net cash flows from operating activities. Adjusted EBITDA and Partnership Distributable Cash Flow have important limitations as analytical tools because they exclude some but not all items that affect net income and net cash flows from operating activities. You should not consider Adjusted EBITDA or Partnership Distributable Cash Flow in isolation or as a substitute for analysis of our results as reported under GAAP. Because Adjusted EBITDA or Partnership Distributable Cash Flow may be defined differently by other companies in our industry, our definitions of Adjusted EBITDA or Partnership Distributable Cash Flow may not be comparable to similarly titled measures of other companies, thereby diminishing their utility.

About Columbia Pipeline Partners LP

Columbia Pipeline Partners LP, based in Houston, Texas, is a fee-based, growth-oriented master limited partnership formed to own, operate and develop a growing portfolio of natural gas pipelines, storage and related midstream assets.

CPPL's business and operations are conducted through CPG OpCo LP and its subsidiaries, which own and operates substantially all of the natural gas transmission, storage and midstream assets of NiSource Inc.'s Columbia Pipeline Group unit. Columbia Pipeline Group operates approximately 15,000 miles of strategically located interstate pipelines extending from New York to the Gulf of Mexico, one of the nation's largest underground natural gas storage systems, and a growing portfolio of related gathering and processing assets. The majority of its assets overlay the Marcellus and Utica Shale production areas. Additional information can be found at www.columbiapipelinepartners.com and www.columbiapipelinegroup.com. NI-F

Forward-Looking Statements

This release includes "forward-looking statements" within the meaning of federal securities laws, which are statements other than historical facts and that frequently use words such as "anticipate," "believe," "continue," "could," "estimate," "expect," "forecast," "intend," "may," "plan," "position," "should," "strategy," "target," "will" and similar words. All forward-looking statements speak only as of the date of this release. Although CPPL believes that the plans, intentions and expectations reflected in or suggested by the forward-looking statements are reasonable, there is no assurance that these plans, intentions or expectations will be achieved. Therefore, actual outcomes and results could materially differ from what is expressed, implied or forecast in such statements.

Therefore, actual outcomes and results could materially differ from what is expressed, implied or forecast in such statements.

This release contains certain forward-looking statements that are based on current plans and expectations and are subject to various risks and uncertainties. CPPL's business may be influenced by many factors that are difficult to predict, involve uncertainties that may materially affect actual results and are often beyond CPPL's control. These factors include, but are not limited to, changes in general economic conditions; competitive conditions in our industry; actions taken by third-party operators, processors and transporters; the demand for natural gas storage and transportation services; our ability to successfully implement our business plan; our ability to complete internal growth projects on time and on budget; the price and availability of debt and equity financing; the availability and price of natural gas to the consumer compared to the price of alternative and competing fuels; competition from the same and alternative energy sources; energy efficiency and technology trends; operating hazards and other risks incidental to transporting, storing and gathering natural gas; natural disasters, weather-related delays, casualty losses and other matters beyond our control; interest rates; labor relations; large customer defaults; changes in the availability and cost of capital; changes in tax status; the effects of existing and future laws and governmental regulations; and the effects of future litigation. For a full discussion of these risks and uncertainties, please refer to the "Risk Factors" section of CPPL's Annual Report on Form 10-K for the year ended December 31, 2014, filed with the Securities and Exchange Commission. All forward-looking statements included in this press release are expressly qualified in their entirely by such cautionary statements. CPPL expressly disclaims any obligation to update, amend or clarify any forward-looking statement to reflect events, new information or circumstances occurring after the date of this press release except as required by applicable law.

Columbia Pipeline Partners LP

Statements of Operations

(unaudited)

(in millions, except per unit amounts)	Three Months Ended March 31, 2015	2014 *Predecessor*
Operating Revenues		
Transportation revenues	$ **247.9**	$ 246.9
Transportation revenues-affiliated	**28.7**	28.6
Storage revenues	**36.6**	36.3
Storage revenues-affiliated	**13.3**	13.7
Other revenues	**12.7**	20.0
Total Operating Revenues	**339.2**	345.5
Operating Expenses		
Operation and maintenance	**66.4**	66.8
Operation and maintenance-affiliated	**36.1**	28.3
Operation and maintenance-trackers	**43.6**	71.0
Depreciation and amortization	**32.3**	29.7
Gain on sale of assets	**(5.3)**	(17.5)
Property and other taxes	**19.0**	18.5
Total Operating Expenses	**192.1**	196.8
Equity Earnings in Unconsolidated Affiliates	**14.9**	9.8
Operating Income	**162.0**	158.5
Other Income (Deductions)		
Interest expense-affiliated	**(11.4)**	(12.1)
Other, net	**4.3**	1.8
Total Other Deductions, net	**(7.1)**	(10.3)
Income before Income Taxes	**154.9**	148.2
Income Taxes	**23.7**	55.7
Net Income	$ **131.2**	$ 92.5
Less: Predecessor net income prior to IPO on February 11, 2015	**42.7**	
Net income subsequent to IPO	**88.5**	
Less: Net income attributable to noncontrolling interest in OpCo subsequent to IPO	**75.2**	
Net income attributable to limited partners subsequent to IPO	$ **13.3**	
Net income attributable to partners' ownership interest subsequent to IPO per limited partner unit (basic and diluted)		
Common units	$ **0.13**	
Subordinated units	**0.13**	
Weighted average limited partner units outstanding (basic and diluted)		
Common units	**53.8**	
Subordinated units	**46.8**	

Columbia Pipeline Partners LP
Selected Financial Data
(unaudited)

(in millions, except per unit data)	Three Months Ended March 31, 2015	Three Months Ended March 31, 2014 *Predecessor*
Net income attributable to partners' ownership interest subsequent to IPO per limited partner unit (basic and diluted)		
Common units	**$ 0.13**	
Subordinated units	**0.13**	
Weighted average limited partner units outstanding (basic and diluted)		
Common units	**53.8**	
Subordinated units	**46.8**	
Balance Sheet Data (at period end):		
Total assets	**$ 8,855.6**	$ 8,107.5
Net property, plant and equipment	**5,097.3**	4,960.2
Long-term debt-affiliated, excluding amounts due within one year	**630.9**	1,472.8
Total liabilities	**1,452.7**	3,936.2
Total partners' net equity	**7,402.9**	4,171.3
Statement of Cash Flow Data:		
Net cash from (used for):		
Operating activities	**$ 173.7**	$ 202.5
Investing activities	**(854.5)**	(162.7)
Financing activities	**687.5**	(39.9)
Other Data:		
Adjusted EBITDA	**$ 197.7**	$ 186.0
Adjusted EBITDA attributable to Predecessor prior to IPO	**79.4**	
Adjusted EBITDA attributable to noncontrolling interest in OpCo subsequent to IPO	**100.1**	
Adjusted EBITDA attributable to Partnership subsequent to IPO	**18.2**	
Maintenance capital expenditures	**21.5**	21.3
Expansion capital expenditures	**169.5**	137.9
Operating Data:		
Throughput (MMDth)	**643.0**	650.8

Columbia Pipeline Partners LP

Non-GAAP Reconciliation of Adjusted EBITDA and Distributable Cash Flow

(unaudited)

(in millions)		Three Months Ended March 31, 2015		Three Months Ended March 31, 2014 *Predecessor*
Net Income	$	**131.2**	$	92.5
Add:				
Interest expense-affiliated		**11.4**		12.1
Income taxes		**23.7**		55.7
Depreciation and amortization		**32.3**		29.7
Distributions of earnings received from equity investees		**18.3**		7.6
Less:				
Equity earnings in unconsolidated affiliates		**14.9**		9.8
Other, net		**4.3**		1.8
Adjusted EBITDA	$	**197.7**	$	186.0
Less:				
Adjusted EBITDA attributable to Predecessor prior to IPO		**79.4**		
Adjusted EBITDA attributable to noncontrolling interest in OpCo subsequent to IPO		**100.1**		
Adjusted EBITDA attributable to Partnership subsequent to IPO	$	**18.2**		
Net Cash Flows from Operating Activities	$	**173.7**	$	202.5
Interest expense-affiliated		**11.4**		12.1
Current taxes		**13.2**		26.8
Other adjustments to operating cash flows		**(2.9)**		15.6
Changes in assets and liabilities		**2.3**		(71.0)
Adjusted EBITDA	$	**197.7**	$	186.0
Less:				
Adjusted EBITDA attributable to Predecessor prior to IPO		**79.4**		
Adjusted EBITDA attributable to noncontrolling interest in OpCo subsequent to IPO		**100.1**		
Adjusted EBITDA attributable to Partnership subsequent to IPO		**18.2**		
Adjusted EBITDA	$	**197.7**		
Less:				
Cash interest, net		**11.4**		
Maintenance capital expenditures		**20.6**		
Gain on sale of assets		**5.3**		
Distributable cash flow attributable to Predecessor prior to IPO		**67.8**		
Distributable cash flow attributable to noncontrolling interest subsequent to IPO		**89.0**		
Add:				
Proceeds from sales of assets		**10.2**		
Non-recurring capital costs related to spin-off		**2.1**		
Partnership Distributable Cash Flow	$	**15.9**		

Supplemental Slides

First Quarter 2015 Earnings

April 30, 2015

NiSource®

Forward-Looking Statements

This presentation contains forward-looking statements within the meaning of federal securities laws. These forward-looking statements are subject to various risks and uncertainties. Examples of forward-looking statements in this presentation include statements and expectations regarding the timing of the separation, as well as NiSource's business following the separation and the leadership of NiSource and Columbia Pipeline Group, Inc. following the separation. Factors that could cause actual results to differ materially from the projections, forecasts, estimates and expectations discussed in this presentation include, among other things, the timing to consummate the transactions described herein; the risk that a condition to consummation is not satisfied; disruption to operations as a result of the proposed transactions; the inability of one or more of the businesses to operate independently following the completion of the proposed transactions; weather; fluctuations in supply and demand for energy commodities; growth opportunities for NiSource's businesses; increased competition in deregulated energy markets; the success of regulatory and commercial initiatives; dealings with third parties over whom NiSource has no control; actual operating experience of NiSource's assets; the regulatory process; regulatory and legislative changes; changes in general economic, capital and commodity market conditions; and counter-party credit risk, and the matters set forth in the "Risk Factors" section in NiSource's 2014 Form 10-K and subsequent NiSource filings of Form 10-Q, many of which are beyond the control of NiSource. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this presentation. Future earnings and other financial projections are illustrative only and do not constitute guidance by the Company. NiSource expressly disclaims a duty to update any of the forward-looking statements contained in this presentation.

The planned separation of our natural gas pipeline and related businesses is subject to the satisfaction of a number of conditions, including the final approval of NiSource's Board of Directors. There is no assurance that such a separation will in fact occur.

Key Takeaways – First Quarter 2015

- Financial results in line with expectations
  - $0.85 per share in Q1 2015 versus $0.82 per share in Q1 2014*
- Continued focus on core infrastructure investment strategy
- NiSource/CPG separation on track for July 1, 2015
  - Full leadership teams in place
  - Rating agency meetings complete, ratings of CPG expected soon
  - Debt recapitalization process to begin in early May
- NiSource and CPG to host separate investor webcasts on May 14, 2015
  - NiSource Update: 9:00 a.m.-10:30 a.m. ET
  - CPG Update: 10:30 a.m.-Noon ET
  - Webcast access and accompanying presentations will be available on www.nisource.com

Separation Process on Track for July 1, 2015

** Net Operating Earnings from Continuing Operations (non-GAAP); For a reconciliation to GAAP, see Schedule 1 of the Company's April 30, 2015 Earnings Release*

First Quarter 2015 Financial Highlights

Results in Line with Expectations

Non-GAAP*	Q1 2015	Q1 2014	Change
Net Operating Earnings from Continuing Operations ($M) – Controlling Interest	$268.3	$258.4	$9.9
Net Operating Earnings Per Share	$0.85	$0.82	$0.03
Operating Earnings ($M)	$528.7	$509.1	$19.6

GAAP	Q1 2015	Q1 2014	Change
Income from Continuing Operations ($M) – Controlling Interest	$268.4	$266.4	$2.0
Earnings Per Share	$0.85	$0.85	$ -
Operating Income ($M)	$530.1	$533.7	($3.6)

Separation Process on Track for July 1, 2015

* For a reconciliation to GAAP, see Schedule 1 of the Company's April 30, 2015 Earnings Release

First Quarter 2015 Financing Highlights

Delivering on Current Plan, Positioning for Separation

- Continued strong liquidity position of ~$2B as of March 31, 2015
- ~80% of infrastructure investments focused on revenue-generating opportunities in 2015
- Total debt to capitalization ~54% as of March 31, 2014
- Credit facilities in place to support post-separation operations at CPG and NiSource
  - $1.5B, five-year facility at both NiSource and CPG effective upon separation; $500M facility at Columbia Pipeline Partners effective at IPO
- Credit ratings for CPG and debt recapitalization process to commence soon

Separation Process on Track for July 1, 2015

Columbia Pipeline Group – First Quarter 2015

Expected Investment Inventory of $12 to $15 Billion Over 10 Years

- Operating earnings $163.0M in Q1 2015 vs. $158.9M in Q1 2014*
- Critical mass of firm customer commitments in place for proposed Mountaineer XPress and Gulf XPress projects
- 2015 capital investment plan: ~$1.1B

Looking Ahead:

Project	Key Components	Status
East Side Expansion	• Marcellus production access to East Coast & Mid-Atlantic markets • ~315 million cubic feet/day • ~$275M investment	• FERC approval received in Dec. 2014 • Projected in service Q4 2015
Leach XPress & Rayne XPress Projects	• Major new pathway for Marcellus and Utica Shale production • ~1.5 billion cubic feet/day on Columbia Transmission • ~1 billion cubic feet/day on Columbia Gulf • ~$1.8B investment	• Projected in service Q4 2017
WB XPress Project	• Access to East Coast markets, including Cove Point LNG export terminal • ~1.3 billion cubic feet/day • ~$850M investment	• Projected in service Q4 2018
Columbia Midstream Projects	• Big Pine Expansion project will add up to 175 million cubic feet/day (~$65M investment) • Washington County Gathering project includes additional gathering and compression facilities adding up to 240 million cubic feet/day (~$120M total investment)	• Big Pine Expansion projected in service Q3 2015 • First phase of Washington County Gathering projected in service by YE 2015, with additional expansion expected
Other In-Progress Growth and Modernization Projects	• Expanding mix of new and ongoing investments to support continued system expansion and modernization	• Complete details available in Appendix on slides 13-14

** Non-GAAP. For a reconciliation to GAAP, see Schedule 2 of the Company's April 30, 2015 Earnings Release*

Electric Operations – First Quarter 2015

~$10B Inventory of Expected Long-Term Infrastructure Investments

- Operating earnings $67.2M in Q1 2015 vs. $74.2M in Q1 2014*
- Michigan City FGD, electric transmission projects remain on budget and on schedule
- 2015 capital investment plan: ~$400M

Looking Ahead:

Highlight	Key Components	Status
Electric System Modernization Program	• Seven-year, ~$1.1B investment focused on replacing poles, transformers and other related equipment • 2015 investments projected at ~$69M	• 2015 projects have commenced
Electric Generating Plant Environmental Investments	• ~$870M in total environmental investments • Schahfer Flue Gas Desulfurization (FGD) investments: Units 14 & 15 • Michigan City FGD: Unit 12 • Enhanced mercury and particulate controls (MATS)	• Schahfer Unit 14 in service • Schahfer Unit 15 in service • MATS controls in place/under construction • Michigan City Unit 12 on plan for completion by year-end 2015
Electric Transmission System Enhancement – Reynolds to Topeka Project	• 100-mile, 345-kV transmission project • $250M-$300M investment • Projected in service latter part of 2018	• Preliminary construction has begun • Right of way acquisition in progress • Stakeholder outreach continues
Electric Transmission System Enhancement – Reynolds to Greentown (*Joint Project)*	• ~70-mile, 765-kV transmission project • $300M-$400M investment (NIPSCO portion $150M-$200M) • Projected in service latter part of 2018	• Final route selected • Right of way acquisition in progress • Stakeholder outreach continues
Long-term Infrastructure Investment opportunities	• ~$10B expected long-term program, including system modernization, environmental upgrades and transmission projects	• Complete program update outlined in Appendix on slide 15

** Non-GAAP. For a reconciliation to GAAP, see Schedule 2 of the Company's April 30, 2015 Earnings Release*

NiSource

NiSource Gas Distribution – First Quarter 2015

~$20B+ Inventory of Expected Long-Term Infrastructure Investments

- Operating earnings $305.8M in Q1 2015 vs. $280.1M in Q1 2014*
- Continued focus on investments to deliver safe, reliable and cost-effective service
- 2015 capital investment: ~$900M

Looking Ahead:

Highlight	Key Components	Status
Columbia Gas of Massachusetts Priority Pipe Replacement Plan	• Recovery of planned 2015 investments targeted to begin on May 1, 2015 and would increase revenues by $2.6M each year	• Commission decision expected April 30, 2015
Columbia Gas of Massachusetts Base Rate Case	• Filed April 16, 2015 • Seeks to recover costs to support CMA's multi-year modernization plan • Requested revenue increase of $49M	• Commission decision with rates in effect expected Q1 2016
Columbia Gas of Pennsylvania Base Rate Case	• Filed March 19, 2015 • Supports continuation of CPA's infrastructure modernization and safety programs • Requested revenue increase of ~$46M	• Commission decision expected in late 2015
Columbia Gas of Virginia Base Rate Case	• Supports multi-year system modernization program, growth and safety investments • Stipulated settlement with staff and intervening parties approved ~$25M revenue increase	• Final commission order expected later this year
NIPSCO Natural Gas System Modernization Program	• Seven-year, ~$830M investment focused on system modernization and system extensions to rural customers • 2015 investments projected at ~$124M	• 2015 projects have commenced
Long-term Infrastructure Investment opportunities	• ~$20B+ expected long-term program across service territory	• Program update outlined in Appendix on slide 16

** Non-GAAP. For a reconciliation to GAAP, see Schedule 2 of the Company's April 30, 2015 Earnings Release*

NiSource Appendix

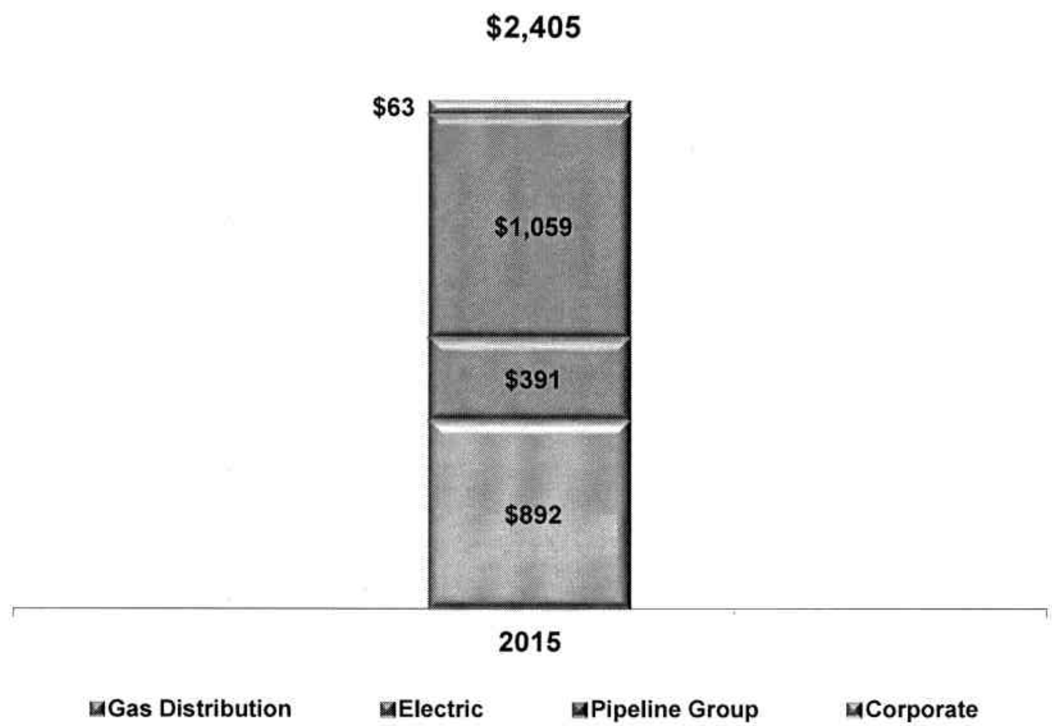
First Quarter 2015 Earnings

April 30, 2015

NiSource

Capital Expenditures ($M)

2015 Forecasted CapEx



2015 Growth & Tracker ~$1,875M (78%) and Age & Condition ~$530M (22%)

NiSource

Capitalization ($M)

Total Debt to Capitalization 53.9% as of 3/31/15

	Actual 3/31/2015			Actual 12/31/2014		
	Debt	Equity	Total	Debt	Equity	Total
Long-Term Debt	$ 7,957.9	$ -	$ 7,957.9	$ 8,155.9	$ -	$ 8,155.9
Short-Term Debt	39.0	-	39.0	1,292.6	-	1,292.6
Sale of A/R	275.0	-	275.0	284.3	-	284.3
Current Portion of Long-Term Debt	462.7	-	462.7	266.6	-	266.6
Common Equity	-	7,469.7	7,469.7	-	6,175.3	6,175.3
Total Capitalization Per Balance Sheet	**$ 8,734.6**	**$ 7,469.7**	**$16,204.3**	**$ 9,999.4**	**$ 6,175.3**	**$16,174.7**
% of Capitalization Per Balance Sheet	**53.9%**	**46.1%**	**100.0%**	**61.8%**	**38.2%**	**100.0%**

Moody's Baa2 / P2 • S&P BBB- / A3 • Fitch BBB- / F3

Current Liquidity ($M)

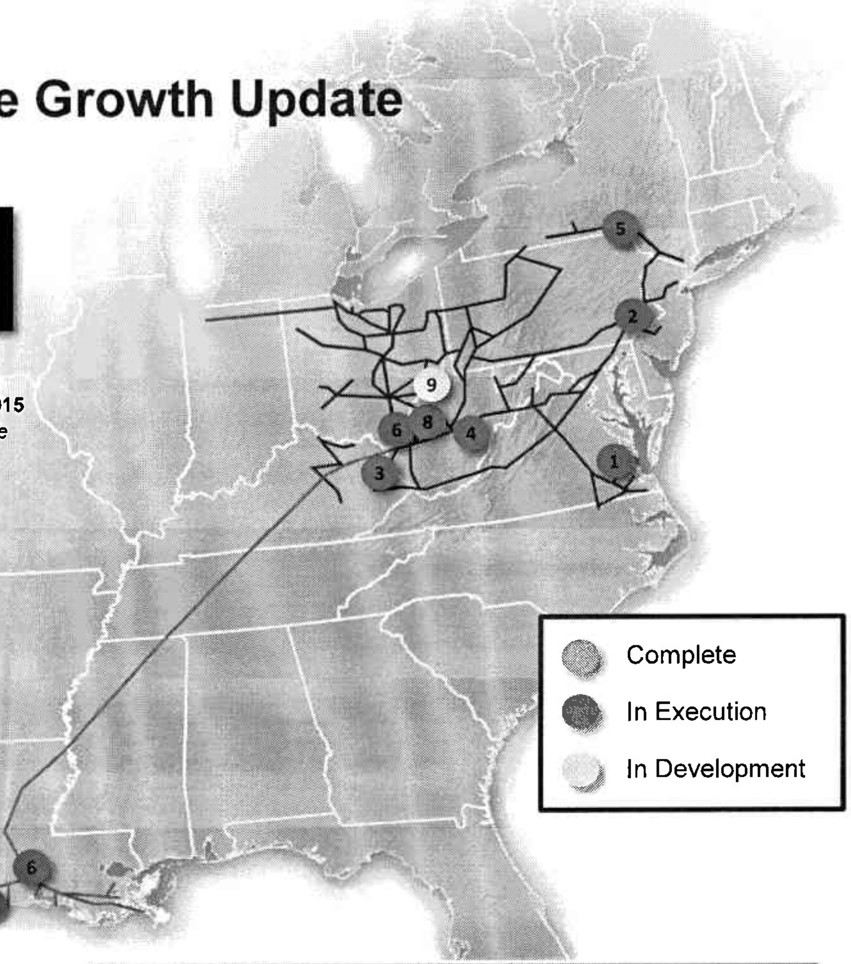
	Actual 3/31/15	Maturity
Committed Credit Facility	$ 2,000	September 2018
Less:		
Drawn on Credit Facility	-	
Commercial Paper	(39)	
Letters of Credit	(15)	
Add:		
Cash & Equivalents	42	
Net Available Liquidity	**$ 1,988**	

* Existing $2.0B NFC Revolver will be revised to $1.5B and extended five years from date of separation (new estimated expiration date of July 1, 2020)

CPG Regulated Pipeline & Storage Growth Update

M Marketing — ~$8-10B Opportunity (10 Years)

Project	CapEx	In-Service
1 **Chesapeake LNG** — *Facility Upgrade: Multi-phased project over three years to upgrade and maintain service to existing customers. (~120 MDth/Day)*	~$30M	Three Phases: 2013-2015
2 **East Side Expansion** — *Marcellus: Connect northern Marcellus supplies to Northeast and Mid-Atlantic Markets (~315 MDth/Day)*	~$275M	4Q '15
3 **Kentucky Power Plant** — *Gas Conversion: Expansion project to serve gas-fired power plant in Kentucky (~70 MDth/Day)*	~$25M	2Q '16
Utica Access Project — *~5-mile greenfield pipeline to transport growing supply onto existing Columbia Gas line (~205 MDth/Day)*	~$50M	4Q '16
5 **Millennium Lateral** — *Lateral extension into gas-fired power plant*	~$45M (NI: ~$20M)	2H '17
6 **Rayne / Leach XPress** — *Marcellus / Utica: Facilitates transportation of Marcellus and Utica production to markets on Columbia Gas (~1.5 Bcf/Day) and Columbia Gulf (~1.0 Bcf/Day)*	~$1.8B (Rayne $380M - Leach $1.4B)	4Q '17
7 **Cameron Access Project** — *Transport supplies from numerous basins into Cameron's LNG facility via a new pipeline and additional compression. (~800 MDth/Day)*	~$310M	1Q '18
8 **WB XPress** — *Marcellus / Utica: Incremental transport capacity to move growing production to various markets across CPG's WB line (~1.3 Bcf/Day)*	~$850M	4Q '18
9 **Mountaineer and Gulf XPress** — *Marcellus / Utica: Incremental capacity from OH, SW, PA, and WV to TCO pool and Leach (~2.7 Bcf/Day).*	~$2.6B	4Q '18



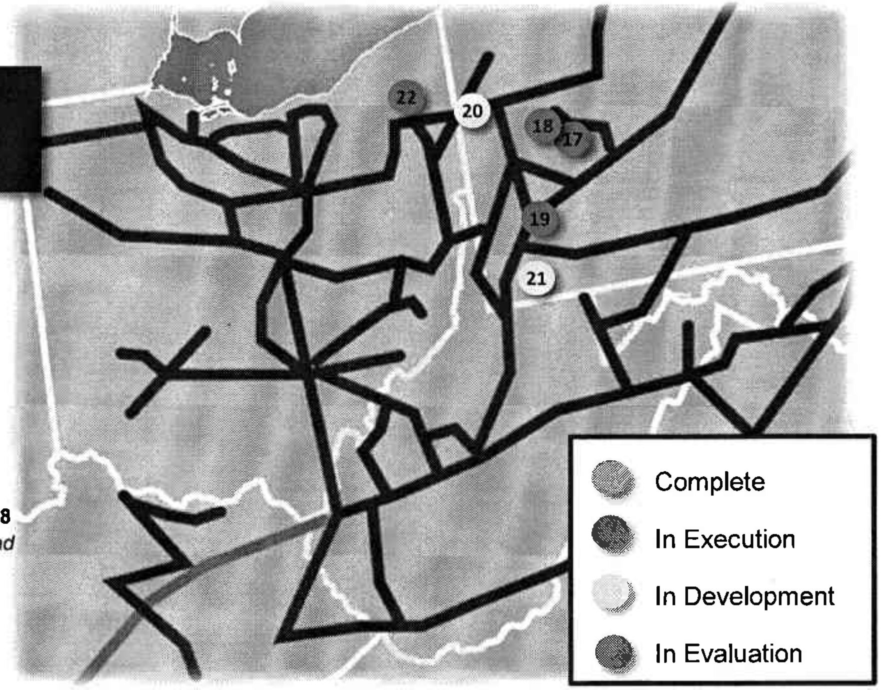
M Modernization — ~$4-5B Opportunity (10-15 Years)

Columbia Gas Modernization **$300M/Yr.** **2013 – 2017**
FERC approved (1/2013) - 5 -year settlement agreement (with potential extension provisions) to execute a comprehensive, balanced and transparent pipeline modernization program. Approximately $620M of new facilities have been placed in service during the first two years of the program with an additional ~$300M in modernization investments expected in 2015.

CPG Midstream & Minerals Growth Update

M Midstream — **~$2B Opportunity (10 Years)**

Project	CapEx	In-Service
17 **Columbia Midstream Group Interconnects**	**~$17M**	**2Q '15**
Marcellus: Interconnects along the Big Pine Gathering System to transport new supplies		
18 **Big Pine Expansion**	**~$65M**	**3Q '15**
Marcellus: A 10-mile, 20-inch lateral to Bluestone Processing Plant and incremental compression on Big Pine (~175 MDth/Day)		
19 **Washington County Gathering**	**~$120M**	**Two Phases: 2015 - 2018**
Marcellus: Greenfield gathering system in Washington County, PA to gather wellhead production		
20 **Pennant JV – Phase II**	**~$500M (NI = ~$250M)**	**2015 - 2018**
Utica: Gathering system expansion and additional processing facilities		
21 **Appalachia G&P**	**~$500M**	**2016 – 2018**
Marcellus / Utica: Gathering systems and processing facilities		



M Minerals — **Self-Funded Investment**

22 **Utica Minerals Arrangement** — **Executing Drilling Program**
Utica: Joint development with Hilcorp to extract value from a combined acreage of mineral rights – drilling started in 2013. Production volumes dedicated to Pennant JV-Hickory Bend.

Potential Minerals Opportunities — **Under Evaluation**
Utica: Optimize minerals position in shale region to leverage downstream infrastructure opportunities

Electric Operations Infrastructure Investment Update

Upgrade Generation Fleet (~$2B Opportunity)

Project	CapEx	In-Service
1 **U14 FGD**	**~$250M**	**YE'13**
2 **U15 FGD**	**~$250M**	**YE'14**
3 **U12 FGD**	**~$265M**	**YE'15**
NOx Upgrades	**~$30M**	**YE'15**
MATS	**~$50M**	**YE'13/YE'14/YE'15**
Water Treatment	**$25M - $130M**	**YE'18/YE'19/YE'20**
7 **Coal Ash Improvements**	**$100M - $300M**	**TBD**

1 **U14 FGD** — *ECRM (Environmental Cost Recovery Mechanism - 100% Tracked) FGD (Flue Gas Desulfurization) facility at Schahfer Generating Station*

2 **U15 FGD** — *ECRM (100% Tracked) FGD facility at Schahfer Generating Station*

3 **U12 FGD** — *ECRM (100% Tracked) FGD facility at Michigan City Generating Station*

NOx Upgrades — *ECRM (100%Tracked) NOx upgrades and monitoring*

MATS — *ECRM (100%Tracked) projects enhancing mercury and particulate controls at all coal plants*

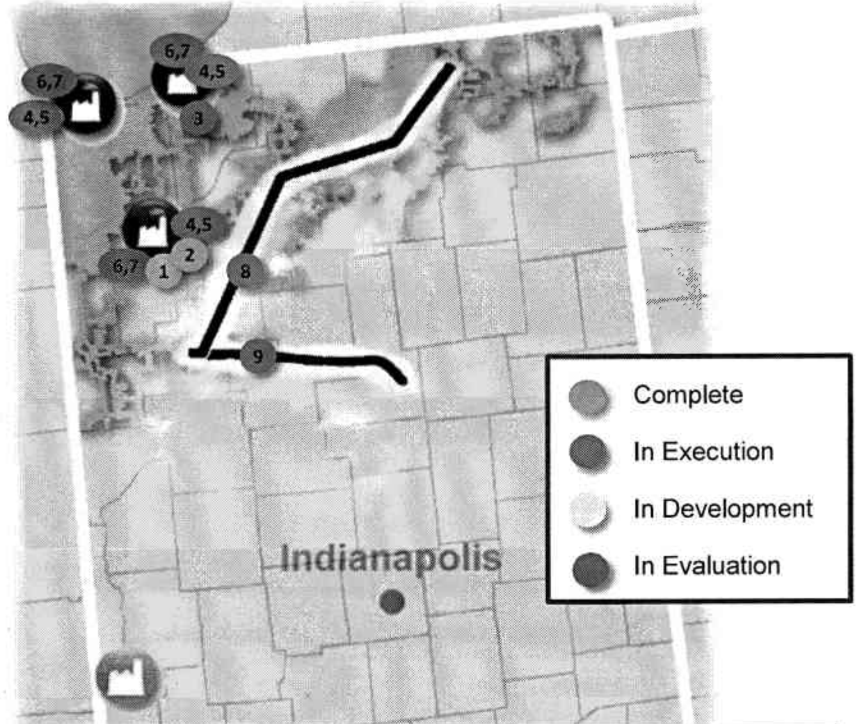
Water Treatment — *Environmental: SB 251 (80% Tracked / 20% Deferred) projects enhancing wastewater treatment at all coal plants and water intake modifications at Bailly Station*

7 **Coal Ash Improvements** — *Environmental: SB 251 (80% Tracked / 20% Deferred) projects upgrading ash handling and disposal at all coal plants*

Infrastructure Modernization Program (~$7B Opportunity)

	7-Year Investment	Approved / Implemented: 2014
NIPSCO Electric Distribution & Transmission Modernization	**~$1.1B**	

Modernization: SB 560 (80% Tracked / 20% Deferred) NIPSCO implemented year 1 of its 7-year, ~$1.1B electric infrastructure replacement plan. Plan was approved by IURC in February 2014 and requires NIPSCO to file a rate case within seven years. In February 2015, NIPSCO filed its second semi-annual tracker as required by SB 560, reaffirming its commitment to the $1.1B capital investment level. On April 9, 2015 the Indiana Court of Appeals concluded that the Commission erred in approving NIPSCO's 7-year electric plan given its "lack of detail" regarding projects for years two through seven. As a result of the ruling, NIPSCO is currently evaluating its options as it moves forward with the modernization program.

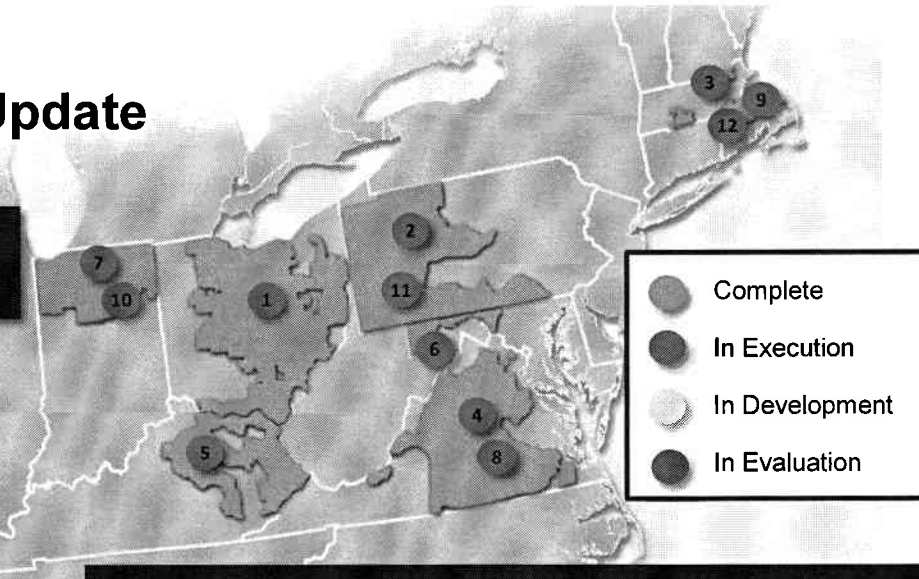


Enhance Transmission System (~$1B Opportunity)

8 **Reynolds-Topeka** **$250M - $300M** **2H 2018**
MISO MVP: FERC approved 345-kV transmission project from Reynolds Substation to Hiple Substation (100 miles) – route determination complete… right-of-way acquisition and permitting activities continue

9 **Greentown-Reynolds** **$300M - $400M (NI: $150M – $200M)** **2H 2018**
MISO MVP – partnership: FERC approved 765-kV transmission project from Reynolds Substation to Greentown Substation (~70 miles) – route determination complete…right-of way acquisition and permitting activities continue

NGD Infrastructure Investment Update



Infrastructure Modernization Programs (~$20B Opportunity)

Annual Investment

1. **Columbia Gas of Ohio** — **$175M - $200M** — **20+ Years**
   Tracked: Execution of established Infrastructure Replacement Program; annual tracker filings with 5-year program renewal (next renewal 2018)

2. **Columbia Gas of Pennsylvania** — **$125M - $175M** — **20+ Years**
   Rate Case / Tracked: Execution of established Infrastructure Replacement Program; recovery utilizes forward test year rate case filings supplemented by periodic DSIC filings under Act 11

3. **Columbia Gas of Massachusetts** — **$40M - $60M** — **20+ Years**
   Tracked: Execution of established Infrastructure Replacement Program; annual tracker filings to be made under provisions of House Bill 4164

4. **Columbia Gas of Virginia** — **$20M - $30M** — **20+ Years**
   Tracked: Execution of established Infrastructure Replacement Program; annual tracker filings with 5-year program renewal (next renewal 2017)

5. **Columbia Gas of Kentucky** — **~$10M** — **20+ Years**
   Tracked: Execution of established Infrastructure Replacement Program with annual tracker filings

6. **Columbia Gas of Maryland** — **~$10M** — **20+ Years**
   Rate Case / Tracked: Execution of established Infrastructure Replacement Program; rate case filings with make whole filings for up to three subsequent years

7. **NIPSCO Gas – Modernization** — **$120M - $140M** — **7 Years**
   80% Tracked / 20% Deferred (Senate Bill 560): The NIPSCO Gas 7-year infrastructure replacement plan also contains provisions to expand natural gas service into rural areas of Indiana. The original ~$700M plan was approved by IURC in April 2014. In August 2014, NIPSCO filed an updated 7-year plan supporting additional capital investment opportunities. This update was approved in January 2015 resulting in an ~$830M 7-year plan.

Current Regulatory Activity

8. **Columbia Gas of Virginia – Rate Case** — **Settled Increase: ~$25M** — **Settlement: 4Q'14, Approval: 2015**
   Filing supports CGV's capital investments associated with a multi-year gas distribution modernization program

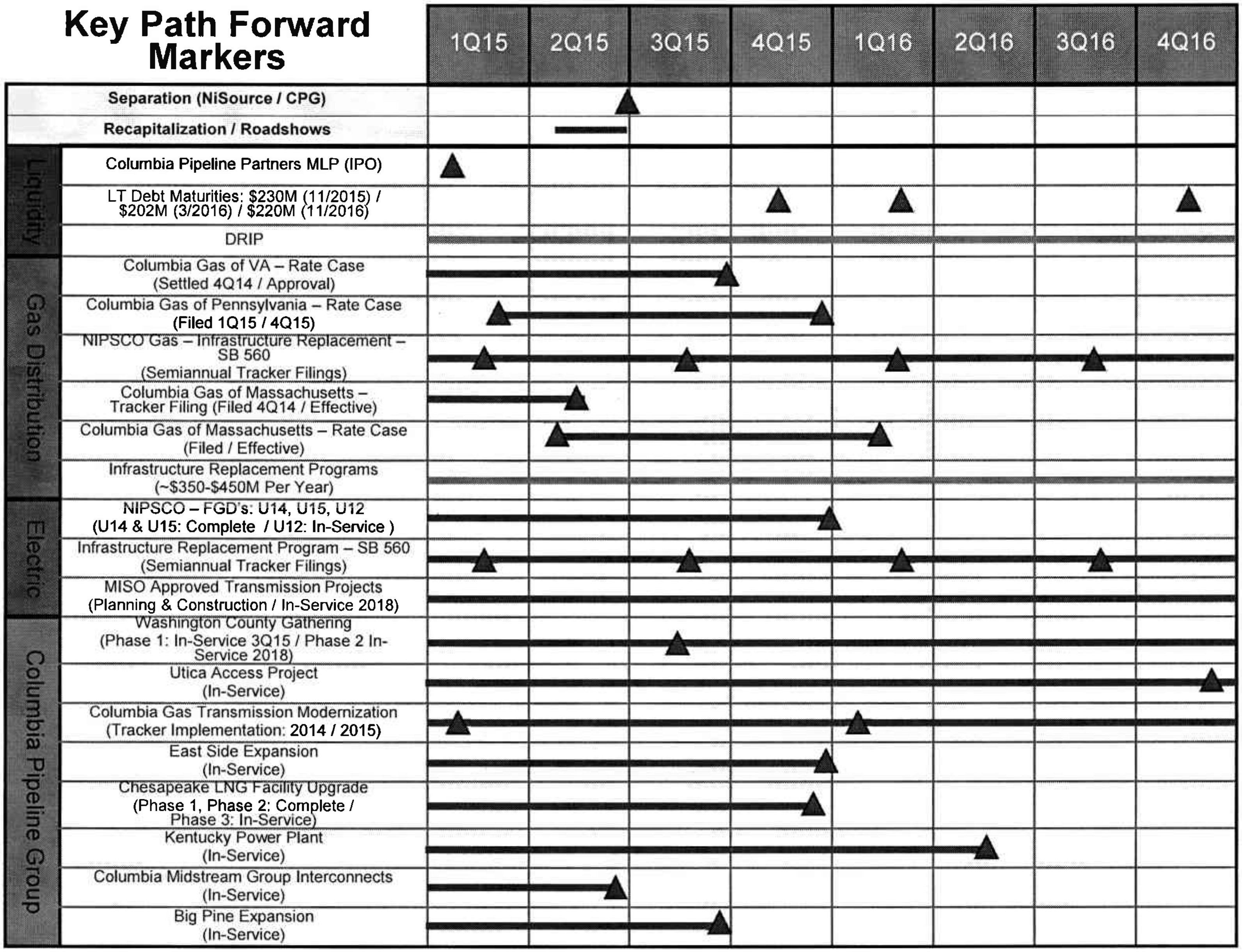
9. **Columbia Gas of Massachusetts – Gas System Enhancement Filing** — **Requested Increase: $2.6M** — **Filed: Oct'14, Effective: May'15**
   Filing supports CMA's infrastructure modernization program by allowing accelerated recovery on certain investments associated with the program. This is CMA's first filing under the provision of House Bill (HB) 4164.

10. **NIPSCO Gas – Modernization** — **Seven-Year Plan Updated to ~$830M** — **Filed: 1Q'15, Effective: 2Q'15**
    In February 2015, NIPSCO filed its second semi-annual gas tracker supporting its gas infrastructure modernization program and updating the capital investment level to ~$830M

11. **Columbia Gas of Pennsylvania – Rate Case** — **Requested Increase: ~$46M** — **Filed: 1Q'15, Effective: 4Q'15**
    Filing supports CPA's capital investments to enhance pipeline safety initiatives and customer programs. The filing was made in March 2015 and approval is expected by year end from the Commission with new rates in effect in December 2015. This is the third filing under Act 11, using a forward test-year that extends to 12/31/2016.

12. **Columbia Gas of Massachusetts – Rate Case** — **Requested Increase: ~$49M** — **Filed: 2Q'15, Effective: 1Q'16**
    Filing supports CMA's continued effort to modernize pipeline infrastructure and transform its operations to serve customers safely, reliably and cost-effectively.

Key Path Forward Markers



Q1 2015 NiSource Earnings Information

NiSource Inc. 801 East 86th Avenue Merrillville, Indiana 46410
www.nisource.com NYSE: NI

Investor Relations
Randy Hulen (219) 647-5688 rghulen@nisource.com
Umair Quraishi (219) 647-4586 uquraishi@nisource.com

NiSource - Industry Leading Natural Gas and Electric Utility Company

Investor Presentation

May 14, 2015

NiSource®

Forward Looking Statements

This presentation contains forward-looking statements within the meaning of federal securities laws. These forward-looking statements are subject to various risks and uncertainties. Examples of forward-looking statements in this presentation include statements and expectations regarding future dividends, operating earnings growth, earnings per share growth, capital investments, financing needs and plans, and investment opportunities. Factors that could cause actual results to differ materially from the projections, forecasts, guidance, estimates and expectations discussed in this presentation include, among other things, the timing to consummate the transactions as described herein; the risk that a condition to consummation is not satisfied; disruption to operations as a result of the proposed transactions; the inability of one or more of the businesses to operate independently following the completion of the proposed transactions; weather; fluctuations in supply and demand for energy commodities; growth opportunities for NiSource's businesses; increased competition in deregulated energy markets; the success of regulatory and commercial initiatives; dealings with third parties over whom NiSource has no control; actual operating experience of NiSource's assets; the regulatory process; regulatory and legislative changes; changes in general economic, capital and commodity market conditions; and counter-party credit risk, and the matters set forth in the "Risk Factors" section of the Columbia Pipeline Partners LP ("CPPL") 2014 Form 10K and the matters set forth in the "Risk Factors" section in NiSource's 2014 Form 10-K, and the risk factors in the Columbia Pipeline Group ("CPG") Form 10, many of which are beyond the control of NiSource. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this presentation. NiSource expressly disclaims any duty to update any of the forward-looking statements contained in this presentation.

With regard to the potential distribution of CPG shares – it should be noted that distribution is subject to the satisfaction of a number of conditions, including the final approval of NiSource's Board of Directors. There is no assurance that such distribution will in fact occur.

Regulation G Disclosure Statement
Today's presentation includes guidance with respect to net operating earnings from continuing operations, which is a non-GAAP financial measure as defined by the SEC's Regulation G. It should be noted that there will likely be differences between such net operating earnings and GAAP earnings due to various factors, including, but not limited to, weather, restructuring costs and accounting changes. NiSource is not able to estimate the impact of such factors on GAAP earnings and, as such, is not providing earnings guidance on a GAAP basis.

NiSource and Columbia Pipeline Group Separation Update

Bob Skaggs, President & CEO, NiSource

Investor Update
May 14, 2015

NiSource®

Creating Two Independent, Premier Energy Companies

Pathway to Successful, Long-Term Growth Strategy	Expected to Unlock Full Potential for Both Companies
Pure-Play Businesses	Focused on Distinct Growth Opportunities, Assets and Customers
Execution Excellence	Experienced Teams and Proven Track Records at Both Companies
Investor Alignment	Investors Attracted to Distinct Investment Profiles

Columbia Pipeline Group

Independent Companies Positioned to Realize Growth Opportunities

NiSource

Creating Long-Term Value for Shareholders

Separation Timeline - Creating Two Independent, Premier Companies

- MLP IPO Complete
- Credit Agency Review Complete
- Recapitalization On Schedule
- SEC Form 10 On Track
- Separation on Track for July 1, 2015
  - Expected Record Date for “Separation Dividend” of Columbia Pipeline Group June 19, 2015 (NYSE:NI and NYSE:CPGX)

NiSource - 100% Regulated Natural Gas & Electric Utility Company

Creating Two Independent, Premier Energy Companies

Combined Dividends Reflect ~8% Increase

NiSource

Current Annual Dividend $1.04

NiSource

Expected Initial Annual Dividend - $0.62

Columbia Pipeline Group

Expected Initial Annual Dividend - $0.50

Confidence in Outlook for Both Companies

NiSource* - Industry Leading Natural Gas and Electric Utility Company

Joe Hamrock, President & CEO
Donald Brown, EVP & Chief Financial Officer
Jim Stanley, EVP & Chief Operating Officer
Carl Levander, EVP & Chief Regulatory Officer

Investor Update
May 14, 2015

* *Represents NiSource after separation*

NiSource®

NiSource Strategic Framework – Creating Value

Aspiration | **Premier Regulated Utility Company**

Value Proposition | **Best-in-Class Risk-Adjusted Total Return Proposition**

- ~$30B of 100% Regulated Utility Infrastructure Investment Opportunities
- Scale Across 7 States
- Transparent Earnings Drivers
- Constructive Regulatory Relationships and Mechanisms

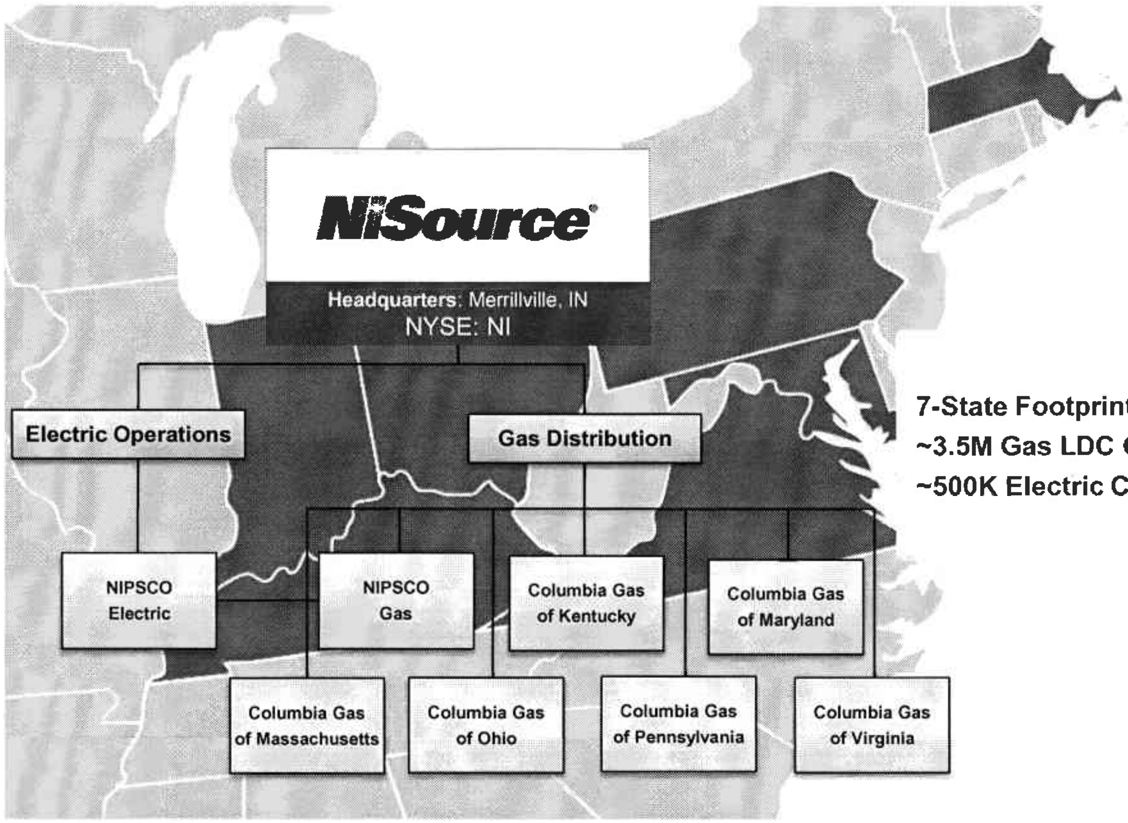
Strategic Approach | **Balanced Priorities**

- Enhance Value to Our Customers and Communities
- Build, Maintain and Operate a Safe, Reliable and Efficient System
- Aligned, Engaged Employees, Business Partners and Operations
- Financial Discipline for Our Investors

Highly Visible 4-6% EPS* and Dividend Growth Projected

* Net Operating Earnings from Continuing Operations (Non-GAAP)

Premier Utility Businesses Operating on a Large Scale, Diverse Footprint



7-State Footprint
~3.5M Gas LDC Customers
~500K Electric Customers

Delivering on Commitments to Customers, Employees, Communities & Investors

NiSource Leadership*

NiSource Board of Directors

Richard L. Thompson (Independent Chairman) - Director Since 2004
Richard A. Abdoo - Director Since 2008
Aristides S. Candris - Director Since 2012
Michael E. Jesanis - Director Since 2008
Carolyn Y. Woo - Director Since 1998
Joe Hamrock - Director Effective 7-1-2015

Joe Hamrock
President & CEO

Donald Brown	Rob Campbell	Carrie Hightman	Carl Levander	Jim Stanley	Violet Sistovaris
EVP & CFO	EVP Corporate Affairs & HR	EVP & Chief Legal Officer	EVP & CRO	EVP & COO	EVP NIPSCO

Proven Board of Directors and Leadership Team

* Represents NiSource after separation

NiSource Key Investment Considerations

- Focused Business Strategy
  - Transparent Earnings Drivers and Attractive Risk-Adjusted Returns
- ~$30B of Expected Infrastructure Enhancements Over 20+ Years
  - Meet Safety and Reliability Needs
  - Enhance Customer Service and Experience
  - Comply with Environmental Requirements
- Significant Scale with ~4.0M Customers Across 7 States
- Investment Grade Credit Ratings
- Expected EPS* and Dividend Growth of 4-6% Annually

Compelling Pure-Play Utility Investment Proposition

* Net Operating Earnings from Continuing Operations (Non-GAAP)

NiSource Key Investment Considerations

Transparent, Sustainable Growth Drives Premium Equity Value

- 2016 Guidance
  - EPS* $1.00 - $1.10
  - CapEx ~$1.4B
- Expected Initial Annual Dividend of $0.62 per Share (Increase at Separation Consistent with 4-6% Growth)
- Targeted Dividend Payout Ratio of 60-70%

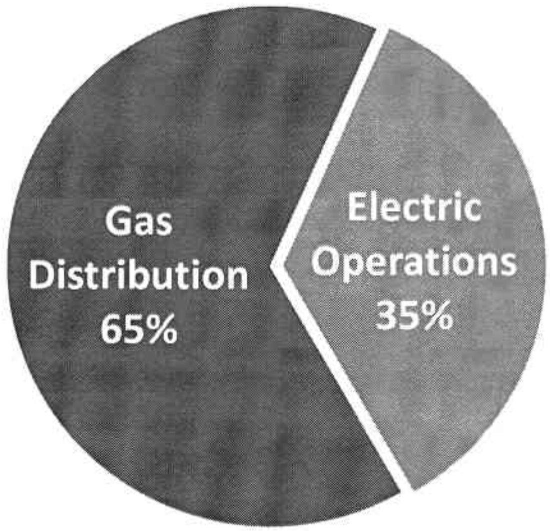
Compelling Pure-Play Utility Investment Proposition

* Net Operating Earnings from Continuing Operations (Non-GAAP)

Business Profile: Pure-Play Utility with 7-State Footprint

Gas Distribution Utilities

- Total Rate Base* of ~$5B
- Constructive Regulatory Environments
- Significant System Modernization Investment Programs
- Enhanced Customer Service, Programs and Growth Initiatives



Operating Earnings

Fully Integrated Electric Utility

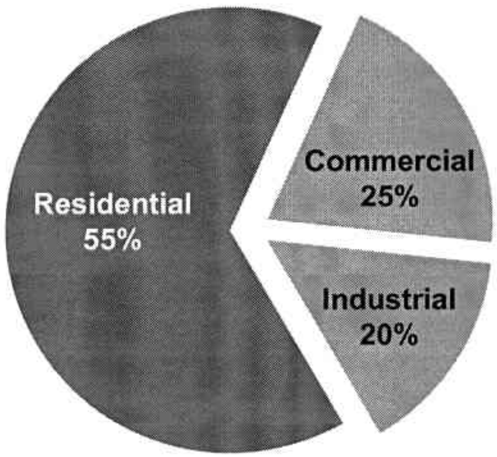
- Total Rate Base* of ~$3.0B
- Constructive Regulatory Environment
- Significant System Environmental, Enhancement and Modernization Investment Programs
- Enhanced Customer Service, Programs and Growth Initiatives

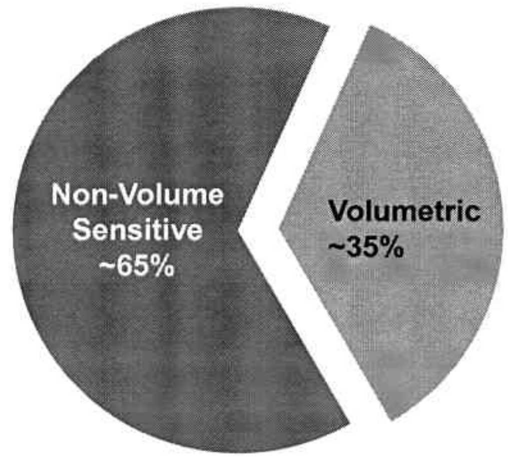
Collaborative, Constructive Stakeholder Relationships

* Rate Base as of 12/31/2014

Revenue Profile: Stable, 100% Regulated Revenue Stream

Net Revenue*

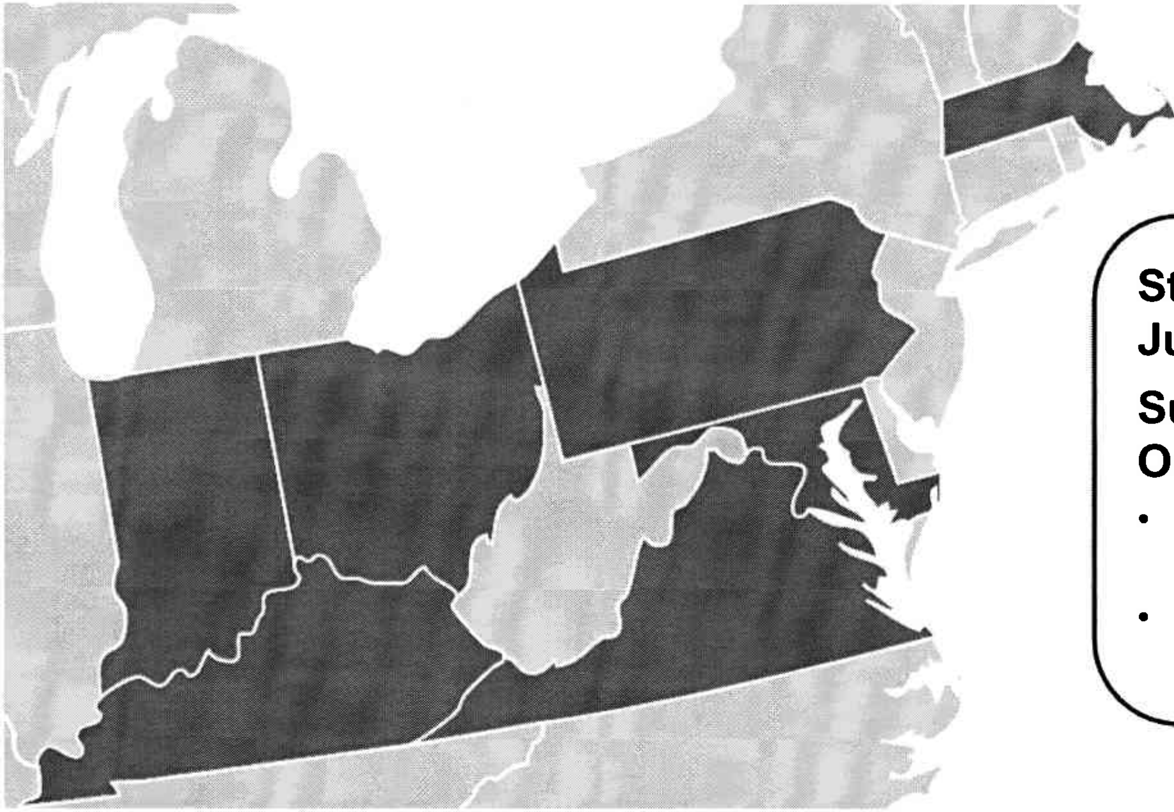




Consistently Earning Allowed Returns on Investments

* Based on 2014 Financial Results

A Well-Established Platform of Operations Execution Across 7-States



State-by-State Jurisdictional Focus

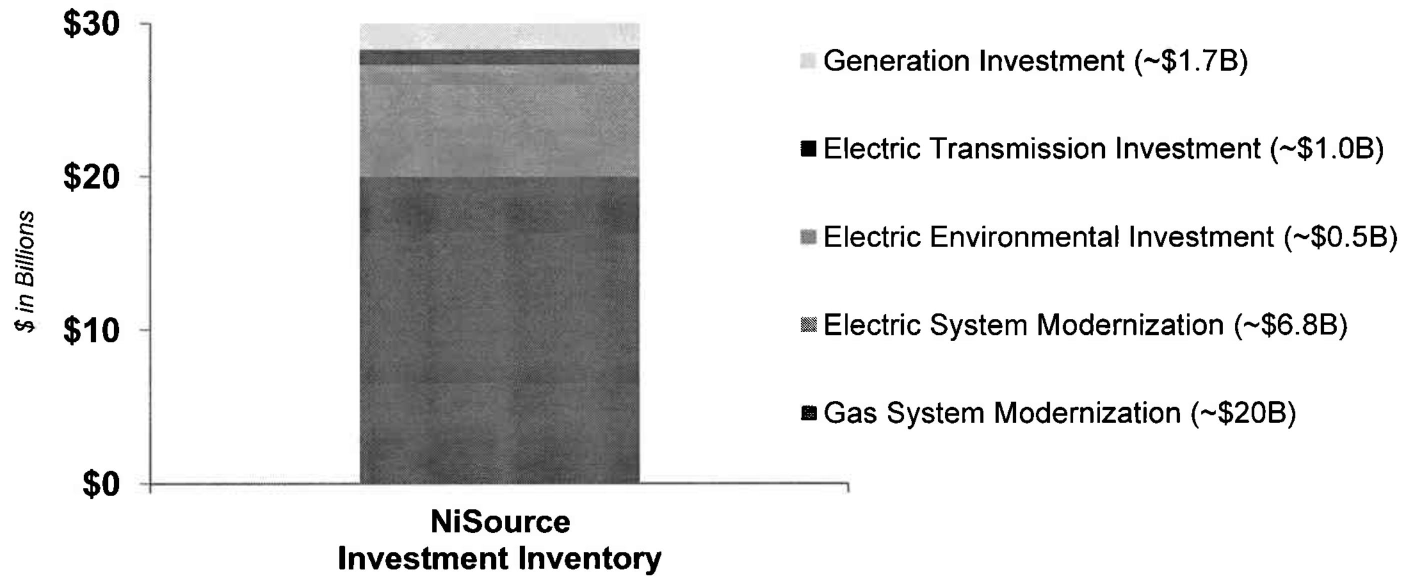
Support by Central Operations Platform

- Leverages experienced leadership
- Drives efficiencies across operations

Delivering for Stakeholders through Platform Efficiency and Operational Focus

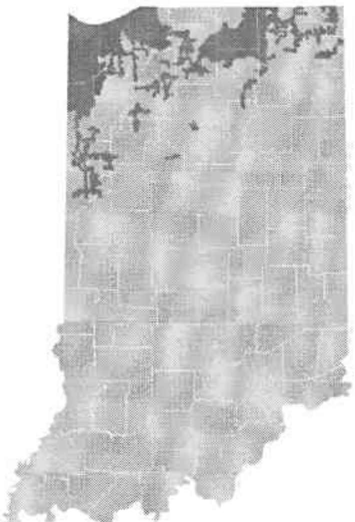
Significant, Long-Term Infrastructure Investments

~$30B Expected Enhancements Provide Over 20+ Years of Visible Growth



Robust Long-Term Investment Opportunities at Each Company

Indiana Electric (NIPSCO)



Business Profile

- Third largest electric utility in Indiana (~500K customers)
- Fully integrated electric utility
- 3,300 MW of environmentally compliant generation
- ~ $3.0B rate base

Customer Focus

- Fewest customer complaints in Indiana
- Top quartile reliability performance
- Continued rise in J.D. Power customer satisfaction survey

Regulatory Environment and Growth Strategy

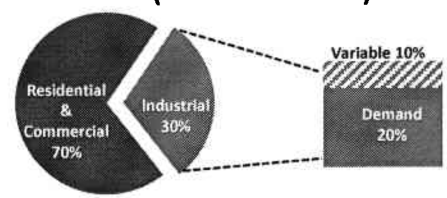
- 7-Year, ~ $1.1B T&D infrastructure modernization program with semi-annual tracker filings
- Two electric transmission projects underway (~$500M capital investment)
- All plants fully scrubbed by end of 2015 (~$800M capital investment)
- Potential for additional environmental, modernization, and transmission opportunities to be identified over the next 20+ years

Anticipated Growth Investment Summary	
Total Investment Opportunities	~$10.0B
Annual Investment Range	$175-$500M
Program Length	20+ Years
Regulatory Treatment	Modernization and Environmental Projects Tracked

Rate Design

- 100% fuel costs pass-through
- ~ 55% net revenue requirement collected through fixed charges, tracker, or demand ratchet

Customer Mix (Net Revenue)

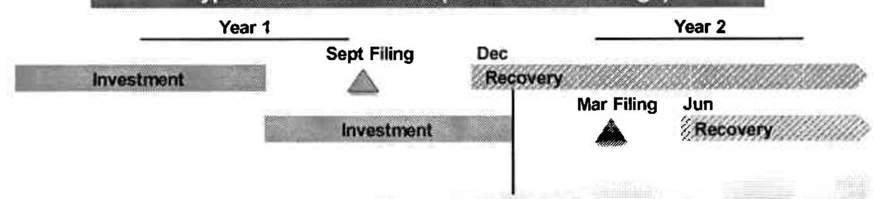


- Steel related customers represent ~15% of net revenues
- Industrial rates 75% demand charge weighted

Constructive Legislation

- Senate Bill 560 – Use of forward test year, timely rate cases, infrastructure investment tracking, rural expansion for natural gas; Rate case required within 7 years of original TDSIC filing
- Senate Bill 251 – Cost recovery of federally mandated requirements

Typical TDSIC Timeline (Semi-Annual Filings)



Indiana Electric (NIPSCO) – Transmission Projects

Under the MISO comprehensive transmission expansion plan, NIPSCO is constructing two large Multi Value Projects (MVPs) to meet the reliability needs of the electric system and its customers:

Project 1: Reynolds to Topeka

- 100 Mile, 345 kV transmission line (Reynolds/Burr Oak/Hiple)
- Approved by MISO Board of Directors on December 8, 2011
- FERC approved forward looking rates including CWIP and any potential abandonment costs
- CapEx $293M
- In Service late 2018

Project 2: Greentown to Reynolds

- 66 Mile, 765 kV transmission line (Reynolds/Greentown)
- 50/50 Partnership with Pioneer
- Approved by MISO Board of Directors on December 8, 2011
- FERC approved forward looking rates including CWIP and any potential abandonment costs
- CapEx $330M (NIPSCO = $165M)
- In Service late 2018

Columbia Gas of Ohio

Business Profile
- Largest LDC in Ohio (~1.4M customers)
- ~ 20,000 miles of pipe
- ~ 3,000 miles of bare steel & cast iron
- ~ $1.7B rate base

Customer Focus
- Nationally recognized energy efficiency programs
- Positive trending customer satisfaction

Regulatory Environment and Growth Strategy
- Fully tracked annual Infrastructure Replacement Program (IRP)
- Ability to defer costs associated with non-tracked investments
- Public policy provides tools supporting investment for economic development and deferral of pipeline safety costs

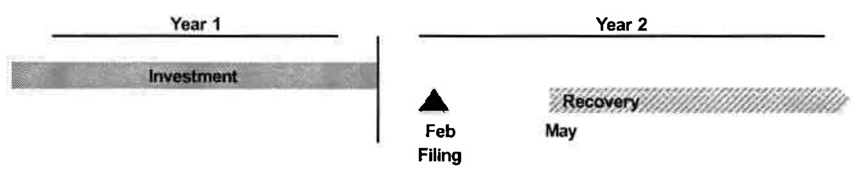
Rate Design
- Straight fixed variable rate design (fully fixed residential distribution rate)
- Bad debt tracked with full recovery
- Several other O&M trackers

Economic Outlook / Customer Growth
- Stable economic environment with modest customer growth
- Energy is central to state economy

Constructive Legislation
- House Bill 95 – Utility modernization capital programs
- House Bill 319 – Infrastructure cost recovery for economic development projects
- Senate Bill 378 – Underground protection and enforcement

Anticipated Modernization Investment Summary	
Total Investment Opportunities	~$4.1B
Annual Investment Range	$177-$195M
Program Length	20-25 Years
Regulatory Treatment	Tracked (IRP)
Weighted Avg Regulatory Lag	< 12 Months

Annual IRP Timeline



Indiana Gas (NIPSCO)

Business Profile

- Largest LDC in Indiana (~800K customers)
- ~ 17,000 miles of pipe
- ~ 35 miles of bare steel
- Regulatory construct encourages gas system expansion into rural areas
- ~ $800M fair value rate base

Customer Focus

- Lowest-cost gas provider in Indiana
- Fewest customer complaints in Indiana
- Continued rise in J.D. Power customer satisfaction survey

Regulatory Environment and Growth Strategy

- 7-Year, ~ $830M Infrastructure Modernization Program with semi-annual tracker filings
- Additional modernization opportunities identified over next 20+ years

Anticipated Growth Investment Summary	
Total Investment Opportunities	~$4.5B
Annual Investment Range	$80-$120M
Program Length	20-25 Years
Regulatory Treatment	Tracked
Weighted Avg Regulatory Lag	< 12 Months

Rate Design

- ~60% of residential distribution rate fixed
- Low income program fully tracked

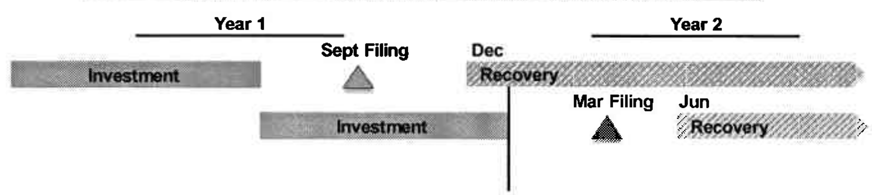
Economic Outlook / Customer Growth

- Stable economic environment
- Customer growth potential through rural extension opportunities

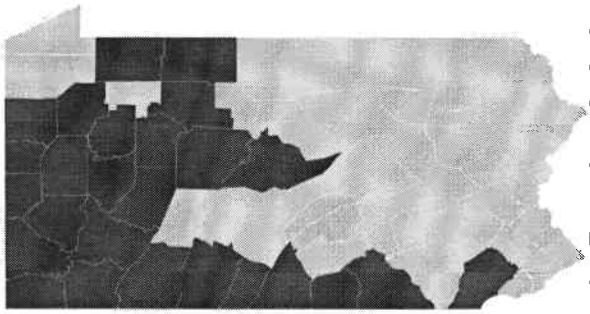
Constructive Legislation

- Senate Bill 560 – Use of forward test year, timely rate cases, infrastructure investment tracking, rural expansion for natural gas; rate case required within 7 years of original TDSIC filing
- Senate Bill 251 – cost recovery of federally mandated requirements

Typical TDSIC Timeline (Semi-Annual Filings)



Columbia Gas of Pennsylvania



Business Profile

- ~420K customers in Pa.
- ~ 7,400 miles of pipe
- ~ 1,700 miles of bare steel & cast iron (rate of replacement nearly double state avg.)
- ~ $1.1B rate base

Customer Focus

- Ranked highest in customer satisfaction among midsize gas utilities in eastern U.S., according to J.D. Power 2014 residential customer satisfaction study
- State leader in universal services, low income initiatives, choice and energy efficiency programs

Rate Design

- ~ 75% revenue generated by residential customers with 50% fixed distribution rate (assuming average customer usage)
- Weather normalization adjustment for residential customers stabilizes revenue

Economic Outlook / Customer Growth

- Stable economic environment
- Tariff program allows for modest customer growth
- New business tariff proposals pending

Constructive Legislation

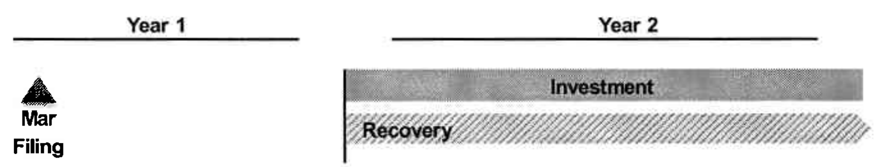
- Act 11 – Allows a gas utility to file a Distribution Service Improvement Charge (DSIC) and rate case with fully forecasted rate year

Regulatory Environment and Growth Strategy

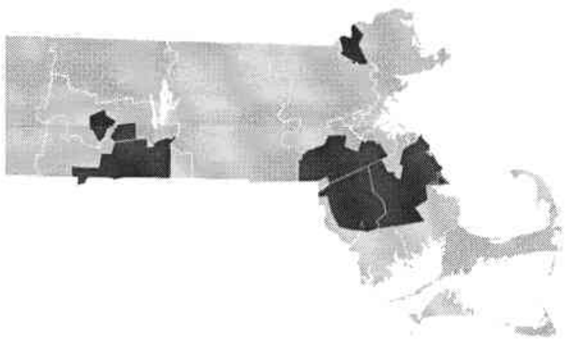
- Recovery of infrastructure and other costs through frequent base rate filings utilizing a forward test year
- Base rate cases supplemented by DSIC filings
- Tariff supports system expansion by allowing customers payment options for main extension

Anticipated Modernization Investment Summary	
Total Investment Opportunities	~$3.0B
Annual Investment Range	$143-$168M
Program Length	15-20 Years
Regulatory Treatment	Rate Case / Tracker
Weighted Avg Regulatory Lag	None

Typical Rate Case Timeline



Columbia Gas of Massachusetts



Business Profile

- Largest gas-only LDC in Mass. (~300K customers)
- ~ 5,000 miles of pipe
- ~ 1,000 miles of bare steel & cast iron
- ~ $600M rate base

Customer Focus

- Strong customer interest in conversion from oil to natural gas
- Broad based energy efficiency program provides full range of customer programs

Regulatory Environment and Growth Strategy

- Modernization/safety investments recovered through annual (forward-looking) infrastructure tracker filings
- Tracker filings supplemented by periodic rate cases
- Customer growth opportunities through natural gas conversions

Rate Design

- Revenue decoupling adjustment provides residential distribution revenue recovery
- Full cost recovery mechanisms for O&M associated with energy efficiency and low income programs, bad debt, and pension costs

Economic Outlook / Customer Growth

- Stable economic environment
- Customer growth potential through conversion opportunities

Constructive Legislation

- House Bill 4164
  - Recovery of pipeline infrastructure investments based on forward looking tracker
  - Allows LDCs to implement various programs to facilitate customer conversion to natural gas

Anticipated Modernization Investment Summary	
Total Investment Opportunities	~$1.4B
Annual Investment Range	$44-$70M
Program Length	15-20 Years
Regulatory Treatment	Tracked
Weighted Avg Regulatory Lag	None

Annual Infrastructure Tracker Timeline

Year 1

Oct Filing

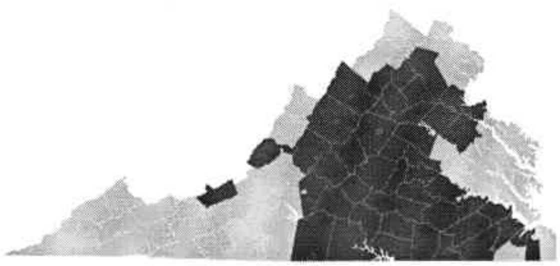
Year 2

Investment

May

Recovery

Columbia Gas of Virginia



Business Profile

- ~250K customers in Virginia
- ~ 5,000 miles of pipe
- ~ 200 miles of bare steel
- ~ $530M rate base

Customer Focus

- Broad residential, commercial and industrial portfolio
- Industry leading third party damage rate

Rate Design

- Revenue normalization adjustments provides full residential distribution revenue recovery
- Energy conservation tracker

Economic Outlook / Customer Growth

- Stable economic environment
- Customer growth opportunities through system expansion
- Initiatives in place to promote customer conversions and growth

Regulatory Environment and Growth Strategy

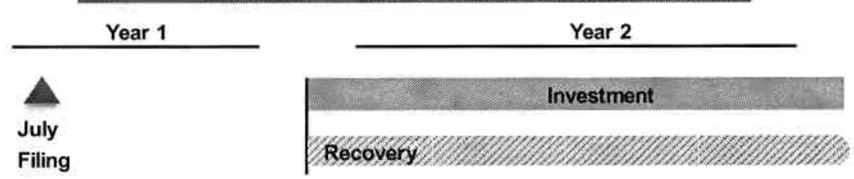
- Forward looking annual modernization/safety infrastructure investment tracker filings
- Tracker filings supplemented by rate case filings with forward test year
- Annual infrastructure cost recovery filings
- System expansion opportunities through NEED and MAIN legislation

Constructive Legislation

- DIMP Act – Allows deferral of incremental O&M costs related to pipeline safety programs
- SAVE Act – Allows recovery of investment on infrastructure replacement
- NEED Act – Allows deferral of infrastructure expansion costs
- MAIN Act – Provides for recovery of infrastructure expansion program costs

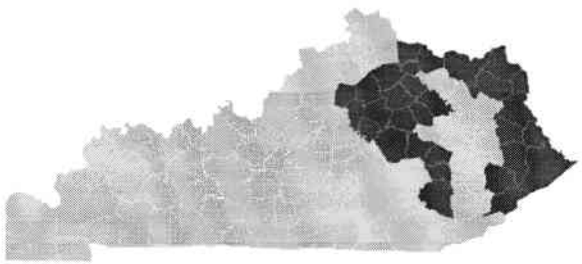
Anticipated Modernization Investment Summary	
Total Investment Opportunities	~$550M
Annual Investment Range	$20-$30M
Program Length	N/A
Regulatory Treatment	Tracked
Weighted Avg Regulatory Lag	None

Annual Infrastructure Tracker Timeline



NiSource

Columbia Gas of Kentucky



Business Profile

- ~135K customers in Ky.
- ~ 2,600 miles of pipe
- ~ 430 miles of bare steel & cast iron
- ~ $235M rate base

Customer Focus

- Top tier customer satisfaction levels
- Sustained industry leading employee safety performance

Rate Design

- ~ 65% of revenue generated by residential customers with a 60% fixed distribution rate
- Weather normalization adjustment for residential and commercial customer stabilizes revenue
- Energy conservation tracker

Economic Outlook / Customer Growth

- Stable economic environment with improving customer growth rates

Constructive Legislation

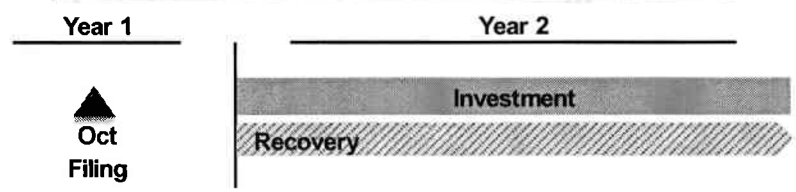
- House Bill 100 – allows government financing for energy efficiency improvements
- State law also provides for tracked recovery of pipeline replacements and permits use of forward test year in rate cases

Regulatory Environment and Growth Strategy

- Annual modernization/safety infrastructure investment tracker filings
- Tracker filings supplemented by rate case filings with forward test year

Anticipated Modernization Investment Summary	
Total Investment Opportunities	~$750m
Annual Investment Range	$12-$14M
Program Length	25-30 Years
Regulatory Treatment	Tracked
Weighted Avg Regulatory Lag	None

Annual Infrastructure Tracker Timeline



Columbia Gas of Maryland

Business Profile

- ~33K customers in Md.
- ~ 750 miles of pipe
- ~ 95 miles of bare steel & cast iron
- ~ $60M rate base

Rate Design

- Revenue normalization adjustment provides full residential distribution revenue recovery
- Energy efficiency tracker

Customer Focus

- Sustained industry leading employee and system safety performance

Economic Outlook / Customer Growth

- Stable economic environment with modest customer growth

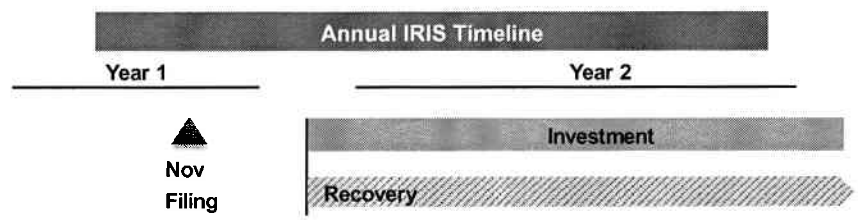
Regulatory Environment and Growth Strategy

- Forward looking annual Infrastructure Replacement and Improvement Surcharge (IRIS) recovers age and condition investment
- IRIS filings supplemented by periodic rate cases
- Opportunity to update other costs between rate cases

Anticipated Modernization Investment Summary	
Total Investment Opportunities	~$200M
Annual Investment Range	$6-$14M
Program Length	15-20 Years
Regulatory Treatment	Tracked
Weighted Avg Regulatory Lag	None

Constructive Legislation

- STRIDE -- prospective cost recovery for age and condition investment

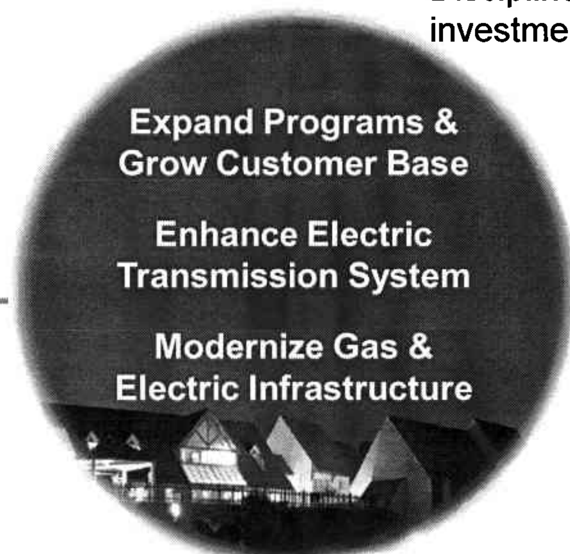


NiSource Utility Company Summary

Highly Visible ~$30B / 20+ Year Infrastructure Investment Opportunity

- Industry-leading regulated natural gas and electric utilities company platform
- Track record of collaborative execution and safe, reliable service
- Complementary rate structures and tracker mechanisms; ~75% of CapEx expected to be revenue-producing
- Disciplined capital management; solid, investment-grade credit rating

~$1.4B
Expected Annual Capital Investment



4-6%
Expected EPS* & Dividend Growth

Driving Predictable Long-Term Earnings and Dividend Growth

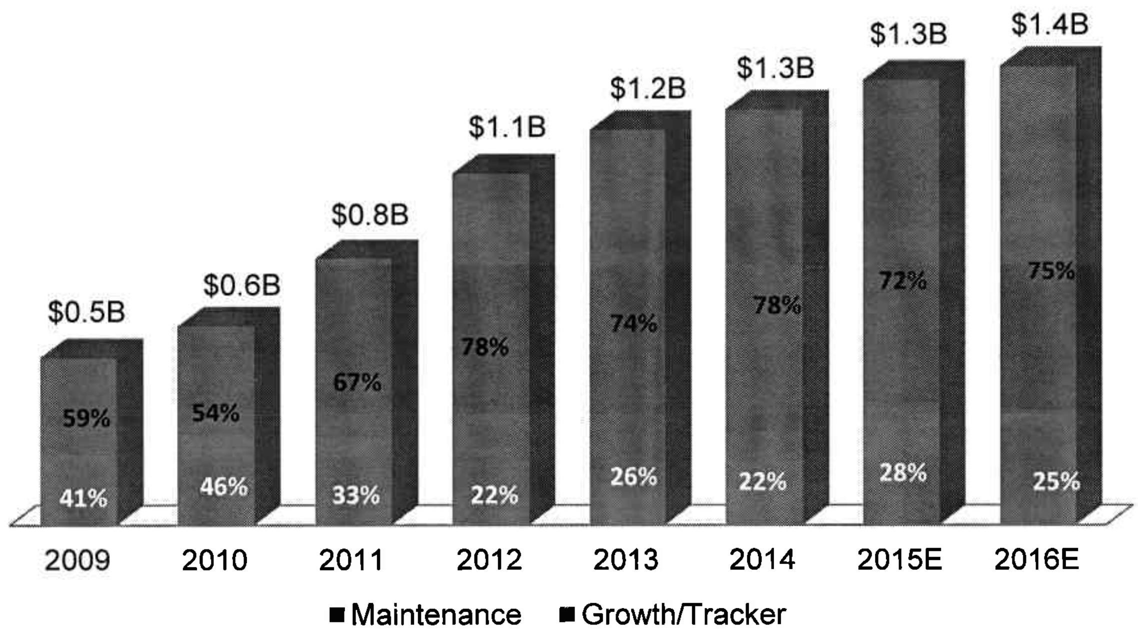
* Net Operating Earnings from Continuing Operations (Non-GAAP)

Financial Profile

Donald Brown, EVP & Chief Financial Officer

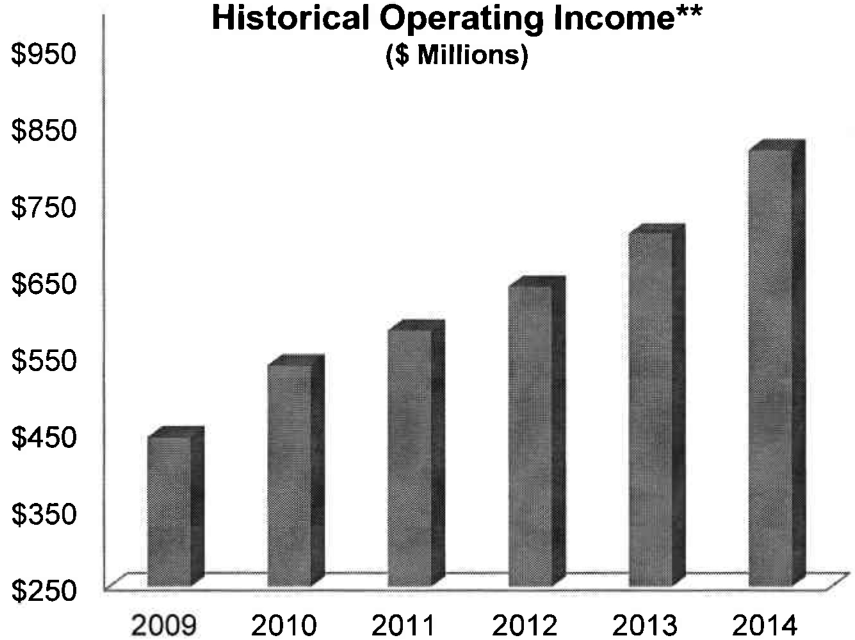
NiSource Utilities Capital Expenditures

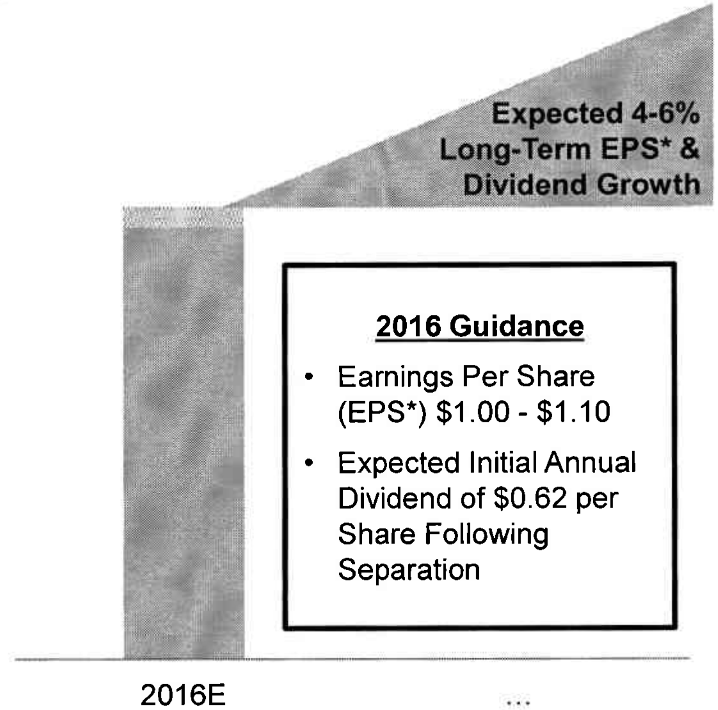
Annual Investments Driven by ~$30B / 20+ Year Opportunities



Expected Annual Capital Investments Grow Rate Base by 6-8% per Year

NiSource Utilities Consistent Earnings Growth





2016 Guidance

- Earnings Per Share (EPS*) $1.00 - $1.10
- Expected Initial Annual Dividend of $0.62 per Share Following Separation

Solid Track Record of Operating Earnings Growth

* Net Operating Earnings from Continuing Operations (Non-GAAP)

** Historical NiSource Gas Distribution and Electric Operations Reported Operating Income

NiSource

NiSource Debt and Credit Profile*

Recapitalization Reduces NiSource Net Debt

NiSource Long-Term Debt Profile at Separation

- Weighted Average Maturity of ~14 years
- Weighted Average Rate of ~5.8%

Solid Liquidity

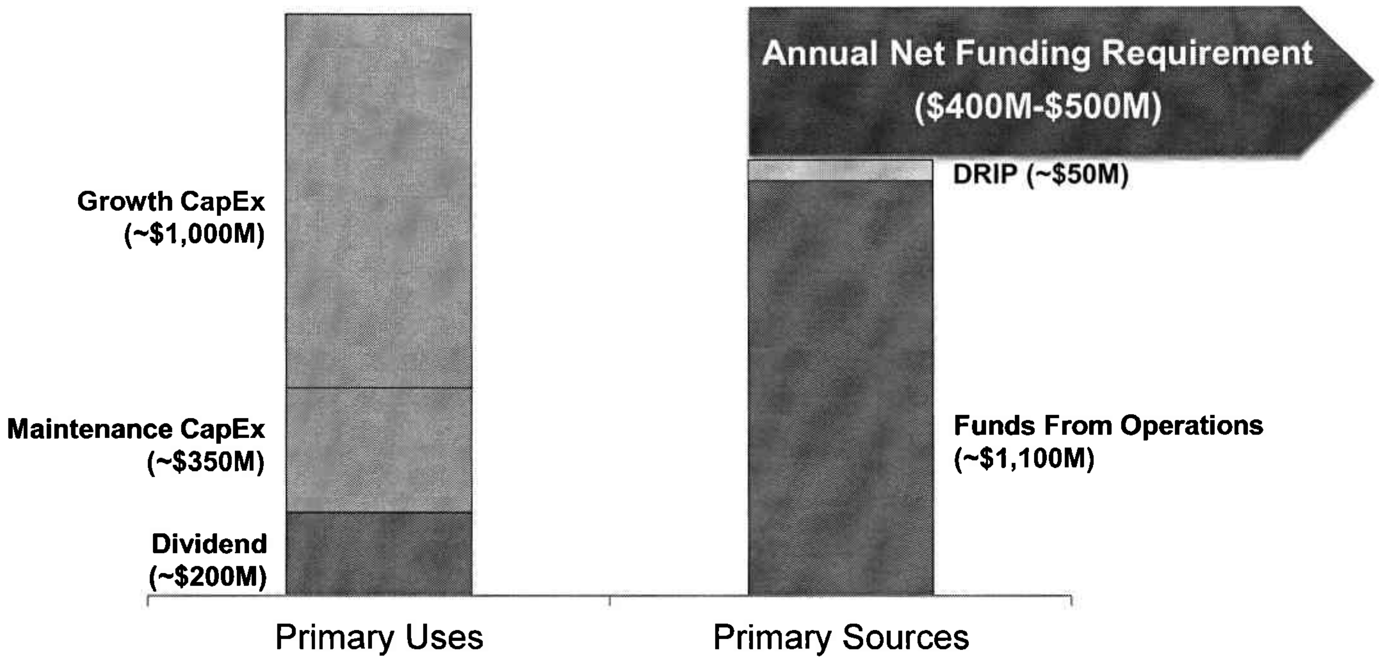
- $1.5B / 5-Year Committed Credit Facility in Place at Separation
- Minimal Balance at Separation

Stable Investment Grade Credit Ratings Expected at All Three Agencies

Committed to Stable Investment Grade Credit

* Projected as of July 1, 2015

NiSource Primary Sources & Uses of Cash (Illustrative)



Expected Long-Term 4-6% EPS* Growth Inclusive of Funding Needs

* Net Operating Earnings from Continuing Operations (Non-GAAP)

NiSource Key Investment Considerations

Compelling Pure-Play Utility Investment Proposition

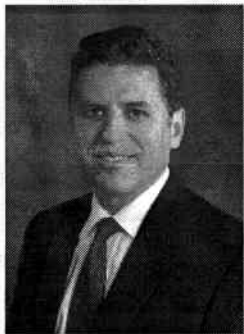
- Focused Business Strategy
- ~$30B of Expected Infrastructure Enhancements Over 20+ years
- Significant Scale with ~4.0M Customers Across 7 States
- Investment Grade Credit Ratings
- Expected Earnings and Dividend Growth of 4-6% Annually
- 2016 Guidance
  - EPS* $1.00 - $1.10
  - CapEx ~$1.4B
- Expected Initial Annual Dividend of $0.62 per Share
- Targeted Dividend Payout Ratio of 60-70%

Transparent, Sustainable Growth Drives Premium Equity Value

* Net Operating Earnings from Continuing Operations (Non-GAAP)

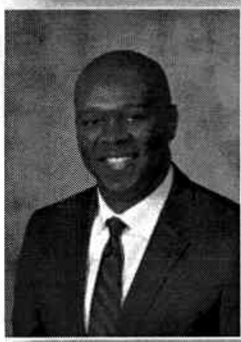
Appendix

NiSource Leadership Team*



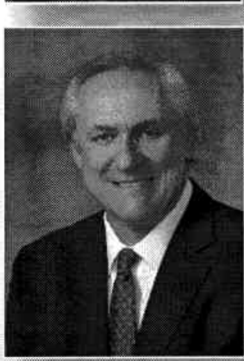
Joe Hamrock
President & Chief Executive Officer

- Previously, Hamrock was Executive Vice President & Group CEO for NiSource's Gas Distribution segment
- Hamrock joined NiSource in May 2012 after serving in a variety of senior executive positions with American Electric Power



Donald Brown
Executive Vice President & Chief Financial Officer

- Brown joined NiSource in April 2015 after serving as Vice President and Chief Financial Officer at UGI Utilities, a division of UGI Corporation
- Brown has also served in a variety of financial leadership and consulting roles at Constellation Energy, Progress Energy and Deloitte



Jim Stanley
Executive Vice President & Chief Operating Officer

- Previously, Stanley was Executive Vice President & Group CEO for NiSource's Indiana gas and electric utility, NIPSCO
- Stanley joined NiSource in October 2012 after serving in a variety of senior executive positions in the utility industry, most recently as Senior Vice President and Chief Distribution Officer for Duke Energy's U.S. electric business

* These represent announced future positions at NiSource

NiSource Leadership Team

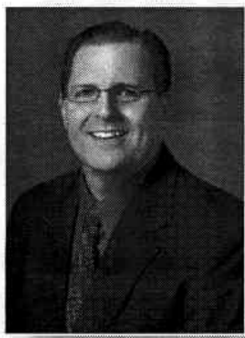
Carrie Hightman
Executive Vice President & Chief Legal Officer

- Prior to joining NiSource in 2007, Hightman served as President of AT&T Illinois
- Previously, Hightman was a partner at the Chicago law firm of Schiff Hardin, where she led its Energy, Telecommunications and Public Utilities practice group

Carl Levander
Executive Vice President & Chief Regulatory Officer

- Previously, Levander was President of Columbia Gas of Virginia, NiSource's natural gas distribution subsidiary based in Virginia
- Levander began his career with Columbia Gas as an attorney in 1986 and has served in a variety of rates and regulatory positions

NiSource Leadership Team*



Rob Campbell
Executive Vice President, Corporate Affairs & Human Resources

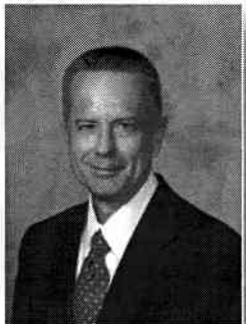
- Previously, Campbell was Senior Vice President of Human Resources
- Campbell also was employed at NiSource in executive roles from June 2001 through January 2004, before returning to the law firm of Schiff Hardin LLP

Violet Sistovaris
Executive Vice President, NIPSCO

- Previously, Sistovaris was Senior Vice President & Chief Information Officer
- Sistovaris has served in a variety of executive positions at NiSource since joining the company in 1994 from Centier Bank

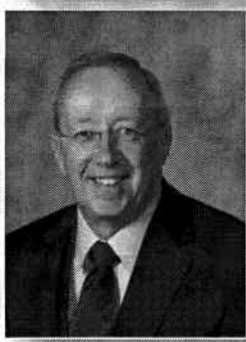
* These represent announced future positions at NiSource

NiSource Leadership Team



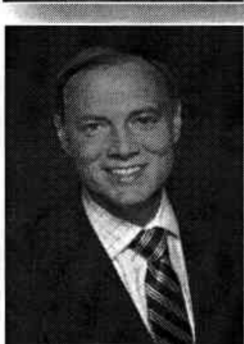
Brent Archer
President, Columbia Gas of Virginia

- Previously, Archer served in a variety of leadership positions at the Columbia Gas companies, most recently as Director of Business Policy at Columbia Gas of Virginia
- Archer joined Columbia Gas in 1986



Steve Bryant
President, Columbia Gas of Massachusetts

- Previously, Bryant served as Vice President of External Affairs
- Bryant joined Columbia Gas in 2001 after serving in various marketing and regulatory positions at New England gas utilities



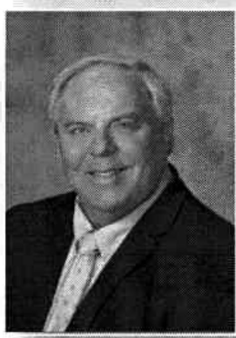
Dan Creekmur
President, Columbia Gas of Ohio

- Previously, Creekmur served as Vice President and General Manager of Columbia Gas of Ohio and Vice President of Regulatory Affairs
- Creekmur joined Columbia Gas of Ohio in 2007 as an attorney

NiSource Leadership Team

Mark Kempic
President, Columbia Gas of Pennsylvania/Maryland

- Previously, Kempic was Director of Rates and Regulatory Policy
- Kempic joined Columbia Gas in 1998 as an attorney. He previously worked for Columbia Gas in a variety of roles from 1979 through 1992

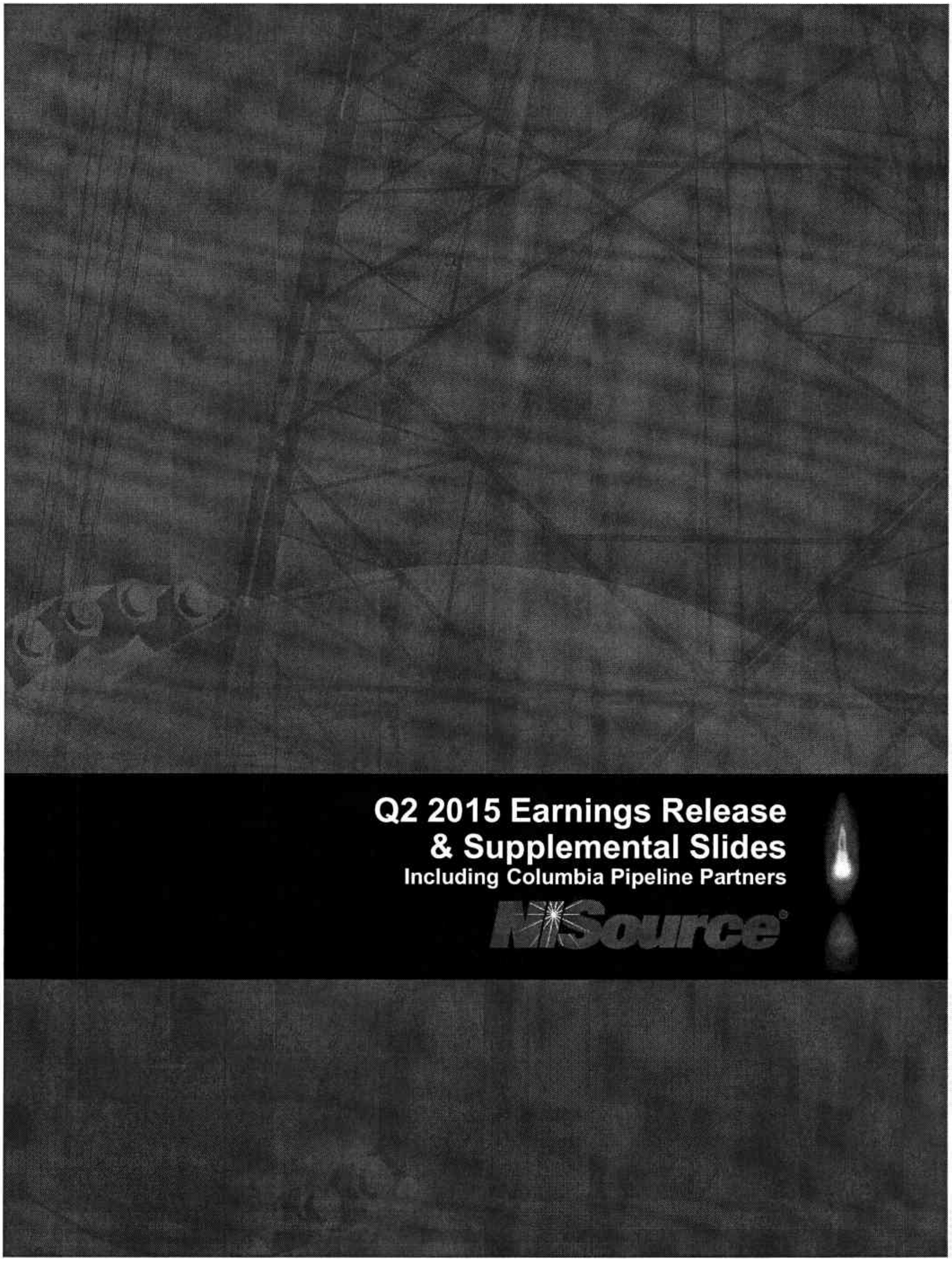


Herb Miller
President, Columbia Gas of Kentucky

- Miller joined Columbia Gas in 2006 after serving eight years as the Chief Legal Officer and Corporate Secretary of American Water Company for Kentucky, Tennessee and Georgia
- Previously, Miller was a partner in the law firm, Stoll, Keenon & Ogden, one of Kentucky's oldest and largest law firms

Kathleen O'Leary
President, NIPSCO

- Previously, O'Leary was Senior Vice President of Communications and Compliance at NIPSCO
- O'Leary has served in a variety of executive positions since joining the company as an attorney for Columbia Gulf Transmission in 1978



Q2 2015 Earnings Release & Supplemental Slides
Including Columbia Pipeline Partners

NiSource®

Q1 2015 NiSource Earnings Information

NEWS

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August 3, 2015

FOR ADDITIONAL INFORMATION

Media
Ken Stammen
Communications Manager
(614) 460-5544
kstammen@nisource.com

Investors
Randy Hulen
Vice President, Investor Relations
(219) 647-5688
rghulen@nisource.com

NiSource Reports Second Quarter 2015 Earnings

- Financial results in line with expectations
- Credit rating upgraded by Standard & Poor's, outlook raised by Fitch Ratings
- Successfully completed the separation of Columbia Pipeline Group on July 1, 2015
- Dividend, earnings growth outlook reaffirmed

MERRILLVILLE, Ind. - NiSource Inc. (NYSE: NI) today announced net operating earnings per share - controlling interest (non-GAAP) of $56.8 million, or $0.18 per share, for the three months ended June 30, 2015, compared with $77.9 million, or $0.25 per share for the same period in 2014. Operating earnings (non-GAAP) for the second quarter were $212.1 million, compared to $219.1 million in the prior period.

Second quarter net operating earnings - controlling interest (non-GAAP) were lower primarily due to additional interest expense related to Columbia Pipeline Group's (CPG) long-term debt issuance prior to its separation from NiSource and the impact of non-controlling interest in Columbia Pipeline Partners, which was formed in February 2015.

On a GAAP basis, NiSource reported a loss from continuing operations - controlling interest of $36.1 million, or $0.11 per share, for the three months ended June 30, 2015, compared with income of $78.5 million, or $0.25 per share, for the same period in 2014. Operating income for the second quarter was $165.1 million, compared to $219.6 million in the prior period. Schedules 1 and 2 of this news release contain a reconciliation of net operating earnings and operating earnings to GAAP net income and operating income, respectively.

On July 1, 2015, NiSource successfully completed the separation of CPG through a distribution of all of the common stock of CPG held by NiSource to NiSource shareholders. CPG is now an independent public company trading on the NYSE under the symbol CPGX. NiSource maintains no ownership interest in CPG or Columbia Pipeline Partners following this separation. The financial information presented today includes CPG reportable segment results, as CPG remained part of NiSource through June 30, 2015. Beginning with the third quarter, CPG will be reported as discontinued operations in NiSource financial results.

"Now that the separation is complete, the foundation is set for NiSource to execute on our pure-play utility growth strategy which will enhance services to our customers and communities, and is expected to deliver sustainable earnings and dividend growth," said NiSource President and Chief Executive Officer **Joseph Hamrock**. "With solid, investment-grade credit ratings, $30 billion of identified long-term gas and electric system enhancement opportunities, and constructive regulatory environments across our seven states, our path forward is clear."

Hamrock reaffirmed that NiSource expects to deliver non-GAAP net operating earnings per share of $1.00-$1.10 in 2016 with planned infrastructure enhancement investments reaching approximately $1.4 billion. NiSource continues to project long-term earnings and dividend growth of 4-6 percent annually.

On July 2, NiSource declared a quarterly dividend of 15.5 cents per share, consistent with the company's intention, announced in May, to increase the combined (NiSource and CPG) dividend.

In June, NiSource received confirmation of its post-separation investment-grade credit ratings. Standard & Poor's upgraded NiSource's credit rating to BBB+ from BBB-, Fitch Ratings revised its outlook on NiSource to BBB- (positive) from BBB- (stable), and Moody's reaffirmed its rating of NiSource at Baa2.

NiSource's utilities continue execution of core infrastructure investment programs supported by complementary regulatory and customer initiatives.

NiSource remains on track to invest approximately $1.3 billion during 2015 as part of its $30 billion long-term regulated utility infrastructure investment opportunities across its natural gas and electric utilities. Approximately 75 percent of these investments are expected to be revenue-generating investments, which help improve reliability and safety, enhance customer service and reduce emissions - all while generating sustainable long-term growth.

Gas Distribution Operations

- **Columbia Gas of Massachusetts (CMA)** has reached a settlement agreement in principle with the Massachusetts Attorney General in its base rate case. The settlement agreement is expected to be finalized and filed for approval with the Massachusetts Department of Public Utilities (DPU) in August 2015. The case seeks to recover costs to support CMA's multi-year modernization plan to maintain the safety and reliability of natural gas service for customers.

- **Columbia Gas of Pennsylvania's (CPA)** base rate case is progressing on schedule and remains pending before the Pennsylvania Public Utility Commission. Filed in March, the case supports the continuation of CPA's infrastructure modernization and safety programs. If approved as filed, the case would increase annual revenues by approximately $46 million. A decision is expected by the end of this year.

- On June 30, the hearing examiner in **Columbia Gas of Virginia's** pending base rate case recommended specific fixed customer charges for each rate class, addressing the final outstanding issue in the case. The commission had previously found that the stipulated annual revenue increase of $25.2 million is reasonable. A final order in the case is expected later this year.

- As announced previously, CMA received DPU approval of its 2015 **Gas System Enhancement Plan** on April 30. Cost recovery associated with the 2015 investments outlined in the plan began on May 1, and is projected to increase annual revenues by approximately $2.6 million.

Electric Operations

- On May 26, **Northern Indiana Public Service Company (NIPSCO)**, the Indiana Office of Utility Consumer Counselor and some of NIPSCO's largest industrial customers reached a settlement agreement that resolved all concerns raised by the parties in an Indiana Court of Appeals proceeding surrounding the company's long-term Electric Infrastructure Modernization Plan. As part of the agreement, NIPSCO will file a base rate case, followed by a new seven-year plan in the fourth quarter.

- NIPSCO remains on schedule and on budget with its **flue gas desulfurization (FGD) unit** at its Michigan City Generating Station. The approximately $265 million project is expected to be placed in service by the end of this year. This investment, supported with cost recovery, improves air quality and helps ensure NIPSCO's generation fleet remains in compliance with current environmental regulations. It also helps ensure that NIPSCO can continue offering low-cost, reliable and efficient generating capacity for its customers.

- Progress also continued on **two major electric transmission projects** designed to enhance region-wide system flexibility and reliability. The Greentown-Reynolds project is an approximately 65-mile, 765-kilovolt line being constructed in a joint development agreement with Pioneer Transmission, and the Reynolds-Topeka project is a 100-mile, 345-kilovolt line. Right-of-way acquisition and permitting are under way for both projects and substation construction has begun on both projects. These projects involve an investment of approximately $500 million for NIPSCO and are anticipated to be in service by the end of 2018.

Second Quarter 2015 Operating Earnings - Segment Results (non-GAAP)

NiSource's consolidated operating earnings (non-GAAP) for the three months ended June 30, 2015, were $212.1 million, compared to $219.1 million for the same period in 2014. Refer to Schedule 2 for the items included in 2015 and 2014 GAAP operating income but excluded from operating earnings.

Operating earnings for NiSource's business segments for the three months ended June 30, 2015, are discussed below.

Gas Distribution Operations reported operating earnings of $55.6 million for the three months ended June 30, 2015, compared with operating earnings of $62.5 million for the prior year period. Net revenues, excluding the impact of trackers, increased by $17.3 million primarily attributable to increases in regulatory and service programs, including the implementation of rates under Columbia Gas of Ohio's approved infrastructure replacement program, as well as the impact of new rates at Columbia Gas of Pennsylvania and Columbia Gas of Virginia.

Operating expenses, excluding the impact of trackers, increased by $24.2 million due primarily to increased employee and administrative costs, higher depreciation, increased outside services costs and higher other taxes.

Electric Operations reported operating earnings of $56.6 million for the three months ended June 30, 2015, compared with operating earnings of $59.8 million for the prior year period. Net revenues, excluding the impact of trackers, decreased by $1.8 million primarily due to decreased industrial, residential and commercial usage, partially offset by increased environmental investment cost recovery.

Operating expenses, excluding the impact of trackers, increased by $1.4 million due primarily to higher depreciation, partially offset by lower electric generation costs.

Columbia Pipeline Group Operations reported operating earnings of $108.6 million for the three months ended June 30, 2015, compared with operating earnings of $103.7 million for the prior year period. Net revenues, excluding the impact of trackers, increased by $20.5 million primarily due to higher demand margin revenue as a result of growth projects placed into service and new firm contracts, partially offset by lower mineral rights royalty revenue.

Operating expenses, excluding the impact of trackers, increased by $18.2 million primarily due to higher outside services costs, increased employee and administrative costs and higher depreciation. These increases in operating expenses were partially offset by higher gains on the conveyance of mineral interests. Equity earnings increased by $2.6 million primarily from higher earnings at Pennant Midstream.

Corporate and Other Operations reported an operating earnings loss of $ 8.7 million for the three months ended June 30, 2015, compared with an operating earnings loss of $6.9 million for the three months ended June 30, 2014.

Other Items
Interest expense, net was $117.1 million for the three months ended June 30, 2015 compared to interest expense, net of $109.1 million for the prior period. The increase in interest expense is due primarily to CPG's issuance of long-term debt in May 2015 as part of the recapitalization, the expiration of interest rate swaps in July 2014, and the term loan agreed to in August 2014. These increases were partially offset by the maturity of long-term debt in July 2014 and the execution of NiSource's tender offer in May 2015.

Other, net reflected income of $6.5 million compared to income of $7.5 million in 2014.

The effective tax rate of net operating earnings was 35.5 percent compared to 33.7 percent for the same period last year.

Six Month Period 2015 Operating Earnings - Segment Results (non-GAAP)

NiSource's consolidated operating earnings (non-GAAP) for the six months ended June 30, 2015, were $740.8 million, compared to $728.2 million for the same period in 2014. Refer to Schedule 2 for the items included in 2015 and 2014 GAAP operating income but excluded from operating earnings.

Operating earnings for NiSource's business segments for the six months ended June 30, 2015, are discussed below.

Gas Distribution Operations reported operating earnings of $361.4 million for the six months ended June 30, 2015, compared with operating earnings of $342.6 million for the prior year period. Net revenues, excluding the impact of trackers, increased by $60.1 million primarily attributable to increases in regulatory and service programs, including the impact of new rates at Columbia Gas of Pennsylvania, Columbia Gas of Virginia and Columbia Gas of Massachusetts, as well as the implementation of rates under Columbia Gas of Ohio's approved infrastructure replacement program.

Operating expenses, excluding the impact of trackers, increased by $41.3 million due primarily to increased employee and administrative costs, higher depreciation, increased outside services costs and higher other taxes.

Electric Operations reported operating earnings of $123.8 million for the six months ended June 30, 2015, compared with operating earnings of $134.0 million for the prior year period. Net revenues, excluding the impact of trackers, decreased by $2.0 million primarily due to decreased off-system sales and lower industrial usage. These decreases were partially offset by higher revenue from two electric transmission projects authorized by the Midcontinent Independent System Operator (MISO), lower fuel handling costs and increased environmental investment cost recovery.

Operating expenses, excluding the impact of trackers, increased by $8.2 million due primarily to higher depreciation.

Columbia Pipeline Group Operations reported operating earnings of $271.6 million for the six months ended June 30, 2015, compared with operating earnings of $262.6 million for the prior year period. Net revenues, excluding the impact of trackers, increased by $42.1 million primarily due to higher demand margin revenue as a result of growth projects placed into service and new firm contracts. This increase was partially offset by decreased mineral rights royalty revenue.

Operating expenses, excluding the impact of trackers, increased by $41.3 million primarily due to higher employee and administrative costs, increased outside service costs, higher depreciation and lower gains on the conveyances of mineral interests. Equity earnings increased by $8.2 million primarily from increased earnings at Pennant Midstream and Millennium Pipeline.

Corporate and Other Operations reported an operating earnings loss of $16.0 million for the six months ended June 30, 2015, compared with an operating earnings loss of $11.0 million for the six months ended June 30, 2014. The increase in operating earnings loss is primarily due to higher employee and administrative costs.

Other Items
Interest expense, net was $228.1 million for the six months ended June 30, 2015 compared to interest expense, net of $218.2 million for the prior period. The increase in interest expense is due primarily to CPG's issuance of long-term debt in May 2015 as part of the recapitalization, the expiration of interest rate swaps in July 2014 and the term loan agreed to in August 2014. These increases were partially offset by the maturity of long-term debt in July 2014 and the execution of NiSource's tender offer in May 2015.

Other, net reflected income of $13.6 million compared to income of $12.0 million in 2014.

The effective tax rate of net operating earnings was 35.3 percent compared to 35.6 percent for the same period last year.

Regulation G Disclosure Statement
This press release includes guidance for NiSource with respect to net operating earnings from continuing operations, which is a non-GAAP financial measure as defined by the SEC's Regulation G. It should be noted that there will likely be differences between such net operating earnings and GAAP equivalents due to various factors, including, but not limited to, weather, restructuring, environmental and separation related costs and expenses and accounting changes. NiSource is not able to estimate the impact of such factors on GAAP earnings and, as such, is not providing earnings guidance on a GAAP basis.

About NiSource
NiSource Inc. (NYSE: NI) is one of the largest fully-regulated utility companies in the United States, serving approximately 3.5 million natural gas customers and 500,000 electric customers across seven states through its local Columbia Gas and NIPSCO brands. Based in Merrillville, Indiana, NiSource's more than 7,000 employees are focused on safely delivering reliable and affordable energy to our customers and communities we serve. NiSource has been designated a World's Most Ethical Company by the Ethisphere Institute since 2012 and is a member of the Dow Jones Sustainability - North America Index. Additional information about NiSource, its investments in

modern infrastructure and systems, its commitments and its local brands can be found at www.nisource.com. NI-F

Forward-Looking Statements
This news release contains forward-looking statements within the meaning of federal securities laws. These forward-looking statements are subject to various risks and uncertainties. Examples of forward-looking statements in this release include statements and expectations regarding NiSource's business, performance and growth following the separation. Factors that could cause actual results to differ materially from the projections, forecasts, estimates and expectations discussed in this Quarterly Report on Form 10-Q include, but are not limited to, NiSource's debt obligations and ability to comply with related covenants, changes in NiSource's credit rating, growth opportunities for NiSource's businesses, changes in general economic and market conditions, regulatory rate reviews and proceedings, increased competition in deregulated energy markets, compliance with environmental laws, fluctuations in weather, climate change, natural disasters, acts of terrorism and other catastrophic events, economic conditions in certain industries, fluctuations in the price of energy commodities, counterparty credit risk, any impairment of goodwill and definite-lived intangible assets, changes in taxation or accounting principles, accidents and other operating risks, aging infrastructure, disruptions in information technology and cyber-attacks, NiSource's ability to achieve the intended benefits of the Separation and other matters set forth in the "Risk Factors" section in NiSource's 2014 Form 10-K and subsequent Form 10-Q filed with the Securities and Exchange Commission, many of which are beyond the control of NiSource. In addition, the relative contributions to profitability by each segment, and the assumptions underlying the forward-looking statements relating thereto, may change over time. NiSource expressly disclaims any duty to update, supplement or amend any of its forward-looking statements contained in this release, whether as a result of new information, subsequent events or otherwise, except as required by applicable law.

NiSource Inc.
Consolidated Net Operating Earnings (Non-GAAP)
(unaudited)

(in millions, except per share amounts)	Three Months Ended June 30, 2015	Three Months Ended June 30, 2014	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014
Net Revenues				
Gas Distribution	$ **311.8**	$ 426.4	$ **1,373.1**	$ 1,619.7
Gas Transportation and Storage	**427.4**	390.1	**1,055.4**	968.6
Electric	**376.5**	401.8	**768.4**	847.1
Other	**60.1**	116.7	**106.4**	193.7
Gross Revenues	**1,175.8**	1,335.0	**3,303.3**	3,629.1
Cost of Sales (excluding depreciation and amortization)	**218.6**	371.7	**1,024.6**	1,433.0
Total Net Revenues	**957.2**	963.3	**2,278.7**	2,196.1
Operating Expenses				
Operation and maintenance	**432.9**	401.0	**837.5**	777.9
Operation and maintenance - trackers	**87.7**	132.1	**236.7**	256.4
Depreciation and amortization	**163.2**	148.4	**319.6**	297.1
Depreciation and amortization - trackers	**4.2**	0.7	**5.3**	0.7
Gain on sale of assets	**(8.3)**	(0.3)	**(13.6)**	(17.8)
Other taxes	**64.3**	58.7	**136.6**	129.3
Other taxes - trackers	**14.8**	14.7	**44.9**	45.2
Total Operating Expenses	**758.8**	755.3	**1,567.0**	1,488.8
Equity Earnings in Unconsolidated Affiliates	**13.7**	11.1	**29.1**	20.9
Operating Earnings	**212.1**	219.1	**740.8**	728.2
Other Income (Deductions)				
Interest expense, net	**(117.1)**	(109.1)	**(228.1)**	(218.2)
Other, net	**6.5**	7.5	**13.6**	12.0
Total Other Deductions	**(110.6)**	(101.6)	**(214.5)**	(206.2)
Operating Earnings From Continuing Operations				
Before Income Taxes	**101.5**	117.5	**526.3**	522.0
Income Taxes	**36.0**	39.6	**185.6**	185.7
Net Operating Earnings from Continuing Operations	**65.5**	77.9	**340.7**	336.3
Net Operating Earnings from Continuing Operations - Noncontrolling Interest	**(8.7)**	—	**(15.6)**	—
Net Operating Earnings from Continuing Operations - Controlling Interest	**56.8**	77.9	**325.1**	336.3
GAAP Adjustment	**(92.9)**	0.6	**(92.8)**	8.6
GAAP (Loss) Income from Continuing Operations - Controlling Interest	$ **(36.1)**	$ 78.5	$ **232.3**	$ 344.9
Basic Net Operating Earnings Per Share from Continuing Operations	$ **0.18**	$ 0.25	$ **1.03**	$ 1.07
GAAP Basic (Loss) Earnings Per Share from Continuing Operations	$ **(0.11)**	$ 0.25	$ **0.73**	$ 1.10
Basic Average Common Shares Outstanding	**317.5**	315.0	**317.0**	314.6

NiSource Inc.
Segment Operating Earnings (Non-GAAP)
(unaudited)

Gas Distribution Operations *(in millions)*	Three Months Ended June 30, **2015**	Three Months Ended June 30, 2014	Six Months Ended June 30, **2015**	Six Months Ended June 30, 2014
Net Revenues				
Sales revenues	$ **514.6**	$ 619.5	$ **1,951.5**	$ 2,163.4
Less: Cost of gas sold	**133.4**	257.2	**856.0**	1,180.2
Net Revenues	**381.2**	362.3	**1,095.5**	983.2
Operating Expenses				
Operation and maintenance	**207.4**	189.7	**400.8**	371.1
Operation and maintenance - trackers	**18.6**	17.1	**117.0**	64.5
Depreciation and amortization	**58.2**	54.1	**114.3**	106.3
Other taxes	**26.6**	24.2	**57.1**	53.5
Other taxes - trackers	**14.8**	14.7	**44.9**	45.2
Total Operating Expenses	**325.6**	299.8	**734.1**	640.6
Operating Earnings	$ **55.6**	$ 62.5	$ **361.4**	$ 342.6
GAAP Adjustment	**(5.9)**	(2.7)	**13.5**	19.0
GAAP Operating Income	$ **49.7**	$ 59.8	$ **374.9**	$ 361.6

Electric Operations *(in millions)*	Three Months Ended June 30, **2015**	Three Months Ended June 30, 2014	Six Months Ended June 30, **2015**	Six Months Ended June 30, 2014
Net Revenues				
Sales revenues	$ **376.6**	$ 402.4	$ **769.6**	$ 848.1
Less: Cost of sales	**116.6**	146.3	**242.3**	326.7
Net Revenues	**260.0**	256.1	**527.3**	521.4
Operating Expenses				
Operation and maintenance	**111.4**	116.5	**224.6**	223.1
Operation and maintenance - trackers	**7.9**	5.7	**14.9**	11.6
Depreciation and amortization	**64.3**	59.4	**125.4**	119.8
Depreciation and amortization - trackers	**4.2**	0.7	**5.3**	0.7
Other taxes	**15.6**	14.0	**33.3**	32.2
Total Operating Expenses	**203.4**	196.3	**403.5**	387.4
Operating Earnings	$ **56.6**	$ 59.8	$ **123.8**	$ 134.0
GAAP Adjustment	**(10.9)**	3.1	**(8.1)**	7.8
GAAP Operating Income	$ **45.7**	$ 62.9	$ **115.7**	$ 141.8

NiSource Inc.
Segment Operating Earnings (Non-GAAP)
(unaudited)

Columbia Pipeline Group Operations	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	**2015**	2014	**2015**	2014
Net Revenues				
Transportation revenues	$ **211.3**	$ 181.5	$ **462.4**	$ 403.8
Storage revenues	**49.0**	49.3	**99.0**	99.2
Other revenues	**55.6**	112.7	**94.3**	186.1
Total Operating Revenues	**315.9**	343.5	**655.7**	689.1
Less: Cost of sales	**0.1**	0.1	**0.2**	0.2
Net Revenues	**315.8**	343.4	**655.5**	688.9
Operating Expenses				
Operation and maintenance	**115.2**	95.8	**217.4**	190.5
Operation and maintenance - trackers	**61.2**	109.3	**104.8**	180.3
Depreciation and amortization	**33.9**	28.8	**66.4**	58.5
Gain on sale of assets	**(8.3)**	(0.3)	**(13.6)**	(17.8)
Other taxes	**18.9**	17.2	**38.0**	35.7
Total Operating Expenses	**220.9**	250.8	**413.0**	447.2
Equity Earnings in Unconsolidated Affiliates	**13.7**	11.1	**29.1**	20.9
Operating Earnings	$ **108.6**	$ 103.7	$ **271.6**	$ 262.6
GAAP Adjustment	—	—	—	—
GAAP Operating Income	$ **108.6**	$ 103.7	$ **271.6**	$ 262.6

Corporate and Other Operations	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	**2015**	2014	**2015**	2014
Operating Earnings Loss	$ **(8.7)**	$ (6.9)	$ **(16.0)**	$ (11.0)
GAAP Adjustment	**(30.2)**	0.1	**(51.0)**	(1.7)
GAAP Operating Loss	$ **(38.9)**	$ (6.8)	$ **(67.0)**	$ (12.7)

NiSource Inc.
Segment Volumes and Statistical Data

	Three Months Ended June 30,		Six Months Ended June 30,	
Gas Distribution Operations	**2015**	2014	**2015**	2014
Sales and Transportation (MMDth)				
Residential	**30.4**	35.0	**183.5**	191.5
Commercial	**25.1**	27.4	**113.8**	117.5
Industrial	**123.6**	121.7	**270.4**	258.5
Off System	**6.0**	14.2	**19.5**	28.5
Other	**(2.0)**	(0.3)	**(2.0)**	(0.1)
Total	**183.1**	198.0	**585.2**	595.9
Weather Adjustment	**6.3**	2.3	**(29.2)**	(33.8)
Sales and Transportation Volumes - Excluding Weather	**189.4**	200.3	**556.0**	562.1
Heating Degree Days	**489**	555	**3,893**	3,992
Normal Heating Degree Days	599	599	**3,491**	3,491
% (Warmer) Colder than Normal	**(18)%**	(7)%	**12%**	14%
Customers				
Residential			**3,070,555**	3,051,277
Commercial			**280,329**	278,776
Industrial			**7,717**	7,546
Other			**938**	14
Total			**3,359,539**	3,337,613

	Three Months Ended June 30,		Six Months Ended June 30,	
Electric Operations	**2015**	2014	**2015**	2014
Sales (Gigawatt Hours)				
Residential	**716.9**	793.2	**1,582.7**	1,689.4
Commercial	**929.1**	964.9	**1,869.1**	1,900.4
Industrial	**2,295.0**	2,455.8	**4,720.4**	5,062.9
Wholesale	**1.0**	12.1	**117.9**	323.9
Other	**34.5**	34.9	**69.1**	68.3
Total	**3,976.5**	4,260.9	**8,359.2**	9,044.9
Weather Adjustment	**13.3**	(44.4)	**(28.9)**	(114.4)
Sales Volumes - Excluding Weather	**3,989.8**	**4,216.5**	**8,330.3**	**8,930.5**
Cooling Degree Days	**229**	276	**229**	276
Normal Cooling Degree Days	**229**	229	**229**	229
% Colder than Normal	**— %**	21 %	**—%**	21%
Electric Customers				
Residential			**402,955**	401,671
Commercial			**54,762**	54,303
Industrial			**2,357**	2,370
Wholesale			**747**	767
Other			**4**	6
Total			**460,825**	459,117

NiSource Inc.
Segment Volumes and Statistical Data

	Three Months Ended June 30,		Six Months Ended June 30,	
Columbia Pipeline Group Operations	**2015**	2014	**2015**	2014
Throughput (MMDth)				
Columbia Transmission	**215.3**	194.2	**706.3**	653.7
Columbia Gulf	**137.3**	145.4	**283.0**	330.3
Crossroads Pipeline	**3.5**	3.5	**8.6**	9.2
Intrasegment eliminations	**(11.4)**	(21.6)	**(40.1)**	(83.2)
Total	**344.7**	321.5	**957.8**	910.0

NiSource Inc.

Schedule 1 – Reconciliation of Net Operating Earnings to GAAP

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions, except per share amounts)	**2015**	2014	**2015**	2014
Net Operating Earnings from Continuing Operations - Controlling Interest	**$ 56.8**	$ 77.9	**$ 325.1**	$ 336.3
Items excluded from operating earnings				
Net Revenues:				
Weather - compared to normal	**(6.8)**	0.1	**15.4**	26.5
Operating Expenses:				
Environmental costs	**(10.0)**	—	**(10.0)**	—
Transaction costs	**(30.4)**	—	**(50.9)**	—
Gain (Loss) on sale of assets	**0.2**	0.4	**(0.1)**	(1.4)
Total items excluded from operating earnings	**(47.0)**	0.5	**(45.6)**	25.1
Other Deductions:				
Loss on early extinguishment of long-term debt	**(97.2)**	—	**(97.2)**	—
Income taxes - discrete items	**(3.9)**	—	**(4.5)**	(7.0)
Tax effect of above items	**55.2**	0.1	**54.5**	(9.5)
Total items excluded from net operating earnings	**(92.9)**	0.6	**(92.8)**	8.6
GAAP (Loss) Income from Continuing Operations - Controlling Interest	**$ (36.1)**	$ 78.5	**$ 232.3**	$ 344.9
Basic Average Common Shares Outstanding	**317.5**	315.0	**317.0**	314.6
Basic Net Operating Earnings Per Share from Continuing Operations	**$ 0.18**	$ 0.25	**$ 1.03**	$ 1.07
Items excluded from net operating earnings (after-tax)	**(0.29)**	—	**(0.30)**	0.03
GAAP Basic (Loss) Earnings Per Share from Continuing Operations	**$ (0.11)**	$ 0.25	**$ 0.73**	$ 1.10

NiSource Inc.
Schedule 2 – Adjustments by Segment from Operating Earnings to GAAP
For the Quarter ended June 30,

2015 (*in millions*)	Gas Distribution	Electric	Columbia Pipeline Group	Corporate & Other	Total
Operating Earnings (Loss)	$ 55.6	$ 56.6	$ 108.6	$ (8.7)	$ 212.1
Net Revenues:					
Weather - compared to normal	(5.9)	(0.9)	—	—	**(6.8)**
Total Impact - Net Revenues	**(5.9)**	**(0.9)**	—	—	**(6.8)**
Operating Expenses:					
Environmental costs	—	(10.0)	—	—	**(10.0)**
Transaction costs	—	—	—	(30.4)	**(30.4)**
Gain on sale of assets	—	—	—	0.2	**0.2**
Total Impact - Operating Expenses	—	**(10.0)**	—	**(30.2)**	**(40.2)**
Total Impact - Operating Loss	**$ (5.9)**	**$ (10.9)**	**$ —**	**$ (30.2)**	**$ (47.0)**
Operating Income (Loss) - GAAP	$ 49.7	$ 45.7	$ 108.6	$ (38.9)	$ 165.1

2014 (*in millions*)	Gas Distribution	Electric	Columbia Pipeline Group	Corporate & Other	Total
Operating Earnings (Loss)	$ 62.5	$ 59.8	$ 103.7	$ (6.9)	$ 219.1
Net Revenues:					
Weather - compared to normal	(2.9)	3.0	—	—	**0.1**
Total Impact - Net Revenues	**(2.9)**	**3.0**	—	—	**0.1**
Operating Expenses:					
Gain on sale of assets	0.2	0.1	—	0.1	**0.4**
Total Impact - Operating Expenses	**0.2**	**0.1**	—	**0.1**	**0.4**
Total Impact - Operating (Loss) Income	**$ (2.7)**	**$ 3.1**	**$ —**	**$ 0.1**	**$ 0.5**
Operating Income (Loss) - GAAP	**$ 59.8**	**$ 62.9**	**$ 103.7**	**$ (6.8)**	**$ 219.6**

NiSource Inc.
Schedule 2 – Adjustments by Segment from Operating Earnings to GAAP
For the Six Months ended June 30,

2015 (*in millions*)	Gas Distribution	Electric	Columbia Pipeline Group	Corporate & Other	Total
Operating Earnings (Loss)	$ 361.4	$ 123.8	$ 271.6	$ (16.0)	$ 740.8
Net Revenues:					
Weather - compared to normal	13.5	1.9	—	—	15.4
Total Impact - Net Revenues	13.5	1.9	—	—	15.4
Operating Expenses:					
Environmental costs	—	(10.0)	—	—	(10.0)
Transaction costs	—	—	—	(50.9)	(50.9)
Loss on sale of assets	—	—	—	(0.1)	(0.1)
Total Impact - Operating Expenses	—	(10.0)	—	(51.0)	(61.0)
Total Impact - Operating Income (Loss)	$ 13.5	$ (8.1)	$ —	$ (51.0)	$ (45.6)
Operating Income (Loss) - GAAP	$ 374.9	$ 115.7	$ 271.6	$ (67.0)	$ 695.2

2014 (*in millions*)	Gas Distribution	Electric	Columbia Pipeline Group	Corporate & Other	Total
Operating Earnings (Loss)	$ 342.6	$ 134.0	$ 262.6	$ (11.0)	$ 728.2
Net Revenues:					
Weather - compared to normal	18.8	7.7	—	—	26.5
Settlement agreement	—	—	—	—	—
Total Impact - Net Revenues	18.8	7.7	—	—	26.5
Operating Expenses:					
Gain (Loss) on sale of assets	0.2	0.1	—	(1.7)	(1.4)
Total Impact - Operating Expenses	0.2	0.1	—	(1.7)	(1.4)
Total Impact - Operating (Loss) Income	$ 19.0	$ 7.8	$ —	$ (1.7)	$ 25.1
Operating Income (Loss) - GAAP	$ 361.6	$ 141.8	$ 262.6	$ (12.7)	$ 753.3

NiSource Inc.
Consolidated Income Statements (GAAP)
(unaudited)

(in millions, except per share amounts)	Three Months Ended June 30, 2015	Three Months Ended June 30, 2014	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014
Net Revenues				
Gas Distribution	**$ 305.9**	$ 423.5	**$ 1,386.6**	$ 1,638.5
Gas Transportation and Storage	**427.4**	390.1	**1,055.4**	968.6
Electric	**375.6**	404.8	**770.3**	854.8
Other	**60.1**	116.7	**106.4**	193.7
Gross Revenues	**1,169.0**	1,335.1	**3,318.7**	3,655.6
Cost of Sales (excluding depreciation and amortization)	**218.6**	371.7	**1,024.6**	1,433.0
Total Net Revenues	**950.4**	963.4	**2,294.1**	2,222.6
Operating Expenses				
Operation and maintenance	**561.0**	533.1	**1,135.1**	1,034.3
Depreciation and amortization	**167.4**	149.1	**324.9**	297.8
Gain on sale of assets	**(8.5)**	(0.7)	**(13.5)**	(16.4)
Other taxes	**79.1**	73.4	**181.5**	174.5
Total Operating Expenses	**799.0**	754.9	**1,628.0**	1,490.2
Equity Earnings in Unconsolidated Affiliates	**13.7**	11.1	**29.1**	20.9
Operating Income	**165.1**	219.6	**695.2**	753.3
Other Income (Deductions)				
Interest expense, net	**(117.1)**	(109.1)	**(228.1)**	(218.2)
Other, net	**6.5**	7.5	**13.6**	12.0
Loss on early extinguishment of long-term debt	**(97.2)**	—	**(97.2)**	—
Total Other Deductions	**(207.8)**	(101.6)	**(311.7)**	(206.2)
(Loss) Income from Continuing Operations before Income Taxes	**(42.7)**	118.0	**383.5**	547.1
Income Taxes	**(15.3)**	39.5	**135.6**	202.2
(Loss) Income from Continuing Operations	**(27.4)**	78.5	**247.9**	344.9
Loss from Discontinued Operations - net of taxes	**(0.3)**	(0.3)	**(0.3)**	(0.5)
Net (Loss) Income	**(27.7)**	78.2	**247.6**	344.4
Less: Net income attributable to noncontrolling interest	**8.7**	—	**15.6**	—
Net (Loss) Income attributable to NiSource	**$ (36.4)**	$ 78.2	**$ 232.0**	$ 344.4
Amounts attributable to NiSource:				
(Loss) Income from continuing operations	**$ (36.1)**	$ 78.5	**$ 232.3**	$ 344.9
Loss from discontinued operations	**(0.3)**	(0.3)	**(0.3)**	(0.5)
Net (Loss) Income attributable to NiSource	**$ (36.4)**	$ 78.2	**$ 232.0**	$ 344.4
Basic (Loss) Earnings Per Share				
Continuing operations	**$ (0.11)**	$ 0.25	**$ 0.73**	$ 1.10
Discontinued operations	**—**	—	**—**	—
Basic (Loss) Earnings Per Share	**$ (0.11)**	$ 0.25	**$ 0.73**	$ 1.10
Diluted (Loss) Earnings Per Share				
Continuing operations	**$ (0.11)**	$ 0.25	**$ 0.73**	$ 1.09
Discontinued operations	**—**	—	**—**	—
Diluted (Loss) Earnings Per Share	**$ (0.11)**	$ 0.25	**$ 0.73**	$ 1.09
Dividends Declared Per Common Share	**$ —**	$ 0.26	**$ 0.52**	$ 0.76
Basic Average Common Shares Outstanding	**317.5**	315.0	**317.0**	314.6
Diluted Average Common Shares	**317.5**	316.1	**318.0**	315.7

NiSource Inc.
Consolidated Balance Sheets (GAAP)
(unaudited)

(in millions)	June 30, 2015	December 31, 2014
ASSETS		
Property, Plant and Equipment		
Utility plant	$ 26,225.2	$ 25,234.8
Accumulated depreciation and amortization	(9,718.8)	(9,578.6)
Net utility plant	16,506.4	15,656.2
Other property, at cost, less accumulated depreciation	401.9	360.9
Net Property, Plant and Equipment	16,908.3	16,017.1
Investments and Other Assets		
Unconsolidated affiliates	452.3	452.6
Other investments	200.7	210.4
Total Investments and Other Assets	653.0	663.0
Current Assets		
Cash and cash equivalents	496.6	25.4
Restricted cash	25.2	24.9
Accounts receivable (less reserve of $38.1 and $25.2, respectively)	672.7	1,070.1
Gas inventory	259.2	445.1
Underrecovered gas costs	3.5	32.0
Materials and supplies, at average cost	112.4	106.0
Electric production fuel, at average cost	96.5	64.8
Exchange gas receivable	57.1	63.1
Regulatory assets	175.5	193.5
Deferred income taxes	303.8	272.1
Prepayments and other	133.2	169.5
Total Current Assets	2,335.7	2,466.5
Other Assets		
Regulatory assets	1,673.7	1,696.4
Goodwill	3,666.2	3,666.2
Intangible assets	258.4	264.7
Deferred charges and other	111.6	92.4
Total Other Assets	5,709.9	5,719.7
Total Assets	$ 25,606.9	$ 24,866.3

NiSource Inc.
Consolidated Balance Sheets (GAAP) (continued)
(unaudited)

(in millions, except share amounts)		**June 30, 2015**		December 31, 2014
CAPITALIZATION AND LIABILITIES				
Capitalization				
NiSource Common Stockholders' Equity				
Common stock - $0.01 par value, 400,000,000 shares authorized; 317,668,149 and 316,037,421 shares outstanding, respectively	$	**3.2**	$	3.2
Additional paid-in capital		**5,065.1**		4,787.6
Retained earnings		**1,561.1**		1,494.0
Accumulated other comprehensive loss		**(44.4)**		(50.6)
Treasury stock		**(79.1)**		(58.9)
Total NiSource Common Stockholders' Equity		**6,505.9**		6,175.3
Noncontrolling interest in consolidated subsidiaries		**950.0**		—
Total Equity		**7,455.9**		6,175.3
Long-term debt, excluding amounts due within one year		**8,881.1**		8,155.9
Total Capitalization		**16,337.0**		14,331.2
Current Liabilities				
Current portion of long-term debt		**442.6**		266.6
Short-term borrowings		**161.8**		1,576.9
Accounts payable		**429.2**		670.6
Customer deposits and credits		**206.9**		294.3
Taxes accrued		**221.5**		266.7
Interest accrued		**141.6**		140.7
Overrecovered gas and fuel costs		**198.6**		45.6
Exchange gas payable		**63.9**		136.2
Deferred revenue		**21.6**		25.6
Regulatory liabilities		**136.1**		62.4
Accrued capital expenditures		**146.3**		61.1
Accrued liability for postretirement and postemployment benefits		**5.9**		5.9
Legal and environmental		**34.5**		24.2
Other accruals		**313.8**		378.1
Total Current Liabilities		**2,524.3**		3,954.9
Other Liabilities and Deferred Credits				
Deferred income taxes		**3,822.6**		3,661.6
Deferred investment tax credits		**16.1**		17.3
Deferred credits		**105.1**		101.1
Accrued liability for postretirement and postemployment benefits		**633.9**		675.9
Regulatory liabilities		**1,692.6**		1,673.8
Asset retirement obligations		**204.7**		159.4
Other noncurrent liabilities		**270.6**		291.1
Total Other Liabilities and Deferred Credits		**6,745.6**		6,580.2
Commitments and Contingencies		**—**		—
Total Capitalization and Liabilities	$	**25,606.9**	$	24,866.3

NiSource Inc.
Statements of Consolidated Cash Flows (GAAP)
(unaudited)

Six Months Ended June 30, *(in millions)*		2015		2014
Operating Activities				
Net Income	$	**247.6**	$	344.4
Adjustments to Reconcile Net Income to Net Cash from Continuing Operations:				
Loss on early extinguishment of debt		**97.2**		—
Depreciation and amortization		**324.9**		297.8
Net changes in price risk management assets and liabilities		**0.1**		1.4
Deferred income taxes and investment tax credits		**119.2**		186.8
Deferred revenue		**6.8**		1.6
Stock compensation expense and 401(k) profit sharing contribution		**33.4**		27.9
Gain on sale of assets		**(13.5)**		(16.4)
Income from unconsolidated affiliates		**(28.4)**		(20.6)
Loss from discontinued operations - net of taxes		**0.3**		0.5
Amortization of debt related costs		**5.4**		5.1
AFUDC equity		**(13.3)**		(9.2)
Distributions of earnings received from equity investees		**27.9**		12.9
Changes in Assets and Liabilities				
Accounts receivable		**385.6**		176.4
Income tax receivable		**(0.2)**		1.0
Inventories		**146.8**		28.2
Accounts payable		**(249.6)**		(170.3)
Customer deposits and credits		**(114.8)**		(20.9)
Taxes accrued		**(44.7)**		(43.2)
Interest accrued		**0.9**		5.5
Over (Under) recovered gas and fuel costs		**181.5**		(11.6)
Exchange gas receivable/payable		**(66.2)**		(112.3)
Other accruals		**(69.8)**		(47.6)
Prepayments and other current assets		**36.7**		43.0
Regulatory assets/liabilities		**125.4**		14.8
Postretirement and postemployment benefits		**(41.5)**		(61.8)
Deferred credits		**3.7**		11.1
Deferred charges and other noncurrent assets		**2.3**		(0.3)
Other noncurrent liabilities		**12.0**		7.8
Net Operating Activities from Continuing Operations		**1,115.7**		652.0
Net Operating Activities used for Discontinued Operations		**(0.1)**		(1.0)
Net Cash Flows from Operating Activities		**1,115.6**		651.0
Investing Activities				
Capital expenditures		**(991.1)**		(852.9)
Insurance recoveries		**2.1**		6.8
Proceeds from disposition of assets		**16.7**		6.2
Restricted cash deposits		**(0.3)**		(1.8)
Distributions from (contributions to) equity investees		**2.2**		(54.8)
Other investing activities		**(23.4)**		(1.1)
Net Cash Flows used for Investing Activities		**(993.8)**		(897.6)
Financing Activities				
Issuance of common units of CPPL, net of issuance costs		**1,168.4**		—
Issuance of long-term debt		**2,745.9**		—
Repayments of long-term debt and capital lease obligations		**(1,856.4)**		(13.3)
Premiums and other debt related costs		**(116.0)**		—
Change in short-term borrowings, net		**(1,415.1)**		402.4
Issuance of common stock		**12.4**		16.1
Acquisition of treasury stock		**(20.2)**		(10.2)
Distributions to noncontrolling interest		**(4.9)**		—
Dividends paid - common stock		**(164.7)**		(157.2)
Net Cash Flows from Financing Activities		**349.4**		237.8
Change in cash and cash equivalents from (used for) continuing operations		**471.3**		(7.8)
Change in cash and cash equivalents used for discontinued operations		**(0.1)**		(1.0)
Cash and cash equivalents at beginning of period		**25.4**		26.8
Cash and Cash Equivalents at End of Period	$	**496.6**	$	18.0

Columbia Pipeline Group

5151 San Felipe
Houston, Texas 77056
NYSE: CPGX

NEWS RELEASE

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FOR ADDITIONAL INFORMATION:

Investors:
Bruce Connery
Vice President, Investor Relations
(713) 386-3603
blconnery@cpg.com

Media:
James Yardley
Director, External & Corporate Communications
(713) 386-3366
jyardley@cpg.com

Columbia Pipeline Group Reports Second Quarter 2015 Earnings

- *Reconfirms Annual Average EBITDA and Dividend growth rates through 2020 of 20% and 15%, respectively*
- *Separation from NiSource Inc. successfully completed*
- *Mountaineer XPress and Gulf XPress projects advance; Midstream's Gibraltar project moving forward*
- *Continued progress on executing key growth and modernization investments*

HOUSTON - Columbia Pipeline Group, Inc. (NYSE: CPGX) reported net operating earnings from continuing operations (non-GAAP) of $61.2 million for the three months ended June 30, 2015, compared with $59.4 million for the prior year period. Operating earnings (non-GAAP) for the second quarter were $109.1 million compared to $103.9 million for the prior year period. For the quarter, Adjusted EBITDA (non-GAAP) was $138.6 million compared to $126.6 million in 2014. Additionally, distributable cash flow (non-GAAP) was $27.9 million for the second quarter. Please refer to Schedules 1 and 2 in the financial tables below for a reconciliation of our non-GAAP financial measures to the most directly comparable GAAP financial measures.

On a GAAP basis, CPG reported income from continuing operations for the three months ended June 30, 2015 of $60.1 million compared to $59.4 million for the prior year period. Operating income in the second quarter was $107.3 million compared to $103.9 million for the prior year period.

"Our core investment strategies continue to deliver solid financial and operational results squarely in line with our expectations," said CPG Chairman and Chief Executive Officer, **Robert C. Skaggs, Jr.** "CPG teams are successfully delivering on significant growth and modernization projects as we continue to provide solutions for Marcellus and Utica producers as well as existing and prospective demand-side customers. These investments are expected to drive strong long-term EBITDA and dividend growth for CPG."

Second Quarter Highlights

CPG's separation from NiSource Inc. successfully completed

On July 1, 2015, CPG's planned separation from NiSource Inc. was successfully completed, creating a stand-alone, public company, which trades on the New York Stock Exchange under the ticker symbol "CPGX."

"A tremendous amount of hard work by the CPG and NiSource teams allowed us to successfully execute our separation strategy. As a standalone pipeline, midstream and storage company, we believe CPG presents a compelling investment proposition -- a unique combination of very stable cash flows, a high quality and diverse customer base and highly visible growth driven by an unmatched position in the country's most prolific shale basins," Skaggs said.

Prior to separation, CPG successfully completed its debt recapitalization process, issuing $2.75 billion of investment grade debt with a weighted average term of 11 years and a weighted average coupon of approximately 4 percent. With a strong financial foundation, CPG is well positioned to execute on its deep inventory of infrastructure investments.

Growth Project Update

In total, CPG is on track to invest approximately $1.2 billion during 2015 and expects to triple its net investment level by 2020. During the second quarter, CPG continued to strengthen its competitive market position in the Marcellus and Utica Shale production regions by advancing several major growth projects. CPG also continued to execute its long-term system modernization program.

- On June 24, CPG announced that the Mountaineer XPress (MXP) and Gulf XPress (GXP) projects had received Board approval and moved into the execution phase. These projects will provide significant new takeaway capacity for Marcellus and Utica Shale production. Specifically, MXP will provide up to 2.7 billion cubic feet per day of firm transportation capacity on the Columbia Gas Transmission system and GXP will provide nearly 900 million cubic feet per day of firm transportation capacity on the Columbia Gulf Transmission system. Together, the projects involve an investment of approximately $2.7 billion and are targeted to be placed in service in the fourth quarter of 2018.

- Separately, Columbia Midstream Group (CMG) recently announced its Gibraltar project -- an approximately $275 million investment in a 1 billion cubic feet per day dry gas header pipeline in southwest Pennsylvania targeting Utica dry gas. CMG expects this to be the first of multiple phases and anticipates that the total investment could be as much as $600 million.

- CPG's East Side Expansion project continues to advance and is expected to be placed in service in the fourth quarter of 2015. The approximately $275 million project will provide 312 million cubic feet per day of additional capacity for Marcellus Shale supplies to reach growing -- and capacity constrained -- northeastern and mid-Atlantic markets.

- Progress continues on several other major growth projects, including CPG's approximately $1.8 billion Leach and Rayne XPress projects, the $850 million WB XPress project and the $310 million Cameron Access project. Together, these projects will create approximately 4 billion cubic feet per day of new capacity commitments across the CPG system, including access to LNG export facilities in Louisiana and Maryland.

- CPG is executing on the third year of the Columbia Gas Transmission long-term system modernization program, which is underpinned by a first of its kind FERC approved customer settlement. CPG expects to make approximately $300 million in modernization investments during 2015. Recovery of approximately $320 million of investments made in 2014 began earlier this year. Discussions with customers are underway regarding the possible extension of the program. As those discussions progress, periodic updates will be provided.

- CMG remains on schedule with the first phase of its $120 million Washington County Gathering project, as well as its $65 million Big Pine Expansion project -- both expected to be placed in service before the end of 2015.

"Across all parts of the company, from the regulated interstate pipelines to the growing midstream franchise and the system modernization program, our team is highly focused on executing CPG's transformational growth strategy," said Skaggs.

Three Months Ended June 30, 2015 Operating Results

CPG's net operating earnings from continuing operations (non-GAAP) for the three months ended June 30, 2015 were $61.2 million compared to $59.4 million for the prior year period. Please refer to schedule 1 for a reconciliation of net operating earnings to GAAP. A comparison of operating results for the three months ended June 30, 2015 to the three months ended June 30, 2014 is summarized below. Earnings for the periods prior to the date of CPG's separation from NiSource are derived from the financial statements and accounting records of CPG's predecessor.

Operating revenues, excluding the impact of trackers, increased by $20.7 million, primarily due to higher demand margin revenue as a result of growth projects placed into service and new firm contracts.

Operating expenses, excluding the impact of trackers, increased by $18.1 million, primarily due to higher outside service costs, increased employee and administrative costs and higher depreciation. These increases were partially offset by increased gains on the conveyances of mineral interests.

Equity earnings increased by $2.6 million, primarily due to certain Pennant facilities being fully placed in-service.

Other deductions increased by $8.7 million, primarily due to an increase in interest expense resulting from the issuance of long-term debt in May 2015, partially offset by the equity portion of Allowance for Funds Used During Construction (AFUDC).

The effective tax rate of net operating earnings was 32.4% compared to 36.8% for the same period last year. The 4.4% decrease is primarily due to CPPL earnings for which the noncontrolling public limited partners are directly responsible for the related income taxes.

Six Months Ended June 30, 2015 Operating Results

CPG's net operating earnings from continuing operations (non-GAAP) for the six months ended June 30, 2015 were $158.3 million compared to $152.4 million for the prior year period. Please refer to schedule 1 for a reconciliation of net operating earnings to GAAP. A comparison of operating results for the six months ended

June 30, 2015 to the six months ended June 30, 2014 is summarized below. Earnings for the periods prior to the date of CPG's separation from NiSource are derived from the financial statements and accounting records of CPG's predecessor.

Operating revenues, excluding the impact of trackers, increased by $42.3 million, primarily due to higher demand margin revenue as a result of growth projects placed into service and new firm contracts. This increase was partially offset by decreased mineral rights royalty revenue.

Operating expenses, excluding the impact of trackers, increased by $41.7 million, primarily due to higher employee and administrative costs, increased outside service costs and higher depreciation. Additionally, there were decreased gains on the conveyances of mineral interests and increased other taxes.

Equity earnings increased by $8.2 million, primarily due to certain Pennant facilities being fully placed in service and new compression assets being placed into service at Millennium Pipeline.

Other deductions for the six months ended June 30, 2015 increased by $12.2 million compared to the same period in 2014. The increase was primarily due to an increase in interest expense resulting from the issuance of long-term debt in May 2015, partially offset by the equity portion of AFUDC.

The effective tax rate of net operating earnings was 33.9% compared to 37.3% for the same period last year. The 3.4% decrease is primarily due to CPPL earnings for which the noncontrolling public limited partners are directly responsible for the related income taxes.

Conference Call

Columbia Pipeline Group and Columbia Pipeline Partners LP will host a joint investor conference call at 10:00 a.m. ET (9:00 a.m. CT) on Monday, August 3, 2015, to review their second quarter 2015 financial results. All interested parties may listen to the conference call live by logging onto the Columbia Pipeline Group or Columbia Pipeline Partners investor relations websites at http://investors.cpg.com or http://investors.columbiapipelinepartners.com.

A replay of the call will be available beginning at 1:00 pm ET on August 3, through 11:59 p.m. ET on August 10. To access the recording, call (855) 859-2056 and enter conference ID 84781146. For international participants to hear the replay, please dial (404) 537-3406 and enter the same pass code as above, 84781146. A recording of the call also will be archived on the Columbia Pipeline Group and Columbia Pipeline Partners websites.

Non-GAAP Financial Measures

Operating Earnings, Adjusted EBITDA and Partnership Distributable Cash Flow

We define Operating Earnings as operating income adjusted for transactions that are considered unusual, infrequent or not representative of underlying trends. Examples of these transactions include impairments and costs associated with CPG's separation from NiSource. We define Adjusted EBITDA as net income before interest expense, income taxes, and depreciation and amortization, plus distributions of earnings received from equity investees, less equity earnings in unconsolidated affiliates and other, net. In addition, to the extent transactions occur that are considered unusual, infrequent or not representative of underlying trends, we will remove the effect of these items from Adjusted EBITDA. Examples of these transactions include impairments and costs associated with the separation. We define Distributable Cash Flow as Adjusted EBITDA less net cash interest expense, maintenance capital expenditures, gain on sale of assets and distributable cash flow attributable to noncontrolling interest plus proceeds from sale of assets, capital costs related to the separation and any other known differences between cash and income.

Operating Earnings, Adjusted EBITDA and Distributable Cash Flow are non-GAAP supplemental financial measures that management and external users of our financial statements, such as industry analysts, investors, lenders and rating agencies, may use to assess the viability of acquisitions and other capital expenditure projects and the returns on investment of various investment opportunities.

We believe that the presentations of Operating Earnings, Adjusted EBITDA and Distributable Cash Flow will provide useful information to investors in assessing our financial condition and results of operations. The GAAP measures most directly comparable to Operating Earnings is Operating Income. The GAAP measures most directly comparable to Adjusted EBITDA and Distributable Cash Flow are Net Income and Net Cash Flows from Operating Activities. Our non-GAAP financial measures of Operating Earnings, Adjusted EBITDA and Distributable Cash Flow should not be considered as an alternative to GAAP operating income, net income or net cash flows from operating activities. Operating Earnings, Adjusted EBITDA and Distributable Cash Flow have important limitations as analytical tools because they exclude some but not all items that affect operating income, net income and net cash flows from operating activities. You should not consider Operating Earnings, Adjusted EBITDA or Distributable Cash Flow in isolation or as a substitute for analysis of our results as reported under GAAP. Because Operating Earnings, Adjusted EBITDA or Distributable Cash Flow may be defined differently by other companies in our industry, our definitions of Operating Earnings, Adjusted EBITDA or Distributable Cash Flow may not be comparable to similarly titled measures of other companies, thereby diminishing their utility.

About Columbia Pipeline Group, Inc.

Columbia Pipeline Group, Inc. operates approximately 15,000 miles of strategically located interstate pipeline, gathering and processing assets extending from New York to the Gulf of Mexico, including an extensive footprint in the Marcellus and Utica Shale production areas. Columbia Pipeline Group also operates one of the nation's largest underground natural gas storage systems. Columbia Pipeline Group is listed on the NYSE under the ticker symbol CPGX. Additional information can be found at www.cpg.com.

Forward-Looking Statement

This release includes "forward-looking statements" within the meaning of federal securities laws, which are statements other than historical facts and that frequently use words such as "anticipate," "believe," "continue," "could," "estimate," "expect," "forecast," "intend," "may," "plan," "position," "should," "strategy," "target," "will" and similar words. All forward-looking statements speak only as of the date of this release. Although CPG believes that the plans, intentions and expectations reflected in or suggested by the forward-looking statements are reasonable, there is no assurance that these plans, intentions or expectations will be achieved. Therefore, actual outcomes and results could materially differ from what is expressed, implied or forecasted in such statements. This release contains certain forward-looking statements that are based on current plans and expectations and are subject to various risks and uncertainties. CPG's business may be influenced by many factors that are difficult to predict, involve uncertainties that may materially affect actual results and are often beyond CPG's control. These factors include, but are not limited to, changes in general economic conditions; competitive conditions in our industry; actions taken by third-party operators, processors and transporters; the demand for natural gas storage and transportation services; our ability to successfully implement our business plan; our ability to complete internal growth projects on time and on budget; the price and availability of debt and equity financing; the availability and price of natural gas to the consumer compared to the price of alternative and competing fuels; competition from the same and alternative energy sources; energy efficiency and technology trends; operating hazards and other risks incidental to transporting, storing and gathering natural gas; natural disasters, weather-related delays, casualty losses and other matters beyond our control; interest rates; labor relations; large customer defaults; changes in the availability and cost of capital; changes in tax status; the effects of existing and future laws and governmental regulations; and the effects of future litigation. For a full discussion of these risks and uncertainties, please refer to the "Risk Factors" section of CPG's Registration Statement on Form 10 dated and filed with the Securities Exchange Commission on February 6, 2015, as amended and declared effective on June 3, 2015. All forward-looking statements included in this press release are expressly qualified in their entirety by such cautionary statements. CPG expressly disclaims any obligation to update, amend or clarify any forward-looking statement to reflect events, new information or circumstances occurring after the date of this press release except as required by applicable law.

	Three Months Ended June 30, 2015	Three Months Ended June 30, 2014	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014
		Predecessor		*Predecessor*
Operating Revenues				
Transportation revenues	$ **178.7**	$ 153.5	$ **386.2**	$ 332.7
Transportation revenues-affiliated	**17.1**	16.9	**43.7**	42.6
Transportation revenues-trackers	**60.5**	108.9	**103.8**	179.5
Storage revenues	**35.5**	35.7	**71.9**	71.7
Storage revenues-affiliated	**12.9**	13.1	**26.1**	26.7
Storage revenues-trackers	**0.7**	0.4	**1.0**	0.8
Other revenues	**10.7**	15.0	**23.4**	35.3
Total Operating Revenues	**316.1**	343.5	**656.1**	689.3
Operating Expenses				
Operation and maintenance	**89.9**	66.3	**164.7**	132.5
Operation and maintenance-affiliated	**24.9**	29.3	**52.9**	57.8
Operation and maintenance-trackers	**61.2**	109.3	**104.8**	180.3
Depreciation and amortization	**33.9**	28.8	**66.4**	58.6
Gain on sale of assets	**(8.3)**	(0.3)	**(13.6)**	(17.8)
Property and other taxes	**19.1**	17.3	**38.2**	35.8
Total Operating Expenses	**220.7**	250.7	**413.4**	447.2
Equity Earnings in Unconsolidated Affiliates	**13.7**	11.1	**29.1**	20.9
Operating Earnings	**109.1**	103.9	**271.8**	263.0
Other Income (Deductions)				
Interest expense	**(12.9)**	—	**(12.9)**	—
Interest expense-affiliated	**(11.0)**	(12.6)	**(29.3)**	(24.7)
Other, net	**5.3**	2.7	**9.9**	4.6
Total Other Deductions, net	**(18.6)**	(9.9)	**(32.3)**	(20.1)
Operating Earnings from Continuing Operations before Income Taxes	**90.5**	94.0	**239.5**	242.9
Income Taxes	**29.3**	34.6	**81.2**	90.5
Net Operating Earnings from Continuing Operations	**61.2**	59.4	**158.3**	152.4
Less: Net Operating Earnings from Continuing Operations - Noncontrolling Interest	**9.0**	—	**16.1**	—
Net Operating Earnings from Continuing Operations - Controlling Interest	**52.2**	59.4	**142.2**	152.4
GAAP Adjustment	**(1.1)**	—	**(1.1)**	—
GAAP Income from Continuing Operations - Controlling Interest	$ **51.1**	$ 59.4	$ **141.1**	$ 152.4

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	**2015**	2014
		Predecessor		*Predecessor*
Net Operating Earnings from Continuing Operations - Controlling Interest	$ **52.2**	$ 59.4	$ **142.2**	$ 152.4
Items excluded from operating earnings				
Operating Expenses:				
Asset impairment	**(1.8)**	—	**(1.8)**	—
Total items excluded from operating earnings	**(1.8)**	—	**(1.8)**	—
Other Deductions:				
Tax effect of above items	**0.7**	—	**0.7**	—
Total items excluded from net operating earnings	**(1.1)**	—	**(1.1)**	—
GAAP Income from Continuing Operations - Controlling Interest	$ **51.1**	$ 59.4	$ **141.1**	$ 152.4

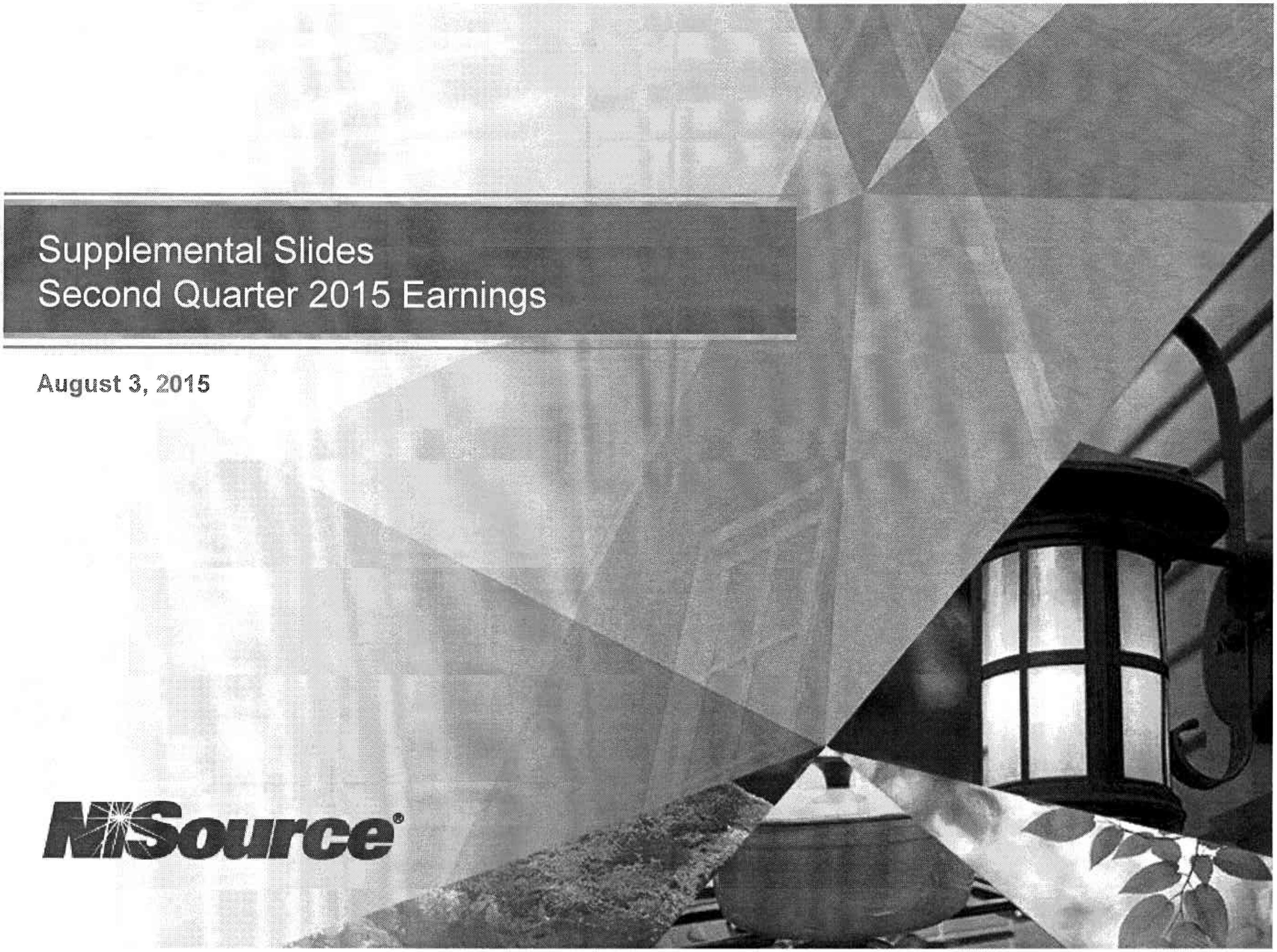
(in millions)	Three Months Ended June 30, 2015	Three Months Ended June 30, 2014	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014
		Predecessor		*Predecessor*
Net Income	$ **59.8**	$ 59.1	$ **156.9**	$ 151.9
Add:				
Interest expense	**12.9**	—	**12.9**	—
Interest expense-affiliated	**11.0**	12.6	**29.3**	24.7
Income taxes	**28.6**	34.6	**80.5**	90.5
Depreciation and amortization	**33.9**	28.8	**66.4**	58.6
Asset impairment	**1.8**	—	**1.8**	—
Distributions of earnings received from equity investees	**9.6**	5.3	**27.9**	12.9
Less:				
Equity earnings in unconsolidated affiliates	**13.7**	11.1	**29.1**	20.9
Other, net	**5.3**	2.7	**9.9**	4.6
Adjusted EBITDA	$ **138.6**	$ 126.6	$ **336.7**	$ 313.1
Less:				
Adjusted EBITDA attributable to noncontrolling interest	**11.4**		**21.1**	
Adjusted EBITDA attributable to CPG	$ **127.2**		$ **315.6**	
Net Cash Flows from Operating Activities	$ **103.0**	$ 133.8	$ **266.8**	$ 337.4
Interest expense	**12.9**	—	**12.9**	—
Interest expense-affiliated	**11.0**	12.6	**29.3**	24.7
Current taxes	**32.8**	16.0	**48.6**	42.9
Other adjustments to operating cash flows	**10.7**	(2.1)	**7.5**	13.3
Changes in assets and liabilities	**(31.8)**	(33.7)	**(28.4)**	(105.2)
Adjusted EBITDA	$ **138.6**	$ 126.6	$ **336.7**	$ 313.1
Less:				
Adjusted EBITDA attributable to noncontrolling interest	**11.4**		**21.1**	
Adjusted EBITDA attributable to CPG	$ **127.2**		$ **315.6**	
Adjusted EBITDA	$ **138.6**		$ **336.7**	
Less:				
Cash interest, net	**23.9**		**42.2**	
Maintenance capital expenditures	**89.4**		**110.0**	
Gain on sale of assets	**8.3**		**13.6**	
Net cash paid for income taxes	**32.8**		**48.6**	
Distributions to public unitholders	**4.9**		**4.9**	
Add:				
Proceeds from sales of assets	**7.1**		**17.3**	
Capital costs related to Separation	**41.5**		**43.6**	
Distributable Cash Flow	$ **27.9**		$ **178.3**	

(in millions)	Three Months Ended June 30, 2015	Three Months Ended June 30, 2014 Predecessor	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014 Predecessor
Operating Revenues				
Transportation revenues	$ **237.8**	$ 260.5	$ **486.2**	$ 507.4
Transportation revenues-affiliated	**18.5**	18.8	**47.5**	47.4
Storage revenues	**36.2**	36.0	**72.8**	72.3
Storage revenues-affiliated	**12.9**	13.2	**26.2**	26.9
Other revenues	**10.7**	15.0	**23.4**	35.3
Total Operating Revenues	**316.1**	343.5	**656.1**	689.3
Operating Expenses				
Operation and maintenance	**151.1**	175.6	**269.5**	312.8
Operation and maintenance-affiliated	**24.9**	29.3	**52.9**	57.8
Depreciation and amortization	**33.9**	28.8	**66.4**	58.6
Gain on sale of assets	**(6.5)**	(0.3)	**(11.8)**	(17.8)
Property and other taxes	**19.1**	17.3	**38.2**	35.8
Total Operating Expenses	**222.5**	250.7	**415.2**	447.2
Equity Earnings in Unconsolidated Affiliates	**13.7**	11.1	**29.1**	20.9
Operating Income	**107.3**	103.9	**270.0**	263.0
Other Income (Deductions)				
Interest expense	**(12.9)**	—	**(12.9)**	—
Interest expense-affiliated	**(11.0)**	(12.6)	**(29.3)**	(24.7)
Other, net	**5.3**	2.7	**9.9**	4.6
Total Other Deductions, net	**(18.6)**	(9.9)	**(32.3)**	(20.1)
Income from Continuing Operations before Income Taxes	**88.7**	94.0	**237.7**	242.9
Income Taxes	**28.6**	34.6	**80.5**	90.5
Income from Continuing Operations	$ **60.1**	$ 59.4	$ **157.2**	$ 152.4
Loss from Discontinued Operations-net of taxes	**(0.3)**	(0.3)	**(0.3)**	(0.5)
Net Income	$ **59.8**	$ 59.1	$ **156.9**	$ 151.9
Less: Net income attributable to noncontrolling interest	**9.0**		**16.1**	
Net income attributable to CPG	$ **50.8**		$ **140.8**	
Amounts attributable to CPG:				
Income from continuing operations	$ **51.1**	$ 59.4	$ **141.1**	$ 152.4
Loss from discontinued operations	**(0.3)**	(0.3)	**(0.3)**	(0.5)
Net income attributable to CPG	$ **50.8**	$ 59.1	$ **140.8**	$ 151.9

(in millions)		**June 30, 2015**		December 31, 2014
ASSETS				
Current Assets				
Cash and cash equivalents	$	**136.8**	$	0.5
Accounts receivable (less reserve of $0.6 and $0.6, respectively)		**123.6**		149.4
Accounts receivable-affiliated		**678.8**		180.0
Materials and supplies, at average cost		**28.2**		24.9
Exchange gas receivable		**24.8**		34.8
Regulatory assets		**5.3**		6.1
Deferred property taxes		**32.3**		48.9
Deferred income taxes		**91.8**		60.0
Prepayments and other		**20.3**		14.7
Total Current Assets		**1,141.9**		519.3
Investments				
Unconsolidated affiliates		**444.6**		444.3
Other investments		**12.1**		2.7
Total Investments		**456.7**		447.0
Property, Plant and Equipment				
Property, plant and equipment		**8,476.6**		7,935.4
Accumulated depreciation and amortization		**(2,993.0)**		(2,976.8)
Net Property, Plant and Equipment		**5,483.6**		4,958.6
Other Noncurrent Assets				
Regulatory assets		**149.0**		151.9
Goodwill		**1,975.5**		1,975.5
Postretirement and postemployment benefits assets		**110.8**		90.0
Deferred charges and other		**39.4**		15.2
Total Other Noncurrent Assets		**2,274.7**		2,232.6
Total Assets	$	**9,356.9**	$	8,157.5

(in millions)	**June 30, 2015**	December 31, 2014
LIABILITIES AND EQUITY		
Current Liabilities		
Current portion of long-term debt-affiliated	$ —	$ 115.9
Short-term borrowings	**20.0**	—
Short-term borrowings-affiliated	**718.9**	252.5
Accounts payable	**67.6**	56.0
Accounts payable-affiliated	**29.6**	53.6
Customer deposits	**41.8**	13.4
Taxes accrued	**96.9**	103.2
Exchange gas payable	**24.9**	34.7
Deferred revenue	**13.7**	22.5
Regulatory liabilities	**9.0**	1.3
Legal and environmental	**2.1**	2.0
Accrued capital expenditures	**146.3**	61.1
Other accruals	**92.7**	68.0
Total Current Liabilities	**1,263.5**	784.2
Noncurrent Liabilities		
Long-term debt	**2,745.9**	—
Long-term debt-affiliated	—	1,472.8
Deferred income taxes	**1,326.2**	1,255.7
Accrued liability for postretirement and postemployment benefits	**46.7**	53.0
Regulatory liabilities	**304.1**	295.7
Asset retirement obligations	**24.2**	23.2
Other noncurrent liabilities	**85.5**	96.6
Total Noncurrent Liabilities	**4,532.6**	3,197.0
Total Liabilities	**5,796.1**	3,981.2
Commitments and Contingencies		
Equity		
Net parent investment	**2,635.0**	4,210.8
Accumulated other comprehensive loss	**(24.5)**	(34.5)
Total CPG Equity	**2,610.5**	4,176.3
Noncontrolling Interest	**950.3**	—
Total Equity	**3,560.8**	4,176.3
Total Liabilities and Equity	$ **9,356.9**	$ 8,157.5

Six Months Ended June 30, (in millions)		2015		2014
				Predecessor
Operating Activities				
Net Income	$	156.9	$	151.9
Adjustments to Reconcile Net Income to Net Cash from Continuing Operations:				
Depreciation and amortization		66.4		58.6
Deferred income taxes and investment tax credits		31.9		47.6
Deferred revenue		(0.1)		2.0
Equity-based compensation expense and 401(k) profit sharing contribution		3.9		1.7
Gain on sale of assets		(11.8)		(17.8)
Income from unconsolidated affiliates		(29.1)		(20.9)
Loss from discontinued operations-net of taxes		0.3		0.5
Amortization of debt related costs		0.6		—
AFUDC equity		(8.5)		(4.3)
Distributions of earnings received from equity investees		27.9		12.9
Changes in Assets and Liabilities:				
Accounts receivable		13.9		(25.2)
Accounts receivable-affiliated		1.7		19.1
Accounts payable		2.3		24.3
Accounts payable-affiliated		(26.9)		(17.7)
Customer deposits		1.0		75.2
Taxes accrued		(0.4)		(9.4)
Exchange gas receivable/payable		0.2		4.7
Other accruals		13.5		4.3
Prepayments and other current assets		7.8		20.5
Regulatory assets/liabilities		25.5		25.6
Postretirement and postemployment benefits		(15.5)		(11.1)
Deferred charges and other noncurrent assets		(2.2)		(3.3)
Other noncurrent liabilities		7.6		(0.8)
Net Operating Activities from Continuing Operations		266.9		338.4
Net Operating Activities used for Discontinued Operations		(0.1)		(1.0)
Net Cash Flows from Operating Activities		266.8		337.4
Investing Activities				
Capital expenditures		(470.2)		(296.6)
Insurance recoveries		2.1		6.8
Change in short-term lendings-affiliated		(500.2)		(10.4)
Proceeds from disposition of assets		17.3		4.9
Distributions from (contributions to) equity investees		2.2		(54.8)
Other investing activities		(17.0)		(3.4)
Net Cash Flows used for Investing Activities		(965.8)		(353.5)
Financing Activities				
Change in short-term borrowings		20.0		—
Change in short-term borrowings-affiliated		466.3		(312.6)
Issuance of long-term debt		2,745.9		—
Debt related costs		(22.5)		—
Issuance of long-term debt-affiliated		1,217.3		328.4
Payments of long-term debt-affiliated, including current portion		(2,806.0)		—
Proceeds from the issuance of common units, net of offering costs		1,168.4		—
Distribution of IPO proceeds to parent		(500.0)		—
Distribution to parent		(1,450.0)		—
Distribution to noncontrolling interest		(4.9)		—
Transfer from parent		0.8		—
Net Cash Flows from Financing Activities		835.3		15.8
Change in cash and cash equivalents		136.3		(0.3)
Cash and cash equivalents at beginning of period		0.5		0.4
Cash and Cash Equivalents at End of Period	$	136.8	$	0.1


Supplemental Slides
Second Quarter 2015 Earnings
August 3, 2015
NiSource

Forward-Looking Statements

Forward-Looking Statements

This presentation contains forward-looking statements within the meaning of federal securities laws.

These forward-looking statements are subject to various risks and uncertainties. Examples of forward-looking statements in this presentation include statements and expectations regarding NiSource's business, performance and growth following the separation. Factors that could cause actual results to differ materially from the projections, forecasts, estimates and expectations discussed in this Quarterly Report on Form 10-Q include, but are not limited to, NiSource's debt obligations and ability to comply with related covenants, changes in NiSource's credit rating, growth opportunities for NiSource's businesses, changes in general economic and market conditions, regulatory rate reviews and proceedings, increased competition in deregulated energy markets, compliance with environmental laws, fluctuations in weather, climate change, natural disasters, acts of terrorism and other catastrophic events, economic conditions in certain industries, fluctuations in the price of energy commodities, counterparty credit risk, any impairment of goodwill and definite-lived intangible assets, changes in taxation or accounting principles, accidents and other operating risks, aging infrastructure, disruptions in information technology and cyber-attacks, NiSource's ability to achieve the intended benefits of the Separation and other matters set forth in the "Risk Factors" section in NiSource's 2014 Form 10-K and subsequent Form 10-Q filed with the Securities and Exchange Commission, many of which are beyond the control of NiSource. In addition, the relative contributions to profitability by each segment, and the assumptions underlying the forward-looking statements relating thereto, may change over time. NiSource expressly disclaims any duty to update, supplement or amend any of its forward-looking statements contained in this presentation, whether as a result of new information, subsequent events or otherwise, except as required by applicable law.

Regulation G Disclosure Statement

This presentation includes guidance with respect to net operating earnings from continuing operations, which is a non-GAAP financial measure as defined by the SEC's Regulation G. It should be noted that there will likely be differences between such net operating earnings and GAAP earnings due to various factors, including, but not limited to, weather, restructuring, environmental and separation related costs and expenses and accounting changes. NiSource is not able to estimate the impact of such factors on GAAP earnings and, as such, is not providing earnings guidance on a GAAP basis.

Key Takeaways – Second Quarter 2015

- Results in line with expectations*
  - $0.18 per share in Q2 2015 versus $0.25 per share in Q2 2014**
- 2016 EPS guidance $1.00 - $1.10**; CapEx ~$1.4B
- Continued disciplined execution of core infrastructure investment and regulatory initiatives
- NiSource/CPG separation completed as planned on July 1, 2015
  - Shareholders received 1-to-1 distribution of CPG shares
- Commitment to investment-grade credit, strong liquidity, sustainable earnings and dividend growth
  - Investment-grade credit rating upgraded at Standard & Poor's, outlook raised by Fitch Ratings
  - First post-separation dividend of 15.5 cents per share announced in July; Consistent with planned combined (NI/CPG) dividend increase announced in May

Projected Annual Pure-Play Earnings and Dividend Growth of 4-6%**

** Results include Columbia Pipeline Group (CPG) reportable segment as it remained part of NiSource through June 30, 2015*
*** Net Operating Earnings from Continuing Operations (non-GAAP); For a reconciliation to GAAP, see Schedule 1 of the Company's August 3, 2015 Earnings Release*

Second Quarter 2015 Financial Highlights*

Non-GAAP**	Q2 2015	Q2 2014	Change
Net Operating Earnings from Continuing Operations ($M) – Controlling Interest	$56.8	$77.9	($21.1)
Net Operating Earnings Per Share	$0.18	$0.25	($0.07)
Operating Earnings ($M)	$212.1	$219.1	($7.0)

GAAP	Q2 2015	Q2 2014	Change
(Loss)/Income from Continuing Operations ($M) – Controlling Interest	($36.1)	$78.5	($114.6)
(Loss)/Earnings Per Share	($0.11)	$0.25	($0.36)
Operating Income ($M)	$165.1	$219.6	($54.5)

Results in Line with Expectations

** Results include Columbia Pipeline Group (CPG) reportable segment as it remained part of NiSource through June 30, 2015*
*** Net Operating Earnings from Continuing Operations (non-GAAP); For a reconciliation to GAAP, see Schedule 1 of the Company's August 3, 2015 Earnings Release*

NiSource

NiSource Debt and Credit Profile

- NiSource's debt level reduced to ~$6.7B as of July 1, 2015
  - Weighted average maturity ~14 years
  - Weighted average rate of ~5.86%

- Solid liquidity position following separation
  - $1.5B / 5-year committed credit facility in place
  - ~$2B in net available liquidity as of July 1, 2015

- Improved investment-grade credit ratings

  Moody's Baa2 • S&P BBB+ • Fitch BBB- (Positive)

Committed to Investment-Grade Credit Ratings

NiSource

Gas Distribution Operations – Second Quarter 2015

- Continued focus on investments to deliver safe, reliable and cost-effective service to customers
- Ongoing commitment to customer service and programs
- Reached settlement in principle in Massachusetts base rate case
- Massachusetts priority pipe replacement plan approved on April 30
- 2015 capital investment: ~$900M

Looking Ahead:

Highlight	Key Components	Status
Columbia Gas of Massachusetts Base Rate Case	• Filed April 16, 2015 • Seeks to recover costs to support CMA's multi-year modernization plan • Requested revenue increase of $49M annually	• Settlement expected to be filed with Massachusetts DPU in August 2015
Columbia Gas of Pennsylvania Base Rate Case	• Filed March 19, 2015 • Supports continuation of CPA's infrastructure modernization and safety programs • Requested revenue increase of ~$46M annually	• Commission decision expected by the end of this year
Columbia Gas of Virginia Base Rate Case	• Supports multi-year system modernization program, growth and safety investments • Stipulated settlement with staff and intervening parties approved ~$25M revenue increase • Hearing examiner recommended approval of settlement	• Final commission order expected later this year
NIPSCO Gas System Modernization Program	• Seven-year, ~$830M investment focused on system modernization and system extensions to rural customers • 2015 investments projected at ~$124M	• 2015 projects in progress • Program update, semi-annual gas tracker to be filed by Sept. 1, 2015

~$20B+ in Expected Long-Term Infrastructure Investment Opportunities

Electric Operations – Second Quarter 2015

- Michigan City FGD on budget and on schedule
- Transmission projects on budget and on schedule; substation construction commenced on both projects
- Electric rate case to be filed in Q4 2015, followed by new seven-year modernization plan
- 2015 capital investment plan: ~$400M

Looking Ahead:

Highlight	Key Components	Status
Electric System Modernization Program	• Settlement agreement reached with parties that resolves all concerns raised in an Indiana Court of Appeals proceeding • Settlement agrees to NIPSCO filing a base rate case before the end of the year, followed by a new seven-year plan • Upgrades critical to enhanced customer service	• Rate case to be filed in Q4 2015 • New seven-year plan to be filed in Q4 2015, following rate case filing
Electric Generating Plant Environmental Investments	• ~$870M in total environmental investments • Schahfer Flue Gas Desulfurization (FGD) investments: Units 14 & 15 • Michigan City FGD: Unit 12 • Enhanced mercury and particulate controls (MATS)	• Schahfer Unit 14 in service • Schahfer Unit 15 in service • MATS controls in place/under construction • Michigan City Unit 12 on plan for completion by year-end 2015
Electric Transmission System Enhancement – Reynolds to Topeka Project	• 100-mile, 345-kV transmission project • $250M-$300M investment • Projected in service latter part of 2018	• Preliminary construction has begun • Right of way acquisition in progress • Stakeholder outreach continues
Electric Transmission System Enhancement – Greentown to Reynolds (*Joint Project*)	• ~65-mile, 765-kV transmission project • $300M-$400M investment (NIPSCO portion $150M-$200M) • Projected in service latter part of 2018	• Preliminary construction has begun • Right of way acquisition in progress • Stakeholder outreach continues

~$10B in Expected Long-Term Infrastructure Investment Opportunities

NiSource

NiSource Strategic Framework – Creating Value

Aspiration	**Premier Regulated Utility Company**
Value Proposition	**Best-in-Class Risk-Adjusted Total Return Proposition** • ~$30B of 100% Regulated Utility Infrastructure Investment Opportunities • Scale Across 7 States • Transparent Earnings Drivers • Constructive Regulatory Environments and Mechanisms
Strategic Approach	**Balanced Priorities** • Enhance Value to Our Customers and Communities • Build, Maintain and Operate a Safe, Reliable and Efficient System • Aligned, Engaged Employees, Business Partners and Operations • Financial Discipline for Our Stakeholders

4-6% EPS* and Dividend Growth Projected

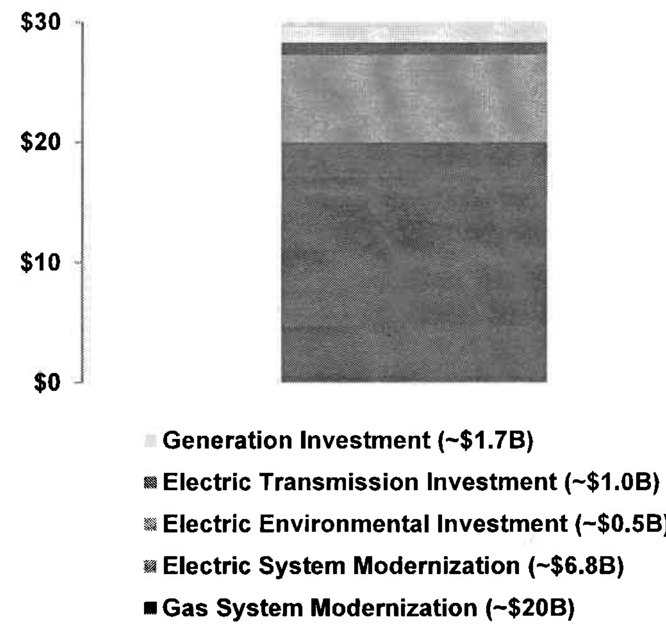
** Net Operating Earnings from Continuing Operations (Non-GAAP)*

NiSource

Compelling Pure-Play Utility Investment Proposition

- Focused Business Strategy
- ~$30B of Expected Infrastructure Enhancements Over 20+ years
- Significant Scale with ~4.0M Customers Across 7 States
- Constructive Regulatory Environments
- Investment Grade Credit Ratings
- Expected Earnings* and Dividend Growth of 4-6% Annually
- 2016 Guidance
  - EPS* $1.00 - $1.10
  - CapEx ~$1.4B
- Targeted Dividend Payout Ratio of 60-70%

Identified Investment Opportunities



Transparent, Sustainable Growth Drives Shareholder Value

* *Net Operating Earnings from Continuing Operations (Non-GAAP)*

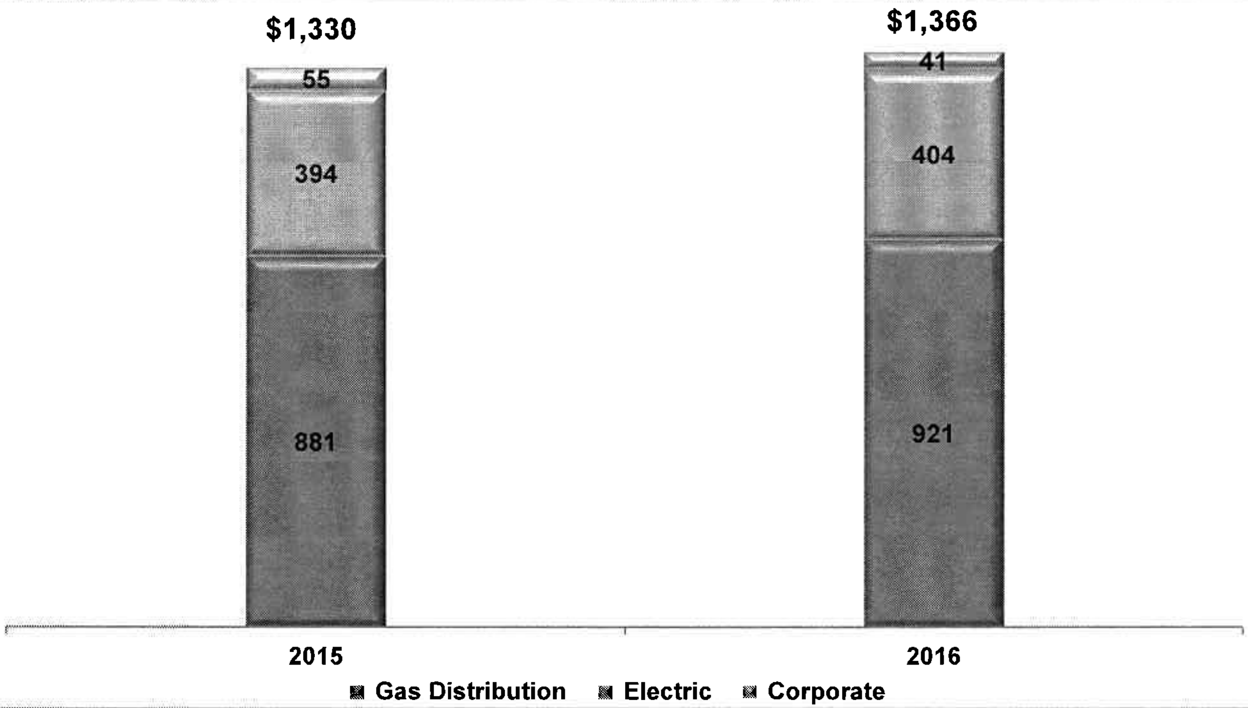
Appendix
Second Quarter 2015 Earnings

August 3, 2015

NiSource®

Capital Expenditures ($M)

2015 - 2016 CapEx Forecast



2015 Growth & Tracker ~$970M (73%) and Age & Condition ~$360M (27%)

NiSource

Gas Infrastructure Investment Update

Infrastructure Modernization Programs (~$20B Opportunity)

Annual Investment

1 **Columbia Gas of Ohio** **$177M - $195M** **20-25 Years**
Tracked: Execution of established Infrastructure Replacement Program; annual tracker filings with 5-year program renewal (next renewal 2018)

2 **Columbia Gas of Pennsylvania** **$143M - $168M** **15-20 Years**
Rate Case / Tracked: Execution of established Infrastructure Replacement Program; recovery utilizes forward test year rate case filings supplemented by periodic DSIC filings under Act 11

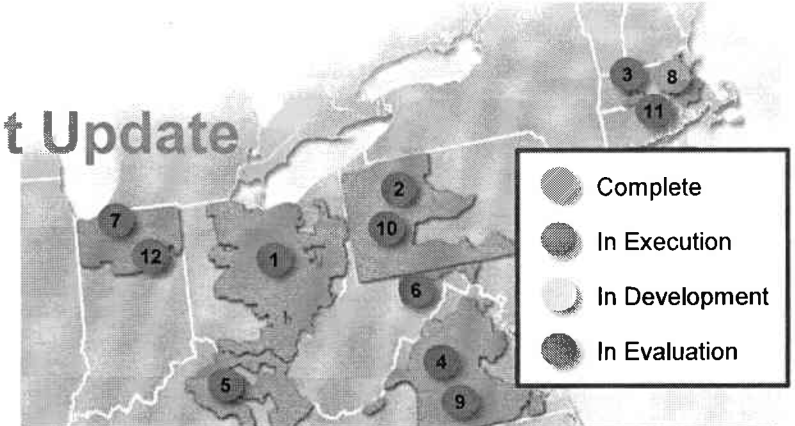
3 **Columbia Gas of Massachusetts** **$44M - $70M** **15-20 Years**
Tracked: Execution of established Infrastructure Replacement Program; annual tracker filings to be made under the provisions of House Bill 4164

Columbia Gas of Virginia **$20M - $30M** **n/a**
Tracked: Execution of established Infrastructure Replacement Program; annual tracker filings with 5-year program renewal (next renewal 2017)

5 **Columbia Gas of Kentucky** **$12M - $14M** **25-30 Years**
Tracked: Execution of established Infrastructure Replacement Program with annual tracker filings

6 **Columbia Gas of Maryland** **$6 - $14M** **15-20 Years**
Rate Case / Tracked: Execution of established Infrastructure Replacement Program; rate case filings with make whole filings for up to three subsequent years

7 **NIPSCO Gas – Modernization** **$80M - $120M** **20-25 Years**
80% Tracked / 20% Deferred (Senate Bill 560): The original ~$700M plan was approved by the IURC in April 2014. In August 2014, NIPSCO filed an updated 7-year plan supporting additional capital investment opportunities. This update was approved in January 2015 resulting in an ~$830M 7-year plan. NIPSCO will supply further detailed plan updates with the next proceeding, which is due on or before September 1.



Current Regulatory Activity

8 **Columbia Gas of Massachusetts – Gas System Enhancement Filing** **Requested Increase: $2.6M** **Filed: Oct'14 Effective: May'15**
Filing supports CMA's infrastructure modernization program by allowing accelerated recovery on certain investments associated with the program. This is CMA's first filing under the provision of House Bill (HB) 4164.

9 **Columbia Gas of Virginia – Rate Case** **Settled Increase: ~$25M** **Settlement: 4Q'14 Approval: 2015**
Filing supports CGV's capital investments associated with a multi-year gas distribution modernization program.

10 **Columbia Gas of Pennsylvania – Rate Case** **Requested Increase: ~$46M** **Filed: 1Q'15 Effective: 4Q'15**
Filing supports CPA's capital investments to enhance pipeline safety initiatives and customer programs. The filing was made in March 2015 and approval is expected by year end from the Commission with new rates in effect in December 2015. This is the third filing under Act 11, using a forward test-year that extends to 12/31/2016.

11 **Columbia Gas of Massachusetts – Rate Case** **Requested Increase: ~$49M** **Settlement: Q3'15 Effective: TBA**
Filing supports CMA's continued effort to modernize pipeline infrastructure and transform its operations to serve customers safely, reliably and cost-effectively. CMA has reached a settlement agreement in principle with the Massachusetts Attorney General in the case. The settlement agreement is expected to be filed with the Department of Public Utilities in August 2015.

12 **NIPSCO Gas – Modernization** **Seven-Year Plan Update** **Filing: 3Q'15 Effective: 4Q'15**
NIPSCO is expected to file its next semi-annual gas tracker along with a 7-year plan update of its gas infrastructure modernization program by September 1, 2015.

Electric Operations Infrastructure Investment Update

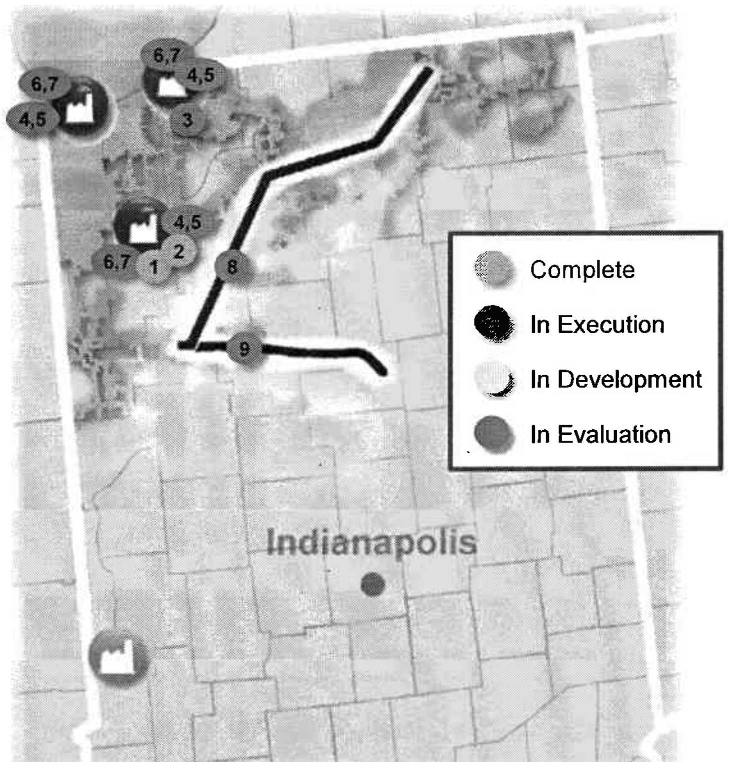
Upgrade Generation Fleet (~$2B Opportunity)

Project	CapEx	In-Service
1 **U14 FGD**	**~$250M**	**YE'13**
ECRM (Environmental Cost Recovery Mechanism - 100% Tracked) FGD (Flue Gas Desulfurization) facility at Schahfer Generating Station		
2 **U15 FGD**	**~$250M**	**YE'14**
ECRM (100% Tracked) FGD facility at Schahfer Generating Station		
U12 FGD	**~$265M**	**YE'15**
ECRM (100% Tracked) FGD facility at Michigan City Generating Station		
NOx Upgrades	**~$30M**	**YE'15**
ECRM (100% Tracked) NOx upgrades and monitoring		
MATS	**~$50M**	**YE'13/YE'14/YE'15**
ECRM (100% Tracked) projects enhancing mercury and particulate controls at all coal plants		
Water Treatment	**$25M - $130M**	**YE'18/YE'19/YE'20**
Environmental: SB 251 (80% Tracked / 20% Deferred) projects enhancing wastewater treatment at all coal plants and water intake modifications at Bailly Station		
Coal Ash Improvements	**$100M - $300M**	**TBD**
Environmental: SB 251 (80% Tracked / 20% Deferred) projects upgrading ash handling and disposal at all coal plants		

Infrastructure Modernization Program (~$7B Opportunity)

NIPSCO Electric Distribution & Transmission Modernization — **7-Year Investment ~$1.1B** — **Filing: 4Q'15 Effective: 2Q'16**

Modernization: SB 560 (80% Tracked / 20% Deferred) The plan was approved by the IURC in February 2014. In February 2015, NIPSCO filed its second semi-annual tracker as required by SB 560, reaffirming its commitment to the $1.1B capital investment level. On April 9, 2015 the Indiana Court of Appeals concluded that the Commission erred in approving NIPSCO's 7-year electric plan given its "lack of detail" regarding the projects for years two through seven. NIPSCO reached settlement with parties following the decision, and the settlement is pending at the IURC. The settlement would require a new plan filing following an electric rate case filing, which is expected in 4Q 2015.



Enhance Transmission System (~$1B Opportunity)

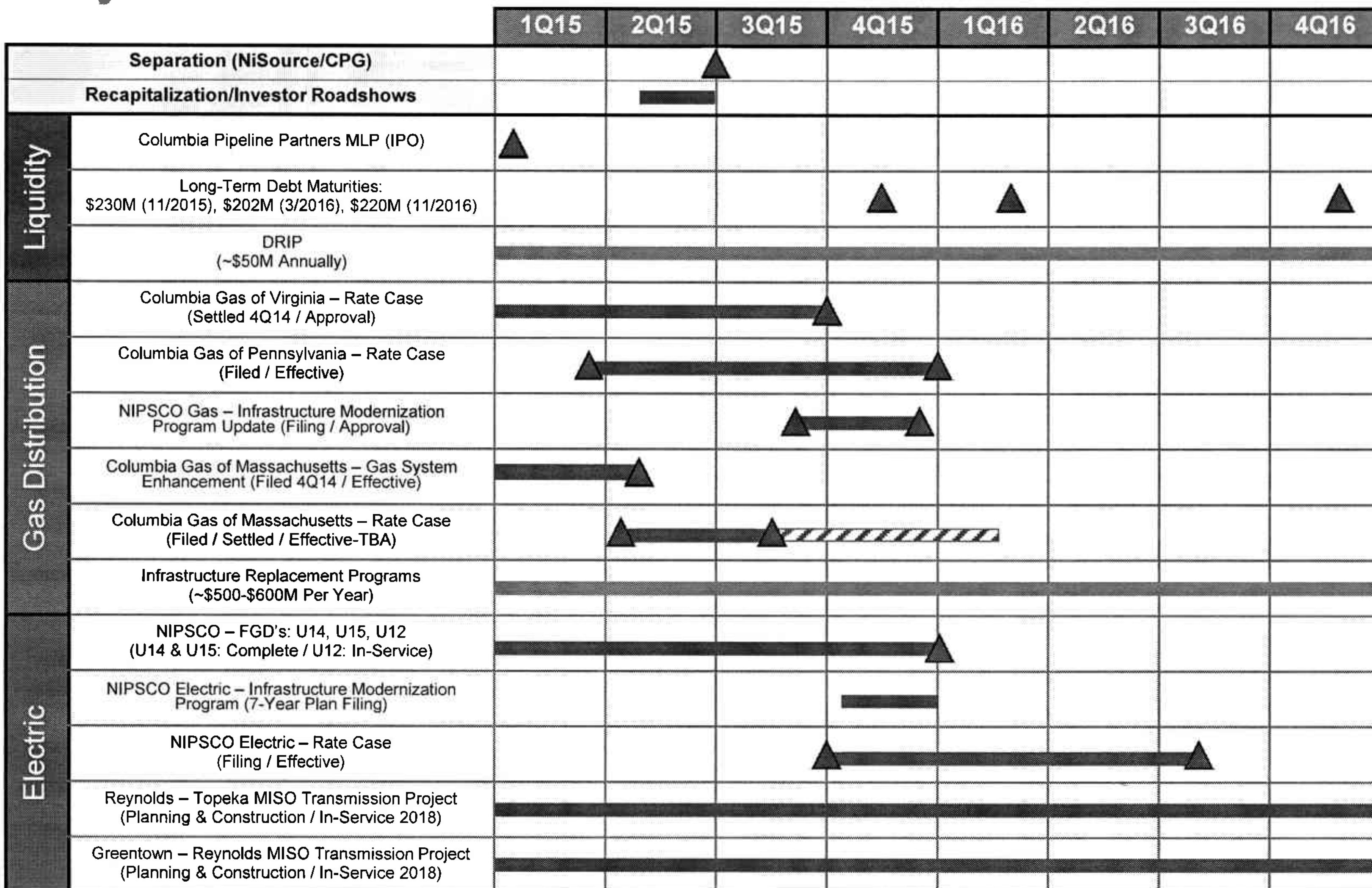
Reynolds-Topeka — **$250M - $300M** — **2H 2018**

MISO MVP: FERC approved 345-kV transmission project from Reynolds Substation to Hiple Substation (100 miles) – route determination complete…right-of-way acquisition and permitting activities continue.

9 **Greentown-Reynolds** — **$300M - $400M (NI: $150M – $200M)** — **2H 2018**

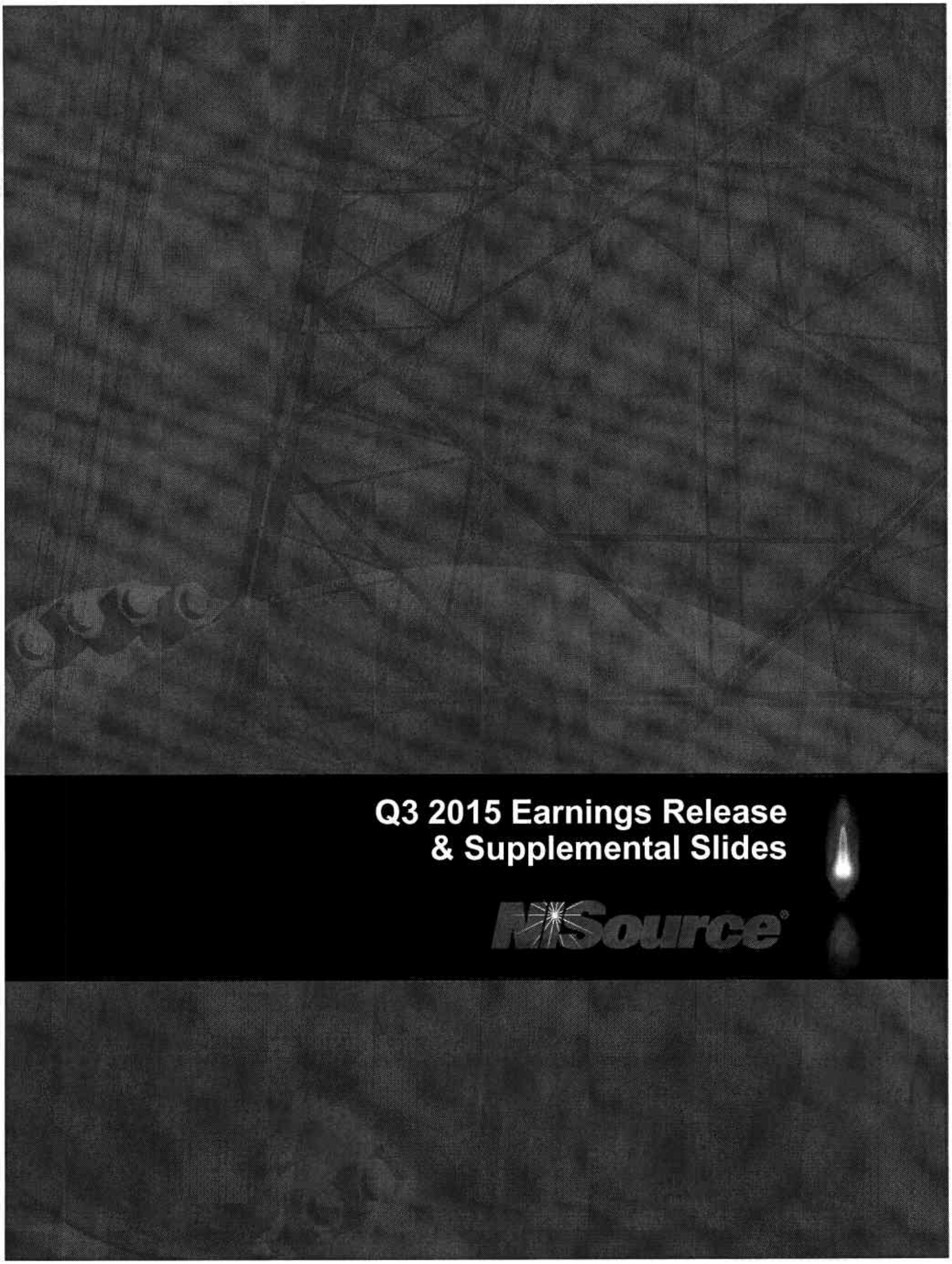
MISO MVP – partnership: FERC approved 765-kV transmission project from Reynolds Substation to Greentown Substation (~65 miles) – route determination complete…right-of way acquisition and permitting activities continue.

Key Path Forward Markers



NiSource Inc.   801 East 86th Avenue   Merrillville, Indiana 46410
www.nisource.com   NYSE: NI

Investor Relations
Randy Hulen   (219) 647-5688   rghulen@nisource.com


Q3 2015 Earnings Release
& Supplemental Slides
NiSource

Q3 2015 NiSource Earnings Information

NEWS

FOR IMMEDIATE RELEASE

NiSource

WWW.NISOURCE.COM

November 3, 2015

FOR ADDITIONAL INFORMATION

Media
Ken Stammen
Manager, Communications
(614) 460-5544
kstammen@nisource.com

Investors
Randy Hulen
Vice President, Investor Relations
(219) 647-5688
rghulen@nisource.com

NiSource Reports Third Quarter 2015 Earnings

- Solid results, in line with expectations, reinforce strength of pure-play utility business plan
- Earnings growth driven by disciplined execution of infrastructure and environmental investments
- Ongoing investments provide long-term safety and reliability benefits to customers and communities
- Columbia Pipeline Group separation successfully completed; CPG results now classified as discontinued operations

MERRILLVILLE, Ind. - NiSource Inc. (NYSE: NI) today announced net operating earnings (non-GAAP) of $18.5 million, or $0.06 per share, for the three months ended Sept. 30, 2015, compared with a loss of $8.7 million, or $0.03 per share, for the same period in 2014. Operating earnings (non-GAAP) for the third quarter were $115.8 million, compared to $84.7 million in the same prior year period.

On a GAAP basis, NiSource reported income from continuing operations of $14.8 million, or $0.05 per share, for the three months ended Sept. 30, 2015, compared with a loss of $17.2 million, or $0.05 per share, for the same period in 2014. Operating income for the third quarter was $109.7 million, compared to $71.1 million in the same prior year period. Schedules 1 and 2 of this news release contain a reconciliation of net operating earnings and operating earnings to GAAP net income and operating income, respectively.

On July 1, 2015, NiSource successfully completed the separation of Columbia Pipeline Group (CPG) through a distribution of all of the common stock of CPG held by NiSource to NiSource shareholders. As a result, CPG financial results for all periods are classified as discontinued operations.

"Our solid results during our first quarter as a pure-play utility company demonstrate that we're well-positioned for sustainable long-term growth powered by steady and consistent earnings drivers," said NiSource President and CEO **Joseph Hamrock**. "Our ongoing infrastructure and environmental investments deliver value for our customers and the communities we serve by enhancing safety and reliability and benefitting our environment."

Third Quarter 2015 Highlights

During the third quarter, NiSource remained on track to invest approximately $1.3 billion in 2015 as part of its $30 billion of long-term regulated utility infrastructure investment opportunities. It also made significant progress in advancing regulatory and customer programs in several key states.

Gas Distribution Operations

- On Oct. 7, 2015, **Columbia Gas of Massachusetts (CMA)** received approval of its base rate case settlement by the Massachusetts Department of Public Utilities. The settlement with the Massachusetts Attorney General supports CMA's continued effort to modernize its pipeline infrastructure and transform its operations to continue to serve customers safely and reliably. The approved settlement provides for increased annual revenues of $32.8 million beginning Nov. 1, 2015, with an additional $3.6 million annual increase starting Nov. 1, 2016.

- **Columbia Gas of Pennsylvania (CPA)** has reached a settlement with parties to its base rate case pending before the Pennsylvania Public Utility Commission. Under terms of the settlement, CPA's annual revenues would increase by approximately $28 million, an outcome which supports continued infrastructure replacement, pipeline safety upgrades and enhanced employee training. The settlement also includes a tariff supporting the expansion of natural gas service into unserved areas. A decision on the settlement from the Pennsylvania commission, with new rates in effect, is expected by the end of the year.

- On Aug. 21, 2015, **Columbia Gas of Virginia (CVA)** received final commission approval of its 2014 base rate case. The commission reaffirmed the $25.2 million annual revenue increase. The approved case supports continued capital investments by CVA to improve its system and accommodate customer growth, as well as initiatives to enhance safety and reliability.

- On Oct. 23, 2015, CVA received regulatory approval of its application for a five-year extension of its infrastructure replacement program under the SAVE Act (Steps to Advance Virginia's Energy Plan). The company plans to invest $150 million on its infrastructure modernization programs from 2016-2020. The approval provides for timely recovery of such investments through an annual tracker mechanism.

- **Northern Indiana Public Service Co. (NIPSCO)** continued executing on its seven-year, $817 million natural gas system modernization program. NIPSCO filed its semi-annual tracker update on Aug. 31, 2015 and expects to make its next filing in spring 2016.

Electric Operations

- Consistent with a May 26, 2015 settlement **NIPSCO** reached with the Indiana Office of Utility Consumer Counselor and NIPSCO's largest industrial customers, the company filed a rate case and is expected to file a new seven-year **electric infrastructure modernization plan** with the Indiana Utility Regulatory Commission (IURC). The May 26 settlement remains pending before the IURC.

- NIPSCO's **first electric rate case in five years** was filed with the IURC on Oct. 1, 2015. The case seeks to update rates to reflect the current costs of generating and distributing power, plus ongoing investments which are delivering substantial benefits to customers including programs that have reduced the duration of power outages by 40 percent. The request also seeks to create a bill payment assistance program for low-income electric customers during the summer cooling season. A decision by the IURC is expected in the third quarter of 2016.

- NIPSCO's **Michigan City flue gas desulfurization unit** is set to be placed in service by the end of the year - on schedule and on budget. The approximately $255 million project, supported with cost recovery, improves air quality and helps ensure NIPSCO's generation fleet remains in compliance with current environmental regulations. It also helps ensure that NIPSCO can continue offering low-cost, reliable and efficient generating capacity for its customers.
- Progress also continued on **two major electric transmission projects** designed to enhance region-wide system flexibility and reliability. Right-of-way acquisition and permitting are under way for both projects and substation construction has begun on both projects. These projects involve an investment of approximately $500 million for NIPSCO and are anticipated to be in service by the end of 2018.

2016 Guidance, Growth Commitments, Reaffirmed

NiSource CEO Joseph Hamrock reaffirmed that NiSource expects to deliver non-GAAP net operating earnings per share of $1.00 to $1.10 in 2016.

As previously disclosed, NiSource expects to make approximately $1.4 billion in planned infrastructure enhancement investments in 2016 as part of its $30 billion in infrastructure investment opportunities, which should support the company's projected long-term earnings and dividend growth projections of 4-6% annually.

NiSource remains committed to maintaining solid, investment grade credit ratings. Standard & Poor's rates NiSource at BBB+, Fitch Ratings' outlook on NiSource is BBB- (positive) and Moody's rates NiSource at Baa2. As of Sept. 30, 2015, NiSource maintained $1.6 billion in net available liquidity.

Third Quarter 2015 Operating Earnings - Segment Results (non-GAAP)

NiSource's consolidated operating earnings (non-GAAP) for the three months ended Sept. 30, 2015, were $115.8 million, compared to $84.7 million for the same period in 2014. Operating earnings (non-GAAP) for NiSource's business segments for the three months ended Sept. 30, 2015, are discussed below. Refer to Schedule 2 for a reconciliation of operating earnings (non-GAAP) to GAAP operating income.

Gas Distribution Operations reported operating earnings of $21.6 million for the three months ended Sept. 30, 2015, compared with operating earnings of $1.0 million for the same prior year period. Net revenues, excluding the impact of trackers, increased by $18.5 million primarily attributable to the implementation of rates under Columbia Gas of Ohio's (COH) approved infrastructure replacement program, as well as the impact of new rates at CVA and CPA.

Operating expenses, excluding the impact of trackers, decreased by $2.1 million from the comparable 2014 period.

Electric Operations reported operating earnings of $101.6 million for the three months ended Sept. 30, 2015, compared with operating earnings of $90.2 million for the same prior year period. Net revenues, excluding the impact of trackers, decreased by $0.8 million from the comparable 2014 period.

Operating expenses, excluding the impact of trackers, decreased by $12.2 million from the comparable 2014 period primarily as a result of lower employee and administrative costs.

Corporate and Other Operations reported an operating earnings loss of $7.4 million for the three months ended Sept. 30, 2015, compared with an operating earnings loss of $6.5 million for the three months ended Sept. 30, 2014.

Other Items
Interest expense, net was $94.9 million for the three months ended Sept. 30, 2015 compared to interest expense, net of $94.7 million for the same prior year period.

Other, net reflected income of $5.8 million compared to income of $5.7 million in the comparable 2014 period.

Income taxes were $8.2 million for the three months ended Sept. 30, 2015 compared to $4.4 million for the same prior year period.

Nine Month Period 2015 Operating Earnings - Segment Results (non-GAAP)

NiSource's consolidated operating earnings (non-GAAP) for the nine months ended Sept. 30, 2015, were $583.2 million, compared to $550.7 million for the same period in 2014. Operating earnings (non-GAAP) for NiSource's business segments for the nine months ended Sept. 30, 2015, are discussed below. Refer to Schedule 2 for a reconciliation of operating earnings (non-GAAP) to GAAP operating income.

Gas Distribution Operations reported operating earnings of $383.0 million for the nine months ended Sept. 30, 2015, compared with operating earnings of $343.6 million for the same prior year period. Net revenues, excluding the impact of trackers, increased by $78.6 million primarily attributable to increases in regulatory and service programs, including the impact of new rates at CPA and CVA and the implementation of rates under COH's approved infrastructure replacement program.

Operating expenses, excluding the impact of trackers, increased by $39.2 million due primarily to increased employee and administrative costs, higher depreciation and increased property taxes.

Electric Operations reported operating earnings of $225.4 million for the nine months ended Sept. 30, 2015, compared with operating earnings of $224.2 million for the same prior year period. Net revenues, excluding the impact of trackers, decreased by $2.8 million from the comparable 2014 period.

Operating expenses, excluding the impact of trackers, decreased by $4.0 million from the comparable 2014 period.

Corporate and Other Operations reported an operating earnings loss of $25.2 million for the nine months ended Sept. 30, 2015, compared with an operating earnings loss of $17.1 million for the nine months ended Sept. 30, 2014. The increase in operating earnings loss is primarily due to higher employee and administrative costs.

Other Items
Interest expense, net was $285.9 million for the nine months ended Sept. 30, 2015 compared to interest expense, net of $287.4 million for the same prior year period.

Other, net reflected income of $11.6 million compared to income of $13.4 million in 2014.

The effective tax rate of net operating earnings was 35.5 percent compared to 36.1 percent for the same period last year.

About NiSource
NiSource Inc. (NYSE: NI) is one of the largest fully-regulated utility companies in the United States, serving approximately 3.5 million natural gas customers and 500,000 electric customers across seven states through its local Columbia Gas and NIPSCO brands. Based in Merrillville, Indiana, NiSource's more than 7,000 employees are focused on safely delivering reliable and affordable energy to our customers and communities we serve. NiSource has been designated a World's Most Ethical Company by the Ethisphere Institute since 2012 and is a member of the Dow Jones Sustainability - North America Index. Additional information about NiSource, its investments in modern infrastructure and systems, its commitments and its local brands can be found at www.nisource.com. NI-F

Regulation G Disclosure Statement
This press release includes NiSource's financial results with respect to net operating earnings from continuing operations and operating earnings, which are non-GAAP financial measures as defined by the SEC's Regulation G. The Company includes such measures because management believes they permit investors to view the Company's performance using the same tools that management uses and to better evaluate the Company's ongoing business performance. It should be noted that there will likely be differences between these non-GAAP financial measures and GAAP equivalents due to various factors, including, but not limited to, weather, restructuring, environmental, the impact of asset sales and asset impairments, and separation related costs and expenses and accounting changes. NiSource is not able to estimate the impact of such factors on GAAP earnings and, as such, is not providing earnings guidance on a GAAP basis.

Forward-Looking Statements
This news release contains forward-looking statements within the meaning of federal securities laws. These forward-looking statements are subject to various risks and uncertainties. Examples of forward-looking statements in this release include statements and expectations regarding NiSource's business, performance and growth. Factors that could cause actual results to differ materially from the projections, forecasts, estimates and expectations discussed in this release include, but are not limited to, NiSource's debt obligations and ability to comply with related covenants, changes in NiSource's credit rating, growth opportunities for NiSource's businesses, changes in general economic and market conditions, regulatory rate reviews and proceedings, increased competition in deregulated energy markets, compliance with environmental laws, fluctuations in weather, climate change, natural disasters, acts of terrorism and other catastrophic events, economic conditions in certain industries, fluctuations in the price of energy commodities, counterparty credit risk, any impairment of goodwill and definite-lived intangible assets, changes in taxation or accounting principles, accidents and other operating risks, aging infrastructure, disruptions in information technology and cyber-attacks, NiSource's ability to achieve the intended benefits of the separation and other matters set forth in the "Risk Factors" section in NiSource's 2014 Form 10-K and other filings with the Securities and Exchange Commission, many of which are beyond the control of NiSource. In addition, the relative contributions to profitability by each segment, and the assumptions underlying the forward-looking statements relating thereto, may change over time. NiSource expressly disclaims any duty to update, supplement or amend any of its forward-looking statements contained in this release, whether as a result of new information, subsequent events or otherwise, except as required by applicable law.

NiSource Inc.
Consolidated Net Operating Earnings (Non-GAAP)
(unaudited)

(in millions, except per share amounts)	Three Months Ended September 30, **2015**	Three Months Ended September 30, 2014	Nine Months Ended September 30, **2015**	Nine Months Ended September 30, 2014
Net Revenues				
Gas Distribution	$ **209.7**	$ 240.4	$ **1,582.8**	$ 1,860.1
Gas Transportation	**172.1**	170.5	**739.9**	710.4
Electric	**431.5**	437.9	**1,199.9**	1,285.0
Other	**7.8**	2.8	**19.9**	10.4
Gross Revenues	**821.1**	851.6	**3,542.5**	3,865.9
Cost of Sales (excluding depreciation and amortization)	**209.1**	262.3	**1,307.3**	1,769.4
Total Net Revenues	**612.0**	589.3	**2,235.2**	2,096.5
Operating Expenses				
Operation and maintenance	**292.1**	306.9	**914.0**	893.9
Operation and maintenance - trackers	**17.9**	20.5	**149.8**	96.6
Depreciation and amortization	**126.9**	122.6	**380.1**	361.2
Depreciation and amortization - trackers	**5.6**	1.2	**10.9**	1.9
Other taxes	**45.1**	45.4	**143.7**	139.0
Other taxes - trackers	**8.6**	8.0	**53.5**	53.2
Total Operating Expenses	**496.2**	504.6	**1,652.0**	1,545.8
Operating Earnings	**115.8**	84.7	**583.2**	550.7
Other Income (Deductions)				
Interest expense, net	**(94.9)**	(94.7)	**(285.9)**	(287.4)
Other, net	**5.8**	5.7	**11.6**	13.4
Total Other Deductions	**(89.1)**	(89.0)	**(274.3)**	(274.0)
Operating Earnings (Loss) From Continuing Operations				
Before Income Taxes	**26.7**	(4.3)	**308.9**	276.7
Income Taxes	**8.2**	4.4	**109.7**	99.9
Net Operating Earnings (Loss) from Continuing Operations	**18.5**	(8.7)	**199.2**	176.8
GAAP Adjustment	**(3.7)**	(8.5)	**(65.0)**	(0.1)
GAAP Income (Loss) from Continuing Operations	$ **14.8**	$ (17.2)	$ **134.2**	$ 176.7
Basic Net Operating Earnings (Loss) Per Share from Continuing Operations	$ **0.06**	$ (0.03)	$ **0.63**	$ 0.56
GAAP Basic Earnings (Loss) Per Share from Continuing Operations	$ **0.05**	$ (0.05)	$ **0.42**	$ 0.56
Basic Average Common Shares Outstanding	**318.1**	315.4	**317.4**	314.9

NiSource Inc.
Segment Operating Earnings (Non-GAAP)
(unaudited)

Gas Distribution Operations	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	**2015**	2014	**2015**	2014
Net Revenues				
Sales revenues	**$ 385.5**	$ 412.1	**$ 2,337.0**	$ 2,575.5
Less: Cost of gas sold	**73.9**	114.6	**929.9**	1,294.8
Net Revenues	**311.6**	297.5	**1,407.1**	1,280.7
Operating Expenses				
Operation and maintenance	**187.4**	194.8	**588.2**	565.9
Operation and maintenance - trackers	**9.0**	14.0	**126.0**	78.5
Depreciation and amortization	**58.5**	55.4	**172.8**	161.7
Other taxes	**26.5**	24.3	**83.6**	77.8
Other taxes - trackers	**8.6**	8.0	**53.5**	53.2
Total Operating Expenses	**290.0**	296.5	**1,024.1**	937.1
Operating Earnings	**$ 21.6**	$ 1.0	**$ 383.0**	$ 343.6
GAAP Adjustment	**(1.6)**	(0.2)	**11.9**	18.8
GAAP Operating Income	**$ 20.0**	$ 0.8	**$ 394.9**	$ 362.4

Electric Operations	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	**2015**	2014	**2015**	2014
Net Revenues				
Sales revenues	**$ 431.7**	$ 438.0	**$ 1,201.3**	$ 1,286.1
Less: Cost of sales	**135.2**	147.5	**377.5**	474.2
Net Revenues	**296.5**	290.5	**823.8**	811.9
Operating Expenses				
Operation and maintenance	**101.3**	114.0	**325.9**	337.1
Operation and maintenance - trackers	**8.9**	6.5	**23.8**	18.1
Depreciation and amortization	**63.0**	61.2	**188.4**	181.0
Depreciation and amortization - trackers	**5.6**	1.2	**10.9**	1.9
Other taxes	**16.1**	17.4	**49.4**	49.6
Total Operating Expenses	**194.9**	200.3	**598.4**	587.7
Operating Earnings	**$ 101.6**	$ 90.2	**$ 225.4**	$ 224.2
GAAP Adjustment	**(3.1)**	(13.3)	**(11.2)**	(5.5)
GAAP Operating Income	**$ 98.5**	$ 76.9	**$ 214.2**	$ 218.7

Corporate and Other Operations	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	**2015**	2014	**2015**	2014
Operating Earnings Loss	**$ (7.4)**	$ (6.5)	**$ (25.2)**	$ (17.1)
GAAP Adjustment	**(1.4)**	(0.1)	**(3.5)**	(1.8)
GAAP Operating Loss	**$ (8.8)**	$ (6.6)	**$ (28.7)**	$ (18.9)

NiSource Inc.
Segment Volumes and Statistical Data

Gas Distribution Operations	Three Months Ended September 30, **2015**	2014	Nine Months Ended September 30, **2015**	2014
Sales and Transportation (MMDth)				
Residential	**14.5**	15.4	**198.0**	206.9
Commercial	**16.4**	17.5	**130.2**	135.0
Industrial	**127.4**	126.2	**397.8**	384.7
Off System	**5.2**	7.1	**24.7**	35.6
Other	**0.1**	—	**(0.2)**	(0.1)
Total	**163.6**	166.2	**750.5**	762.1
Weather Adjustment	**0.9**	—	**(28.3)**	(33.8)
Sales and Transportation Volumes - Excluding Weather	**164.5**	166.2	**722.2**	728.3
Heating Degree Days	**43**	100	**3,936**	4,092
Normal Heating Degree Days	**85**	85	**3,576**	3,576
% (Warmer) Colder than Normal	**(49)%**	18 %	**10 %**	14 %
Customers				
Residential			**3,058,415**	3,035,401
Commercial			**277,525**	276,923
Industrial			**7,233**	7,512
Other			**14**	15
Total			**3,343,187**	3,319,851

Electric Operations	Three Months Ended September 30, **2015**	2014	Nine Months Ended September 30, **2015**	2014
Sales (Gigawatt Hours)				
Residential	**1,001.9**	915.2	**2,584.6**	2,604.6
Commercial	**1,066.7**	1,031.6	**2,935.8**	2,932.0
Industrial	**2,270.3**	2,504.7	**6,990.7**	7,567.6
Wholesale	**76.9**	161.4	**194.8**	485.3
Other	**36.1**	36.4	**105.2**	104.7
Total	**4,451.9**	4,649.3	**12,811.1**	13,694.2
Weather Adjustment	**48.3**	193.7	**19.4**	79.3
Sales Volumes - Excluding Weather	**4,500.2**	4,843.0	**12,830.5**	13,773.5
Cooling Degree Days	**529**	381	**758**	657
Normal Cooling Degree Days	**570**	570	**799**	799
% Colder than Normal	**(7)%**	(33)%	**(5)%**	(18)%
Electric Customers				
Residential			**403,468**	401,683
Commercial			**54,841**	54,383
Industrial			**2,351**	2,364
Wholesale			**746**	751
Other			**3**	4
Total			**461,409**	459,185

NiSource Inc.

Schedule 1 – Reconciliation of Net Operating Earnings to GAAP

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions, except per share amounts)	**2015**	2014	**2015**	2014
Net Operating Earnings (Loss) from Continuing Operations	**$ 18.5**	$ (8.7)	**$ 199.2**	$ 176.8
Items excluded from operating earnings				
Net Revenues:				
Weather - compared to normal	**(3.9)**	(13.5)	**11.5**	13.0
Operating Expenses:				
Transaction costs	**(1.1)**	—	**(3.1)**	—
Environmental costs	**—**	—	**(10.0)**	—
Loss on sale of assets	**(1.1)**	(0.1)	**(1.2)**	(1.5)
Total items excluded from operating earnings	**(6.1)**	(13.6)	**(2.8)**	11.5
Other Deductions:				
Loss on extinguishment of long-term debt	**—**	—	**(97.2)**	—
Income taxes - discrete items	**—**	—	**(3.3)**	(7.0)
Tax effect of above items	**2.4**	5.1	**38.3**	(4.6)
Total items excluded from net operating earnings	**(3.7)**	(8.5)	**(65.0)**	(0.1)
GAAP Income (Loss) from Continuing Operations	**$ 14.8**	$ (17.2)	**$ 134.2**	$ 176.7
Basic Average Common Shares Outstanding	**318.1**	315.4	**317.4**	314.9
Basic Net Operating Earnings (Loss) Per Share from Continuing Operations	**$ 0.06**	$ (0.03)	**$ 0.63**	$ 0.56
Items excluded from net operating earnings (after-tax)	**(0.01)**	(0.02)	**(0.21)**	—
GAAP Basic Earnings (Loss) Per Share from Continuing Operations	**$ 0.05**	$ (0.05)	**$ 0.42**	$ 0.56

NiSource Inc.
Schedule 2 – Adjustments by Segment from Operating Earnings to GAAP
For the Quarter ended September 30,

2015 (*in millions*)	Gas Distribution	Electric	Corporate & Other	Total
Operating Earnings (Loss)	$ 21.6	$ 101.6	$ (7.4)	$ 115.8
Net Revenues:				
Weather - compared to normal	(0.8)	(3.1)	—	(3.9)
Total Impact - Net Revenues	(0.8)	(3.1)	—	(3.9)
Operating Expenses:				
Transaction costs	—	—	(1.1)	(1.1)
Loss on sale of assets	(0.8)	—	(0.3)	(1.1)
Total Impact - Operating Expenses	(0.8)	—	(1.4)	(2.2)
Total Impact - Operating Loss	$ (1.6)	$ (3.1)	$ (1.4)	$ (6.1)
Operating Income (Loss) - GAAP	$ 20.0	$ 98.5	$ (8.8)	$ 109.7

2014 (*in millions*)	Gas Distribution	Electric	Corporate & Other	Total
Operating Earnings (Loss)	$ 1.0	$ 90.2	$ (6.5)	$ 84.7
Net Revenues:				
Weather - compared to normal	(0.2)	(13.3)	—	(13.5)
Total Impact - Net Revenues	(0.2)	(13.3)	—	(13.5)
Operating Expenses:				
Loss on sale of assets	—	—	(0.1)	(0.1)
Total Impact - Operating Expenses	—	—	(0.1)	(0.1)
Total Impact - Operating Loss	$ (0.2)	$ (13.3)	$ (0.1)	$ (13.6)
Operating Income (Loss) - GAAP	$ 0.8	$ 76.9	$ (6.6)	$ 71.1

NiSource Inc.

Schedule 2 – Adjustments by Segment from Operating Earnings to GAAP
For the Nine Months ended September 30,

2015 (*in millions*)	Gas Distribution	Electric	Corporate & Other	Total
Operating Earnings (Loss)	$ 383.0	$ 225.4	$ (25.2)	$ 583.2
Net Revenues:				
Weather - compared to normal	12.7	(1.2)	—	11.5
Total Impact - Net Revenues	12.7	(1.2)	—	11.5
Operating Expenses:				
Environmental costs	—	(10.0)	—	(10.0)
Transaction costs	—	—	(3.1)	(3.1)
Loss on sale of assets	(0.8)	—	(0.4)	(1.2)
Total Impact - Operating Expenses	(0.8)	(10.0)	(3.5)	(14.3)
Total Impact - Operating Income (Loss)	$ 11.9	$ (11.2)	$ (3.5)	$ (2.8)
Operating Income (Loss) - GAAP	$ 394.9	$ 214.2	$ (28.7)	$ 580.4

2014 (*in millions*)	Gas Distribution	Electric	Corporate & Other	Total
Operating Earnings (Loss)	$ 343.6	$ 224.2	$ (17.1)	$ 550.7
Net Revenues:				
Weather - compared to normal	18.6	(5.6)	—	13.0
Total Impact - Net Revenues	18.6	(5.6)	—	13.0
Operating Expenses:				
Gain (Loss) on sale of assets	0.2	0.1	(1.8)	(1.5)
Total Impact - Operating Expenses	0.2	0.1	(1.8)	(1.5)
Total Impact - Operating Income (Loss)	$ 18.8	$ (5.5)	$ (1.8)	$ 11.5
Operating Income (Loss) - GAAP	$ 362.4	$ 218.7	$ (18.9)	$ 562.2

NiSource Inc.
Consolidated Income Statements (GAAP)
(unaudited)

(in millions, except per share amounts)	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
Net Revenues				
Gas Distribution	**$ 208.9**	$ 240.3	**$ 1,595.5**	$ 1,878.8
Gas Transportation	**172.1**	170.5	**739.9**	710.5
Electric	**428.4**	424.6	**1,198.7**	1,279.4
Other	**7.8**	2.8	**19.9**	10.4
Gross Revenues	**817.2**	838.2	**3,554.0**	3,879.1
Cost of Sales (excluding depreciation and amortization)	**209.1**	262.4	**1,307.3**	1,769.6
Total Net Revenues	**608.1**	575.8	**2,246.7**	2,109.5
Operating Expenses				
Operation and maintenance	**311.1**	327.4	**1,076.9**	990.5
Depreciation and amortization	**132.5**	123.8	**391.0**	363.1
Loss on sale of assets	**1.1**	0.1	**1.2**	1.5
Other taxes	**53.7**	53.4	**197.2**	192.2
Total Operating Expenses	**498.4**	504.7	**1,666.3**	1,547.3
Operating Income	**109.7**	71.1	**580.4**	562.2
Other Income (Deductions)				
Interest expense, net	**(94.9)**	(94.7)	**(285.9)**	(287.4)
Other, net	**5.8**	5.7	**11.6**	13.4
Loss on early extinguishment of long-term debt	**—**	—	**(97.2)**	—
Total Other Deductions	**(89.1)**	(89.0)	**(371.5)**	(274.0)
Income (Loss) from Continuing Operations before Income Taxes	**20.6**	(17.9)	**208.9**	288.2
Income Taxes	**5.8**	(0.7)	**74.7**	111.5
Income (Loss) from Continuing Operations	**14.8**	(17.2)	**134.2**	176.7
(Loss) Income from Discontinued Operations - net of taxes	**(19.7)**	48.6	**108.5**	199.1
Net (Loss) Income	**(4.9)**	31.4	**242.7**	375.8
Less: Net income attributable to noncontrolling interest	**—**	—	**15.6**	—
Net (Loss) Income attributable to NiSource	**$ (4.9)**	$ 31.4	**$ 227.1**	$ 375.8
Amounts attributable to NiSource:				
Income (Loss) from continuing operations	**$ 14.8**	$ (17.2)	**$ 134.2**	$ 176.7
(Loss) Income from discontinued operations	**(19.7)**	48.6	**92.9**	199.1
Net (Loss) Income attributable to NiSource	**$ (4.9)**	$ 31.4	**$ 227.1**	$ 375.8
Basic (Loss) Earnings Per Share				
Continuing operations	**$ 0.05**	$ (0.05)	**$ 0.42**	$ 0.56
Discontinued operations	**(0.07)**	0.15	**0.30**	0.63
Basic (Loss) Earnings Per Share	**$ (0.02)**	$ 0.10	**$ 0.72**	$ 1.19
Diluted (Loss) Earnings Per Share				
Continuing operations	**$ 0.05**	$ (0.05)	**$ 0.42**	$ 0.56
Discontinued operations	**(0.07)**	0.15	**0.29**	0.63
Diluted (Loss) Earnings Per Share	**$ (0.02)**	$ 0.10	**$ 0.71**	$ 1.19
Dividends Declared Per Common Share	**$ 0.31**	$ 0.26	**$ 0.83**	$ 1.02
Basic Average Common Shares Outstanding	**318.1**	315.4	**317.4**	314.9
Diluted Average Common Shares	**321.5**	315.4	**320.7**	316.0

NiSource Inc.
Consolidated Balance Sheets (GAAP)
(unaudited)

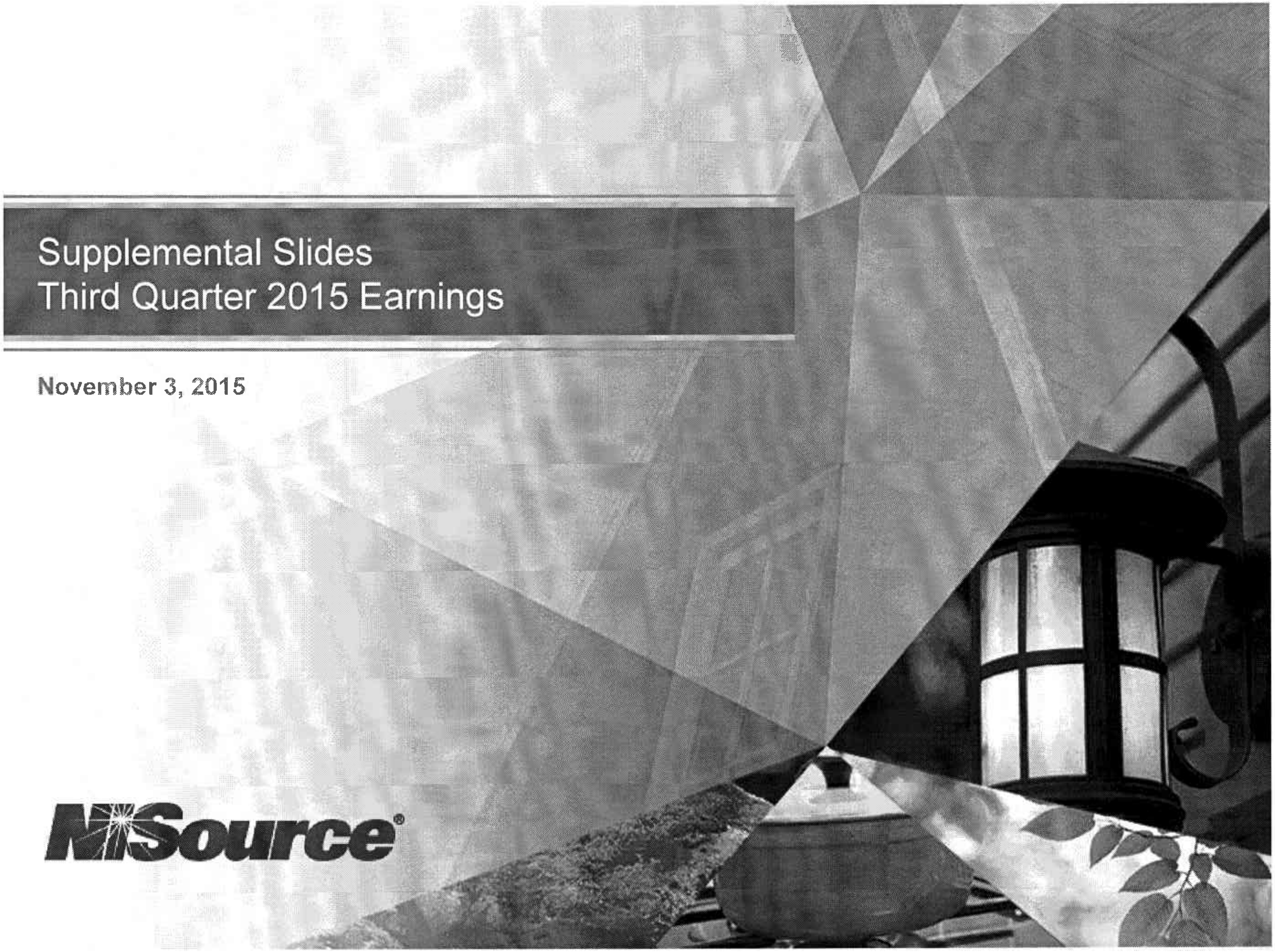
(in millions)		**September 30, 2015**		December 31, 2014
ASSETS				
Property, Plant and Equipment				
Utility plant	$	**18,484.8**	$	17,668.4
Accumulated depreciation and amortization		**(6,811.5)**		(6,629.5)
Net utility plant		**11,673.3**		11,038.9
Other property, at cost, less accumulated depreciation		**17.4**		18.5
Net Property, Plant and Equipment		**11,690.7**		11,057.4
Investments and Other Assets				
Unconsolidated affiliates		**6.7**		8.3
Other investments		**195.8**		204.8
Total Investments and Other Assets		**202.5**		213.1
Current Assets				
Cash and cash equivalents		**31.7**		24.9
Restricted cash		**27.9**		24.9
Accounts receivable (less reserve of $20.7 and $24.9, respectively)		**500.5**		920.8
Gas inventory		**398.9**		440.3
Underrecovered gas costs		**7.1**		32.0
Materials and supplies, at average cost		**84.2**		81.1
Electric production fuel, at average cost		**81.1**		64.8
Exchange gas receivable		**19.7**		28.3
Assets of discontinued operations		**—**		341.3
Regulatory assets		**183.7**		187.4
Deferred income taxes		**227.1**		214.2
Prepayments and other		**75.9**		106.5
Total Current Assets		**1,637.8**		2,466.5
Other Assets				
Regulatory assets		**1,507.5**		1,544.5
Goodwill		**1,690.7**		1,690.7
Intangible assets		**256.4**		264.7
Assets of discontinued operations		**—**		7,546.0
Deferred charges and other		**70.3**		83.4
Total Other Assets		**3,524.9**		11,129.3
Total Assets	$	**17,055.9**	$	24,866.3

NiSource Inc.
Consolidated Balance Sheets (GAAP) (continued)
(unaudited)

(in millions, except share amounts)	**September 30, 2015**	December 31, 2014
CAPITALIZATION AND LIABILITIES		
Capitalization		
Common Stockholders' Equity		
Common stock - $0.01 par value, 400,000,000 shares authorized; 318,474,781 and 316,037,421 shares outstanding, respectively	**$ 3.2**	$ 3.2
Additional paid-in capital	**5,078.6**	4,787.6
Retained (deficit) earnings	**(1,182.7)**	1,494.0
Accumulated other comprehensive loss	**(19.6)**	(50.6)
Treasury stock	**(79.2)**	(58.9)
Total Common Stockholders' Equity	**3,800.3**	6,175.3
Long-term debt, excluding amounts due within one year	**6,133.5**	8,155.9
Total Capitalization	**9,933.8**	14,331.2
Current Liabilities		
Current portion of long-term debt	**442.6**	266.6
Short-term borrowings	**107.2**	1,576.9
Accounts payable	**349.2**	610.1
Dividends payable	**49.3**	—
Customer deposits and credits	**255.4**	280.9
Taxes accrued	**137.0**	169.2
Interest accrued	**77.5**	140.7
Overrecovered gas and fuel costs	**169.2**	45.6
Exchange gas payable	**66.8**	101.5
Deferred revenue	**9.3**	3.4
Regulatory liabilities	**120.2**	61.1
Accrued liability for postretirement and postemployment benefits	**5.2**	5.3
Liabilities of discontinued operations	**—**	369.0
Legal and environmental	**36.8**	22.7
Accrued compensation and employee benefits	**125.9**	166.8
Other accruals	**121.7**	144.5
Total Current Liabilities	**2,073.3**	3,964.3
Other Liabilities and Deferred Credits		
Deferred income taxes	**2,513.9**	2,380.0
Deferred investment tax credits	**15.4**	17.1
Deferred credits	**99.4**	100.9
Accrued liability for postretirement and postemployment benefits	**665.2**	733.9
Liabilities of discontinued operations	**—**	1,616.3
Regulatory liabilities	**1,387.1**	1,379.6
Asset retirement obligations	**181.2**	136.2
Other noncurrent liabilities	**186.6**	206.8
Total Other Liabilities and Deferred Credits	**5,048.8**	6,570.8
Commitments and Contingencies	**—**	—
Total Capitalization and Liabilities	**$ 17,055.9**	$ 24,866.3

NiSource Inc.
Statements of Consolidated Cash Flows (GAAP)
(unaudited)

Nine Months Ended September 30, *(in millions)*	2015	2014
Operating Activities		
Net Income	$ **242.7**	$ 375.8
Adjustments to Reconcile Net Income to Net Cash from Continuing Operations:		
Loss on early extinguishment of debt	**97.2**	—
Depreciation and amortization	**391.0**	363.1
Net changes in price risk management assets and liabilities	**2.0**	1.9
Deferred income taxes and investment tax credits	**60.1**	110.1
Deferred revenue	**7.3**	(0.4)
Stock compensation expense and 401(k) profit sharing contribution	**38.6**	50.2
Loss on sale of assets	**1.2**	1.5
Income from unconsolidated affiliates	**0.8**	0.6
Income from discontinued operations - net of taxes	**(108.5)**	(199.1)
Amortization of debt related costs	**6.8**	7.5
AFUDC equity	**(7.7)**	(7.4)
Changes in Assets and Liabilities		
Accounts receivable	**420.3**	360.3
Inventories	**19.8**	(170.5)
Accounts payable	**(287.5)**	(228.7)
Customer deposits and credits	**(25.5)**	(5.0)
Taxes accrued	**(30.6)**	(31.1)
Interest accrued	**(63.1)**	(54.7)
Over (Under) recovered gas and fuel costs	**148.5**	(19.2)
Exchange gas receivable/payable	**(26.1)**	(57.2)
Other accruals	**(57.1)**	(29.5)
Prepayments and other current assets	**30.1**	33.9
Regulatory assets/liabilities	**111.1**	(18.1)
Postretirement and postemployment benefits	**(61.0)**	(86.7)
Deferred credits	**(1.3)**	10.7
Deferred charges and other noncurrent assets	**10.8**	5.5
Other noncurrent liabilities	**(13.6)**	5.3
Net Operating Activities from Continuing Operations	**906.3**	418.8
Net Operating Activities from Discontinued Operations	**287.6**	467.7
Net Cash Flows from Operating Activities	**1,193.9**	886.5
Investing Activities		
Capital expenditures	**(923.4)**	(914.3)
Proceeds from disposition of assets	**4.3**	1.6
Restricted cash deposits	**(3.0)**	(8.1)
Cash contributions from CPG	**3,798.2**	—
Other investing activities	**(39.9)**	(7.4)
Net Investing Activities from (used for) Continuing Operations	**2,836.2**	(928.2)
Net Investing Activities used for Discontinued Operations	**(430.0)**	(584.0)
Net Cash Flows from (used for) Investing Activities	**2,406.2**	(1,512.2)
Financing Activities		
Cash of CPG at Separation	**(136.8)**	—
Issuance of long-term debt	—	748.4
Repayments of long-term debt and capital lease obligations	**(1,859.1)**	(517.1)
Premiums and other debt related costs	**(93.5)**	—
Change in short-term borrowings, net	**(1,396.6)**	612.3
Issuance of common stock	**17.9**	22.4
Acquisition of treasury stock	**(20.3)**	(10.2)
Dividends paid - common stock	**(214.0)**	(239.2)
Net Financing Activities (used for) from Continuing Operations	**(3,702.4)**	616.6
Net Financing Activities from Discontinued Operations	**108.6**	—
Net Cash Flows (used for) from Financing Activities	**(3,593.8)**	616.6
Change in cash and cash equivalents from continuing operations	**40.1**	107.2
Change in cash and cash equivalents used for discontinued operations	**(33.8)**	(116.3)
Change in cash included in discontinued operations	**0.5**	(0.1)
Cash and cash equivalents at beginning of period	**24.9**	26.5
Cash and Cash Equivalents at End of Period	$ **31.7**	$ 17.3


Supplemental Slides
Third Quarter 2015 Earnings
November 3, 2015
NiSource®

Forward-Looking Statements

Forward-Looking Statements

This presentation contains forward-looking statements within the meaning of federal securities laws.

These forward-looking statements are subject to various risks and uncertainties. Examples of forward-looking statements in this presentation include statements and expectations regarding NiSource's business, performance and growth following the separation. Factors that could cause actual results to differ materially from the projections, forecasts, estimates and expectations discussed in this Quarterly Report on Form 10-Q include, but are not limited to, NiSource's debt obligations and ability to comply with related covenants, changes in NiSource's credit rating, growth opportunities for NiSource's businesses, changes in general economic and market conditions, regulatory rate reviews and proceedings, increased competition in deregulated energy markets, compliance with environmental laws, fluctuations in weather, climate change, natural disasters, acts of terrorism and other catastrophic events, economic conditions in certain industries, fluctuations in the price of energy commodities, counterparty credit risk, any impairment of goodwill and definite-lived intangible assets, changes in taxation or accounting principles, accidents and other operating risks, aging infrastructure, disruptions in information technology and cyber-attacks, NiSource's ability to achieve the intended benefits of the Separation and other matters set forth in the "Risk Factors" section in NiSource's 2014 Form 10-K and subsequent Form 10-Q filed with the Securities and Exchange Commission, many of which are beyond the control of NiSource. In addition, the relative contributions to profitability by each segment, and the assumptions underlying the forward-looking statements relating thereto, may change over time. NiSource expressly disclaims any duty to update, supplement or amend any of its forward-looking statements contained in this presentation, whether as a result of new information, subsequent events or otherwise, except as required by applicable law.

Regulation G Disclosure Statement

This presentation includes NiSource's financial results with respect to net operating earnings from continuing operations and operating earnings, which are non-GAAP financial measures as defined by the SEC's Regulation G. The Company includes such measures because management believes they permit investors to view the Company's performance using the same tools that management uses and to better evaluate the Company's ongoing business performance. It should be noted that there will likely be differences between these non-GAAP financial measures and GAAP equivalents due to various factors, including, but not limited to, weather, restructuring, environmental, the impact of asset sales and asset impairments, and separation related costs and expenses and accounting changes. NiSource is not able to estimate the impact of such factors on GAAP earnings and, as such, is not providing earnings guidance on a GAAP basis.

Key Takeaways – Third Quarter 2015

- Solid results in line with expectations
  - $0.06 per share in Q3 2015 versus a loss of $0.03 per share in Q3 2014*
  - On track with ~$1.3B in utility infrastructure investments in 2015
- NiSource/CPG separation successfully completed on July 1, 2015
  - Shareholders received 1-to-1 distribution of CPG shares
  - CPG results now classified as discontinued operations
- Continued disciplined execution; regulatory programs, infrastructure investments continue to benefit customers, communities and investors
  - Columbia Gas of Massachusetts rate case settlement approved; new rates effective Nov. 1, 2015
  - Columbia Gas of Pennsylvania rate case settlement filed; decision expected by year-end 2015
  - NIPSCO electric base rate case filed; new electric TDSIC plan expected to be filed
- 2016 Guidance: $1.00 - $1.10 per share*; CapEx ~$1.4B

Disciplined Execution Reinforces Value of 100% Regulated Utility Business

** Net Operating Earnings from Continuing Operations (non-GAAP); For a reconciliation to GAAP, see Schedule 1 of the Company's November 3, 2015 Earnings Release*

Third Quarter 2015 Financial Highlights*

Non-GAAP**	Q3 2015	Q3 2014	Change
Net Operating Earnings (Loss) from Continuing Operations ($M)	$18.5	($8.7)	$27.2
Net Operating Earnings (Loss) Per Share	$0.06	($0.03)	$0.09
Operating Earnings ($M)	$115.8	$84.7	$31.1

GAAP	Q3 2015	Q3 2014	Change
Income/(Loss) from Continuing Operations ($M)	$14.8	($17.2)	$32.0
Earnings/(Loss) Per Share	$0.05	($0.05)	$0.10
Operating Income ($M)	$109.7	$71.1	$38.6

Solid Results in Line with Expectations

* *Results exclude Columbia Pipeline Group (CPG) results, which are now classified as discontinued operations*
** *Net Operating Earnings (Loss) from Continuing Operations (non-GAAP); For a reconciliation to GAAP, see Schedule 1 of the Company's November 3, 2015 Earnings Release*

NiSource

NiSource Debt and Credit Profile

- Current debt level: ~$6.7B as of Sept. 30, 2015
  - ~$6.6B of long-term debt
    - Weighted average maturity ~14 years
    - Weighted average rate of ~5.86%
- Solid liquidity position following separation
  - ~$1.7B of committed facilities in place
    - ~$1.5B 5-year revolving credit facility
    - ~$0.2B* accounts receivable securitization facilities
  - ~$1.6B in net available liquidity as of Sept. 30, 2015
- Committed to Investment-Grade Credit Ratings
  - Moody's Baa2 S&P BBB+ Fitch BBB-

Strong Financial Foundation for Pure-Play Utility Growth

* Committed capacity on accounts receivable securitization facilities changes with seasonality

NiSource

Gas Distribution Operations – Third Quarter 2015

- Operating earnings $21.6M in Q3 2015 vs. $1.0M in Q3 2014*
- Settlements approved in Massachusetts and Virginia; settlement pending in Pennsylvania
- Application for extension of infrastructure replacement program approved in Virginia
- Ongoing infrastructure enhancements designed to improve safety, reliability and customer convenience
- Improved customer experience; JD Power scores improving at all NiSource companies; Columbia Gas of Pennsylvania ranked highest for residential customer satisfaction among regional peers for second year

Looking Ahead:

Highlight	Key Components	Status
Columbia Gas of Massachusetts Base Rate Case	• Annual revenue increase of $32.8M beginning Nov. 1, 2015 • Additional annual increase of $3.6M starting Nov. 1, 2016 • Supports efforts to modernize pipeline infrastructure for safety and reliability	• Settlement approved by Massachusetts DPU in October 2015
Columbia Gas of Pennsylvania Base Rate Case	• Filed settlement Aug. 27, 2015, proposes $28M annual revenue increase • Supports continuation of CPA's infrastructure modernization and safety programs, including employee training • Tariff supports expanding service to unserved areas	• Commission decision expected by year-end 2015
Columbia Gas of Virginia Base Rate Case	• Settlement with staff and intervening parties approved ~$25M revenue increase • Supports system modernization program, customer growth and safety investments	• Final commission order received in August 2015
Columbia Gas of Virginia System Modernization	• Five-year, ~$150 million investment in infrastructure modernization programs • Extension of SAVE Act program originally approved in 2011	• Final commission order received in October 2015
NIPSCO Gas System Modernization Program	• Seven-year, ~$817M investment focused on system modernization and system extensions to rural customers • Program update, semi-annual gas tracker filed Aug. 31, 2015	• 2015 projects in progress

~$20B+ in Identified Long-Term Infrastructure Investment Opportunities

* Non-GAAP; For a reconciliation to GAAP, see Schedule 1 of the Company's November 3, 2015 Earnings Release

Electric Operations – Third Quarter 2015

- Operating Earnings $101.6M in Q3 2015 vs. $90.2M in Q3 2014*
- Electric rate case filed Oct. 1; First in five years to cover current costs and investments related to reduced power outage durations, improved outage communication, Automated Meter Reading deployment, new energy efficiency and renewable energy options
- Michigan City FGD, transmission projects on budget and on schedule
- New seven-year transmission and distribution modernization plan expected to be filed

Looking Ahead:

Highlight	Key Components	Status
Electric Base Rate Case	• Requested revenue increase of $148M, which includes continued recovery of environmental trackers • Seeks to recover the current costs of generating and distributing power, plus ongoing customer-focused, reliability-centric investments	• Filed Oct. 1, 2015 • Decision expected mid-2016
Electric System Modernization Program	• Settlement pending before IURC that resolves all concerns raised in an Indiana Court of Appeals proceeding • NIPSCO agrees to file a new seven-year plan	• New seven-year plan expected to be filed
Electric Generating Plant Environmental Investments	• ~$860M in total environmental investments • Michigan City FGD: Unit 12 • Schahfer Flue Gas Desulfurization (FGD) investments complete	• Michigan City Unit 12 on plan for completion by year-end 2015

Electric Transmission System Enhancement Projects	• Reynolds to Topeka Project
	  • 100-mile, 345-kV transmission project
	  • $250M-$300M investment
	• Greentown to Reynolds (*Joint Project)*
	  • ~65-mile, 765-kV transmission project
	  • $300M-$400M investment (NIPSCO portion $150M-$200M)
		• Preliminary construction has begun
		• Right of way acquisition in progress
		• Stakeholder outreach continues
		• Both projected in service latter part of 2018

~$10B in Identified Long-Term Infrastructure Investment Opportunities

** Non-GAAP; For a reconciliation to GAAP, see Schedule 1 of the Company's November 3, 2015 Earnings Release*

NiSource

NiSource Strategic Framework – Creating Value

Aspiration	**Premier Regulated Utility Company**
Value Proposition	**Best-in-Class Risk-Adjusted Total Return Proposition** • ~$30B of 100% Regulated Utility Infrastructure Investment Opportunities • Scale Across 7 States • Transparent Earnings Drivers • Constructive Regulatory Environments and Mechanisms
Strategic Approach	**Balanced Priorities** • Enhance Value to Our Customers and Communities • Build, Maintain and Operate a Safe, Reliable and Efficient System • Aligned, Engaged Employees, Business Partners and Operations • Financial Discipline for Our Stakeholders

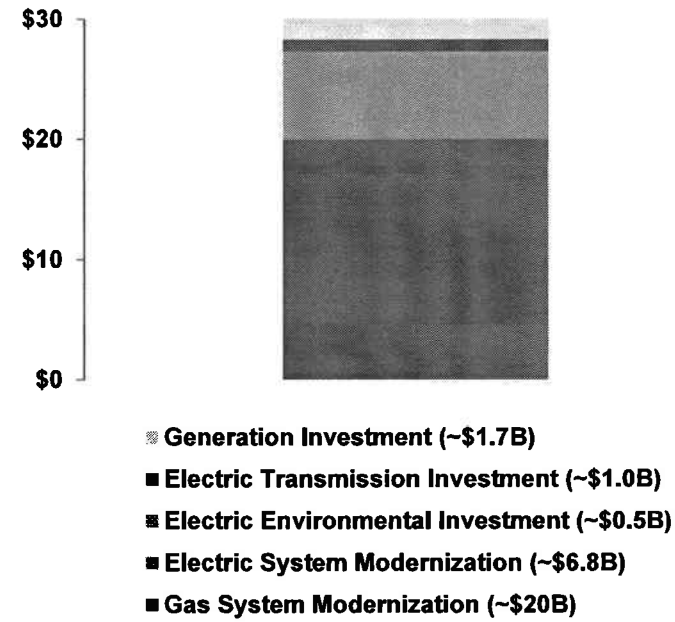
4-6% EPS* and Dividend Growth Projected Over Long Term

** Net Operating Earnings from Continuing Operations (Non-GAAP)*

Compelling Pure-Play Utility Investment Proposition

- Focused Business Strategy
- ~$30B of Expected Infrastructure Enhancements Over 20+ Years
- Significant Scale with ~4.0M Customers Across 7 States
- Constructive Regulatory Environments
- Investment-Grade Credit Ratings
- Expected Earnings* and Dividend Growth of 4-6% Annually
- 2016 Guidance
  - EPS* $1.00 - $1.10
  - CapEx ~$1.4B
- Targeted Dividend Payout Ratio of 60-70%

Identified Investment Opportunities



Transparent, Sustainable Growth Drives Shareholder Value

* Net Operating Earnings from Continuing Operations (Non-GAAP)

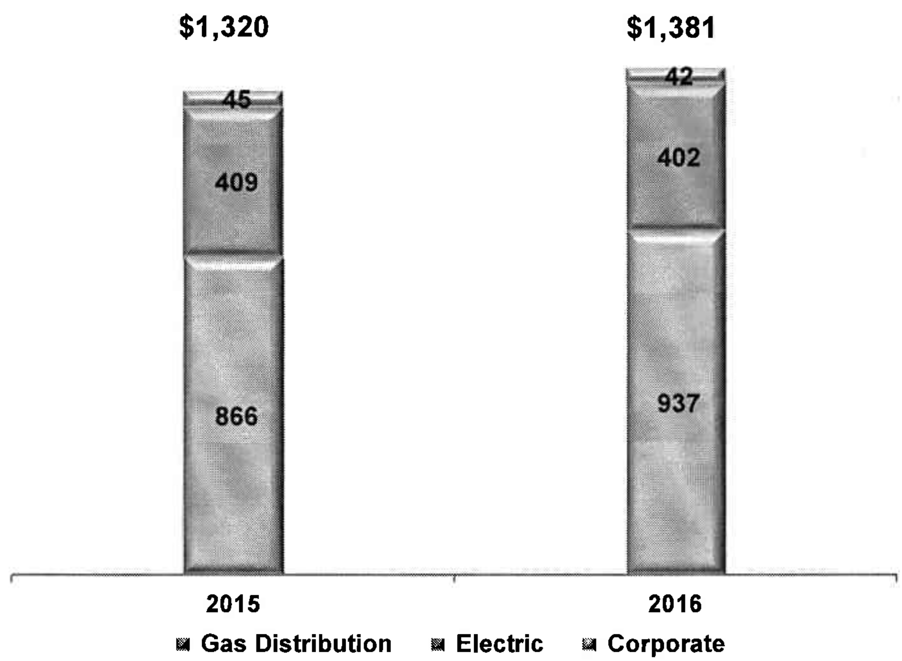
NiSource

Appendix
Third Quarter 2015 Earnings

NiSource®

Capital Expenditures ($M)

2015 - 2016 CapEx Forecast



2015 Growth & Tracker ~$970M (74%) and Age & Condition ~$350M (26%)

NiSource

Current Liquidity and Debt Detail ($M)

Current Liquidity

	Actual 9/30/15	Maturity
Revolving Credit Facility – NFC	$ 1,500	June 2020
Accounts Receivable Program*	207	
Less:		
Drawn on Credit Facility – NFC	-	
Commercial Paper	-	
Accounts Receivable Program Utilized	(107)	
L/C's Outstanding Under Credit Facility	(15)	
Add:		
Cash & Equivalents	32	
Net Available Liquidity	**$ 1,617**	

Debt Detail

	Balance	Wtd. Avg. Rate**	Wtd. Avg. Maturity
Fixed Rate Long-Term Debt	$ 6,457	5.86%	13.84
A/R Program Borrowings	107	0.56%	Approx. 1 mo.
Capital Leases, Def Cost & Other	119	N/A	N/A
Total Debt	**$ 6,683**		

* Represents the lesser of the seasonal limit or maximum borrowings supportable by the underlying receivables
** Represents coupon or current incremental borrowing rate, does not factor in fees and/or amortization of deferred charges
N/A = Not Applicable

NiSource

Gas Distribution Investment Opportunities Update

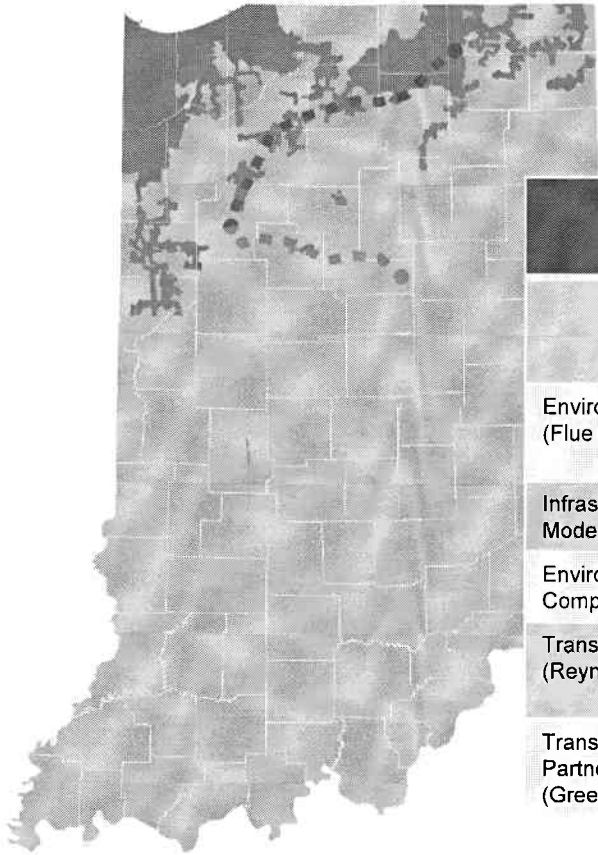
Infrastructure Modernization Programs

Company	Total Investment Opportunities	Annual Investment	Recovery Mechanism	Program Length
Columbia Gas of OH	~$4.1B	$177 - $195M	Tracked	20-25 Years
NIPSCO Gas	~$4.5B	$80 - $120M	Tracked	20-25 Years
Columbia Gas of PA	~$3.0B	$143 - $168M	Rate Case (Forward Test Year)	15-20 Years
Columbia Gas of MA	~$1.4B	$44 - $70M	Tracked	15-20 Years
Columbia Gas of VA	~$550M	$25 - $35M	Tracked	15-20 Years
Columbia Gas of KY	~$750M	$12 - $14M	Tracked	25-30 Years
Columbia Gas of MD	~$200M	$6 - $14M	Tracked	15-20 Years

Robust Long-Term Investment Opportunities

NiSource

Electric Operations Investment Opportunities Update



Infrastructure Investment Programs / Projects				
Program / Project	**Total Investment Opportunities**	**Annual Investment**	**Recovery Mechanism**	**Program / Project Length**
Environmental (Flue Gas Desulfurization)	~$750M	$175M - $250M	Tracked	Expected Completion YE 2015
Infrastructure Modernization	~$6.8B	$175M - $200M	Tracked	20+ Years
Environmental Compliance	~$300M	TBD	Tracked	~5 Years
Transmission Project I (Reynolds-Topeka)	$250M - $300M	$35M - $50M	FERC Approved Formula Rates	Expected Completion 2H 2018
Transmission Project II – Partnership (Greentown-Reynolds)	$300M - $400M (NI: $150M - $200M)	$25M - $60M	FERC Approved Formula Rates	Expected Completion 2H 2018

Significant Electric Infrastructure Opportunities

NiSource

Regulatory Update

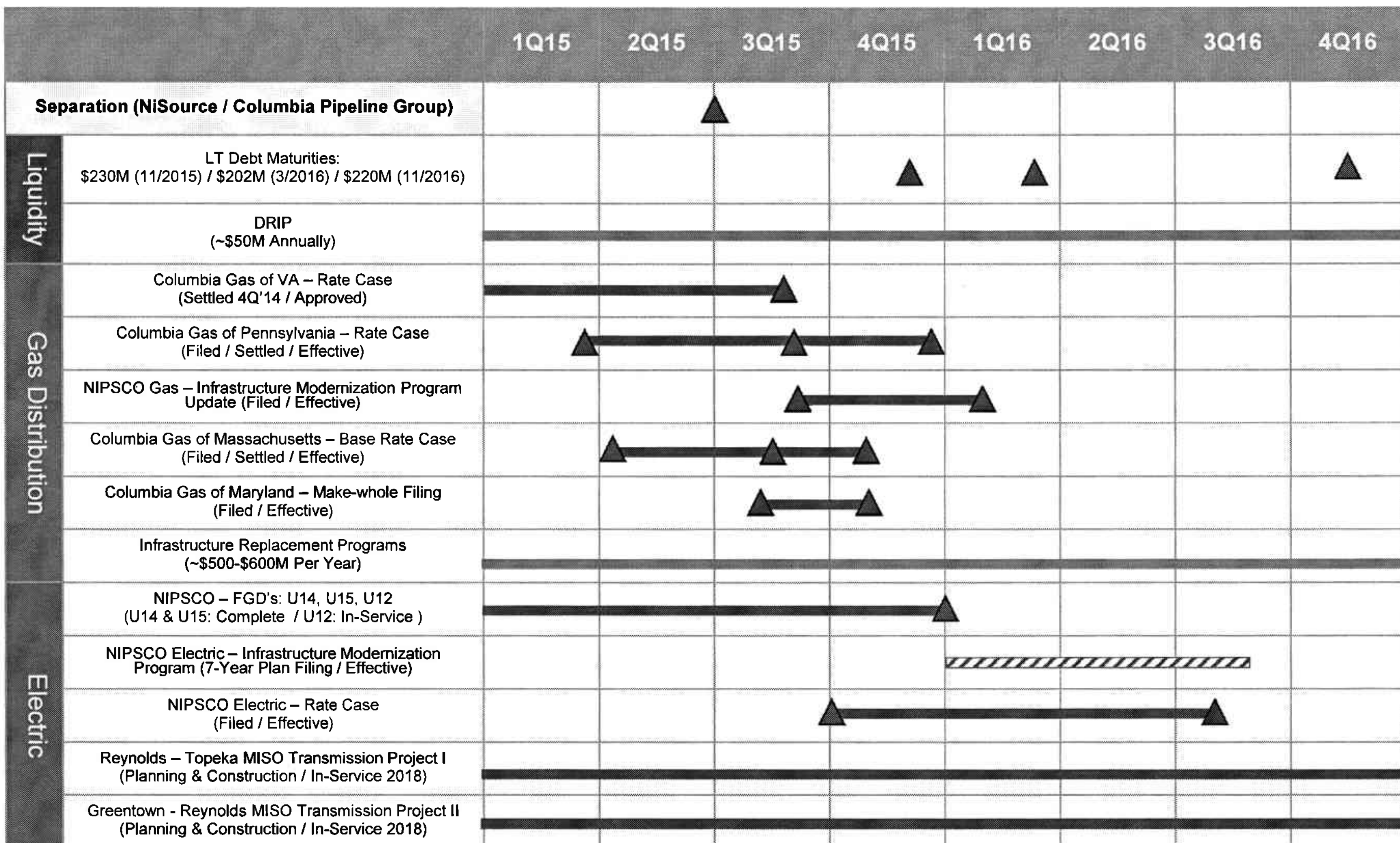
2015 Key Regulatory Activity		
Company / Filing	**Summary**	**Timeline**
Complete		
Columbia Gas of Massachusetts – Gas System Enhancement Filing	Increase: $2.6M	Filed: Oct. 2014 Effective: May 2015
Columbia Gas of Massachusetts – Base Rate Case	Requested Increase: ~$49M Settled Increase: ~$36M	Filed: 1Q 2015 Settled: 3Q 2015 Effective: November 1, 2015*
Columbia Gas of Virginia – Base Rate Case	Requested Increase: ~$32M Settled Increase: ~$25M	Settlement: 4Q 2014 Effective: October 2014** Approved: 3Q 2015
In Progress		
Columbia Gas of Pennsylvania – Base Rate Case	Requested Increase: ~$46M Settled Increase: ~$28M	Filed: 1Q 2015 Settled: 3Q 2015 Effective: 4Q 2015 (estimated)
NIPSCO Gas – 7-Year Modernization Plan (TDSIC-3)	Tracker / Plan Update Filing (Updated Investment ~$817M)	Filed: 3Q 2015 Effective: 1Q 2016 (estimated)
NIPSCO Electric – Base Rate Case	Requested Increase: ~$148M (Net of Anticipated Trackers ~$95M)	Filed: 3Q 2015 Effective: 3Q 2016 (estimated)
NIPSCO Electric – 7-Year Modernization Plan (TDSIC)	Settlement Pending at IURC, New 7-Year Plan Filing Expected	Filing: TBD Effective: 2016 (estimated)
Columbia Gas of Maryland – Make Whole Filing	Requested Increase: ~$0.8M	Filed: 3Q 2015 Effective: 4Q 2015

Regulatory Execution that Drives Growth and Stakeholder Enhancements

*2-step increase: $32.8M on 11-1-15; $3.6M on 11-1-16
**Subject to refund

NiSource

Key Path Forward Markers



NiSource

NiSource Inc. 801 East 86th Avenue Merrillville, Indiana 46410
www.nisource.com NYSE: NI

Investor Relations
Randy Hulen (219) 647-5688 rghulen@nisource.com

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Rate of Return

Question No. GAS-ROR-007:

Please provide a listing of all securities issuances for the Company and, if applicable, its parent projected for the next two years. The response should identify for each projected issuance the date, dollar amount, type of security, and effective cost rate.

Response:

Columbia Gas of Pennsylvania, Inc.:

The Company plans on issuing the debt below to both meet new financing needs and to replace maturity of $18.525M on November 28, 2016.

Issue Date		Principal		Coupon		Maturity
March 2016		$45M		4.53%		30 Year
January 2017		$85M		4.58%		30 Year

Note: The coupons are based upon the forward curves run on February 2, 2016 from the Bloomberg Financial System plus NiSource's BBB+ credit spread calculated as the BBB+ Utility coupon less the benchmark UST as obtained from Bloomberg's historical price function. An assumption was made that this credit spread would change inversely to the change in the U.S. Treasury rate by approximately one-half.

NiSource Inc.:

NiSource Inc. is expecting to issue $500M to $1B of external issuance to both meet financing needs and to replace maturities.

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Rate of Return

Question No. GAS-ROR-008:

Please identify all of the Company's and, if applicable, its parent's publicly underwritten common stock issuances written in the last five years. Identify which such issuances were related to mergers or acquisitions, and which were undertaken to fund facility investments in utility plant and equipment.

Response: Columbia Gas of Pennsylvania, Inc.

Columbia Gas of Pennsylvania, Inc. (Company) is a wholly owned subsidiary of NiSource Gas Distribution Group, Inc., which is a wholly owned subsidiary of NiSource Inc. (Parent). All equity of the Company is held by the Parent and is not publicly traded.

Response: NiSource Inc.

NiSource Inc. has not issued any shares of its common stock over the last five years (2011-2015) through an underwritten public offering.

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Rate of Return

Question No. GAS-ROR-009:

Please identify any plan by the Company to refinance high cost long-term debt or preferred stock.

Response:

There are no plans to refinance high cost long term debt; debt will be refinanced in normal course at maturity. The company does not have preferred stock.

Columbia Gas of Pennsylvania, Inc.
Standard Data Request
Rate of Return

Question No. GAS-ROR-010:

Please provide copies of all securities analysts' reports relating to the Company and/or its parent issued within the past 2 years.

Response: Columbia Gas of Pennsylvania, Inc.

Columbia Gas of Pennsylvania, Inc. (Company) is a wholly owned subsidiary of NiSource Gas Distribution, Inc. (NGD), which is a subsidiary of NiSource Inc. (Parent). There are no securities analysts reports that relate to the Company or NGD that are separate from such reports relating to the Parent.

Response: NiSource Inc.

Security analysts' reports issued within the past 2 years are attached in Attachment A – Attachment L.

Year	Attachment	Folder Name	Documents Included
2014	A	1Q	Barclays 1Q- 2014 BMO 1Q- 2014 Credit Suisse 1Q- 2014 Hilliard 1Q- 2014 Jeffries 1Q- 2014- Precall KeyBanc 1Q- 2014- Precall Morgan Stanley 1Q- 2014 Morningstar 1Q- 2014 Jeffries Report Initiating Coverage 2Q- 2014 Credit Suisse- 04/22/2014 Morningstar- 03/21/2014
	B	2Q	BMO 2Q- 2014 Citi 2Q- 2014 Credit Suisse 2Q- 2014 Hilliard 2Q- 2014 Jeffries 2Q- 2014- Precall KeyBanc 2Q- 2014- Precall Morgan Stanley 2Q- 2014 MorningStar 2Q- 2014
	C	3Q	BMO 3Q- 2014 Credit Suisse 3Q- 2014- Precall Credit Suisse 3Q- 2014 Hilliard 3Q- 2014 Jeffries 3Q- 2014- Precall KeyBanc 3Q- 2014- Precall Morgan Stanley 3Q- 2014 MorningStar 3Q- 2014 Wolfe 3Q- 2014

Columbia Gas of Pennsylvania, Inc.
Standard Data Request
Rate of Return

	D	Post 2014 Investor Day	Barclays- Suspending Rating BMO- Post Investor Day BMO- Pre Investor Day Credit Suisse- Post Investor Day Hilliard- Post Investor Day Jeffries- Pre Investor Day KeyBanc- Post Investor Day KeyBanc- Pre Investor Day Morgan Stanley- Post Investor Day Morgan Stanley- Pre Investor Day MorningStar Wolfe- Post Investor Day
	E	Misc	BMO- Post 2014 AGA Jefferies- Target/Estimate Change KeyBanc- Quick Alert: 02-13-2014 KeyBanc- Quick Alert: 08-12-2014 MorningStar- MLP Optimism US Capital Advisors- Analyst Meeting
2015	F	1Q	BMO 1Q - 2015 Jeffries 1Q - 2015- Precall JP Morgan 1Q -2015 – Postcall KeyBanc 1Q - 2015 - Precall Morningstar 1Q - 2015 Wolfe 1Q – 2015 Postcall
	G	2Q	Barclays 2Q - 2015 Citi 2Q - 2015 Credit Suisse 2Q - 2015 Hilliard 2Q - 2015 Jeffries 2Q - 2015- Precall KeyBanc 2Q - 2015- Precall MorningStar 2Q - 2015 UBS 2Q – 2015 Wolfe Note 2Q – 2015 Wolfe Preview 2Q - 2015
	H	3Q	Barclays 3Q - 2015 Hilliard 3Q - 2015 Jeffries 3Q - 2014- Precall JP Morgan 3Q - 2015 Preview JP Morgan 3Q – 2015 Model Update KeyBanc 3Q - 2015- Precall MorningStar 3Q – 2015 UBS 3Q – 2015 UBS 3Q – 2015 Preview Wolfe 3Q - 2015
	I	4Q	Jefferies 4Q - 2015

Columbia Gas of Pennsylvania, Inc.
Standard Data Request
Rate of Return

	J	Separation	Argus – Post Separation Barclays – Post Separation Credit Suisse – Separation Update Credit Suisse – Post Separation Edward Jones – Post Separation Jefferies – NI and CPPL Model Updates Jefferies – Post Separation JP Morgan – Post Separation JP Morgan – Post Separation Keybanc – Separation Update Keybanc – Note Keybanc – Post Separation Keybanc – Post AGA 2015 Morningstar – Separation Update Morningstar1 – Post Separation Morningstar2 – Post Separation Morningstar – Post AGA 2015 UBS – Separation Update UBS – NI Initiation UBS – Post Separation US Capital – Post Separation US Capital – Post Separation USCA USCA Note Wolfe Wolfe – Separation Update Wolfe – Separation Update Wolfe – Note Wolfe – Note on Dividends Wolfe – Post AGA 2015
	K	Settlement	Barclays TDISC Settlement Approval Note
	L	Misc	Bloomberg 3Q - 2015 Note Citi 2Q – 2015 Note on Dividends Credit Suisse 1Q – 2015 Updated EPS Morningstar 4Q – 2015 YE Note

BARCLAYS

Equity Research
Power & Utilities | North America Utilities
30 April 2014

NiSource, Inc.

Outlining Midstream Growth Potential; Raising PT to $38

Solid 1Q beat; raising PT to $38: NI reported 1Q adjusted EPS of $0.82 excluding a positive weather impact, and ahead of our and consensus estimates of $0.80 and $0.79, respectively. Compared to 1Q13 EPS of $0.69, y/y earnings increased as a result of gas utility rider and rate increases in Ohio and Pennsylvania, environmental rate trackers, and gathering & processing projects placed in service after 1Q last year. We raise our PT from $36 to $38 due to sector multiple expansion, and raise our 2014/2015 EPS estimates from $1.66/$1.83 to $1.70/$1.84.

We estimate ~$190M EBITDA for Rayne/Leach; $180M for WB Express: We discuss our estimates based on parameters provided in the open seasons further in the note. NI stated the company is finalizing precedent agreements for the Rayne and Leach Express projects, with an update in 3Q. Additionally, NI announced it had completed an open season for WB Express, which would move Appalachian shale gas both east and west along Columbia Gas Transmission's WB line. The company believes WB Express is likely to move forward based on the non-binding open season, and it is expected to be in service by the end of 2018.

NIPSCO 7-Year Gas Infrastructure Program approved: Earlier this afternoon, the Indiana Utility Regulatory Commission approved NIPSCO Gas' 7-year gas infrastructure program, largely in its original form. The program, which is similar to the electric infrastructure program approved in February, allows NIPSCO Gas to invest $713M of capital over a 7-year period with semi-annual rate increases for recovery of investment.

MLP announcement likely in September: NI suggested that an Analyst Day could be held in 3Q to announce the decision on an MLP. We believe the MLP would allow NI to raise its 5-7% EPS growth guidance, which we believe is conservative given the MLP's cheaper cost of capital coupled with rate base growth in excess of 10%.

NI: Quarterly and Annual EPS (USD)

	2013	2014			2015			Change y/y	
FY Dec	Actual	Old	New	Cons	Old	New	Cons	2014	2015
Q1	0.69A	N/A	0.82A	0.79E	N/A	N/A	0.87E	19%	N/A
Q2	0.23A	N/A	N/A	0.25E	N/A	N/A	0.26E	N/A	N/A
Q3	0.18A	N/A	N/A	0.15E	N/A	N/A	0.11E	N/A	N/A
Q4	0.47A	N/A	N/A	0.51E	N/A	N/A	0.53E	N/A	N/A
Year	1.58A	1.66E	1.70E	1.67E	1.83E	1.84E	1.79E	8%	8%
P/E	23.0		21.3			19.7			

Source: Barclays Research.
Consensus numbers are from Thomson Reuters

Stock Rating	OVERWEIGHT Unchanged
Industry View	NEUTRAL Unchanged
Price Target	USD 38.00 raised 6% from USD 36.00
Price (29-Apr-2014)	USD 36.29
Potential Upside/Downside	+5%
Tickers	NI
Market Cap (USD mn)	11423
Shares Outstanding (mn)	314.76
Free Float (%)	99.54
52 Wk Avg Daily Volume (mn)	2.0
Dividend Yield (%)	2.8
Return on Equity TTM (%)	8.58
Current BVPS (USD)	18.77

Source: Thomson Reuters

Price Performance	Exchange-NYSE
52 Week range	USD 36.82-27.11

Link to Barclays Live for interactive charting

North America Utilities
Daniel Ford, CFA
1.212.526.0836
daniel.x.ford@barclays.com
BCI, New York

William Zhang
1.212.526.6203
william.zhang@barclays.com
BCI, New York

North America Utilities — Industry View: NEUTRAL

NiSource, Inc (NI)

Stock Rating: OVERWEIGHT

Income statement ($mn)	2013A	2014E	2015E	2016E	CAGR
Revenue	5,657	6,112	6,329	6,592	5.2%
EBITDA (adj)	1,701	1,938	2,117	2,343	11.3%
EBIT (adj)	1,143	1,319	1,458	1,643	12.8%
Pre-tax income (adj)	753	825	896	1,039	11.4%
Net income (adj)	494	536	582	676	11.0%
EPS (adj) ($)	1.58	1.70	1.84	2.13	10.4%
Diluted shares (mn)	313.6	315.0	316.4	317.6	0.4%
DPS ($)	1.00	1.08	1.12	1.16	5.1%

Margin and return data					Average
EBITDA (adj) margin (%)	30.1	31.7	33.4	35.5	32.7
EBIT (adj) margin (%)	20.2	21.6	23.0	24.9	22.4
Pre-tax (adj) margin (%)	13.3	13.5	14.2	15.8	14.2
Net (adj) margin (%)	8.7	8.8	9.2	10.2	9.2
ROIC (%)	8.2	8.5	8.6	9.1	8.6
ROA (%)	2.2	2.2	2.2	2.5	2.3
ROE (%)	8.3	8.7	9.1	10.0	9.0

Balance sheet and cash flow ($mn)					CAGR
Net PP&E	14,047	15,897	17,477	19,066	10.7%
Total net assets	22,654	24,373	26,084	27,515	6.7%
Capital employed	14,022	15,535	17,047	18,077	8.8%
Shareholders' equity	5,887	6,133	6,411	6,763	4.7%
Net debt/(funds)	8,109	9,261	10,402	11,286	11.7%
Cash flow from operations	1,437	1,279	1,403	1,729	6.4%
Capital expenditure	-1,880	-2,150	-2,239	-2,289	N/A
Free cash flow	-679	-1,040	-1,026	-936	N/A
Pre-dividend FCF	-374	-699	-671	-568	N/A

Valuation and leverage metrics					Average
P/E (adj) (x)	23.0	21.3	19.7	17.1	20.3
EV/EBITDA (adj) (x)	11.5	10.7	10.3	9.7	10.5
EV/EBIT (adj) (x)	17.1	15.6	14.9	13.8	15.4
P/BV (x)	1.9	1.9	1.8	1.7	1.8
Dividend yield (%)	2.8	3.0	3.1	3.2	3.0
Total debt/capital (%)	58.0	60.5	62.4	62.6	60.9
Net debt/EBITDA (adj) (x)	4.8	4.8	4.9	4.8	4.8

Selected operating metrics					Average
Payout ratio (%)	63.3	63.4	60.9	54.5	60.5
Interest cover (x)	2.8	2.7	2.6	2.7	2.7
Regulated (%)	N/A	N/A	N/A	N/A	N/A

Price (29-Apr-2014) USD 36.29

Price Target USD 38.00

Why Overweight? We rate NI as Overweight because of the attractive risk/reward profile from NI's well-defined rate base growth strategy which we see as relatively low-risk. Moreover, we believe additional value can be captured in NI's potential for an MLP. We see meaningful growth opportunities for midstream, which should drive a high growth dropdown strategy.

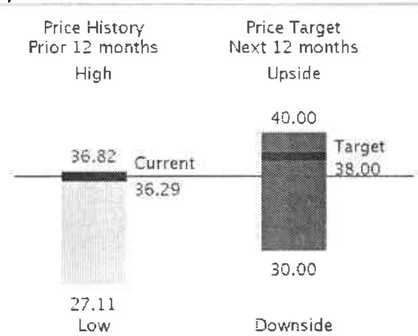
Upside case USD 40.00

Our upside case assumes the Columbia Pipeline Group is converted to an MLP with a 3.2% target yield.

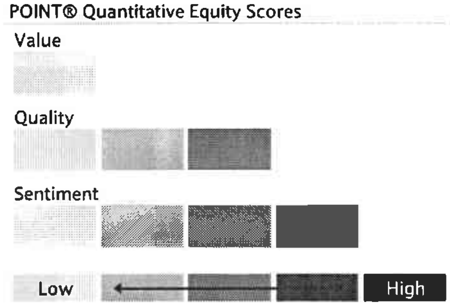
Downside case USD 30.00

Our downside case assumes NI does not execute a midstream MLP, and we instead assign a 9.5x 2015E EBITDA to 2015E midstream earnings in our valuation.

Upside/Downside scenarios



POINT® Quantitative Equity Scores



Source: POINT®. The scores are valid as of the date of this report and are independent of the fundamental analysts' views. To view the latest scores, please go to the equity company page on Barclays Live.

Source: Company data, Barclays Research
Note: FY End Dec

Midstream Project Estimates

Below we provide our estimates for the EBITDA potential for Columbia Pipeline Group's Rayne/Leach Express and WB Express projects. The estimates are based on rates and capacity figures suggested in the respective non-binding open seasons. We assume a 65% EBITDA margin on the projects.

The WB Express would add capacity along Columbia Gas Transmission's WB line, moving gas to delivery points both to the east and to the west. Capacity to eastern delivery points, including Loudoun, VA, the Cover Point Pipeline, and Transco Z5, should be around 0.5-1.2 bcf/day. Western delivery points include Broad Run, WV leading to Tennessee Gas Pipeline, Leach, and TCO Pool, and have a capacity of 0.4-0.8 bcf/day. We assume a midpoint of these capacity estimates in our analysis below.

FIGURE 1
Columbia Pipeline Group Midstream Project Estimates

	Leach Express	Rayne Express	WB Express-East	WB Express-West
Potential In-Service Date	4Q 2017	4Q 2017	4Q 2018	4Q 2018
Rate ($/Dth)	$0.45	$0.16	$0.65	$0.35
Pipeline Capacity (mmcf/day)	1,500	800	850	600
Annual Revenue ($MM)	$246	$47	$202	$77
EBITDA Margin	65%	65%	65%	65%
Incremental EBITDA	**$160**	**$30**	**$131**	**$50**

Source: Company documents, Barclays Research

Valuation

Our new $38 price target is based on a sum of the parts with an MLP scenario. We value the regulated utility segments using a 17.4x 2015 EPS multiple, which is a 10% quality premium to the group average. We assume a 3.6% target yield and $700 million in 2015 EBITDA for the midstream operations.

Our previous $36 price target was also a sum of the parts with an MLP scenario. We had valued the regulated utility segments using a 15.7x 2015 EPS multiple, which is a 10% quality premium to the group average. We assumed a 3.9% target yield and $700 million in 2015 EBITDA for the midstream operations.

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Primary Stocks (Ticker, Date, Price)

NiSource, Inc. (NI, 29-Apr-2014, USD 36.29), Overweight/Neutral, A/C/D/J/K/L/M/O

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Overweight - The stock is expected to outperform the unweighted expected total return of the industry coverage universe over a 12-month investment horizon.

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CenterPoint Energy Inc. (CNP)	CMS Energy (CMS)	Consolidated Edison (ED)
Dominion Resources (D)	DTE Energy (DTE)	Duke Energy (DUK)
Edison International (EIX)	Emera Inc. (EMA.TO)	Fortis Inc. (FTS.TO)
Great Plains Energy Inc. (GXP)	Hawaiian Electric Inds (HE)	Integrys Energy Group Inc. (TEG)
ITC Holdings (ITC)	National Grid Plc (NGG)	NiSource, Inc. (NI)
Northeast Utilities (NU)	OGE Energy Corp. (OGE)	Pepco Holdings (POM)
PG&E Corp. (PCG)	Pinnacle West Capital (PNW)	PNM Resources (PNM)
Portland General Electric Co. (POR)	PPL Corporation (PPL)	SCANA Corp. (SCG)
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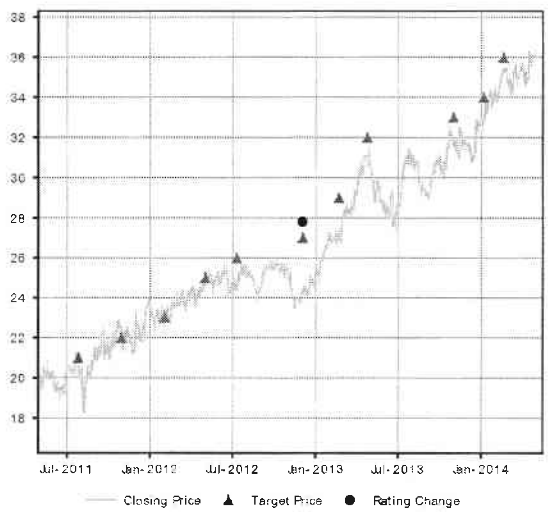
NiSource, Inc. (NI)

USD 36.29 (29-Apr-2014)

Stock Rating **OVERWEIGHT**

Industry View **NEUTRAL**

Rating and Price Target Chart - USD (as of 29-Apr-2014)



Source: IDC, Barclays Research

Link to Barclays Live for interactive charting

Currency=USD

Date	Closing Price	Rating	Adjusted Price Target
19-Feb-2014	35.40		36.00
06-Jan-2014	32.95		34.00
31-Oct-2013	31.52		33.00
24-Apr-2013	31.14		32.00
20-Feb-2013	27.04		29.00
03-Dec-2012	24.34	Overweight	27.00
09-Jul-2012	24.41		26.00
01-May-2012	25.33		25.00
01-Feb-2012	23.45		23.00
28-Oct-2011	22.52		22.00
26-Jul-2011	20.85		21.00

Source: Thomson Reuters, Barclays Research

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Valuation Methodology: Our $38 PT is based on an MLP scenario. We value the regulated utility segments using a group average 17.4x 2015 EPS multiple, which is a 10% quality premium to the group average. Our MLP valuation assumes a 3.5% target yield and $700 million in 2015 EBITDA for the midstream operations.

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North American Pipelines — BMO Capital Markets

NiSource

(NI-NYSE)

Stock Rating: **Market Perform**
Industry Rating: **Market Perform**

May 1, 2014

Carl Kirst, CFA **713-546-9756**
BMO Capital Markets Corp.
carl.kirst@bmo.com

Danilo Juvane, CFA / Leah Jordan, CFA
BMO Capital Markets Corp.
713-546-9741 / 713-546-9707
danilo.juvane@bmo.com / leah.jordan@bmo.com

1Q14 Beat on Solid Operations

Event

NI reported 1Q14 clean EPS of $0.82, above our consensus-aligned estimate of $0.79. Operationally, the quarter was solid with electric on target and $0.02 beats in both pipes and LDC. The remainder of the delta was a net penny miss from corp/other, interest, and taxes. Most notably, discussions continue with potential customers for the proposed Leach and Rayne pipeline projects that aim to transport Marcellus/Utica gas to the Gulf Coast, and we now expect firm contracts (and project detail) by the next earnings call (July/August). Despite limited information given competitive negotiations, we estimate Leach and Rayne to represent ~$1.5 billion of combined investment, providing ~$2/share of NPV assuming 50/50 debt/equity and 7.0x EBITDA deployment (analogous to a 12% ROE at the pipeline). NI also recently concluded a successful non-binding open season for WB Express, which would provide over 1 Bcf/d of takeaway capacity for Marcellus gas. Although nascent stage for what would be a 2019 pipeline, we estimate this project could nonetheless be another ~$1 billion of investment potential, and look for more detail by year-end. Moreover, these three projects—Leach, Rayne, and WMB Express—could in turn represent significant future earnings and growth potential for a hypothetical infrastructure MLP, of which a decision on formation is still expected in the 3Q of this year (and which is broadly expected).

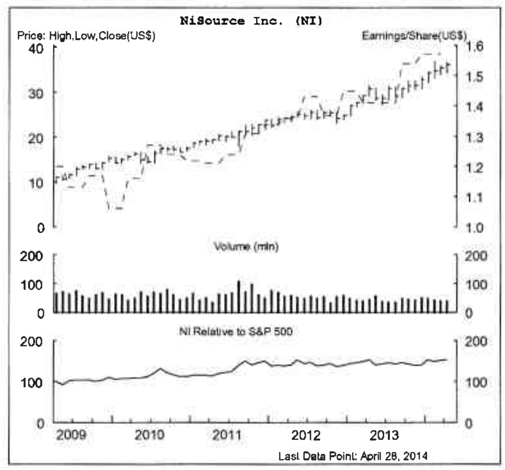
Impact & Analysis

Owing to the 1Q beat, we are increasing our 2014 estimate by $0.03 to $1.69. We now reside at the top-end of the reaffirmed guidance range of $1.61-$1.71, which we anticipate to increase later this year. Our 2015 estimate is unchanged at $1.77, although secularly we think the targeted 5%-7% EPS CAGR has been largely de-risked.

Valuation & Recommendation

We maintain our Market Perform stock rating, although we're raising our price target to $36, reflecting the $2/share NPV add from Leach and Rayne, which we're now building in given the very high odds of securing. We also note another $1/share of potential from the WB Express, but whose inclusion is premature at this early stage.

Price (30-Apr)	$36.32	**52-Week High**	$36.82
Target Price	$36.00↑	**52-Week Low**	$27.11



(FY-Dec.)	2012A	2013A	2014E	2015E
EPS	$1.44	$1.57	$1.69↑	$1.77
P/E			21.5x	20.5x
CFPS	$4.31	$4.37	$4.45↑	$4.25↑
P/CFPS			8.2x	8.5x
Rev. ($mm)	$5,091	$5,657	$6,273	$6,480
EV ($mm)	$14,955	$16,838	$16,838	$16,838
EBITDA ($mm)	$1,615	$1,745	$1,920	$2,037
EV/EBITDA	9.3x	9.6x	8.8x	8.3x

Quarterly EPS	Q1	Q2	Q3	Q4
2012A	$0.73	$0.23	$0.05	$0.44
2013A	$0.69	$0.23	$0.18	$0.47
2014E	$0.82a	$0.23	$0.16↑	$0.48↓

Dividend	$1.00	**Yield**	2.8%
Book Value	$18.21	**Price/Book**	2.0x
Shares O/S (mm)	313.3	**Mkt. Cap (mm)**	$11,379
Float O/S (mm)	310.8	**Float Cap (mm)**	$11,289
Wkly Vol (000s)	9,852	**Wkly $ Vol (mm)**	$312.8
Net Debt ($mm)	$6,740	**Next Rep. Date**	na

Notes: All values in US$
Major Shareholders:
First Call Mean Estimates: NISOURCE INC (US$) 2014E: $1.67; 2015E: $1.79

Changes	Annual EPS	Annual CFPS	Quarterly EPS	Target
	2014E $1.66 to $1.69	2014E $3.94 to $4.45 2015E $4.14 to $4.25	Q3/14E $0.15 to $0.16 Q4/14E $0.49 to $0.48	$34.00 to $36.00

Please refer to pages 7 to 10 for Important Disclosures, including the Analyst's Certification.

1Q14 at a Glance

NI reported 1Q14 adjusted EPS of $0.82, above our consensus-aligned estimate of $0.79. Primary deltas to our estimate along with business segment summaries are detailed below:

+$0.02 Pipes. EBIT of $159 million was higher than our $151 million estimate primarily due to a benefit related to the reformation of leases for the minerals arrangement with Hilcorp, which was inclusive in the original deal structure but not realized until this quarter. Of note, total throughput of 589 MMDth increased 10% y/y, mainly due to colder weather increasing natural gas demand. Included in results was a $17.5mm gain ($0.04 of EPS) from the reformation/sale of leases to Hilcorp, which while operational is very lumpy in nature, and is not expected to recur in 1Q15.

+$0.02 LDC. Adjusted EBIT of $280 million (net of weather) was higher than our $269 million estimate primarily due a greater net sales tariff. Of note, total volumes of 398 MMDth increased 10% y/y, mainly due to colder weather.

Electric on target. Adjusted EBIT of $74 million (net of weather) was in line with our estimate. Of note, total volumes of 4,748 GW hours increased 14% y/y, mainly from higher usage by industrial and wholesale customers.

-$0.01 Corp/Other. Adjusted EBIT of -$4 million (net of loss on asset sale) was lower than our $1 million estimate primarily due to greater operating expenses.

+$0.01 Interest. Interest expense of $109 million was lower than our $112 million.

-$0.01 Taxes. The effective tax rate of 38% was higher than our 35% estimate.

Major Project Update

Leach Express & Rayne Express

With an estimated capacity of 1 Bcf/d to 1.5 Bcf/d, the proposed Leach Express project aims to transport Marcellus/Utica gas southward, namely to the Leach and TCO Pool delivery points. We estimate Leach Express to cost approximately $1.1-$1.2 billion (at the midpoint) due to the size and scope of the project. Specifically, Leach Express would involve looping and new building in addition to incremental compression.

With an estimated capacity of ~0.6 Bcf/d, the proposed Rayne Express project aims to backhaul the remaining capacity of the Columbia Gulf Pipeline, transporting gas south to the Gulf Coast from the Leach receipt point. Recognizing it is smaller in size and scope (e.g., additional compression only) compared to Leach Express, we estimate Rayne Express to cost about $350-$400 million.

Notably, NI received strong customer interest from its non-binding open seasons for both the Leach and Rayne pipeline projects, and currently, NI remains in discussion with potential customers. We note firm contracts, and subsequently more detail, are likely in 3Q14.

On a combined basis, we estimate Rayne & Leach to represent approximately $1.5 billion of total investment and over $200 million of annual EBITDA (assuming 7.0x deployment), which provides ~$2/share of NPV.

WB Express

NI recently concluded a successful non-binding open season for its proposed WB Express project, which would provide over 1 Bcf/d of takeaway capacity for Marcellus gas to access both eastern and western markets. Although it is still early in the process, this project could be another ~$1 billion of investment given its size/scope (similar to Leach Express), which suggests over $1/share of additional upside. We look for more detail by year-end.

Exhibit 1: NiSource Valuation

NiSource Inc.

Sum-of-the-Parts Valuation Analysis

			2015E	Valuation Multiple		Notes:
HYPOTHETICAL NI MLP						Assumes NI files with SEC in 3Q14 for pipeline MLP, putting IPO possibly 2Q15
General Partner Interest / GP Distribution					$1	
Multiple (unlevered, pre-tax free cash)					30.0x	
GP Enterprise Value					$21	
NI MLP units (million units)					10	
NI MLP Share Price					$20.00	
NI MLP Market Value					$200	
Capital Gains Potential on LP units					—	
NI MLP Enterprise Value net to NI					$200	
Total NI MLP Enterprise Value					**$221**	
NI Parent Level						
EBITDA by Segment						
Gas Distribution			$768	10.0x	$7,683	- 1x turn higher given $700mm 7-yr pipe modernization prgm
Gas Pipelines			$681			Consolidated Pipeline EBITDA
Excluding MLP consolidated EBITDA			($100)			Adjusts out $100mm ebitda for MLP
Net Gas Pipelines			$581	11.0x	$6,390	1x turn higher given $4B 10-yr pipe modernization prgm (see tab);
Electric			$569	9.0x	$5,117	- 1x turn higher given $3-4B L-T t&d modernization prgm (see tab)
Other			$80	5.0x	$401	
Enterprise Value of Parent Level Assets			**$2,579**	**7.6x**	**$19,591**	
Enterprise Value of NI					**$19,813**	
Net NI Debt (YE 2014)					($9,953)	
					$1,000	Assumes $1B from MLP capital proceeds (debt/equity) go to pay down NI parent level debt
Preferred & Minority Interests					—	
Pension/OPEB Underfunded Obligation			($1,088)	25%	($272)	- est underfunded at YE12; risk adjusted at 25% (rest assumes recovery in rates)
	Gross	**Risked**	**Net**	**Value**		
Utica Acreage - Central/West	175,000	0%	0	$5,000	—	- Management indicates 150-200k potentially prospective with geotechnical variability on size of oil window (full acreage position is 300k)
Net Equity Value					$10,588	
Diluted Shares Outstanding					316	
$/sh					$33.50	
Rayne/Leach					$2.01	
$/sh					$35.51	
Average Target Price (rounded):					**$36.00**	
Valuation Summary:						
Current Price					$36.32	
Current Dividend					$1.00	
Appreciation Potential					-0.9%	
Current Yield					2.8%	
Total Return Potential					**1.9%**	

Source: BMO Capital Markets estimates, company data.

Exhibit 2: NiSource Income Statement

Consolidated Earnings ($ Millions Except Per Share Data)	2009A	2010A	2011A	2012A	2013A	Q1	Q2	Q3	Q4	2014E	2015E
Operating Revenues:											
Gas Distribution	$3,303	$3,096	$2,918	$1,960	$2,226	$1,215	$605	$409	$901	$3,130	$3,526
Pipelines & Storage	1,241	1,261	1,355	1,462	1,643	579	289	300	340	1,508	1,367
Electric	1,213	1,375	1,428	1,508	1,563	450	396	425	400	1,671	1,716
Other	542	603	319	161	224	77	(19)	(29)	(65)	(36)	(128)
Revenues	6,299	6,335	6,019	5,091	5,657	2,321	1,272	1,105	1,576	6,273	6,480
Operating Expenses:											
Cost of Sales	2,978	2,898	2,556	1,549	1,816	1,061	378	228	478	2,145	2,175
Operation & Maintenance	1,650	1,654	1,723	1,674	1,874	501	464	479	519	1,964	2,017
DD&A	589	596	538	564	577	149	152	154	154	609	645
Loss (gain) on asset sales	16	1	17	(4)	(18)	(16)	0	0	0	(16)	0
Taxes and Other	283	287	295	289	301	101	66	60	82	310	307
Total Operating Expenses	5,516	5,436	5,129	4,072	4,550	1,797	1,059	921	1,234	5,012	5,143
Operating Income	783	899	890	1,020	1,108	524	212	184	341	1,261	1,337
Other:											
Equity in Earnings	16	15	15	32	36	10	12	12	12	45	60
Minority Interests	0	0	0	0	0	0	0	0	0	0	0
Other	(6)	4	(61)	(1)	24	5	0	0	1	6	(4)
Total Other Income	10	19	(47)	31	60	14	12	12	13	51	56
Reported EBIT	**$793**	**$918**	**$844**	**$1,051**	**$1,168**	**$538**	**$224**	**$195**	**$354**	**$1,312**	**$1,392**
EBITDA	**$1,383**	**$1,514**	**$1,382**	**$1,615**	**$1,745**	**$687**	**$376**	**$349**	**$508**	**$1,920**	**$2,037**
EBIT Composition											
Gas Distribution	328	324	393	403	445	302	56	3	168	530	542
Pipelines & Storage	389	377	360	398	441	159	103	100	127	490	543
Electric	117	233	210	251	266	79	65	92	58	294	314
Corporate & Other	(40)	(16)	(119)	(2)	15	(1)	(1)	(1)	0	(2)	(6)
Total EBIT	**$793**	**$918**	**$844**	**$1,051**	**$1,168**	**$538**	**$224**	**$195**	**$354**	**$1,312**	**$1,392**
Interest Expense	399	392	377	416	415	109	112	119	120	459	517
Preferred Distributions of Subsidiaries	0	0	0	0	0	0	0	0	0	0	0
Financing Expense	399	392	377	416	415	109	112	119	120	459	517
Income Before Taxes	394	526	467	635	753	429	113	77	234	852	875
Income Taxes											
Current	(214)	118	(15)	(86)	(26)	14	10	7	20	51	153
Deferred	378	55	178	305	287	149	30	20	61	260	153
Total Income Taxes	165	173	163	219	262	163	39	27	82	311	306
Effective Inc. Tax Rate (%)	42%	33%	35%	34%	35%	38%	35%	35%	35%	36%	35%
Net Income From Continuing Operations	229	353	304	416	491	266	73	50	152	541	569
Discontinued Operations, net	(12)	(0)	(5)	0	6	(0)	0	0	0	(0)	0
Change In Accounting	(0)	(58)	0	0	35	0	0	0	0	0	0
GAAP Net Income to Common	**$218**	**$294**	**$299**	**$416**	**$532**	**$266**	**$73**	**$50**	**$152**	**$541**	**$569**
Adjustments to Core											
Asset Impairment	0	0	0	0	0	0	0	0	0	0	0
Gain (Loss) From Disposal	(8)	0	0	0	0	0	0	0	0	0	0
Other Non-Recurring Gains (Loss)	(40)	11	(74)	(17)	(3)	8	0	0	0	8	0
Total Adjustments	(49)	11	(74)	(17)	(3)	8	0	0	0	8	0
Non-GAAP Core Earnings	**$278**	**$342**	**$378**	**$433**	**$494**	**$258**	**$73**	**$50**	**$152**	**$533**	**$569**
Shares Outstanding (mm)											
Avg. Diluted Shares Out	276	280	289	300	314	315	316	316	317	316	322
Avg. Basic Shares Out	275	278	280	292	312	314	315	315	316	315	321
Period-end basic Shares Out	276	279	282	311	314	315	315	316	316	316	328
Earnings Per Share (Diluted)											
GAAP EPS	**$0.79**	**$1.05**	**$1.04**	**$1.39**	**$1.70**	**$0.84**	**$0.23**	**$0.16**	**$0.48**	**$1.71**	**$1.77**
Core EPS	**$1.01**	**$1.22**	**$1.31**	**$1.44**	**$1.57**	**$0.82**	**$0.23**	**$0.16**	**$0.48**	**$1.69**	**$1.77**
EPS Growth (core)	-19.4%	21.0%	7.4%	10.0%	9.3%	18.9%	0.5%	-13.2%	1.0%	7.1%	4.8%
Dividends											
Cash per share	$0.92	$0.92	$0.92	$0.94	$0.98	$0.25	$0.25	$0.26	$0.26	$1.02	$1.06
Div Growth	0.0%	0.0%	0.0%	2.2%	4.3%	4.2%	4.2%	4.0%	4.0%	4.1%	3.9%
Payout Ratio (%)	116.6%	87.5%	88.7%	67.9%	57.8%					59.6%	59.9%

Source: BMO Capital Markets estimates, company data.

Exhibit 3: NiSource Cash Flow Statement

Cash Flow Statement ($ Millions Except Per Share Data)	2009A	2010A	2011A	2012A	2013A	Q1	Q2	Q3	Q4	2014E	2015E
Operating Activities											
GAAP Net Income from Cont. Ops	218	292	299	416	532	266	73	50	152	541	569
DD&A	589	596	538	562	577	149	152	154	154	609	645
Deferred income tax benefit	378	200	178	305	287	149	30	20	61	260	153
Deferred Revenues	4	(20)	3	(8)	(7)	2	0	0	0	2	0
Amortization of premium on debt	13	10	9	10	9	2	0	0	0	2	0
Less Gain or Loss on assets	(4)	(0)	0	(4)	(18)	(16)	0	0	0	(16)	0
Less Equity Earnings plus Cash Distributions	(15)	7	16	4	(4)	(2)	0	0	0	(2)	0
Other non-cash income items	36	112	139	11	(6)	11	0	0	0	11	0
OCF (pre-working capital)	**$1,219**	**$1,197**	**$1,183**	**$1,295**	**$1,372**	**$561**	**$255**	**$224**	**$368**	**$1,407**	**$1,366**
OCF per share	**$4.42**	**$4.27**	**$4.10**	**$4.31**	**$4.37**	**$1.78**	**$0.81**	**$0.71**	**$1.16**	**$4.45**	**$4.25**
Working Capital:											
Accounts and notes receivable	259	(244)	318	(181)	31	(264)				(264)	0
Inventory	129	103	(142)	62	(9)	274				274	0
Less Change of Price Risk Management Activities	0	0	0	0	0	0				0	0
Accounts payable	(192)	38	(155)	57	68	127				127	0
Customer deposit, net	25	(25)	(5)	(44)	(7)	(23)				(23)	0
Other assets	83	(206)	(201)	144	21	(276)				(276)	0
Other Liabilities	382	(86)	(78)	(68)	(49)	(4)				(4)	0
Changes in Working Capital	686	(420)	(262)	(30)	55	(167)	0	0	0	(167)	0
Discontinued Operations	(255)	(57)	(50)	11	10	(0)	0	0	0	(0)	0
Cash Flow From Operations	1,651	720	870	1,276	1,437	394	255	224	368	1,240	1,366
Investing Activities											
Capital Spending (to PP&E)	(777)	(804)	(1,125)	(1,499)	(1,880)	(386)	(538)	(538)	(689)	(2,150)	(1,675)
Purchases of equity investments	0	0	0	0	0	0	0	0	0	0	0
Acquisitions	0	0	0	0	0	0	0	0	0	0	0
Proceeds from asset sales	6	1	9	26	18	5	0	0	0	5	0
Other	109	(140)	(34)	51	(148)	(27)	0	0	0	(27)	0
Cash Used in Investing	(662)	(944)	(1,149)	(1,422)	(2,010)	(408)	(538)	(538)	(689)	(2,172)	(1,675)
Discontinued Operations	8	0	0	(3)	119	0	0	0	0	0	0
Investing Cash Flow	(655)	(943)	(1,149)	(1,425)	(1,891)	(408)	(538)	(538)	(689)	(2,172)	(1,675)
Financing Activities											
Sale of Common Stock	26	14	24	384	44	9	12	12	12	45	398
Sale of Preferred Stock	0	0	0	0	0	0	0	0	0	0	0
Sale of L.T. Debt	1,460	250	890	988	1,306	0	0	1,000	0	1,000	1,230
Redemption of Common Stock	(3)	(2)	(3)	(10)	(8)	(10)	0	0	0	(10)	0
Redemption of Preferred Stock	0	0	0	0	0	0	0	0	0	0	0
Redemption of L.T. Debt	(1,170)	(1,071)	(287)	(332)	(511)	(9)	0	(500)	0	(509)	(230)
Change in Notes Payable, LC, ST Debt	(1,061)	1,280	(23)	(582)	(78)	114	350	0	250	714	(700)
Payments to Minority Interests	0	0	0	0	0	0	0	0	0	0	0
Dividends	(253)	(256)	(258)	(273)	(306)	(79)	(74)	(77)	(77)	(306)	(320)
Other	0	0	(62)	0	(3)	0	0	0	0	0	0
Cash From (For) Financing	(1,000)	216	281	175	445	25	288	435	185	933	378
Discontinued Operations	0	0	0	0	0	0	0	0	0	0	0
Financing Cash Flow	(1,000)	216	281	175	445	25	288	435	185	933	378
Change in Cash	($4)	($7)	$2	$25	($9)	$11	$5	$121	($136)	$1	$69
Cash & Temp. Inv. Beginning of Yr.	$21	$16	$9	$12	$36	$27	$38	$43	$164	$27	$28
Cash & Temp. Inv. End of Yr.	**$16**	**$9**	**$12**	**$37**	**$27**	**$38**	**$43**	**$164**	**$28**	**$28**	**$98**

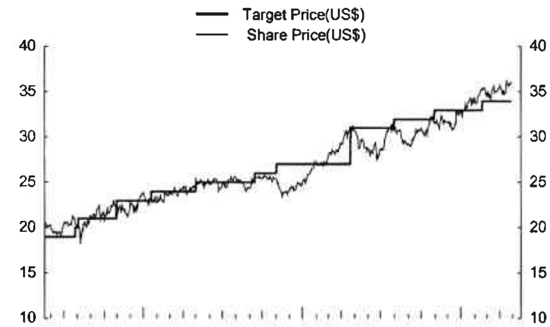
Source: BMO Capital Markets estimates, company data.

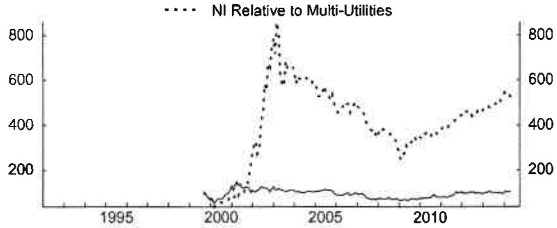
Exhibit 4: NiSource Balance Sheet

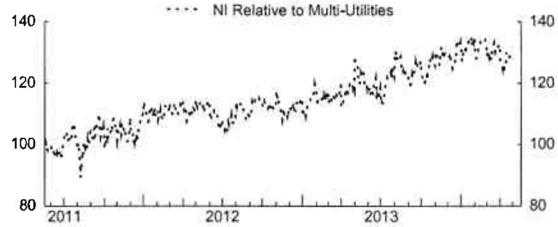
Balance Sheet ($ Millions Except Per Share Data)	2009A	2010A	2011A	2012A	2013A	Q1	Q2	Q3	Q4	2014E	2015E
Assets:											
Cash & Equivalent	16	9	12	36	27	38	43	164	28	28	98
Restricted Cash	175	203	161	47	8	11	11	11	11	11	11
Receivables	848	1,121	951	1,114	1,105	1,471	1,471	1,471	1,471	1,471	1,471
Allowance for Uncollectable Acts	(40)	(41)	(31)	(24)	(24)	(35)	(35)	(35)	(35)	(35)	(35)
Unbilled Revenues	0	0	0	0	0	0	0	0	0	0	0
Underrecovered gas & fuel costs	40	136	21	45	46	114	114	114	114	114	114
Inventories	385	428	566	496	500	226	226	226	226	226	226
ST Assets Price Risk Management	173	160	137	92	23	14	14	14	14	14	14
Regulatory Assets	238	152	170	163	143	159	159	159	159	159	159
Other Current Assets	387	283	262	384	331	231	231	231	231	231	231
Total Current Assets	2,224	2,449	2,248	2,352	2,159	2,230	2,235	2,357	2,220	2,220	2,290
Plant & Equipment (Gross)	19,038	19,590	20,470	21,902	23,622	24,016	24,554	25,091	25,780	25,780	27,455
Accumulated DD&A	(8,354)	(8,493)	(8,670)	(8,986)	(9,257)	(9,359)	(9,510)	(9,664)	(9,818)	(9,818)	(10,463)
Plant & Equipment, Net	10,684	11,097	11,800	12,916	14,365	14,658	15,043	15,427	15,962	15,962	16,992
Investments	295	349	356	438	578	610	610	610	610	610	610
LT Assets Price Risk Management	238	240	189	56	1	0	0	0	0	0	0
Regulatory Assets	1,644	1,650	1,978	2,024	1,522	1,495	1,495	1,495	1,495	1,495	1,495
Goodwill	3,677	3,677	3,677	3,677	3,666	3,666	3,666	3,666	3,666	3,666	3,666
Intangible Assets	320	309	298	287	276	273	273	273	273	273	273
Other Long Term Assets (& flywheel)	53	168	162	94	87	85	175	175	175	175	175
Total Assets	19,134	19,939	20,708	21,845	22,654	23,017	23,498	24,003	24,401	24,401	25,501
Liabilities & Equity:											
Short Term Debt	800	1,417	1,687	1,284	1,240	1,343	1,693	1,693	1,943	1,943	1,243
Accounts Payables	502	582	435	539	805	793	793	793	793	793	793
ST Liabilities Price Risk Management	190	174	168	95	1	0	0	0	0	0	0
Regulatory Liabilities	44	93	112	172	60	79	79	79	79	79	79
Other	1,575	1,384	1,245	1,212	1,071	1,126	1,126	1,126	1,126	1,126	1,126
Total Current Liab	3,111	3,649	3,646	3,302	3,178	3,341	3,691	3,691	3,941	3,941	3,241
Long Term Debt	5,988	5,936	6,267	6,819	7,593	7,639	7,639	8,139	8,139	8,139	9,139
LT Liabilities Price Risk Management	170	182	139	20	0	0	0	0	0	0	0
Accumlated Deferred Taxes	2,018	2,243	2,571	2,953	3,278	3,412	3,442	3,462	3,523	3,523	3,676
Regulatory Liabilities	1,559	1,596	1,664	1,593	1,670	1,678	1,678	1,678	1,678	1,678	1,678
Other Liabilities	1,572	1,409	1,424	1,603	1,048	1,026	1,026	1,026	1,026	1,026	1,026
Total Liabilities	14,418	15,016	15,711	16,290	16,767	17,095	17,475	17,995	18,306	18,306	18,759
Preferred Equity/Securities of Consolidated Subsidiarie:	0	0	0	0	0	0	0	0	0	0	0
Common Equity	4,717	4,923	4,997	5,554	5,887	6,012	6,023	6,008	6,095	6,095	6,742
Other	0	0	0	0	0	0	0	0	0	0	0
Total Liab & Equity	19,134	19,939	20,708	21,845	22,653	23,107	23,498	24,003	24,401	24,401	25,501

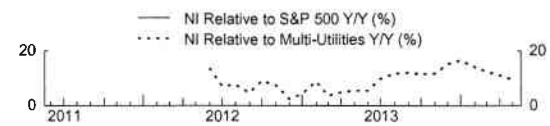
Source: BMO Capital Markets estimates, company data.

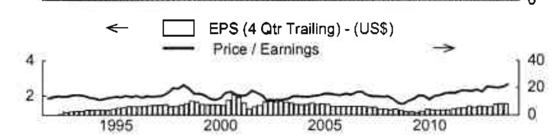
NiSource Inc. (NI)











FYE (Dec.)	EPS US$	P/E Hi	P/E Lo	DPS US$	Yield% Hi	Yield% Lo	Payout %	BV US$	P/B Hi	P/B Lo	ROE %
1992	1.00	13.5	11.3	0.62	5.5	4.6	62	7.9	1.7	1.4	
1993	1.16	15.0	10.7	0.72	5.8	4.1	62	8.3	2.1	1.5	14
1994	1.24	13.3	10.5	0.78	6.0	4.7	63	8.7	1.9	1.5	15
1995	1.36	14.2	10.4	0.84	5.9	4.4	62	9.0	2.1	1.6	15
1996	1.43	14.1	12.3	0.90	5.1	4.5	63	9.2	2.2	1.9	16
1997	1.53	16.3	12.4	0.96	5.1	3.8	63	10.2	2.5	1.9	16
1998	1.59	21.2	14.4	1.02	4.5	3.0	64	9.8	3.5	2.3	16
1999	1.52	20.4	10.8	1.08	6.6	3.5	71	10.9	2.8	1.5	15
2000	1.89	16.7	6.7	1.08	8.5	3.4	57	16.6	1.9	0.8	14
2001	1.30	25.0	14.0	1.16	6.4	3.6	89	16.8	1.9	1.1	8
2002	2.00	12.5	7.3	1.16	8.0	4.6	58	20.1	1.2	0.7	11
2003	1.60	13.7	10.2	0.92	5.6	4.2	58	16.8	1.3	1.0	9
2004	1.61	14.2	12.2	0.92	4.7	4.0	57	17.7	1.3	1.1	9
2005	1.42	18.0	14.4	0.92	4.5	3.6	65	18.1	1.4	1.1	8
2006	1.43	19.6	13.6	0.92	4.7	3.3	64	18.3	1.5	1.1	8
2007	1.38	20.3	12.7	0.92	5.3	3.3	67	18.5	1.5	0.9	7
2008	1.27	15.6	8.1	0.92	8.9	4.6	72	17.2	1.1	0.6	7
2009	1.06	14.9	7.3	0.92	11.8	5.8	87	17.6	0.9	0.4	6
2010	1.22	14.7	11.6	0.92	6.5	5.1	75	17.7	1.0	0.8	7
2011	1.33	18.0	12.7	0.92	5.5	3.8	69	17.9	1.3	0.9	7
2012	1.44	18.2	15.0	0.96	4.4	3.7	67	18.8	1.4	1.2	8
2013	1.57	21.3	15.3	1.00	4.2	3.0	64	17.5	1.9	1.4	9
Range*:		25.0	6.7		11.8	3.0			3.5	0.4	
Current*	1.57	22.6		1.00	2.8		64	18.2	2.0		9
Growth(%):											
5 Year:	5.5			1.7				1.1			
10 Year:	0.1			0.8				0.8			
20 Year:	1.3			1.7				4.0			

NI - Rating as of 26-Jun-08 = Mkt

* Current EPS is the 4 Quarter Trailing to Q4/2013.
* Valuation metrics are based on high and low for the fiscal year.
* Range indicates the valuation range for the period presented above.

Last Price (April 28, 2014): $36.11
Sources: IHS Global Insight, Thomson Reuters, BMO Capital Markets.

IMPORTANT DISCLOSURES

Analyst's Certification
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Company Specific Disclosure
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Disclosure 9: BMO Capital Markets makes a market in this security.

Methodology and Risks to Price Target/Valuation
Methodology: Our target price for NI is based on a sum-of-the parts valuation. We individually value each one of NI's business segments using a target EV/EBITDA multiple approach. Our target multiple for each segment is derived from analyzing historical multiple trading ranges, peer multiples, and adjusting for any expectation of future changes in investor sentiment, which would lead to multiple expansion/contraction. We next add together the segment valuations to reach an operating enterprise value, which is then adjusted for net debt, off-balance sheet items, operating leases, pension costs, and any other non-operating obligations. After adjustments, we then have our net equity value, which is divided by fully diluted shares outstanding to arrive at our target price.
Risks: Risks to our 12-month price target for NI include: 1) Conservation - conservation and bad debt expense from high commodity prices could impact earnings more than the base level we have accounted for; 2) Weather; 3) Interest rates; 4) Regulatory risk - rulings counter to assumptions and guidance could negatively impact our valuations going forward.

Distribution of Ratings (March 31, 2014)

Rating Category	BMO Rating	BMOCM US Universe*	BMOCM US IB Clients**	BMOCM US IB Clients***	BMOCM Universe****	BMOCM IB Clients*****	Starmine Universe
Buy	Outperform	42.0%	21.5%	60.7%	40.8%	53.6%	53.6%
Hold	Market Perform	52.8%	10.8%	38.2%	52.8%	43.8%	40.8%
Sell	Underperform	5.2%	3.2%	1.1%	6.3%	2.7%	5.6%

* Reflects rating distribution of all companies covered by BMO Capital Markets Corp. equity research analysts.
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We use the following ratings system definitions:
OP = Outperform - Forecast to outperform the analyst's coverage universe on a total return basis
Mkt = Market Perform - Forecast to perform roughly in line with the analyst's coverage universe on a total return basis
Und = Underperform - Forecast to underperform the analyst's coverage universe on a total return basis on a total return basis
(S) = speculative investment;
NR = No rating at this time;
R = Restricted – Dissemination of research is currently restricted.

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30 April 2014
Americas/United States
Equity Research
Natural Gas

CREDIT SUISSE

NiSource Inc. (NI)

Rating	**NEUTRAL***
Price (30 Apr 14, US$)	36.32
Target price (US$)	(from 39.00) 40.00¹
52-week price range	36.32 - 27.62
Market cap. (US$ m)	11,432.03
Enterprise value (US$ m)	21,262.54

**Stock ratings are relative to the coverage universe in each analyst's or each team's respective sector.*
¹Target price is for 12 months.

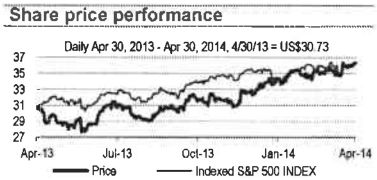
Research Analysts
John Edwards, CFA
713 890 1594
john.edwards@credit-suisse.com
Bhavesh Lodaya
212 325 2337
bhavesh.lodaya@credit-suisse.com
Abhiram Rajendran
212 538 9038
abhiram.rajendran@credit-suisse.com

EARNINGS

Weather-induced Beat; TP Up by $1, to $40; MLP Info a 3Q Event; Maintain Neutral

- **Raising Our Estimates above Guidance on the Beat:** Management reaffirmed its $1.61-1.71 EPS guidance for 2014. We expect 2014 EPS of $1.72. NI has put into motion a $2.15B capital expenditure plan for 2014 with a growing inventory of midstream projects.
- **Large Cap Ex Inventory Getting Larger**: The Rayne and Leach projects taking gas from North to South have advanced from the "evaluation" stage to "in development" stage and we believe is close to the "in execution stage". NI also added the WB express project to the "in evaluation". We figure another 10%+ will be added to the already sizable $25B+ inventory of growth projects over the next decade.
- **1Q14 Results Beat:** NI reported 1Q14 EPU of $0.82 and segment EBITDA of $658 million, ahead of our $0.79 and $643million estimate. Gas Distribution segment performed better than expectations as a result of higher volumes due to 19% cooler weather than normal. Dividend of $0.25/share was in line with our estimate.
- **Valuation-Raising by $1, to $40, Maintain Neutral:** Our $40 TP is based on 18-21x 2015E EPS on the electric utility business, 10x 2015E EBITDA multiple on the natural gas utilities segment, and 12.5x EBITDA multiple on the assets that qualify for MLP treatment (11.5% of the CGP assets) and 1.5 turns lower for the remainder of the CGP assets. Together with NTM dividend of $1.03, this translates to a total return of approximately 10-20%, supportive of a Neutral rating on the shares.

Share price performance



On 04/30/14 the S&P 500 INDEX closed at 1883.95

Quarterly EPS	Q1	Q2	Q3	Q4
2013A	0.69	0.23	0.18	0.47
2014E	0.82	0.24	0.12	0.52
2015E	0.90	0.25	0.10	0.60

Financial and valuation metrics

Year	12/13A	12/14E	12/15E	12/16E
EPS (CS adj.) (US$)	1.57	1.72	1.85	2.02
Prev. EPS (US$)	—	1.68	1.78	1.87
P/E (x)	23.2	21.1	19.7	18.0
P/E rel. (%)	135.1	132.8	137.8	140.2
Revenue (US$ m)	5,657.3	6,313.2	6,799.9	7,467.1
EBITDA (US$ m)	1,720.7	1,921.3	2,128.0	2,346.1
OCFPS (US$)	4.58	4.23	5.03	4.12
P/OCF (x)	7.2	8.6	7.2	8.8
EV/EBITDA (current)	11.8	10.5	9.5	8.6
Net debt (US$ m)	8,807	9,831	10,162	10,795
ROIC (%)	5.07	5.29	5.57	5.68

Number of shares (m)	314.76	IC (current, US$ m)	14,693.80
BV/share (Next Qtr., US$)	19.4	EV/IC (x)	1.4
Net debt (Next Qtr., US$ m)	8,943.5	Dividend (current, US$)	1.0
Net debt/tot cap (Next Qtr., %)	148.8	Dividend yield (%)	0.69

Source: Company data, Credit Suisse estimates.

Company Description

NI is a diversified energy company that operates in three segments including natural gas distribution, gas transmission and storage, and electric operations. Rate regulated operations account for the majority of NI's operating earnings. NI's gas distribution operations serve 3.4 million customers across seven states. NI's gas transmission and storage operations comprise 15,000 miles of pipe and 642 billion cubic feet of storage capacity. The electric operations consist of its Northern Indiana utility, Northern Indiana Public Service Company (NIPSCO), which serves approximately 460,000 customers in 20 counties.

Investment Thesis

NI offers an attractive dividend yield coupled with visible earnings growth driven by infrastructure investments across its diverse portfolio of mostly regulated businesses. In recent years, NI has shed non-core assets, substantially de-risked earnings at its gas utilities, and has begun to leverage its attractive natural gas pipeline footprint in the Marcellus Shale with the potential for Marcellus-like growth in the Utica Shale in Ohio where NI also holds substantial acreage.

NI also has an inventory of project opportunities:

- Over $10 billion in its regulated Gas Distribution segment,
- $4.2-$6.4 billion of electric operations infrastructure,
- $8-$10.5 billion in its Columbia Pipeline Group. There is $3-$4B spread across eight different upgrade and expansion projects as well as a $4-$5B opportunity for a pipeline modernization program approved by the FERC for cost. It also is developing transport of gas from the Marcellus and Utica on Columbia Gas (1.5Bcfd and known as Leach Express), Columbia Gulf (800mmcf/d known as Rayne), and an East/West project for 1.0bcf/d known as WB express on Columbia Gas. The CPG group also has $1-$1.5B of midstream projects spread across 6 different opportunities and a couple of production opportunities in the Utica where it is in a JV to develop 120,000 acres in the Utica.

Importantly, we believe NI has the liquidity, balance sheet, and opportunity set in place to maintain an annual cap ex program of ~$2B ($2.15B estimated for 2014).

CREDIT SUISSE

30 April 2014

1Q14 Earnings Update

Exhibit 1: Quarterly Earnings Variance

Earnings Variance	1Q14 Actual	1Q14 CS Estimate	Diff.	Diff. (%)	1Q13 Actual	Comments
Segment EBITDA						
Gas Distribution	332	315	17	6%	282	Higher volumes due to extreme cold weather
NIPSCO Electric	135	135	(0)	0%	128	
Gas Transmission & Storage	189	191	(2)	-1%	159	
Other	2	2	0	12%	3	
Total EBITDA (recurring)	**658**	**643**	**15**	**2%**	**571**	
Segment EBIT						
Gas Distribution	280	262	18	7%	233	
NIPSCO Electric	74	74	0	0%	65	
Gas Transmission & Storage	159	162	(3)	-2%	133	
Other	(4)	(1)	(3)	NM	(4)	
Total EBIT (recurring)	**509**	**496**	**13**	**3%**	**428**	
Interest Expense	109	114	(5)	-4%	99	
Other Expenses	(5)	0	(5)	NM	(4)	
Taxes	146	134	12	9%	118	
Recurring Net Income	**258**	**249**	**10**	**4%**	**215**	
Diluted Wtd Avg shares outstanding	314	314	0	0%	311	
Recurring EPS - Diluted	**$0.82**	**$0.79**	**$0.03**	**4%**	**$0.69**	
Dividend per share	**$0.25**	**$0.25**	**$0.00**	**0%**	**$0.24**	
Operational Metrics						
Gas Distribution						
Total Volumes (MDth)	**398**	**363**	**35**	**10%**	**363**	Weather 19% cooler than normal
Total Customers	**3,384,943**	**3,402,483**	**(17,540)**	**-1%**	**3,362,428**	
Electric Operations						
Residential	402,676	401,559	1,117	0%	401,559	
Commercial	54,378	54,084	294	1%	54,084	
Industrial	2,370	2,373	(3)	0%	2,373	
Other electric service	729	725	4	1%	725	
Total Heating customers (000s)	**460,153**	**458,741**	**1,412**	**0%**	**458,741**	
Sales (Gigawatt Hours)						
Residential	896	881	15	2%	864	
Commercial	936	935	0	0%	921	
Industrial	2,607	2,351	256	11%	2,320	
Wholesale and other	345	96	249	258%	95	
Total	**4,784**	**4,264**	**520**	**12%**	**4,199**	
Columbia Pipeline Group Operations						
Columbia Transmission	460	458	2	0%	436	
Columbia Gulf Mainline	185	200	(15)	-7%	190	
Intrasegment eliminations	(62)	(94)	32	-34%	(94)	
Crossroads Gas Pipeline	6	5	1	13%	5	
Total Throughput (MMDth)	**589**	**568**	**20**	**4%**	**537**	

Source: Company data, Credit Suisse estimates

Segment Update

Columbia Pipeline Group (CPG)

- **1Q14 Performance:** Operating earnings up 19% y/y at $159mm and total throughput of 589 MMDth was up 10% y/y.
- **CapEx:** NI expects to spend ~$800mm on CPG capital projects in 2014. These include the 50:50 JV with Harvest pipeline for the Pennant Midstream, LLC NGL pipeline to come online in 3Q14, Washington County Gathering project, Cameron Access Project (the LNG facility received DOE export approval in Feb 2014) and other pipeline upgrade and modernization projects.
- **2.5 Bcf/d of Open Seasons Completed:** NI completed successful open seasons on the Rayne Xpress and Leach Xpress projects that will together provide 1.5 Bcf/d of transportation capacity and the WB Xpress project with 1 Bcf/d of transportation capacity. Rayne and Leach have advanced from in evaluation to in development and are close to being in execution. The open season concluded on January 10 and received very strong interest. Tariffs range from $0.35/MMBtu to $0.55/MMBtu depending on access and exit points on Leach and on Rayne tariffs are running up to $0.30/MMBtu. $1.0B to $1.5B. WB express is a new project from Ky/WV to Maryland and is in the evaluation stage. NI conducted a non-binding open season with very encouraging results. We believe this proposed project is likely to advance to the "in-development" stage.

NIPSCO

- **1Q14 Performance:** Operating earnings up 14% y/y at $74mm primarily driven by higher wholesale sales (up 265% y/y) while total heating customers remained flat.
- **CapEx:** In 2014, NI expects to spend ~$450mm on NIPSCO capital projects, which include ~$400-500mm to be spent on new transmission lines. Over the next decade NI plans to invest over $6b on NIPSCO's infrastructure investment programs.

Gas Distribution

- **1Q14 Performance:** 19% cooler than normal weather propelled volumes up by 10% y/y to 398 MMDth, resulting in operating earnings of $280mm, up 20% y/y. Gross profit (net revenue) per customer was up 12% y/y.
- **CapEx:** In 2014, NI expects to spend ~$815mm on gas distribution capital projects, which includes a $700mm investment on the NIPSCO natural gas system focused on system modernization and system extensions to rural customers. The modernization which was part of SB560 in Indiana just received approval.

Exhibit 2: **NI 2014 CapEx**

Source: Company data, Credit Suisse estimates

Additional Color

- **NiSource MLP:** Management has stated that it's considering an Investor Day in 3Q14 to discuss capital needs and the likely formation of an MLP. We model 11.5% of the Columbia Pipeline assets in the initial MLP with dropdowns over time to provide visible growth. Our bias for a dropdown model reflects the relatively low equity capital needs of NI in 2015 (~$400 mm according to our model) coupled with the low-tax basis associated with the assets.
- **Liquidity:** NI had a net available liquidity from its revolving credit facility and stand-by letters of credit of ~$1.7B at the end of 1Q14.

CREDIT SUISSE

30 April 2014

Estimate Changes

We raised our estimate for 2014 by $0.04/share on the beat, to an above-guidance estimate of $1.72/share vs. $1.61-$1.71/share guidance. Our overall outlook is moving higher to a 7-9% growth rate, ~200bp above the current guidance of 5-7%. We have held our dividend estimate in 2014 at $1.03/share but raised our dividend growth rate by ~125-150, to approximately 5-5.5% for the 2015-2017 time frame.

Exhibit 3: NiSource 2014- 2016 Estimate Changes

Quarterly Variance

Earnings Variance	Old estimates							New estimates						
	1Q14E	2Q14E	3Q14E	4Q14E	2014E	2015E	2016E	1Q14	2Q14E	3Q14E	4Q14E	2014E	2015E	2016E
Segment EBITDA														
Gas Distribution	315	116	60	223	713	782	849	332	118	60	250	760	882	1,011
NIPSCO Electric	135	125	159	118	537	575	616	135	123	155	106	519	546	565
Gas Transmission & Storage	191	145	118	172	625	708	785	189	142	118	172	620	676	747
Other	2	4	4	13	23	23	23	2	4	4	13	23	24	24
Total EBITDA (recurring)	643	390	340	526	1,899	2,088	2,272	658	387	336	541	1,921	2,128	2,346
Segment EBIT														
Gas Distribution	262	61	4	166	492	537	581	280	63	4	192	539	638	743
NIPSCO Electric	74	64	96	55	288	314	343	74	61	92	43	270	285	292
Gas Transmission & Storage	162	114	86	138	499	559	613	159	111	86	138	493	526	574
Other	(1)	1	0	10	10	9	8	(4)	1	0	10	11	10	10
Total EBIT (recurring)	496	239	186	368	1,289	1,420	1,546	509	236	182	383	1,313	1,459	1,620
Interest Expense	114	115	120	126	475	548	613	109	116	121	127	473	552	615
Other Expenses	0	0	0	0	0	0	0	(5)	0	0	0	(5)	0	0
Taxes	134	43	23	85	285	309	336	146	44	22	92	304	322	362
Recurring Net Income	249	80	43	157	529	562	597	258	77	39	163	541	586	643
Diluted Wtd Avg shares outstanding	314	314	315	315	315	317	319	314	315	315	316	315	317	319
Recurring EPS - Diluted	$0.79	$0.26	$0.14	$0.50	$1.68	$1.78	$1.87	$0.82	$0.24	$0.12	$0.52	$1.72	$1.85	$2.02
												9.7%	7.6%	9.1%
Dividend per share	$0.25	$0.26	$0.26	$0.26	$1.03	$1.07	$1.11	$0.25	$0.26	$0.26	$0.26	$1.03	$1.09	$1.15
Operational Metrics														
Gas Distribution														
Total Volumes (MDth)	363	194	168	287	1,011	1,011	1,011	398	194	168	287	1,046	1,056	1,067
Total Customers	3,402,483	3,405,885	3,409,291	3,412,701	3,412,701	3,426,372	3,440,098	3,384,943	3,388,328	3,391,716	3,395,108	3,395,108	3,408,709	3,422,364
Electric Operations														
Residential	401,559	401,162	401,174	402,638	402,638	402,638	402,638	402,676	401,162	401,174	402,638	402,638	402,638	402,638
Commercial	54,084	54,189	54,267	54,452	54,452	54,452	54,452	54,378	54,189	54,267	54,452	54,452	54,452	54,452
Industrial	2,373	2,376	2,371	2,374	2,374	2,374	2,374	2,370	2,376	2,371	2,374	2,374	2,374	2,374
Other electric service	725	734	734	730	730	730	730	729	734	734	730	730	730	730
Total Heating customers (000s)	458,741	458,461	458,546	460,194	460,194	460,194	460,194	460,153	458,461	458,546	460,194	460,194	460,194	460,194
Sales (Gigawatt Hours)														
Residential	881	784	1,021	827	3,514	3,566	3,620	896	784	1,021	827	3,528	3,581	3,635
Commercial	935	957	1,082	966	3,940	3,980	4,019	936	957	1,082	966	3,941	3,980	4,020
Industrial	2,351	2,287	2,369	2,459	9,466	9,560	9,656	2,607	2,287	2,369	2,459	9,722	9,819	9,917
Wholesale and other	96	532	143	47	818	830	842	345	532	143	47	1,067	1,083	1,099
Total	4,264	4,560	4,614	4,299	17,737	17,936	18,138	4,784	4,560	4,614	4,299	18,258	18,463	18,671
Columbia Pipeline Group Operations														
Columbia Transmission	458	216	174	367	1,215	1,361	1,497	460	216	174	367	1,217	1,363	1,500
Columbia Gulf Mainline	200	178	141	156	675	716	751	185	178	141	156	660	700	735
Intrasegment eliminations	(94)	(81)	(37)	(28)	(239)	(239)	(239)	(62)	(81)	(37)	(28)	(207)	(207)	(207)
Crossroads Gas Pipeline	5	3	4	5	17	17	17	6	3	4	5	18	18	18
Total Throughput (MMDth)	568	316	283	501	1,668	1,855	2,027	589	316	283	501	1,688	1,874	2,045
Financing & Credit Metrics														
Total Debt / Total Cap	59.6%	60.5%	61.8%	61.4%	61.4%	59.8%	59.0%	59.9%	61.0%	62.3%	61.9%	61.9%	60.2%	59.2%
Net Debt / Total Cap	59.6%	60.5%	61.7%	61.4%	61.4%	59.8%	59.0%	59.8%	60.9%	62.2%	61.8%	61.8%	60.1%	59.1%
Net Debt / Equity	147.4%	152.9%	161.4%	158.9%	158.9%	148.7%	143.8%	148.8%	155.5%	164.4%	161.9%	161.9%	150.5%	144.6%
Book Value Per Share	$19.34	$19.34	$19.23	$19.48	$19.52	$21.49	$23.49	$19.13	$19.12	$18.98	$19.24	$19.28	$21.31	$23.42
Net Debt / TTM EBITDA	5.0x	5.0x	5.3x	5.1x	5.1x	4.8x	4.7x	4.9x	5.0x	5.3x	5.1x	5.1x	4.8x	4.6x

Source: Company data, Credit Suisse estimates

Valuation

- We are raising our target price by $1 to $40. Our sum of the parts analysis reflects what we think will be an initial 11.5% of the Columbia Pipeline assets in an MLP spinoff. We expect the MLP option to be announced in mid-2014 with a 6-9 month timeframe for completion of the spin-off.
- Our $40 TP is based on a 18-21x 2015E EPS on the electric utility business, a 10x 2015E EBITDA multiple on the natural gas utilities segment, a 12.5x NTM EBITDA multiple on the assets that qualify for MLP treatment (which we model as ~11.5% of the Columbia Pipeline assets), and 1.5 turns lower for the remainder of the Columbia Pipeline assets – based on our valuation of a generic MLP with IDRs vs. similar assets within a C-Corp.
- Together with NTM dividend of $1.03, our target price translates to a total return of approximately 10-20% with a mid-point of ~15%, in line with our median total return for midstream MLPs.

Exhibit 4: NiSource Sum of the Parts Valuation

	2015		2015		Multiple			Enterprise Value / Equity Value		
	EBIT	D&A	EBITDA / NI	Metric	Low	Base	High	Low	Base	High
Electric Services	285.2	261.0	190.5	P/E	18.0x	19.5x	21.0x	3,428.7	3,714.4	4,000.1
Natural Gas Utilities	637.5	244.4	881.9	EV/EBITDA	10.0x	10.0x	10.0x	8,819.3	8,819.3	8,819.3
TG&S (88.5% of business)	433.6	117.0	550.5	EV/EBITDA	10.5x	11.0x	11.5x	5,780.8	6,056.0	6,331.3
TG&S (11.5% dropped into MLP)	56.3	15.2	71.5	EV/EBITDA	12.0x	12.50x	13.00x	858.5	894.3	930.0
Total Enterprise / Equity Value								**18,887.2**	**19,484.0**	**20,080.8**
Cash & Equivalents								48.9	48.9	48.9
Short-term Debt								530.5	530.5	530.5
Long-term Debt								7,638.5	7,638.5	7,638.5
Less Net Debt								8,120.1	8,120.1	8,120.1
Less Net Debt attributable to NIPSCO (~$1.1 billion)								7,020.1	7,020.1	7,020.1
Total Equity Value								11,867.1	12,463.9	13,060.7
Shares Outstanding								314	314	314
Per Share								**$37.77**	**$39.67**	**$41.57**
Current Share Price								$36.29	$36.29	$36.29
Return								7%	12%	17%
Dividend per share (Est.)								$1.03	$1.03	$1.03
Dividend Yield								*3%*	*3%*	*3%*
Total Return								*10%*	*15%*	*20%*
2015E EPS								$1.85	$1.85	$1.85
Implied P/E								**20.4x**	**21.5x**	**22.5x**
Implied Price Target								**$38.00**	**$40.00**	**$42.00**
							Implied P/E		21.6x	

Source: Company data, Credit Suisse estimates

Risks

The main risk is that with NI's valuation continuing to rise in expectation of it forming an MLP, if it chooses to not carry out this option, there could be considerable downside to the current valuation and as such the shares could underperform.

We view the business model for NI as lower risk than MLPs that comprise the bulk of our coverage universe. Most of its growth capital projects are for replacement of existing infrastructure and which has the added security of having enabling legislation and or enabling regulatory settlements in a number of its service areas to help assure cost recovery in rates. It reached a customer modernization settlement with the FERC for an initial 5 years and $1.5B in investment for its Columbia Pipeline group. Legislation in support of electric infrastructure modernization in Indiana has been enacted. New legislation in Virginia and Maryland is also supportive of infrastructure investment for natural gas distribution systems and NI also reached a settlement with the Pennsylvania PUC regarding a rate increase and the use of a forward test year for its natural gas distribution system there.

Commodity price risk is very low and under the current regulatory regime is recovered in utility rates.

The main risk in our view is valuation – as explained above NI and for that matter its peers have reached extended valuation levels when considered from a historical P/E perspective. However, given very low income from bonds, income oriented investors have been increasingly taken to low risk utility business models as a yield alternative. Consequently NI's shares are up ~9% YTD with no meaningful change in earnings outlook. The shares yield 2.8% and the company is guiding to 3-5% dividend growth. The Federal Reserve has indicated intention to provide monetary policy support through 2015 in the form of continuing aggressive purchases of US government issues but is moderating these purchases over the coming year. Thus, a key risk as far as valuation is concerned is mean reversion and/or a change in Federal Reserve policy brought on by political or other external events that are not in the current forecast.

30 April 2014

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Companies Mentioned *(Price as of 30-Apr-2014)*
NiSource Inc. (NI.N, $36.32, NEUTRAL, TP $40.0)

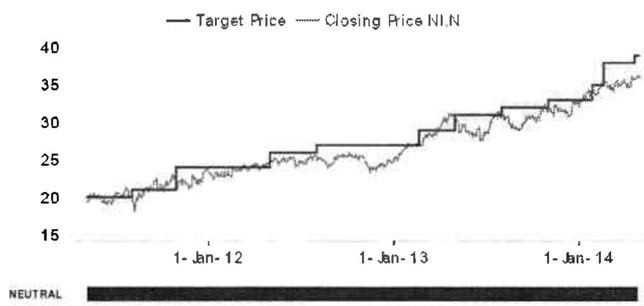
Disclosure Appendix

Important Global Disclosures

John Edwards, CFA, Bhavesh Lodaya and Abhiram Rajendran each certify, with respect to the companies or securities that the individual analyzes, that (1) the views expressed in this report accurately reflect his or her personal views about all of the subject companies and securities and (2) no part of his or her compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report.

3-Year Price and Rating History for NiSource Inc. (NI.N)

NI.N Date	Closing Price (US$)	Target Price (US$)	Rating
06-May-11	19.44	20.00	N
16-Jun-11	19.30		*
02-Aug-11	20.40	21.00	N
28-Oct-11	22.52	24.00	
02-May-12	25.04	26.00	*
01-Aug-12	25.38	27.00	
20-Feb-13	27.04	29.00	
01-May-13	30.61	31.00	
01-Aug-13	31.11	32.00	
01-Nov-13	31.72	33.00	
28-Jan-14	34.18	35.00	
19-Feb-14	35.40	38.00	
21-Apr-14	35.71	39.00	



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Outperform (O) : The stock's total return is expected to outperform the relevant benchmark*over the next 12 months.

Neutral (N) : The stock's total return is expected to be in line with the relevant benchmark* over the next 12 months.

Underperform (U) : The stock's total return is expected to underperform the relevant benchmark* over the next 12 months.

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Underperform/Sell*	13%	(45% banking clients)
Restricted	3%	

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Price Target: (12 months) for NiSource Inc. (NI.N)

Method: Our $40 TP is based on a 18-21x 2015E EPS on the electric utility business, a 10x 2015E EBITDA multiple on the natural gas utilities segment, a 12.5x NTM EBITDA multiple on the assets that qualify for MLP treatment (which we model as ~11.5% of the Columbia Pipeline assets), and 1.5 turns lower for the remainder of the Columbia Pipeline assets - based on our valuation of a generic MLP with IDRs vs. similar assets within a C-Corp. Together with NTM dividend of $1.03, our target price translates to a total return of approximately 10-20% with a mid-point of ~15%, in line with our median total return for midstream MLPs.

Risk: The main risk to our $40 TP is that with NI's valuation continuing to rise in expectation of it forming an MLP, if it chooses to not carry out this option, there could be considerable downside to the current valuation and as such the shares could underperform.

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30 April 2014

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HILLIARD LYONS

Electric Utilities
Analyst: David Burks
502.588.8648 / DBurks@hilliard.com
Institutional Sales Desk: Tim Rexing
502.585.8509 / TRexing@hilliard.com
J.J.B. Hilliard, W.L. Lyons, LLC
May 1, 2014

COMPANY UPDATE / ESTIMATE CHANGE

Key Metrics

NI - NYSE (Price as of 4/29/14)		$36.32
Price Target		NA
52-Week Range		$36.82 - $27.11
Shares Outstanding (mm)		314.2
Market Cap. ($mm)		$11,402
3-Mo. Average Daily Volume		2,024,000
Institutional Ownership		81.0%
Debt/Total Capital (12/31)		60.0%
ROE (ttm)		8.5%
Book Value/Share		$18.42
Price/Book Value		1.90x
Indicated Dividend / Yield	$1.00	2.8%
Dividend Cycle		Feb., May, Aug., Nov.

EPS FY 12/31

	2013	Prior 2014E	Curr. 2014E	Prior 2015E	Curr. 2015E
1Q		--		--	--
2Q		--		--	--
3Q		--		--	--
4Q		--		--	--
Year	$1.58	$1.67	$1.70		$1.82
P/E	23.0x		21.4x		20.0x
Payout	63%		59%		55%

Note: Figures exclude non-recurring items

Revenue ($mm)

	2013	Prior 2014E	Curr. 2014E	Prior 2015E	Curr. 2015E
1Q		--		--	--
2Q		--		--	--
3Q		--		--	--
4Q		--		--	--
Year	$5,659		$6,300	--	$6,750

Company Description: *Based in Merrillville, Ind., NiSource Inc. is a Fortune 500 company engaged in natural gas transmission, storage and distribution, as well as electric generation, transmission and distribution. NiSource operating companies deliver energy to 3.7 million customers located within the high-demand energy corridor stretching from the Gulf Coast through the Midwest to New England. Generation sources: Coal 77%, Natural Gas 22%, Hydro 1%.*

NiSource Inc.

NI -- NYSE -- Neutral -- 2

Company reports higher first quarter earnings and reaffirms 2014 earnings guidance

Investment Highlights

- **NiSource reported first quarter net operating earnings of $0.82 per share versus $0.69 per share earned in the first quarter of 2013 and slightly above expectations.** All of the company's segments, including Columbia pipeline, electric operations and gas distribution operations posted positive earnings comparisons in the first quarter. Pipeline operations revenues rose due to higher demand as well as increased commodity margin revenue from growth projects. Electric operations results were helped by an increase in off-system sales, higher environmental investment cost recovery and increased industrial sales. NI's gas business was boosted by both higher rates and increased residential and commercial usage.
- **Management reaffirmed 2014 earnings guidance of $1.61 to $1.71 per share.** The outlook is expected to be driven by a record $2.2 billion in capital investments this year. We are raising our 2014 EPS estimate to $1.70. NI also reaffirmed its goal of generating 5% to 7% long-term annual earnings growth. In addition, NI expects to grow its dividend by 3% to 5% annually.
- **The company continues to explore the possibility of a master limited partnership (MLP) for its gas transmission and midstream assets.** Management said that an announcement could come in September.
- **Our rating on NiSource is Neutral as we believe the stock is fairly valued.** However, we think NI has a positive fundamental outlook. We feel the company's ambitious capital spending plans for the next few years augure well for rising earnings and dividends. We would maintain positions in the stock.

Note Important Disclosures on Pages 2 and 3.
Note Analyst Certification on Page 2.

Additional information is available upon request.

Analyst Certification

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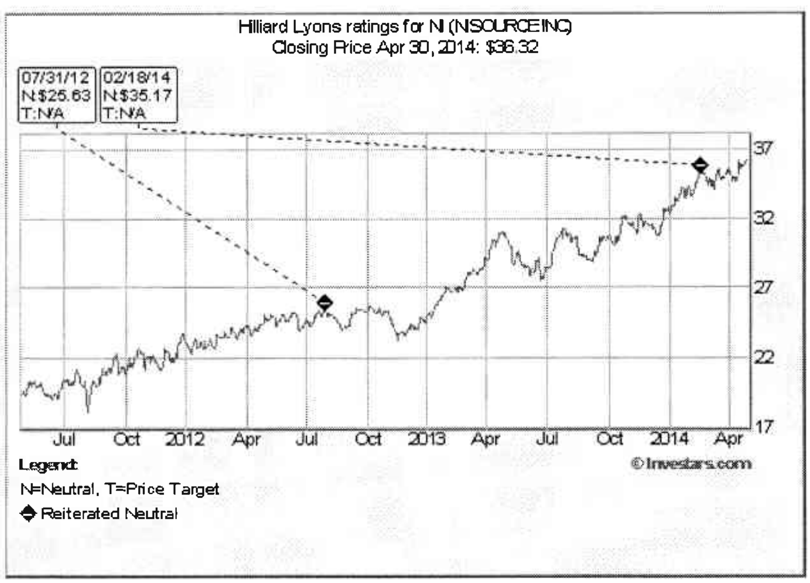
Investment Ratings
Buy - We believe the stock has significant total return potential in the coming 12 months.
Long-term Buy - We believe the stock is an above average holding in its sector, and expect solid returns to be realized over a longer time frame than our Buy rated issues.
Neutral - We believe the stock is an average holding in its sector, is currently fully valued, and may be used as a source of funds if better opportunities arise.
Underperform - We believe the stock is vulnerable to a price set back in the next 12 months.

Suitability Ratings
1 - A large cap, core holding with a solid history
2 - A historically secure company which could be cyclical, has a shorter history than a "1" or is subject to event driven setbacks
3 - An above average risk/reward ratio could be due to small size, lack of product diversity, sporadic earnings or high leverage
4 - Speculative, due to small size, inconsistent profitability, erratic revenue, volatility, low trading volume or a narrow customer or product base



	Hilliard Lyons Recommended Issues		Investment Banking Provided in Past 12 Mo.	
Rating	# of Stocks Covered	% of Stocks Covered	Banking	No Banking
Buy	46	37%	13%	87%
Hold/Neutral	70	56%	13%	87%
Sell	7	6%	0%	100%
Restricted	1	1%	100%	0%

As of 1 April 2014

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FLASH NOTE

Company Update

USA | Energy | Natural Gas

April 30, 2014

Jefferies

NiSource Inc. (NI)
1Q Results In-Line

HOLD
Price target $34.00
Price $36.29

EQUITY RESEARCH AMERICAS

Key Takeaway

NI reported 1Q14 recurring diluted EPS of $0.79 (excluding $17.5mm in CPG asset sale gains), in-line with our $0.79 forecast & the Street's $0.79 consensus estimate. Mgmt also affirmed its 2014 non-GAAP EPS guidance of $1.61-$1.71 and its $2.15B capital budget for the year.

Columbia Pipeline Group: CPG's $141mm operating income (excluding asset sale gains) fell shy of our $150mm expectation, driven primarily by higher than anticipated O&M expenses. Mgmt announced the completion of a successful non-binding open season for its WB XPress project, a new ~1 Bcf/d transportation project expected to move Marcellus production on Columbia Gas. The project has an estimated in-service date of 4Q18, and we await the call for further details. No additional update was provided on the Rayne-Leach Express project in the release, but we also look for further clarity during this morning's call.

Gas Distribution: The gas utilities posted 1Q operating income of $280mm, ahead of our $265mm forecast, on the back of record volumes. Mgmt reiterated that it remains on track to invest ~$815mm in Distribution system modernization & replacement during 2014 and it continues to expect a decision soon on the pending NIPSCO Gas seven-year, $700mm investment plan. Separately, on March 21st, Columbia Gas of PA filed a rate case seeking a continuation of its modernization program & a $54mm annual revenue increase.

Electric: NIPSCO reported 1Q operating income of $74mm, surpassing our $70mm estimate by ~6%, largely due to below-forecast O&M and depreciation costs. Mgmt noted that its Schahfer FGD project remains on track for YE14 completion while the FDG facility at Michigan City is on schedule for YE15 in-service.

Guidance: Mgmt affirmed its 2014 non-GAAP EPS guidance of $1.61-$1.71 & its ~$2.15B capital budget. It also noted that 1Q results are squarely in-line with its projected performance on the year.

Dividend Increase Anticipated: NI declared a 25¢ per share dividend on March 25th, payable May 20th, and last raised its dividend in May 2013. We expect another increase within the next few weeks. Specifically, we anticipate a ~4% boost, to a new quarterly run-rate of 26¢ ($1.04 annualized), to be announced on/about May 15th.

Dial-in for the Call: Today @ 9:00am ET. Dial-in: 877.415.3181; Passcode: 69357454

NI 1Q14 Results Review:

Operating Income by Division	Actual 1Q14A	JEF Estimate 1Q14E		Year-over-Year 1Q13A	
Gas Distribution	$280.1	$265.2	5.6%	$233.3	20.1%
Columbia Pipeline Group	$141.4	$150.0	-5.7%	$133.3	6.1%
Electric Operations	$74.2	$69.8	6.3%	$64.9	14.3%
Corporate, Other, and Eliminations	($4.1)	$0.2	NA	($3.6)	-13.9%
Total Operating Income	**$491.6**	**$485.1**	**1.3%**	**$427.9**	**14.9%**
Depreciation	($148.7)	($151.1)	-1.6%	($143.5)	3.6%
Other Income / (Expenses)	$4.5	$6.1	-25.6%	$4.1	9.8%
Interest Expense	($109.1)	($107.9)	1.2%	($98.6)	10.6%
Income Tax Benefit (Expense)	($139.3)	($134.6)	3.5%	($118.0)	18.0%
Recurring Net Income	**$247.7**	**$248.8**	**-0.4%**	**$215.4**	**15.0%**
Avg Diluted Shares Outstanding	315.1	315.2	0.0%	312.1	1.0%
Earnings Per Diluted Share	**$0.79**	**$0.79**	**-0.4%**	**$0.69**	**13.9%**
Capital Expenditures	**$386**	**$392**	**-1.4%**	**$369**	**4.6%**

Source: Jefferies, co. data. Note: Recurring EPS figures exclude impact of non-normal weather and asset sale gains/losses and utilize avg diluted share count during the period.

Christopher Sighinolfi, CFA *
Equity Analyst
(212) 707-6420 csighino@jefferies.com
Christopher Tillett *
Equity Associate
(212) 284-4697 ctillett@jefferies.com
Corey Goldman *
Equity Associate
(212) 284-3411 cgoldma1@jefferies.com
* Jefferies LLC

NI

Company Update

April 30, 2014

Company Description

NiSource, Inc. (NYSE: NI) is a diversified energy holding company whose subsidiaries provide natural gas, electricity, and other energy products & services to nearly 4 million US customers. The Company operates through three segments: Gas Distribution, Gas Transmission and Storage, and Electric. The Gas Distribution operations provide natural gas service and transportation for residential, commercial and industrial customers in Ohio, Pennsylvania, Virginia, Kentucky, Maryland, Indiana and Massachusetts. The Gas Transmission and Storage segment offers gas transportation and storage services for Local distribution companies, marketers and industrial and commercial customers located in Northeastern, Mid-Atlantic, Midwestern and Southern states. The Electric Operations segment provides electric service in various counties in the northern part of Indiana. NiSource was founded in 1987, is incorporated under the laws of the state of Delaware, and is headquartered in Merrillville, IN.

Analyst Certification

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I, Christopher Tillett, certify that all of the views expressed in this research report accurately reflect my personal views about the subject security(ies) and subject company(ies). I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report.

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Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

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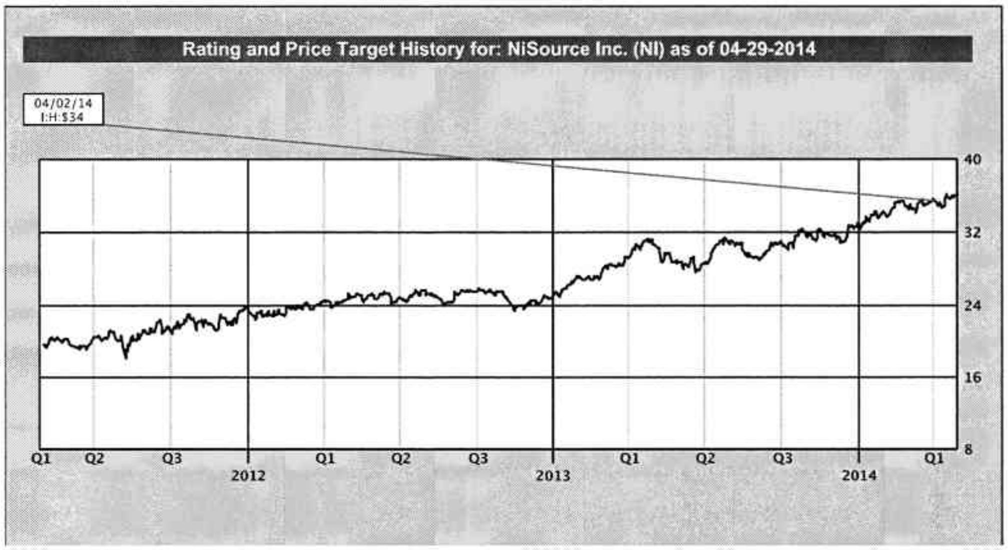

Distribution of Ratings

Rating	Count	Percent	IB Serv./Past 12 Mos. Count	IB Serv./Past 12 Mos. Percent
BUY	904	49.48%	242	26.77%
HOLD	775	42.42%	134	17.29%
UNDERPERFORM	148	8.10%	5	3.38%

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Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

April 30, 2014
ENERGY: Multi- Utilities
Quick Alert

KeyBanc
Capital Markets

NiSource, Inc. (BUY)

NI - Quick Alert: 1Q14 Solid Results, New CPG Project

KeyBanc Capital Markets Inc.
Member NYSE/FINRA/SIPC

Paul T. Ridzon: (216) 689- 0270 — pridzon@key.com
John Barta: (216) 689- 3386 — john_j_barta@key.com

KEY INVESTMENT POINTS

April 29, 2014 Close: $36.29
1Q14 KBCM EPS Estimate: $0.79 (Consensus: $0.80)
2014 KBCM EPS Estimate: $1.70 (Consensus: $1.68)

1Q14 Actual Results (vs. 1Q13):

- Ongoing EPS $0.82 vs. $0.69; GAAP EPS $0.85 vs. $0.69. Ni excludes weather benefits or headwinds from ongoing EPS. We estimate weather was a $0.05 per share benefit.
- Results were above our $0.79 estimate and the $0.80 consensus view.
- Relative to our estimate, all segments did slightly better than forecast, particularly the pipeline group.

Guidance: Reiterated 2014 ongoing weather- normalized guidance of $1.61- $1.71 per share.

1Q Highlights:

- Columbia Pipeline Group (formerly Gas Transmission and Storage) results improved (operating earnings of $158.9 million vs. $133.3 million) on $19.7 million higher net revenues due to margin on growth projects that have come on line and increased mineral rights. Expenses fell $3.2 million as mineral rights gains were partly offset by SG&A, depreciation and property tax increases.
- Gas Distribution operating earnings were $280.1 million vs. $233.3 million. Net revenues rose $54.1 million on new Pennsylvania and Ohio rates, increased usage and higher off- system sales. Expenses rose $7.3 million on higher administrative costs, depreciation and other taxes.
- Electric operations earnings were up (operating earnings of $74.2 million vs. $64.9 million) on higher off- system sales, environmental recovery and improved industrial margins. Expenses rose $8.7 million on employee and administrative costs.
- Corporate and Other operating losses fell $4.1 million vs. a $3.6 million loss.
- NI discussed that a new pipeline project (WB Express) completed a successful non- binding open season. This follows similar results at Leach and Rayne, which NI is now bringing to advanced discussions to firm commitments.This pipeline would move over 1 bcf of Marcellus production.

Initial Take: We expect a positive take on solid results, continued execution and incremental announcements.

9:00 a.m. ET Conference Call #: (877) 415- 3181 ID#: 69357454
We will be focused on:

- Latest MLP thoughts.
- Thoughts on growth rate.
- Incremental infrastructure investment opportunities.
- Pipeline modernization project updates.

FOR IMPORTANT DISCLOSURES AND CERTIFICATIONS, PLEASE REFER TO PAGES 2 - 3 OF THIS NOTE.

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NiSource, Inc. - NI

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We expect to receive or intend to seek compensation for investment banking services from NiSource, Inc. within the next three months.

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As of the date of this report, we make a market in NiSource, Inc..

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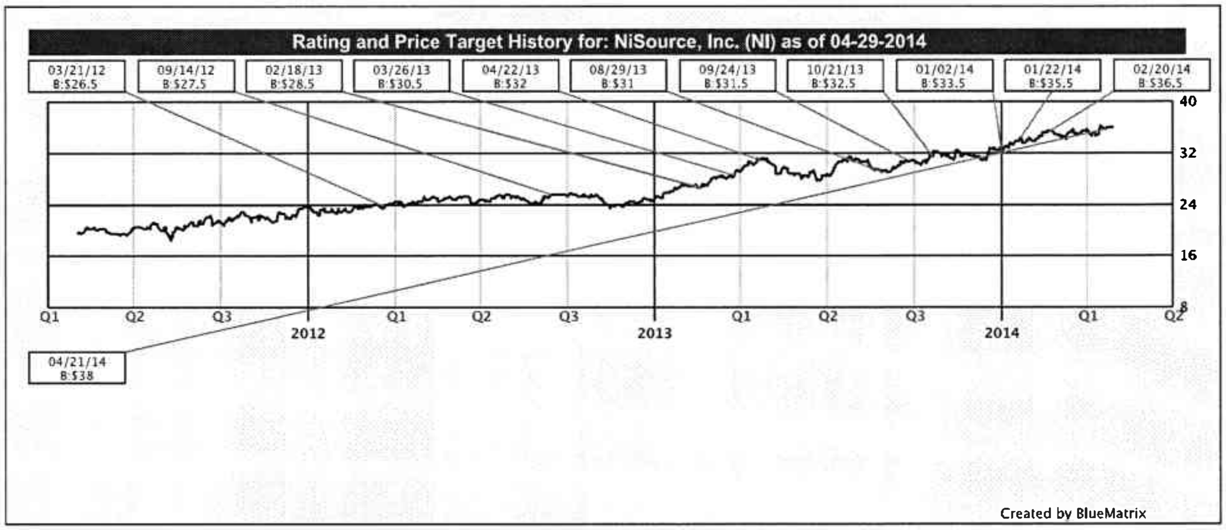

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Distribution of Ratings/IB Services Firmwide and by Sector

KeyBanc Capital Markets			IB Serv/Past 12 Mos.		ENERGY			IB Serv/Past 12 Mos.	
Rating	**Count**	**Percent**	**Count**	**Percent**	**Rating**	**Count**	**Percent**	**Count**	**Percent**
BUY [BUY]	247	44.91	51	20.65	**BUY [BUY]**	35	49.30	19	54.29
HOLD [HOLD]	292	53.09	59	20.21	**HOLD [HOLD]**	36	50.70	17	47.22
SELL [UND]	11	2.00	4	36.36	**SELL [UND]**	0	0.00	0	0.00

Rating System

BUY - The security is expected to outperform the market over the next six to 12 months; investors should consider adding the security to their holdings opportunistically, subject to their overall diversification requirements.

HOLD - The security is expected to perform in line with general market indices over the next six to 12 months; no buy or sell action is recommended at this time.

UNDERWEIGHT - The security is expected to underperform the market over the next six to 12 months; investors should reduce their holdings opportunistically.

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MORGAN STANLEY RESEARCH
NORTH AMERICA

Morgan Stanley & Co. LLC

Stephen J. Maresca, CFA
Stephen.Maresca@morganstanley.com
+1 212 761 8343

Robert S Kad
Robert.Kad@morganstanley.com
+1 212 761 6385

Brian Lasky
Brian.Lasky@morganstanley.com

Shaan Sheikh, CFA
Shaan.Sheikh@morganstanley.com

Matthew Giacobbe
Matthew.Giacobbe@morganstanley.com

April 30, 2014

Stock Rating
Equal-weight

Industry View
Attractive

NiSource, Inc.

Growing Opportunity Set

NI reported a modest EPS beat driven by a stronger top line, but reiterated 2014 EPS guidance of $1.61 – 1.71 and long-term EPS growth of 5 – 7%. We maintain our E/w rating, but have raised our PT to $40, from $36 to account for increased MLP credit.

1Q14 results: NI reported EPS of $0.82 vs. MS / Consensus of $0.80/$0.80. NI reported strong results across the board as they continue to capitalize on their well-positioned infrastructure asset base and improved utility profile. The company continues to make progress on the Rayne/Leach Express project (expect an update by the end of 3Q) and more recently had a successful non-binding open season for WB Express (expect an update by year end). With large project opportunities emerging (5-10bn of capex within the Columbia Segment) and equity needs in 2015, we expect the company to pursue an MLP (timing of a decision still expected in 3Q). On a preliminary basis, our SOTP including the MLP gets us to ~$43/shr. Our new $40 price target assumes a 5-10% discount to our SOTP and implies 22x our 2015 EPS estimate. We see NI as an attractive lower risk stock with a strong regulatory backdrop (de-risked utility profile with a visible rate base and recovery strategy), attractive Marcellus/Utica footprint, and improved project outlook (much of which is part of modernization programs). We expect this to drive 7.6% EPS growth in 2014e and 7.4% in 2015e (high end of guidance) with 4.2% div growth each year. However, shares have begun to price in the MLP (NI shares +10% YTD vs. S&P500 +2%), so we await further clarity before revisiting given valuation levels.

Segment results. Electric EBIT came in at $74.2mm vs. $64.9mm y/y due to higher off-system sales, environmental investment cost recovery, and industrial margins. Gas Distribution EBIT increased to $280.1mm from $233.3mm due to increases in regulatory and service programs, higher residential and commercial usage, and an increase in off-system sales. Columbia Pipeline Group EBIT increased to $158.9mm from $133.3mm y/y due to higher demand and commodity margin and increased mineral rights royalty revenue.

Key Ratios and Statistics

Reuters: NI.N Bloomberg: NI US
Diversified Natural Gas / United States of America

Price target	**$40.00**
Shr price, close (Apr 29, 2014)	$36.29
Mkt cap, curr (mm)	$11,402
52-Week Range	$36.82-27.11

Fiscal Year ending	**12/13**	**12/14e**	**12/15e**	**12/16e**
ModelWare EPS ($)	**1.57**	**1.69**	**1.82**	**1.92**
Prior ModelWare EPS ($)	**-**	**1.68**	**1.78**	**1.91**
P/E	**20.9**	**21.4**	**20.0**	**18.9**
Consensus EPS ($)§	**1.55**	**1.67**	**1.79**	**1.93**
Div yld (%)	3.0	2.8	3.0	3.1
Div per shr ($)	0.99	1.03	1.07	1.12
EBITDA ($mm)	1,705	1,837	2,006	2,178
EV/EBITDA	11.4	11.6	11.2	10.9
Shrs out, diluted, avg (mm)	314	314	314	314

Unless otherwise noted, all metrics are based on Morgan Stanley ModelWare framework (please see explanation later in this note).
§ = Consensus data is provided by Thomson Reuters Estimates.
e = Morgan Stanley Research estimates

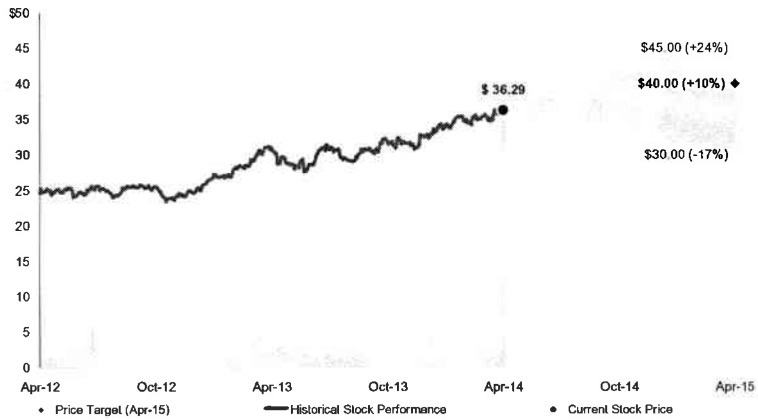
Morgan Stanley

MORGAN STANLEY RESEARCH

April 30, 2014
NiSource, Inc.

NiSource (NI, Equal-weight)

Risk-Reward View: Strong Marcellus + Utica Midstream Potential



Source: Thomson Reuters; Morgan Stanley Research

Price Target $40	Derived from our Sum of the Parts asset valuation assuming a modest 5-10% discount.
Bull Case $45	**Increasing Marcellus/Utica market share and utilities outperform; more projects, MLP creation.** NI gains larger Appalachian market share than anticipated from new production, fostering additional capital spend in the GT&S segment. Utica potential exceeds expectations.
Base Case $40	**Executing on Marcellus opportunities with a steady recovery and execution in utility segments.** NI places Marcellus growth projects on budget and on time. Industrial electric generation deliveries continue to stabilize/slightly recover. NI moves down creates an MLP in 3Q.
Bear Case $30	**Marcellus opportunities fail to materialize.** Marcellus regulation issues persist or worsen, prolonging development. The required infrastructure projects are delayed causing NI to push back expansions and the stock to re-rate lower given weaker growth profile. NI does not pursue an MLP.

Sum-of-the-Parts (SOTP) Breakdown

NiSource Inc.	Value ($m)	$/Share
Gas Distribution	$ 6,838	**$ 21.76**
Gas Transmission & Storage	15,508	**49.36**
Electric Utility	3,865	**12.30**
Utica Leases	350	**1.11**
Value	**$ 26,561**	**$ 84.54**
Net Debt	(13,058)	(41.56)
Net Equity Value	**$ 13,503**	**$ 42.98**
Shares Outstanding (in m)		314.2

Source: Morgan Stanley Research

Why Equal-weight?

- Restored earnings power at regulated utilities segments.
- Numerous midstream opportunities surrounding its existing pipeline systems in the Marcellus + Utica provide exceptional long-term value, but also come with it increased capex and possibly heated competition.
- See upside in an MLP scenario, but need to see follow through before revising due to valuation.

Key Value Drivers

- Executing Marcellus + Utica midstream projects on time and below budget.
- Execution on its regulatory agenda (e.g., infrastructure modernization plan, filing rate cases, implementing trackers / cost recovery mechanisms).
- Stable dividend with potential 4 – 5% annual growth to go along with 5 – 7% EPS growth potential over multiple years.

Potential Catalysts

- MLP formation adds to value of NI and offers further upside on projects and acquisitions.
- Updates related to rate case settlements approval by regulatory bodies.
- Announcement of additional Marcellus or Utica project or acquisition beyond those included in guidance.

Where We Could Be Wrong

- Regulatory risks associated with Marcellus and/or Utica drilling puts a hold on midstream project expansions.
- Economic recovery remains prolonged, negatively affecting electric deliveries (especially to industrial customers).
- Unfavorable outcomes in the northeast due to legislation, slower drilling, more competition.

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April 30, 2014
NiSource, Inc.

Exhibit 1

NI: Earnings Results and Preview

(amounts in 000s, except per unit)

	Actual 1Q13	Actual 1Q14	A / A % chg	MS 1Q14E	A / E % chg	MS 2Q14E
Operating Revenues						
Gas Distribution	891,500	1,193,300	33.9%	1,207,306	-1.2%	564,009
Gas Transportation and Storage	468,500	578,500	23.5%	338,564	70.9%	294,167
Electric	377,100	445,300	18.1%	392,396	13.5%	397,834
Other	44,200	77,000		-		-
Total operating revenues	**1,781,300**	**2,294,100**	28.8%	**1,938,266**	18.4%	**1,256,011**
Operating Expenses						
Cost of Sales	675,900	1,061,300	57.0%	673,428	57.6%	364,894
Operation and maintenance	454,400	501,200	10.3%	536,396	-6.6%	451,440
Depreciation and amortization	143,500	148,700	3.6%	151,206	-1.7%	147,840
Other taxes	86,700	83,600	-3.6%	97,700	-14.4%	70,644
Total operating expenses	**1,360,500**	**1,794,800**	31.9%	**1,458,731**	23.0%	**1,034,818**
Equity Earnings (Loss) in Uncon. Affiliates	**7,100**	**9,800**	38.0%	**8,000**	22.5%	**9,849**
EBIT	**427,900**	**509,100**	19.0%	**487,535**	4.4%	**231,041**
EBITDA	**571,400**	**657,800**	15.1%	**638,741**	3.0%	**378,881**
Interest expense, net	(98,600)	(109,100)	10.6%	(105,858)	3.1%	(109,100)
Other income	4,100	4,500		9,400		4,500
Total other income and expenses	**(94,500)**	**(104,600)**	10.7%	**(96,458)**	8.4%	**(104,600)**
Earnings From Cont. Oper. Bef. Inc. Taxes	**333,400**	**404,500**	21.3%	**391,078**	3.4%	**126,441**
Income tax (provision)	118,100	146,100	23.7%	138,925	5.2%	41,621
Net Income (Operating)	**215,300**	**258,400**	20.0%	**252,153**	2.5%	**84,821**
Average # of Shares Outstanding	312,100	314,200	0.7%	313,600	0.2%	314,200
Net Income per Share (Operating)	**$ 0.69**	**$ 0.82**		**$ 0.80**		**$ 0.27**
Net Income per Share (GAAP)	**$ 0.69**	**$ 0.85**		**$ 0.80**		**$ 0.27**
Segment Data						
Gas Distribution (MMDth)						
Residential	132.0	156.5	18.6%	136.0	15.1%	35.8
Commercial	75.3	90.1	19.7%	77.6	16.2%	27.8
Industrial	133.3	136.8	2.6%	137.3	-0.4%	116.8
Off System	21.7	14.3	-34.1%	22.1	-35.4%	17.5
Other	0.2	0.2		-		0.2
Gas Transmission & Storage (MMDth)						
Columbia Transmission	435.8	459.5	5.4%	461.9	-0.5%	206.4
Columbia Gulf	190.2	184.9	-2.8%	201.6	-8.3%	169.8
Crossroads Gas Pipeline	5.0	5.7	14.0%	5.2	10.7%	3.4
Intrasegment eliminations	(93.9)	(61.6)	-34.4%	(122.1)	-49.5%	(101.8)
Electric Operations (Gigawatt Hours)						
Residential	864.1	896.2	3.7%	890.0	0.7%	792.2
Commercial	921.2	935.5	1.6%	939.6	-0.4%	961.5
Industrial	2,319.6	2,607.1	12.4%	2,331.2	11.8%	2,267.6
Wholesale	61.3	311.8	408.6%	61.6	406.1%	497.2
Other	33.2	33.4	0.6%	33.9	-1.4%	27.5

NI confirmed 2014 EPS guidance of $1.61-$1.71

Source: Company data, Morgan Stanley Research

Morgan Stanley

MORGAN STANLEY RESEARCH

April 30, 2014
NiSource, Inc.

Exhibit 2

NI Income Statement

Income Statement

(amounts in thousands, except per unit data)	2013	2014E	2015E	2016E	2017E
Net Revenues					
Gas Distribution	2,225,300	3,111,662	3,561,680	3,850,204	4,162,112
Gas Transportation and Storage	1,646,400	1,497,587	1,477,919	1,722,316	1,931,136
Electric	1,563,200	1,672,464	1,750,678	1,824,919	1,884,782
Other	224,400	77,000	-	-	-
Total Net Revenues	**5,659,300**	**6,358,713**	**6,790,277**	**7,397,439**	**7,978,031**
Operating Costs					
Cost of Sales	1,815,500	2,337,795	2,343,771	2,557,942	2,715,698
Operation and maintenance	1,873,900	1,935,981	2,161,874	2,367,097	2,572,542
Depreciation and amortization	577,300	594,369	629,960	665,076	704,402
Other taxes	300,600	287,191	318,947	335,981	365,484
Total Operating Costs	**4,567,300**	**5,155,336**	**5,454,552**	**5,926,096**	**6,358,126**
Equity Earnings (Loss) in Uncon. Affiliates	**35,900**	**39,495**	**40,491**	**41,513**	**42,560**
EBIT	**1,127,900**	**1,242,872**	**1,376,216**	**1,512,855**	**1,662,465**
EBITDA	**1,705,200**	**1,837,241**	**2,006,175**	**2,177,932**	**2,366,867**
Other income					
Interest expense, net	(414,800)	(440,903)	(517,991)	(605,868)	(702,407)
Other income	42,600	18,000	18,000	18,000	18,000
Inc. from continuing operations bef inc. taxes	**755,700**	**819,969**	**876,225**	**924,988**	**978,058**
Income tax (provision)	261,800	287,699	304,797	321,773	340,415
Operating Net Income (Loss)	**493,900**	**532,270**	**571,428**	**603,215**	**637,643**
Net Income per Share (Operating)	**$1.57**	**$1.69**	**$1.82**	**$1.92**	**$2.03**
Net Income per Share (GAAP)	**$1.56**	**$1.72**	**$1.82**	**$1.92**	**$2.03**
Weighted Avg Diluted Units Outstanding	313,600	314,200	314,200	314,200	314,200
Dividends per share	0.99	1.03	1.07	1.12	1.16

Source: Company data, Morgan Stanley Research

Exhibit 3

NI Operating Data

Operating Data

	2013	2014E	2015E	2016E	2017E
GAS DISTRIBUTION					
Sales and Transportation (MMDth):					
Residential	272.3	301.0	289.7	298.4	307.3
Commercial	172.9	190.6	189.1	194.8	200.7
Industrial	494.5	508.8	524.1	539.8	556.0
Off System	70.4	60.6	61.8	63.0	64.3
Other	0.4	0.8	0.8	0.8	0.8
Total Sales and Transports	**1,010.5**	**1,061.8**	**1,065.5**	**1,096.8**	**1,129.1**
Weather Adjustment	(3.4)	(66.1)	(4.0)	(4.0)	(4.0)
Sales and Transport Vols — Excluding Weather	**1,007.1**	**995.7**	**1,061.5**	**1,092.8**	**1,125.1**
y/y change	*2.6%*	*-1.1%*	*6.6%*	*3.0%*	*3.0%*
Sales Price ($ / Dth)	$3.03	$3.48	$3.36	$3.52	$3.70
y/y change	*8.9%*	*14.6%*	*-3.5%*	*5.0%*	*5.0%*
COGS Price ($ / Dth)	$1.41	$1.79	$1.64	$1.76	$1.83
y/y change	*18.1%*	*26.9%*	*-8.4%*	*7.2%*	*3.9%*
Gross Margin ($ / Dth)	$1.62	$1.69	$1.72	$1.77	$1.87
y/y change	*1.9%*	*3.9%*	*1.7%*	*2.9%*	*6.1%*
COLUMBIA PIPELINE GROUP					
Throughput (MMDth):					
Columbia Transmission	1,124.6	1,182.7	1,241.9	1,297.8	1,362.6
Columbia Gulf	643.0	637.7	669.6	699.7	734.7
Crossroads Gas Pipeline	16.9	18.0	18.9	19.8	20.8
Total throughput	**1,784.5**	**1,838.4**	**1,930.3**	**2,017.3**	**2,118.1**
Intrasegment eliminations	(239.4)	(311.2)	(328.6)	(318.4)	(351.2)
Total third-party throughput	**1,545.1**	**1,527.2**	**1,601.7**	**1,698.9**	**1,767.0**
y/y change	*-2.4%*	*-1.2%*	*4.9%*	*6.1%*	*4.0%*
Tariff ($ / Dth)	$0.50	$0.50	$0.53	$0.56	$0.57
y/y change	*10.0%*	*-0.2%*	*5.7%*	*5.0%*	*2.8%*
ELECTRIC OPERATIONS					
Sales (Gigawatt Hours):					
Residential	3,444.7	3,554.2	3,660.8	3,770.7	3,846.1
Commercial	3,881.9	3,955.4	4,034.5	4,115.2	4,156.4
Industrial	9,339.7	9,662.3	9,855.5	10,052.7	10,153.2
Wholesale	669.7	923.2	941.7	960.5	979.8
Other	132.0	134.2	136.9	139.6	142.4
Total sales	**17,468.0**	**18,229.4**	**18,629.5**	**19,038.7**	**19,277.8**
Weather Adjustment	(2.4)	(70.0)	-	-	-
Total sales volumes — Adj. for weather impacts	**17,465.6**	**18,159.4**	**18,629.5**	**19,038.7**	**19,277.8**
y/y change	*3.6%*	*4.0%*	*2.6%*	*2.2%*	*1.3%*
Revenue ($ / Gigawatt hour)	$89.59	$92.12	$93.97	$95.85	$97.77
y/y change	*0.5%*	*2.8%*	*2.0%*	*2.0%*	*2.0%*
COGS ($ / Gigawatt hour)	$31.07	$33.00	$32.44	$33.54	$34.34
y/y change	*5.0%*	*6.2%*	*-1.7%*	*3.4%*	*2.4%*
Gross Margin ($ / Gigawatt hour)	$58.53	$59.12	$61.53	$62.31	$63.43
y/y change	*-1.8%*	*1.0%*	*4.1%*	*1.3%*	*1.8%*

Source: Company data, Morgan Stanley Research

Morgan Stanley

MORGAN STANLEY RESEARCH

April 30, 2014
NiSource, Inc.

Exhibit 4

NI Balance Sheet

Balance Sheet

(amounts in thousands, except per unit data)	2013	2014E	2015E	2016E	2017E
ASSETS					
Cash and cash equivalents	26,800	87,187	132,889	83,273	259,008
Restricted cash	8,000	10,900	10,900	10,900	10,900
Accounts receivable	1,005,800	931,051	968,142	1,145,088	1,186,853
Income tax receivable	5,100	4,100	4,100	4,100	4,100
Gas inventory	354,600	57,738	60,744	198,985	117,321
Regulatory assets	142,800	159,100	159,100	159,100	159,100
Other	330,600	321,100	321,100	321,100	321,100
Total Current Assets	**2,159,200**	**1,988,975**	**2,074,774**	**2,340,346**	**2,476,183**
Net Property, Plant and Equipment	**14,365,100**	**15,370,931**	**16,740,971**	**18,075,894**	**19,371,493**
Unconsolidated affiliates	373,700	407,100	407,100	407,100	407,100
Other investments	204,000	203,100	203,100	203,100	203,100
Price risk management assets	500	-	-	-	-
Regulatory assets	1,522,200	1,494,900	1,494,900	1,494,900	1,494,900
Goodwill	3,666,200	3,666,200	3,666,200	3,666,200	3,666,200
Intangible assets	275,700	272,900	272,900	272,900	272,900
Deferred charges, Postretiremen, other	87,300	85,300	85,300	85,300	85,300
TOTAL ASSETS	**22,653,900**	**23,489,406**	**24,945,245**	**26,545,740**	**27,977,176**
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current portion of long-term debt	542,100	530,500	530,500	530,500	530,500
Short-term borrowings	698,700	859,275	859,275	859,275	859,275
Accounts payable	619,000	421,330	443,261	592,124	551,563
Dividends payable	-	78,700	78,700	78,700	78,700
Customer deposits and credits	262,600	239,400	239,400	239,400	239,400
Taxes accrued	254,800	278,600	278,600	278,600	278,600
Interest accrued	136,400	75,300	75,300	75,300	75,300
Price risk management liabilities	1,400	-	-	-	-
Exchange gas payable	186,400	143,100	143,100	143,100	143,100
Deferred revenue	18,500	7,900	7,900	7,900	7,900
Regulatory liabilities	60,200	79,100	79,100	79,100	79,100
Acc liab for post-retirement / -employment benefits	6,200	6,200	6,200	6,200	6,200
Other accruals	327,600	323,800	323,800	323,800	323,800
Total Current Liabilities	**3,178,400**	**3,094,505**	**3,116,436**	**3,265,300**	**3,224,739**
Long-term debt, excl amounts due within one year	7,593,200	8,238,500	9,438,500	10,638,500	11,838,500
Price risk management liabilities	300	-	-	-	-
Deferred income taxes	3,277,800	3,392,300	3,392,300	3,392,300	3,392,300
Deferred inc. taxes, credits, other	129,900	142,000	142,000	142,000	142,000
Acc liability for post-retirement/-employment benefits	527,500	508,100	508,100	508,100	508,100
Regulatory liabilities and other removal costs	1,669,800	1,677,600	1,677,600	1,677,600	1,677,600
Asset retirement obligations	174,400	176,500	176,500	176,500	176,500
Other noncurrent liabilities	216,000	219,400	219,400	219,400	219,400
Total Other Liabilities and Deferred Credits	**13,588,900**	**14,354,400**	**15,554,400**	**16,754,400**	**17,954,400**
Common stock	3,200	3,200	3,200	3,200	3,200
Additional paid-in capital	4,690,100	4,715,600	4,715,600	4,715,600	4,715,600
Retained earnings	1,285,500	1,422,801	1,656,709	1,908,341	2,180,337
Treasury stock	(43,600)	(42,500)	(42,500)	(42,500)	(42,500)
Accumulated other comprehensive loss	(48,600)	(58,600)	(58,600)	(58,600)	(58,600)
Total Common Stockholders' Equity	**5,886,600**	**6,040,501**	**6,274,409**	**6,526,041**	**6,798,037**
TOTAL CAPITALIZATION & LIABILITIES	**22,653,900**	**23,489,406**	**24,945,245**	**26,545,740**	**27,977,176**

Source: Company data, Morgan Stanley Research

Morgan Stanley

MORGAN STANLEY RESEARCH

April 30, 2014
NiSource, Inc.

Exhibit 5

NI Cash Flow Statement

Cash Flow Statement

(amounts in thousands, except per unit data)	2013	2014E	2015E	2016E	2017E
Cash from Operating Activities					
Net Income	532,100	540,070	571,428	603,215	637,643
Debt: Gain Early Extinguishment / Amort Disc.+Premium	9,400	-	-	-	-
Depreciation and Amortization	577,300	594,369	629,960	665,076	704,402
Net Changes in Price Risk Mgmt A / L	2,600	800	-	-	-
Deferred: Inc. Tax/Credits; Revenues	280,200	150,700	-	-	-
Stock Compensation Expense	50,700	13,900	-	-	-
Loss/(Gain) on Asset Sales / Impairments / Disc Opts	(17,500)	(15,700)	-	-	-
Income from Unconsolidated Affiliates	(35,700)	(9,600)	-	-	-
Disc. Operations: Loss/(Gain) on Disposition	(41,200)	200	-	-	-
AFUDC Equity	(18,500)	(4,000)	-	-	-
Dist. of Earnings Received from Equity Investee	32,100	7,600	-	-	-
Other	10,000	-	-	-	-
Changes in Assets and Liabilities:	**55,300**	**(79,559)**	**(18,166)**	**(166,323)**	**(663)**
Net cash from operating activities	**1,436,800**	**1,198,780**	**1,183,222**	**1,101,967**	**1,341,381**
Cash from Investing Activities					
Capital Expenditures	(1,879,900)	(1,545,200)	(2,000,000)	(2,000,000)	(2,000,000)
Insurance Recoveries	6,400	-	-	-	-
Proceeds from Disposition of Assets	18,000	5,300	-	-	-
Restricted Cash Deposits (Borrowings)	38,700	(2,900)	-	-	-
Contributions to Equity Investments	(125,400)	(31,000)	-	-	-
Other Investing Activities	50,800	7,000	-	-	-
Net cash from investing activities	**(1,891,400)**	**(1,566,800)**	**(2,000,000)**	**(2,000,000)**	**(2,000,000)**
Cash from Financing Activities					
Issuance of Long-Term Debt	1,307,600	590,900	1,200,000	1,200,000	1,200,000
Retirement/Repurchase of Long-Term Debt	(510,900)	-	-	-	-
Change in Short-Term Borrowings, Net	(78,100)	160,575	-	-	-
Issuance of Common Stock	43,700	8,900	-	-	-
Acquisition of Treasury Stock	(8,100)	(10,000)	-	-	-
Dividends Paid - Common Stock	(305,900)	(321,969)	(337,520)	(351,583)	(365,646)
Other	(3,200)	-	-	-	-
Net cash from financing activities	**445,100**	**428,406**	**862,480**	**848,417**	**834,354**
Net change in cash	**(9,500)**	**60,387**	**45,702**	**(49,615)**	**175,735**
Cash at beginning of period	**36,300**	**26,800**	**87,187**	**132,889**	**83,273**
Cash at end of period	**26,800**	**87,187**	**132,889**	**83,273**	**259,008**

Source: Company data, Morgan Stanley Research

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MORGAN STANLEY RESEARCH

April 30, 2014
NiSource, Inc.

Exhibit 6

NI Sum of the Parts Valuation

NiSource, Inc.
NI

NiSource Inc.	Value ($m)	$/Share
Gas Distribution	$ 6,838	**$ 21.76**
Gas Transmission & Storage	15,508	**49.36**
Electric Utility	3,865	**12.30**
Utica Leases	350	**1.11**
Value	**$ 26,561**	**$ 84.54**
Net Debt	**(13,058)**	**(41.56)**
Net Equity Value	**$ 13,503**	**$ 42.98**
Shares Outstanding (in m)		314.2

GAS DISTRIBUTION	
Forward EBIT (2015E)	$530
Interest	$159
Tax Rate	35%
Net Income	$242
Forward multiple	17.9x
Equity value	**$4,323**
Debt	$2,515
Enterprise value	**$6,838**

GAS TRANSMISSION & STORAGE (on a PV basis)	
MLP Drop-down Proceeds	$8,973
MLP GP Valuation	4,100
MLP LP Value	2,436
Enterprise value	**$15,508**

ELECTRIC UTILITY	
Forward EBIT (2015E)	$316
Interest	$81
Tax Rate	35%
Net Income	$154
Forward multiple	16.8x
Equity value	**$2,580**
Debt	$1,286
Enterprise value	**$3,865**

Estimated Utica 'Value' Credit	
Acres	175,000
$/acre	$2,000
Enterprise value	**$350**

Source: Company Data, Morgan Stanley Research

Valuation Methodology & Risks

Assets in an MLP have typically traded at a premium to C-Corps. MLPs have traded at higher valuations than would similar assets in a corporate structure due to: 1) their tax efficiency (no federal taxes) and 2) the premium investors tend to place on yield. These two factors have typically produced: 3) a lower cost of capital, which can facilitate a potentially faster growth rate.

Interest rates are not the driver. Although MLPs have benefited from declining interest rates, so have other asset classes. We believe that gains in MLP stocks are a function of their ability to grow cash flows, not just their current yield.

The key value proposition is total return (growing cash flow yield + stock price appreciation). We find a statistically insignificant correlation between bond and MLP prices. Several periods of rate increases (1994, 1999, 2004) are correlated with poor performance, but there is little day-to-day link.

Distribution discount models (DDM) and implied yield targets. We use a 10-year distribution discount model to arrive at our price targets along with our implied yield target for each individual MLP as we view long-term cash flow stability and growth as the true measure of an MLP stock's value.

Yield spread. Despite historical day-to-day insignificance, we think this is worth looking at as a check on valuation. Overall, yields tend to revert to their mean, and even if we have modest yield compression, significant share price upside is possible.

Multiples provide valuation check. While we generally think it is difficult to target an EV (enterprise value) / EBITDA or P / DCF (distributable cash flow) multiple for an MLP stock, we think it certainly provides a gauge as to the stock's valuation. Currently, MLP multiples are near their historical average over time and we believe this provides another metric of valuation support along with looking at the high yield spreads and distribution growth.

Relative (historical) valuation measures support MLPs. The primary argument against improving valuation is weak relative performance in a rising interest rate environment. While we believe that the relationship to Treasury yields will become less relevant over time, using traditional dividend yield analysis, and the MLP index dividend yield spread to Treasury MLPs appear undervalued. Valuation supports MLPs relative to peers. Pipeline MLPs offer organic growth in a rising petroleum demand environment that requires infrastructure development. When we compare MLPs to comparable income asset classes — utilities and REITs — the valuation disconnect is unwarranted, in our opinion, as the pipeline MLPs offer twice the implied return of REITs and utilities.

Distribution growth is predicated on energy fundamentals. The United States is short on critical energy infrastructure, much of which has scarcity/franchise value, in our view, and this should drive a number of expansion projects for MLPs over the next five years. This scarcity is apparent, given the age of most US energy infrastructure assets (many were constructed during or shortly after World War II), combined with approximately 1.5–2.0% demand growth for oil, natural gas, and refined products, along with changing sources of supply for natural gas — deepwater Gulf of Mexico, the US Rockies, and liquefied natural gas (LNG) versus more traditional, conventional sources of supply.

Access to capital markets is of particular importance in this space. Given that MLPs pay out a majority of their free cash flow to unitholders each quarter, growth is funded largely through ongoing debt and equity capital raises. To the extent MLPs are unable to raise financing on favorable terms, organic capital spending budgets and third party acquisitions will likely be delayed or forgone. A prolonged period of limited capital market access could place downward pressure on unit prices if investors are concerned that distribution growth could be limited for a significant amount of time.

Investment concerns. The risks to our thesis include economic growth and demand, alternative energy programs, legislative items including tax reform and easing of product restrictions for natural gas and refined products, as well as a return to Treasury yield valuation and infrastructure reliability. Increased institutional ownership would likely create a revaluation of the sector, as new money would flood the current market. Our analysis is based on the current capital markets and economic outlook, with our Overweight names likely to outperform with or without institutional equity.

Glossary of MLP Terms

Cash Available (distributable cash flow or "DCF"): This is calculated as net income plus depreciation and other non-cash items, less maintenance capital expenditure requirements.

Cash Distributed (distributions): Quarterly dividend payments made to limited partner (LP) and general partner (GP) investors. These amounts are set by the GP and are supported by an MLP's operating cash flows.

Distribution Coverage Ratio: Calculated as cash available to limited partners divided by cash distributed to limited partners. It gives an indication of an MLP's ability to make dividend payments to limited partner investors from operating cash flows. MLPs with a coverage ratio of in excess of 1.0 times are able to meet their dividend payments without external financing.

Yield or Distribution Yield: Yield or distribution yield as referenced in this report are defined as most recent distribution declared, annualized, and then divided by the current market price. It may consist of short-term capital gains, long-term capital gains, and/or return of capital.

General Partner (GP): Corporate sponsor, management team, or financial investor that typically owns a 2% interest in the MLP. Through this 2% interest, the GP has the responsibility for the operations and maintenance of the MLP and the authority to make decisions. To align the interests of the GP with the limited partners, MLPs have an incentive distribution schedule that rewards the GP for increasing the cash distributions to the limited partners.

Incentive Distribution Rights (IDRs): Increases in cash distributions entitle the GP to a higher percentage of the incremental distributed cash flows. These per unit target levels are set out specifically in the MLP agreement and give the GP a larger percentage of the incremental dollars (in many cases upwards of 50% of incremental cash payouts).

Limited Partner (LP): Owners of the limited partner units that are entitled to receive the majority of the cash flows generated by the partnership through a quarterly distribution. LPs typically cannot participate in making decisions regarding the operation of the MLP unless they secure a definitive majority (e.g., 66%, but it can vary) in a proxy vote.

K-1 Statement: This is the form that an MLP investor receives each year from the partnerships that shows the investor's share of the partnership's income, gain, loss, deductions, and credits. The K-1 is similar to a Form 1099 that is received from a corporation. The investor will pay tax on the portion of net income that is allocated at his or her individual tax rate.

Publicly Traded Partnership (PTP): a master limited partnership (MLP) or a limited liability company that has chosen to be taxed as a partnership, which is publicly traded. There are roughly 75 publicly traded partnerships and the majority is involved in energy-related activities. Energy related PTP's comprise approximately 85% of total PTP market cap, with REITs making up the majority of the 15% balance.

Qualifying Income: In order to be taxed as a partnership, 90 percent of a PTP's income must be "qualifying income" every year that it is a publicly traded partnership. Qualifying income can include 1) interest 2) dividends 3) real property rents 4) gains from the sale or other disposition of real estate 5) income and gains from the exploration, development, mining, or production, processing, refining, transportation, or marketing of any mineral or natural resource 6) Any gain from selling or disposing of a capital asset held for the production of any of the types of income in numbers 1-5 7) Income and gains from commodities, if buying and selling commodities is the PTP's principal activity 8) Any income that would be qualifying income for a regulated investment company (RIC) or real estate investment trust (REIT).

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(as of March 31, 2014)

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	Coverage Universe		Investment Banking Clients (IBC)		
Stock Rating Category	Count	% of Total	Count	% of Total IBC	% of Rating Category
Overweight/Buy	**1035**	**35%**	**354**	**38%**	**34%**
Equal-weight/Hold	**1286**	**43%**	**446**	**48%**	**35%**
Not-Rated/Hold	**99**	**3%**	**24**	**3%**	**24%**
Underweight/Sell	**539**	**18%**	**105**	**11%**	**19%**
Total	**2,959**		**929**		

Data include common stock and ADRs currently assigned ratings. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months.

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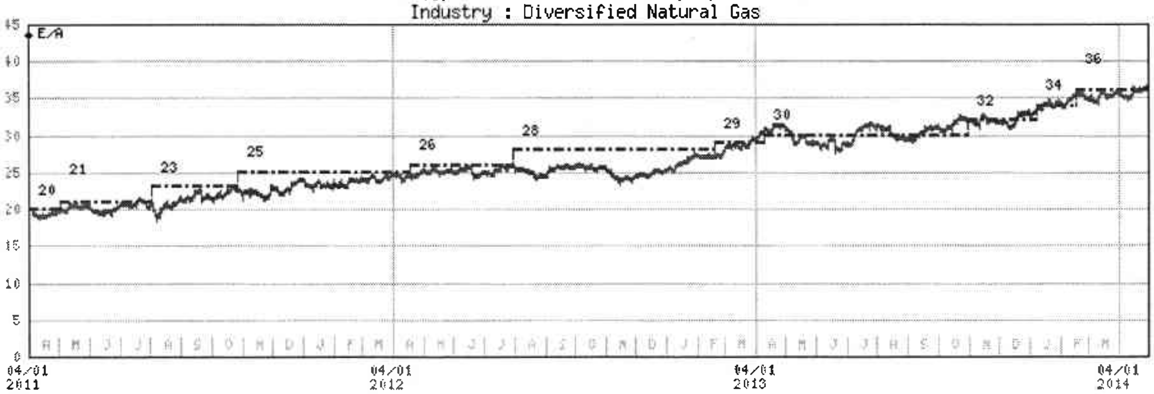
Stock Price, Price Target and Rating History (See Rating Definitions)

Morgan Stanley

MORGAN STANLEY RESEARCH

April 30, 2014
NiSource, Inc.

NiSource, Inc. (NI.N) - As of 4/29/14 in USD
Industry : Diversified Natural Gas



Stock Rating History: 4/1/11 : E/A

Price Target History: 2/1/11 : 20; 5/3/11 : 21; 8/2/11 : 23; 10/28/11 : 25; 4/18/12 : 26; 7/31/12 : 28; 2/19/13 : 29; 4/10/13 : 30; 10/31/13 : 32; 1/8/14 : 34; 2/18/14 : 36

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target -• No Price Target Assigned (NA)
Stock Price (Not Covered by Current Analyst) Stock Price (Covered by Current Analyst)
Stock and Industry Ratings (abbreviations below) appear as ♦ Stock Rating/Industry View
Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) No Rating Available (NA)
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The Americas
1585 Broadway
New York, NY 10036-8293
United States
Tel: +1 (1) 212 761 4000

Europe
20 Bank Street, Canary Wharf
London E14 4AD
United Kingdom
Tel: +44 (0) 20 7 425 8000

Japan
1-9-7 Otemachi, Chiyoda-ku
Tokyo 100-8104
Japan
Tel: +81 (0) 3 6836 5000

Asia/Pacific
1 Austin Road West
Kowloon
Hong Kong
Tel: +852 2848 5200

Industry Coverage:Diversified Natural Gas

Company (Ticker)	Rating (as of)	Price* (04/29/2014)
Stephen J. Maresca, CFA		
CenterPoint Energy, Inc (CNP.N)	E (11/15/2011)	$24.59
Cheniere Energy Inc. (LNG.A)	O (01/07/2014)	$55.95
MDU Resources Group, Inc. (MDU.N)	E (01/06/2011)	$35.51
National Fuel Gas Co (NFG.N)	E (01/10/2012)	$73.06
NiSource, Inc. (NI.N)	E (01/06/2011)	$36.29
Oneok Inc. (OKE.N)	O (07/25/2013)	$62.8
Questar Corp. (STR.N)	E (02/11/2013)	$23.41
SemGroup Corp (SEMG.N)	O (04/10/2013)	$64.59
Spectra Energy Corp. (SE.N)	E (01/08/2014)	$39.57
Williams Companies, Inc (WMB.N)	O (11/10/2009)	$42.2

Stock Ratings are subject to change. Please see latest research for each company.
* Historical prices are not split adjusted.

MORNINGSTAR®

NiSource Inc NI (NYSE) | ★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Morningstar Credit Rating	Industry Group
36.29 USD	30.00 USD	21.00 USD	40.50 USD	Medium	Narrow	Stable	Standard	BBB	Utilities - Regulated

NiSource Reports Strong First-Quarter Results

Charles Fishman, CFA
Stock Analyst
charles.fishman@morningstar.com
312-696-6523

The primary analyst covering this company does not own its stock.

Research as of 30 Apr 2014
Estimates as of 21 Mar 2014
Pricing data through 29 Apr 2014
Rating updated as of 29 Apr 2014

Currency amounts expressed with "$" are in U.S. dollars (USD) unless otherwise denoted.

Contents

Analyst Note 30 Apr 2014

NiSource reported 2014 first-quarter operating EPS of $0.82 versus $0.69 in the same period last year. All three operating segments posted strong results in the recently ended quarter. NiSource reaffirmed its 2014 operating earnings guidance of $1.61-$1.71 per share. We will likely increase our 2014 EPS estimate of $1.65 due to the very good first-quarter results. We are reaffirming our fair value estimate of $30 per share. Our narrow moat and stable moat trend rating are unchanged.

NiSource management indicated that its 2014 capital spending plan of $2.15 billion was on track. The only material project news was that the additional long-term gathering agreements were now in place that would allow NiSource to begin building the gathering and compression facilities for the Washington County Gathering Project in western Pennsylvania. In addition, positive comments were made about the probability of the Rayne/Leach Express pipelines in Louisiana moving forward before the end of the year.

Vital Statistics

Market Cap (USD Mil)	11,395
52-Week High (USD)	36.82
52-Week Low (USD)	27.11
52-Week Total Return %	19.7
YTD Total Return %	11.9
Last Fiscal Year End	31 Dec 2013
5-Yr Forward Revenue CAGR %	6.8
5-Yr Forward EPS CAGR %	6.9
Price/Fair Value	1.21

Valuation Summary and Forecasts

Fiscal Year:	2012	2013	2014(E)	2015(E)
Price/Earnings	17.0	20.8	22.0	20.4
EV/EBITDA	9.9	11.2	10.8	9.9
EV/EBIT	15.2	17.0	15.9	14.6
Free Cash Flow Yield %	-3.0	-4.4	-5.0	-4.6
Dividend Yield %	3.5	3.0	2.9	3.0

Financial Summary and Forecasts (USD Mil)

Fiscal Year:	2012	2013	2014(E)	2015(E)
Revenue	5,061	5,657	6,123	6,524
Revenue YoY %	-15.9	11.8	8.2	6.6
EBIT	1,039	1,126	1,269	1,388
EBIT YoY %	12.7	8.4	12.7	9.4
Net Income, Adjusted	437	494	526	572
Net Income YoY %	12.4	13.0	6.5	8.8
Diluted EPS	1.46	1.58	1.65	1.78
Diluted EPS YoY %	7.9	8.3	4.6	8.1
Free Cash Flow	71	-379	-157	-390
Free Cash Flow YoY %	339.3	-637.2	-58.5	148.0

Historical/forecast data sources are Morningstar Estimates and may reflect adjustments.

Profile

NiSource is one of the nation's largest natural gas distribution companies with 3.4 million customers in Indiana, Kentucky, Maryland, Massachusetts, Ohio, Pennsylvania, and Virginia. NiSource also owns 15,000 miles of natural gas transmission pipeline, operates one of the nation's largest underground natural gas storage systems, and provides unregulated midstream services in the growing Marcellus and Utica shale production area. NiSource's electric utility generates, transmits, and distributes electricity in northern Indiana.

NiSource Inc NI (NYSE) ★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Morningstar Credit Rating	Industry Group
36.29 USD	30.00 USD	21.00 USD	40.50 USD	Medium	Narrow	Stable	Standard	BBB	Utilities - Regulated

Morningstar Analyst Forecasts

Financial Summary and Forecasts

Fiscal Year Ends in December

Growth (% YoY)	3-Year Hist. CAGR	2011	2012	2013	2014 (Forecast)	2015 (Forecast)	5 Year Proj. CAGR
Revenue	-4.1	-6.3	-15.9	11.8	8.2	6.6	6.8
EBIT	6.8	-0.2	12.7	8.4	12.7	9.4	9.8
EBITDA	3.9	-4.0	9.6	6.4	9.9	9.3	8.9
Net Income	13.2	14.1	12.4	13.0	6.5	8.8	9.0
Diluted EPS	9.0	10.8	7.9	8.3	4.6	8.1	6.9
Earnings Before Interest, after Tax	4.4	10.4	4.1	-1.0	16.8	4.7	8.0
Free Cash Flow	-237.7	-88.9	339.3	-637.2	-58.5	148.0	—

Profitability	3-Year Hist. Avg	2011	2012	2013	2014	2015	5-Year Proj. Avg
Operating Margin %	18.6	15.3	20.5	19.9	20.7	21.3	21.9
EBITDA Margin %	28.7	24.3	31.6	30.1	30.6	31.4	32.0
Net Margin %	7.9	6.5	8.6	8.7	8.6	8.8	9.1
Free Cash Flow Margin %	-1.7	0.3	1.4	-6.7	-2.6	-6.0	-2.9
ROIC %	7.3	7.6	7.5	6.9	7.4	7.2	7.2
Adjusted ROIC %	10.0	10.6	10.2	9.1	9.7	9.2	9.0
Return on Assets %	1.9	1.5	2.0	2.4	2.2	2.2	2.3
Return on Equity %	7.7	6.0	7.9	9.3	8.8	9.2	9.4

Leverage	3-Year Hist. Avg	2011	2012	2013	2014	2015	5-Year Proj. Avg
Debt/Capital	0.60	0.61	0.59	0.60	0.61	0.63	0.62
Total Debt/EBITDA	5.23	5.45	5.06	5.19	5.21	5.26	5.10
EBITDA/Interest Expense	3.94	3.88	3.83	4.11	4.03	3.99	4.07

Valuation Summary and Forecasts

	2012	2013	2014(E)	2015(E)
Price/Fair Value	1.00	1.22	—	—
Price/Earnings	17.0	20.8	22.0	20.4
EV/EBITDA	9.9	11.2	10.8	9.9
EV/EBIT	15.2	17.0	15.9	14.6
Free Cash Flow Yield %	-3.0	-4.4	-5.0	-4.6
Dividend Yield %	3.5	3.0	2.9	3.0

Key Valuation Drivers

Cost of Equity %	10.0
Pre-Tax Cost of Debt %	5.0
Weighted Average Cost of Capital %	6.7
Long-Run Tax Rate %	35.0
Stage II EBI Growth Rate %	7.0
Stage II Investment Rate %	87.5
Perpetuity Year	15

Additional estimates and scenarios available for download at http://select.morningstar.com.

Discounted Cash Flow Valuation

	USD Mil	Firm Value (%)	Per Share Value
Present Value Stage I	-816	-4.5	-2.55
Present Value Stage II	1,359	7.5	4.25
Present Value Stage III	17,611	97.0	55.12
Total Firm Value	**18,155**	**100.0**	**56.82**
Cash and Equivalents	70	—	0.22
Debt	-8,834	—	-27.65
Preferred Stock	—	—	—
Other Adjustments	35	—	0.11
Equity Value	**9,425**	—	**29.50**
Projected Diluted Shares	320		
Fair Value per Share (USD)	—		

The data in the table above represent base-case forecasts in the company's reporting currency as of the beginning of the current year. Our fair value estimate may differ from the equity value per share shown above due to our time value of money adjustment and in cases where probability-weighted scenario analysis is performed.

MORNINGSTAR®

NiSource Inc NI (NYSE) ★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Morningstar Credit Rating	Industry Group
36.29 USD	30.00 USD	21.00 USD	40.50 USD	Medium	Narrow	Stable	Standard	BBB	Utilities - Regulated

Morningstar Analyst Forecasts

Income Statement (USD Mil)
Fiscal Year Ends in December

				Forecast	
	2011	2012	2013	*2014*	*2015*
Revenue	**6,019**	**5,061**	**5,657**	***6,123***	***6,524***
Cost of Goods Sold	2,556	1,542	1,816	*2,023*	*2,109*
Gross Profit	**3,463**	**3,520**	**3,842**	***4,100***	***4,415***
Selling, General & Administrative Expenses	1,723	1,663	1,874	*1,976*	*2,111*
Other Operating Expense (Income)	295	288	301	*297*	*307*
Other Operating Expense (Income)	-15	-32	-36	*-45*	*-49*
Depreciation & Amortization (if reported separately)	538	562	577	*603*	*658*
Operating Income (ex charges)	**922**	**1,039**	**1,126**	***1,269***	***1,388***
Restructuring & Other Cash Charges	17	-4	-18	—	—
Impairment Charges (if reported separately)	—	—	—	—	—
Other Non-Cash (Income)/Charges	—	—	—	—	—
Operating Income (incl charges)	**905**	**1,043**	**1,143**	***1,269***	***1,388***
Interest Expense	377	418	415	*465*	*513*
Interest Income	-61	2	24	*5*	*5*
Pre-Tax Income	**467**	**626**	**753**	***809***	***880***
Income Tax Expense	163	216	262	*283*	*308*
Other After-Tax Cash Gains (Losses)	-5	6	6	—	—
Other After-Tax Non-Cash Gains (Losses)	—	—	35	—	—
(Minority Interest)	—	—	—	—	—
(Preferred Dividends)	—	—	—	—	—
Net Income	**299**	**416**	**532**	***526***	***572***
Weighted Average Diluted Shares Outstanding	289	300	314	*319*	*321*
Diluted Earnings Per Share	**1.03**	**1.39**	**1.70**	***1.65***	***1.78***
Adjusted Net Income	389	437	494	*526*	*572*
Diluted Earnings Per Share (Adjusted)	**1.35**	**1.46**	**1.58**	***1.65***	***1.78***
Dividends Per Common Share	0.92	0.94	0.98	*1.02*	*1.06*
EBITDA	**1,443**	**1,605**	**1,721**	***1,872***	***2,046***
Adjusted EBITDA	**1,460**	**1,601**	**1,703**	***1,872***	***2,046***

MORNINGSTAR®

NiSource Inc NI (NYSE) | ★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Morningstar Credit Rating	Industry Group
36.29 USD	30.00 USD	21.00 USD	40.50 USD	Medium	Narrow	Stable	Standard	BBB	Utilities - Regulated

Morningstar Analyst Forecasts

Balance Sheet (USD Mil)

Fiscal Year Ends in December	2011	2012	2013	Forecast 2014	Forecast 2015
Cash and Equivalents	172	83	35	199	168
Investments	—	—	—	—	—
Accounts Receivable	855	907	1,006	1,090	1,162
Inventory	566	496	500	554	578
Deferred Tax Assets (Current)	—	—	—	—	—
Other Short Term Assets	655	866	618	750	750
Current Assets	**2,248**	**2,352**	**2,159**	**2,594**	**2,658**
Net Property Plant, and Equipment	11,800	12,916	14,365	15,843	17,259
Goodwill	3,677	3,677	3,666	3,666	3,666
Other Intangibles	298	287	276	276	276
Deferred Tax Assets (Long-Term)	—	—	—	—	—
Other Long-Term Operating Assets	2,685	2,613	2,188	2,561	2,689
Long-Term Non-Operating Assets	—	—	—	—	—
Total Assets	**20,708**	**21,845**	**22,654**	**24,940**	**26,548**
Accounts Payable	435	539	619	690	719
Short-Term Debt	1,687	1,284	1,241	1,250	1,250
Deferred Tax Liabilities (Current)	—	—	—	—	—
Other Short-Term Liabilities	1,525	1,479	1,319	1,500	1,500
Current Liabilities	**3,646**	**3,302**	**3,178**	**3,440**	**3,469**
Long-Term Debt	6,267	6,819	7,593	8,500	9,500
Deferred Tax Liabilities (Long-Term)	2,542	2,953	3,278	3,632	3,963
Other Long-Term Operating Liabilities	3,256	3,216	2,718	3,252	3,236
Long-Term Non-Operating Liabilities	—	—	—	—	—
Total Liabilities	**15,711**	**16,290**	**16,767**	**18,823**	**20,169**
Preferred Stock	—	—	—	—	—
Common Stock	3	3	3	3	3
Additional Paid-in Capital	4,168	4,598	4,690	4,725	4,760
Retained Earnings (Deficit)	917	1,060	1,286	1,486	1,717
(Treasury Stock)	-31	-41	-49	-49	-49
Other Equity	-60	-66	-44	-49	-54
Shareholder's Equity	**4,997**	**5,554**	**5,887**	**6,117**	**6,379**
Minority Interest	—	—	—	—	—
Total Equity	**4,997**	**5,554**	**5,887**	**6,117**	**6,379**

NiSource Inc NI (NYSE) ★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Morningstar Credit Rating	Industry Group
36.29 USD	30.00 USD	21.00 USD	40.50 USD	Medium	Narrow	Stable	Standard	BBB	Utilities - Regulated

Morningstar Analyst Forecasts

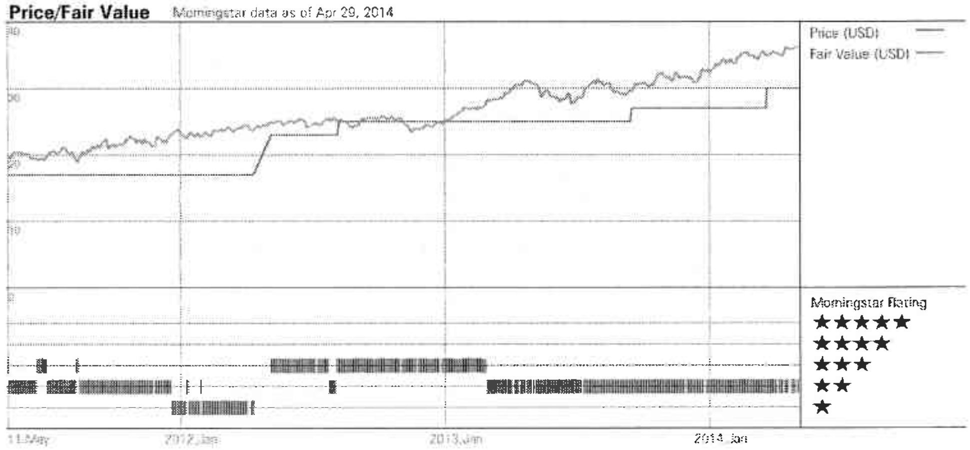
Cash Flow (USD Mil)
Fiscal Year Ends in December

	2011	2012	2013	*Forecast* *2014*	*2015*
Net Income	299	416	532	*526*	*572*
Depreciation	538	562	577	*603*	*658*
Amortization	—	—	—	—	—
Stock-Based Compensation	39	45	51	*49*	*53*
Impairment of Goodwill	—	—	—	—	—
Impairment of Other Intangibles	—	—	—	—	—
Deferred Taxes	178	305	287	*354*	*332*
Other Non-Cash Adjustments	217	25	-65	—	—
(Increase) Decrease in Accounts Receivable	220	-51	-95	*-85*	*-72*
(Increase) Decrease in Inventory	-142	62	-9	*-54*	*-24*
Change in Other Short-Term Assets	-274	-157	81	*-132*	—
Increase (Decrease) in Accounts Payable	-155	57	68	*71*	*29*
Change in Other Short-Term Liabilities	—	—	—	*181*	—
Cash From Operations	**920**	**1,264**	**1,427**	***1,514***	***1,549***
(Capital Expenditures)	-1,125	-1,499	-1,880	*-2,081*	*-2,074*
Net (Acquisitions), Asset Sales, and Disposals	9	26	18	—	—
Net Sales (Purchases) of Investments	—	—	—	—	—
Other Investing Cash Flows	-34	51	-148	*160*	*-143*
Cash From Investing	**-1,149**	**-1,422**	**-2,010**	***-1,921***	***-2,216***
Common Stock Issuance (or Repurchase)	21	374	36	*35*	*35*
Common Stock (Dividends)	-258	-273	-306	*-326*	*-341*
Short-Term Debt Issuance (or Retirement)	-23	-582	-78	*9*	—
Long-Term Debt Issuance (or Retirement)	541	656	794	*907*	*1,000*
Other Financing Cash Flows	—	—	—	*-49*	*-53*
Cash From Financing	**281**	**175**	**445**	***576***	***642***
Exchange Rates, Discontinued Ops, etc. (net)	-50	8	129	*-5*	*-5*
Net Change in Cash	**2**	**25**	**-10**	***164***	***-31***

NiSource Inc NI (NYSE) | ★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Morningstar Credit Rating	Industry Group
36.29 USD	30.00 USD	21.00 USD	40.50 USD	Medium	Narrow	Stable	Standard	BBB	Utilities - Regulated

Price/Fair Value Morningstar data as of Apr 29, 2014



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COMPANY NOTE
Initiating Coverage
USA | Energy | Natural Gas

April 2, 2014

Jefferies

NiSource Inc. (NI)

Pricing-In Perfection: Initiate at Hold

HOLD
Price target $34.00
Price $35.72

EQUITY RESEARCH AMERICAS

Key Takeaway

NI has a prime midstream footprint in one of the nation's most productive basins with access to markets from the Gulf Coast to New England. It compliments this with a gas distribution presence across the Midwest and Mid-Atlantic and an electric utility in northern Indiana. NI offers a secure, regulated, long-term growth profile, but shares are largely reflective of future prospects at current levels. We are initiating with a Hold & $34 price target.

Premium midstream footprint. NI's midstream segment, Columbia Pipeline Group (CPG), owns and operates several major pipeline systems that traverse the Northeast production basins and serve 16 different states. CPG also owns and operates the Columbia Gulf Transmission system, a 3,400 mile pipeline that connects Marcellus and Utica production to markets on the Gulf Coast. CPG has announced ~$1.6B in ongoing or planned growth projects through 2017, which we believe will help NiSource generate growing returns over the next several years.

Modernization Programs. NI has a large and unique opportunity across its regulated businesses to pursue various pipeline modernization & infrastructure replacement programs. NI has a ~$300mm/yr modernization program at CPG, a ~$500mm/yr replacement program at its gas LDCs, and a 7-year, $1.1B modernization program at its electric utility. Each of these programs have the potential to earn up to their respective jurisdictional returns and represent a large growth opportunity for NI over the next decade.

Potential for an NI MLP. NI mgmt has indicated a $400-$500 million equity need in mid-2015 given its targeted capital spending plans and the company's existing leverage characteristics. With a host of MLP-suitable assets within its portfolio & significant long-dated infrastructure investment opportunities, mgmt may consider the creation of a midstream MLP to fill the NI equity need and fund future expansions. We believe the MLP option is highly likely and makes sense given NI's collection of businesses, their growth inventory, and the robust valuations currently ascribed to midstream MLP assets.

Valuation/Risks

Our $34 NI price target is derived via a combination of Discounted Cash Flow (DCF), Sum-of-the-Parts (SOTP), and target yield approaches. Deviations in our assumptions regarding rate case outcomes, interest rates, and capital costs could alter our cash flow assumptions. Similarly, project execution and regulatory treatment could impact our outlook.

Financial Summary

Net Debt (MM):	$8,807.2
Net Debt/Capital:	59.9%
Dividend Yield:	2.8%

Market Data

52 Week Range:	$36.82 - $27.11
Total Entprs. Value (MM):	$20,051.9
Market Cap. (MM):	$11,244.7
Shares Out. (MM):	314.8
Float (MM):	311.4
Avg. Daily Vol.:	2,071,929

Christopher Sighinolfi, CFA *
Equity Analyst
(212) 707-6420 csighino@jefferies.com
Christopher Tillett *
Equity Associate
(212) 284-4697 ctillett@jefferies.com
Corey Goldman *
Equity Associate
(212) 284-3411 cgoldma1@jefferies.com
* Jefferies LLC

USD	Prev.	2013A	Prev.	2014E	Prev.	2015E	Prev.	2016E
Cons. EPS	--	--	--	1.68	--	1.78	--	1.91
DPS	--	0.98	--	1.02	--	1.07	--	1.13
EBITDA (MM)	--	1,729.4	--	1,866.3	--	2,085.4	--	2,229.3
EPS								
Mar	--	0.69	--	0.71	--	--	--	--
Jun	--	0.23	--	0.23	--	--	--	--
Sep	--	0.16	--	0.17	--	--	--	--
Dec	--	0.46	--	0.55	--	--	--	--
FY Dec	--	1.54	--	1.67	--	1.88	--	1.97

Price Performance

NI

Initiating Coverage

April 2, 2014

NiSource, Inc. (NI)

Hold: $34 Price Target

THE LONG VIEW

Scenarios

Target Investment Thesis

- Infrastructure modernization programs to generate steady growth & returns across all segments over the next decade
- Multiple growth projects in midstream segment add to overall Utica/Marcellus takeaway capacity; projects are delivered on time and on budget
- High potential for midstream MLP creation, though economics not part of formal model
- 2015 EPS: $1.88; 2Q15 dividend: $0.26/share; Target Price $34

Upside Scenario

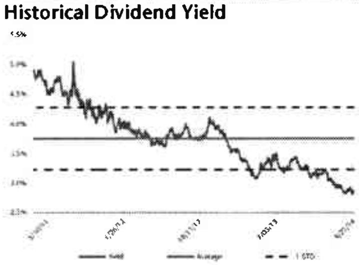
- Midstream growth projects come online ahead of schedule, under budget, and with above-forecast initial utilization rates, booting return characteristics
- Population growth in LDC service territories trends above our forecasts
- More favorable regulatory outcomes
- Extreme winter (cold) and summer (hot) weather patterns create conditions for added cash flow generation
- 2015 EPS: $1.95; 2Q15 dividend: $0.27/share; Target Price: $38

Downside Scenario

- Expansion projects presently in execution incur cost overruns & implementation delays, crimping returns
- Adverse rate case outcomes and an inability to earn authorized ROE levels
- Mild weather, limiting opportunities to generate surplus cash flow
- Rising interest rates crimp cost of capital, & target yield expectations.
- 2015 EPS: $1.75; 2Q15 dividend: $0.25/share; Target Price: $28

Long Term Analysis

Historical Dividend Yield



Source: FactSet, Jefferies estimates

Long Term Financial Model Drivers

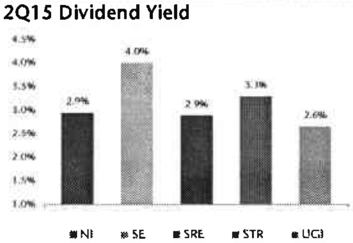
LT Earnings CAGR	**7.0%**
5-Year Dividend CAGR	**5.5%**
Earnings Payout Ratio	**~55-60%**
Terminal Cash Flow Growth Rate	**2.0%**

Other Considerations

While we have not formally modeled a NiSource MLP into our assumptions, we believe it is highly likely and expect an announcement in 3Q14. We would expect the MLP to house ~$100mm in initial annual EBITDA, with later growth coming from dropdowns, modernization programs, and organic expansion projects.

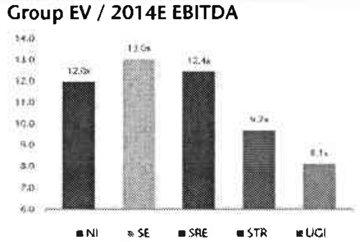
Peer Group

2Q15 Dividend Yield



Source: FactSet, Jefferies estimates

Group EV / 2014E EBITDA



Source: FactSet, Jefferies estimates

Recommendation / Price Target

Ticker	Rec.	PT
NI	**Hold**	**$34**
SE	Hold	$35
SRE	NC	NC
STR	Hold	$24
UGI	Hold	$43

Catalysts

- Announcement of formation of an MLP
- Project in-service announcements and the repopulation of expansion growth backlog
- Periodic regulatory decisions; extension of midstream modernization programs to 10+ years
- Dividend raises (we anticipate increases in paid dividends will occur in 3Q each year)

Company Description

NiSource, Inc. (NYSE: NI) is a diversified energy holding company whose subsidiaries provide natural gas, electricity, and other energy products & services to nearly 4 million US customers. The Company operates through three segments: Gas Distribution, Gas Transmission and Storage, and Electric. The Gas Distribution operations provide natural gas service and transportation for residential, commercial and industrial customers in Ohio, Pennsylvania, Virginia, Kentucky, Maryland, Indiana and Massachusetts. The Gas Transmission and Storage segment offers gas transportation and storage services for Local distribution companies, marketers and industrial and commercial customers located in Northeastern, Mid-Atlantic, Midwestern and Southern states. The Electric Operations segment provides electric service in various counties in the northern part of Indiana. NiSource was founded in 1987, is incorporated under the laws of the state of Delaware, and is headquartered in Merrillville, IN.

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

Executive Summary

We are initiating coverage of NiSource, Inc. (NI) with a Hold rating and a $34 price target. NI has a prime midstream footprint in one of the nation's most productive basins with access to markets from the Gulf Coast to New England. It compliments this with gas distribution operations across the Midwest and Mid-Atlantic and an electric LDC in northern Indiana. NiSource is in the beginning stages of large infrastructure modernization programs across its businesses, which we believe will continue to spur growth for years to come, however we feel these opportunities are well understood and priced-in at current levels. Our investment thesis includes these key points:

Premium midstream footprint. NiSource's midstream segment, Columbia Pipeline Group (CPG), owns and operates several major pipeline systems that traverse the Northeast production basins and serve 16 states and the District of Columbia. CPG also owns and operates the Columbia Gulf Transmission system, a 3,400 mile pipeline that connects Marcellus and Utica production to markets on the Gulf Coast. NI has announced ~$1.6B in ongoing or planned growth projects at this business through 2017, which we believe will help NiSource generate growing returns over the next several years.

Huge backlog of modernization programs. NiSource has a large and unique opportunity across its regulated businesses in the form of various pipeline modernization and infrastructure replacement programs. In January 2013, NiSource and FERC agreed to a 5-year settlement on a $300mm/yr systematic infrastructure replacement program on the Columbia Gas Transmission system. Infrastructure replacement programs also exist at each of the gas LDC's and total more than ~$500mm/yr, while NI's electric utility has a 7-year, $1.1B modernization program. Each of these programs have the potential to earn up to their respective jurisdictional returns and represent a large growth opportunity for NI over the next decade.

MLP potential already reflected in share price. NiSource management has been fairly public about the need for a $400-$500 million equity raise in mid-2015 given the level of capital spending expected over the next several years. With a host of MLP-suitable assets in the portfolio and significant long-term infrastructure investment opportunities, management may consider the creation of an MLP to fill the equity need and fund future expansions. We feel the MLP option is highly likely and would make sense within NiSource's collection of businesses, but our analysis indicates the market has already priced this possibility into NI's share price.

Valuation

Our $34 NI price target is derived via a combination of Discounted Cash Flow (DCF), Sum-of-the-Parts (SOTP), and target yield approaches. With heavy midstream investment, large modernization programs, and buildout of the electric utility, we are forecasting EPS & dividend CAGRs of ~7.0% and ~5.5%, respectively, through 2018. At current levels, we feel shares are fairly valued and are initiating coverage with a Hold.

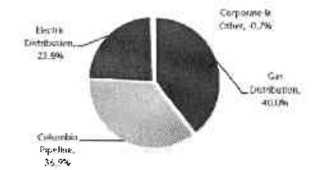
Risks

Deviations in our assumptions regarding rate case outcomes, interest rates, and capital costs could alter our cash flow assumptions. Similarly, project execution and regulatory treatment could impact our outlook.

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

Company Background & Asset Profile

Chart 1: F14E EBIT Composition

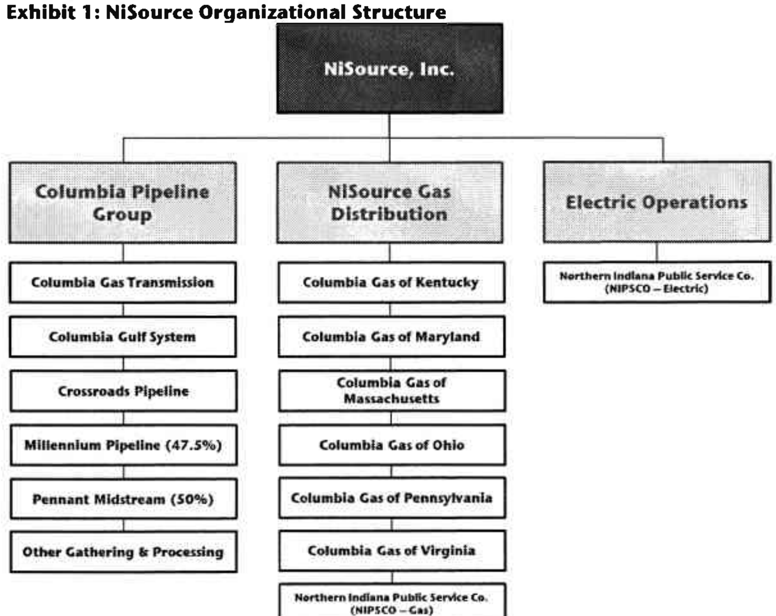


Source: Jefferies estimates

NiSource, Inc. (NYSE: NI) is an energy holding company whose subsidiaries consist of regulated energy providers serving the Midwest and Mid-Atlantic regions as well as a natural gas midstream operator with a large pipeline footprint across the Marcellus and Utica shales. Organized under the name NIPSCO Industries, Inc. in 1987, NiSource changed its name in 1999 and now serves some of the nation's most dynamic energy markets with services in natural gas transmission, storage, and distribution as well as electricity generation, transmission, and distribution. NiSource serves over 3.8 million customers in the eastern United States.

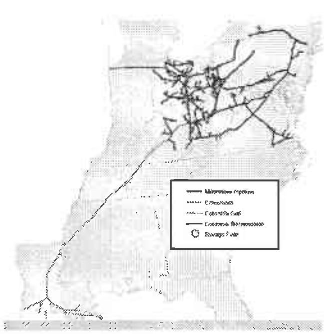
NiSource reports results in three segments: Columbia Pipeline Group, NiSource Gas Distribution, and NiSource Electric Operations. The company's headquarters are in Merrillville, IN.

Exhibit 1: NiSource Organizational Structure



Source: NI, Jefferies

Exhibit 2: CPG



Source: NiSource

Segment Overview

Columbia Pipeline Group

The Columbia Pipeline Group (CPG) segment transports and delivers large volumes of natural gas to LDCs and other industries across 16 states and the District of Columbia. CPG owns and operates nearly 15,000 miles of pipeline as well as one of the nation's largest underground storage facilities at a capacity of ~650 Bcf. CPG's three principal subsidiaries (Columbia Gas Transmission, Columbia Gulf System, and Crossroads Pipeline) own and operate interstate pipelines across the eastern seaboard from Texas to New York.

Columbia Gas Transmission moves an average of 3 Bcf/d of natural gas through 12,000 miles of pipelines and 92 compressor stations in 10 states.

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

The system also includes 37 storage fields with 650 Bcf of total storage capacity. Columbia Gas Transmission's customers include LDCs, power generation facilities, energy marketers, and other industrial and commercial end users.

Columbia Gulf Transmission is an interstate pipeline system with roughly 3,400 miles of pipeline and 11 compressor stations. Columbia Gulf is connected to nearly every major pipeline system on the Gulf Coast, providing significant access to a variety of natural gas markets.

Crossroads Pipeline is a 200-mile interstate pipeline across Ohio and Indiana with interconnects to Natural Gas Pipeline Company of America, Trunkline Gas Company, Vector Pipeline, and Panhandle Eastern which allow for service to supply areas in the Mid-Continent, Rocky Mountains, Gulf Coast, Permian Basin and Canada.

The company also participates in a number of storage and transmission JVs across the Marcellus. Hardy Storage Company is a joint venture between CPG and Piedmont Natural Gas with a working storage capacity of 12 Bcf in West Virginia. Millennium Pipeline, a venture with National Grid and DTE Energy, is a 182-mile pipeline across New York State delivering 0.53 Bcf/d to Northeast markets.

Growth Projects & Modernization Program

Pipeline Modernization – In January 2013, NiSource and FERC agreed to a 5-year settlement on a systematic infrastructure replacement program on the Columbia Gas Transmission system. The capital spending for the program is expected to be ~$300mm/yr and began in 2013. During the 4Q13 earnings call, management noted that recovery on 2013 spending will begin on Feb. 1, 2014 and that investors can expect an additional $300mm/yr till 2018. Management has also noted that there is potential to expand this program, which generates a steady, regulated return on NiSource's pipeline system.

Pennant Midstream – The Pennant Midstream project is a joint venture with Harvest Pipeline Company (an affiliate of Hilcorp Energy) to build an NGL pipeline as well as gathering & processing facilities in the Utica shale region of East Ohio. The NGL pipeline will connect the Hickory Bend processing facility to the UEO Kensington facility at a capacity of 90,000 Bbl/d. Projected in-service on this pipe is the third quarter of 2014.

The gathering & processing assets will have capacity for 600 MMcf/d of gathering and 200 MMcf/d of processing. These assets began providing service in December of 2013, and given similar assets in the region, we expect the facilities to ramp slowly to full service. Management has also indicated there is room for expansion on these assets, and the total project costs are expected to reach $370mm, $185mm of which will be paid by Nisource.

Cameron Access – Once completed, Cameron Access will connect NiSource's Columbia Gulf pipeline to Sempra's Cameron LNG terminal on the Gulf Coast. This facility received DOE approval for LNG exports in February 2014, and NiSource expects its pipeline to be operational by the end of 2017. The project is expected to be able to transport 800 MMcf/d of gas from numerous supply basins to the export terminal and should cost ~$300mm; management announced on the most recent earnings call that CPG has already entered into binding precedent agreements for this project.

West Side Expansion – The West Side Expansion project is a ~$200mm investment expected to bring an additional 500MMcf/d of capacity on NiSource's Columbia Gas Transmission system to transport Marcellus gas to markets on the Gulf Coast. The anticipated full in-service date on this project is 4Q'14.

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

East Side Expansion – The East Side Expansion project is a ~$275mm investment to provide an additional ~315MMcf/d of capacity on NiSource's Columbia Gas Transmission system to move northern Marcellus supplies to Northeast and Mid-Atlantic markets. Management expects this project to be fully in-service by the second half of 2015.

Rayne-Leach Express – The Leach Express and Rayne Express projects will connect shale production to markets along the Columbia Gas (Leach) and Columbia Gulf (Rayne) systems, and are expected to provide a combined 1.8 Bcf/d of incremental capacity. NiSource completed a successful non-binding open season for these projects and is currently in talks to find anchor shippers on the new capacity. Given the lack of transport capacity out of the Utica/Marcellus region, we expect that the open season on this project resulted in capacity oversold by ~3x-4x. Rayne-Leach, along with the West Side Expansion, will ultimately render the Columbia Gulf pipeline bidirectional, and given the ~125-mile greenfield expansion necessary to complete the project, we're anticipating an early-2018 completion and in-service date for the expanded capacity.

Valuation

We calculate a ~$6.5B enterprise value for the Columbia Pipeline Group based on an 11.0x multiple on our 2015 EBITDA estimate of $589mm. We base our multiple off the 16.8x EV/EBITDA average of ACMP, MWE, and SEP then apply a ~35% statutory corporate tax rate to arrive at ~11.0x.

What About a NiSource MLP?

NiSource management has been fairly public about their need for a $400-$500 million equity raise in mid-2015 given the level of capital spending they expect over the next several years. With a host of MLP-suitable assets in the portfolio, management continues to field questions about supplanting the equity raise with the formation of an MLP. On the 4Q13 earnings call, when an analyst asked about the potential for an MLP at NI's pipeline business, CEO Bob Skaggs responded:

"We continue to indicate to you and others to expect a decision circa third quarter of 2014."

> *"We still consider the MLP vehicle to be very viable for NiSource. It's a viable approach, a viable option. We continue to closely study it, closely work the consideration among the management team, but also the board ... We continue to indicate to you and others to expect a decision circa third quarter of 2014. And I'd just make the observation, not coincidentally that's about 9 months to 12 months in advance of when we believe we'll need equity or an equity alternative in 2015."*

We feel the MLP option is highly likely and would make sense within NiSource's collection of businesses for a number of reasons.

We calculate an MLP to be worth ~$3-$5/sh to NI's SOP value after adjusting for the EBITDA that would presumably be dropped from NI to a partnership; however, our SOP remains unchanged in aggregate at ~$30/share. We think this implies the market is already attributing an MLP to the stock today.

- **Valuation & Equity need** - MLPs are currently trading at premium EV/EBITDA multiples – we estimate NI's implied 2015 EV/EBITDA at ~10.3x, whereas the average among diversified non-MLP companies under our coverage is showing ~8.5x EV/2015e EBITDA. More importantly, at current multiples, NI could presumably raise the stated equity need on much less expensive turns by going the MLP route. We calculate an MLP to be worth ~$3-$5/sh to NI's SOP value after adjusting for the EBITDA that would presumably be dropped from NI to a partnership; however, our SOP remains unchanged in aggregate at ~$30/share. We think this implies the market is already attributing an MLP to the stock today.
- **External Financing, Internal Control** – We assume that, were NiSource to form an MLP, they would retain the General Partner (GP) interest in the partnership. Since it is the responsibility of the GP to oversee operations at the MLP and make managerial decisions for the entire partnership, NiSource would retain absolute control over its pipeline assets while financing their growth via a

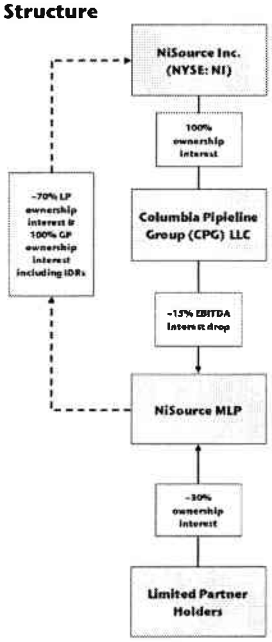
Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

Exhibit 3: NI MLP Valuation

Incremental MLP Value to NiSource
Assumed MLP Multiple when Trading
16.5x
Total MLP Market Cap
$1,813.9
2015 NI Ownership
69.6%
Net Market Cap to NiSource
$1,263.1
LP Ownership Value (70%) per Share
$4.01
GP Interest per Share (20x 2018)
$0.31
NiSource SOP Valuation less MLP
$25.66
NiSource with MLP
$29.98
Upside from Current Levels
(16.1%)

Source: Jefferies estimates

Exhibit 4: Potential MLP Structure



Source: Jefferies estimates

third party. For more information on the structure and economics of MLPs, please see our Trends With Benefits MLP Primer.

- **Growth –** NiSource has provided a clear line of sight to the growth backlog at its midstream business. In addition to the ~$600mm in announced growth projects, NiSource's 5-year, $300mm/yr modernization program is a one-of-a-kind opportunity that allows NI to earn a regulated return on its sizable investment. Management has indicated it is happy with this arrangement and would like to extend the agreement beyond the five year period; should the program be extended, it could provide a direct path for continued EBITDA and distribution growth at a potential MLP. NI is also in the process of building gathering & processing capacity in the Marcellus through its JV with Hilcorp. We believe additional processing trains could be announced in the future, further extending the growth backlog.
- **Retain Upside Economics –** as the pipeline assets grow and perform, and MLP distributions rise through the GP Incentive Distribution Rights (IDR) structure, NiSource would receive incrementally more cash flow from those assets over time. This structure allows NI to retain much of the benefit of the long-dated upside potential without having to finance growth entirely on its own. In our analysis, we assume GP cash flows can grow as fast as ~200%/yr from 2016-2018.
- **Assets –** CPG's large pipeline network criscrosses two large, low-cost producing basins in the Marcellus and Utica. They also own one of four major natural gas pipelines connecting the northeast to the Gulf Coast in the Columbia Gulf System (the others being Spectra's Texas Eastern Pipeline, Williams' Transco Pipeline, and Kinder Morgan's Tennessee Pipeline). With a direct link to Gulf Coast demand and export facilities and relatively few inexpensive alternatives, the Columbia Gulf System is in a position to benefit substantially from growing northeast production.

How Might a NiSource MLP be structured?

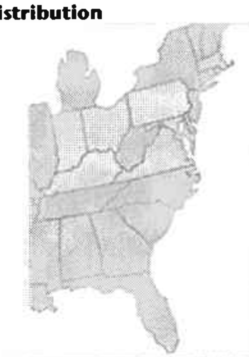
Given the estimated $400-$500mm equity need and our assumption that a high-class MLP such as this would price with a ~14.5x EV/EBITDA multiple, we forecast NI would need to float just ~$33mm in initial public EBITDA for an MLP ($33mm x 14.5 = $480mm). In order to reduce confusion on multiple asset drop-downs and varying degrees of ownership interests, we believe NiSource could foreseeably consolidate its pipeline ownership interests into a single LLC entity, then drop the necessary EBITDA into an MLP. We believe it would make sense to drop CPG into a potential MLP on a percentage-of-assets basis over time rather than drop specific assets in a piecemeal fashion. The only real assets residing within the MLP would then be the ownership interests in this pipeline LLC. It is our belief that NI would only need to drop ~15% of the total CPG 2015E EBITDA into the MLP while retaining ~70% of the limited partner unit float in order to offset any potential tax leakage that may occur (see Exhibit 4).

NiSource Gas Distribution

NiSource Gas Distribution (NGD) provides supplies of domestic natural gas to more than 3.3 million residential, commercial, and industrial customers through 60,000 miles of pipeline and related facilities. NiSource owns various subsidiaries which operate independently within each state: Columbia Gas of Kentucky, Columbia Gas of Maryland, Columbia Gas of Massachusetts (formerly Bay State Gas Co.), Columbia Gas of Ohio, Columbia Gas of Pennsylvania, Columbia Gas of Virginia, and NIPSCO (Northern Indiana Public Service Co.). NIPSCO is an Indiana utility and provides both natural gas and

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

Exhibit 5: NiSource Gas Distribution



Source: NI reports

electricity distribution services to the northern part of the state. NiSource's Gas Distribution segment is collectively one of the largest distributors in the United States with ~3.3 million customers across seven states. As of the end of 2013, nearly 3.1 million of NGD's 3.3 million customers were residential rate payers, though this group compromises only ~30% of total volume. Industrial users comprise only ~8,000 of NGD's customers but represent nearly 50% of total gas volumes sold. Commercial customers comprise the remaining ~200,000 customers and ~20% of sales.

Modernization Programs & Rate Cases

NGD has a remarkable platform for sustainable earnings growth through its varied infrastructure replacement programs across its seven jurisdictions.

- **Kentucky (~$200mm rate base)** – Columbia Gas of Kentucky has a long term infrastructure replacement program of $10-$15 million per year that is tracked with annual tracker filings; the authorized ROE for Columbia Gas of Kentucky is ~10.5%.
- **Maryland (~$60mm rate base)** – Columbia Gas of Maryland has a long term infrastructure replacement program of $5-$10mm per year that is recovered via rate case filings with make-whole filings for up to three subsequent years from the initial filing. Columbia Gas of Maryland's authorized ROE is 9.6%.
- **Massachusetts (~$500mm rate base)** – Columbia Gas of Massachusetts (formerly Bay State Gas Co.) has a long term infrastructure replacement program of $20-$25mm per year that is tracked with annual filings. Columbia Gas of Massachusetts just had a rate case approved in late February that allows for a rate increase of $19.3mm and an authorized ROE of 9.55%. This case will be effective as of 1Q'14.
- **Ohio (~$1.4B rate base)** – Columbia Gas of Ohio has a long term infrastructure replacement program of $150-$200 million per year that is tracked with annual tracker filings. The program has a 5-year renewal period which occurs again in the Spring of 2018. Columbia Gas of Ohio's authorized ROE is 10.4%.
- **Pennsylvania (~$900mm rate base)** – Columbia Gas of Pennsylvania has a long term infrastructure replacement program of $100-$150 million per year that is recovered via forward test year rate case filings and/or periodic tracker filings. This program was initially approved in the Fall of 2012 and implemented in July of 2013 with a forward-twelve-month test year. We estimate Columbia Gas of Pennsylvania's allowed ROE to be ~11.25%.
- **Indiana (~$725mm gas rate base)** – Northern Indiana Public Supply Co.'s (NIPSCO) gas division has an estimated $725mm rate base with a seven-year infrastructure replacement program of ~$100mm/yr that is pending approval. The plan is expected to be approved and implemented during 2014 and will focus on upgrading the system as well as extending service to rural customers. We estimate NIPSCO's allowed ROE to be ~10.2%.

Valuation

We calculate a ~$6.6B value for NGD by ascribing an 8.75x multiple to 2015 estimated EBITDA of $755mm. We calculate the average gas LDC EV/EBITDA multiple at 8.5x, but have ascribed a slight premium to the average due to NiSource's large and varied service territory, large infrastructure modernization programs, and generally favorable regulatory climates.

NiSource Electric Operations

Exhibit 6: NiSource Electric

Source: NiSource

The NiSource Electric Operations segment houses the electricity business of NIPSCO and serves 455,000 customers across 20 counties in Northern Indiana. The segment's overall operations include power generation, transmission, and local distribution which are part of the Midcontinent Independent System Operator (MISO) transmission organization in the Midwestern portion of the United States. The supply assets incorporate traditional and renewable generation equipment, including natural gas, hydroelectric, wind, and coal generated supplies with a total system generation capability of 3,300 MW. Residential customers represent ~88% of NIPSCO's total electric customers, but account for only ~20% of total GWh volumes. Industrial customers comprise <1% of the customer base, but are responsible for 55% of volumes. Commercial customers represent 12% of total customers but 20% of total usage. Wholesale users comprise the remainder of both the customer base and transportation volumes.

Modernization Program

Similar to NIPSCO's gas distribution business, the electric operations also have a sizeable, long term infrastructure modernization program. The 7-year, $1.1B capital investment program was approved in mid-February and will begin in the middle part of this year. 80% of the spending in this program is tracked, while the remaining 20% will be recovered via a rate increase to be settled in a rate case that must be filed within the seven-year period. We expect NiSource to earn a ~12% return on this program.

System Upgrades & Transmission Projects

NIPSCO is also undertaking several upgrade projects on its electric plants, including 3 flue gas desulfurization (FGD) facilities for $250mm each (one was completed at the end of 2013) and other environmental upgrades for $50-$60mm each. These programs all have an environmental cost recovery mechanism (ECRM), meaning they are 100% tracked and begin earning a return during construction. The electric upgrade projects present a ~$1B capital expenditure opportunity over the next five years.

NiSource is also building two electric transmission substations in Indiana that are FERC-approved projects. NiSource's total investment in these projects is expected to range from $400-$500mm, on which the company is authorized to earn up to ~12%.

Valuation

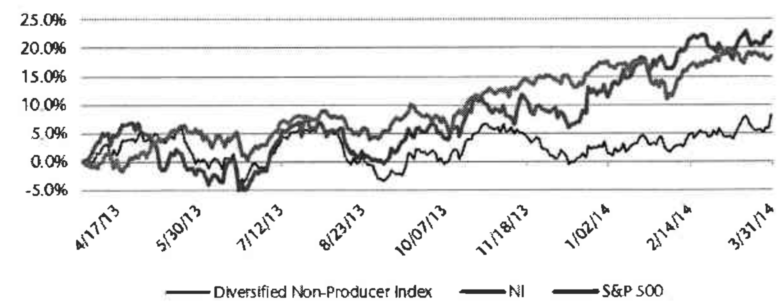
We calculate a ~$4.8B value for Electric Operations by ascribing an 8.5x multiple to 2015 estimated EBITDA of $566mm. We calculate the average LDC EV/EBITDA multiple at 8.5x and have ascribed this value to NI's Electric Operations segment.

TTM Performance Leaves Shares Fairly Valued

NI shares have outperformed the S&P 500 and sizably outperformed a market cap-weighted index of diversified peers over the last twelve months as investors have digested the impact of NI's myriad infrastructure modernization programs and pipeline growth projects. We expect that management's talk of possibly forming an MLP has also helped to generate valuation uplift for the company.

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

Chart 2: TTM NI Performance vs. Peer Index and S&P 500

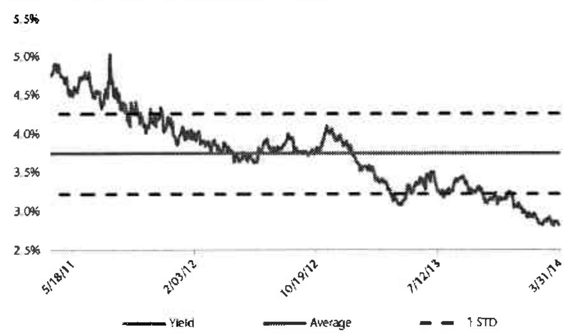


Source: Factset

Note: Peer index includes: ATO, CNP, GAS, NJR, NWN, PNY, SJI, STR, SWX, UGI, WGL

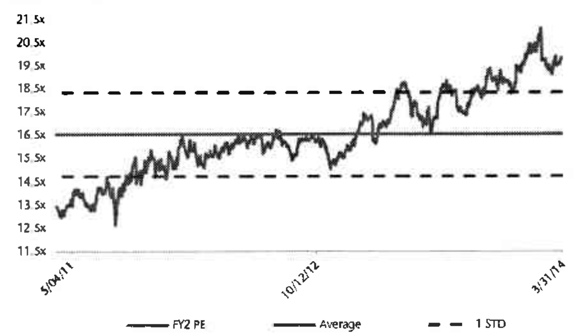
Following its ~25% run over the last year, NI shares now trade with a dividend yield and forward two-year P/E ratio (based on consensus F14 EPS expectations) that are more than one standard deviation away from their respective three-year averages. We believe these metrics indicate a balanced risk/reward profile and support our valuation outlook.

Chart 3: 3-Year NI Dividend Yield



Source: Factset

Chart 4: 3-Year NI FY2 PE Ratio



Source: Factset

Premium P/E Multiple

NiSource's multi-billion dollar infrastructure replacement and modernization programs across its regulated distribution and pipeline businesses have allowed NiSource to build an attractive platform with steady and foreseeable returns well into the future. In addition, Columbia Pipeline Group's pile of MLP-eligible assets has generated significant interest from investors seeking to play the formation of a potential yield vehicle.

NI's regulated modernization programs are attractive features for investors seeking steady, growing, and low-risk returns.

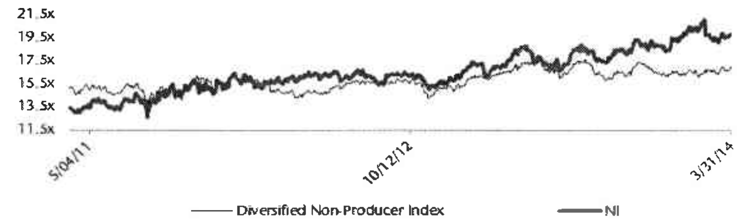
Though the creation of an MLP could add to NiSource's overall enterprise value, we note that the size and universality of NI's regulated modernization programs are attractive features for investors seeking steady, growing, and low-risk returns, and we feel that NI's premium P/E multiple is justified at current levels.

NiSource's FY2 P/E multiple has traded with a slight premium to its peer group over the last three years, averaging ~0.7x greater than peers in that timeframe. However, over the last 2 years NI's FY2 P/E multiple has led its peers by ~1.4x, and with a FY2 P/E ratio that is currently ~3.0x above the group average, we see NI as fully valued. As these modernization programs are renewed, lengthened, and expanded, we believe NI's

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

multiple is likely to remain slightly ahead of its peers, particularly as management contemplates the MLP yield vehicle.

Chart 5: 3-Year NI FY2 P/E Multiple vs. Peers



Source: Factset

Valuation Analysis

Our $34 NI price target is derived via a combination of Sum-of-the-Parts (SOTP), Discounted Cash Flow (DCF), and target yield approaches. We have also done a Dividend Discount Model (DDM) analysis for NI shares, but do not incorporate the outcome into our price target. The exhibit below outlines the chief assumptions supporting these valuation methodologies.

Exhibit 7: Valuation Assumptions

WACC Calculations	
Risk Free Rate	3.75%
Beta	0.55
Equity Risk Premium	5.0%
Cost of Equity	6.5%
Cost of New Debt	6.0%
Tax Rate	34.9%
WACC	5.4%

Terminal WACC Calculations	
Risk Free Rate	4.75%
Adjusted Beta	0.70
Equity Risk Premium	5.0%
Terminal Cost of Equity	8.25%
Terminal Cost of New Debt	6.5%
Terminal WACC	6.5%
Terminal Cash Flow Growth Rate	2.0%
Terminal Dividend Growth Rate	4.0%

Capital Structure	
Current Stock Price	$35.72
Total Debt	$8,834
Market Cap	$11,216
Debt/Cap	44.1%
Equity/Cap	55.9%
Target Yield	3.0%

Source: Bloomberg, Factset, Jefferies estimates

Sum-of-the-Parts

Our Sum-of-the-Parts analysis aggregates stand-alone valuations for NI's collection of businesses by ascribing multiples to 2015E EBITDA for each of the company's segments.

Exhibit 8: Sum-of-the-Parts Valuation

Sum-of-the-Parts Valuation			
Operating Segment	**2015E EBITDA**	**Multiple**	**Implied EV**
Gas Distribution	$755	8.75x	$6,606
Columbia Pipeline Group	$589	11.00x	$6,478
Electric Distribution	$566	8.50x	$4,811
Corporate & Other	$16	5.00x	$81
		Enterprise Value	$17,975
		(Net Debt)	($8,807)
		(Pension & Operating Lease Obligations)	($256)
		Plus Inventory	$375
		Implied Market Cap	$9,288
		Shares Outstanding	314.8
		Implied 12-Month Price Target	**$29.50**

Source: Jefferies estimates

Note: We ascribe a 0.25x premium to the gas utility peer group multiple given the large service territory, modernization programs, and generally favorable regulatory climate. The multiple ascribed

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

to CPG represents a tax-effected average multiple of ACMP, MWE, & SEP – three MLPs with significant transportation and gathering & processing assets in the Marcellus. We assume 75% of current natural gas inventory can be monetized quickly, mitigating the impact of working capital fluctuations throughout the year.

Cash Flow

We have included a consolidated Discounted Cash Flow analysis into our valuation. The DCF analysis assumes capital expenditures in the terminal year to be equal to depreciation plus $525 million, which represents ~200 bps/yr of terminal cash flow growth including inflation. The analysis yields a $37 share price.

Exhibit 9: DCF Valuation Analysis

Discounted Cash Flow	2014E	2015E	2016E	2017E	2018E
EBIT	$1,271.0	$1,458.4	$1,580.6	$1,673.0	$1,843.9
(Cash Taxes on EBIT)	($63.6)	($109.4)	($134.4)	($175.7)	($230.5)
NOPAT	$1,207.5	$1,349.0	$1,446.3	$1,497.4	$1,613.4
D&A	$595.2	$627.0	$648.7	$663.9	$706.3
(Capex)	($2,000.0)	($2,000.0)	($2,000.0)	($2,000.0)	($1,231.3)
(Changes in NWC)	($0.9)	($2.8)	($0.0)	$1.3	$0.6
Free Cash Flow to the Firm	($198.2)	($26.7)	$95.0	$162.6	$1,089.0
Terminal Value					$24,801.5
PV of Cash Flows	($188.1)	($24.1)	$81.2	$131.9	$19,945.1
Implied Enterprise Value	$19,946.0				
(Net Debt)	($8,807)				
(Pension & Operating Lease Obligations)	($256)				
Plus Inventory	$375				
Implied Equity Value	$11,258				
Shares Outstanding	$314.8				
Implied 12-Month Price Target	**$37.10**				

Source: Jefferies estimates

Note: We assume 75% percent of current natural gas inventory can be monetized quickly, mitigating the impact of working capital fluctuations throughout the year. Terminal year capex spending is equal to estimated depreciation plus ~$500mm in modernization programs.

Target Yield Analysis

Exhibit 10: Target Yield Analysis

Target Yield Analysis	
Projected 1Q15 Distribution	$0.26
Historic 3-year Average Yield	3.74%
Target Yield	3.00%
Implied Price Target	**$34.70**

Source: Jefferies estimates

A target yield approach builds a forward-year equity value based on the anticipated dividend run-rate in one year's time. We expect NI to lift its dividend once before year-end 2014 (in May) to a rate of $0.26/quarter, resulting in an annualized run rate of $1.04/share. Over the last four years (a period which avoids the '08-'09 market trough), NI carried an average dividend yield of 4.2%. Given the recent emphasis on modernization programs that generate regulated returns, we have capitalized the 1Q15 dividend rate at 3% in our target yield analysis. The outcome implies a $35 share price.

Dividend Discount Model

We do not formally incorporate a DDM into our valuation approach but feature it as our representation of minimum equity value. The DDM captures only the value of total anticipated cash payments to shareholders and ignores the potential for asset value upside. The analysis yields a $29 price.

Exhibit 11: DDM Valuation Analysis

Dividend Discount Model	2014E	2015E	2016E	2017E	2018E
Earnings Per Share	$1.67	$1.88	$1.97	$2.02	$2.21
Dividend per Share	$1.02	$1.07	$1.13	$1.20	$1.28
Implied Payout Ratio	61%	57%	57%	60%	58%
Terminal Value					$31.32
PV of Dividends	$0.96	$0.94	$0.94	$0.93	$23.80
PV of Dividends per Share	$27.57				
Implied 12-Month Price Target	**$28.60**				

Source: Jefferies estimates

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

Management Biographies

- **Bob Skaggs**, President & Chief Executive Officer. Mr. Skaggs has been serving as President of NiSource, Inc. since October 2004 and as CEO since July of 2005. Prior to his current roles, Mr. Skaggs served as Executive Vice President for Regulated Revenue where he oversaw regulatory strategies and external relations across the company's energy distribution markets and interstate pipeline systems. Mr. Skaggs began his career with the company when he joined the legal team at Columbia Gas Transmission in 1981. He is the director of the American Gas Association's Board of Directors and is a member of the American Bar Association.

- **Steve Smith,** Executive Vice President and Chief Financial Officer. Mr. Smith currently serves as the CFO of NiSource, Inc. and has over 20 years of experience in the industry, having previously held senior positions at American Electric Power Co. and the Columbia Energy Group. From 2003 to 2007 Mr. Smith was Senior Vice President and Treasurer at AEP, and prior to that role he leadership positions at Columbia Energy and NiSource Corporate Services where he oversaw the integration of corporate functions following the NiSource and Columbia Energy merger. Smith earned his M.B.A. from the University of Chicago and a B.S. in Petroleum Engineering from the Colorado School of Mines.

- **Glen Kettering**, Senior Vice President, Corporate Affairs. Mr. Kettering is Senior Vice President for Corporate Affairs at NiSource, Inc. and has held the position since March 2006. Kettering joined the legal team at Columbia Gas Transmission in 1979 and has served in a variety of roles since, including President of Columbia Gas Transmission and Columbia Gulf Transmission. Kettering holds a B.B.A. and a J.D. from West Virginia University.

- **Joseph Hamrock**, Executive Vice President & Group CEO. Mr. Hamrock serves as Executive Vice President and CEO of the Gas Distribution segment, including the gas LDCs in Kentucky, Maryland, Massachusetts, Ohio, Pennsylvania, and Virginia. Mr. Hamrock joined NiSource in 2012 after holding several senior positions with American Electric Power. Hamrock holds a bachelor's degree from Youngstown State University and a M.B.A. from the Massachusetts Institute of Technology.

- **Jim Stanley,** Executive Vice President & Group CEO. Mr. Stanley is an Executive Vice President and the CEO of NIPSCO. Mr. Stanley joined NiSource after holding several senior positions with Duke Energy's U.S. electric business. Mr. Stanley has over 35 years of experience in the energy industry, having previously worked for PSI Energy, Cinergy, and Duke Energy. Mr. Stanley has a B.Acy. from Ball State University.

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

NI

Initiating Coverage

April 2, 2014

Exhibit 12: NI Consolidated Statement of Income ($MM)

Consolidated Income Statement	2008	2009	2010	2011	1Q	2Q	3Q	4Q	2012
Revenues	$8,873.6	$6,147.2	$5,817.9	$5,795.7	$1,700.2	$1,038.1	$961.9	$1,399.7	$5,099.9
(Cost of Sales)	($5,632.4)	($2,805.4)	($2,379.2)	($2,334.1)	($633.0)	($236.4)	($229.3)	($426.5)	($1,525.2)
Net Revenue	$3,241.2	$3,341.8	$3,438.7	$3,461.6	$1,067.2	$801.7	$732.6	$973.2	$3,574.7
(Operating & Maintenance Expenses)	($1,460.9)	($1,607.6)	($1,655.7)	($1,688.1)	($406.7)	($393.5)	($422.4)	($452.0)	($1,674.6)
(Depreciation & Amortization)	($567.2)	($589.4)	($596.3)	($542.8)	($146.1)	($148.0)	($125.9)	($143.9)	($563.9)
(Other Taxes)	($307.5)	($281.6)	($284.4)	($293.3)	($86.6)	($66.6)	($62.2)	($72.4)	($287.8)
(Gain on Sale of Assets)	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
OPERATING INCOME BY DIVISION									
Gas Distribution	$327.3	$329.3	$342.9	$438.7	$246.5	$54.6	$15.5	$133.6	$450.2
Columbia Pipeline	$376.7	$408.8	$377.2	$360.4	$138.6	$91.6	$38.8	$128.8	$397.8
Electric Operations	$220.2	$162.4	$218.3	$195.1	$48.5	$59.8	$77.7	$51.6	$237.6
Corporate & Eliminations	($6.3)	($21.3)	($21.2)	($42.2)	$1.9	($3.9)	($1.9)	($1.1)	($5.0)
Total Recurring Operating Income	**$905.6**	**$863.2**	**$902.3**	**$952.0**	**$435.5**	**$202.1**	**$130.1**	**$312.9**	**$1,080.6**
Other Income / (Loss)	$0.9	($1.6)	$3.8	($7.3)	$1.0	$2.8	$2.2	($3.6)	$2.4
Interest Expense - Net	($375.3)	($399.2)	($392.2)	($376.8)	($103.3)	($103.2)	($107.9)	($103.9)	($418.3)
Pretax Income	$531.2	$462.4	$513.9	$567.9	$333.2	$101.7	$24.4	$205.4	$664.7
(Provision)/Benefit for Income Taxes	($197.3)	($191.1)	($190.0)	($201.8)	($118.1)	($34.6)	($8.4)	($69.4)	($230.5)
Effective Tax Rate	*37.1%*	*41.3%*	*37.0%*	*35.5%*	*35.5%*	*34.0%*	*34.2%*	*33.8%*	*34.7%*
Net Income (from Continuing Operations)	$333.9	$271.3	$323.9	$366.1	$215.1	$67.1	$16.0	$136.0	$434.2
Recurring Diluted EPS	**$1.21**	**$0.98**	**$1.16**	**$1.27**	$0.73	$0.23	$0.05	$0.44	**$1.45**
Average # of diluted shares outstanding	275.5	275.8	280.1	288.5	293.1	295.8	300.0	311.3	300.4
Average # of basic shares outstanding	274.0	275.1	277.8	280.4	282.9	284.4	290.3	309.9	291.9
Dividends per Share	**$0.92**	**$0.92**	**$0.92**	**$0.92**	$0.230	$0.230	$0.240	$0.240	**$0.94**
Payout Ratio	**76%**	**94%**	**80%**	**73%**	31%	101%	449%	55%	**65%**
GAAP Revenue	$8,876.4	$6,126.3	$5,826.8	$5,797.5	$1,661.3	$1,044.0	$969.1	$1,392.9	$5,067.3
GAAP Operating Expense	($2,330.7)	($2,521.9)	($2,539.6)	($2,565.2)	($638.2)	($608.9)	($611.3)	($667.8)	($2,526.2)
Asset Sale Adjustments	($7.6)	($15.7)	($1.9)	($17.0)	$1.6	$1.4	$0.7	($0.1)	$3.6
GAAP Operating Margin	$3,244.0	$3,320.9	$3,447.6	$3,463.4	$1,028.3	$807.6	$739.8	$966.4	$3,542.1
Equity Earnings from Unconsolidated Affiliates	$12.3	$16.0	$14.9	$14.6	$7.7	$8.5	$8.0	$8.0	$32.2
GAAP Op Income	$905.7	$783.3	$906.1	$827.1	$399.4	$208.6	$137.2	$306.5	$1,051.7
Tax Effects & Other Adjusting Items	$21.0	$15.2	$47.8	$36.3	$0.0	($2.6)	($2.6)	$2.4	($2.8)
GAAP Net Income	$355.0	$206.6	$278.8	$277.5	$179.0	$71.0	$20.5	$132.0	$402.5
GAAP Basic EPS from Continuing Ops	$1.30	$0.75	$1.01	$0.99	$0.63	$0.25	$0.07	$0.43	$1.38

Consolidated Income Statement	1Q	2Q	3Q	4Q	2013	2014E	2015E	2016E	2017E	2018E
Revenues	$1,781.3	$1,202.4	$1,083.0	$1,592.6	$5,659.3	$5,955.6	$6,456.1	$6,798.6	$7,073.6	$7,571.3
(Cost of Sales)	($675.9)	($349.3)	($243.2)	($547.1)	($1,815.5)	($1,914.9)	($1,999.2)	($2,078.0)	($2,162.7)	($2,253.3)
Net Revenue	$1,105.4	$853.1	$839.8	$1,045.5	$3,843.8	$4,040.7	$4,456.9	$4,720.7	$4,910.8	$5,317.9
(Operating & Maintenance Expenses)	($454.4)	($452.3)	($468.9)	($498.3)	($1,873.9)	($1,918.2)	($2,090.8)	($2,201.9)	($2,276.6)	($2,444.5)
(Depreciation & Amortization)	($143.5)	($143.4)	($144.5)	($145.9)	($577.3)	($595.2)	($627.0)	($648.7)	($663.9)	($706.3)
(Other Taxes)	($86.7)	($70.7)	($64.3)	($78.9)	($300.6)	($320.5)	($349.9)	($368.2)	($385.4)	($413.7)
(Gain on Sale of Assets)	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
OPERATING INCOME BY DIVISION										
Gas Distribution	$233.3	$51.8	($0.5)	$164.2	$448.8	$499.0	$538.8	$577.0	$615.6	$654.8
Columbia Pipeline	$133.3	$88.8	$87.6	$113.1	$422.8	$460.2	$588.9	$654.1	$688.3	$789.7
Electric Operations	$64.9	$58.6	$90.5	$51.3	$265.3	$297.7	$318.3	$337.5	$357.6	$388.2
Corporate & Eliminations	($3.6)	($4.5)	($5.0)	$4.1	($9.0)	($8.2)	($9.2)	($9.3)	($9.8)	($10.2)
Total Recurring Operating Income	**$427.9**	**$194.7**	**$172.6**	**$332.7**	**$1,127.9**	**$1,248.7**	**$1,436.8**	**$1,559.3**	**$1,651.7**	**$1,822.6**
Other Income / (Loss)	$4.1	$13.3	$4.7	$2.1	$24.2	$22.3	$21.5	$21.3	$21.3	$21.3
Interest Expense - Net	($98.6)	($102.0)	($103.7)	($110.5)	($414.8)	($467.2)	($521.2)	($567.9)	($626.2)	($689.1)
Pretax Income	$333.4	$106.0	$73.6	$224.3	$737.3	$803.8	$937.2	$1,012.7	$1,046.9	$1,154.8
(Provision)/Benefit for Income Taxes	($118.0)	($33.1)	($23.4)	($80.2)	($254.7)	($277.0)	($328.0)	($359.5)	($376.9)	($415.7)
Effective Tax Rate	*35.4%*	*31.3%*	*31.7%*	*35.8%*	*34.5%*	*34.5%*	*35.0%*	*35.5%*	*36.0%*	*36.0%*
Net Income (from Continuing Operations)	$215.4	$72.9	$50.2	$144.1	$482.6	$526.8	$609.2	$653.2	$670.0	$739.0
Recurring Diluted EPS	$0.69	$0.23	$0.16	$0.46	**$1.54**	**$1.67**	**$1.88**	**$1.97**	**$2.02**	**$2.21**
Average # of diluted shares outstanding	312.1	313.2	313.8	314.8	313.6	315.7	323.2	331.0	332.5	334.1
Average # of basic shares outstanding	311.1	312.2	312.8	313.4	312.4	314.3	321.8	329.6	331.1	332.7
Dividends per Share	$0.240	$0.240	$0.250	$0.250	**$0.98**	**$1.02**	**$1.07**	**$1.13**	**$1.20**	**$1.28**
Payout Ratio	35%	103%	156%	55%	**64%**	**61%**	**57%**	**57%**	**60%**	**58%**
GAAP Revenue	$1,782.5	$1,201.6	$1,076.8	$1,596.7	$5,657.6					
GAAP Operating Expense	($685.8)	($667.0)	($679.0)	($723.1)	($2,754.9)					
Asset Sale Adjustments	$0.2	$0.2	$11.3	$7.3	$19.0					
GAAP Operating Margin	$1,106.6	$852.3	$833.6	$1,049.6	$3,842.1					
Equity Earnings from Unconsolidated Affiliates	$7.1	$8.0	$10.5	$10.3	$35.9					
GAAP Op Income	$428.1	$193.5	$176.4	$344.1	$1,142.1					
Tax Effects & Other Adjusting Items	($0.1)	$0.5	($0.3)	$0.2	$0.3					
GAAP Net Income	$215.5	$72.2	$53.7	$155.7	$497.1					
GAAP Basic EPS from Continuing Ops	$0.69	$0.23	$0.17	$0.50	$1.59					

Source: NI reports, Jefferies estimates

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

Exhibit 13: NI Consolidated Balance Sheet ($MM)

Consolidated Balance Sheet ($MM)	2008	2009	2010	2011	2012	1Q	2Q	3Q	4Q	2013	1QE	2QE	3QE	4QE	2014E	2015E	2016E	2017E	2018E
Cash & equivalents	21	16	9	12	36	101	45	15	27	27	25	23	24	28	28	29	60	62	64
Accounts receivable	1,143	809	1,079	855	907	1,070	717	591	1,006	1,006	1,131	769	626	1,077	1,077	1,150	1,207	1,260	1,348
Inventory	711	457	428	566	496	241	420	595	500	500	251	449	636	534	534	548	568	593	617
Other current assets	1,537	942	932	816	913	619	527	545	626	626	626	626	626	626	626	626	626	626	626
Total current assets	**3,411**	**2,224**	**2,449**	**2,248**	**2,352**	**2,032**	**1,708**	**1,746**	**2,159**	**2,159**	**2,033**	**1,867**	**1,913**	**2,266**	**2,266**	**2,353**	**2,461**	**2,540**	**2,656**
Tangible fixed assets	**10,388**	**10,684**	**11,097**	**11,800**	**12,916**	**13,119**	**13,474**	**13,912**	**14,365**	**14,365**	**14,608**	**14,909**	**15,293**	**15,770**	**15,770**	**17,143**	**18,494**	**19,830**	**21,124**
Goodwill	3,677	3,667	3,677	3,677	3,677	3,666	3,666	3,666	3,666	3,666	3,666	3,666	3,666	3,666	3,666	3,666	3,666	3,666	3,666
Other intangible fixed assets	341	339	476	460	381	378	369	367	363	363	363	363	363	363	363	363	363	363	363
Investment in affiliates	251	295	201	205	243	261	279	328	374	374	391	406	451	504	504	634	764	895	1,025
Other investments	1,965	2,063	2,038	2,318	2,275	2,181	2,125	2,065	1,727	1,727	1,727	1,727	1,727	1,727	1,727	1,727	1,727	1,727	1,727
Non-Current Assets	**6,233**	**6,364**	**6,393**	**6,660**	**6,576**	**6,486**	**6,440**	**6,426**	**6,130**	**6,130**	**6,147**	**6,162**	**6,207**	**6,260**	**6,260**	**6,390**	**6,520**	**6,651**	**6,781**
Total assets	**20,032**	**19,272**	**19,939**	**20,708**	**21,845**	**21,636**	**21,622**	**22,084**	**22,654**	**22,654**	**22,788**	**22,939**	**23,413**	**24,295**	**24,295**	**25,886**	**27,475**	**29,021**	**30,561**
Trade payables and other ST liabilities	2,951	2,311	2,233	1,960	2,018	1,754	1,620	1,644	1,938	1,938	1,841	1,736	1,767	2,042	2,042	2,125	2,203	2,281	2,395
Short term debt	1,633	800	1,417	1,687	1,284	1,221	448	1,362	1,241	1,241	1,237	1,271	1,330	1,389	1,389	1,458	1,585	1,707	1,817
Total current liabilities	**4,583**	**3,111**	**3,649**	**3,646**	**3,302**	**2,974**	**2,068**	**3,006**	**3,178**	**3,178**	**3,078**	**3,007**	**3,097**	**3,431**	**3,431**	**3,583**	**3,788**	**3,989**	**4,212**
Long term debt	5,944	5,988	5,936	6,267	6,819	6,804	7,617	7,089	7,593	7,593	7,560	7,764	8,126	8,485	8,485	8,907	9,683	10,431	11,100
Debt deemed provisions (e.g. pensions)	1,365	1,288	1,178	1,100	1,268	1,232	1,187	1,179	702	702	702	702	702	702	702	702	702	702	702
Deferred taxes (Revenue)	1,679	2,139	2,312	2,650	3,062	3,092	3,178	3,250	3,408	3,408	3,509	3,539	3,562	3,645	3,645	3,902	4,176	4,443	4,714
Other long term liabilities	1,733	1,892	1,939	2,048	1,840	1,843	1,869	1,860	1,886	1,886	1,894	1,880	1,889	1,890	1,890	1,884	1,884	1,880	1,878
Total liabilities	**15,303**	**14,418**	**15,016**	**15,711**	**16,290**	**15,946**	**15,919**	**16,383**	**16,767**	**16,767**	**16,743**	**16,892**	**17,375**	**18,153**	**18,153**	**18,978**	**20,232**	**21,444**	**22,606**
Common equity	4,729	4,854	4,923	4,997	5,554	5,691	5,703	5,701	5,887	5,887	6,045	6,048	6,037	6,143	6,143	6,908	7,244	7,576	7,955
Preferred equity	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Minority interests	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Shareholders' Equity	**4,729**	**4,854**	**4,923**	**4,997**	**5,554**	**5,691**	**5,703**	**5,701**	**5,887**	**5,887**	**6,045**	**6,048**	**6,037**	**6,143**	**6,143**	**6,908**	**7,244**	**7,576**	**7,955**
Total liabilities and equity	**20,032**	**19,272**	**19,939**	**20,708**	**21,845**	**21,636**	**21,622**	**22,084**	**22,654**	**22,654**	**22,788**	**22,939**	**23,413**	**24,295**	**24,295**	**25,886**	**27,475**	**29,021**	**30,561**
Check	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Balance Sheet Assumptions	2008	2009	2010	2011	2012	1Q	2Q	3Q	4Q	2013	1QE	2QE	3QE	4QE	2014E	2015E	2016E	2017E	2018E
Accounts receivable (as % of EBIT)	126%	94%	119%	90%	84%	248%	344%	333%	300%	87%	249%	345%	314%	273%	85%	79%	76%	75%	73%
Inventory (as % of operating expenses)	49%	28%	26%	34%	30%	53%	93%	127%	100%	27%	54%	96%	129%	109%	28%	26%	26%	26%	25%
Trade payable & other S.T. liabilities (as % of opg. Exp.)	202%	144%	135%	116%	120%	386%	358%	351%	389%	103%	395%	369%	359%	417%	106%	102%	100%	100%	98%
Working Capital	439.6	(104.1)	207.0	277.0	299	176.5	43.5	87.0	194.8	195	167.5	107.8	121.6	195.7	196	198	198	197	197
Changes in Working Capital	**(499.0)**	**685.8**	**(419.8)**	**(262.2)**	**(30.3)**	(48.1)	169.6	(43.0)	(23.2)	**55.3**	27.3	59.7	(13.8)	(74.1)	**(0.9)**	**(2.8)**	**(0.0)**	**1.3**	**0.6**
Average Collection Period	**47**	**48**	**68**	**54**	**65**	54	54	50	58	**65**	55	55	50	59	**66**	**65**	**65**	**65**	**65**
Inventory Days	**46**	**59**	**66**	**89**	**119**	32	109	222	83	**101**	32	110	225	85	**102**	**100**	**100**	**100**	**100**
Average Payable Period	**192**	**301**	**343**	**306**	**484**	234	422	622	326	**390**	235	425	625	325	**389**	**388**	**388**	**385**	**388**

	2008	2009	2010	2011	2012	1Q	2Q	3Q	4Q	2013	1QE	2QE	3QE	4QE	2014E	2015E	2016E	2017E	2018E
Cash	21	16	9	12	36	101	45	15	27	27	25	23	24	28	28	29	60	62	64
Total Debt	7,577	6,787	7,353	7,954	8,103	8,024	8,065	8,451	8,834	8,834	8,797	9,034	9,455	9,874	9,874	10,364	11,268	12,138	12,917
Total Net Debt	**7,556**	**6,771**	**7,344**	**7,942**	**8,067**	7,923	8,021	8,436	8,807	**8,807**	8,772	9,011	9,432	9,846	**9,846**	**10,335**	**11,206**	**12,077**	**12,852**
Preferred Securities	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Shareholders' Equity	4,729	4,854	4,923	4,997	5,554	5,691	5,703	5,701	5,887	5,887	6,045	6,048	6,037	6,143	6,143	6,908	7,244	7,576	7,955
Net Debt/Capital	**61.5%**	**58.2%**	**59.9%**	**61.4%**	**59.2%**	58.2%	58.4%	59.7%	59.9%	**59.9%**	59.2%	59.8%	61.0%	61.6%	**61.6%**	**59.9%**	**60.7%**	**61.4%**	**61.8%**
	#REF!	-5%	3%	3%	-4%					1%					3%	-3%	1%	1%	1%
Invested capital	12,285	11,625	12,267	12,940	13,621	13,614	13,723	14,137	14,694	14,694	14,817	15,059	15,469	15,989	15,989	17,243	18,452	19,653	20,807
ROIC	2.7%	2.3%	2.6%	2.8%	3.2%	1.6%	0.5%	0.4%	1.0%	3%	1.5%	0.5%	0.4%	1.1%	3%	4%	4%	3%	4%
ROE	7.1%	5.6%	6.6%	7.3%	7.8%	3.8%	1.3%	0.9%	2.4%	8%	3.7%	1.2%	0.9%	2.8%	9%	9%	9%	9%	9%
EBITDA	1,474	1,451	1,502	1,488	1,647	376	351	322	481	1,729	603	371	349	544	1,866	2,085	2,229	2,337	2,550
Net Debt/EBITDA	**5.1x**	**4.7x**	**4.9x**	**5.3x**	**4.9x**	4.8x	4.9x	5.0x	5.1x	**5.1x**	5.0x	5.1x	5.2x	5.3x	**5.3x**	**5.0x**	**5.0x**	**5.2x**	**5.0x**

Source: NI reports, Jefferies estimates

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

Exhibit 14: NI Consolidated Statement of Cash Flows ($MM)

Consolidated Statement of Cash Flows ($MM)	2008	2009	2010	2011	2012	1Q	2Q	3Q	4Q	2013	1QE	2QE	3QE	4QE	2014E	2015E	2016E	2017E	2018E
Operating activities																			
Net income	79	218	292	299	416	261	72	48	152	532	224	73	55	175	527	609	653	670	739
Depreciation, amortization & decommissioning	567	589	596	538	562	144	143	145	146	577	149	148	149	149	595	627	649	664	706
Deferred taxes	132	383	200	178	305	117	51	32	88	287	101	30	22	83	237	258	273	267	271
Net change in working capital	(499)	686	(420)	(262)	(30)	(48)	170	(43)	(23)	55	27	60	(14)	(74)	(1)	(3)	(0)	1	1
Other, including changes in provisions and other liabilities	680	(224)	51	117	23	(23)	10	3	(5)	(15)	8	(15)	9	1	4	(6)	(1)	(3)	(2)
Cash from operating activities	**960**	**1,651**	**720**	**870**	**1,276**	**449**	**445**	**184**	**358**	**1,437**	**509**	**297**	**222**	**334**	**1,362**	**1,486**	**1,574**	**1,599**	**1,715**
Investing activities																			
Capital expenditure - tangible fixed assets	(970)	(777)	(804)	(1,125)	(1,499)	(369)	(432)	(496)	(583)	(1,880)	(392)	(449)	(533)	(626)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)
Investment in affiliates	0	0	0	0	(20)	(17)	(16)	(44)	(48)	(125)	(17)	(16)	(44)	(53)	(130)	(130)	(130)	(130)	(130)
Net disposals/(acquisitions)	(282)	6	1	9	26	1	0	17	0	18	0	0	0	0	0	0	0	0	0
Other investment	(238)	117	(140)	(34)	68	140	(24)	(10)	(9)	96	0	0	0	0	0	0	0	0	0
Cash from investing activities	**(1,490)**	**(655)**	**(943)**	**(1,149)**	**(1,425)**	**(246)**	**(472)**	**(533)**	**(640)**	**(1,891)**	**(409)**	**(465)**	**(577)**	**(679)**	**(2,130)**	**(2,130)**	**(2,130)**	**(2,130)**	**(2,130)**
Financing activities																			
Inc./(dec.) in short term debt	103	(1,061)	1,280	(23)	(582)	354	(754)	443	(122)	(78)	(3)	33	59	59	148	69	127	122	110
Inc./(dec.) in long term debt	665	290	(728)	603	660	(427)	791	(54)	487	797	(33)	204	362	360	892	421	777	748	669
Inc./(dec.) in equity	1	24	13	24	374	17	7	12	8	44	13	8	16	12	50	500	55	60	65
Common stock dividends paid	(252)	(253)	(256)	(258)	(273)	(75)	(75)	(78)	(78)	(306)	(78)	(79)	(82)	(82)	(321)	(344)	(372)	(397)	(426)
Other cash from financing	0	0	(93)	(65)	(3)	(8)	(0)	(3)	(0)	(11)	0	0	0	0	0	0	0	0	0
Inc./(dec.) in preffered equity	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cash from financing activities	**516**	**(1,000)**	**216**	**281**	**175**	**(138)**	**(30)**	**320**	**294**	**445**	**(102)**	**166**	**356**	**349**	**770**	**646**	**586**	**533**	**418**
Cash flow increase/(decrease) in cash	(14)	(4)	(7)	2	25	65	(57)	(30)	12	(9)	(2)	(2)	1	4	1	1	30	2	3
Non-cash movements in cash	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Forex Adjustments	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net change in cash	**(14)**	**(4)**	**(7)**	**2**	**25**	65	(57)	(30)	12	**(9)**	(2)	(2)	1	4	**1**	**1**	**30**	**2**	**3**
Cash at the beginning of the year	**35**	**21**	**16**	**9**	**11**	36	101	44	15	**36**	27	25	23	24	**27**	**28**	**29**	**60**	**62**
Cash at the end of the year	**21**	**16**	**9**	**11**	**36**	101	44	15	27	**27**	25	23	24	28	**28**	**29**	**60**	**62**	**64**
Cash paid for income taxes	**61**	**34**	**69**	**9**	**8**	3	3	3	(0)	**8**	17	5	4	14	**40**	**70**	**86**	**110**	**144**
Cash Interest paid, net of amount capitalized	**376**	**383**	**393**	**369**	**387**	162	43	155	27	**387**	168	54	164	45	**431**	**471**	**497**	**539**	**581**
Accounting Free Cash Flow (CFO-CAPEX-Dividend)	(263)	620	(339)	(513)	(497)	5	(62)	(390)	(303)	(749)	39	(231)	(392)	(374)	(959)	(859)	(798)	(798)	(710)
Free Cash Flow (NI+D&A-WC-CAPEX-DIV)	(77)	(910)	249	(284)	(764)	8	(462)	(338)	(340)	(1132)	(125)	(367)	(397)	(309)	(1198)	(1105)	(1070)	(1065)	(981)

Source: NI reports, Jefferies estimates

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

NI

Initiating Coverage

April 2, 2014

Company Description

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Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

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NI

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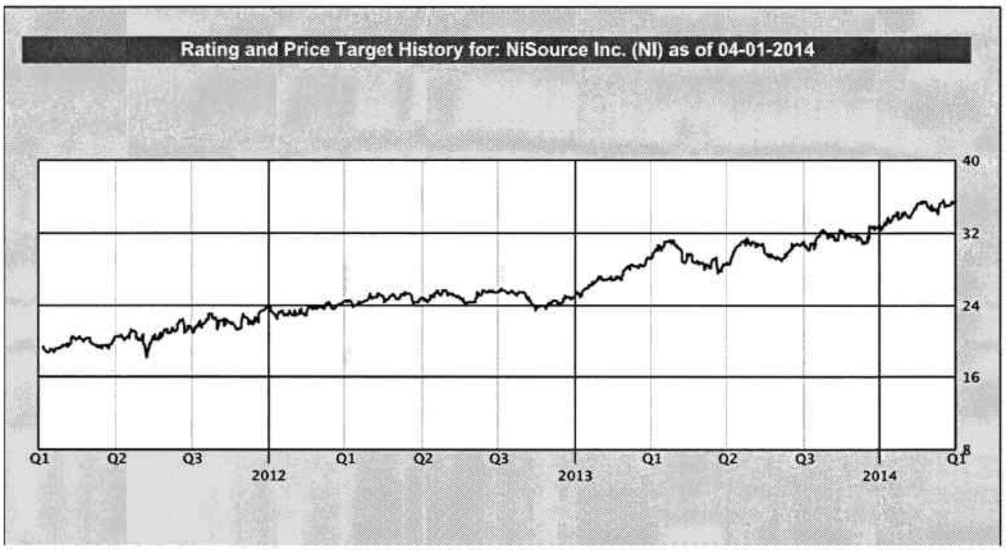

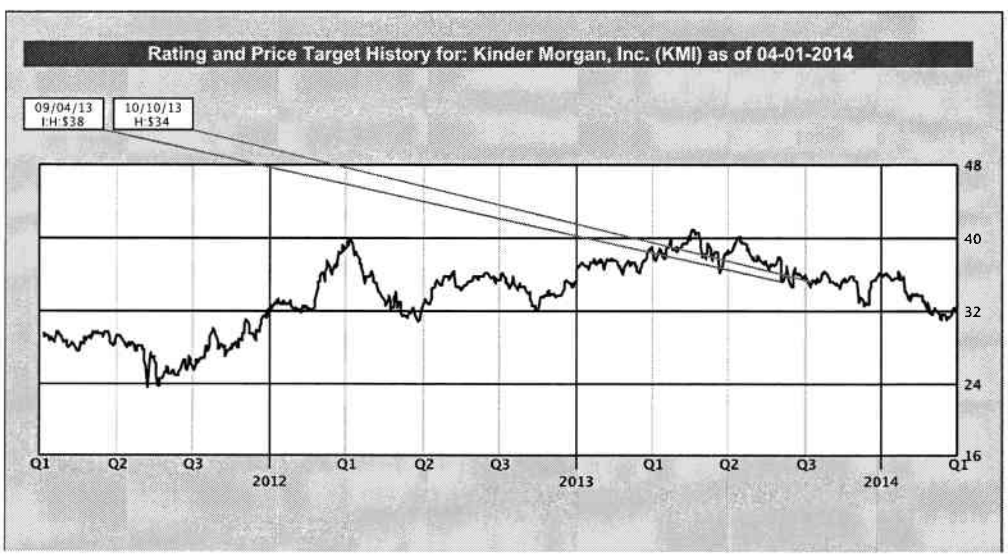

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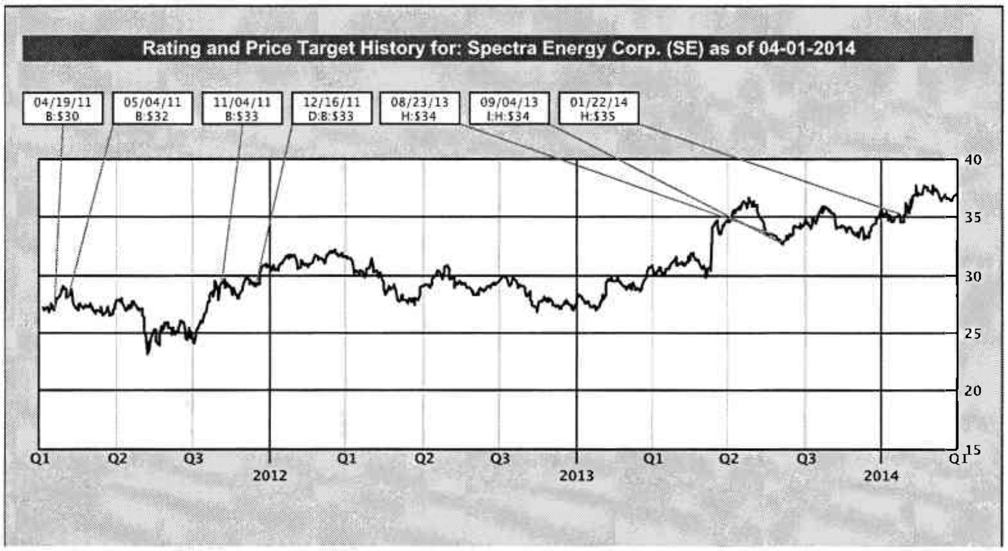

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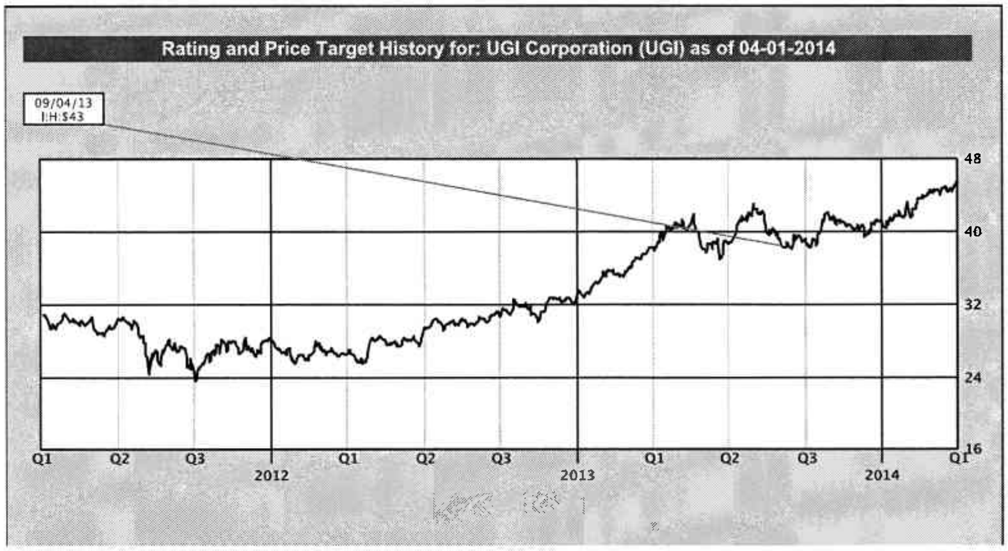

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Rating	Count	Percent	IB Serv./Past 12 Mos. Count	IB Serv./Past 12 Mos. Percent
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HOLD	771	42.48%	136	17.64%
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Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

21 April 2014
Americas/United States
Equity Research
Natural Gas

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NiSource Inc. (NI)

Rating	NEUTRAL*
Price (21 Apr 14, US$)	35.71
Target price (US$)	(from 38.00) 39.00[1]
52-week price range	36.30 - 27.62
Market cap. (US$ m)	11,240.03
Enterprise value (US$ m)	20,996.25

Stock ratings are relative to the coverage universe in each analyst's or each team's respective sector.
[1]*Target price is for 12 months.*

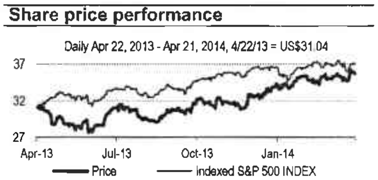
Research Analysts
John Edwards, CFA
713 890 1594
john.edwards@credit-suisse.com
Bhavesh Lodaya
212 325 2337
bhavesh.lodaya@credit-suisse.com
Abhiram Rajendran
212 538 9038
abhiram.rajendran@credit-suisse.com

INCREASE TARGET PRICE

Adjust Qtrly EPS Ahead of 1Q '14 Release. Hold '14E-'16E EPS F'cast Overall. Still Neutral.

- **Call this a Maintenance Note:** We are raising our Gas Distribution segment estimate by approx. $36mm, to $262mm while trimming our estimate for Gas Transmission and Storage by about $6mm, to $162mm. Overall EPS moves higher in 1Q, by $0.06/share to $0.79. Our estimate for 4Q EPS drops by $0.05/share, to $0.50. Overall 2014E EPS remains at $1.68, in line with the prior guidance of $1.61-$1.71 EPS. We have moved around the numbers seasonally for 2015 and 2016 as well while otherwise holding our outlook going forward. We have held our dividend outlook at approximately 4% growth.
- **Earnings Release and Call Scheduled for April 30:** We expect the standard update to growth projects and regulatory review, with the focus going to center on continuing expectations for formation of an MLP with its Pennant Midstream and Columbia Pipeline Group assets.
- **Valuation–Raising by $1, to $39, Maintain Neutral:** Our $39 TP is based on 18-21x 2015E EPS on the electric utility business, 10x 2015E EBITDA multiple on the natural gas utilities segment, and 12.5x EBITDA multiple on the assets that qualify for MLP treatment (11.5% of the CGP assets) and 1.5 turns lower for the remainder of the CGP assets. Together with NTM dividend of $1.04, this translates to a total return of approximately 6-18%, with a mid-point of approximately 12%, supportive of a neutral rating on the shares.

Share price performance



On 04/21/14 the S&P 500 INDEX closed at 1871.89

Quarterly EPS	Q1	Q2	Q3	Q4
2013A	0.69	0.23	0.18	0.47
2014E	0.79	0.26	0.14	0.50
2015E	0.88	0.26	0.12	0.52

Financial and valuation metrics

Year	12/13A	12/14E	12/15E	12/16E
EPS (CS adj.) (US$)	1.57	1.68	1.78	1.87
Prev. EPS (US$)	—	—	1.77	—
P/E (x)	22.8	21.2	20.1	19.0
P/E rel. (%)	133.1	134.2	141.3	148.4
Revenue (US$ m)	5,657.3	5,963.5	6,503.1	6,946.5
EBITDA (US$ m)	1,720.7	1,898.6	2,088.3	2,272.0
OCFPS (US$)	4.58	4.69	4.95	4.03
P/OCF (x)	7.2	7.6	7.2	8.9
EV/EBITDA (current)	11.7	10.6	9.6	8.8
Net debt (US$ m)	8,807	9,756	10,112	10,763
ROIC (%)	5.07	5.27	5.41	5.42

Number of shares (m)	314.76	IC (current, US$ m)	14,693.80
BV/share (Next Qtr., US$)	19.6	EV/IC (x)	1.3
Net debt (Next Qtr., US$ m)	8,943.6	Dividend (current, US$)	1.0
Net debt/tot cap (Next Qtr., %)	147.4	Dividend yield (%)	0.70

Source: Company data, Credit Suisse estimates.

Company Description

NI is a diversified energy company that operates in three segments including natural gas distribution, gas transmission and storage, and electric operations. Rate regulated operations account for the majority of NI's operating earnings. NI's gas distribution operations serve 3.4 million customers across seven states. NI's gas transmission and storage operations comprise 15,000 miles of pipe and 642 billion cubic feet of storage capacity. The electric operations consist of its Northern Indiana utility, Northern Indiana Public Service Company (NIPSCO), which serves approximately 460,000 customers in 20 counties.

Investment Thesis

NI offers an attractive dividend yield coupled with visible earnings growth driven by infrastructure investments across its diverse portfolio of mostly regulated businesses. In recent years, NI has shed non-core assets, substantially de-risked earnings at its gas utilities, and has begun to leverage its attractive natural gas pipeline footprint in the Marcellus Shale with the potential for Marcellus-like growth in the Utica Shale in Ohio where NI also holds substantial acreage.

NI also has an inventory of project opportunities:

- Over $10 billion in its regulated Gas Distribution segment,
- $4.2-$6.4 billion of electric operations infrastructure,
- $8-$10.5 billion in its Columbia Pipeline Group. There is $3-$4B spread across eight different upgrade and expansion projects as well as a $4-$5B opportunity for a pipeline modernization program approved by the FERC for cost. The CPG group also has $1B of midstream projects spread across 6 different opportunities and a couple of production opportunities in the Utica where it is in a JV to develop 120,000 acres in the Utica.

Importantly, we believe NI has the liquidity (no borrowing outstanding on its $2B revolving credit facility as of Dec. 31, 2013), balance sheet, and opportunity set in place to maintain an annual cap ex program of ~$2B ($2.15B estimated for 2014).

Estimate Changes

Our overall outlook is in line with our previous forecast. We increased our Gas Distribution forecast offset by lower numbers on the Gas Transmission and Storage. Our overall EPS growth remains in the 5-7% range for 2014-2016 with dividend growth of approximately 4%.

Exhibit 1: NiSource 2014- 2016 Estimate Changes

	Old estimates							New estimates						
	1Q14E	2Q14E	3Q14E	4Q14E	2014E	2015E	2016E	1Q14E	2Q14E	3Q14E	4Q14E	2014E	2015E	2016E
Segment EBITDA														
Gas Distribution	280	119	60	249	707	773	838	315	116	60	223	713	782	849
NIPSCO Electric	135	125	159	118	537	575	616	135	125	159	118	537	575	616
Gas Transmission & Storage	198	145	118	172	633	717	794	191	145	118	172	625	708	785
Other	2	4	4	13	23	23	23	2	4	4	13	23	23	23
Total EBITDA (recurring)	615	392	341	552	1,899	2,088	2,271	643	390	340	526	1,899	2,088	2,272
Segment EBIT														
Gas Distribution	227	64	4	191	486	529	571	262	61	4	166	492	537	581
NIPSCO Electric	74	64	96	55	288	314	343	74	64	96	55	288	314	343
Gas Transmission & Storage	169	114	86	138	506	567	622	162	114	86	138	499	559	613
Other	(1)	1	0	10	10	9	8	(1)	1	0	10	10	9	8
Total EBIT (recurring)	468	242	186	393	1,290	1,419	1,545	496	239	186	368	1,289	1,420	1,546
Interest Expense	114	116	120	126	476	549	615	114	115	120	126	475	548	613
Other Expenses	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Taxes	124	44	23	93	285	309	335	134	43	23	85	285	309	336
Recurring Net Income	230	82	43	174	529	561	595	249	80	43	157	529	562	597
Diluted Wtd Avg shares outstanding	314	314	315	315	315	317	319	314	314	315	315	315	317	319
Recurring EPS - Diluted	$0.73	$0.26	$0.14	$0.55	$1.68	$1.77	$1.87	$0.79	$0.26	$0.14	$0.50	$1.68	$1.78	$1.87
Dividend per share	$0.25	$0.26	$0.26	$0.26	$1.03	$1.07	$1.11	$0.25	$0.26	$0.26	$0.26	$1.03	$1.07	$1.11
Financing & Credit Metrics														
Total Debt / Total Cap	59.7%	60.6%	61.9%	61.4%	61.4%	59.8%	59.1%	59.6%	60.5%	61.8%	61.4%	61.4%	59.8%	59.0%
Net Debt / Total Cap	59.7%	60.6%	61.8%	61.4%	61.4%	59.8%	59.0%	59.6%	60.5%	61.7%	61.4%	61.4%	59.8%	59.0%
Net Debt / Equity	147.9%	153.6%	162.1%	158.9%	158.9%	148.6%	143.9%	147.4%	152.9%	161.4%	158.9%	158.9%	148.7%	143.8%
Book Value Per Share	$19.28	$19.29	$19.18	$19.48	$19.52	$21.49	$23.49	$19.34	$19.34	$19.23	$19.48	$19.52	$21.49	$23.49
Net Debt / TTM EBITDA	5.1x	5.1x	5.3x	5.1x	5.1x	4.8x	4.7x	5.0x	5.0x	5.3x	5.1x	5.1x	4.8x	4.7x

Source: Company data, Credit Suisse estimates

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21 April 2014

Valuation

- We are raising our target price by $1 to $39. Our sum of the parts analysis reflects what we think will be an initial 11.5% of the Columbia Pipeline assets in an MLP spinoff. We expect the MLP option to be announced in mid-2014 with an approximate 6-9 month timeframe for completion of the IPO spin-off.
- Our $39 TP is based on a 18-21x 2015E EPS on the electric utility business, a 10x 2015E EBITDA multiple on the natural gas utilities segment, a 12.5x NTM EBITDA multiple on the assets that qualify for MLP treatment (which we model as ~11.5% of the Columbia Pipeline assets), and 1.5 turns lower for the remainder of the Columbia Pipeline assets – based on our valuation of a generic MLP with IDRs vs. similar assets within a C-Corp.
- Together with NTM dividend of $1.04, our target price translates to a total return of approximately 6-18% with a mid-point of ~12%, which is near the mid-point of our median total return expectations for midstream MLPs.

Exhibit 2: NiSource Sum of the Parts Valuation

	2015		2015		Multiple			Enterprise Value / Equity Value		
	EBIT	D&A	EBITDA / NI	Metric	Low	Base	High	Low	Base	High
Electric Services	314.5	261.0	210.1	P/E	18.0x	19.5x	21.0x	3,781.4	4,096.5	4,411.6
Natural Gas Utilities	537.4	244.4	781.9	EV/EBITDA	10.0x	10.0x	10.0x	7,818.7	7,818.7	7,818.7
TG&S (88.5% of business)	461.9	117.0	578.9	EV/EBITDA	10.5x	11.0x	11.5x	6,078.3	6,367.7	6,657.2
TG&S (11.5% dropped into MLP)	60.0	15.2	75.2	EV/EBITDA	12.0x	12.50x	13.00x	902.7	940.3	977.9
Total Enterprise / Equity Value								**18,581.1**	**19,223.2**	**19,865.4**
Cash & Equivalents								34.8	34.8	34.8
Short-term Debt								542.1	542.1	542.1
Long-term Debt								7,593.2	7,593.2	7,593.2
Less Net Debt								8,100.5	8,100.5	8,100.5
Less Net Debt attributable to NIPSCO (~$1.1 billion)								7,000.5	7,000.5	7,000.5
Total Equity Value								11,580.6	12,222.7	12,864.9
Shares Outstanding								313	313	313
Per Share								**$36.97**	**$39.03**	**$41.08**
Current Share Price (Jan 27, 2014)								$35.61	$35.61	$35.61
Return								7%	12%	18%
Dividend per share (Est.)								$1.03	$1.03	$1.03
Dividend Yield								*3%*	*3%*	*3%*
Total Return								*10%*	*15%*	*21%*
2015E EPS								$1.78	$1.78	$1.78
Implied P/E								**20.8x**	**22.0x**	**23.1x**
Implied Price Target								**$37.00**	**$39.00**	**$41.00**
							Implied P/E		22.0x	

Source: Company data, Credit Suisse estimates

Risks

The main risk is that with NI's valuation continuing to rise in expectation of it forming an MLP, if it chooses to not carry out this option, there could be considerable downside to the current valuation and as such the shares could underperform.

We view the business model for NI as lower risk than MLPs that comprise the bulk of our coverage universe. Most of its growth capital projects are for replacement of existing infrastructure and which has the added security of having enabling legislation and or enabling regulatory settlements in a number of its service areas to help assure cost recovery in rates. It reached a customer modernization settlement with the FERC for an initial 5 years and $1.5B in investment for its Columbia Pipeline group. Legislation in support of electric infrastructure modernization in Indiana has been enacted. New legislation in Virginia and Maryland is also supportive of infrastructure investment for natural gas distribution systems and NI also reached a settlement with the Pennsylvania PUC regarding a rate increase and the use of a forward test year for its natural gas distribution system there.

Commodity price risk is very low and under the current regulatory regime is recovered in utility rates.

The main risk in our view is valuation – as explained above NI and for that matter its peers have reached extended valuation levels when considered from a historical P/E perspective. However, given very low income from bonds, income oriented investors have been increasingly taken to low risk utility business models as a yield alternative. Consequently NI's shares are up ~9% YTD with no meaningful change in earnings outlook. The shares yield 2.8% and the company is guiding to 3-5% dividend growth. The Federal Reserve has indicated intention to provide monetary policy support through 2015 in the form of continuing aggressive purchases of US government issues but is moderating these purchases over the coming year. Thus, a key risk as far as valuation is concerned is mean reversion and/or a change in Federal Reserve policy brought on by political or other external events that are not in the current forecast.

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Companies Mentioned *(Price as of 21-Apr-2014)*
NiSource Inc. (NI.N, $35.71, NEUTRAL, TP $39.0)

Disclosure Appendix

Important Global Disclosures

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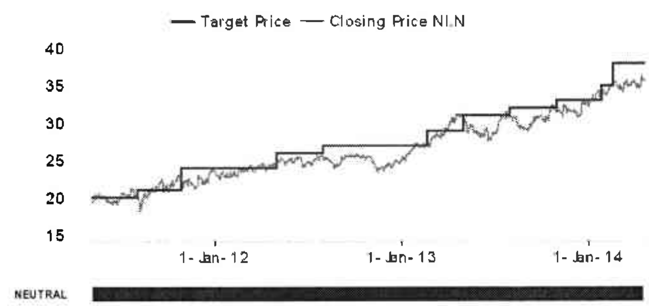
3-Year Price and Rating History for NiSource Inc. (NI.N)

NI.N Date	Closing Price (US$)	Target Price (US$)	Rating
06-May-11	19.44	20.00	N
16-Jun-11	19.30		*
02-Aug-11	20.40	21.00	N
28-Oct-11	22.52	24.00	
02-May-12	25.04	26.00	*
01-Aug-12	25.38	27.00	
20-Feb-13	27.04	29.00	
01-May-13	30.61	31.00	
01-Aug-13	31.11	32.00	
01-Nov-13	31.72	33.00	
28-Jan-14	34.18	35.00	
19-Feb-14	35.40	38.00	



* *Asterisk signifies initiation or assumption of coverage.*

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Underperform (U) : The stock's total return is expected to underperform the relevant benchmark* over the next 12 months.

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Price Target: (12 months) for NiSource Inc. (NI.N)

Method: Our $39 TP is based on a 18-21x 2015E EPS on the electric utility business, a 10x 2015E EBITDA multiple on the natural gas utilities segment, a 12.5x NTM EBITDA multiple on the assets that qualify for MLP treatment (which we model as ~11.5% of the Columbia Pipeline assets), and 1.5 turns lower for the remainder of the Columbia Pipeline assets - based on our valuation of a generic MLP with IDRs vs. similar assets within a C-Corp.

Risk: The main risk is that with NI's valuation continuing to rise in expectation of it forming an MLP, if it chooses to not carry out this option, there could be considerable downside to the current valuation and as such the shares could underperform.

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See the Companies Mentioned section for full company names

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21 April 2014

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Investment principal on bonds can be eroded depending on sale price or market price. In addition, there are bonds on which investment principal can be eroded due to changes in redemption amounts. Care is required when investing in such instruments.

When you purchase non-listed Japanese fixed income securities (Japanese government bonds, Japanese municipal bonds, Japanese government guaranteed bonds, Japanese corporate bonds) from CS as a seller, you will be requested to pay the purchase price only.

NiSource Inc NI (NYSE) | ★★

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35.51 USD	30.00 USD	21.00 USD	40.50 USD	Medium	Narrow	Stable	Standard	BBB	Utilities - Regulated

Indiana legislation should accelerate investment and earnings.

Charles Fishman, CFA
Stock Analyst
charles.fishman@morningstar.com
312-696-6523

The primary analyst covering this company does not own its stock.

Research as of 21 Mar 2014
Estimates as of 21 Mar 2014
Pricing data as of 21 Mar 2014 10:49
Rating updated as of 21 Mar 2014 10:50

Currency amounts expressed with "$" are in U.S. dollars (USD) unless otherwise denoted.

Contents

Investment Thesis 21 Mar 2014

During the past several years, NiSource's regulated electric and natural gas distribution businesses have received favorable regulatory decisions providing automatic rate tracker mechanisms for capital expenditures. As a result, NiSource significantly increased its investments and now plans to continue investing at this elevated level. With favorable regulation in place, we have a high level of confidence that NiSource will be able to produce steady and growing earnings.

We now expect NiSource's regulated natural gas distribution business to invest approximately $4.5 billion during the next five years, about $500 million more than we previously estimated. Regulated electric distribution system investments are now estimated to be almost $2.2 billion over the next five years, about 10% higher than our previous forecast. Recent Indiana legislation promoting infrastructure investment is one of the primary drivers in our higher investment forecast.

We expect the Columbia Pipeline Group, or CPG, to spend more than $4 billion during the next five years to expand its presence in the Marcellus and Utica shale gas regions. About $1.5 billion of the planned investment will be to modernize the Columbia Transmission Pipeline and is covered by automatic rate tracker mechanisms. Two unregulated joint ventures should also allow CPG to expand its presence in the shale regions. One JV is investing in gas-gathering and midstream facilities. Another JV is to develop the hydrocarbon potential in the Utica shale. Investment in the second JV will be accomplished by contributing existing mineral positions and cash flows from the projects.

These investment opportunities and favorable regulatory frameworks give us confidence that NiSource can increase EPS at an average annual rate near the upper end of management's target of 5%-7%. This target was set in 2012, before the Indiana legislation passed and the recent success of the CPG joint ventures. It would not surprise us if management bumped this target range at its next Investor Conference expected in the second half of 2014.

Vital Statistics

Market Cap (USD Mil)	10,958
52-Week High (USD)	36.82
52-Week Low (USD)	27.11
52-Week Total Return %	25.6
YTD Total Return %	6.9
Last Fiscal Year End	31 Dec 2013
5-Yr Forward Revenue CAGR %	6.8
5-Yr Forward EPS CAGR %	6.9
Price/Fair Value	1.29

Valuation Summary and Forecasts

Fiscal Year:	2012	2013	2014(E)	2015(E)
Price/Earnings	17.0	20.8	21.2	19.6
EV/EBITDA	9.9	11.2	10.6	9.7
EV/EBIT	15.2	17.0	15.6	14.2
Free Cash Flow Yield %	-3.0	-4.4	-5.2	-4.8
Dividend Yield %	3.5	3.0	3.0	3.1

Financial Summary and Forecasts (USD Mil)

Fiscal Year:	2012	2013	2014(E)	2015(E)
Revenue	5,061	5,657	6,123	6,524
Revenue YoY %	-15.9	11.8	8.2	6.6
EBIT	1,039	1,126	1,269	1,388
EBIT YoY %	12.7	8.4	12.7	9.4
Net Income, Adjusted	437	494	526	572
Net Income YoY %	12.4	13.0	6.5	8.8
Diluted EPS	1.46	1.58	1.65	1.78
Diluted EPS YoY %	7.9	8.3	4.6	8.1
Free Cash Flow	71	-379	-157	-390
Free Cash Flow YoY %	339.3	-637.2	-58.5	148.0

Historical/forecast data sources are Morningstar Estimates and may reflect adjustments.

Profile

NiSource is one of the nation's largest natural gas distribution companies with 3.4 million customers in Indiana, Kentucky, Maryland, Massachusetts, Ohio, Pennsylvania, and Virginia. NiSource also owns 15,000 miles of natural gas transmission pipeline, operates one of the nation's largest underground natural gas storage systems, and provides unregulated midstream services in the growing Marcellus and Utica shale production area. NiSource's electric utility generates, transmits, and distributes electricity in northern Indiana.

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Morningstar Analysis

Valuation, Growth and Profitability 21 Mar 2014

We are increasing our fair value estimate to $30 per share from $27 per share. The increase is due in large part to the increase in our five-year capital expenditure forecast. The stepped-up capital expenditure plan results in our five-year EPS CAGR estimate increasing to 6.9% from our previous estimate of 6.6%. Our annual EPS growth rate is now at the upper end of management's 5%-7% target. However, we note the target was set in 2012, prior to the release of the three-year capital expenditure plan for 2014-16 that was $800 million higher than the previous three-year plan. Our fair value estimate also benefited from time-value appreciation since our last update.

Our new fair value estimate is 18.2 times our 2014 EPS estimate, a premium to NiSource's diversified peers as of late March. We believe the premium is warranted given the favorable regulatory frameworks and the growth potential in the shale gas regions.

NiSource's infrastructure investment program at its electric utility is the primary driver of our 8.8% annual operating earnings growth estimate during the next five years. With the recent passage of SB 560 and Indiana Commission approval of the electric utility's seven-year modernization plan, we expect infrastructure improvements to accelerate. We expect the accelerated investment program to push earnings growth to the higher end of management's 7%-9% target.

NiSource's gas distribution utilities have ongoing modernization programs for replacing steel pipe with plastic. SB 560 and the modernization program in the six other states have rate tracker mechanisms allowing for timely recovery of these investments. We estimate the favorable regulatory frameworks will drive 8% average operating earnings growth at the gas distribution segment during the next five years, the mid-point of management's 7%-9% target.

We think the Columbia Pipeline modernization program and opportunities in shale-gas producing regions can support 11.6% average annual earnings growth during the next five years at CPG. Our annual operating earnings growth estimate is in the upper half of management's 10%-12% target. However, this target was announced in 2012 and before the joint venture with HilCorp announced several new midstream projects.

We use a 10% cost of equity and a 6.7% weighted average cost of capital in our discounted cash flow valuation.

Scenario Analysis

If we assume nonregulated investments at CPG from 2015 to 2018 are one-half of our assumption, our annual earnings growth forecast for CPG would decline almost 2 percentage points, to 9.7%, and our 2018 consolidated EPS forecast would decrease $0.11 per share, to $2.09 per share. The decline in earnings at CPG would reduce our fair value estimate by about $2 per share. If nonregulated investments are 50% more than our estimate, CPG's five-year operating earnings average annual growth rate increases to 13.3%, 2017 EPS increases by $0.11 per share, and our fair value estimate increases by $2 per share.

A 50-basis-point change in our cost of equity assumption changes our fair value estimate by $3 per share.

Economic Moat

We assign a narrow moat to NiSource, as most of its earnings are derived from regulated operations. NiSource's regulated utility businesses own difficult-to-replicate networks of electricity and natural gas transmission and distribution assets that provide essential utility services to customers. Electricity generation in Indiana is also regulated, and the rates for this service are combined with regulated customer rates for transmission and distribution service. In exchange for its monopoly position, state and

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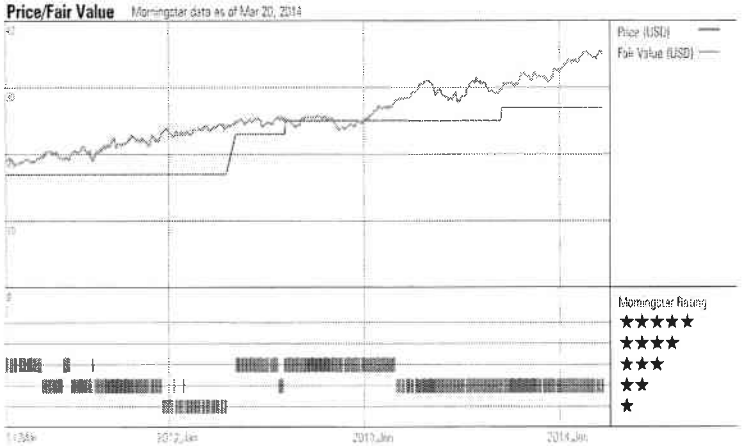
Price/Fair Value Morningstar data as of Mar 20, 2014



federal regulators set NiSource's utility rates.

For natural gas distribution service, regulators set distribution rates and also the commodity price for customers purchasing natural gas from NiSource. Customers may elect to purchase natural gas from independent retail energy suppliers and use and pay for distribution services only. NiSource exited the no-moat retail energy supply business in 2010.

For the most part, regulators have recognized the need for NiSource's shareholders to earn an adequate return on their investment. In exchange for earning a fair return for its shareholders, NiSource's utilities are expected to provide safe and reliable service at the lowest possible costs. This implicit contract between the regulators and the utilities should, in the long run, allow NiSource to earn at least its cost of capital, which leads us to assign a narrow economic moat to its regulated operations.

Earnings from midstream businesses and mineral assets are a small share of consolidated earnings. Even though we expect these earnings to grow, we expect they likely will remain much smaller than NiSource's regulated operations. Unregulated midstream services are usually supported by multiyear contracts, and there are efficient-scale competitive advantages to the business. When NiSource builds a midstream gathering or processing facility it is usually sized or can be expanded to serve the entire market. Incremental benefits are usually too low to offer sufficient returns on invested capital for two competitors. This discourages but does not eliminate other entrants, providing some moatlike characteristics to the business.

Moat Trend

We believe NiSource's moat trend is stable. We do not foresee a long-term change to the firm's business as a monopoly provider of natural gas and electricity, nor do we see changes to its compact with regulators. The majority of operating earnings are from FERC-regulated natural gas transmission pipelines and state-regulated natural gas and electric utilities. FERC will not allow new competing pipelines without a clear need for the capacity. In addition, we think it is unlikely that the state regulatory frameworks will change. As with all regulated utilities, we believe regulatory caps on revenue and returns preclude NiSource from establishing a wide economic moat.

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Bulls Say/Bears Say

Bulls Say

- We expect NiSource to increase its dividend at an annual rate of approximately 3.5%-4%, a rate we believe is sustainable even with the increase in capital expenditures.
- NiSource has leases for up to 200,000 acres in the Utica shale-gas formation, a portion of which NiSource will contribute to the HilCorp JV, reducing the development cash needs and risk.
- FERC regulation tends to be less influenced by political agendas versus state regulatory bodies. This usually provides more constructive regulatory decisions and higher allowed returns on equity for natural gas transmission lines.

Bears Say

- Almost 50% of NiSource's electric sales are to industrial customers, higher than most utilities. Industrial sales are more sensitive to the economy than residential and commercial sales.
- Low natural gas prices could reduce shale-gas drilling activity in the Marcellus region, reducing opportunities for new gas gathering and transportation projects.
- Although NiSource reports weather-normalized operating earnings, mild weather negatively affects GAAP earnings and cash flow.

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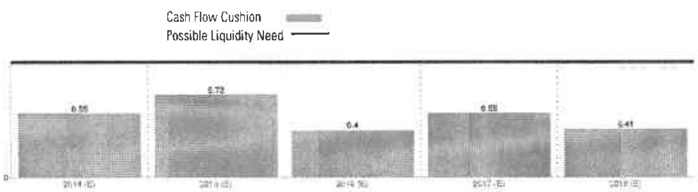
Credit Analysis

Five Year Adjusted Cash Flow Forecast (USD Mil)

	2014(E)	2015(E)	2016(E)	2017(E)	2018(E)
Cash and Equivalents (beginning of period)	35	199	168	106	206
Adjusted Available Cash Flow	521	360	357	546	385
Total Cash Available before Debt Service	556	559	525	652	591
Principal Payments	-542	-266	-755	-598	-809
Interest Payments	-465	-513	-550	-588	-630
Other Cash Obligations and Commitments	—	—	—	—	—
Total Cash Obligations and Commitments	-1,007	-779	-1,305	-1,186	-1,439

Cumulative Annual Cash Flow Cushion



Adjusted Cash Flow Summary

	USD Millions	% of Commitments
Beginning Cash Balance	35	0.6
Sum of 5-Year Adjusted Free Cash Flow	2,168	38.0
Sum of Cash and 5-Year Cash Generation	2,203	38.6
Revolver Availability	1,500	26.3
Asset Adjusted Borrowings (Repayment)	—	—
Sum of Cash, 5-Year Cash Generation, Revolver and Adjustments	3,703	64.8
Sum of 5-Year Cash Commitments	-5,715	—

Credit Rating Pillars–Peer Group Comparison

	NI	Sector	Universe
Business Risk	4	4.7	5.0
Cash Flow Cushion	9	7.7	6.1
Solvency Score	5	5.6	4.9
Distance to Default	4	4.2	3.9
Credit Rating	BBB	BBB+	BBB+

Source: Morningstar Estimates

Note: Scoring is on a scale 1-10, 1 being Best, 10 being Worst

Financial Health & Capital Structure

In 2013, NiSource stepped up its capital expenditures to almost $2 billion from less than $1 billion as recently as 2010. Management has said its capital expenditures could exceed $2 billion per year for 2014-2016 and could remain at this level beyond 2016 due to numerous investment opportunities. The majority of investment opportunities are infrastructure improvements or environmental projects with rate tracker mechanisms. These investments have a high level of certainty of recovery in rates and, in many cases, at preapproved returns. Therefore, the higher level of capital expenditures is not a concern.

NiSource plans to issue equity in the latter half of 2015 to solidify its balance sheet owing to the stepped-up capital expenditures. We assume it will issue $400 million of equity and it would not surprise us if management elected to raise the equity by a forward equity sale. In 2010, the company entered into a $340 million equity forward transaction that closed in September 2012.

Management has explored forming a master limited partnership of its natural gas transmission and midstream assets. However, tax leakage and maintaining investment-grade credit ratings could be a roadblock to this financial engineering. If management can overcome these hurdles and IPO an MLP, the company could avoid the 2015 equity issuance. This would allow the CPG segment to be a self-funding entity, eliminating about 35% of planned capital expenditures.

Assuming NiSource issues equity in 2015, its debt/capital ratio should remain in the low 60% range and EBIT/interest expense range near 2.8 times during the next five years. We are comfortable with both ratios in light of the favorable regulatory framework in most of its businesses. The majority of future regulated investments are covered by rate trackers or preapproved agreements that provide for automatic rate

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Credit Analysis

increases. These mechanisms provide transparent and predictable earnings and cash flow that support the relatively high leverage of the company.

NiSource increased its annual dividend by $0.04 per share in 2012 and 2013, bringing the dividend to $1.00 per share. These increases were the first in 10 years following a dividend cut in 2003 to strengthen its balance sheet following the Columbia Energy Group acquisition. NiSource expects to continue 3%-5% annual dividend growth, which we think is achievable considering our 6.9% annual EPS growth estimate during the next five years. We project a dividend payout ratio near 60% in 2014 and 2015, a level we believe is sustainable. If the company did move forward with an MLP and IPO, the reduction in capital expenditures and increase in cash flow would likely result in a recalibration of the common dividend to a higher level.

Enterprise Risk

Regulatory risk remains the key uncertainty, as the majority of operating earnings are from businesses that are state- or FERC-regulated. That said, NiSource's regulatory exposure is diversified due to operations in seven state jurisdictions and its federal-regulated transmission pipeline. FERC tends to be less influenced by political agendas compared to state regulatory bodies and has a more constructive regulatory framework. This usually provides more transparent and predictable regulatory decisions and higher allowed return on equity for its transmission operations.NiSource has reduced some of the regulatory uncertainty related to its planned natural gas distribution and electric utility investments by receiving pre-approval and favorable rate mechanisms. Its investments in nonregulated pipelines and other infrastructure in the CPG segment come with higher return potential but increased regulatory risk since they do not have monopoly status or pre-set returns.Another potential risk for NiSource's gas transmission and storage segment is depressed natural gas prices reducing drilling activity in the Marcellus and Utica shale-gas producing regions. We assume NiSource's infrastructure investments will produce strong earnings growth. A decline in drilling activity would likely lead to lower investment and earnings growth. In early 2011, NiSource reached a settlement agreement with the U.S. EPA that requires about $850 million of capital improvements to air pollution control systems at three coal-fired power plants. NiSource expects to complete the improvements by 2018. Although this provides some certainty that the plants will continue to operate, environmental rules could become stricter, requiring additional capital investment or added operating cost that may have uncertain cost recovery in regulated rates. This is a risk facing all power plants, especially coal-fired ones.

NiSource Inc NI (NYSE) ★★

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Management & Ownership

Management Activity

Name	Position	Shares Held	Report Date*	InsiderActivity
ROBERT C. SKAGGS,JR	CEO/Director/President,Director	682,153	18 Feb 2014	—
STEPHEN P. SMITH	Executive VP/CFO	270,739	26 Feb 2014	22,845
CARRIE J. HIGHTMAN	Executive VP/Other Executive Officer	156,776	24 Feb 2014	14,125
W. LEE NUTTER	Director	123,074	14 May 2013	—
GLEN L. KETTERING	Senior VP, Divisional	110,470	20 Feb 2014	14,000
GLEN L. KETTERING	Senior VP, Divisional	110,470	20 Feb 2014	14,000
ROBERT D. CAMPBELL	Senior VP, Divisional	108,688	28 Feb 2014	7,000
EILEEN O'NEILL ODUM		97,086	24 Mar 2009	—
JOSEPH HAMROCK	CEO, Divisional/Executive VP	85,533	30 Jan 2014	—

*Represents the date on which the owner's name, position, and common shares held were reported by the holder or issuer.

Fund Ownership

Top Owners	% of Shares Held	% of Fund Assets	Change (k)	Portfolio Date
T. Rowe Price Equity Income Fund	3.11	1.08	—	31 Dec 2013
Vanguard Mid-Cap Index Fund	1.59	0.35	39	28 Feb 2014
Vanguard Total Stock Mkt Idx	1.52	0.05	27	28 Feb 2014
JPMorgan Mid Cap Value Fund	1.19	0.90	-557	31 Jan 2014
Utilities Select Sector SPDR®	1.08	2.24	-171	20 Mar 2014
Concentrated Holders				
EIC Energy Utility Fund	0.04	5.14	—	31 Jan 2014
Reaves Utilities and Energy Infras Fund	0.03	5.06	—	31 Jan 2014
Tortoise MLP & Pipeline Fund	0.54	4.90	-249	30 Nov 2013
Tortoise Pipeline & Energy	0.17	4.31	534	30 Nov 2013
Fidelity VIP Utilities Portfolio	0.03	4.29	—	31 Jan 2014

Institutional Transactions

Top 5 Buyers	% of Shares Held	% of Fund Assets	Shares Bought/ Sold (k)	Portfolio Date
Deutsche Asset Mgmt Invst Gesenschaft	2.58	0.96	8,106	31 Dec 2013
T. Rowe Price Associates, Inc.	7.85	0.19	2,748	31 Dec 2013
Pictet Asset Management SA	1.70	0.88	2,646	31 Dec 2013
Citadel Advisors Llc	0.41	0.05	900	31 Dec 2013
J.P. Morgan Investment Management Inc.	5.09	0.27	856	31 Dec 2013
Top 5 Sellers				
Deutsche Bank AG	0.78	0.10	-5,867	31 Dec 2013
Goldman Sachs Asset Management, L.P.	0.03	—	-3,547	31 Dec 2013
Cramer Rosenthal McGlynn, LLC	1.27	0.94	-2,014	31 Dec 2013
Reaves W H & Co Inc	0.43	1.47	-1,581	31 Dec 2013
Renaissance Technologies Corp	0.08	0.02	-873	31 Dec 2013

Management 12 Sep 2013

We assign NiSource a standard stewardship rating. We think management has done a good job managing state and federal regulatory relations. In addition, although one could argue it was luck that located NiSource's Columbia Pipeline in the middle of the Marcellus Shale Gas and at the edge of the Utica Shale regions, management has taken advantage of this opportunity and developed projects that appear to provide returns significantly above the company's cost of capital.

Robert Skaggs inherited a debt-heavy balance sheet and a shaky dividend when he became CEO in 2005. Since then, the company has deleveraged and begun increasing its dividend. In addition, management has reduced regulatory risk by achieving favorable settlement agreements or decisions for its Indiana electric utility and several of its gas distribution companies. In addition, under Skagg's watch the company recently received FERC approval for its long-term settlement agreement with customers that allows NiSource to modernize the Columbia Transmission Pipeline. The five-year $1.5 billion project is expected to provide returns above NiSource's cost of capital and we believe represents good stewardship of shareholder capital. The company also appears to have a disciplined capital approval process for its nonregulated investments.

In 2012, Skaggs earned total compensation of approximately $4.7 million. We believe this is a reasonable level of compensation considering NiSource's size and complexity. In addition, we think the significant portion of total compensation that is long-term and based on financial results and total shareholder return is aligned with shareholders' interests.

NiSource Inc NI (NYSE) ★★

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Analyst Notes

NiSource Posts Solid 2013 Results, Initiates In-Line 2014 Guidance, Makes Positive MLP Comments 18 Feb 2014

NiSource NI reported 2013 operating earnings per share of $1.58 versus $1.46 in 2012. The strong results were $0.03 higher than our estimate and $0.02 above the consensus estimate of $1.56. All three operating segments posted solid results. In addition, NiSource initiated 2014 operating earnings guidance of $1.61-$1.71 per share, in line with the consensus estimate.

Management talked more positively about the chances of restructuring Columbia Pipeline Group into a master limited partnership. In recent discussions with management, low credit ratings and potential tax leakage were the main impediments to forming an MLP. The improving credit profile driven by recent regulatory decisions and legislation and management's comments that recent tax work may reduce the potential tax leakage increase the likelihood that an MLP could be announced before year-end. The formation of an MLP would probably eliminate the need for an equity issuance in 2015. Based on our increased confidence in the formation of an MLP, we are likely to modestly increase our fair value estimate. Our narrow moat and stable moat trend rating are unchanged.

NiSource currently trades at a significant premium to our fair value estimate and its peers. We suspect the premium valuation is due in part to recent rumors that Dominion Resources D is looking to acquire NiSource. We think this acquisition is unlikely. In our opinion, mergers are heavily influenced by personal issues. Our takeaways from our November 2013 meeting with management included the observation of a relatively young and engaged CEO who is doing a solid job of running NiSource. Bob Skaggs did not impress us as a person interested in retirement at this time. Thus, we believe investors should not pay a premium valuation that assumes NiSource is a potential acquisition target.

NiSource's Capital Expenditure Plan Supports EPS Growth Target, but MLP Formation Downplayed 11 Nov 2013

We had the opportunity to meet with NiSource's senior management team at the 48th Edison Electric Institute Financial Conference in Orlando, Fla. Our main takeaway was that management has a doable long-term capital expenditure program and regulatory frameworks to allow NiSource to achieve a 6.5% average compounded annual EPS growth rate and increase its common dividend over 4% per year. This earnings growth rate is in line with the 5%-7% range management has targeted. We are reaffirming our narrow moat and stable moat trend ratings and our fair value estimate of $27 per share.

We expect capital expenditures to average about $2 billion per year during the next five years. The environmental control expenditures at NIPSCO's coal-fired plants have peaked and will now wind down as the seven-year, $1.7 billion investments for electric and natural gas distribution system improvements in Indiana ramp up. Since NiSource is the first Indiana utility to use new legislation that provides a rate tracker mechanism for recovery of these investments, management expects litigation. However, management believes the law will pass legal scrutiny and the only issues will be its administration. We agree with this assessment, but if it is wrong, consolidated capital expenditures and earnings will likely fall short of our estimates.

Overall, we thought the tone of the meeting was very good. In our opinion, the only negative was management's reiteration of its concern about the formation of a master limited partnership. Management believes the tax leakage will be too significant and the credit issues too complex to create an MLP with the firm's natural gas transmission pipelines and midstream assets at this time. After

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Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Morningstar Credit Rating	Industry Group
35.51 USD	30.00 USD	21.00 USD	40.50 USD	Medium	Narrow	Stable	Standard	BBB	Utilities - Regulated

Analyst Notes

CenterPoint Energy and Dominion Resources announced plans to form an MLP, the shares of both benefited. We believe it could be a long time before NiSource heads down the MLP path.

NiSource Reports Solid 3Q Results; Indiana Modernization Plan on Track 01 Nov 2013

NiSource reported third-quarter operating earnings per share of $0.18 versus $0.04 in the same period last year. The improved results were primarily due to the fact that in 2012, Columbia Pipeline Group operations were negatively affected by the customer settlement related to the infrastructure modernization program. NiSource reiterated its 2013 operating earnings guidance of $1.50-$1.60 per share. Our estimate of $1.56 per share is unchanged. We are also reaffirming our narrow moat and stable moat trend ratings and our fair value estimate of $27 per share.

In line with Indiana legislation passed earlier this year, in early October NIPSCO filed its natural gas infrastructure modernization and expansion plan with the Indiana Utility Regulatory Commission. Management indicated the $700 million seven-year gas program and the previously filed $1 billion electric modernization program will begin by the middle of next year following approval by the IURC. These programs will ramp up as the environmental expenditures for NIPSCO's coal-fired power plants are nearing completion. Management believes this timing will result in steady capital expenditures during the next few years and additional equity will not be required until 2015. Management now believes the equity issuance will be in the second half of 2015. We assume a $400 million equity issuance.

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Morningstar Analyst Forecasts

Financial Summary and Forecasts

Fiscal Year Ends in December

Growth (% YoY)	3-Year Hist. CAGR	2011	2012	2013	2014 (Forecast)	2015 (Forecast)	5 Year Proj. CAGR
Revenue	-4.1	-6.3	-15.9	11.8	8.2	6.6	6.8
EBIT	6.8	-0.2	12.7	8.4	12.7	9.4	9.8
EBITDA	3.9	-4.0	9.6	6.4	9.9	9.3	8.9
Net Income	13.2	14.1	12.4	13.0	6.5	8.8	9.0
Diluted EPS	9.0	10.8	7.9	8.3	4.6	8.1	6.9
Earnings Before Interest, after Tax	4.4	10.4	4.1	-1.0	16.8	4.7	8.0
Free Cash Flow	-237.7	-88.9	339.3	-637.2	-58.5	148.0	—

Profitability	3-Year Hist. Avg	2011	2012	2013	2014	2015	5 Year Proj. Avg
Operating Margin %	18.6	15.3	20.5	19.9	20.7	21.3	21.9
EBITDA Margin %	28.7	24.3	31.6	30.1	30.6	31.4	32.0
Net Margin %	7.9	6.5	8.6	8.7	8.6	8.8	9.1
Free Cash Flow Margin %	-1.7	0.3	1.4	-6.7	-2.6	-6.0	-2.9
ROIC %	7.3	7.6	7.5	6.9	7.4	7.2	7.2
Adjusted ROIC %	10.0	10.6	10.2	9.1	9.7	9.2	9.0
Return on Assets %	1.9	1.5	2.0	2.4	2.2	2.2	2.3
Return on Equity %	7.7	6.0	7.9	9.3	8.8	9.2	9.4

Leverage	3-Year Hist. Avg	2011	2012	2013	2014	2015	5-Year Proj. Avg
Debt/Capital	0.60	0.61	0.59	0.60	0.61	0.63	0.62
Total Debt/EBITDA	5.23	5.45	5.06	5.19	5.21	5.26	5.10
EBITDA/Interest Expense	3.94	3.88	3.83	4.11	4.03	3.99	4.07

Valuation Summary and Forecasts

	2012	2013	2014(E)	2015(E)
Price/Fair Value	1.00	1.22	—	—
Price/Earnings	17.0	20.8	21.2	19.6
EV/EBITDA	9.9	11.2	10.6	9.7
EV/EBIT	15.2	17.0	15.6	14.2
Free Cash Flow Yield %	-3.0	-4.4	-5.2	-4.8
Dividend Yield %	3.5	3.0	3.0	3.1

Key Valuation Drivers

Cost of Equity %	10.0
Pre-Tax Cost of Debt %	5.0
Weighted Average Cost of Capital %	6.7
Long-Run Tax Rate %	35.0
Stage II EBI Growth Rate %	7.0
Stage II Investment Rate %	87.5
Perpetuity Year	15

Additional estimates and scenarios available for download at http://select.morningstar.com.

Discounted Cash Flow Valuation

	USD Mil	Firm Value (%)	Per Share Value
Present Value Stage I	-816	-4.5	-2.55
Present Value Stage II	1,359	7.5	4.25
Present Value Stage III	17,611	97.0	55.12
Total Firm Value	**18,155**	**100.0**	**56.82**
Cash and Equivalents	70	—	0.22
Debt	-8,834	—	-27.65
Preferred Stock	—	—	—
Other Adjustments	35	—	0.11
Equity Value	**9,425**	—	**29.50**
Projected Diluted Shares	320		
Fair Value per Share (USD)	—		

The data in the table above represent base-case forecasts in the company's reporting currency as of the beginning of the current year. Our fair value estimate may differ from the equity value per share shown above due to our time value of money adjustment and in cases where probability-weighted scenario analysis is performed.

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Morningstar Analyst Forecasts

Income Statement (USD Mil)
Fiscal Year Ends in December

				Forecast	
	2011	2012	2013	*2014*	*2015*
Revenue	**6,019**	**5,061**	**5,657**	***6,123***	***6,524***
Cost of Goods Sold	2,556	1,542	1,816	*2,023*	*2,109*
Gross Profit	**3,463**	**3,520**	**3,842**	***4,100***	***4,415***
Selling, General & Administrative Expenses	1,723	1,663	1,874	*1,976*	*2,111*
Other Operating Expense (Income)	295	288	301	*297*	*307*
Other Operating Expense (Income)	-15	-32	-36	*-45*	*-49*
Depreciation & Amortization (if reported separately)	538	562	577	*603*	*658*
Operating Income (ex charges)	**922**	**1,039**	**1,126**	***1,269***	***1,388***
Restructuring & Other Cash Charges	17	-4	-18	—	—
Impairment Charges (if reported separately)	—	—	—	—	—
Other Non-Cash (Income)/Charges	—	—	—	—	—
Operating Income (incl charges)	**905**	**1,043**	**1,143**	***1,269***	***1,388***
Interest Expense	377	418	415	*465*	*513*
Interest Income	-61	2	24	*5*	*5*
Pre-Tax Income	**467**	**626**	**753**	***809***	***880***
Income Tax Expense	163	216	262	*283*	*308*
Other After-Tax Cash Gains (Losses)	-5	6	6	—	—
Other After-Tax Non-Cash Gains (Losses)	—	—	35	—	—
(Minority Interest)	—	—	—	—	—
(Preferred Dividends)	—	—	—	—	—
Net Income	**299**	**416**	**532**	***526***	***572***
Weighted Average Diluted Shares Outstanding	289	300	314	*319*	*321*
Diluted Earnings Per Share	**1.03**	**1.39**	**1.70**	***1.65***	***1.78***
Adjusted Net Income	389	437	494	*526*	*572*
Diluted Earnings Per Share (Adjusted)	**1.35**	**1.46**	**1.58**	***1.65***	***1.78***
Dividends Per Common Share	0.92	0.94	0.98	*1.02*	*1.06*
EBITDA	**1,443**	**1,605**	**1,721**	***1,872***	***2,046***
Adjusted EBITDA	**1,460**	**1,601**	**1,703**	***1,872***	***2,046***

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35.51 USD	30.00 USD	21.00 USD	40.50 USD	Medium	Narrow	Stable	Standard	BBB	Utilities - Regulated

Morningstar Analyst Forecasts

Balance Sheet (USD Mil) Fiscal Year Ends in December	2011	2012	2013	Forecast 2014	2015
Cash and Equivalents	172	83	35	199	168
Investments	—	—	—	—	—
Accounts Receivable	855	907	1,006	1,090	1,162
Inventory	566	496	500	554	578
Deferred Tax Assets (Current)	—	—	—	—	—
Other Short Term Assets	655	866	618	750	750
Current Assets	**2,248**	**2,352**	**2,159**	**2,594**	**2,658**
Net Property Plant, and Equipment	11,800	12,916	14,365	15,843	17,259
Goodwill	3,677	3,677	3,666	3,666	3,666
Other Intangibles	298	287	276	276	276
Deferred Tax Assets (Long-Term)	—	—	—	—	—
Other Long-Term Operating Assets	2,685	2,613	2,188	2,561	2,689
Long-Term Non-Operating Assets	—	—	—	—	—
Total Assets	**20,708**	**21,845**	**22,654**	**24,940**	**26,548**
Accounts Payable	435	539	619	690	719
Short-Term Debt	1,687	1,284	1,241	1,250	1,250
Deferred Tax Liabilities (Current)	—	—	—	—	—
Other Short-Term Liabilities	1,525	1,479	1,319	1,500	1,500
Current Liabilities	**3,646**	**3,302**	**3,178**	**3,440**	**3,469**
Long-Term Debt	6,267	6,819	7,593	8,500	9,500
Deferred Tax Liabilities (Long-Term)	2,542	2,953	3,278	3,632	3,963
Other Long-Term Operating Liabilities	3,256	3,216	2,718	3,252	3,236
Long-Term Non-Operating Liabilities	—	—	—	—	—
Total Liabilities	**15,711**	**16,290**	**16,767**	**18,823**	**20,169**
Preferred Stock	—	—	—	—	—
Common Stock	3	3	3	3	3
Additional Paid-in Capital	4,168	4,598	4,690	4,725	4,760
Retained Earnings (Deficit)	917	1,060	1,286	1,486	1,717
(Treasury Stock)	-31	-41	-49	-49	-49
Other Equity	-60	-66	-44	-49	-54
Shareholder's Equity	**4,997**	**5,554**	**5,887**	**6,117**	**6,379**
Minority Interest	—	—	—	—	—
Total Equity	**4,997**	**5,554**	**5,887**	**6,117**	**6,379**

NiSource Inc NI (NYSE) ★★

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35.51 USD	30.00 USD	21.00 USD	40.50 USD	Medium	Narrow	Stable	Standard	BBB	Utilities - Regulated

Morningstar Analyst Forecasts

Cash Flow (USD Mil)
Fiscal Year Ends in December

	2011	2012	2013	*Forecast* 2014	*Forecast* 2015
Net Income	299	416	532	*526*	*572*
Depreciation	538	562	577	*603*	*658*
Amortization	—	—	—	—	—
Stock-Based Compensation	39	45	51	*49*	*53*
Impairment of Goodwill	—	—	—	—	—
Impairment of Other Intangibles	—	—	—	—	—
Deferred Taxes	178	305	287	*354*	*332*
Other Non-Cash Adjustments	217	25	-65	—	—
(Increase) Decrease in Accounts Receivable	220	-51	-95	*-85*	*-72*
(Increase) Decrease in Inventory	-142	62	-9	*-54*	*-24*
Change in Other Short-Term Assets	-274	-157	81	*-132*	—
Increase (Decrease) in Accounts Payable	-155	57	68	*71*	*29*
Change in Other Short-Term Liabilities	—	—	—	*181*	—
Cash From Operations	**920**	**1,264**	**1,427**	***1,514***	***1,549***
(Capital Expenditures)	-1,125	-1,499	-1,880	*-2,081*	*-2,074*
Net (Acquisitions), Asset Sales, and Disposals	9	26	18	—	—
Net Sales (Purchases) of Investments	—	—	—	—	—
Other Investing Cash Flows	-34	51	-148	*160*	*-143*
Cash From Investing	**-1,149**	**-1,422**	**-2,010**	***-1,921***	***-2,216***
Common Stock Issuance (or Repurchase)	21	374	36	*35*	*35*
Common Stock (Dividends)	-258	-273	-306	*-326*	*-341*
Short-Term Debt Issuance (or Retirement)	-23	-582	-78	*9*	—
Long-Term Debt Issuance (or Retirement)	541	656	794	*907*	*1,000*
Other Financing Cash Flows	—	—	—	*-49*	*-53*
Cash From Financing	**281**	**175**	**445**	***576***	***642***
Exchange Rates, Discontinued Ops, etc. (net)	-50	8	129	*-5*	*-5*
Net Change in Cash	**2**	**25**	**-10**	***164***	***-31***

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Comparable Company Analysis

These companies are chosen by the analyst and the data are shown by nearest calendar year in descending market capitalization order.

Valuation Analysis

		Price/Earnings			EV/EBITDA			Price/Free Cash Flow			Price/Book			Price/Sales		
Company/Ticker	Price/Fair Value	2013	2014(E)	2015(E)	2013	2014(E)	2015(E)	2013	2014(E)	2015(E)	2013	2014(E)	2015(E)	2013	2014(E)	2015(E)
Dominion Resources Inc D USA	1.16	—	19.9	19.1	—	11.1	10.5	—	NM	-34.4	—	3.2	3.0	—	2.7	2.6
Sempra Energy SRE USA	1.23	—	21.4	19.7	—	10.4	9.8	—	NM	93.7	—	2.0	1.9	—	2.2	2.1
CenterPoint Energy Inc CNP USA	0.99	19.8	18.7	18.2	9.4	9.4	9.5	15.0	21.7	18.3	2.3	2.2	2.1	1.3	1.2	1.2
SCANA Corp SCG USA	1.06	14.6	14.0	13.7	9.3	8.8	8.2	NM	NM	-13.0	1.5	1.3	1.2	1.6	1.5	1.5
Average		17.2	18.5	17.7	9.4	9.9	9.5	15.0	21.7	16.2	1.9	2.2	2.1	1.5	1.9	1.9
NiSource Inc NI US	**1.29**	**20.8**	**21.2**	**19.6**	**11.2**	**10.6**	**9.7**	**NM**	**NM**	**NM**	**1.8**	**1.8**	**1.7**	**1.8**	**1.8**	**1.7**

Returns Analysis

		ROIC %			Adjusted ROIC %			Return on Equity %			Return on Assets %			Dividend Yield %		
Company/Ticker	Last Historical Year Total Assets (Mil)	2013	2014(E)	2015(E)	2013	2014(E)	2015(E)	2013	2014(E)	2015(E)	2013	2014(E)	2015(E)	2013	2014(E)	2015(E)
Dominion Resources Inc D USA	— USD	9.2	8.3	7.9	10.1	9.0	8.6	17.5	17.2	16.6	4.0	3.9	3.8	—	3.5	3.7
Sempra Energy SRE USA	— USD	6.8	5.6	5.8	7.4	6.1	6.3	9.7	10.1	10.5	2.8	2.9	3.0	—	2.8	2.9
CenterPoint Energy Inc CNP USA	— USD	6.6	6.6	6.6	7.5	7.5	7.4	11.8	11.9	11.8	2.3	2.4	2.5	3.5	3.7	3.9
SCANA Corp SCG USA	— USD	6.5	6.2	6.1	6.5	6.2	6.1	10.8	10.4	10.1	3.2	3.1	3.1	4.0	4.2	4.5
Average		7.3	6.7	6.6	7.9	7.2	7.1	12.5	12.4	12.3	3.1	3.1	3.1	3.8	3.6	3.8
NiSource Inc NI US	**22,654** USD	**6.9**	**7.4**	**7.2**	**9.1**	**9.7**	**9.2**	**9.3**	**8.8**	**9.2**	**2.4**	**2.2**	**2.2**	**3.0**	**3.0**	**3.1**

Growth Analysis

		Revenue Growth %			EBIT Growth %			EPS Growth %			Free Cash Flow Growth %			Dividend/Share Growth %		
Company/Ticker	Last Historical Year Revenue (Mil)	2013	2014(E)	2015(E)	2013	2014(E)	2015(E)	2013	2014(E)	2015(E)	2013	2014(E)	2015(E)	2013	2014(E)	2015(E)
Dominion Resources Inc D USA	14,233 USD	8.7	5.5	5.3	136.0	4.1	3.8	9.3	5.5	3.9	-38.1	-59.5	-143.5	6.6	6.7	6.3
Sempra Energy SRE USA	10,560 USD	9.5	2.5	3.2	35.1	3.9	7.9	0.9	2.3	8.4	-133.0	-177.3	-316.5	5.0	4.0	4.0
CenterPoint Energy Inc CNP USA	8,005 USD	7.4	2.8	3.1	-24.8	1.3	1.3	-4.1	5.8	2.8	256.2	-42.4	7.7	2.5	4.8	4.6
SCANA Corp SCG USA	4,493 USD	7.6	3.2	3.9	13.4	5.5	8.2	8.1	3.9	2.6	421.4	126.8	-13.9	2.5	2.5	2.4
Average		8.3	3.5	3.9	39.9	3.7	5.3	3.6	4.4	4.4	126.6	-38.1	-116.6	4.2	4.5	4.3
NiSource Inc NI US	**5,657** USD	**11.8**	**8.2**	**6.6**	**8.4**	**12.7**	**9.4**	**8.3**	**4.6**	**8.1**	**-637.2**	**-58.5**	**148.0**	**4.3**	**4.1**	**3.9**

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Comparable Company Analysis

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Profitability Analysis

Company/Ticker	Last Historical Year Net Income (Mil)	Gross Margin % 2013	2014(E)	2015(E)	EBITDA Margin % 2013	2014(E)	2015(E)	Operating Margin % 2013	2014(E)	2015(E)	Net Margin % 2013	2014(E)	2015(E)	Free Cash Flow Margin % 2013	2014(E)	2015(E)
Dominion Resources Inc D USA	1,931 USD	58.0	58.0	58.0	37.0	37.5	37.7	26.7	26.3	25.9	13.6	13.7	13.6	-0.7	-5.1	-7.5
Sempra Energy SRE USA	1,095 USD	62.4	63.8	64.9	30.1	31.6	32.7	19.9	20.1	21.0	10.4	10.4	10.9	-2.5	-4.8	2.3
CenterPoint Energy Inc CNP USA	517 USD	48.5	47.8	47.0	23.4	22.6	21.8	12.1	11.9	11.7	6.5	6.7	6.7	8.5	5.7	6.6
SCANA Corp SCG USA	477 USD	51.1	51.9	53.0	30.4	31.0	32.1	21.7	22.2	23.1	10.6	11.1	11.4	-10.5	-13.6	-11.2
Average		55.0	55.4	55.7	30.2	30.7	31.1	20.1	20.1	20.4	10.3	10.5	10.7	-1.3	-4.5	-2.5
NiSource Inc NI US	**494** USD	**67.9**	**67.0**	**67.7**	**30.1**	**30.6**	**31.4**	**19.9**	**20.7**	**21.3**	**8.7**	**8.6**	**8.8**	**-8.0**	**-9.3**	**-8.0**

Leverage Analysis

Company/Ticker	Last Historical Year Total Debt (Mil)	Debt/Equity % 2013	2014(E)	2015(E)	Debt/Total Cap % 2013	2014(E)	2015(E)	EBITDA/Interest Exp. 2013	2014(E)	2015(E)	Total Debt/EBITDA 2013	2014(E)	2015(E)	Assets/Equity 2013	2014(E)	2015(E)
Dominion Resources Inc D USA	22,400 USD	190.6	187.1	187.6	65.6	65.2	65.2	6.3	6.6	6.5	4.3	4.2	4.3	4.3	4.2	4.2
Sempra Energy SRE USA	13,360 USD	122.5	121.0	118.3	55.1	54.8	54.2	5.1	5.4	5.4	4.2	4.1	3.9	3.5	3.5	3.4
CenterPoint Energy Inc CNP USA	8,700 USD	193.3	176.0	162.2	65.9	63.8	61.9	4.2	4.4	4.4	4.6	4.5	4.3	5.0	4.8	4.7
SCANA Corp SCG USA	6,244 USD	134.3	131.5	133.2	57.3	56.8	57.1	4.4	4.2	4.0	4.6	4.8	4.9	3.4	3.2	3.2
Average		160.2	153.9	150.3	61.0	60.2	59.6	5.0	5.2	5.1	4.4	4.4	4.4	4.1	3.9	3.9
NiSource Inc NI US	**8,834** USD	**150.1**	**159.4**	**168.5**	**60.0**	**61.5**	**62.8**	**4.1**	**4.0**	**4.0**	**5.2**	**5.2**	**5.3**	**3.8**	**4.1**	**4.2**

Liquidity Analysis

Company/Ticker	Market Cap (Mil)	Cash per Share 2013	2014(E)	2015(E)	Current Ratio 2013	2014(E)	2015(E)	Quick Ratio 2013	2014(E)	2015(E)	Cash/Short-Term Debt 2013	2014(E)	2015(E)	Payout Ratio % 2013	2014(E)	2015(E)
Dominion Resources Inc D USA	40,570 USD	0.43	0.45	0.48	0.68	0.70	0.71	0.54	0.54	0.55	0.06	0.07	0.07	67.5	68.3	69.9
Sempra Energy SRE USA	23,570 USD	3.65	1.62	2.02	0.87	0.95	0.95	0.77	0.84	0.84	0.48	0.40	0.51	61.0	58.4	56.0
CenterPoint Energy Inc CNP USA	10,164 USD	1.40	1.47	1.90	1.00	1.02	1.09	0.86	0.89	0.96	1.21	1.27	1.65	69.3	68.6	69.8
SCANA Corp SCG USA	7,006 USD	1.49	2.13	2.17	0.90	0.94	0.97	0.68	0.73	0.75	0.25	0.34	0.35	59.6	58.8	58.7
Average		1.74	1.42	1.64	0.86	0.90	0.93	0.71	0.75	0.78	0.50	0.52	0.65	64.4	63.5	63.6
NiSource Inc NI US	**10,958** USD	**0.11**	**0.62**	**0.52**	**0.68**	**0.75**	**0.77**	**0.52**	**0.59**	**0.60**	**0.03**	**0.16**	**0.13**	**57.8**	**61.9**	**59.5**

Research Methodology for Valuing Companies

Components of Our Methodology
- Economic Moat™ Rating
- Moat Trend™ Rating
- Moat Valuation
- Three-Stage Discounted Cash Flow
- Weighted Average Cost of Capital
- Fair Value Estimate
- Scenario Analysis
- Uncertainty Ratings
- Margin of Safety
- Consider Buying/Selling
- Stewardship Rating

The Morningstar Rating for stocks identifies companies trading at a discount or premium to our analysts' assessment of their fair value. A number of components drive this rating: (1) our assessment of the firm's economic moat, (2) our estimate of the stock's intrinsic value based on a discounted cash-flow model, (3) the margin of safety bands we apply to our Fair Value Estimate, and (4) the current stock price relative to our fair value estimate.

The concept of the Morningstar Economic Moat™ Rating plays a vital role not only in our qualitative assessment of a firm's investment potential, but also in our valuation process. We assign three moat ratings—none, narrow, or wide—as well as the Morningstar Moat Trend™ Rating—positive, stable, or negative—to each company we cover. There are two major requirements for firms to earn either a narrow or wide moat rating: (1) the prospect of earning above-average returns on capital; and (2) some competitive edge that prevents these returns from quickly eroding. The assumptions we make about a firm's moat determine the length of "economic outperformance" that we assume in the latter stages of our valuation model. We also quantify the value of each firm's moat, which represents the difference between a firm's enterprise value and the value of the firm if no future net investment were to occur. Said differently, moat value identifies the value generated by the firm as a result of any future net new investment. Our Moat Trend Rating reflects our assessment of whether each firm's competitive advantage is either getting stronger or weaker, since we think of moats as dynamic, rather than static.

At the heart of our valuation system is a detailed projection of a company's future cash flows. The first stage of our three-stage discounted cash flow model can last from 5 to 10 years and contains numerous detailed assumptions about various financial and operating items. The second stage of our model—where a firm's return on new invested capital (RONIC) and earnings growth rate implicitly fade until the perpetuity year—can last anywhere from 0 years (for no-moat firms) to 20 years (for wide-moat companies). In our third stage, we assume the firm's RONIC equals its weighted average cost of capital, and we calculate a continuing value using a standard

Morningstar Research Methodology for Valuing Companies

Fundamental Analysis	Economic Moat™ Rating	Company Valuation	Fair Value Estimate	Uncertainty Assessment	★★★★★ ★★★★ ★★★ ★★ ★
Analyst conducts company and industry research: ► Financial statement analysis ► Channel checks ► Trade-show visits ► Industry and company reports and journals ► Conference calls ► Management and site visits	Strength of competitive advantage is rated: None, Narrow, or Wide Advantages that confer an economic moat: **High Switching Costs** (Microsoft) **Cost advantage** (Wal-Mart) **Intangible assets** (Johnson & Johnson) **Network Effect** (Mastercard) **Efficient Scale** (Lockheed Martin)	Analyst considers past financial results and focuses on competitive position and future prospects to forecast future cash flows. Assumptions are entered into Morningstar's proprietary discounted cash-flow model.	Analyst uses a discounted cash-flow model to develop a Fair Value Estimate, which serves as the foundation for the Morningstar Rating for stocks.	The analyst then evaluates the range of potential intrinsic values for the company and assigns an Uncertainty Rating: Low, Medium, High, Very High, or Extreme. The Uncertainty Rating determines the margin of safety required before we would recommend the stock. The higher the uncertainty, the wider the margin of safety.	The current stock price relative to Morningstar's Fair Value Estimate, adjusted for uncertainty, determines the Morningstar Rating for stocks. The Morningstar Rating for stocks is updated each evening after the market closes.

Research Methodology for Valuing Companies

Detailed Methodology Documents and Materials*

- Comprehensive Equity Research Methodology
- Uncertainty Methodology
- Cost of Equity Methodology
- Morningstar DCF Valuation Model
- Stewardship Rating Methodology

* Please contact a sales representative for more information.

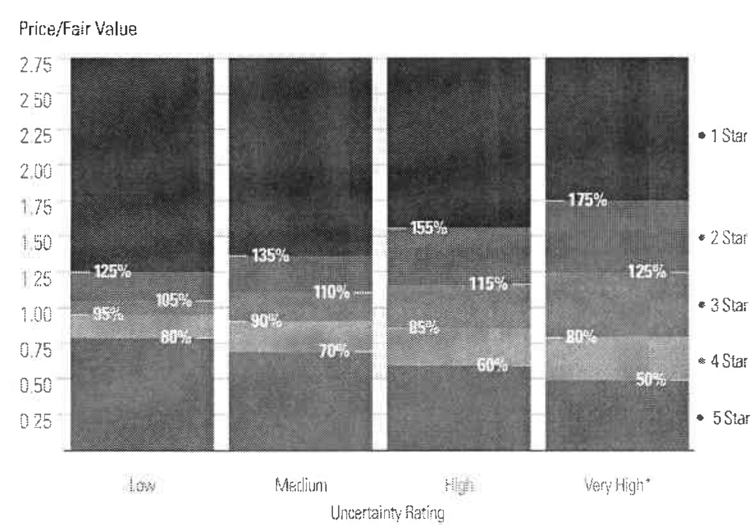
perpetuity formula. In deciding on the rate at which to discount future cash flows, we ignore stock-price volatility. Instead, we rely on a system that measures the estimated volatility of a firm's underlying future free cash flows, taking into account fundamental factors such as the diversity of revenue sources and the firm's fixed cost structure.

We also employ a number of other tools to augment our valuation process, including scenario analysis, where we assess the likelihood and performance of a business under different economic and firm-specific conditions. Our analysts typically model three to five scenarios for each company we cover, stress-testing the model and examining the distribution of resulting fair values.

The Morningstar Uncertainty Rating captures the range of these potential fair values, based on an assessment of a company's future sales range, the firm's operating and financial leverage, and any other contingent events that may impact the business. Our analysts use this range to assign an appropriate margin of safety—or the discount/premium to a fair value we apply in setting our consider buying/consider selling prices. Firms trading below our consider-buying prices receive our highest rating of five stars, whereas firms trading above our consider-selling prices receive our lowest rating of one star.

Our corporate Stewardship Rating represents our assessment of management's stewardship of shareholder capital, with particular emphasis on capital allocation decisions. Analysts consider companies' investment strategy and valuation, financial leverage, dividend and share buyback policies, execution, compensation, related party transactions, and accounting practices. Corporate governance practices are only considered if they've had a demonstrated impact on shareholder value. Analysts assign one of three ratings: "Exemplary," "Standard," and "Poor." Analysts judge stewardship from an equity holder's perspective. Ratings are determined on an absolute basis. Most companies will receive a Standard rating, and this is the default rating in the absence of evidence that managers have made exceptionally strong or poor capital allocation decisions.

Morningstar Margin of Safety and Star Rating Bands



* Occasionally a stock's uncertainty will be too high for us to estimate, in which case we label it Extreme.

Morningstar's Approach to Rating Corporate Credit

- Offers a proprietary measure of the credit quality of companies on our coverage list.
- Encapsulates our in-depth modeling and quantitative work in one letter grade.
- Allows investors to rank companies by each of the four underlying components of our credit ratings, including both analyst-driven and quantitative measures.
- Provides access to all the underlying forecasts that go into the rating, available through our institutional service.

Purpose

The Morningstar Corporate Credit Rating measures the ability of a firm to satisfy its debt and debt-like obligations. The higher the rating, the less likely we think the company is to default on these obligations.

The Morningstar Corporate Credit Rating builds on the modeling expertise of our securities research team. For each company, we publish:

- Five years of detailed pro-forma financial statements
- Annual estimates of free cash flow
- Annual forecasts of return on invested capital
- Scenario analyses, including upside and downside cases
- Forecasts of leverage, coverage, and liquidity ratios for five years
- Estimates of off balance sheet liabilities

These forecasts are key inputs into the Morningstar Corporate Credit Rating and are available to subscribers at select.morningstar.com.

Methodology

We feel it's important to perform credit analysis through different lenses—qualitative and quantitative, as well as fundamental and market-driven. We therefore evaluate each company in four broad categories.

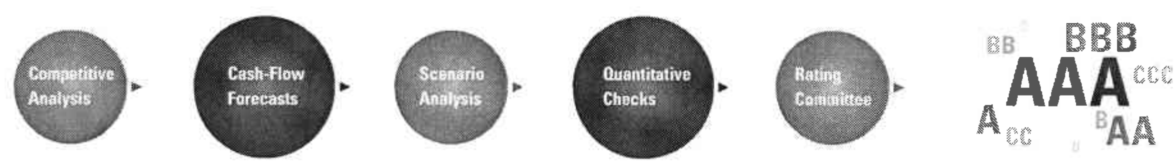
Business Risk

Business Risk captures the fundamental uncertainty around a firm's business operations and the cash flow generated by those operations. Key components of the Business Risk rating include the Morningstar Economic Moat™ Rating and the Morningstar Uncertainty Rating.

Cash Flow Cushion™

Morningstar's proprietary Cash Flow Cushion™ ratio is a fundamental indicator of a firm's future financial health The measure reveals how many times a company's internal cash generation plus total excess liquid cash will cover its debt-like contractual commitments over the next five years. The Cash Flow Cushion acts as a predictor of financial distress, bringing to light potential refinancing, operational, and liquidity risks inherent to the firm.

Morningstar Research Methodology for Determining Corporate Credit Ratings



Analyst conducts company and industry research:

- Management interviews
- Conference calls
- Trade show visits
- Competitor, supplier, distributor, and customer interviews
- Assign Economic Moat™ Rating

Analyst considers company financial statements and competitive dynamics to forecast future free cash flows to the firm.

Analyst derives estimate of Cash-Flow Cushion™.

Analysts run bull and bear cases through the model to derive alternate estimates of enterprise value.

Based on competitive analysis, cash-flow forecasts, and scenario analysis, the analyst assigns Business Risk.

We gauge a firm's health using quantitative tools supported by our own backtesting and academic research.

- Morningstar Solvency Score™
- Distance to Default

Senior personnel review each company to determine the appropriate final credit rating.

- Review modeling assumptions
- Approve company-specific adjustments

AAA	Extremely Low Default Risk
AA	Very Low Default Risk
A	Low Default Risk
BBB	Moderate Default Risk
BB	Above Average Default Risk
B	High Default Risk
CCC	Currently Very High Default Risk
CC	Currently Extreme Default Risk
C	Imminent Payment Default
D	Payment Default
UR	Under Review
UR+	Positive Credit Implication
UR-	Negative Credit Implication

Morningstar's Approach to Rating Corporate Credit

The advantage of the Cash Flow Cushion ratio relative to other fundamental indicators of credit health is that the measure focuses on the future cash-generating performance of the firm derived from Morningstar's proprietary discounted cash flow model. By making standardized adjustments for certain expenses to reflect their debt-like characteristics, we can compare future projected free cash flows with debt-like cash commitments coming due in any particular year. The forward-looking nature of this metric allows us to anticipate changes in a firm's financial health and pinpoint periods where cash shortfalls are likely to occur.

Morningstar Solvency Score™

The Morningstar Solvency Score™ is a quantitative score derived from both historical and forecasted financial ratios. It includes ratios that focus on liquidity (a company's ability to meet short term cash outflows), profitability (a company's ability to generate profit per unit of input), capital structure (how does the company finance its operations), and interest coverage (how much of profit is used up by interest payments).

Distance to Default

Morningstar's quantitative Distance to Default measure ranks companies on the likelihood that they will tumble into financial distress. The measure is a linear model of the percentile of a firm's leverage (ratio of Enterprise Value to Market Value), the percentile of a firm's equity volatility relative to the rest of the universe and the interaction of these two percentiles. This is a proxy methodology for the common definition of Distance to Default which relies on option-based pricing models. The proxy has the benefit of increased breadth of coverage, greater simplicity of calculation, and more predictive power.

For each of these four categories, we assign a score, which we then translate into a descriptive rating along the scale of Very Good / Good / Fair / Poor / Very Poor.

Overall Credit Rating

The four component ratings roll up into a single preliminary credit rating. To determine the final credit rating, a credit committee of at least five senior research personnel reviews each preliminary rating.

We review credit ratings on a regular basis and as events warrant. Any change in rating must be approved by the Credit Rating Committee.

Investor Access

Morningstar Corporate Credit Ratings are available on Morningstar.com. Our credit research, including detailed cash-flow models that contain all of the components of the Morningstar Corporate Credit Rating, is available to subscribers at select.morningstar.com.

North American Pipelines — BMO Capital Markets

NiSource
(NI-NYSE)

Stock Rating: Market Perform
Industry Rating: Market Perform

July 31, 2014

Carl Kirst, CFA 713-546-9756
BMO Capital Markets Corp.
carl.kirst@bmo.com

Danilo Juvane, CFA / Leah Jordan, CFA
BMO Capital Markets Corp.
713-546-9741 / 713-546-9707
danilo.juvane@bmo.com / leah.jordan@bmo.com

2Q14 Operationally on Point; Pipe Projects Progress

Event

NI reported 2Q14 core EPS of $0.25, in line with consensus and $0.02 above our $0.23 estimate. With operations/EBITDA collectively on point, the beat to us came from interest and taxes. Key takeaways: 1) 2014 guidance was narrowed to the upper half of the previous $1.61-$1.71 range, indicating a new range of $1.66-$1.71 (we now reside at $1.71 post this $0.02 beat); 2) a potential MLP remains under review, and we still anticipate an announcement by the end of this quarter at NI's upcoming analyst day; 3) the ~$1.5B Leach/Rayne proposals continue to advance with additional detail expected in the coming weeks, adding confidence to these major projects (which are already included in our valuation at $2/share of NAV); 3) although it is earlier in the process, a third potential large pipeline project, WB Express, is also progressing, with more detail expected at the analyst day; 4) NI also announced two new secured pipe projects in the Marcellus/Utica, albeit smaller, in the $60mm area. That, along with ongoing discussion for a potential expansion of the Big Pine Gathering System, demonstrates NI's ability to continue to layer in additional growth tied to its established footprint in this region, which also would benefit a potential MLP; and 5) newly enacted legislation in MA could allow Columbia Gas of MA to reduce its recovery lag (+$0.01 to EPS) as well as invest slightly more per year. As a result, NI plans to file its request by October with rates to be in effect in May 2015, if approved. All eyes now turn to the September 29 analyst day.

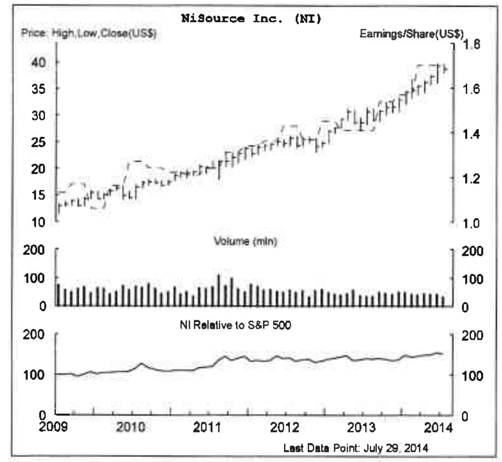
Impact & Analysis

Owing to the 2Q beat, we are increasing our 2014 estimate by $0.02 to $1.71. We have also reworked our model for the expected Leach/Rayne projects to include AFUDC, which will add an incremental ~$0.04/year of noncash EPS until in service in 4Q17. We are thus increasing our 2015-2016 estimates to $1.81 and $1.88 from $1.77 and $1.77, respectively, resulting in about a 5% EPS CAGR.

Valuation & Recommendation

We are reaffirming our Market Perform rating and $38 price target, although we note WB Express represents another $1/share of upside optionality.

Price (31-Jul)	$37.68	**52-Week High**	$39.70
Target Price	$38.00	**52-Week Low**	$28.85



(FY-Dec.)	2012A	2013A	2014E	2015E
EPS	$1.44	$1.57	$1.71↑	$1.81↑
P/E			22.0x	20.8x
CFPS	$4.31	$4.37	$4.51↑	$4.25
P/CFPS			8.4x	8.9x
Rev. ($mm)	$5,091	$5,657	$6,336	$6,563
EV ($mm)	$14,955	$16,838	$16,838	$16,838
EBITDA ($mm)	$1,615	$1,745	$1,918	$2,037
EV/EBITDA	9.3x	9.6x	8.8x	8.3x

Quarterly EPS	Q1	Q2	Q3	Q4
2012A	$0.73	$0.23	$0.05	$0.44
2013A	$0.69	$0.23	$0.18	$0.47
2014E	$0.82a	$0.25a	$0.16	$0.48

Dividend	$1.00	Yield	2.7%
Book Value	$18.21	Price/Book	2.1x
Shares O/S (mm)	313.3	Mkt. Cap (mm)	$11,805
Float O/S (mm)	310.8	Float Cap (mm)	$11,712
Wkly Vol (000s)	9,677	Wkly $ Vol (mm)	$326.7
Net Debt ($mm)	$6,740	Next Rep. Date	na

Notes: All values in US$
Major Shareholders:
First Call Mean Estimates: NISOURCE INC (US$) 2014E: $1.69; 2015E: $1.82

Changes	Annual EPS	Annual CFPS
	2014E $1.69 to $1.71 2015E $1.77 to $1.81	2014E $4.45 to $4.51

Please refer to pages 7 to 10 for Important Disclosures, including the Analyst's Certification.

2Q14 at a Glance

NI reported 2Q14 adjusted EPS of $0.25 in line with consensus and $0.02 above our $0.23 estimate. Primary deltas to our estimate along with business segment summaries are detailed below:

Pipes on target. EBIT of $104 million was in line with our estimate. Of note, total throughput of 322 MMDth increased 12% y/y, mainly due to favorable pricing conditions to third-party interconnects in the Southeast region.

+$0.01 LDC. Adjusted EBIT of $63 million (net of weather and gain on asset sale) was higher than our $56 million estimate, primarily due a greater net sales tariff. Of note, total volumes of 198 MMDth increased 2% y/y, mainly due to higher industrial throughput.

-$0.01 Electric. Adjusted EBIT of $60 million (net of weather and gain on asset sale) was lower than our $65 million estimate, primarily due to lower volumes. Specifically, total volumes of 4,261 GW hours decreased 5% y/y, mainly due to reduced market opportunities for off-system sales.

Corp/Other on target. Adjusted EBIT of $0 million (net of gain on asset sale) was in line with our estimate.

+$0.01 Interest. Interest expense of $109 million was lower than our $112 million estimate.

+$0.01 Taxes. The effective tax rate of 33% was lower than our 35% estimate.

Major Project Update

Leach Express & Rayne Express

With an estimated capacity of 1.5 Bcf/d, the proposed Leach Express project aims to transport Marcellus/Utica gas southward, namely to the Leach and TCO Pool delivery points. We estimate Leach Express to cost approximately $1.1-1.2 billion (at the midpoint) due to the size and scope of the project. Specifically, Leach Express would involve looping and new building in addition to incremental compression.

With an estimated capacity of 0.8 Bcf/d, the proposed Rayne Express project aims to backhaul the remaining capacity of the Columbia Gulf Pipeline, transporting gas south to the Gulf Coast from the Leach receipt point. Recognizing it is smaller in size and scope (e.g., additional compression only) compared with Leach Express, we estimate Rayne Express to cost about $350-400 million.

Notably, NI previously received strong customer interest from its non-binding open seasons for both the Leach and Rayne pipeline projects, and currently, NI remains in active discussion with potential customers. We note firm contracts, and subsequently more detail, are likely in the coming weeks.

On a combined basis, we estimate Rayne & Leach to represent approximately $1.5 billion of total investment and over $200 million of annual EBITDA (assuming 7.0x deployment), which provides ~$2/share of NPV (included in our $38 price target).

WB Express

The proposed WB Express project aims to provide about 1.3 Bcf/d of takeaway capacity for Marcellus gas to access both eastern and western markets. Although it is still early in the process, this project could be another ~$1 billion of investment given its size/scope (similar to Leach Express), which suggests over $1/share of additional upside. Notably, NI previously received strong customer interest from a non-binding open season for this project, and currently, NI remains in active discussion with potential customers. We look for more detail by the end of this quarter.

Exhibit 1: NiSource Income Statement

Consolidated Earnings ($ Millions Except Per Share Data)	2009A	2010A	2011A	2012A	2013A	Q1	Q2	Q3	Q4	2014E	2015E	2016E	2017E	2018E
Operating Revenues:														
Gas Distribution	$3,303	$3,096	$2,918	$1,960	$2,226	$1,215	$424	$409	$901	$2,949	$3,555	$3,638	$3,720	$3,803
Pipelines & Storage	1,241	1,261	1,356	1,462	1,643	579	390	300	340	1,609	1,422	1,489	1,539	1,800
Electric	1,213	1,375	1,428	1,508	1,563	450	405	425	400	1,679	1,725	1,770	1,815	1,860
Other	542	603	319	161	224	77	117	(29)	(65)	99	(140)	(140)	(140)	(140)
Revenues	6,299	6,335	6,019	5,091	5,657	2,321	1,335	1,105	1,576	6,336	6,563	6,757	6,935	7,323
Operating Expenses:														
Cost of Sales	2,978	2,898	2,556	1,549	1,816	1,061	372	228	478	2,140	2,189	2,202	2,215	2,228
Operation & Maintenance	1,650	1,654	1,723	1,674	1,874	501	533	479	519	2,033	2,078	2,134	2,192	2,251
DD&A	589	596	538	564	577	149	149	153	154	605	640	672	701	766
Loss (gain) on asset sales	16	1	17	(4)	(18)	(18)	(1)	0	0	(16)	0	0	0	0
Taxes and Other	263	287	295	289	301	101	73	60	82	317	311	311	312	313
Total Operating Expenses	5,516	5,436	5,129	4,072	4,550	1,797	1,127	921	1,234	5,078	5,217	5,319	5,419	5,558
Operating Income	783	899	890	1,020	1,108	524	209	184	342	1,259	1,346	1,438	1,516	1,765
Other:														
Equity in Earnings	16	15	15	32	36	10	11	11	11	43	55	65	76	86
Other	(6)	4	(61)	(1)	24	5	8	0	0	12	(4)	(4)	(4)	(4)
Total Other Income	10	19	(47)	31	60	14	19	11	11	55	51	61	72	82
Reported EBIT	$793	$918	$844	$1,051	$1,168	$538	$227	$195	$353	$1,314	$1,397	$1,499	$1,588	$1,847
EBITDA	$1,383	$1,514	$1,382	$1,615	$1,745	$687	$376	$348	$507	$1,918	$2,037	$2,171	$2,289	$2,613
EBIT Composition														
Gas Distribution	328	324	393	403	445	302	60	2	167	531	545	581	617	652
Pipelines & Storage	389	377	360	398	441	159	104	101	128	492	555	624	679	817
Electric	117	233	210	251	266	79	63	92	58	292	314	337	360	382
Corporate & Other	(40)	(16)	(119)	(2)	15	(1)	1	(0)	(0)	(1)	(4)	(4)	(4)	(4)
Total EBIT	$793	$918	$844	$1,051	$1,168	$538	$227	$195	$353	$1,314	$1,410	$1,537	$1,651	$1,847
Interest Expense	399	392	377	416	415	109	109	116	119	453	505	535	579	594
Preferred Distributions of Subsidiaries	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Financing Expense	399	392	377	416	415	109	109	116	119	453	505	535	579	594
Minority Interests (NI MLP)	0	0	0	0	0	0	0	0	0	0	(19)	(86)	(119)	(143)
Income Before Taxes	394	526	467	635	753	429	118	79	234	861	885	916	953	1,110
Income Taxes														
Current	(214)	118	(15)	(86)	(26)	14	2	7	20	43	184	192	200	233
Deferred	378	55	178	305	287	149	38	21	61	269	125	128	133	155
Total Income Taxes	165	173	163	219	262	163	40	28	82	312	310	321	333	389
Effective Inc. Tax Rate (%)	42%	33%	35%	34%	35%	38%	33%	35%	35%	36%	35%	35%	35%	35%
Net Income From Continuing Operations	229	353	304	416	491	266	79	52	152	549	575	596	619	722
Discontinued Operations, net	(12)	(0)	(5)	0	6	(0)	(0)	0	0	(1)	0	0	0	0
Change in Accounting	(0)	(58)	0	0	35	0	0	0	0	0	0	0	0	0
GAAP Net Income to Common	$218	$294	$299	$416	$532	$266	$78	$52	$152	$548	$576	$596	$619	$722
Adjustments to Core														
Asset Impairment	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Gain (Loss) From Disposal	(8)	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Non-Recurring Gains (Loss)	(40)	11	(74)	(17)	(3)	8	1	0	0	9	0	0	0	0
Total Adjustments	(49)	11	(74)	(17)	(3)	8	1	0	0	9	0	0	0	0
Non-GAAP Core Earnings	$278	$342	$378	$433	$494	$268	$78	$52	$152	$540	$575	$596	$619	$722
Shares Outstanding (mm)														
Avg. Diluted Shares Out	276	280	289	300	314	315	316	316	317	316	317	318	318	318
Avg. Basic Shares Out	275	278	280	292	312	314	315	315	316	315	316	317	317	317
Period-end basic Shares Out	276	279	282	311	314	315	315	316	316	316	317	317	317	317
Earnings Per Share (Diluted)														
GAAP EPS	$0.79	$1.05	$1.04	$1.39	$1.70	$0.84	$0.25	$0.16	$0.48	$1.73	$1.81	$1.88	$1.96	$2.27
Core EPS	$1.01	$1.22	$1.31	$1.44	$1.57	$0.82	$0.25	$0.16	$0.48	$1.71	$1.81	$1.88	$1.96	$2.27
EPS Growth (core)	-19.4%	21.0%	7.4%	10.0%	9.3%	18.9%	6.9%	-10.4%	1.3%	8.5%	6.1%	3.5%	4.0%	16.5%
											7.9%			
Dividends														
Cash per share	$0.92	$0.92	$0.92	$0.94	$0.98	$0.25	$0.25	$0.26	$0.26	$1.02	$1.06	$1.12	$1.20	$1.28
Div Growth	0.0%	0.0%	0.0%	2.2%	4.3%	4.2%	4.2%	4.0%	4.0%	4.1%	3.9%	5.7%	7.1%	6.7%
Payout Ratio (%)	116.6%	87.5%	88.7%	67.9%	57.8%					58.8%	58.5%	59.7%	61.5%	56.3%

Source: BMO Capital Markets estimates, company data.

Exhibit 2: NiSource Cash Flow Statement

Cash Flow Statement ($ Millions Except Per Share Data)	2009A	2010A	2011A	2012A	2013A	Q1	Q2	Q3	Q4	2014E	2015E	2016E	2017E	2018E
Operating Activities														
GAAP Net Income from Cont. Ops	218	292	299	416	532	266	78	52	152	548	575	596	619	722
DD&A	589	596	538	562	577	149	149	153	154	605	640	672	701	766
Deferred income tax benefit	378	200	178	305	267	149	38	21	61	269	125	128	133	155
Deferred Revenues	4	(20)	3	(8)	(7)	2	(0)	0	0	2	0	0	0	0
Amortization of premium on debt	13	10	9	10	9	2	3	0	0	5	0	0	0	0
Less Gain or Loss on assets	(4)	(0)	0	(4)	(18)	(16)	(1)	0	0	(16)	0	0	0	0
Less Equity Earnings plus Cash Distributions	(15)	7	16	4	(4)	(2)	(6)	0	0	(8)	0	0	0	0
Non-cash minority interest	0	0	0	0	0	0	0	0	0	0	19	86	119	143
Other non-cash income items	36	112	139	11	(6)	11	10	0	0	21	(13)	(38)	(63)	0
OCF (pre-working capital)	$1,219	$1,197	$1,183	$1,296	$1,372	$561	$271	$225	$368	$1,425	$1,348	$1,444	$1,509	$1,786
OCF per share	$4.42	$4.27	$4.10	$4.31	$4.37	$1.78	$0.86	$0.71	$1.16	$4.51	$4.25	$4.56	$4.75	$5.62
Working Capital:														
Accounts and notes receivable	259	(244)	318	(181)	31	(264)	442			177	0	0	0	0
Inventory	129	103	(142)	62	(9)	274	(246)			28	0	0	0	0
Less Change of Price Risk Management Activities	0	0	0	0	0	0	0			0	0	0	0	0
Accounts payable	(192)	38	(155)	57	88	127	(297)			(170)	0	0	0	0
Customer deposit, net	25	(25)	(5)	(44)	(7)	(23)	2			(21)	0	0	0	0
Other assets	83	(206)	(201)	144	21	(276)	110			(166)	0	0	0	0
Other Liabilities	382	(86)	(78)	(68)	(49)	(4)	(24)			(28)	0	0	0	0
Changes In Working Capital	686	(420)	(262)	(30)	55	(167)	(13)	0	0	(180)	0	0	0	0
Discontinued Operations	(255)	(57)	(50)	11	10	(0)	(1)	0	0	(1)	0	0	0	0
Cash Flow From Operations	1,651	720	670	1,276	1,437	394	257	225	368	1,244	1,348	1,444	1,509	1,786
Investing Activities														
Capital Spending (to PP&E)	(777)	(804)	(1,125)	(1,499)	(1,880)	(386)	(467)	(544)	(778)	(2,175)	(2,185)	(2,185)	(2,160)	(1,575)
Purchases of equity investments	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Acquisitions	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Proceeds from asset sales	6	1	9	26	18	5	1	0	0	6	0	0	0	0
Other	109	(140)	(34)	51	(148)	(27)	(24)	0	0	(51)	0	0	0	0
Cash Used in Investing	(662)	(944)	(1,149)	(1,422)	(2,010)	(408)	(490)	(544)	(778)	(2,220)	(2,185)	(2,185)	(2,160)	(1,575)
Discontinued Operations	8	0	0	(3)	119	0	0	0	0	0	0	0	0	0
Investing Cash Flow	(655)	(943)	(1,149)	(1,425)	(1,891)	(408)	(490)	(544)	(778)	(2,220)	(2,185)	(2,185)	(2,160)	(1,575)
Financing Activities														
Sale of Common Stock	26	14	24	384	44	9	7	12	12	40	24	0	0	0
Sale of Common Units (MLP)	0	0	0	0	0	0	0	0	0	0	375	500	500	500
Sale of Preferred Stock	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Sale of L.T. Debt	1,460	250	890	988	1,308	0	0	1,000	0	1,000	0	0	0	0
Sale of L.T. Debt (MLP)	0	0	0	0	0	0	0	0	0	0	750	500	500	500
Redemption of Common Stock	(3)	(2)	(3)	(10)	(8)	(10)	(0)	0	0	(10)	0	0	0	0
Redemption of Preferred Stock	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Redemption of L.T. Debt	(1,170)	(1,071)	(287)	(332)	(511)	(9)	(4)	(500)	0	(513)	(230)	0	0	0
Redemption of L.T. Debt (MLP)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Change In Notes Payable, LC, ST Debt	(1,061)	1,280	(23)	(582)	(76)	114	289	0	355	757	300	105	105	(500)
Change In Notes Payable, LC, ST Debt (MLP)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Payments to Minority Interests	0	0	0	0	0	0	0	0	0	0	(16)	(41)	(72)	(110)
Dividends	(253)	(256)	(258)	(273)	(306)	(79)	(79)	(82)	(82)	(321)	(335)	(355)	(380)	(405)
Other	0	0	(62)	0	(3)	0	0	0	0	0	0	0	0	0
Cash From (For) Financing	(1,000)	216	281	175	445	25	213	430	285	953	868	709	653	(15)
Discontinued Operations	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Financing Cash Flow	(1,000)	216	281	175	445	25	213	430	285	953	868	709	653	(15)
Change In Cash	($4)	($7)	$2	$25	($9)	$11	($20)	$112	($126)	($23)	$30	($32)	$2	$196
Cash & Temp. Inv. Beginning of Yr.	$21	$16	$9	$12	$36	$27	$38	$18	$130	$27	$4	$34	$2	$4
Cash & Temp. Inv. End of Yr.	$16	$9	$12	$37	$27	$38	$18	$130	$4	$4	$34	$2	$4	$200

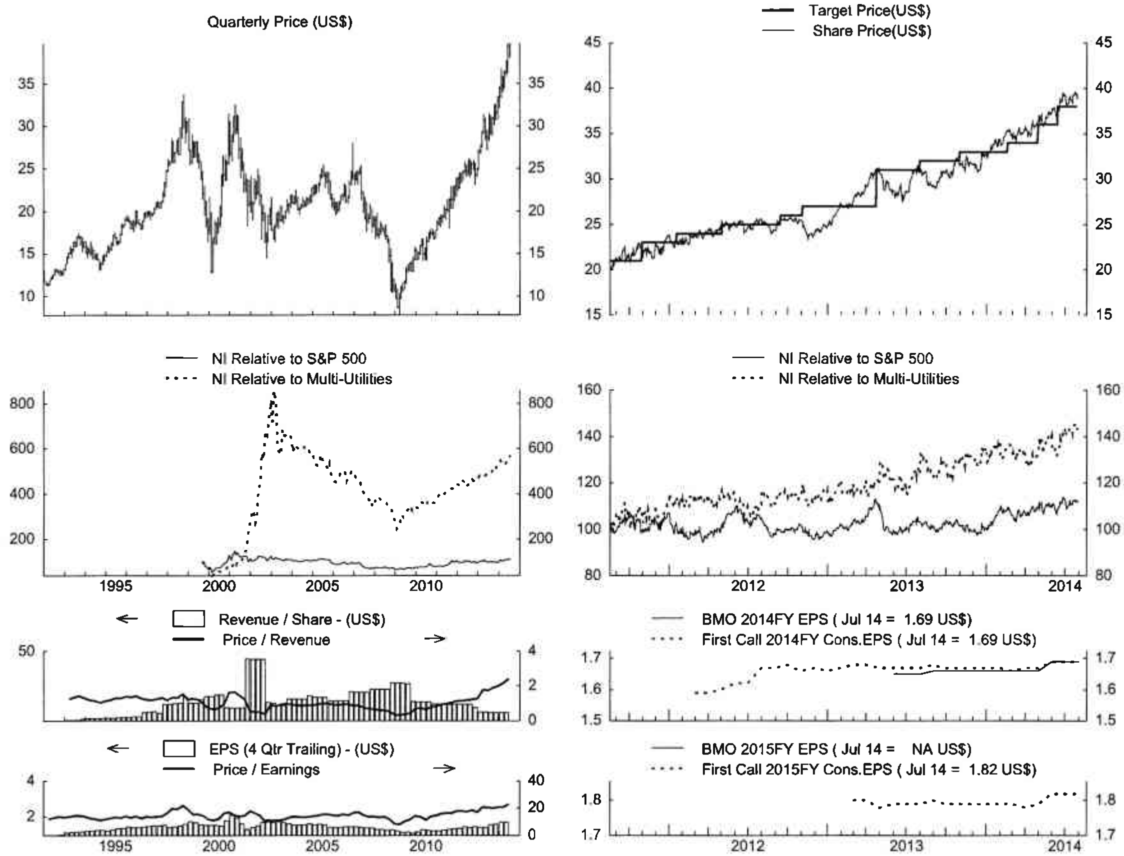
Source: BMO Capital Markets estimates, company data.

Exhibit 3: NiSource Balance Sheet

Balance Sheet ($ Millions Except Per Share Data)	2009A	2010A	2011A	2012A	2013A	Q1	Q2	Q3	Q4	2014E	2015E	2016E	2017E	2018E
Assets:														
Cash & Equivalent	16	9	12	36	27	38	18	130	4	4	42	2	4	200
Restricted Cash	175	203	161	47	8	11	10	10	10	10	10	10	10	10
Receivables	848	1,121	951	1,114	1,105	1,471	989	989	989	989	989	989	989	989
Allowance for Uncollectable Acts	(40)	(41)	(31)	(24)	(24)	(35)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)
Unbilled Revenues	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Underrecovered gas & fuel costs	40	136	21	45	46	114	76	76	76	76	76	76	76	76
Inventories	385	428	566	496	500	226	469	469	469	469	469	469	469	469
ST Assets Price Risk Management	173	160	137	92	23	14	13	13	13	13	13	13	13	13
Regulatory Assets	238	152	170	163	143	159	188	188	188	188	188	188	188	188
Other Current Assets	387	283	262	384	331	231	321	321	321	321	321	321	321	321
Total Current Assets	2,224	2,449	2,248	2,352	2,159	2,230	2,055	2,166	2,040	2,040	2,078	2,038	2,040	2,236
Plant & Equipment (Gross)	19,038	19,590	20,470	21,902	23,622	24,016	24,533	25,077	25,855	25,855	28,040	30,225	32,385	33,960
Accumulated DD&A	(8,354)	(8,493)	(8,670)	(8,986)	(9,257)	(9,359)	(9,444)	(9,597)	(9,751)	(9,751)	(10,391)	(11,063)	(11,764)	(12,530)
Plant & Equipment, Net	10,684	11,097	11,800	12,916	14,365	14,658	15,089	15,480	16,104	16,104	17,849	19,162	20,621	21,430
Investments	295	349	356	438	578	610	639	639	639	639	639	639	639	639
LT Assets Price Risk Management	238	240	189	56	1	0	0	0	0	0	0	0	0	0
Regulatory Assets	1,644	1,650	1,978	2,024	1,522	1,495	1,454	1,454	1,454	1,454	1,454	1,454	1,454	1,454
Goodwill	3,677	3,677	3,677	3,677	3,666	3,668	3,668	3,666	3,666	3,666	3,666	3,666	3,666	3,666
Intangible Assets	320	309	298	287	276	273	270	270	270	270	270	270	270	270
Other Long Term Assets (& flywheel)	53	168	162	94	87	85	85	85	85	85	78	39	(17)	(160)
Total Assets	19,134	19,939	20,708	21,845	22,654	23,017	23,258	23,760	24,259	24,259	25,835	27,268	28,674	29,536
Liabilities & Equity:														
Short Term Debt	800	1,417	1,687	1,284	1,240	1,343	1,631	1,631	1,986	1,986	2,286	2,391	2,496	1,996
Accounts Payables	502	582	435	539	805	793	542	542	542	542	542	542	542	542
ST Liabilities Price Risk Management	190	174	168	95	1	0	0	0	0	0	0	0	0	0
Regulatory Liabilities	44	93	112	172	60	79	89	89	89	89	89	89	89	89
Other	1,575	1,384	1,245	1,212	1,071	1,126	1,170	1,170	1,170	1,170	1,170	1,170	1,170	1,170
Total Current Liab	3,111	3,649	3,646	3,302	3,178	3,341	3,431	3,431	3,786	3,786	4,086	4,191	4,296	3,796
Long Term Debt	5,988	5,936	6,267	6,819	7,593	7,639	7,641	8,141	8,141	8,141	8,661	9,161	9,661	10,161
LT Liabilities Price Risk Management	170	182	139	20	0	0	0	0	0	0	0	0	0	0
Accumlated Deferred Taxes	2,018	2,243	2,571	2,953	3,278	3,412	3,491	3,512	3,573	3,573	3,699	3,827	3,960	4,116
Regulatory Liabilities	1,559	1,596	1,664	1,593	1,670	1,678	1,674	1,674	1,674	1,674	1,674	1,674	1,674	1,674
Other Liabilities	1,572	1,409	1,424	1,603	1,048	1,026	993	993	993	993	993	993	993	993
Total Liabilities	14,418	15,016	15,711	16,290	16,767	17,095	17,230	17,750	18,167	18,167	19,112	19,845	20,584	20,739
Preferred Equity/Securities of Consolidated Subsidiaries	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Common Equity	4,717	4,923	4,997	5,554	5,887	6,012	6,028	6,010	6,092	6,092	6,723	7,423	8,090	8,796
Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Liab & Equity	19,134	19,939	20,708	21,845	22,653	23,107	23,258	23,760	24,259	24,259	25,835	27,268	28,674	29,536

Source: BMO Capital Markets estimates, company data.

NiSource Inc. (NI)



FYE (Dec.)	EPS US$	P/E Hi	P/E Lo	DPS US$	Yield% Hi	Yield% Lo	Payout %	BV US$	P/B Hi	P/B Lo	ROE %
1992	1.00	13.5	11.3	0.62	5.5	4.6	62	7.9	1.7	1.4	
1993	1.16	15.0	10.7	0.72	5.8	4.1	62	8.3	2.1	1.5	14
1994	1.24	13.3	10.5	0.78	6.0	4.7	63	8.7	1.9	1.5	15
1995	1.36	14.2	10.4	0.84	5.9	4.4	62	9.0	2.1	1.6	15
1996	1.43	14.1	12.3	0.90	5.1	4.5	63	9.2	2.2	1.9	16
1997	1.53	16.3	12.4	0.96	5.1	3.8	63	10.2	2.5	1.9	16
1998	1.59	21.2	14.4	1.02	4.5	3.0	64	9.8	3.5	2.3	16
1999	1.52	20.4	10.8	1.08	6.6	3.5	71	10.9	2.8	1.5	15
2000	1.89	16.7	6.7	1.08	8.5	3.4	57	16.6	1.9	0.8	14
2001	1.30	25.0	14.0	1.16	6.4	3.6	89	16.8	1.9	1.1	8
2002	2.00	12.5	7.3	1.16	8.0	4.6	58	20.1	1.2	0.7	11
2003	1.60	13.7	10.2	0.92	5.6	4.2	58	16.8	1.3	1.0	9
2004	1.61	14.2	12.2	0.92	4.7	4.0	57	17.7	1.3	1.1	9
2005	1.42	18.0	14.4	0.92	4.5	3.6	65	18.1	1.4	1.1	8
2006	1.43	19.6	13.6	0.92	4.7	3.3	64	18.3	1.5	1.1	8
2007	1.38	20.3	12.7	0.92	5.3	3.3	67	18.5	1.5	0.9	7
2008	1.27	15.6	8.1	0.92	8.9	4.6	72	17.2	1.1	0.6	7
2009	1.06	14.9	7.3	0.92	11.8	5.8	87	17.6	0.9	0.4	6
2010	1.22	14.7	11.6	0.92	6.5	5.1	75	17.7	1.0	0.8	7
2011	1.33	18.0	12.7	0.92	5.5	3.8	69	17.7	1.4	0.9	8
2012	1.44	18.2	15.0	0.96	4.4	3.7	67	17.9	1.5	1.2	8
2013	1.57	21.3	15.3	1.00	4.2	3.0	64	18.8	1.8	1.3	9
Range*:		25.0	6.7		11.8	3.0			3.5	0.4	
Current*	1.70	23.1		1.04	2.6		61	18.2	2.2		9
Growth(%):											
5 Year:	8.5			2.5				1.1			
10 Year:	1.1			1.2				0.8			
20 Year:	1.7			1.9				4.0			

NI - Rating as of 26-Jun-08 = Mkt

* Current EPS is the 4 Quarter Trailing to Q1/2014.
* Valuation metrics are based on high and low for the fiscal year.
* Range indicates the valuation range for the period presented above.

Last Price (July 29, 2014): $38.85
Sources: IHS Global Insight, Thomson Reuters, BMO Capital Markets.

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Disclosure 9: BMO Capital Markets makes a market in this security.

Methodology and Risks to Price Target/Valuation
Methodology: Our target price for NI is based on a sum-of-the parts valuation. We individually value each one of NI's business segments using a target EV/EBITDA multiple approach. Our target multiple for each segment is derived from analyzing historical multiple trading ranges, peer multiples, and adjusting for any expectation of future changes in investor sentiment, which would lead to multiple expansion/contraction. We next add together the segment valuations to reach an operating enterprise value, which is then adjusted for net debt, off-balance sheet items, operating leases, pension costs, and any other non-operating obligations. After adjustments, we then have our net equity value, which is divided by fully diluted shares outstanding to arrive at our target price.
Risks: Risks to our 12-month price target for NI include: 1) Conservation - conservation and bad debt expense from high commodity prices could impact earnings more than the base level we have accounted for; 2) Weather; 3) Interest rates; 4) Regulatory risk - rulings counter to assumptions and guidance could negatively impact our valuations going forward.

Distribution of Ratings (June 30, 2014)

Rating Category	BMO Rating	BMOCM US Universe*	BMOCM US IB Clients**	BMOCM US IB Clients***	BMOCM Universe****	BMOCM IB Clients*****	Starmine Universe
Buy	Outperform	44.1%	21.1%	67.5%	43.3%	58.6%	55.4%
Hold	Market Perform	50.9%	8.4%	31.3%	51.2%	39.9%	39.5%
Sell	Underperform	5.0%	3.4%	1.3%	5.5%	1.5%	5.1%

* Reflects rating distribution of all companies covered by BMO Capital Markets Corp. equity research analysts.
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Citi Research
Equities

31 July 2014 | 8 pages

Pipelines & Gas Utilities
North America | United States

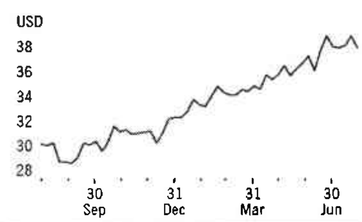
NiSource Inc (NI)

Results: 2Q EPS In-Line; Investor Day in September Highlighted

- **Citi's Take** — NI reported net operating earnings of $0.25 per share, in line with our estimate and consensus. 2Q operating earnings of $219.1mn rose by $24.4mn yoy.
- **Gas Distribution** — Reported operating income of $62.5mn vs. our estimate of $74.4mn. Operating expenses were up on increased outside service and other costs.
- **Columbia Pipeline** — Reported operating income of $103.7mn vs. our estimate of $117.7mn. Higher demand margin revenue from growth projects was short of expectations.
- **Electric** — Reported operating income of $59.8mn vs. our estimate of $59.6mn. Net revenues due to higher margins across the board were mostly offset by higher outage and maintenance costs.
- **Investor Day 2014** — NI plans to host an Investor Day on Sep. 29. Details forthcoming. On the call, 2014 EPS guidance was reiterated at $1.61-$1.71. Management expects to deliver in the upper half, in line with our reiterated $1.69 estimate.
- **Leach and Rayne** — Management said to expect details about the project soon, likely at the Investor Day. We believe that $1.0 - $1.5bn is a likely capex range for the project. The $200mn West Side Expansion project, which should be done by the end of this year, will reverse 500 MMcf/d. That will reverse 1 of 3 pipes but NI wants to reverse the rest of the Gulf System as well. So the Leach and Rayne project would cover the cost of taking the remaining 1.5 Bcf/d southward. The project is not currently reflected in our model, but would likely add $2-3 per share.
- **Implications** — We remain at a $40 target price and Neutral rating.

Neutral	**2**
Price (31 Jul 14)	US$38.22
Target price	US$40.00
Expected share price return	4.7%
Expected dividend yield	2.7%
Expected total return	**7.4%**
Market Cap	US$12,035M

Price Performance
(RIC: NI.N, BB: NI US)



EPS	Q1	Q2	Q3	Q4	FY	FC Cons
2013A	0.69A	0.23A	0.17A	0.47A	1.56A	1.58A
2014E	**0.82A**	**0.25A**	**0.16E**	**0.46E**	**1.69E**	**1.69E**
Previous	0.82A	0.25E	0.16E	0.46E	1.69E	na
2015E	**0.87E**	**0.32E**	**0.20E**	**0.49E**	**1.88E**	**1.82E**
Previous	0.87E	0.32E	0.20E	0.49E	1.88E	na
2016E	**0.87E**	**0.34E**	**0.24E**	**0.53E**	**2.00E**	**1.96E**
Previous	0.87E	0.34E	0.24E	0.53E	2.00E	na

Source: Company Reports and dataCentral, Citi Research. FC Cons: First Call Consensus.

Faisel Khan, CFA
+1-212-816-2825
faisel.khan@citi.com

Blake Clayton, Ph.D.
blake.clayton@citi.com

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Figure 1. NI 2Q14 Quarterly Earnings

	Actual 2Q14	Citi Estimate 2Q14	Actual Delta (%)	Actual 1Q14	Actual Change Q-o-Q Unit	Actual Change Q-o-Q Delta (%)	Actual 2Q13	Actual Change Y-o-Y Unit	Actual Change Y-o-Y Delta (%)
Gas Distribution									
Sales Revenues	619.5	619.9	0%	1543.9	(924.4)	-60%	572.4	47.1	8%
Cost of Gas Sold	257.2	267.5	-4%	923.0	(665.8)	-72%	239.1	18.1	8%
Net Revenues	362.3	352.5	3%	620.9	(258.6)	-42%	333.3	29.0	9%
Operating Income	62.5	74.4	-16%	280.1	(217.6)	-78%	50.0	12.5	25%
Sales and Transportation Volumes (MMDth)									
Residential	35.0			156.5	(121.5)	-78%	34.8	0.2	1%
Commercial	27.4			90.1	(62.7)	-70%	27.0	0.4	1%
Industrial	121.7			136.8	(15.1)	-11%	113.4	8.3	7%
Off-System and Other	13.9			14.5	(0.6)	-4%	18.6	(4.7)	-25%
Total (Including Weather Adjust.)	198.0			397.9	(199.9)	-50%	193.8	4.2	2%
% Warmer (Colder) than Normal	-7%						-6%		
Customers									
Residential	3051.3			3094.4	(43.1)	-1%	3035.5	15.8	1%
Commercial	278.8			283.0	(4.2)	-1%	278.2	0.6	0%
Industrial	7.5			7.6	(0.1)	-1%	7.5	0.0	0%
Other	0.0			0.0	(0.0)	0%	0.0	0.0	0%
Total Customers	3337.6			3384.9	(47.3)	-1%	3321.2	16.4	0%
Gas Transmission and Storage									
Transportation Revenues	181.5	217.1	-16%	222.3	(40.8)	-18%	171.6	9.9	6%
Net Revenues	343.5	286.8	20%	345.6	(2.1)	-1%	273.8	69.7	25%
Operating Income	103.7	117.7	-12%	141.5	(37.8)	-27%	88.9	14.8	17%
Throughput (MMDth)									
Columbia Transmission	194.2			459.5	(265.3)	-58%	196.6	(2.4)	-1%
Columbia Gulf	145.4			184.9	(39.5)	-21%	169.8	(24.4)	-14%
Crossroads Pipeline	3.5			5.7	(2.2)	-39%	3.3	0.2	6%
Intersegment Eliminations	(21.6)			(61.6)	40.0	-65%	(81.4)	59.8	-73%
Total Throughput	321.5			588.5	(267.0)	-45%	288.3	33.2	12%
Electric Operations									
Sales Revenues	402.4	375.4	7%	445.7	(43.3)	-10%	385.1	17.3	4%
Cost of Sales	146.3	128.1	14%	180.4	(34.1)	-19%	141.3	5.0	4%
Net Revenues	256.1	247.3	4%	265.3	(9.2)	-3%	243.8	12.3	5%
Operating Income	59.8	59.6	0%	74.2	(14.4)	-19%	59.5	0.3	1%
Sales (GWh)									
Residential	793.2	772.9	3%	896.2	(103.0)	-11%	769.1	24.1	3%
Commercial	964.9	947.3	2%	935.5	29.4	3%	942.6	22.3	2%
Industrial	2455.8	2267.6	8%	2607.1	(151.3)	-6%	2256.3	199.5	9%
Wholesale	12.1	56.0	-78%	311.8	(299.7)	-96%	494.7	(482.6)	-98%
Other	34.9	27.0	29%	33.4	1.5	4%	27.0	7.9	29%
Total (Including Weather Adjustment)	4260.9	4070.8	5%	4784.0	(523.1)	-11%	4489.7	(228.8)	-5%
Customers									
Residential	401.7	403.2	0%	402.7	(1.0)	0%	401.2	0.5	0%
Commercial	54.3	54.5	0%	54.4	(0.1)	0%	54.2	0.1	0%
Industrial	2.4	2.4	1%	2.4	0.0	1%	2.4	0.0	1%
Wholesale	0.8	0.7	10%	0.7	0.1	10%	0.7	0.1	10%
Other	0.0	0.0	0%	0.0	0.0	20%	0.0	0.0	0%
Total	459.1	460.7	0%	460.2	(1.1)	0%	458.5	0.6	0%
Corporate/Other									
Operating Income	(6.9)	(4.5)	53%	(3.6)	(3.3)	92%	(4.5)	(2.4)	53%
Consolidated Financial Results									
Gross Revenues	1335.0	1282.1	4%	2335.2	(1000.2)	-43%	1231.3	103.7	8%
Costs of Sales (ex D&A)	371.7	395.6	-6%	1103.5	(731.8)	-66%	380.5	(8.8)	-2%
O&M	533.1	417.1	28%	507.0	26.1	5%	455.9	77.2	17%
D&A	149.1	172.5	-14%	145.9	3.2	2%	141.5	7.6	5%
Non-Income Taxes	73.4	59.1	24%	96.5	(23.1)	-24%	67.6	5.8	9%
Total Operating Expenses	755.3	648.7	16%	749.4	5.9	1%	665.0	90.3	14%
Operating Income	219.1	240.8	-9%	492.1	(273.0)	-55%	193.8	25.3	13%
Income Taxes	39.6	44.5	-11%	146.1	(106.5)	-73%	32.7	6.9	21%
Net Income from Continuing Ops	**77.9**	**79.1**	**-1%**	**257.9**	**(180.0)**	**-70%**	**72.4**	**5.5**	**8%**
EPS	**$0.25**	**0.25**	**0%**	**$0.82**	**(0.57)**	**-70%**	**$0.23**	**0.02**	**8%**

Source: Citi Research

NiSource Inc

Valuation

We average multiple valuation methodologies to derive our $40 target. Our NAV yields a value of $43. We value regulated assets at a multiple of rate base. These values are partially offset by the company's net debt. Our DDM, which incorporates our rate base growth assumptions, values the company at $38. Our P/E and EV/EBITDA multiples (2014 estimates) are based on proprietary analyses, which utilize current equity risk premiums, current betas and projected risk-free yields. Our P/E and EV/EBITDA analyses yield values of $33 and $35, respectively.

Risks

The key risks to our investment thesis are (1) Rate Cases – We estimate the company will receive rate relief at several of its utilities. Under- or over-estimation of relief could materially impact our estimates (2) Weather – Changes in weather impact the stability of earnings (3) Capital Investment Recovery — NI spends a substantial amount of capital to maintain and expand its distribution system. NI depends on rate increases from public utility commission to earn a fair return on this expansion. In addition, tariffs on the pipeline system are regulated by the FERC (4) Pipeline Capacity Contracts — The risk of re-contracting pipeline capacity at lower rates, upon contract expiration, could have a material impact on earnings (5) Uplift from an MLP – Currently, we have not modeled an MLP directly into our model.

Appendix A-1

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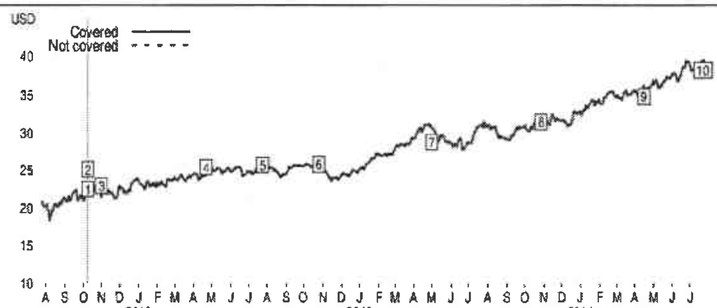
NiSource Inc (NI)

Ratings and Target Price History
Fundamental Research

Analyst: Faisel Khan, CFA

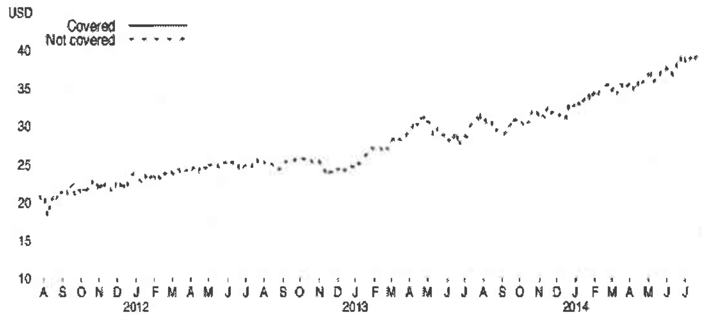


	Date	Rating	Target Price	Closing Price
1	8-Oct-11	Stock rating system changed		
2	8-Oct-11	*2	21.00	21.55
3	1-Nov-11	2	*22.00	21.32
4	23-Apr-12	2	*24.00	24.30
5	25-Jul-12	2	*26.00	25.12
6	25-Oct-12	2	*27.00	25.54
7	1-May-13	2	*30.00	30.61
8	29-Oct-13	2	*35.00	31.95
9	16-Apr-14	2	*36.00	36.30
10	23-Jul-14	2	*40.00	39.43

* Indicates change

Rating/target price changes above reflect Eastern Standard Time

NiSource Inc (NI)
Ratings and Target Price History
Best Ideas Research
Relative Call (3 Month)
Analyst: Faisel Khan, CFA



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	12 Month Rating			*Relative Rating*		
Data current as of 30 Jun 2014	**Buy**	**Hold**	**Sell**	**Buy**	**Hold**	**Sell**
Citi Research Global Fundamental Coverage	49%	40%	12%	0%	100%	0%
% of companies in each rating category that are investment banking clients	55%	53%	46%	0%	54%	0%

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31 July 2014
Americas/United States
Equity Research
Natural Gas

NiSource Inc. (NI)

INCREASE TARGET PRICE

Rating	**NEUTRAL***
Price (31 Jul 14, US$)	37.68
Target price (US$)	(from 40.00) 41.00¹
52-week price range	39.58 - 29.01
Market cap. (US$ m)	11,864.56
Enterprise value (US$ m)	21,535.79

**Stock ratings are relative to the coverage universe in each analyst's or each team's respective sector.*
¹Target price is for 12 months.

Research Analysts
John Edwards, CFA
713 890 1594
john.edwards@credit-suisse.com
Abhiram Rajendran
212 538 9038
abhiram.rajendran@credit-suisse.com
Bhavesh Lodaya
212 325 2337
bhavesh.lodaya@credit-suisse.com

2Q14 Mostly In-Line; Looking Ahead To Analyst Day For Deep-Dive Into Future Growth

- **Guidance moves to the high end:** Mgmt. now expects to achieve 2014 EPS around the upper half of its guidance range of $1.61-1.71. We expect 2014 EPS of $1.76 (up $0.04), above the upper end. NI expects to spend ~$2.2Bn on capex projects in 2014 with a major chunk ($825mm) to be spent on projects in the Columbia Pipeline group segment. Results were mixed -- segment EBITDA missed by 5% with high O&M at CPG and lower than expected electric sales (weather) offset by lower interest, taxes and other giving an in-line EPS of $0.25 vs. our $0.24.
- **NI still a low risk way to play shale with growth closer to MLPs than to utilities:** NI's utilities and midstream are in the heart of the Marcellus/Utica shale boom with visibility to approximately $30B in growth projects over the next 10 years over half of which is in low risk Gas Distribution and Electric Utility operations. We continue to believe EPS growth likely trends higher than the 5-7% guidance over the next few years as reflected in our forecast.
- **Raise TP by $1, to 41; maintain Neutral:** Our $41 TP is based on a Sum of the Parts valuation for NI. (See p.5) Together with a dividend of $1.09, this translates to a total return of c.8%, supportive of a Neutral rating on the shares. Thus the low risk, high growth reflected in current valuation.
- **Investor Day – Sept. 29th | NYC:** We expect an MLP announcement at or ahead of the Investor Day and management to go into further details regarding major projects such as Rayne/Leach Xpress, WB Xpress, Marcellus/Utica midstream.

Share price performance

On 07/31/14 the S&P 500 INDEX closed at 1930.67

Quarterly EPS	Q1	Q2	Q3	Q4
2013A	0.69	0.23	0.18	0.47
2014E	0.82	0.25	0.15	0.52
2015E	0.93	0.27	0.14	0.60

Financial and valuation metrics

Year	12/13A	12/14E	12/15E	12/16E
EPS (CS adj.) (US$)	1.57	1.76	1.94	2.12
Prev. EPS (US$)	—	1.72	1.85	2.02
P/E (x)	24.1	21.4	19.4	17.8
P/E rel. (%)	131.9	126.9	128.9	131.1
Revenue (US$ m)	5,657.3	6,439.2	6,898.1	7,565.2
EBITDA (US$ m)	1,720.7	1,905.8	2,155.3	2,388.4
OCFPS (US$)	4.58	4.61	5.07	4.21
P/OCF (x)	7.2	8.2	7.4	9.0
EV/EBITDA (current)	12.3	11.1	9.8	8.8
Net debt (US$ m)	8,807	9,671	10,213	10,818
ROIC (%)	5.07	5.38	5.76	5.91

Number of shares (m)	314.88	IC (current, US$ m)	14,693.80
BV/share (Next Qtr., US$)	19.3	EV/IC (x)	1.4
Net debt (Next Qtr., US$ m)	9,686.3	Dividend (current, US$)	1.0
Net debt/tot eq (Next Qtr., %)	161.4	Dividend yield (%)	0.69

Source: Company data, Credit Suisse estimates.

2Q14 Earnings Variance

Exhibit 1: Quarterly Earnings Variance

Earnings Variance	2Q14 Actual	2Q14 CS Estimate	Diff.	Diff. (%)	2Q13 Actual	Comments
Segment EBITDA						
Gas Distribution	117	118	(1)	-1%	102	Lost customers
NIPSCO Electric	120	123	(3)	-3%	119	Lower than expected GWH
Gas Transmission & Storage	133	142	(9)	-6%	115	Higher than expected O&M
Other	(1)	4	(4)	NM	0	
Total EBITDA (recurring)	368	387	(18)	-5%	337	
Segment EBIT						
Gas Distribution	63	63	(1)	-1%	52	
NIPSCO Electric	60	61	(2)	-3%	59	
Gas Transmission & Storage	104	111	(7)	-6%	89	
Other	(7)	1	(7)	NM	(6)	
Total EBIT (recurring)	219	236	(17)	-7%	194	
Interest Expense	109	116	(7)	-6%	102	
Other Expenses	(8)	0	(8)	NM	(13)	
Taxes	40	44	(4)	-9%	33	
Recurring Net Income	78	77	1	1%	72	
Diluted Wtd Avg shares outstanding	316	315	1	0%	313	
Recurring EPS - Diluted	**$0.25**	**$0.24**	**$0.00**	**1%**	**$0.23**	
Dividend per share	**$0.26**	**$0.26**	**$0.00**	**0%**	**$0.25**	
Operational Metrics						
Gas Distribution						
Total Volumes (MDth)	**198**	**194**	**4**	**2%**	**194**	
Total Customers	**3,337,613**	**3,388,328**	**(50,715)**	**-1%**	**3,321,238**	
Electric Operations						
Total Heating customers (000s)	**459,117**	**458,461**	**656**	**0%**	**458,461**	
Sales (Gigawatt Hours)						
Total	**4,261**	**4,560**	**(299)**	**-7%**	**4,490**	6% lower y/y
Columbia Pipeline Group Operations						
Total Throughput (MMDth)	**322**	**316**	**5**	**2%**	**288**	

Source: Company data, Credit Suisse estimates

Segment Update

Columbia Pipeline Group (CPG)

- **2Q14 Performance:** Operating earnings up 17% y/y at $103.7mm and total throughput of 321.5MMDth was up 12% y/y. Higher other revenues associated with the regulatory trackers was offset by the higher O&M costs the tracker are designed to recover. .
- **CapEx:** NI expects to spend ~$825mm (up from $800mm) on CPG capital projects in 2014. It is currently in advanced discussion with customers for additional gathering and compression facilities connected to the Big Pine Gathering system. This system will provide up to 175 MMcf/d of capacity.

Electric Operations

- **2Q14 Performance:** Operating earnings were up just 2% y/y at $62.9mm primarily due to 6% lower (y/y) volumes while total customer growth was relatively flat over last year. Operations were also impacted by 21% warmer than normal weather. Gross margin/MWH grew 12% year-on-year primarily due to lower wholesale low margin volumes in the mix.
- **CapEx:** In 2014, NI expects to spend ~$440mm (down from $450mm) on Electric Operations capital projects. It has begun its electric system modernization program after receiving approval in February. NI's Reynolds to Greentown, 70-mile 765-kV transmission project continues to move ahead with the selection of the final route and is expected to be placed into service in 2H18.

Gas Distribution

- **2Q14 Performance:** 7% warmer than normal weather resulted in a modest 2% y/y growth in volumes to 200MMDth and total customers fell 1% q/q. Despite lower volumes, operating earnings was up 20% y/y to $62.5mm as gross profit (net revenue) per customer grew 8% y/y. Gross profit/customer grew 7% over last year aided by a growing rate base related to the infrastructure modernization program.
- **CapEx:** In 2014, NI expects to spend ~$785mm (down from $815mm) on gas distribution capital projects. In March and April this year, NI filed cases for base rate revisions at Virginia and Pennsylvania, respectively and expects a decision by the end of 2014.

Additional Color

- **Liquidity:** NI had a net available liquidity from its revolving credit facility and stand-by letters of credit of ~$1.2Bn at the end of 2Q14.

Estimate Changes

We raise our 2014/15/16 EPS estimates to $1.76/$1.94/$2.12 from $1.72/$1.85/$2.02. Our 2014 estimate is above the upper end of the mgmt guidance range of $1.61-$1.71/share. Our overall outlook assumes a ~9% earnings growth for NI which we believe is fair considering the capex modernization projects being put into service and a decision expected on rate cases at the end of 2014. We have made no changes to our dividend estimates which are growing ~5-6% with an upward bias to future dividend estimates.

Exhibit 2: NiSource 2014- 2017 Estimate Changes

	Old estimates					New estimates					
	3Q14E	4Q14E	2014E	2015E	2016E	3Q14E	4Q14E	2014E	2015E	2016E	2017E
Segment EBITDA											
Gas Distribution	60	250	760	882	1,011	58	246	750	882	1,019	1,145
Electric Operations	155	106	519	546	565	155	115	528	556	573	587
Columbia Pipeline Group	118	172	620	676	747	126	162	609	694	773	875
Other	4	13	23	24	24	4	13	19	23	23	23
Total EBITDA (recurring)	336	541	1,921	2,128	2,346	343	537	1,906	2,155	2,388	2,630
Segment EBIT											
Gas Distribution	4	192	539	638	743	3	189	532	641	757	861
NIPSCO Electric	92	43	270	285	292	95	53	285	303	308	311
Gas Transmission & Storage	86	138	493	526	574	96	131	489	553	609	688
Other	0	10	11	10	10	0	10	4	6	3	2
Total EBIT (recurring)	182	383	1,313	1,459	1,620	193	382	1,310	1,502	1,677	1,862
Interest Expense	121	127	473	552	615	119	125	463	545	616	681
Other Expenses	0	0	(5)	0	0	0	0	(12)	0	0	0
Taxes	22	92	304	322	362	25	92	302	340	382	425
Recurring Net Income	39	163	541	586	643	49	166	557	618	679	755
Diluted Wtd Avg shares outstanding	315	316	315	317	319	317	317	316	318	320	321
Recurring EPS - Diluted	$0.12	$0.52	$1.72	$1.85	$2.02	$0.15	$0.52	$1.76	$1.94	$2.12	$2.35
Dividend per share	$0.26	$0.26	$1.03	$1.09	$1.15	$0.26	$0.26	$1.03	$1.09	$1.15	$1.21
Operational Metrics											
Gas Distribution											
Total Volumes (MDth)	168	287	1,046	1,056	1,067	169	289	1,055	1,065	1,071	1,073
Total Customers	3,391,716	3,395,108	3,395,108	3,408,709	3,422,364	3,340,951	3,344,292	3,344,292	3,364,403	3,377,880	3,391,412
Electric Operations											
Total Heating customers (000s)	458,546	460,194	460,194	460,194	460,194	459,005	460,654	460,654	461,576	462,037	462,037
Sales (Gigawatt Hours)											
Total	4,614	4,299	18,258	18,463	18,671	4,595	4,282	17,922	18,121	18,323	18,528
Columbia Pipeline Group Operations											
Total Throughput (MMDth)	283	501	1,688	1,874	2,045	269	478	1,657	1,817	1,979	2,156

Source: Company data, Credit Suisse estimates

Valuation

- We are raising our target price by $1, to $41. Our sum of the parts analysis reflects what we think will be an initial 11.5% of the Columbia Pipeline assets in an MLP spinoff. We expect the MLP option to be announced before the Investor Day on 29th September, 2014 with an approximate 6-9 month timeframe for completion of the IPO spin-off.
- Our $41 TP is based on a 18-21x 2015E EPS on the electric utility business, a 10x 2015E EBITDA multiple on the natural gas utilities segment, a 12.5x NTM EBITDA multiple on the assets that qualify for MLP treatment (which we model as ~11.5% of the Columbia Pipeline assets), and 1 turn lower for the remainder of the Columbia Pipeline assets – based on our valuation of a generic MLP with IDRs vs. similar assets within a C-Corp.
- Together with an expected dividend of $1.09, our target price translates to a total return of approximately 8%, in line with our median total return for midstream MLPs.

Exhibit 3: NiSource Sum of the Parts Valuation

NTM - MLP Valuation Multiple for Transmission and Storage

	2015 EBIT	D&A	2015 EBITDA / NI	Metric	Multiple Low	Multiple Base	Multiple High	Enterprise Value / Equity Value Low	Enterprise Value / Equity Value Base	Enterprise Value / Equity Value High
Electric Services	302.6	253.8	202.2	P/E	18.0x	19.5x	21.0x	3,638.8	3,942.1	4,245.3
Natural Gas Utilities	641.0	241.0	882.0	EV/EBITDA	10.0x	10.0x	10.0x	8,820.1	8,820.1	8,820.1
TG&S (88.5% of business)	446.3	109.7	556.1	EV/EBITDA	11.0x	11.5x	12.0x	6,116.9	6,394.9	6,672.9
TG&S (11.5% dropped into MLP)	58.0	14.3	72.3	EV/EBITDA	12.0x	12.5x	13.0x	867.1	903.2	939.4
Total Enterprise / Equity Value								**19,442.9**	**20,060.3**	**20,677.7**
Cash & Equivalents								27.8	27.8	27.8
Short-term Debt								530.0	530.0	530.0
Long-term Debt								7,640.6	7,640.6	7,640.6
Less Net Debt								8,142.8	8,142.8	8,142.8
Less Net Debt attributable to NIPSCO (~$1.1 billion)								7,042.8	7,042.8	7,042.8
Total Equity Value								12,400.1	13,017.5	13,634.9
Shares Outstanding								316	316	316
Per Share								**$39.23**	**$41.18**	**$43.13**
Current Share Price (Jul 30, 2014)								$39.31	$39.31	$39.31
Return								3%	8%	12%
Dividend per share (Est.)								$1.09	$1.09	$1.09
Dividend Yield								*3%*	*3%*	*3%*
Total Return								*5%*	*10%*	*15%*
2015E EPS								$1.94	$1.94	$1.94
Implied P/E								**20.2x**	**21.2x**	**22.2x**
Implied Price Target								**$39.00**	**$41.00**	**$43.00**

Source: Company data, Credit Suisse estimates

Risks

The main risk is that with NI's valuation continuing to rise in expectation of it forming an MLP, if it chooses to not carry out this option, there could be considerable downside to the current valuation and as such the shares could underperform.

We view the business model for NI as lower risk than MLPs that comprise the bulk of our coverage universe. Most of its growth capital projects are for replacement of existing infrastructure and which has the added security of having enabling legislation and or enabling regulatory settlements in a number of its service areas to help assure cost recovery in rates. It reached a customer modernization settlement with the FERC for an initial 5 years and $1.5B in investment for its Columbia Pipeline group. Legislation in support of electric infrastructure modernization in Indiana has been enacted. New legislation in Virginia and Maryland is also supportive of infrastructure investment for natural gas distribution systems and NI also reached a settlement with the Pennsylvania PUC regarding a rate increase and the use of a forward test year for its natural gas distribution system there.

Commodity price risk is very low and under the current regulatory regime is recovered in utility rates.

The main risk in our view is valuation – as explained above NI and for that matter its peers have reached extended valuation levels when considered from a historical P/E perspective. However, given very low income from bonds, income oriented investors have been increasingly taken to low risk utility business models as a yield alternative. Consequently NI's shares are up ~14% YTD given the upward trend in EPS growth. The shares yield 2.8% and the company is guiding to 3-5% dividend growth though we believe this likely is revised higher. The Federal Reserve has indicated intention to provide monetary policy support through 2015 in the form of continuing aggressive purchases of US government issues but has been reducing these purchases this year and phasing them out altogether by the end of this year. Thus, a key risk as far as valuation is concerned is mean reversion and/or a change in Federal Reserve policy brought on by political or other external events that are not in the current forecast.

Companies Mentioned *(Price as of 31-Jul-2014)*

NiSource Inc. (NI.N, $37.68, NEUTRAL, TP $41.0)

Disclosure Appendix

Important Global Disclosures

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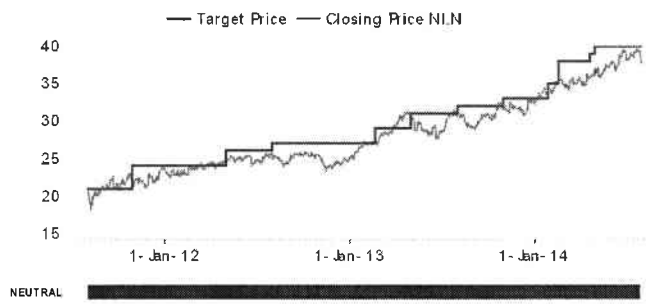
3-Year Price and Rating History for NiSource Inc. (NI.N)

NI.N Date	Closing Price (US$)	Target Price (US$)	Rating
02-Aug-11	20.40	21.00	N
28-Oct-11	22.52	24.00	
02-May-12	25.04	26.00	*
01-Aug-12	25.38	27.00	
20-Feb-13	27.04	29.00	
01-May-13	30.61	31.00	
01-Aug-13	31.11	32.00	
01-Nov-13	31.72	33.00	
28-Jan-14	34.18	35.00	
19-Feb-14	35.40	38.00	
21-Apr-14	35.71	39.00	
30-Apr-14	36.32	40.00	

** Asterisk signifies initiation or assumption of coverage.*



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Outperform (O) : The stock's total return is expected to outperform the relevant benchmark*over the next 12 months.

Neutral (N) : The stock's total return is expected to be in line with the relevant benchmark* over the next 12 months.

Underperform (U) : The stock's total return is expected to underperform the relevant benchmark* over the next 12 months.

**Relevant benchmark by region: As of 10th December 2012, Japanese ratings are based on a stock's total return relative to the analyst's coverage universe which consists of all companies covered by the analyst within the relevant sector, with Outperforms representing the most attractive, Neutrals the less attractive, and Underperforms the least attractive investment opportunities. As of 2nd October 2012, U.S. and Canadian as well as European ratings are based on a stock's total return relative to the analyst's coverage universe which consists of all companies covered by the analyst within the relevant sector, with Outperforms representing the most attractive, Neutrals the less attractive, and Underperforms the least attractive investment opportunities. For Latin American and non-Japan Asia stocks, ratings are based on a stock's total return relative to the average total return of the relevant country or regional benchmark; prior to 2nd October 2012 U.S. and Canadian ratings were based on (1) a stock's absolute total return potential to its current share price and (2) the relative attractiveness of a stock's total return potential within an analyst's coverage universe. For Australian and New Zealand stocks, 12-month rolling yield is incorporated in the absolute total return calculation and a 15% and a 7.5% threshold replace the 10-15% level in the Outperform and Underperform stock rating definitions, respectively. The 15% and 7.5% thresholds replace the +10-15% and -10-15% levels in the Neutral stock rating definition, respectively. Prior to 10th December 2012, Japanese ratings were based on a stock's total return relative to the average total return of the relevant country or regional benchmark.*

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Market Weight : The analyst's expectation for the sector's fundamentals and/or valuation is neutral over the next 12 months.

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Global Ratings Distribution

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Neutral/Hold*	40%	(50% banking clients)
Underperform/Sell*	13%	(47% banking clients)
Restricted	3%	

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Price Target: (12 months) for NiSource Inc. (NI.N)

Method: Our $41 TP is based on a 18-21x 2015E EPS on the electric utility business, a 10x 2015E EBITDA multiple on the natural gas utilities segment, a 12.5x NTM EBITDA multiple on the assets that qualify for MLP treatment (which we model as ~11.5% of the Columbia Pipeline assets), and 1 turn lower for the remainder of the Columbia Pipeline assets - based on our valuation of a generic MLP with IDRs vs. similar assets within a C-Corp.

Risk: The main risk to our $41 TP is that with NI's valuation continuing to rise in expectation of it forming an MLP, if it chooses to not carry out this option, there could be considerable downside to the current valuation and as such the shares could underperform.

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See the Companies Mentioned section for full company names

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31 July 2014

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HILLIARD LYONS

Electric Utilities
Analyst: David Burks
502.588.8648 / DBurks@hilliard.com
Institutional Sales Desk: Tim Rexing
502.585.8509 / TRexing@hilliard.com
J.J.B. Hilliard, W.L. Lyons, LLC
August 1, 2014

COMPANY UPDATE

Key Metrics

NI - NYSE (Price as of 7/31/14)		$37.68
Price Target		NA
52-Week Range		$39.70 - $28.85
Shares Outstanding (mm)		315.0
Market Cap. ($mm)		$11,869
3-Mo. Average Daily Volume		1,862,000
Institutional Ownership		81.0%
Debt/Total Capital (6/30)		60.6%
ROE (ttm)		9.1%
Book Value/Share		$18.42
Price/Book Value		2.04x
Indicated Dividend / Yield	$1.04	2.8%
Dividend Cycle		Feb., May, Aug., Nov.

EPS FY 12/31

	2013	Prior 2014E	Curr. 2014E	Prior 2015E	Curr. 2015E
1Q		--		--	--
2Q		--		--	--
3Q		--		--	--
4Q		--		--	--
Year	$1.58		$1.70		$1.82
P/E	23.8x		22.2x		20.7x
Payout	63%		61%		57%

Note: Figures exclude non-recurring items

Revenue ($mm)

	2013	Prior 2014E	Curr. 2014E	Prior 2015E	Curr. 2015E
1Q		--		--	--
2Q		--		--	--
3Q		--		--	--
4Q		--		--	--
Year	$5,659		$6,300	--	$6,750

Company Description: *Based in Merrillville, Ind., NiSource Inc. is a Fortune 500 company engaged in natural gas transmission, storage and distribution, as well as electric generation, transmission and distribution. NiSource operating companies deliver energy to 3.7 million customers located within the high-demand energy corridor stretching from the Gulf Coast through the Midwest to New England. Generation sources: Coal 77%, Natural Gas 22%, Hydro 1%.*

NiSource Inc.

NI -- NYSE -- Neutral -- 2

Company reports higher second quarter earnings and reaffirms 2014 guidance

Investment Highlights

- **NiSource reported second quarter net operating earnings of $0.25 per share versus $0.23 per share earned in the second quarter of 2013 and in line with expectations.** All of the company's segments, including Columbia pipeline, electric operations and gas distribution operations posted positive earnings comparisons in the second quarter. This marked the second straight quarter in which all business segments posted higher earnings. NI's pipeline operations revenues rose due to higher demand margin revenue from growth projects. Electric operations' results rose due to higher industrial, commercial, and residential margins and environmental investment cost recovery. NI's gas business was boosted by both increases in regulatory and service programs and the implementation of new rates in Ohio.
- **Management now expects 2014 earnings to be in the upper half of the previous $1.61 to $1.71 per share guidance.** The outlook is expected to be driven by a record $2.2 billion in capital investments this year. We are maintaining our 2014 EPS estimate at $1.70. We continue to believe NiSource is well positioned to deliver above average earnings and dividend growth.
- **The company will be hosting an Investor Day on September 29.** NiSource is expected to provide much more insight as to its future growth opportunities. We believe NI will provide updated long-term earnings guidance that will reinforce or even modestly increase the previous 5% to 7% earnings growth rate.
- **Our Neutral rating is based solely on valuation.** However, we think NI has a positive fundamental outlook. We feel the company's ambitious capital spending plans should position the company well for future earnings growth. With a low payout ratio, we believe NI will grow its dividend steadily as well. We would retain NI for investors seeking total return.

Note Important Disclosures on Pages 2 and 3.
Note Analyst Certification on Page 2.

Additional information is available upon request.

Analyst Certification

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Buy - We believe the stock has significant total return potential in the coming 12 months.
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Neutral - We believe the stock is an average holding in its sector, is currently fully valued, and may be used as a source of funds if better opportunities arise.
Underperform - We believe the stock is vulnerable to a price set back in the next 12 months.

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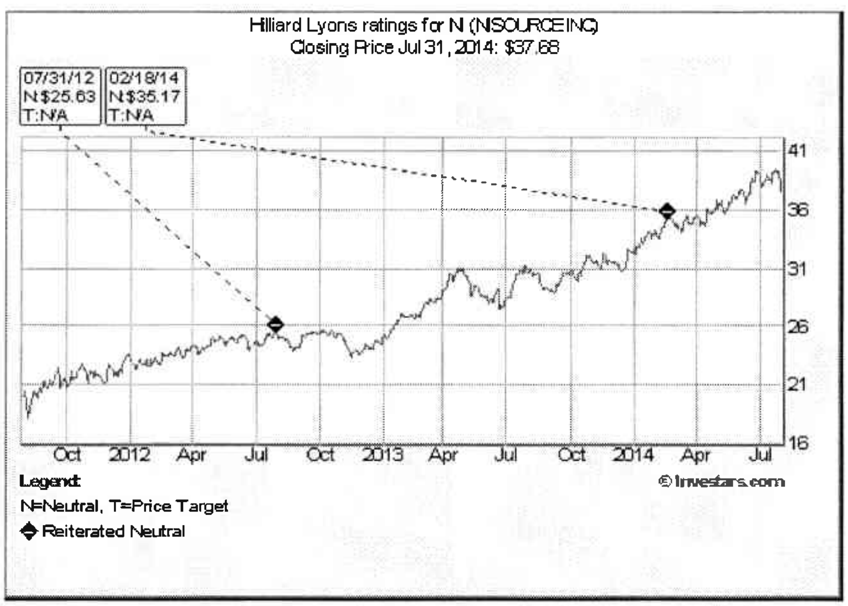
1 - A large cap, core holding with a solid history
2 - A historically secure company which could be cyclical, has a shorter history than a "1" or is subject to event driven setbacks
3 - An above average risk/reward ratio could be due to small size, lack of product diversity, sporadic earnings or high leverage
4 - Speculative, due to small size, inconsistent profitability, erratic revenue, volatility, low trading volume or a narrow customer or product base



	Hilliard Lyons Recommended Issues		Investment Banking Provided in Past 12 Mo.	
Rating	# of Stocks Covered	% of Stocks Covered	Banking	No Banking
Buy	49	39%	14%	86%
Hold/Neutral	70	56%	6%	94%
Sell	5	4%	0%	100%
Restricted	1	1%	100%	0%

As of 7 July 2014

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FLASH NOTE

Company Update

USA | Energy | Natural Gas

July 31, 2014

Jefferies

EQUITY RESEARCH AMERICAS

NiSource Inc. (NI)

2Q In-line; Analyst Day Slated for Sept. 29th

HOLD
Price target $37.00
Price $38.51

Key Takeaway

NI reported 2Q14 recurring diluted EPS of $0.25 (excluding asset sale gains), broadly in-line with our $0.24 forecast & the Street's $0.25 consensus estimate. Mgmt also affirmed its 2014 non-GAAP EPS guidance of $1.61-$1.71 and its $2.2B capital budget for the year, but indicated results are likely to be in the upper half of its EPS range; FactSet consensus 2014 EPS is currently $1.69.

Columbia Pipeline Group. CPG's $104mm operating income (excluding asset sale gains) was just above our $99mm expectation, driven primarily by higher margin revenue from new growth projects & higher mineral rights royalty revenue. Mgmt announced two new projects for this segment: the Utica Access project & a project to serve a natgas-fired power generation plant in Kentucky. These two projects have a combined cost of ~$75mm with projected in-service dates of late & mid-2016, respectively.

Gas Distribution. The gas utilities posted 2Q operating income of $63mm, ahead of our $56mm forecast, due primarily to increased revenues of ~$26mm y/y from a new rate settlement in PA and Columbia Gas of Ohio's approved modernization program. We still expect Gas Distribution to invest ~$815mm in system modernization & replacement during 2014. Also of note, the NIPSCO Gas seven-year, $700mm investment plan was approved by the Indiana URC in late April and we expect spending under the program to begin this year with recovery starting early 2015. Separately, the MA governor approved a bill in late June to implement a similar program for MA gas utilities.

Electric. NIPSCO Electric reported 2Q operating income of ~$60mm, in-line with our $61mm estimate. Mgmt noted that its Schahfer FGD project remains on track for YE14 completion while the FGD facility at Michigan City is on schedule for YE15 in-service.

Guidance & Analyst Day. Mgmt affirmed its 2014 non-GAAP EPS guidance of $1.61-$1.71 & its ~$2.2B capital budget, but indicated EPS will likely be in the upper-half of the range. It also formally announced an Analyst Day in New York on Sept. 29th; we expect it will provide mgmt a forum to discuss growth strategy & we anticipate a formal MLP announcement.

Dividend raised, as expected. NI declared a ~4% dividend increase in May, bringing its quarterly payout to 26¢/share ($1.04 annualized). This marks NI's third year of dividend raises since it resumed dividend growth in 2012; we project a 5-yr dividend CAGR of ~5.5%.

Dial-in for the Call: Today @ 9:00am ET. Dial-in: 866.515.2913; Passcode: 15780099

NI 2Q14 Results Review:

Operating Income by Division	Actual 2Q14A	Jefferies Expectations 2Q14E		Year-over-Year 2Q14A	
Gas Distribution	$62.5	$55.6	12.4%	$51.8	20.7%
Columbia Pipeline Group	$103.4	$98.5	5.0%	$88.8	16.4%
Electric Operations	$59.8	$61.0	-1.9%	$58.6	2.0%
Corporate, Other, and Eliminations	($6.9)	($4.2)	NA	($4.5)	-53.3%
Total Operating Income	**$218.8**	**$210.9**	**3.8%**	**$194.7**	**12.4%**
Depreciation	($149.1)	($147.3)	1.2%	($143.4)	4.0%
Other Income / (Expenses)	$7.5	$6.2	22.0%	$13.3	-43.6%
Interest Expense	($109.1)	($105.1)	3.8%	($102.0)	7.0%
Income Tax Benefit (Expense)	($39.4)	($37.0)	6.3%	($33.2)	18.7%
Recurring Net Income	**$77.8**	**$75.0**	**3.8%**	**$72.8**	**6.9%**
Avg Diluted Shares Outstanding	316.1	315.3	0.3%	313.2	0.9%
Earnings Per Diluted Share	**$0.25**	**$0.24**	**3.6%**	**$0.23**	**5.9%**
EBITDA ($MM)	**$375**	**$364**	**3.0%**	**$351**	**6.8%**
Capex & Affiliate Investments	**$490**	**$466**	**5.1%**	**$448**	**9.5%**

Source: NI report, Jefferies estimates
Note: Recurring EPS figures exclude the impact of non-normal weather & asset sale gains/losses; they also utilize average diluted share counts during each respective period.

Christopher Sighinolfi, CFA *
Equity Analyst
(212) 707-6420 csighino@jefferies.com
Christopher Tillett *
Equity Associate
(212) 284-4697 ctillett@jefferies.com
Corey Goldman *
Equity Associate
(212) 284-3411 cgoldma1@jefferies.com
* Jefferies LLC

NI

Company Update

July 31, 2014

Company Description

NiSource, Inc. (NYSE: NI) is a diversified energy holding company whose subsidiaries provide natural gas, electricity, and other energy products & services to nearly 4 million US customers. The Company operates through three segments: Gas Distribution, Gas Transmission and Storage, and Electric. The Gas Distribution operations provide natural gas service and transportation for residential, commercial and industrial customers in Ohio, Pennsylvania, Virginia, Kentucky, Maryland, Indiana and Massachusetts. The Gas Transmission and Storage segment offers gas transportation and storage services for Local distribution companies, marketers and industrial and commercial customers located in Northeastern, Mid-Atlantic, Midwestern and Southern states. The Electric Operations segment provides electric service in various counties in the northern part of Indiana. NiSource was founded in 1987, is incorporated under the laws of the state of Delaware, and is headquartered in Merrillville, IN.

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Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

NI

Company Update

July 31, 2014

Risk which may impede the achievement of our Price Target

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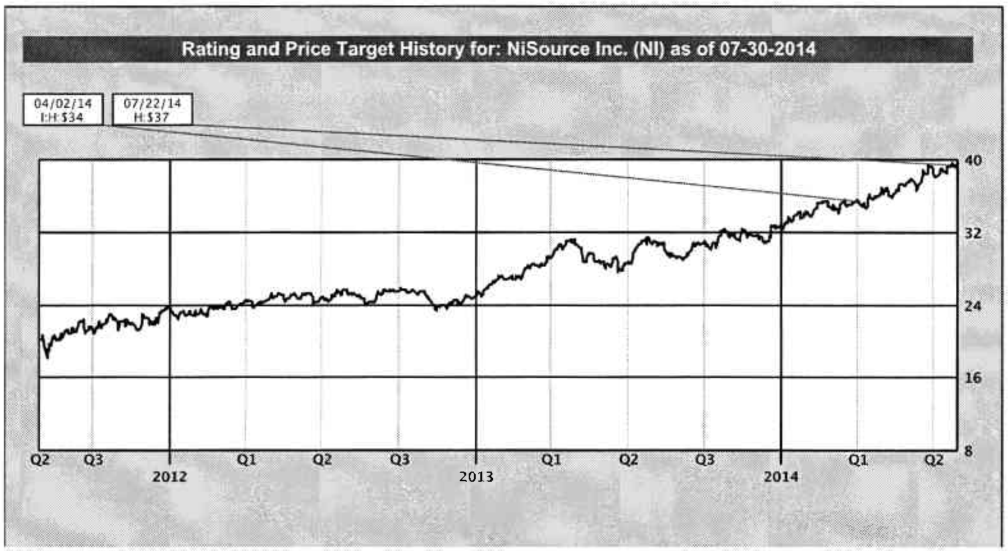

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Rating	Count	Percent	IB Serv./Past 12 Mos. Count	IB Serv./Past 12 Mos. Percent
BUY	961	51.58%	251	26.12%
HOLD	754	40.47%	121	16.05%
UNDERPERFORM	148	7.94%	8	5.41%

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

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Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

July 31, 2014
ENERGY: Multi- Utilities
Quick Alert

KeyBanc
Capital Markets

NiSource, Inc. (BUY)

NI - Quick Alert: 2Q14 Earnings Results in Line, Analyst Day Announced

KeyBanc Capital Markets Inc.
Member NYSE/FINRA/SIPC

Paul T. Ridzon: (216) 689- 0270 — pridzon@key.com
John Barta: (216) 689- 3386 — john_j_barta@key.com

KEY INVESTMENT POINTS

July 30, 2014 Close: $38.51
2Q14 KBCM EPS Estimate: $0.24 (Consensus: $0.24)
2014 KBCM EPS Estimate: $1.70 (Consensus: $1.70)
2015 KBCM EPS Estimate: $1.80 (Consensus: $1.83)

2Q14 Actual Results (vs. 2Q13):

- Ongoing EPS were $0.25 vs. $0.23; GAAP EPS were $0.25 vs. $0.23.
- Results were in line with our estimate of $0.24 consensus of $0.24.
- Growth projects remain on track in all segments.
- Analyst day announced for September 29.

Guidance: Management indicated that it now expects 2014 results to be in the upper half of guidance of $1.61- $1.71 per share.

2Q Highlights:

- Gas Distribution operating earnings were $10.7 million higher. Revenues rose $26 million on new rates in Ohio and Pennsylvania. The higher revenues were partly offset by higher expenses of $15 million on outside services, employee costs and higher depreciation.
- Columbia Pipeline Group reported lower results (operating earnings of $103.7 million vs. $88.8 million) on higher revenues ($22 million) resulting from higher demand margin and new projects coming into service.The higher top line was partly offset by higher expenses of $10 million on employee costs and higher depreciation.
- Electric operations earnings were $59.8 million vs. $58.6 million due to higher revenues of $12 million being partly offset by an $11 million increase in expenses related to outages and employee costs.

Initial Take: We expect a neutral to positive response to in line results. Consensus is currently in the upper half of guidance.

9:00 a.m. ET Conference Call #: (866) 515- 2913; ID#: 15780099
We will be focused on:

- Latest MLP thoughts.
- Thoughts on growth rate.
- Incremental infrastructure investment opportunities.
- Pipeline modernization project updates.

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As of the date of this report, we make a market in NiSource, Inc..

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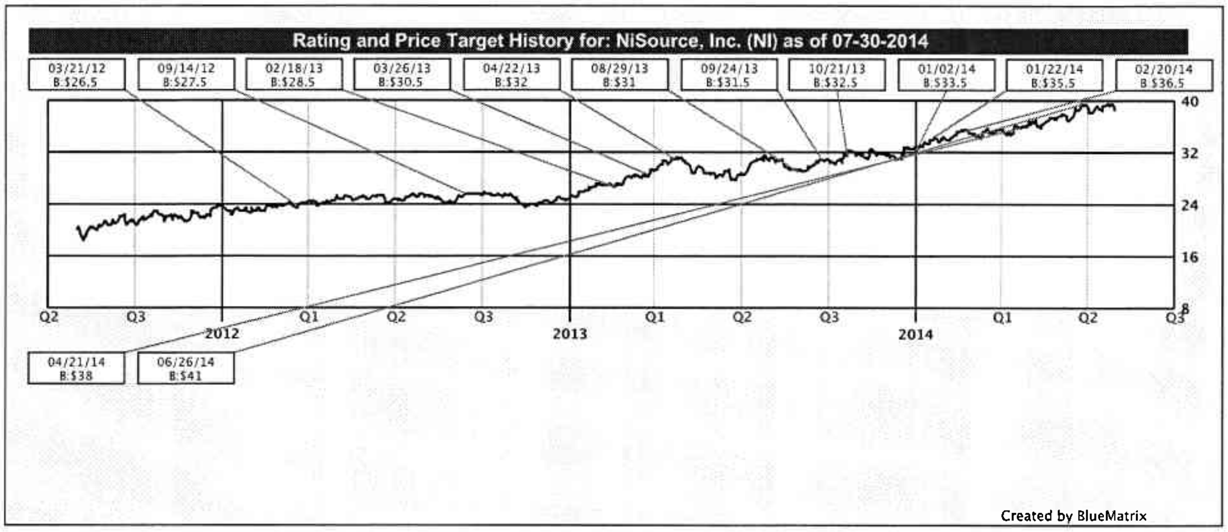

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Distribution of Ratings/IB Services Firmwide and by Sector

KeyBanc Capital Markets			IB Serv/Past 12 Mos.		ENERGY			IB Serv/Past 12 Mos.	
Rating	Count	Percent	Count	Percent	Rating	Count	Percent	Count	Percent
BUY [BUY]	258	46.65	57	22.09	BUY [BUY]	37	52.11	20	54.05
HOLD [HOLD]	283	51.18	55	19.43	HOLD [HOLD]	34	47.89	17	50.00
SELL [UND]	12	2.17	3	25.00	SELL [UND]	0	0.00	0	0.00

Rating System

BUY - The security is expected to outperform the market over the next six to 12 months; investors should consider adding the security to their holdings opportunistically, subject to their overall diversification requirements.

HOLD - The security is expected to perform in line with general market indices over the next six to 12 months; no buy or sell action is recommended at this time.

UNDERWEIGHT - The security is expected to underperform the market over the next six to 12 months; investors should reduce their holdings opportunistically.

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Morgan Stanley

MORGAN STANLEY RESEARCH
NORTH AMERICA

Morgan Stanley & Co. LLC

Brian Lasky
Brian.Lasky@morganstanley.com
+1 212 761 7249

Robert S Kad
Robert.Kad@morganstanley.com
+1 212 761 6385

Matthew Giacobbe
Matthew.Giacobbe@morganstanley.com
+1 212 761 7243

July 31, 2014

Stock Rating
Equal-weight
Industry View
Attractive

NiSource, Inc.

Focus Shifts to Analyst Day

NI reported in-line results and is expecting to be at the upper half of their 2014 EPS guidance of $1.61 – 1.71 (MSe $1.68). Management also announced an Analyst Day for September, which will likely shed light on a pot'l MLP and refresh EPS/div guidance.

2Q14 results: NI reported EPS of $0.25 vs. MS / Consensus of $0.27/$0.24. While NI continues to execute on its guidance, investors are increasingly ascribing value to the company's northeast infrastructure asset base. As NI continues to de-risk their Rayne/Leach XPress (expect details over next several weeks) and WB XPress (details late 3Q) projects, along with developing midstream infrastructure within the Marcellus/Utica (Big Pine, Utica Access), attention now turns towards management's potential formation of an MLP (including details around structuring and capex/growth pot'l) due to equity needs in 2015. Our new $43 price target (up from $40) includes the anticipated MLP formation and reflects project backlog de-risking. We continue to view NI as an attractive lower risk Div. Nat Gas holding with a supportive regulatory backdrop (de-risked utility profile with a visible rate base and recovery strategy), attractive Marcellus/Utica footprint, and a sizeable, growing project outlook. We expect this to drive 6.8% EPS growth in 2014e and 7.8% in 2015e (high end of guidance) with 4% div growth each year. However, shares have begun to factor in NI's MLP pot'l (NI +17% YTD vs. S&P500 +7%), keeping us E/w as the next leg of outperformance is more uncertain and dependant upon execution / replenishment of their potential MLP / project backlog.

Segment results. *Electric EBIT* came in at $59.8mm vs. $58.6mm y/y due to higher industrial, commercial, and residential margins partially offset by a decrease in off-system sales. *Gas Distribution EBIT* increased to $62.5mm from $51.8mm due to increases in regulatory and service programs partially offset by increased service costs. *Columbia Pipeline Group EBIT* increased to $103.7mm from $88.8mm y/y due to higher demand margin and increased mineral rights royalty revenue.

Key Ratios and Statistics

Reuters: NI.N Bloomberg: NI US
Diversified Natural Gas / United States of America

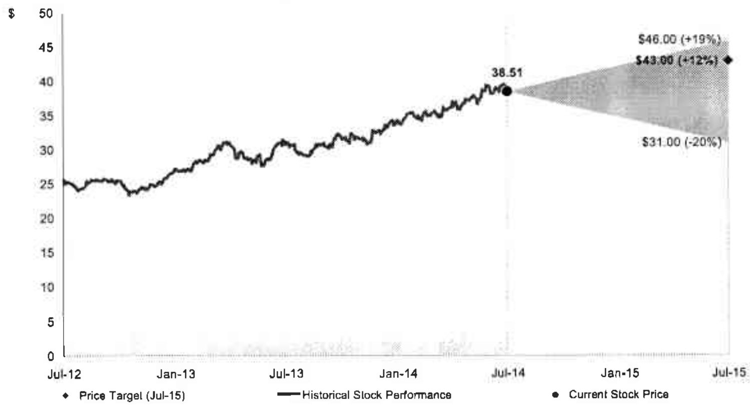
Price target	**$43.00**
Shr price, close (Jul 30, 2014)	$38.51
Mkt cap, curr (mm)	$12,216
52-Week Range	$39.70-28.85

Fiscal Year ending	12/13	12/14e	12/15e	12/16e
ModelWare EPS ($)	**1.57**	**1.68**	**1.81**	**1.92**
Prior ModelWare EPS ($)	**-**	**1.69**	**1.82**	**1.92**
P/E	**20.9**	**22.9**	**21.2**	**20.0**
Consensus EPS ($)§	**1.55**	**1.69**	**1.82**	**1.96**
Div yld (%)	3.0	2.7	2.8	2.9
Div per shr ($)	0.99	1.03	1.07	1.11
EBITDA ($mm)	1,705	1,836	2,012	2,197
EV/EBITDA	11.4	12.1	11.6	11.3
Shrs out, diluted, avg (mm)	314	316	316	316

Unless otherwise noted, all metrics are based on Morgan Stanley ModelWare framework (please see explanation later in this note).
§ = Consensus data is provided by Thomson Reuters Estimates.
e = Morgan Stanley Research estimates

NiSource (NI, Equal-weight)

Risk-Reward View: Strong Marcellus + Utica Midstream Potential



Source: ThomsonOne; Morgan Stanley Research

Price Target $43	
Bull Case $46	**Increasing Marcellus/Utica market share and utilities outperform; more projects, MLP creation.** NI gains larger Appalachian market share than anticipated from new production, fostering additional capital spend in the GT&S segment. Utica potential exceeds expectations.
Base Case $43	**Executing on Marcellus opportunities with a steady recovery and execution in utility segments.** NI places Marcellus/Utica growth projects on budget and on time. Industrial electric generation deliveries continue to stabilize/slightly recover. NI creates an MLP in 3Q.
Bear Case $31	**Marcellus opportunities fail to materialize.** Marcellus regulation issues persist or worsen, prolonging development. The required infrastructure projects are delayed causing NI to push back expansions and the stock re-rates lower given weaker growth profile. NI does not pursue an MLP.

Target Price Derivation

Target price derivation		Per share
1. Implied dividend yield/growth		**$43**
dividend yield	2.5%	
2015e growth	4.0%	
2. Implied P/E		**$41**
P/E multiple	22.5x	
3. Dividend discount model		**$44**
4. Sum of parts		**$44**
Price target		**$43**

Source: Morgan Stanley Research

Why Equal-weight?

- Restored earnings power at regulated utilities segments.
- Numerous midstream opportunities surrounding its existing pipeline systems in the Marcellus + Utica provide exceptional long-term value, but also come with it increased capex and possibly heated competition.
- See upside in an MLP scenario, but next leg of outperformance is dependant on execution.

Key Value Drivers

- Executing Marcellus + Utica midstream projects on time and below budget.
- Execution on its regulatory agenda (e.g., infrastructure modernization plan, filing rate cases, implementing trackers / cost recovery mechanisms).
- Stable dividend with potential 4 – 5% annual growth to go along with 5 – 7% EPS growth potential over multiple years.

Potential Catalysts

- MLP formation adds to value of NI and offers further upside on projects and acquisitions.
- Updates related to rate case settlements approval by regulatory bodies.
- Announcement of additional Marcellus or Utica project or acquisition beyond those included in guidance.

Where We Could Be Wrong

- Regulatory risks associated with Marcellus and/or Utica drilling puts a hold on midstream project expansions.
- Economic recovery remains prolonged, negatively affecting electric deliveries (especially to industrial customers).
- Unfavorable outcomes in the northeast due to legislation, slower drilling, more competition.
- MLP not formed.

Morgan Stanley

MORGAN STANLEY RESEARCH

July 31, 2014
NiSource, Inc.

Exhibit 1

NI: Earnings Results and Preview

(amounts in 000s, except per unit)

	Actual 2Q13	Actual 2Q14	A / A % chg	MS 2Q14E	A / E % chg	MS 3Q14E
Operating Revenues						
Gas Distribution	395,000	426,400	7.9%	564,009	-24.4%	405,563
Gas Transportation and Storage	366,500	390,100	6.4%	294,167	32.6%	298,863
Electric	383,500	401,800	4.8%	397,834	1.0%	427,007
Other	57,400	116,700		-		-
Total operating revenues	**1,202,400**	**1,335,000**	11.0%	**1,256,011**	6.3%	**1,131,433**
Operating Expenses						
Cost of Sales	349,300	371,700	6.4%	364,894	1.9%	285,466
Operation and maintenance	452,300	533,100	17.9%	451,440	18.1%	474,598
Depreciation and amortization	143,400	149,100	4.0%	147,840	0.9%	151,978
Other taxes	70,700	73,400	3.8%	70,644	3.9%	59,763
Total operating expenses	**1,015,700**	**1,127,300**	11.0%	**1,034,818**	8.9%	**971,805**
Equity Earnings (Loss) in Uncon. Affiliates	**8,000**	**11,100**	38.8%	**9,849**	12.7%	**11,156**
EBIT	**194,700**	**218,800**	12.4%	**231,041**	-5.3%	**170,784**
EBITDA	**338,100**	**367,900**	8.8%	**378,881**	-2.9%	**322,762**
Interest expense, net	(102,000)	(109,100)	7.0%	(109,100)	0.0%	(109,100)
Other income	13,300	7,500		4,500		7,500
Total other income and expenses	**(88,700)**	**(101,600)**	14.5%	**(104,600)**	-2.9%	**(101,600)**
Earnings From Cont. Oper. Bef. Inc. Taxes	**106,000**	**117,200**	10.6%	**126,441**	-7.3%	**69,184**
Income tax (provision)	33,200	39,600	19.3%	41,621	-4.9%	23,464
Net Income (Operating)	**72,800**	**77,600**	6.6%	**84,821**	-8.5%	**45,720**
Average # of Shares Outstanding	313,200	316,100	0.9%	314,200	0.6%	316,100
Net Income per Share (Operating)	**$ 0.23**	**$ 0.25**		**$ 0.27**		**$ 0.14**
Net Income per Share (GAAP)	**$ 0.23**	**$ 0.25**		**$ 0.27**		**$ 0.14**
Segment Data						
Gas Distribution (MMDth)						
Residential	34.8	35.0	0.6%	35.8	-2.4%	15.7
Commercial	27.0	27.4	1.5%	27.8	-1.5%	16.7
Industrial	113.4	121.7	7.3%	116.8	4.2%	124.3
Off System	18.4	14.2	-22.8%	17.5	-18.8%	14.8
Other	0.2	(0.3)		0.2		(0.1)
Gas Transmission & Storage (MMDth)						
Columbia Transmission	196.6	194.2	-1.2%	206.4	-5.9%	166.3
Columbia Gulf	169.8	145.4	-14.4%	169.8	-14.4%	134.0
Crossroads Gas Pipeline	3.3	3.5	6.1%	3.4	3.0%	4.2
Intrasegment eliminations	(81.4)	(21.6)	-73.5%	(101.8)	-78.8%	(61.9)
Electric Operations (Gigawatt Hours)						
Residential	769.1	793.2	3.1%	792.2	0.1%	1,030.5
Commercial	942.6	964.9	2.4%	961.5	0.4%	1,087.4
Industrial	2,256.3	2,455.8	8.8%	2,267.6	8.3%	2,348.9
Wholesale	494.7	12.1	-97.6%	497.2	-97.6%	109.1
Other	27.0	34.9	29.3%	27.5	26.7%	31.9

NI confirmed 2014 EPS guidance of $1.61-$1.71

Source: Company data, Morgan Stanley Research

Morgan Stanley

MORGAN STANLEY RESEARCH

July 31, 2014
NISource, Inc.

Exhibit 2

NI Income Statement

Income Statement

(amounts in thousands, except per unit data)	2013	2014E	2015E	2016E	2017E
Net Revenues					
Gas Distribution	2,225,300	2,982,248	3,599,872	3,927,424	4,285,213
Gas Transportation and Storage	1,646,400	1,601,289	1,481,841	1,739,102	1,959,945
Electric	1,563,200	1,684,335	1,771,784	1,854,564	1,915,384
Other	224,400	193,700	-	-	-
Total Net Revenues	**5,659,300**	**6,461,572**	**6,853,497**	**7,521,091**	**8,160,542**
Operating Costs					
Cost of Sales	1,815,500	2,351,575	2,375,324	2,616,842	2,798,262
Operation and maintenance	1,873,900	2,026,218	2,192,946	2,416,718	2,655,426
Depreciation and amortization	577,300	602,475	629,315	663,718	702,195
Other taxes	300,600	290,979	319,008	337,142	368,214
Total Operating Costs	**4,567,300**	**5,271,247**	**5,516,593**	**6,034,420**	**6,524,096**
Equity Earnings (Loss) in Uncon. Affiliates	**35,900**	**43,267**	**45,634**	**46,786**	**47,966**
EBIT	**1,127,900**	**1,233,591**	**1,382,538**	**1,533,457**	**1,684,412**
EBITDA	**1,705,200**	**1,836,066**	**2,011,853**	**2,197,174**	**2,386,607**
Other income					
Interest expense, net	(414,800)	(439,928)	(530,650)	(625,615)	(723,951)
Other income	42,600	27,000	30,000	30,000	30,000
Inc. from continuing operations bef Inc. taxes	**755,700**	**820,664**	**881,889**	**937,841**	**990,461**
Income tax (provision)	261,800	289,107	308,974	329,457	347,976
Operating Net income (Loss)	**493,900**	**531,556**	**572,915**	**608,384**	**642,485**
Net Income per Share (Operating)	**$1.57**	**$1.68**	**$1.81**	**$1.92**	**$2.03**
Net Income per Share (GAAP)	**$1.56**	**$1.71**	**$1.81**	**$1.92**	**$2.03**
Weighted Avg Diluted Units Outstanding	313,600	316,100	316,100	316,100	316,100
Dividends per share	0.99	1.03	1.07	1.11	1.16

Source: Company data, Morgan Stanley Research

Morgan Stanley

MORGAN STANLEY RESEARCH

July 31, 2014
NiSource, Inc.

Exhibit 3

NI Operating Data

Operating Data	2013	2014E	2015E	2016E	2017E
GAS DISTRIBUTION					
Sales and Transportation (MMDth):					
Residential	272.3	302.0	292.6	307.2	322.6
Commercial	172.9	191.3	191.0	200.5	210.6
Industrial	494.5	513.7	529.1	545.0	561.4
Off System	70.4	57.3	58.4	59.6	60.8
Other	0.4	(0.2)	(0.2)	(0.2)	(0.2)
Total Sales and Transports	**1,010.5**	**1,064.1**	**1,070.9**	**1,112.2**	**1,155.1**
Weather Adjustment	(3.4)	(53.8)	(4.0)	(4.0)	(4.0)
Sales and Transport Vols — Excluding Weather	**1,007.1**	**1,010.3**	**1,066.9**	**1,108.2**	**1,151.1**
y/y change	*2.6%*	*0.3%*	*5.6%*	*3.9%*	*3.9%*
Sales Price ($ / Dth)	$3.03	$3.49	$3.37	$3.54	$3.72
y/y change	*8.9%*	*15.0%*	*-3.3%*	*5.0%*	*5.0%*
COGS Price ($ / Dth)	$1.41	$1.80	$1.65	$1.77	$1.84
y/y change	*18.1%*	*27.6%*	*-8.2%*	*7.4%*	*4.0%*
Gross Margin ($ / Dth)	$1.62	$1.69	$1.72	$1.77	$1.88
y/y change	*1.9%*	*4.1%*	*1.9%*	*2.8%*	*6.1%*
COLUMBIA PIPELINE GROUP					
Throughput (MMDth):					
Columbia Transmission	1,124.6	1,170.5	1,236.2	1,298.0	1,362.9
Columbia Gulf	643.0	613.3	648.5	681.0	715.0
Crossroads Gas Pipeline	16.9	18.1	19.0	19.9	20.9
Total throughput	**1,784.5**	**1,801.9**	**1,903.7**	**1,998.9**	**2,098.8**
Intrasegment eliminations	(239.4)	(231.0)	(296.3)	(277.3)	(295.4)
Total third-party throughput	**1,545.1**	**1,570.9**	**1,607.4**	**1,721.6**	**1,803.4**
y/y change	*-2.4%*	*1.7%*	*2.3%*	*7.1%*	*4.8%*
Tariff ($ / Dth)	$0.50	$0.50	$0.52	$0.55	$0.56
y/y change	*10.0%*	*-1.1%*	*5.3%*	*5.1%*	*2.9%*
ELECTRIC OPERATIONS					
Sales (Gigawatt Hours):					
Residential	3,444.7	3,571.5	3,713.6	3,899.2	3,977.2
Commercial	3,881.9	3,968.4	4,047.7	4,128.7	4,170.0
Industrial	9,339.7	9,886.9	10,084.7	10,286.3	10,389.2
Wholesale	669.7	438.2	447.0	455.9	465.0
Other	132.0	142.3	148.0	154.0	160.1
Total sales	**17,468.0**	**18,007.3**	**18,441.0**	**18,924.2**	**19,161.6**
Weather Adjustment	(2.4)	(114.4)	-	-	-
Total sales volumes — Adj. for weather impacts	**17,465.6**	**17,892.9**	**18,441.0**	**18,924.2**	**19,161.6**
y/y change	*3.6%*	*2.4%*	*3.1%*	*2.6%*	*1.3%*
Revenue ($ / Gigawatt hour)	$89.59	$94.19	$96.08	$98.00	$99.96
y/y change	*0.5%*	*5.1%*	*2.0%*	*2.0%*	*2.0%*
COGS ($ / Gigawatt hour)	$31.07	$33.98	$33.26	$34.41	$35.26
y/y change	*5.0%*	*9.4%*	*-2.1%*	*3.5%*	*2.5%*
Gross Margin ($ / Gigawatt hour)	$58.53	$60.21	$62.82	$63.59	$64.70
y/y change	*-1.8%*	*2.9%*	*4.3%*	*1.2%*	*1.7%*

Source: Company data, Morgan Stanley Research

Morgan Stanley

MORGAN STANLEY RESEARCH

July 31, 2014
NiSource, Inc.

Exhibit 4

NI Balance Sheet

Balance Sheet

(amounts in thousands, except per unit data)	2013	2014E	2015E	2016E	2017E
ASSETS					
Cash and cash equivalents	26,800	94,364	266,582	206,841	299,555
Restricted cash	8,000	9,800	9,800	9,800	9,800
Accounts receivable	1,005,800	950,718	986,491	1,178,434	1,229,836
Income tax receivable	5,100	-	-	-	-
Gas inventory	354,600	55,506	58,891	202,531	118,524
Regulatory assets	142,800	188,100	188,100	188,100	188,100
Other	330,600	320,900	320,900	320,900	320,900
Total Current Assets	**2,159,200**	**1,991,488**	**2,202,864**	**2,478,706**	**2,538,815**
Net Property, Plant and Equipment	**14,365,100**	**16,106,225**	**17,476,910**	**18,813,192**	**20,110,998**
Unconsolidated affiliates	373,700	437,100	437,100	437,100	437,100
Other investments	204,000	201,900	201,900	201,900	201,900
Price risk management assets	500	-	-	-	-
Regulatory assets	1,522,200	1,454,100	1,454,100	1,454,100	1,454,100
Goodwill	3,666,200	3,666,200	3,666,200	3,666,200	3,666,200
Intangible assets	275,700	270,200	270,200	270,200	270,200
Deferred charges, Postretiremen, other	87,300	85,000	85,000	85,000	85,000
TOTAL ASSETS	**22,653,900**	**24,212,213**	**25,794,274**	**27,406,399**	**28,764,313**
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current portion of long-term debt	542,100	530,000	530,000	530,000	530,000
Short-term borrowings	698,700	1,101,100	1,101,100	1,101,100	1,101,100
Accounts payable	619,000	782,828	830,581	886,472	968,138
Dividends payable	-	82,000	82,000	82,000	82,000
Customer deposits and credits	262,600	241,700	241,700	241,700	241,700
Taxes accrued	254,800	216,100	216,100	216,100	216,100
Interest accrued	136,400	142,000	142,000	142,000	142,000
Price risk management liabilities	1,400	-	-	-	-
Exchange gas payable	186,400	139,200	139,200	139,200	139,200
Deferred revenue	18,500	8,700	8,700	8,700	8,700
Regulatory liabilities	60,200	88,700	88,700	88,700	88,700
Acc liab for post-retirement / -employment benefits	6,200	6,200	6,200	6,200	6,200
Other accruals	327,600	347,400	347,400	347,400	347,400
Total Current Liabilities	**3,178,400**	**3,754,628**	**3,802,381**	**3,858,272**	**3,939,938**
Long-term debt, excl amounts due within one year	7,593,200	8,240,600	9,540,600	10,840,600	11,840,600
Price risk management liabilities	300	-	-	-	-
Deferred income taxes	3,277,800	3,471,900	3,471,900	3,471,900	3,471,900
Deferred inc. taxes, credits, other	129,900	143,300	143,300	143,300	143,300
Acc liability for post-retirement/-employment benefits	527,500	466,100	466,100	466,100	466,100
Regulatory liabilities and other removal costs	1,669,800	1,673,900	1,673,900	1,673,900	1,673,900
Asset retirement obligations	174,400	178,000	178,000	178,000	178,000
Other noncurrent liabilities	216,000	224,300	224,300	224,300	224,300
Total Other Liabilities and Deferred Credits	**13,588,900**	**14,398,100**	**15,698,100**	**16,998,100**	**17,998,100**
Common stock	3,200	3,200	3,200	3,200	3,200
Additional paid-in capital	4,690,100	4,734,700	4,734,700	4,734,700	4,734,700
Retained earnings	1,285,500	1,421,784	1,656,093	1,912,327	2,188,575
Treasury stock	(43,600)	(41,400)	(41,400)	(41,400)	(41,400)
Accumulated other comprehensive loss	(48,600)	(58,800)	(58,800)	(58,800)	(58,800)
Total Common Stockholders' Equity	**5,886,600**	**6,059,484**	**6,293,793**	**6,550,027**	**6,826,275**
TOTAL CAPITALIZATION & LIABILITIES	**22,653,900**	**24,212,213**	**25,794,274**	**27,406,399**	**28,764,313**

Source: Company data, Morgan Stanley Research

Morgan Stanley

MORGAN STANLEY RESEARCH

July 31, 2014
NiSource, Inc.

Exhibit 5

NI Cash Flow Statement

Cash Flow Statement

(amounts in thousands, except per unit data)	2013	2014E	2015E	2016E	2017E
Cash from Operating Activities					
Net Income	532,100	539,956	572,915	608,384	642,485
Debt: Gain Early Extinguishment / Amort Disc.+Premium	9,400	-	-	-	-
Depreciation and Amortization	577,300	602,475	629,315	663,718	702,195
Net Changes in Price Risk Mgmt A / L	2,600	1,400	-	-	-
Deferred: Inc. Tax/Credits; Revenues	280,200	188,400	-	-	-
Stock Compensation Expense	50,700	27,900	-	-	-
Loss/(Gain) on Asset Sales / Impairments / Disc Opts	(17,500)	(16,400)	-	-	-
Income from Unconsolidated Affiliates	(35,700)	(20,600)	-	-	-
Disc. Operations: Loss/(Gain) on Disposition	(41,200)	500	-	-	-
AFUDC Equity	(18,500)	(9,200)	-	-	-
Dist. of Earnings Received from Equity Investee	32,100	12,900	-	-	-
Other	10,000	4,100	-	-	-
Changes in Assets and Liabilities:	**55,300**	**282,405**	**8,594**	**(279,692)**	**114,271**
Net cash from operating activities	**1,436,800**	**1,613,836**	**1,210,824**	**992,410**	**1,458,951**
Cash from Investing Activities					
Capital Expenditures	(1,879,900)	(2,175,000)	(2,000,000)	(2,000,000)	(2,000,000)
Insurance Recoveries	6,400	6,800	-	-	-
Proceeds from Disposition of Assets	18,000	6,200	-	-	-
Restricted Cash Deposits (Borrowings)	38,700	(1,800)	-	-	-
Contributions to Equity Investments	(125,400)	(54,800)	-	-	-
Other Investing Activities	50,800	(1,100)	-	-	-
Net cash from investing activities	**(1,891,400)**	**(2,219,700)**	**(2,000,000)**	**(2,000,000)**	**(2,000,000)**
Cash from Financing Activities					
Issuance of Long-Term Debt	1,307,600	600,000	1,300,000	1,300,000	1,000,000
Retirement/Repurchase of Long-Term Debt	(510,900)	(13,300)	-	-	-
Change in Short-Term Borrowings, Net	(78,100)	402,400	-	-	-
Issuance of Common Stock	43,700	16,100	-	-	-
Acquisition of Treasury Stock	(8,100)	(10,200)	-	-	-
Dividends Paid - Common Stock	(305,900)	(321,572)	(338,606)	(352,151)	(366,237)
Other	(3,200)	-	-	-	-
Net cash from financing activities	**445,100**	**673,428**	**961,394**	**947,849**	**633,763**
Net change in cash	**(9,500)**	**67,564**	**172,217**	**(59,741)**	**92,714**
Cash at beginning of period	**36,300**	**26,800**	**94,364**	**266,582**	**206,841**
Cash at end of period	**26,800**	**94,364**	**266,582**	**206,841**	**299,555**

Source: Company data, Morgan Stanley Research

Exhibit 6

NI Sum of the Parts Valuation

NiSource Inc.	Value ($m)	$/Share
Gas Distribution	$ 6,833	$ 21.61
Gas Transmission & Storage	15,808	50.01
Electric Utility	3,926	12.42
Utica Leases	350	1.11
Value	**$ 26,916**	**$ 85.15**
Net Debt	**(13,160)**	**(41.63)**
Net Equity Value	**$ 13,756**	**$ 43.52**
Shares Outstanding (in m)		316.1

GAS DISTRIBUTION	
Forward EBIT (2015E)	$531
Interest	$159
Tax Rate	35%
Net Income	$242
Forward multiple	17.9x
Equity value	**$4,317**
Debt	$2,515
Enterprise value	**$6,833**

GAS TRANSMISSION & STORAGE (on a PV basis)	
MLP Drop-down Proceeds	$9,161
MLP GP Valuation	4,190
MLP LP Value	2,456
Enterprise value	**$15,808**

ELECTRIC UTILITY	
Forward EBIT (2015E)	$323
Interest	$81
Tax Rate	35%
Net Income	$157
Forward multiple	16.8x
Equity value	**$2,640**
Debt	$1,286
Enterprise value	**$3,926**

Estimated Utica 'Value' Credit	
Acres	175,000
$/acre	$2,000
Enterprise value	**$350**

Source: Company Data, Morgan Stanley Research

Valuation Methodology & Risks

Assets in an MLP have typically traded at a premium to C-Corps. MLPs have traded at higher valuations than would similar assets in a corporate structure due to: 1) their tax efficiency (no federal taxes) and 2) the premium investors tend to place on yield. These two factors have typically produced: 3) a lower cost of capital, which can facilitate a potentially faster growth rate.

Interest rates are not the driver. Although MLPs have benefited from declining interest rates, so have other asset classes. We believe that gains in MLP stocks are a function of their ability to grow cash flows, not just their current yield.

The key value proposition is total return (growing cash flow yield + stock price appreciation). We find a statistically insignificant correlation between bond and MLP prices. Several periods of rate increases (1994, 1999, 2004) are correlated with poor performance, but there is little day-to-day link.

Distribution discount models (DDM) and implied yield targets. We use a 10-year distribution discount model to arrive at our price targets along with our implied yield target for each individual MLP as we view long-term cash flow stability and growth as the true measure of an MLP stock's value.

Yield spread. Despite historical day-to-day insignificance, we think this is worth looking at as a check on valuation. Overall, yields tend to revert to their mean, and even if we have modest yield compression, significant share price upside is possible.

Multiples provide valuation check. While we generally think it is difficult to target an EV (enterprise value) / EBITDA or P / DCF (distributable cash flow) multiple for an MLP stock, we think it certainly provides a gauge as to the stock's valuation. Currently, MLP multiples are near their historical average over time and we believe this provides another metric of valuation support along with looking at the high yield spreads and distribution growth.

Relative (historical) valuation measures support MLPs. The primary argument against improving valuation is weak relative performance in a rising interest rate environment. While we believe that the relationship to Treasury yields will become less relevant over time, using traditional dividend yield analysis, and the MLP index dividend yield spread to Treasury MLPs appear undervalued. Valuation supports MLPs relative to peers. Pipeline MLPs offer organic growth in a rising petroleum demand environment that requires infrastructure development. When we compare MLPs to comparable income asset classes — utilities and REITs — the valuation disconnect is unwarranted, in our opinion, as the pipeline MLPs offer twice the implied return of REITs and utilities.

Distribution growth is predicated on energy fundamentals. The United States is short on critical energy infrastructure, much of which has scarcity/franchise value, in our view, and this should drive a number of expansion projects for MLPs over the next five years. This scarcity is apparent, given the age of most US energy infrastructure assets (many were constructed during or shortly after World War II), combined with approximately 1.5–2.0% demand growth for oil, natural gas, and refined products, along with changing sources of supply for natural gas — deepwater Gulf of Mexico, the US Rockies, and liquefied natural gas (LNG) versus more traditional, conventional sources of supply.

Access to capital markets is of particular importance in this space. Given that MLPs pay out a majority of their free cash flow to unitholders each quarter, growth is funded largely through ongoing debt and equity capital raises. To the extent MLPs are unable to raise financing on favorable terms, organic capital spending budgets and third party acquisitions will likely be delayed or forgone. A prolonged period of limited capital market access could place downward pressure on unit prices if investors are concerned that distribution growth could be limited for a significant amount of time.

Investment concerns. The risks to our thesis include economic growth and demand, alternative energy programs, legislative items including tax reform and easing of product restrictions for natural gas and refined products, as well as a return to Treasury yield valuation and infrastructure reliability. Increased institutional ownership would likely create a revaluation of the sector, as new money would flood the current market. Our analysis is based on the current capital markets and economic outlook, with our Overweight names likely to outperform with or without institutional equity.

Glossary of MLP Terms

Cash Available (distributable cash flow or "DCF"): This is calculated as net income plus depreciation and other non-cash items, less maintenance capital expenditure requirements.

Cash Distributed (distributions): Quarterly dividend payments made to limited partner (LP) and general partner (GP) investors. These amounts are set by the GP and are supported by an MLP's operating cash flows.

Distribution Coverage Ratio: Calculated as cash available to limited partners divided by cash distributed to limited partners. It gives an indication of an MLP's ability to make dividend payments to limited partner investors from operating cash flows. MLPs with a coverage ratio of in excess of 1.0 times are able to meet their dividend payments without external financing.

Yield or Distribution Yield: Yield or distribution yield as referenced in this report are defined as most recent distribution declared, annualized, and then divided by the current market price. It may consist of short-term capital gains, long-term capital gains, and/or return of capital.

General Partner (GP): Corporate sponsor, management team, or financial investor that typically owns a 2% interest in the MLP. Through this 2% interest, the GP has the responsibility for the operations and maintenance of the MLP and the authority to make decisions. To align the interests of the GP with the limited partners, MLPs have an incentive distribution schedule that rewards the GP for increasing the cash distributions to the limited partners.

Incentive Distribution Rights (IDRs): Increases in cash distributions entitle the GP to a higher percentage of the incremental distributed cash flows. These per unit target levels are set out specifically in the MLP agreement and give the GP a larger percentage of the incremental dollars (in many cases upwards of 50% of incremental cash payouts).

Limited Partner (LP): Owners of the limited partner units that are entitled to receive the majority of the cash flows generated by the partnership through a quarterly distribution. LPs typically cannot participate in making decisions regarding the operation of the MLP unless they secure a definitive majority (e.g., 66%, but it can vary) in a proxy vote.

K-1 Statement: This is the form that an MLP investor receives each year from the partnerships that shows the investor's share of the partnership's income, gain, loss, deductions, and credits. The K-1 is similar to a Form 1099 that is received from a corporation. The investor will pay tax on the portion of net income that is allocated at his or her individual tax rate.

Publicly Traded Partnership (PTP): a master limited partnership (MLP) or a limited liability company that has chosen to be taxed as a partnership, which is publicly traded. There are roughly 75 publicly traded partnerships and the majority is involved in energy-related activities. Energy related PTP's comprise approximately 85% of total PTP market cap, with REITs making up the majority of the 15% balance.

Qualifying Income: In order to be taxed as a partnership, 90 percent of a PTP's income must be "qualifying income" every year that it is a publicly traded partnership. Qualifying income can include 1) interest 2) dividends 3) real property rents 4) gains from the sale or other disposition of real estate 5) income and gains from the exploration, development, mining, or production, processing, refining, transportation, or marketing of any mineral or natural resource 6) Any gain from selling or disposing of a capital asset held for the production of any of the types of income in numbers 1-5 7) Income and gains from commodities, if buying and selling commodities is the PTP's principal activity 8) Any income that would be qualifying income for a regulated investment company (RIC) or real estate investment trust (REIT).

Morgan Stanley

MORGAN STANLEY RESEARCH

July 31, 2014
NiSource, Inc.

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(as of June 30, 2014)

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	Coverage Universe		Investment Banking Clients (IBC)		
Stock Rating Category	Count	% of Total	Count	% of Total IBC	% of Rating Category
Overweight/Buy	**1080**	**35%**	**367**	**38%**	**34%**
Equal-weight/Hold	**1339**	**44%**	**469**	**49%**	**35%**
Not-Rated/Hold	**113**	**4%**	**23**	**2%**	**20%**
Underweight/Sell	**546**	**18%**	**98**	**10%**	**18%**
Total	**3,078**		**957**		

Data include common stock and ADRs currently assigned ratings. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months.

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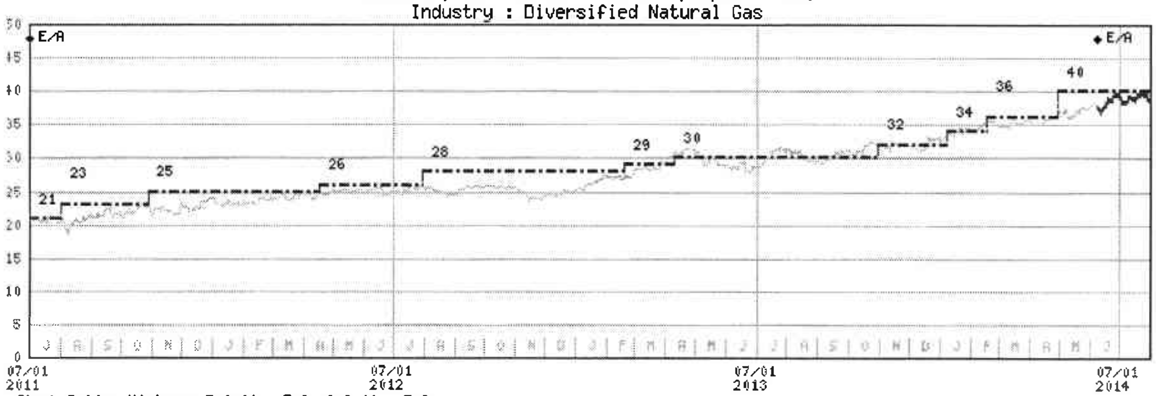
Stock Price, Price Target and Rating History (See Rating Definitions)

NiSource, Inc. (NI.N) - As of 7/30/14 in USD
Industry : Diversified Natural Gas



Stock Rating History: 7/1/11 : E/A; 6/9/14 : E/A

Price Target History: 5/3/11 : 21; 8/2/11 : 23; 10/28/11 : 25; 4/18/12 : 26; 7/31/12 : 28; 2/19/13 : 29; 4/10/13 : 30; 10/31/13 : 32; 1/8/14 : 34; 2/18/14 : 36; 4/30/14 : 40

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target -- No Price Target Assigned (NA)
Stock Price (Not Covered by Current Analyst) Stock Price (Covered by Current Analyst)
Stock and Industry Ratings (abbreviations below) appear as ◆ Stock Rating/Industry View
Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) No Rating Available (NA)
Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

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The Americas
1585 Broadway
New York, NY 10036-8293
United States
Tel: +1 (1) 212 761 4000

Europe
20 Bank Street, Canary Wharf
London E14 4AD
United Kingdom
Tel: +44 (0) 20 7 425 8000

Japan
1-9-7 Otemachi, Chiyoda-ku
Tokyo 100-8104
Japan
Tel: +81 (0) 3 6836 5000

Asia/Pacific
1 Austin Road West
Kowloon
Hong Kong
Tel: +852 2848 5200

Industry Coverage:Diversified Natural Gas

Company (Ticker)	Rating (as of)	Price* (07/30/2014)
Brian Lasky		
CenterPoint Energy, Inc (CNP.N)	E (06/09/2014)	$24.56
Cheniere Energy Inc. (LNG.A)	O (06/09/2014)	$73.4
Cheniere Energy Partners L.P. Holdings (CQH.A)	E (06/09/2014)	$24.07
EnLink Midstream LLC (ENLC.N)	E (06/09/2014)	$39.01
Enbridge Energy Partners LP (EEP.N)	U (09/10/2012)	$35.23
Enbridge Energy Partners LP (EEQ.N)	U (12/17/2013)	$34.42
Kinder Morgan Energy Partners LP (KMR.N)	E- (06/09/2014)	$78.38
Kinder Morgan Energy Partners LP (KMP.N)	U (06/09/2014)	$82.17
Kinder Morgan Inc. (KMI.N)	E (06/09/2014)	$37.3
NiSource, Inc. (NI.N)	E (06/09/2014)	$38.51
Oneok Inc. (OKE.N)	O (06/09/2014)	$66.09
SemGroup Corp (SEMG.N)	O (06/09/2014)	$79.2
Spectra Energy Corp. (SE.N)	E (06/09/2014)	$42.17
Williams Companies, Inc (WMB.N)	O (06/09/2014)	$56.69

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* Historical prices are not split adjusted.

NiSource Inc NI (NYSE) ★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Morningstar Credit Rating	Industry Group
37.68 USD	32.00 USD	22.40 USD	43.20 USD	Medium	Narrow	Stable	Standard	BBB	Utilities - Regulated

NiSource Raises Earnings Guidance: Increasing Our 5-Year EPS Growth Rate and Fair Value Estimates

Charles Fishman, CFA
Stock Analyst
charles.fishman@morningstar.com
312-696-6523

The primary analyst covering this company does not own its stock.

Research as of 31 Jul 2014
Estimates as of 21 Mar 2014
Pricing data as of 31 Jul 2014 15:20
Rating updated as of 31 Jul 2014 16:04

Currency amounts expressed with "$" are in U.S. dollars (USD) unless otherwise denoted.

Contents

Analyst Note 31 Jul 2014

NiSource reported 2014 second-quarter operating EPS of $0.25 versus $0.23 in the same period last year. All three operating segments posted strong results in the recently ended quarter. NiSource increased its operating earnings guidance to the upper half of its previous guidance of $1.61-$1.71 per share. We have increased our 2014 EPS estimate to $1.70 from $1.65 based on this revised guidance and the strong first-half performance.

NiSource announced that it would conduct an analyst day presentation on Sept. 29. Because of the increasing backlog of system modernization and growth projects, we believe there is a high probability that NiSource will increase its long-term annual EPS growth outlook (currently 5%-7%) at the presentation. We are increasing our five-year compound annual EPS growth rate estimate to 7.6% from 6.8%. This leads us to raise our fair value estimate to $32 per share from $30 per share. Our narrow moat and stable moat trend ratings are unchanged.

The increase is driven by increased investment at the Columbia Pipeline Group. Specifically, we have increased confidence that the Rayne and Leach XPress pipelines will be built based on management's comments during the second-quarter conference call. Although NiSource has not provided a capital estimate, we believe these pipelines combined could be as much as $500 million investment opportunity that would begin contributing to earnings in late 2017 or early 2018.

Vital Statistics

Market Cap (USD Mil)	12,126
52-Week High (USD)	39.70
52-Week Low (USD)	28.85
52-Week Total Return %	28.1
YTD Total Return %	19.4
Last Fiscal Year End	31 Dec 2013
5-Yr Forward Revenue CAGR %	6.8
5-Yr Forward EPS CAGR %	6.9
Price/Fair Value	1.28

Valuation Summary and Forecasts

Fiscal Year:	2012	2013	*2014(E)*	*2015(E)*
Price/Earnings	17.0	20.8	*23.3*	*21.6*
EV/EBITDA	9.9	11.2	*11.3*	*10.3*
EV/EBIT	15.2	17.0	*16.6*	*15.2*
Free Cash Flow Yield %	-3.0	-4.4	*-4.7*	*-4.3*
Dividend Yield %	3.5	3.0	*2.7*	*2.8*

Financial Summary and Forecasts (USD Mil)

Fiscal Year:	2012	2013	*2014(E)*	*2015(E)*
Revenue	5,061	5,657	*6,123*	*6,524*
Revenue YoY %	-15.9	11.8	*8.2*	*6.6*
EBIT	1,039	1,126	*1,269*	*1,388*
EBIT YoY %	12.7	8.4	*12.7*	*9.4*
Net Income, Adjusted	437	494	*526*	*572*
Net Income YoY %	12.4	13.0	*6.5*	*8.8*
Diluted EPS	1.46	1.58	*1.65*	*1.78*
Diluted EPS YoY %	7.9	8.3	*4.6*	*8.1*
Free Cash Flow	71	-379	*-157*	*-390*
Free Cash Flow YoY %	339.3	-637.2	*-58.5*	*148.0*

Historical/forecast data sources are Morningstar Estimates and may reflect adjustments.

Profile

NiSource is one of the nation's largest natural gas distribution companies with 3.4 million customers in Indiana, Kentucky, Maryland, Massachusetts, Ohio, Pennsylvania, and Virginia. NiSource also owns 15,000 miles of natural gas transmission pipeline, operates one of the nation's largest underground natural gas storage systems, and provides unregulated midstream services in the growing Marcellus and Utica shale production area. NiSource's electric utility generates, transmits, and distributes electricity in northern Indiana.

NiSource Inc NI (NYSE) | ★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Morningstar Credit Rating	Industry Group
37.68 USD	32.00 USD	22.40 USD	43.20 USD	Medium	Narrow	Stable	Standard	BBB	Utilities - Regulated

Morningstar Analyst Forecasts

Financial Summary and Forecasts

Fiscal Year Ends in December

Growth (% YoY)	3-Year Hist. CAGR	2011	2012	2013	2014 (Forecast)	2015 (Forecast)	5 Year Proj. CAGR
Revenue	-4.1	-6.3	-15.9	11.8	8.2	6.6	6.8
EBIT	6.8	-0.2	12.7	8.4	12.7	9.4	9.8
EBITDA	3.9	-4.0	9.6	6.4	9.9	9.3	8.9
Net Income	13.2	14.1	12.4	13.0	6.5	8.8	9.0
Diluted EPS	9.0	10.8	7.9	8.3	4.6	8.1	6.9
Earnings Before Interest, after Tax	4.4	10.4	4.1	-1.0	16.8	4.7	8.0
Free Cash Flow	-237.7	-88.9	339.3	-637.2	-58.5	148.0	—

Profitability	3-Year Hist. Avg	2011	2012	2013	2014	2015	5-Year Proj. Avg
Operating Margin %	18.6	15.3	20.5	19.9	20.7	21.3	21.9
EBITDA Margin %	28.7	24.3	31.6	30.1	30.6	31.4	32.0
Net Margin %	7.9	6.5	8.6	8.7	8.6	8.8	9.1
Free Cash Flow Margin %	-1.7	0.3	1.4	-6.7	-2.6	-6.0	-2.9
ROIC %	7.3	7.6	7.5	6.9	7.4	7.2	7.2
Adjusted ROIC %	10.0	10.6	10.2	9.1	9.7	9.2	9.0
Return on Assets %	1.9	1.5	2.0	2.4	2.2	2.2	2.3
Return on Equity %	7.7	6.0	7.9	9.3	8.8	9.2	9.4

Leverage	3-Year Hist. Avg	2011	2012	2013	2014	2015	5-Year Proj. Avg
Debt/Capital	0.60	0.61	0.59	0.60	0.61	0.63	0.62
Total Debt/EBITDA	5.23	5.45	5.06	5.19	5.21	5.26	5.10
EBITDA/Interest Expense	3.94	3.88	3.83	4.11	4.03	3.99	4.07

Valuation Summary and Forecasts

	2012	2013	2014(E)	2015(E)
Price/Fair Value	1.00	1.22	—	—
Price/Earnings	17.0	20.8	23.3	21.6
EV/EBITDA	9.9	11.2	11.3	10.3
EV/EBIT	15.2	17.0	16.6	15.2
Free Cash Flow Yield %	-3.0	-4.4	-4.7	-4.3
Dividend Yield %	3.5	3.0	2.7	2.8

Key Valuation Drivers

Cost of Equity %	10.0
Pre-Tax Cost of Debt %	5.0
Weighted Average Cost of Capital %	6.7
Long-Run Tax Rate %	35.0
Stage II EBI Growth Rate %	7.0
Stage II Investment Rate %	87.5
Perpetuity Year	15

Additional estimates and scenarios available for download at http://select.morningstar.com.

Discounted Cash Flow Valuation

	USD Mil	Firm Value (%)	Per Share Value
Present Value Stage I	-816	-4.5	-2.55
Present Value Stage II	1,359	7.5	4.25
Present Value Stage III	17,611	97.0	55.12
Total Firm Value	**18,155**	**100.0**	**56.82**
Cash and Equivalents	70	—	0.22
Debt	-8,834	—	-27.65
Preferred Stock	—	—	—
Other Adjustments	35	—	0.11
Equity Value	**9,425**	—	**29.50**
Projected Diluted Shares	320		
Fair Value per Share (USD)	—		

The data in the table above represent base-case forecasts in the company's reporting currency as of the beginning of the current year. Our fair value estimate may differ from the equity value per share shown above due to our time value of money adjustment and in cases where probability-weighted scenario analysis is performed.

NiSource Inc NI (NYSE) ★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Morningstar Credit Rating	Industry Group
37.68 USD	32.00 USD	22.40 USD	43.20 USD	Medium	Narrow	Stable	Standard	BBB	Utilities - Regulated

Morningstar Analyst Forecasts

Income Statement (USD Mil)
Fiscal Year Ends in December

	2011	2012	2013	Forecast 2014	Forecast 2015
Revenue	**6,019**	**5,061**	**5,657**	***6,123***	***6,524***
Cost of Goods Sold	2,556	1,542	1,816	*2,023*	*2,109*
Gross Profit	**3,463**	**3,520**	**3,842**	***4,100***	***4,415***
Selling, General & Administrative Expenses	1,723	1,663	1,874	*1,976*	*2,111*
Other Operating Expense (Income)	295	288	301	*297*	*307*
Other Operating Expense (Income)	-15	-32	-36	*-45*	*-49*
Depreciation & Amortization (if reported separately)	538	562	577	*603*	*658*
Operating Income (ex charges)	**922**	**1,039**	**1,126**	***1,269***	***1,388***
Restructuring & Other Cash Charges	17	-4	-18	—	—
Impairment Charges (if reported separately)	—	—	—	—	—
Other Non-Cash (Income)/Charges	—	—	—	—	—
Operating Income (incl charges)	**905**	**1,043**	**1,143**	***1,269***	***1,388***
Interest Expense	377	418	415	*465*	*513*
Interest Income	-61	2	24	*5*	*5*
Pre-Tax Income	**467**	**626**	**753**	***809***	***880***
Income Tax Expense	163	216	262	*283*	*308*
Other After-Tax Cash Gains (Losses)	-5	6	6	—	—
Other After-Tax Non-Cash Gains (Losses)	—	—	35	—	—
(Minority Interest)	—	—	—	—	—
(Preferred Dividends)	—	—	—	—	—
Net Income	**299**	**416**	**532**	***526***	***572***
Weighted Average Diluted Shares Outstanding	289	300	314	*319*	*321*
Diluted Earnings Per Share	**1.03**	**1.39**	**1.70**	***1.65***	***1.78***
Adjusted Net Income	389	437	494	*526*	*572*
Diluted Earnings Per Share (Adjusted)	**1.35**	**1.46**	**1.58**	***1.65***	***1.78***
Dividends Per Common Share	0.92	0.94	0.98	*1.02*	*1.06*
EBITDA	**1,443**	**1,605**	**1,721**	***1,872***	***2,046***
Adjusted EBITDA	**1,460**	**1,601**	**1,703**	***1,872***	***2,046***

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NiSource Inc NI (NYSE) ★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Morningstar Credit Rating	Industry Group
37.68 USD	32.00 USD	22.40 USD	43.20 USD	Medium	Narrow	Stable	Standard	BBB	Utilities - Regulated

Morningstar Analyst Forecasts

Balance Sheet (USD Mil)
Fiscal Year Ends in December

	2011	2012	2013	Forecast 2014	Forecast 2015
Cash and Equivalents	172	83	35	*199*	*168*
Investments	—	—	—	—	—
Accounts Receivable	855	907	1,006	*1,090*	*1,162*
Inventory	566	496	500	*554*	*578*
Deferred Tax Assets (Current)	—	—	—	—	—
Other Short Term Assets	655	866	618	*750*	*750*
Current Assets	**2,248**	**2,352**	**2,159**	***2,594***	***2,658***
Net Property Plant, and Equipment	11,800	12,916	14,365	*15,843*	*17,259*
Goodwill	3,677	3,677	3,666	*3,666*	*3,666*
Other Intangibles	298	287	276	*276*	*276*
Deferred Tax Assets (Long-Term)	—	—	—	—	—
Other Long-Term Operating Assets	2,685	2,613	2,188	*2,561*	*2,689*
Long-Term Non-Operating Assets	—	—	—	—	—
Total Assets	**20,708**	**21,845**	**22,654**	***24,940***	***26,548***
Accounts Payable	435	539	619	*690*	*719*
Short-Term Debt	1,687	1,284	1,241	*1,250*	*1,250*
Deferred Tax Liabilities (Current)	—	—	—	—	—
Other Short-Term Liabilities	1,525	1,479	1,319	*1,500*	*1,500*
Current Liabilities	**3,646**	**3,302**	**3,178**	***3,440***	***3,469***
Long-Term Debt	6,267	6,819	7,593	*8,500*	*9,500*
Deferred Tax Liabilities (Long-Term)	2,542	2,953	3,278	*3,632*	*3,963*
Other Long-Term Operating Liabilities	3,256	3,216	2,718	*3,252*	*3,236*
Long-Term Non-Operating Liabilities	—	—	—	—	—
Total Liabilities	**15,711**	**16,290**	**16,767**	***18,823***	***20,169***
Preferred Stock	—	—	—	—	—
Common Stock	3	3	3	*3*	*3*
Additional Paid-in Capital	4,168	4,598	4,690	*4,725*	*4,760*
Retained Earnings (Deficit)	917	1,060	1,286	*1,486*	*1,717*
(Treasury Stock)	-31	-41	-49	*-49*	*-49*
Other Equity	-60	-66	-44	*-49*	*-54*
Shareholder's Equity	**4,997**	**5,554**	**5,887**	***6,117***	***6,379***
Minority Interest	—	—	—	—	—
Total Equity	**4,997**	**5,554**	**5,887**	***6,117***	***6,379***

NiSource Inc NI (NYSE) ★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Morningstar Credit Rating	Industry Group
37.68 USD	32.00 USD	22.40 USD	43.20 USD	Medium	Narrow	Stable	Standard	BBB	Utilities - Regulated

Morningstar Analyst Forecasts

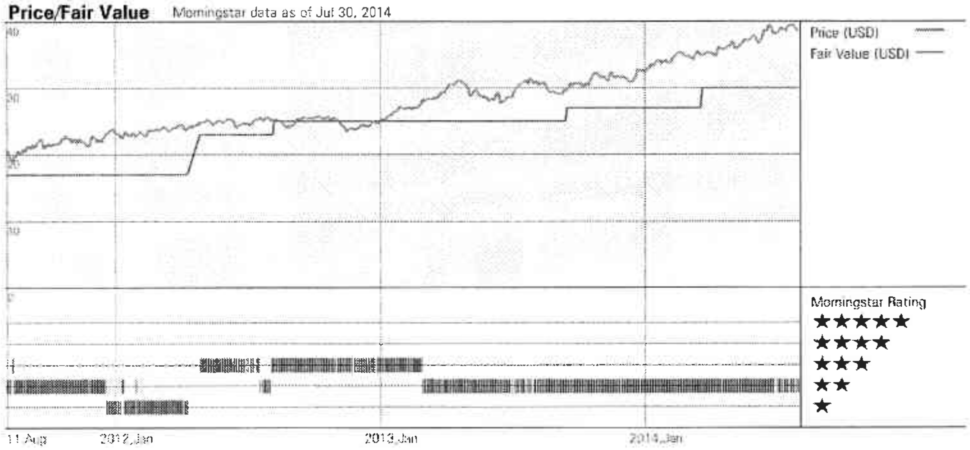
Cash Flow (USD Mil)

Fiscal Year Ends in December	2011	2012	2013	Forecast 2014	Forecast 2015
Net Income	299	416	532	526	572
Depreciation	538	562	577	603	658
Amortization	—	—	—	—	—
Stock-Based Compensation	39	45	51	49	53
Impairment of Goodwill	—	—	—	—	—
Impairment of Other Intangibles	—	—	—	—	—
Deferred Taxes	178	305	287	354	332
Other Non-Cash Adjustments	217	25	-65	—	—
(Increase) Decrease in Accounts Receivable	220	-51	-95	-85	-72
(Increase) Decrease in Inventory	-142	62	-9	-54	-24
Change in Other Short-Term Assets	-274	-157	81	-132	—
Increase (Decrease) in Accounts Payable	-155	57	68	71	29
Change in Other Short-Term Liabilities	—	—	—	181	—
Cash From Operations	**920**	**1,264**	**1,427**	**1,514**	**1,549**
(Capital Expenditures)	-1,125	-1,499	-1,880	-2,081	-2,074
Net (Acquisitions), Asset Sales, and Disposals	9	26	18	—	—
Net Sales (Purchases) of Investments	—	—	—	—	—
Other Investing Cash Flows	-34	51	-148	160	-143
Cash From Investing	**-1,149**	**-1,422**	**-2,010**	**-1,921**	**-2,216**
Common Stock Issuance (or Repurchase)	21	374	36	35	35
Common Stock (Dividends)	-258	-273	-306	-326	-341
Short-Term Debt Issuance (or Retirement)	-23	-582	-78	9	—
Long-Term Debt Issuance (or Retirement)	541	656	794	907	1,000
Other Financing Cash Flows	—	—	—	-49	-53
Cash From Financing	**281**	**175**	**445**	**576**	**642**
Exchange Rates, Discontinued Ops, etc. (net)	-50	8	129	-5	-5
Net Change in Cash	**2**	**25**	**-10**	**164**	**-31**

NiSource Inc NI (NYSE) ★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Morningstar Credit Rating	Industry Group
37.68 USD	32.00 USD	22.40 USD	43.20 USD	Medium	Narrow	Stable	Standard	BBB	Utilities - Regulated

Price/Fair Value Morningstar data as of Jul 30, 2014



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North American Pipelines — BMO Capital Markets

NiSource

(NI-NYSE)

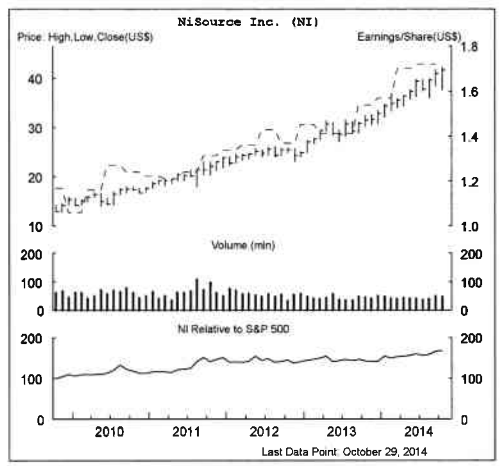
Stock Rating: Market Perform
Industry Rating: Market Perform

October 30, 2014

Carl Kirst, CFA 713-546-9756
BMO Capital Markets Corp
carl.kirst@bmo.com

Danilo Juvane, CFA / Leah Jordan, CFA / Earl Lee
BMO Capital Markets Corp.
713-546-9741 / 713-546-9707 / 713-546-9764
danilo.juvane@bmo.com / leah.jordan@bmo.com / earl.lee@bmo.com

Price (29-Oct)	$41.62	**52-Week High**	$42.29
Target Price	$42.00	**52-Week Low**	$30.65



(FY-Dec.)	2012A	2013A	2014E	2015E
EPS	$1.44	$1.57	$1.68↓	$1.83
P/E			24.8x	22.7x
CFPS	$4.31	$4.37	$4.55↑	$4.27
P/CFPS			9.1x	9.7x
Rev. ($mm)	$5,091	$5,657	$6,352	$6,536
EV ($mm)	$22,590	$22,590	$22,590	$22,590
EBITDA ($mm)	$1,615	$1,745	$1,888	$2,014
EV/EBITDA	14.0x	12.9x	12.0x	11.2x

Quarterly EPS	Q1	Q2	Q3	Q4
2012A	$0.73	$0.23	$0.05	$0.44
2013A	$0.69	$0.23	$0.18	$0.47
2014E	$0.82a	$0.25a	$0.14a	$0.47

Dividend	$1.04	**Yield**	2.5%
Book Value	$18.21	**Price/Book**	2.3x
Shares O/S (mm)	313.3	**Mkt. Cap (mm)**	$13,039
Float O/S (mm)	310.8	**Float Cap (mm)**	$12,936
Wkly Vol (000s)	10,066	**Wkly $ Vol (mm)**	$361.4
Net Debt ($mm)	$6,740	**Next Rep. Date**	na

Notes: All values in US$
Major Shareholders:
First Call Mean Estimates: NISOURCE INC (US$) 2014E: $1.71; 2015E: $1.84

3Q Slight Miss; MLP Creation and Separation on Track

Event

NI reported 3Q14 adjusted EPS of $0.14, below our consensus-aligned $0.17 estimate. With the slight miss attributable to higher taxes (-$0.02) and higher employee/admin expenses at pipes (-$0.01), the quarter was solid operationally. More important, the MLP creation and separation transactions remain on track for completion by mid-2015, as expected. We reiterate this transformation will produce two yield plus growth investment vehicles that sport cleaner, lower risk cash flow with higher growth rates than arguably each of its peers. Project backlog update 1) this month, NI placed into service two pipeline projects (West Side expansion and Giles County growth project) totaling $240mm of investment on time and on budget; 2) the $870mm WB Xpress pipeline project is contracted and remaining conditions are expected to be cleared by year end; and 3) with solid results from its recently completed non-binding open season, the potential Mountaineer Xpress pipeline project continues to progress. Currently, the project's scope is being refined and discussions with potential shippers regarding capacity commitments are underway. While still early in the process, management indicated this project would be sizeable should it go forward, which we estimate to be in the $1B range, suggesting $1/sh of NAV upside.

Impact & Analysis

Neutral on the whole. Owing to the 3Q miss, we are reducing our 2014 estimates by $0.03 to $1.68, within management's reaffirmed guidance in the upper half of its initial $1.61-$1.71 band (i.e., $1.66-$1.71). For 2015-2016, our estimates remain unchanged at $1.83 and $1.95, respectively.

Valuation & Recommendation

Reiterate $42 price target ($20 attributable to NI remain-co, and $22 attributable to COLP spin-out) and maintain Market Perform rating. For 2016, NI trades at 15.8x P/DCF and 11.6x EV/EBITDA, slightly above our US coverage averages of 15.3x and 10.5x, respectively.

Changes	Annual EPS	Annual CFPS
	2014E $1.71 to $1.68	2014E $4.51 to $4.55

Please refer to pages 6 to 9 for Important Disclosures, including the Analyst's Certification.

3Q14 at a Glance

NI reported 3Q14 adjusted EPS of $0.14, below our consensus-aligned $0.17 estimate. Primary deltas to our estimate along with business segment summaries are detailed below:

-$0.01 Pipes. EBIT of $94 million was lower than our $98 million estimate primarily due to higher operating expenses, namely greater employee and administrative costs. Of note, total throughput of 285 MMDth increased 10% y/y, mainly due to greater Marcellus gas production.

LDC on target. Adjusted EBIT of $1 million (net of weather) was in line with our estimate. Of note, total volumes of 166 MMDth decreased 1% y/y, mainly driven by less off-system sales.

Electric on target. Adjusted EBIT of $90 million (net of weather) was in line with our estimate. Total volumes of 4,649 GW hours increased 2% y/y, mainly from greater industrial usage as a result of their expanding plant operations.

Corp/Other on target. EBIT of -$5 million was in line with our estimate.

Interest on target. Interest expense of $109 million was in line with our estimate.

-$0.02 Taxes. The effective tax rate of 45% was higher than our 35% estimate.

Major Project Update

WB Xpress

For $870 million, WB Xpress will provide 1.3 Bcf/d of takeaway capacity for Marcellus gas to access both eastern and western markets once in service (expected 4Q18). This project is contracted, and remaining conditions are expected to be cleared by year-end. WB is also reflected in our long-term financial and valuation forecast.

Mountaineer Xpress

The potential Mountaineer Xpress project aims to provide additional takeaway capacity (estimated to be within the 750 mmcf/d to 2.5 Bcf/d range) for Marcellus and Utica gas production. Currently, the project's scope is being refined and discussions with potential shippers regarding capacity commitments are underway. While still early in the process, management indicated this project would be sizeable should it go forward, which we estimate to be in the $1 billion range. This in turn would suggest an incremental $1/sh of NAV, or uplift to our price target should the project be brought over the commercial transom.

Exhibit 1: NiSource Income Statement

Consolidated Earnings ($ Millions Except Per Share Data)	2009A	2010A	2011A	2012A	2013A	Q1	Q2	Q3	Q4	2014E	2015E	2016E
Operating Revenues:												
Gas Distribution	$3,303	$3,096	$2,918	$1,960	$2,226	$1,215	$424	$240	$901	$2,780	$3,538	$3,620
Pipelines & Storage	1,241	1,261	1,355	1,462	1,643	579	390	382	337	1,688	1,437	1,504
Electric	1,213	1,375	1,428	1,508	1,563	450	405	425	400	1,679	1,715	1,760
Other	542	603	319	161	224	77	117	77	(65)	206	(154)	(154)
Revenues	6,299	6,335	6,019	5,091	5,657	2,321	1,335	1,124	1,573	6,352	6,536	6,729
Operating Expenses:												
Cost of Sales	2,978	2,898	2,556	1,549	1,816	1,061	372	231	476	2,142	2,135	2,148
Operation & Maintenance	1,650	1,654	1,723	1,674	1,874	501	533	530	519	2,083	2,117	2,175
DD&A	589	596	538	564	577	149	149	153	154	605	641	672
Loss (gain) on asset sales	16	1	17	(4)	(18)	(16)	(1)	0	0	(16)	0	0
Taxes and Other	283	287	295	289	301	101	73	68	82	325	314	314
Total Operating Expenses	5,516	5,436	5,129	4,072	4,550	1,797	1,127	981	1,234	5,138	5,207	5,309
Operating Income	783	899	890	1,020	1,108	524	209	143	339	1,214	1,329	1,420
Other:												
Equity in Earnings	16	15	15	32	36	10	11	12	12	45	58	69
Other	(6)	4	(61)	(1)	24	5	8	12	0	24	(4)	(4)
Total Other Income	10	19	(47)	31	60	14	19	24	12	69	54	65
Reported EBIT	**$793**	**$918**	**$844**	**$1,051**	**$1,168**	**$538**	**$227**	**$167**	**$351**	**$1,283**	**$1,384**	**$1,485**
EBITDA	**$1,383**	**$1,514**	**$1,382**	**$1,615**	**$1,745**	**$687**	**$376**	**$320**	**$505**	**$1,888**	**$2,014**	**$2,112**
EBIT Composition												
Gas Distribution	328	324	393	403	445	302	60	1	166	529	545	581
Pipelines & Storage	389	377	360	398	441	159	104	94	126	483	543	621
Electric	117	233	210	251	266	79	63	77	58	277	310	333
Corporate & Other	(40)	(16)	(119)	(2)	15	(1)	1	(5)	0	(6)	(4)	(4)
Total EBIT	**$793**	**$918**	**$844**	**$1,051**	**$1,168**	**$538**	**$227**	**$167**	**$351**	**$1,283**	**$1,394**	**$1,531**
Interest Expense	399	392	377	416	415	109	109	110	120	447	483	485
Preferred Distributions of Subsidiaries	0	0	0	0	0	0	0	0	0	0	0	0
Financing Expense	399	392	377	416	415	109	109	110	120	447	483	485
Minority Interests (NI MLP)	0	0	0	0	0	0	0	0	0	0	(17)	(94)
Income Before Taxes	394	526	467	635	753	429	118	57	231	836	894	952
Income Taxes												
Current	(214)	118	(15)	(86)	(26)	14	2	(8)	20	28	186	200
Deferred	378	55	178	305	287	149	38	34	61	282	127	133
Total Income Taxes	165	173	163	219	262	163	40	26	81	309	313	333
Effective Inc. Tax Rate (%)	42%	33%	35%	34%	35%	38%	33%	45%	35%	37%	35%	35%
Net Income From Continuing Operations	229	353	304	416	491	266	79	31	150	527	581	619
Discontinued Operations, net	(12)	(0)	(5)	0	6	(0)	(0)	(0)	0	(1)	0	0
Change in Accounting	(0)	(58)	0	0	35	0	0	0	0	0	0	0
GAAP Net Income to Common	**$218**	**$294**	**$299**	**$416**	**$532**	**$266**	**$78**	**$31**	**$150**	**$526**	**$581**	**$619**
Adjustments to Core												
Asset Impairment	0	0	0	0	0	0	0	0	0	0	0	0
Gain (Loss) From Disposal	(8)	0	0	0	0	0	0	0	0	0	0	0
Other Non-Recurring Gains (Loss)	(40)	11	(74)	(17)	(3)	8	1	(14)	0	(5)	0	0
Total Adjustments	(49)	11	(74)	(17)	(3)	8	1	(14)	0	(5)	0	0
Non-GAAP Core Earnings	**$278**	**$342**	**$378**	**$433**	**$494**	**$258**	**$78**	**$45**	**$150**	**$532**	**$581**	**$619**
Shares Outstanding (mm)												
Avg. Diluted Shares Out	276	280	289	300	314	315	316	317	317	316	317	318
Avg. Basic Shares Out	275	278	280	292	312	314	315	315	316	315	316	317
Period-end basic Shares Out	276	279	282	311	314	315	315	316	316	316	317	317
Earnings Per Share (Diluted)												
GAAP EPS	**$0.79**	**$1.05**	**$1.04**	**$1.39**	**$1.70**	**$0.84**	**$0.26**	**$0.10**	**$0.47**	**$1.66**	**$1.83**	**$1.95**
Core EPS	**$1.01**	**$1.22**	**$1.31**	**$1.44**	**$1.57**	**$0.82**	**$0.25**	**$0.14**	**$0.47**	**$1.68**	**$1.83**	**$1.95**
EPS Growth (core)	-19.4%	21.0%	7.4%	10.0%	9.3%	18.9%	6.9%	-21.0%	0.0%	6.9%	8.7%	6.5%
											8.3%	
Dividends												
Cash per share	$0.92	$0.92	$0.92	$0.94	$0.98	$0.25	$0.25	$0.26	$0.26	$1.02	$1.08	$1.16
Div Growth	0.0%	0.0%	0.0%	2.2%	4.3%	4.2%	4.2%	4.0%	4.0%	4.1%	5.9%	7.4%
Payout Ratio (%)	116.6%	87.5%	88.7%	67.9%	57.8%					61.3%	59.0%	59.5%

Source: BMO Capital Markets estimates, company data.

Exhibit 2: NiSource Cash Flow Statement

Cash Flow Statement ($ Millions Except Per Share Data)	2009A	2010A	2011A	2012A	2013A	Q1	Q2	Q3	Q4	2014E	2015E	2016E
Operating Activities												
GAAP Net Income from Cont. Ops	218	292	299	416	532	266	78	31	150	526	581	619
DD&A	589	596	538	562	577	149	149	153	154	605	641	672
Deferred income tax benefit	378	200	178	305	287	149	38	34	61	282	127	133
Deferred Revenues	4	(20)	3	(8)	(7)	2	(0)	0	0	2	0	0
Amortization of premium on debt	13	10	9	10	9	2	3	2	0	8	0	0
Less Gain or Loss on assets	(4)	(0)	0	(4)	(18)	(16)	(1)	(3)	0	(19)	0	0
Less Equity Earnings plus Cash Distributions	(15)	7	16	4	(4)	(2)	(6)	3	0	(5)	0	0
Non-cash minority interest	0	0	0	0	0	0	0	0	0	0	17	94
Other non-cash income items	36	112	139	11	(6)	11	10	21	0	42	(10)	(46)
OCF (pre-working capital)	**$1,219**	**$1,197**	**$1,183**	**$1,295**	**$1,372**	**$561**	**$271**	**$242**	**$365**	**$1,439**	**$1,355**	**$1,473**
OCF per share	**$4.42**	**$4.27**	**$4.10**	**$4.31**	**$4.37**	**$1.78**	**$0.86**	**$0.76**	**$1.15**	**$4.55**	**$4.27**	**$4.64**
Working Capital:												
Accounts and notes receivable	259	(244)	318	(181)	31	(264)	442	187		365	0	0
Inventory	129	103	(142)	62	(9)	274	(246)	(199)		(171)	0	0
Less Change of Price Risk Management Activities	0	0	0	0	0	0	0	0		0	0	0
Accounts payable	(192)	38	(155)	57	68	127	(297)	(48)		(218)	0	0
Customer deposit, net	25	(25)	(5)	(44)	(7)	(23)	2	91		70	0	0
Other assets	83	(206)	(201)	144	21	(276)	110	87		(79)	0	0
Other Liabilities	382	(86)	(78)	(68)	(49)	(4)	(24)	(125)		(154)	0	0
Changes in Working Capital	686	(420)	(262)	(30)	55	(167)	(13)	(6)	0	(187)	0	0
Discontinued Operations	(255)	(57)	(50)	11	10	(0)	(1)	(0)	0	(1)	0	0
Cash Flow From Operations	1,651	720	870	1,276	1,437	394	257	236	365	1,252	1,355	1,473
Investing Activities												
Capital Spending (to PP&E)	(777)	(804)	(1,125)	(1,499)	(1,880)	(386)	(467)	(589)	(758)	(2,200)	(2,017)	(2,645)
Purchases of equity investments	0	0	0	0	0	0	0	0	0	0	0	0
Acquisitions	0	0	0	0	0	0	0	0	0	0	0	0
Proceeds from asset sales	6	1	9	26	18	5	1	1	0	8	0	0
Other	109	(140)	(34)	51	(148)	(27)	(24)	(27)	0	(78)	0	0
Cash Used in Investing	(662)	(944)	(1,149)	(1,422)	(2,010)	(408)	(490)	(615)	(758)	(2,271)	(2,017)	(2,645)
Discontinued Operations	8	0	0	(3)	119	0	0	0	0	0	0	0
Investing Cash Flow	(655)	(943)	(1,149)	(1,425)	(1,891)	(408)	(490)	(615)	(758)	(2,271)	(2,017)	(2,645)
Financing Activities												
Sale of Common Stock	26	14	24	384	44	9	7	6	12	34	24	0
Sale of Common Units (MLP)	0	0	0	0	0	0	0	0	0	0	375	500
Sale of Preferred Stock	0	0	0	0	0	0	0	0	0	0	0	0
Sale of L.T. Debt	1,460	250	890	988	1,308	0	0	748	1,000	1,748	0	0
Sale of L.T. Debt (MLP)	0	0	0	0	0	0	0	0	0	0	750	0
Redemption of Common Stock	(3)	(2)	(3)	(10)	(8)	(10)	(0)	(0)	0	(10)	0	0
Redemption of Preferred Stock	0	0	0	0	0	0	0	0	0	0	0	0
Redemption of L.T. Debt	(1,170)	(1,071)	(287)	(332)	(511)	(9)	(4)	(504)	0	(517)	(230)	0
Redemption of L.T. Debt (MLP)	0	0	0	0	0	0	0	0	0	0	0	0
Change in Notes Payable, LC, ST Debt	(1,061)	1,280	(23)	(582)	(78)	114	289	210	(500)	112	50	575
Change in Notes Payable, LC, ST Debt (MLP)	0	0	0	0	0	0	0	0	0	0	0	500
Payments to Minority Interests	0	0	0	0	0	0	0	0	0	0	(15)	(39)
Dividends	(253)	(256)	(258)	(273)	(306)	(79)	(79)	(82)	(82)	(321)	(342)	(367)
Other	0	0	(62)	0	(3)	0	0	0	0	0	0	0
Cash From (For) Financing	(1,000)	216	281	175	445	25	213	379	430	1,046	612	1,169
Discontinued Operations	0	0	0	0	0	0	0	0	0	0	0	0
Financing Cash Flow	(1,000)	216	281	175	445	25	213	379	430	1,046	612	1,169
Change in Cash	($4)	($7)	$2	$25	($9)	$11	($20)	($0)	$37	$28	($50)	($3)
Cash & Temp. Inv. Beginning of Yr.	$21	$16	$9	$12	$36	$27	$38	$18	$18	$27	$54	$5
Cash & Temp. Inv. End of Yr.	$16	$9	$12	$37	$27	$38	$18	$18	$54	$54	$5	$1

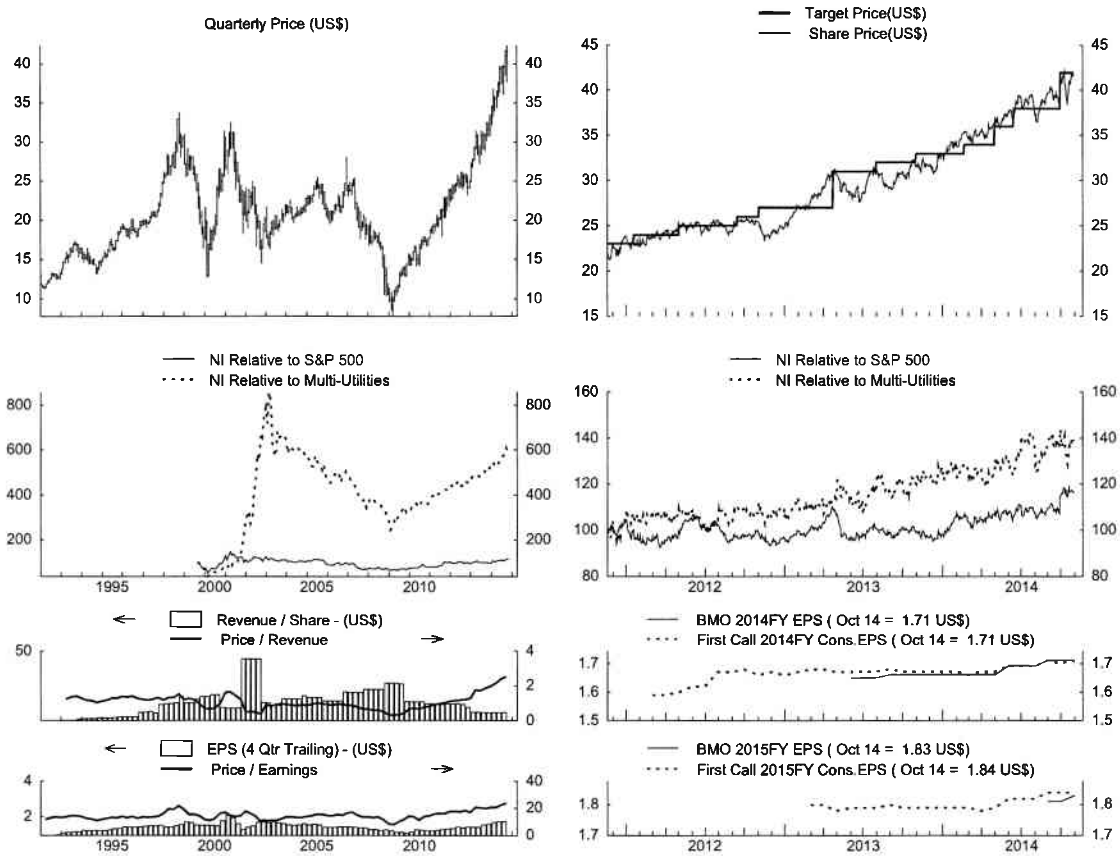
Source: BMO Capital Markets estimates, company data.

Exhibit 3: NiSource Balance Sheet

Balance Sheet ($ Millions Except Per Share Data)	2009A	2010A	2011A	2012A	2013A	Q1	Q2	Q3	Q4	2014E	2015E	2016E
Assets:												
Cash & Equivalent	16	9	12	36	27	38	18	18	54	54	12	1
Restricted Cash	175	203	161	47	8	11	10	18	18	18	16	16
Receivables	848	1,121	951	1,114	1,105	1,471	989	739	739	739	739	739
Allowance for Uncollectable Acts	(40)	(41)	(31)	(24)	(24)	(35)	(30)	(18)	(18)	(18)	(18)	(18)
Unbilled Revenues	0	0	0	0	0	0	0	0	0	0	0	0
Underrecovered gas & fuel costs	40	136	21	45	46	114	76	55	55	55	55	55
Inventories	385	428	566	496	500	226	469	668	668	668	668	668
ST Assets Price Risk Management	173	160	137	92	23	14	13	0	0	0	0	0
Regulatory Assets	238	152	170	163	143	159	188	200	200	200	200	200
Other Current Assets	387	283	262	384	331	231	321	335	335	335	335	335
Total Current Assets	2,224	2,449	2,248	2,352	2,159	2,230	2,055	2,012	2,048	2,048	2,006	1,995
Plant & Equipment (Gross)	19,038	19,590	20,470	21,902	23,622	24,016	24,533	25,120	25,878	25,878	27,895	30,540
Accumulated DD&A	(8,354)	(8,493)	(8,670)	(8,986)	(9,257)	(9,359)	(9,444)	(9,533)	(9,687)	(9,687)	(10,328)	(11,000)
Plant & Equipment, Net	10,684	11,097	11,800	12,916	14,365	14,658	15,089	15,587	16,191	16,191	17,567	19,540
Investments	295	349	356	438	578	610	639	655	655	655	655	655
LT Assets Price Risk Management	238	240	189	56	1	0	0	0	0	0	0	0
Regulatory Assets	1,644	1,650	1,978	2,024	1,522	1,495	1,454	1,441	1,441	1,441	1,441	1,441
Goodwill	3,677	3,677	3,677	3,677	3,666	3,666	3,666	3,666	3,666	3,666	3,666	3,666
Intangible Assets	320	309	298	287	276	273	270	267	267	267	267	267
Other Long Term Assets (& flywheel)	53	168	162	94	87	85	85	82	82	82	75	34
Total Assets	19,134	19,939	20,708	21,845	22,654	23,017	23,258	23,710	24,351	24,351	25,678	27,599
Liabilities & Equity:												
Short Term Debt	800	1,417	1,687	1,284	1,240	1,343	1,631	1,330	830	830	880	1,955
Accounts Payables	502	582	435	539	805	793	542	510	510	510	510	510
ST Liabilities Price Risk Management	190	174	168	95	1	0	0	0	0	0	0	0
Regulatory Liabilities	44	93	112	172	60	79	89	80	80	80	80	80
Other	1,575	1,384	1,245	1,212	1,071	1,126	1,170	1,129	1,129	1,129	1,129	1,129
Total Current Liab	3,111	3,649	3,646	3,302	3,178	3,341	3,431	3,049	2,549	2,549	2,599	3,674
Long Term Debt	5,988	5,936	6,267	6,819	7,593	7,639	7,641	8,397	9,397	9,397	9,917	9,917
LT Liabilities Price Risk Management	170	182	139	20	0	0	0	0	0	0	0	0
Accumlated Deferred Taxes	2,018	2,243	2,571	2,953	3,278	3,412	3,491	3,559	3,620	3,620	3,746	3,880
Regulatory Liabilities	1,559	1,596	1,664	1,593	1,670	1,678	1,674	1,676	1,676	1,676	1,676	1,676
Other Liabilities	1,572	1,409	1,424	1,603	1,048	1,026	893	1,022	1,022	1,022	1,022	1,022
Total Liabilities	14,418	15,016	15,711	16,290	16,767	17,095	17,230	17,703	18,264	18,264	18,960	20,168
Preferred Equity/Securities of Consolidated Subsidiarie	0	0	0	0	0	0	0	0	0	0	0	0
Common Equity	4,717	4,923	4,997	5,554	5,887	6,012	6,028	6,007	6,088	6,088	6,718	7,431
Other	0	0	0	0	0	0	0	0	0	0	0	0
Total Liab & Equity	19,134	19,939	20,708	21,845	22,653	23,107	23,258	23,710	24,351	24,351	25,678	27,599

Source: BMO Capital Markets estimates, company data.

NiSource Inc. (NI)



NI - Rating as of 26-Jun-08 = Mkt

FYE (Dec.)	EPS US$	P/E Hi	P/E Lo	DPS US$	Yield% Hi	Yield% Lo	Payout %	BV US$	P/B Hi	P/B Lo	ROE %
1992	1.00	13.5	11.3	0.62	5.5	4.6	62	7.9	1.7	1.4	
1993	1.16	15.0	10.7	0.72	5.8	4.1	62	8.3	2.1	1.5	14
1994	1.24	13.3	10.5	0.78	6.0	4.7	63	8.7	1.9	1.5	15
1995	1.36	14.2	10.4	0.84	5.9	4.4	62	9.0	2.1	1.6	15
1996	1.43	14.1	12.3	0.90	5.1	4.5	63	9.2	2.2	1.9	16
1997	1.53	16.3	12.4	0.96	5.1	3.8	63	10.2	2.5	1.9	16
1998	1.59	21.2	14.4	1.02	4.5	3.0	64	9.8	3.5	2.3	16
1999	1.52	20.4	10.8	1.08	6.6	3.5	71	10.9	2.8	1.5	15
2000	1.89	16.7	6.7	1.08	8.5	3.4	57	16.6	1.9	0.8	14
2001	1.30	25.0	14.0	1.16	6.4	3.6	89	16.8	1.9	1.1	8
2002	2.00	12.5	7.3	1.16	8.0	4.6	58	20.1	1.2	0.7	11
2003	1.60	13.7	10.2	0.92	5.6	4.2	58	16.8	1.3	1.0	9
2004	1.61	14.2	12.2	0.92	4.7	4.0	57	17.7	1.3	1.1	9
2005	1.42	18.0	14.4	0.92	4.5	3.6	65	18.1	1.4	1.1	8
2006	1.43	19.6	13.6	0.92	4.7	3.3	64	18.3	1.5	1.1	8
2007	1.38	20.3	12.7	0.92	5.3	3.3	67	18.5	1.5	0.9	7
2008	1.27	15.6	8.1	0.92	8.9	4.6	72	17.2	1.1	0.6	7
2009	1.06	14.9	7.3	0.92	11.8	5.8	87	17.6	0.9	0.4	6
2010	1.22	14.7	11.6	0.92	6.5	5.1	75	17.7	1.0	0.8	7
2011	1.33	18.0	12.7	0.92	5.5	3.8	69	17.7	1.4	0.9	8
2012	1.44	18.2	15.0	0.96	4.4	3.7	67	17.9	1.5	1.2	8
2013	1.57	21.3	15.3	1.00	4.2	3.0	64	18.8	1.8	1.3	9
Range*:		25.0	6.7		11.8	3.0			3.5	0.4	
Current*	1.72	23.8		1.04	2.5		60	18.2	2.3		9
Growth(%):											
5 Year:	8.0			2.5				1.1			
10 Year:	1.0			1.2				0.8			
20 Year:	1.7			1.9				4.0			

* Current EPS is the 4 Quarter Trailing to Q2/2014.
* Valuation metrics are based on high and low for the fiscal year.
* Range indicates the valuation range for the period presented above.

Last Price (October 29, 2014): $41.62
Sources: IHS Global Insight, Thomson Reuters, BMO Capital Markets.

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Company Specific Disclosure
Disclosure 9: BMO Capital Markets makes a market in this security.

Methodology and Risks to Price Target/Valuation
Methodology: Sum of the Parts
Risks: 1) regulatory risk, 2) weather and 3) customer conservation

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Rating Category	BMO Rating	BMOCM US Universe*	BMOCM US IB Clients**	BMOCM US IB Clients***	BMOCM Universe****	BMOCM IB Clients*****	Starmine Universe
Buy	Outperform	44.3%	18.0%	60.3%	43.9%	56.5%	56.0%
Hold	Market Perform	52.5%	9.7%	38.5%	51.6%	42.1%	39.1%
Sell	Underperform	3.2%	5.3%	1.3%	4.5%	1.4%	4.9%

* Reflects rating distribution of all companies covered by BMO Capital Markets Corp. equity research analysts.
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(S) = speculative investment;
NR = No rating at this time;
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NiSource

To:
Cc:
Bcc:
Subject:

CREDIT SUISSE

U.S. Equity Research

NiSource Inc. (NI): 3Q14 First Impression

(NI, $41.62 current price, 2.5% yield, $13.1B market cap)

We view this earnings release as: Slightly Negative

Highlights:

- NI reported EBITDA of $333mm below our $343mm estimate (3% lower) and the Street's $347mm estimate(4% lower).
- EBITDA came in 2-3% lower for each of the segments.
- 7% lower than expected operating income primarily attributed to higher O&M expenses at Electric Operations. O&M expenses/Megawatt Hour was 10% higher than last year.
- EPS of $0.14/share was lower than our $0.15/share estimate and the Street's $0.16/share estimate.
- Dividend/share of $0.26 was in-line with our estimate and the Street.
- On the Call – Look for more color on the expected timeline on the MLP formation and reiteration of guidance.

Stock Reaction : Expect NI units to trade flat to down today on the back of EPS slightly missing the Street.

Earnings Variance	3Q14 Actual	3Q14 CS Estimate	Diff.	Diff. (%)	3Q13 Actual
Segment EBITDA					
Gas Distribution	56	58	(2)	-3%	51
Electric Operations	153	155	(3)	-2%	151
Columbia Pipeline Group	124	126	(2)	-2%	125
Other	1	4	(3)	NM	1
Total EBITDA (recurring)	**333**	**343**	**(10)**	**-3%**	**328**
Segment EBIT					
Gas Distribution	1	3	(2)	-66%	(0)
Electric Operations	90	95	(4)	-5%	91
Columbia Pipeline Group	94	96	(1)	-1%	99
Other	(5)	0	(5)	NM	(5)
Total EBIT (recurring)	**180**	**193**	**(13)**	**-7%**	**184**
Interest Expense	110	119	(10)	-8%	104
Other Expenses	(9)	0	(9)	NM	(5)
Taxes	34	25	10	39%	28
Recurring Net Income	**46**	49	**(3)**	-7%	**57**
Diluted Wtd Avg shares outstanding	317	317	0	0%	313
Recurring EPS - Diluted	**$0.14**	**$0.15**	**($0.01)**	**(7%)**	**$0.18**
Dividend per share	**$0.26**	**$0.26**	**$0.00**	**0%**	**$0.25**
Operational Metrics					
Gas Distribution					
Total Volumes (MDth)	**166**	**169**	**(3)**	**-2%**	**168**
Total Customers	**3,319,851**	**3,340,951**	**(21,100)**	**-1%**	**3,306,018**
Electric Operations					
Total Heating customers (000s)	**459,185**	**459,005**	**180**	**0%**	**458,546**
Sales (Gigawatt Hours)					
Total	**4,649**	**4,595**	**54**	**1%**	**4,544**
Columbia Pipeline Group Operations					
Total Throughput (MMDth)	**285**	**269**	**16**	**6%**	**260**

Conf. Call: 9:00 a.m. ET; Webcast available at www.nisource.com

A full note will be out later.

31 October 2014
Americas/United States
Equity Research
Natural Gas

CREDIT SUISSE

NiSource Inc. (NI)

Rating	**OUTPERFORM***
Price (30 Oct 14, US$)	42.37
Target price (US$)	50.00[1]
52-week price range	42.37 - 30.80
Market cap. (US$ m)	13,376.20
Enterprise value (US$ m)	23,034.29

**Stock ratings are relative to the coverage universe in each analyst's or each team's respective sector.*
[1]Target price is for 12 months.

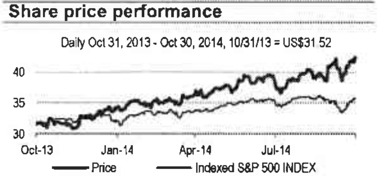
Research Analysts
John Edwards, CFA
713 890 1594
john.edwards@credit-suisse.com
Abhiram Rajendran
212 538 9038
abhiram.rajendran@credit-suisse.com
Bhavesh Lodaya
212 325 2337
bhavesh.lodaya@credit-suisse.com

FORECAST REDUCTION

NI Goes Mountainnering as MLP Spinoff On-Track for Early 2015. Q3 a Tad Light

- **Fresh off Analyst Day, Mountaineer is the Main Incremental Positive:** Mgmt. reiterated 2014 EPS around the upper half of its guidance range of $1.61-1.71 and $2.2B in capital investment in 2014. The CPG spinoff announced in September is still expected to be completed in mid-2015 as planned (see our note on the MLP formation here). Visibility for long term capital investments remains ~$42-$45B total, with $12-$15B of that amount to be invested at the CPG level. We continue to see the spinoff as a positive to NI shareholders. Early indications on Mountaineer are 750mmcf/d to as much as 2.5bcf/d of potential interest. So we figure a $1B place holder is fair for that opportunity.
- **3Q14 Slightly below Estimates:** NI reported EPS of $0.14 vs our estimate of $0.15 and the Street's $0.16, EBITDA came in at $333mm, below our estimate of $343mm and consensus of $347mm. Segments were ~3% below our estimates due primarily to higher operating and maintenance costs.
- **Maintain $50 TP and Outperform Rating:** We are maintaining our $50 TP based on our Sum of the Parts analysis using a 14-15x multiple range on 2015E EBITDA. Together with the NTM dividend, gives total return over 25% supportive of a relative O/P. After adjusting for the quarter, our 2015 and 2016 EPS estimates both move down by 1-cent to $1.93 and $2.11, respectively.

Share price performance



On 10/30/14 the S&P 500 INDEX closed at 1994.65

Quarterly EPS	Q1	Q2	Q3	Q4
2013A	0.69	0.23	0.18	0.47
2014E	0.82	0.25	0.14	0.52
2015E	0.92	0.27	0.14	0.60

Financial and valuation metrics

Year	12/13A	12/14E	12/15E	12/16E
EPS (CS adj.) (US$)	1.57	1.76	1.93	2.11
Prev. EPS (US$)	—	—	1.94	2.12
P/E (x)	27.1	24.1	21.9	20.1
P/E rel. (%)	157.7	151.4	153.1	156.6
Revenue (US$ m)	5,657.3	6,441.2	6,907.7	7,576.9
EBITDA (US$ m)	1,720.7	1,894.4	2,150.2	2,381.8
OCFPS (US$)	4.58	4.83	5.07	4.22
P/OCF (x)	7.2	8.8	8.4	10.0
EV/EBITDA (current)	13.4	12.2	10.7	9.7
Net debt (US$ m)	8,807	9,658	10,201	10,802
ROIC (%)	5.07	5.28	5.75	5.89

Number of shares (m)	315.70	IC (current, US$ m)	14,693.80
BV/share (Next Qtr., US$)	19.6	EV/IC (x)	1.5
Net debt (Next Qtr., US$ m)	9,658.1	Dividend (current, US$)	1.0
Net debt/tot eq (Next Qtr., %)	158.4	Dividend yield (%)	0.61

Source: Company data, Credit Suisse estimates.

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3Q14 Earnings Variance

Exhibit 1: Quarterly Earnings Variance

Quarterly Variance

Earnings Variance	3Q14 Actual	3Q14 CS Estimate	Diff.	Diff. (%)	3Q13 Actual
Segment EBITDA					
Gas Distribution	56	58	(2)	-3%	51
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Interest Expense	110	119	(10)	-8%	104
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Recurring Net Income	46	49	(3)	-7%	57
Diluted Wtd Avg shares outstanding	317	317	0	0%	313
Recurring EPS - Diluted	$0.14	$0.15	($0.01)	(7%)	$0.18
Dividend per share	$0.26	$0.26	$0.00	0%	$0.25
Operational Metrics					
Gas Distribution					
Total Volumes (MDth)	166	169	(3)	-2%	168
Total Customers	3,319,851	3,340,951	(21,100)	-1%	3,306,018
Electric Operations					
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Sales (Gigawatt Hours)					
Total	4,649	4,595	54	1%	4,544
Columbia Pipeline Group Operations					
Total Throughput (MMDth)	285	269	16	6%	260

Source: Company data, Credit Suisse estimates

Segment Update

Columbia Pipeline Group (CPG)

- **2015 Spinoff:** At the September 28th analyst day NI announced that the company plans to separate its natural gas pipeline and related businesses into a stand-alone, publicly traded company. CPG expects to invest $12-15B in modernization and growth projects over the next 10 years.
- **Mountaineer Pipeline Positive:** Early indications are for 750mmcf/d to 2.5bcfd of interest. If the open season leads to binding commitments we would look for an investment opportunity of anywhere from $800mm to over $2B. Too early to tell at this stage but signs are encouraging.
- **3Q14 Performance:** Operating earnings down 4% y/y at $94.4mm and total throughput of 321.5MMDth was up 12% y/y. The lower earnings were primarily attributable to higher employee and administrative costs, partially offset by lower software data conversion costs.

Electric Operations

- **3Q14 Performance:** Operating earnings were flat y/y at $90.2mm primarily due to higher employee and administrative and electric generation costs related to maintenance-related outages and increased storm damage costs.

Gas Distribution

- **3Q14 Performance:** Operating earnings of $1mm were up compared to a $0.5mm loss last year. Employee and administrative costs were higher as was depreciation due to capital expenditures, which were partially offset by lower environmental costs.

Additional Color

- **Interest Expense:** Interest expense increased by $5.9mm Y/Y due to long-term debt issued in Oct. of last year, which was partially offset by the maturity of long-term debt in July 2014.
- **Tax:** NI's effective tax rate for the period was 43.1% vs. 32.6% last year.

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31 October 2014

Estimate Changes

Our estimates going forward are mostly unchanged after in-putting 3Q14 results.

Exhibit 2: NiSource 2014- 2017 Estimate Changes

Quarterly Variance

Earnings Variance	Old estimates					New estimates				
	4Q14E	2014E	2015E	2016E	2017E	4Q14E	2014E	2015E	2016E	2017E
Segment EBITDA										
Gas Distribution	246	750	882	1,019	1,145	244	747	883	1,026	1,159
Electric Operations	115	528	556	573	587	115	525	554	571	585
Columbia Pipeline Group	162	609	694	773	875	162	607	691	762	864
Other	13	19	23	23	23	13	16	23	23	23
Total EBITDA (recurring)	537	1,906	2,155	2,388	2,630	535	1,895	2,150	2,382	2,631
Segment EBIT										
Gas Distribution	189	532	641	757	861	187	528	642	764	875
Electric Operations	53	285	303	308	311	53	282	300	305	308
Columbia Pipeline Group	131	489	553	609	688	131	487	549	598	677
Other	10	4	6	3	2	10	1	6	4	2
Total EBIT (recurring)	382	1,310	1,502	1,677	1,862	381	1,298	1,497	1,671	1,863
Interest Expense	125	463	545	616	681	125	453	544	616	681
Other Expenses	0	(12)	0	0	0	0	(21)	0	0	0
Taxes	92	302	340	382	425	91	311	338	380	425
Recurring Net Income	166	557	618	679	755	164	555	615	675	756
Diluted Wtd Avg shares outstanding	317	316	318	320	321	317	316	318	320	321
Recurring EPS - Diluted	$0.52	$1.76	$1.94	$2.12	$2.35	$0.52	$1.76	$1.93	$2.11	$2.36
Dividend per share	$0.26	$1.03	$1.09	$1.15	$1.21	$0.26	$1.03	$1.09	$1.15	$1.21
Operational Metrics										
Gas Distribution										
Total Volumes (MDth)	289	1,055	1,065	1,071	1,073	289	1,051	1,062	1,067	1,070
Total Customers	3,344,292	3,344,292	3,364,403	3,377,880	3,391,412	3,323,171	3,323,171	3,343,155	3,356,547	3,369,994
Electric Operations										
Total Heating customers (000s)	460,654	460,654	461,576	462,037	462,037	460,654	460,654	461,576	462,037	462,037
Sales (Gigawatt Hours)										
Total	4,282	17,922	18,121	18,323	18,528	4,282	17,976	18,176	18,379	18,583
Columbia Pipeline Group Operations										
Total Throughput (MMDth)	478	1,657	1,817	1,979	2,156	478	1,673	1,833	1,995	2,171
Financing & Credit Metrics										
Total Debt / Total Cap	61.4%	61.4%	60.8%	59.6%	58.2%	61.3%	61.3%	60.7%	59.5%	58.1%
Net Debt / Total Cap	61.3%	61.3%	60.7%	59.5%	58.1%	61.3%	61.3%	60.7%	59.5%	58.0%
Net Debt / Equity	158.7%	158.7%	154.6%	147.1%	138.7%	158.4%	158.4%	154.5%	146.9%	138.4%
Book Value Per Share	$19.22	$19.28	$20.75	$22.97	$25.43	$19.22	$19.29	$20.75	$22.96	$25.42
Net Debt / TTM EBITDA	5.1x	5.1x	4.7x	4.5x	4.3x	5.1x	5.1x	4.7x	4.5x	4.3x

Source: Company data, Credit Suisse estimates

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31 October 2014

Valuation

- The most challenging aspect of evaluating the separation is assigning the proper valuation. NI shareholders will receive a special dividend of COLP following the separation which is expected mid-2015. COLP is expected to own 85.4% of CPG Op, the IDR's and over 50% of the MLP. The formation of the MLP is expected to be completed in 1Q15. Management says that the $1.2B/year in expected cap ex will be financed at the MLP yet housed at CPG Op Co (which seems contradictory to us). Other Mid-stream MLPs have EV/EBITDA multiples running 12-20x depending on the distribution growth rates. Assuming $1.2B of capital investment at CPG overall and about $700mm in 2015 EBITDA would suggest that teens type of EBITDA growth is in the future and suggests a multiple uplift in the midstream assets to the 14-15x range and giving us a valuation range of $48-$51 over the next 12 months, which we average to $50. Together with dividend would take our total return outlook to ~25% and would warrant an Outperform relative to our universe.

Exhibit 3: NiSource Sum of the Parts Valuation

	2015 EBIT	D&A	2015 EBITDA / NI	Metric	Multiple Low	Multiple Base	Multiple High	Enterprise Value / Equity Value Low	Enterprise Value / Equity Value Base	Enterprise Value / Equity Value High
Electric Services	302.6	253.8	202.2	P/E	18.0x	19.5x	21.0x	3,638.8	3,942.1	4,245.3
Natural Gas Utilies	641.0	241.0	882.0	EV/EBITDA	10.0x	10.0x	10.0x	8,820.1	8,820.1	8,820.1
TG&S (88.5% of business)	552.8	141.3	694.1	EV/EBITDA	14.0x	15.0x	16.0x	9,717.4	10,411.5	11,105.6
TG&S (11.5% dropped into MLP)	0.0	0.0	0.0	EV/EBITDA	14.0x	15.0x	16.0x	0.0	0.0	0.0
			694.1							
Total Enterprise / Equity Value								22,176.4	23,173.7	24,171.1
Cash & Equivalents								27.8	27.8	27.8
Short-term Debt								530.0	530.0	530.0
Long-term Debt								7,640.6	7,640.6	7,640.6
Less Net Debt								8,142.8	8,142.8	8,142.8
Less Net Debt attributable to NIPSCO (~$1.1 billion)								7,042.8	7,042.8	7,042.8
Total Equity Value								15,133.6	16,130.9	17,128.3
Shares Outstanding								316	316	316
Per Share								$47.88	$51.03	$54.19
Current Share Price (Sep 29, 2014)								$40.84	$40.84	$40.84
Return								20%	28%	35%
Dividend per share (Est)								$1.09	$1.09	$1.09
Dividend Yield								3%	3%	3%
Total Return								23%	30%	38%
Implied Price Target								$48.00	$51.00	$54.00

Source: Company data, Credit Suisse estimates

Risks

The main risk to our call is the valuation. There are few disputes with fundamentals in terms of being very strong. The regulatory environment is benign and the and gas production in the Marcellus and Utica is expected to roughly double between 2014 and 2020 from about 12-13bcf/d to 24-26 bcf/d on average. So the risk is in the valuation – MLPs that support this kind of projected EBITDA and what we believe will be mid-teens distribution growth trade at high EBITDA multiples but we have not been able to completely verify our calculations from the somewhat limited disclosures in the S-1. But our preliminary calculation suggest more upside than the uplift in the EV/EBITA multiple so we will keep it here for now. The risk is in our being too aggressive pending modeling verification of our preliminary calculation when we try to back into the cash flows from the restructuring associated with the MLP formation and separation.

31 October 2014

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Companies Mentioned *(Price as of 31-Oct-2014)*

NiSource Inc. (NI.N, $42.37, OUTPERFORM, TP $50.0)

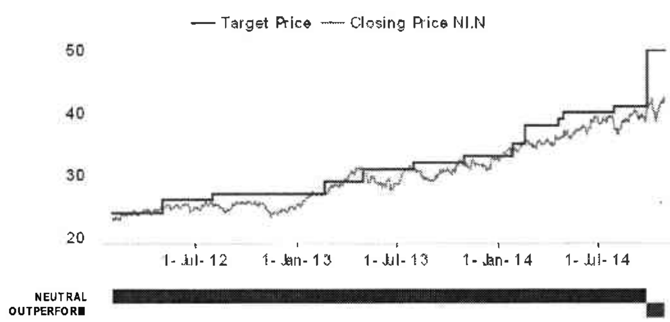
Disclosure Appendix

Important Global Disclosures

John Edwards, CFA, Bhavesh Lodaya and Abhiram Rajendran each certify, with respect to the companies or securities that the individual analyzes, that (1) the views expressed in this report accurately reflect his or her personal views about all of the subject companies and securities and (2) no part of his or her compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report.

3-Year Price and Rating History for NiSource Inc. (NI.N)

NI.N Date	Closing Price (US$)	Target Price (US$)	Rating
02-Feb-12	22.86	24.00	N
02-May-12	25.04	26.00	*
01-Aug-12	25.38	27.00	
20-Feb-13	27.04	29.00	
01-May-13	30.61	31.00	
01-Aug-13	31.11	32.00	
01-Nov-13	31.72	33.00	
28-Jan-14	34.18	35.00	
19-Feb-14	35.40	38.00	
21-Apr-14	35.71	39.00	
30-Apr-14	36.32	40.00	
31-Jul-14	37.68	41.00	
30-Sep-14	40.98	50.00	O



** Asterisk signifies initiation or assumption of coverage.*

The analyst(s) responsible for preparing this research report received Compensation that is based upon various factors including Credit Suisse's total revenues, a portion of which are generated by Credit Suisse's investment banking activities

As of December 10, 2012 Analysts' stock rating are defined as follows:

Outperform (O) : The stock's total return is expected to outperform the relevant benchmark*over the next 12 months.

Neutral (N) : The stock's total return is expected to be in line with the relevant benchmark* over the next 12 months.

Underperform (U) : The stock's total return is expected to underperform the relevant benchmark* over the next 12 months.

**Relevant benchmark by region: As of 10th December 2012, Japanese ratings are based on a stock's total return relative to the analyst's coverage universe which consists of all companies covered by the analyst within the relevant sector, with Outperforms representing the most attractive, Neutrals the less attractive, and Underperforms the least attractive investment opportunities. As of 2nd October 2012, U.S. and Canadian as well as European ratings are based on a stock's total return relative to the analyst's coverage universe which consists of all companies covered by the analyst within the relevant sector, with Outperforms representing the most attractive, Neutrals the less attractive, and Underperforms the least attractive investment opportunities. For Latin American and non-Japan Asia stocks, ratings are based on a stock's total return relative to the average total return of the relevant country or regional benchmark; prior to 2nd October 2012 U.S. and Canadian ratings were based on (1) a stock's absolute total return potential to its current share price and (2) the relative attractiveness of a stock's total return potential within an analyst's coverage universe. For Australian and New Zealand stocks, 12-month rolling yield is incorporated in the absolute total return calculation and a 15% and a 7.5% threshold replace the 10-15% level in the Outperform and Underperform stock rating definitions, respectively. The 15% and 7.5% thresholds replace the +10-15% and -10-15% levels in the Neutral stock rating definition, respectively. Prior to 10th December 2012, Japanese ratings were based on a stock's total return relative to the average total return of the relevant country or regional benchmark.*

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Rating	Versus universe (%)	Of which banking clients (%)
Outperform/Buy*	46%	(54% banking clients)
Neutral/Hold*	38%	(51% banking clients)
Underperform/Sell*	13%	(44% banking clients)
Restricted	3%	

For purposes of the NYSE and NASD ratings distribution disclosure requirements, our stock ratings of Outperform, Neutral, and Underperform most closely correspond to Buy, Hold, and Sell, respectively; however, the meanings are not the same, as our stock ratings are determined on a relative basis. (Please refer to definitions above.) An investor's decision to buy or sell a security should be based on investment objectives, current holdings, and other individual factors.

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Price Target: (12 months) for NiSource Inc. (NI.N)

Method: Assuming $1.2B of capital investment at CPG overall and about $700mm in 2015 EBITDA would suggest that teens type of EBITDA growth is in the future and suggests a multiple uplift in the midstream assets to the 14-15x range and giving us a valuation range of $48-$51 over the next 12 months, which we average to $50. Together with dividend would take our total return outlook to ~25% and would warrant an Outperform relative to our universe.

Risk: The main risk to our call is the valuation. MLPs that support this kind of projected EBITDA and what we believe will be mid-teens distribution growth trade at high EBITDA multiples but we have not been able to completely verify our calculations from the somewhat limited disclosures in the S-1. The regulatory environment is benign and the and gas production in the Marcellus and Utica is expected to roughly double between 2014 and 2020 from about 12-13bcf/d to 24-26 bcf/d on average.

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31 October 2014

CREDIT SUISSE

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HILLIARD LYONS

Electric Utilities
Analyst: David Burks
502.588.8648 / DBurks@hilliard.com
Institutional Sales Desk: Tim Rexing
502.585.8509 / TRexing@hilliard.com
J.J.B. Hilliard, W.L. Lyons, LLC
October 31, 2014

COMPANY UPDATE

Key Metrics

NI - NYSE (Price as of 10/30/14)		$42.37
Price Target		NA
52-Week Range		$42.46 - $30.65
Shares Outstanding (mm)		315.4
Market Cap. ($mm)		$12,908
3-Mo. Average Daily Volume		1,949,000
Institutional Ownership		81.0%
Debt/Total Capital (9/30)		61.8%
ROE (ttm)		9.7%
Book Value/Share		$18.34
Price/Book Value		2.3x
Indicated Dividend / Yield	$1.04	2.4%
Dividend Cycle		Feb., May, Aug., Nov.

EPS FY 12/31

	2013	Prior 2014E	Curr. 2014E	Prior 2015E	Curr. 2015E
1Q		--		--	--
2Q		--		--	--
3Q		--		--	--
4Q		--		--	--
Year	$1.58		$1.70		$1.82
P/E	26.8x		24.9x		23.3x
Payout	63%		61%		57%

Note: Figures exclude non-recurring items

Revenue ($mm)

	2013	Prior 2014E	Curr. 2014E	Prior 2015E	Curr. 2015E
1Q		--		--	--
2Q		--		--	--
3Q		--		--	--
4Q		--		--	--
Year	$5,659		$6,300	--	$6,750

Company Description: *Based in Merrillville, Ind., NiSource Inc. is a Fortune 500 company engaged in natural gas transmission, storage and distribution, as well as electric generation, transmission and distribution. NiSource operating companies deliver energy to 3.7 million customers located within the high-demand energy corridor stretching from the Gulf Coast through the Midwest to New England. Generation sources: Coal 77%, Natural Gas 22%, Hydro 1%.*

NiSource Inc.

NI -- NYSE -- Neutral -- 2

Company reports solid third quarter results

Investment Highlights

- **NiSource reported third quarter earnings of $0.14 per share versus $0.18 per share in the third quarter of 2013.** Earnings were modestly below the consensus estimate of $0.17 per share. However, the third quarter is typically the smallest earnings contributor to NiSource each year. Through nine months NI has earned $1.21 per share compared to $1.11 per share in the same time period last year. Management reaffirmed 2014 guidance at the upper half of $1.61 to $1.71 per share.
- **The company's previously announced separation appears on track to occur in mid-2015.** NiSource announced on September 28th that it plans to separate into two companies: a fully regulated natural gas and electric utilities company (NiSource), and a pure-play natural gas pipeline midstream and storage company (Columbia Pipeline Group - CPG).
- **Separation plan terms.** Under the separation plan, NiSource shareholders would retain their current shares of NiSource stock and receive a pro-rata dividend of shares of CPG stock in a transaction that is expected to be tax-free to NiSource and its shareholders. The actual number of shares that would be distributed to NiSource shareholders will be determined prior to the closing.
- **NiSource will remain a large natural gas and electric utility.** It will serve more than 3.4 million natural gas customers in northern Indiana. NiSource expects to be able to grow its earnings and dividends by 4% to 6% annually. This potential growth is supported by multiple infrastructure opportunities in the coming years.
- **Columbia Pipeline Group appears to have significant growth potential.** CPG expects to have projects that represent potential capital investment opportunities of $12-$15 billion over the next 10 years. This could drive both future earnings and dividend growth.
- **We would maintain positions in NiSource.** In our view, the company's proposed strategy has the potential to enhance long-term shareholder value.

Note Important Disclosures on Pages 2 and 3.
Note Analyst Certification on Page 2.

Additional information is available upon request.

Analyst Certification

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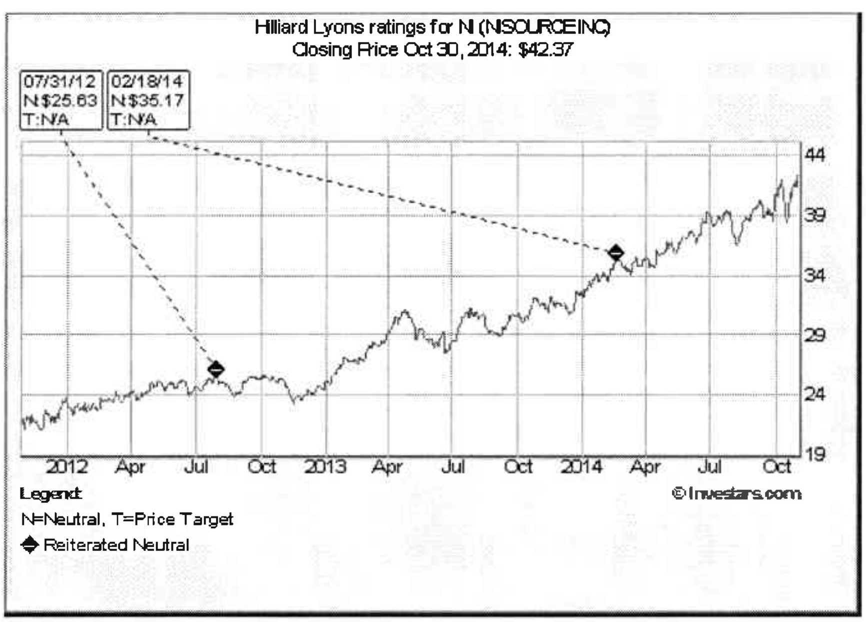
Buy - We believe the stock has significant total return potential in the coming 12 months.
Long-term Buy - We believe the stock is an above average holding in its sector, and expect solid returns to be realized over a longer time frame than our Buy rated issues.
Neutral - We believe the stock is an average holding in its sector, is currently fully valued, and may be used as a source of funds if better opportunities arise.
Underperform - We believe the stock is vulnerable to a price set back in the next 12 months.

Suitability Ratings
1 - A large cap, core holding with a solid history
2 - A historically secure company which could be cyclical, has a shorter history than a "1" or is subject to event driven setbacks
3 - An above average risk/reward ratio could be due to small size, lack of product diversity, sporadic earnings or high leverage
4 - Speculative, due to small size, inconsistent profitability, erratic revenue, volatility, low trading volume or a narrow customer or product base



	Hilliard Lyons Recommended Issues		Investment Banking Provided in Past 12 Mo.	
Rating	# of Stocks Covered	% of Stocks Covered	Banking	No Banking
Buy	50	40%	10%	90%
Hold/Neutral	71	56%	4%	96%
Sell	5	4%	0%	100%

As of 1 October 2014

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FLASH NOTE

Company Update

USA | Energy | Natural Gas

October 30, 2014

Jefferies

NiSource Inc. (NI)

Costs Drag as EPS Misses

HOLD
Price target $40.00
Price $41.62

EQUITY RESEARCH AMERICAS

Key Takeaway

NI realized 3Q recurring diluted EPS of 14¢ (excl. asset sale gains), below our 17¢ forecast & the 16¢ Street mean estimate; the EPS miss was primarily due to higher than expected O&M expense at CPG & Gas Distribution. Mgmt affirmed its $1.61-$1.71 2014 non-GAAP EPS & $2.2B capex guidance, and noted results are likely to be in the upper half of its EPS range; consensus 2014 EPS is $1.71.

Columbia Pipeline Group. CPG's $91.4mm operating income (excluding asset sale gains) was below our $97.3mm expectation, driven primarily by higher O&M costs. Mgmt said in the press release it was encouraged by the results of the non-binding open season of the recently-announced Mountaineer XPress project. No formal details have yet been provided on the project, but we do note that mgmt officially quoted the WB Xpress project at a cost of $870mm for 1.3 Bcf/d with an expected in-service date of 4Q18.

Gas Distribution. The gas utilities posted 3Q operating income of $1.0mm, below our $6.6mm estimate, but ahead of 3Q13's $0.5mm loss, due primarily to higher O&M costs. The company is still awaiting a ruling in PA on the recovery of CPA's infrastructure modernization program investments; a settlement for an annual revenue increase of roughly $33mm was submitted in September and a decision is expected by year-end. Separately, CGV is expecting a settlement on its base rate case filed in April; if approved, the case would increase annual revenues by $25mm. Finally, CMD reached a settlement on its rate case in September, which allows for a $1.1mm annual revenue increase effective 9/30.

Pending structural changes. NI hosted its biennial Investor Day on September 29th in NYC, where mgmt reviewed operations and announced plans to IPO a midstream MLP in early 2015 and to split the utility and midstream segments into two separately-listed companies in the middle of next year. The expected tax-free transaction will create Columbia Pipeline Group Inc. (COLP), a natural gas focused midstream company, and leave NiSource as a fully-regulated natural gas and electric distribution company.

2014 guidance affirmed. Mgmt affirmed its $1.61-$1.71 2014 non-GAAP EPS guidance & ~$2.2B capital budget, but indicated EPS will likely be in the upper-half of the range.

Dividend to be maintained through spin, grow thereafter. NI declared a dividend in August of 26¢/shr ($1.04 annualized) and mgmt noted at its Sept. Investor Day that the current run-rate would be maintained through the spin of COLP and grow thereafter.

Dial-in for the Call: Today @ 9:00am ET. Dial-in: 877.280.4959. Passcode: 20776398

NI 3Q14 Results Review:

Operating Income by Division	Actual 3Q14A	JEFe 3Q14E		Year-over-Year 3Q13A	
Gas Distribution	$1.0	$6.6	-84.9%	($0.5)	-300.0%
Columbia Pipeline Group	$91.4	$97.3	-6.1%	$87.6	4.3%
Electric Operations	$90.2	$92.4	-2.3%	$90.5	-0.3%
Corporate, Other, and Eliminations	($5.3)	($3.5)	NA	($5.0)	-6.0%
Total Operating Income	$177.3	$192.8	-8.1%	$172.6	2.7%
Depreciation	($153.0)	($150.7)	1.5%	($144.5)	5.9%
Other Income / (Expenses)	$9.2	$4.7	95.7%	$4.7	95.7%
Interest Expense	($109.6)	($114.2)	-4.0%	($103.7)	5.7%
Income Tax Benefit (Expense)	($33.2)	($28.4)	17.2%	($23.4)	41.8%
Recurring Net Income	$43.7	$55.0	-20.6%	$50.2	-12.9%
Avg Diluted Shares Outstanding	316.6	316.5	0.0%	313.8	0.9%
Earnings Per Diluted Share	$0.14	$0.17	-20.7%	$0.16	-13.7%
EBITDA ($MM)	$340	$348	-2.5%	$322	5.5%
Capex & Affiliate Investments	$598	$583	2.5%	$540	10.7%

Source: NI report, Jefferies estimates
Note: Recurring EPS figures exclude the impact of non-normal weather & asset sale gains/ losses; they also utilize avg diluted share counts during each period.

Christopher Sighinolfi, CFA *
Equity Analyst
(212) 707-6420 csighino@jefferies.com
Christopher Tillett *
Equity Associate
(212) 284-4697 ctillett@jefferies.com
Corey Goldman *
Equity Associate
(212) 284-3411 cgoldma1@jefferies.com
* Jefferies LLC

NI

Company Update

October 30, 2014

Company Description

NiSource, Inc. (NYSE: NI) is a diversified energy holding company whose subsidiaries provide natural gas, electricity, and other energy products & services to nearly 4 million US customers. The Company operates through three segments: Gas Distribution, Columbia Pipeline Group, and Electric. The Gas Distribution operations provide natural gas service and transportation for residential, commercial and industrial customers in Ohio, Pennsylvania, Virginia, Kentucky, Maryland, Indiana and Massachusetts. Columbia Pipeline Group offers gas transportation and storage services for Local distribution companies, marketers and industrial and commercial customers located in Northeastern, Mid-Atlantic, Midwestern and Southern states. The Electric Operations segment provides electric service in various counties in the northern part of Indiana. NiSource was founded in 1987, is incorporated under the laws of the state of Delaware, and is headquartered in Merrillville, IN.

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Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

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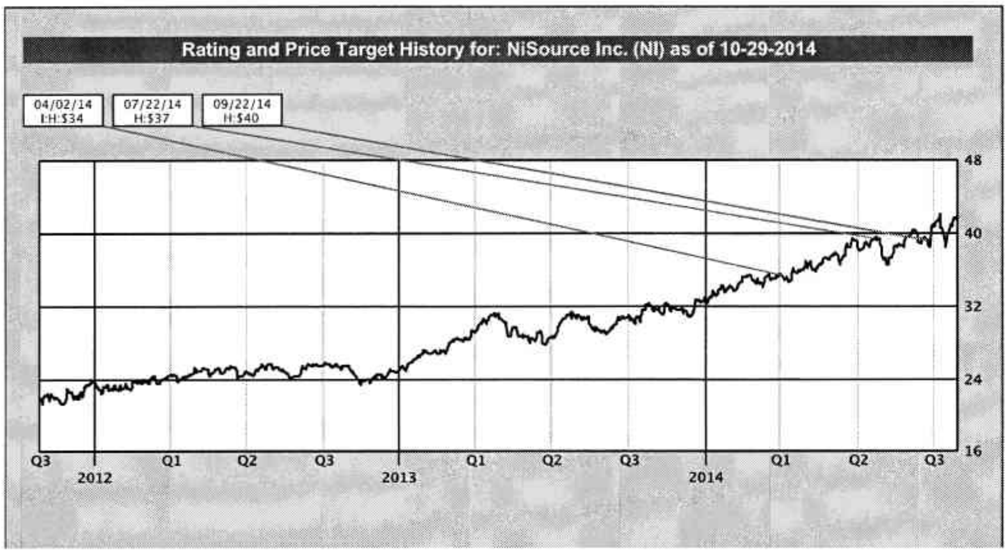

Distribution of Ratings

Rating	Count	Percent	IB Serv./Past 12 Mos. Count	IB Serv./Past 12 Mos. Percent
BUY	1008	52.23%	263	26.09%
HOLD	781	40.47%	139	17.80%
UNDERPERFORM	141	7.31%	6	4.26%

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

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Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

October 30, 2014
ENERGY: Multi- Utilities
Quick Alert

KeyBanc
Capital Markets

NiSource Inc. (BUY)

NI - Quick Alert: 3Q14 Slight Miss. Upper Half of Guidance Maintained

KeyBanc Capital Markets Inc.
Member NYSE/FINRA/SIPC

Paul T. Ridzon: (216) 689- 0270 — pridzon@key.com
John Barta: (216) 689- 3386 — john_j_barta@key.com

KEY INVESTMENT POINTS
October 29, 2014 Close: $41.62
3Q14 KBCM EPS Estimate: $0.16 (Consensus: $0.16)
2014 KBCM EPS Estimate: $1.70 (Consensus: $1.71)
2015 KBCM EPS Estimate: $1.80 (Consensus: $1.84)

3Q14 Actual Results (vs. 3Q13):

- Ongoing EPS $0.14 vs. $0.18; GAAP EPS $0.10 vs. $0.16.
- NI excludes the impact from weather variations from normal in its ongoing earnings. Results reported include roughly $0.03 of mild weather. Additionally, the GAAP number includes transaction costs for the proposed MLP spin.
- Results were below our estimate of $0.16 and consensus of $0.16 per share. Relative to our estimate, it appears tax timing issues drove a higher tax rate (43.1% vs. 32.6% in 3Q13), resulting in a $0.03 per share headwind.

Guidance: Management continues to expect 2014 results to be in the upper half of guidance of $1.61- $1.71 per share.

3Q Highlights:
- Growth projects remain on track in all segments under NI's $2.2 billion 2014 capex plan.
- NI indicated that an initial non- binding open season for the Mountaineer Express pipe produced encouraging interest.
- Columbia Pipeline Group saw lower results (operating earnings of $94.4 million vs. $98.7 million) as higher revenues related to new projects, increased royalties and higher LNG proceeds were offset by the roll- off of a gain from the sale of base gas, higher employee costs and depreciation of new plant.
- Electric operations earnings were essentially flat at $90.2 million vs. $90.5 million as revenues rose on recovery of environmental spending and improved industrial and residential margins. The higher venues were offset by employee costs, planned outages and higher storm activity. Cooling degree days fell 7% to 33% below normal.
- Gas Distribution operating earnings were $1 million vs. earnings loss of $0.5 million as new rates in Ohio and Massachusetts were partially offset by higher costs.
- Corporate losses rose approximately $0.3 million primarily due to higher outside services.
- Interest expense rose $5.9 million on a higher debt balance and expiring rate swaps. Other income rose $4.5 million on transmission income.

Initial Take: We expect a generally neutral response to results as the miss relative to views appears to be driven by tax timing, and the upper half of guidance has been maintained.

9:00 a.m. ET Conference Call #: (877) 280- 4959; ID#: 20776398
We will be focused on:

- Thoughts on growth rate.
- Incremental infrastructure investment opportunities.
- Pipeline modernization project updates.

FOR IMPORTANT DISCLOSURES AND CERTIFICATIONS, PLEASE REFER TO PAGES 2 - 3 OF THIS NOTE.

KeyBanc Capital Markets Inc. Disclosures and Certifications

NiSource Inc. - NI

We expect to receive or intend to seek compensation for investment banking services from NiSource Inc. within the next three months.

During the past 12 months, NiSource Inc. has been a client of the firm or its affiliates for non- securities related services.

As of the date of this report, we make a market in NiSource Inc..

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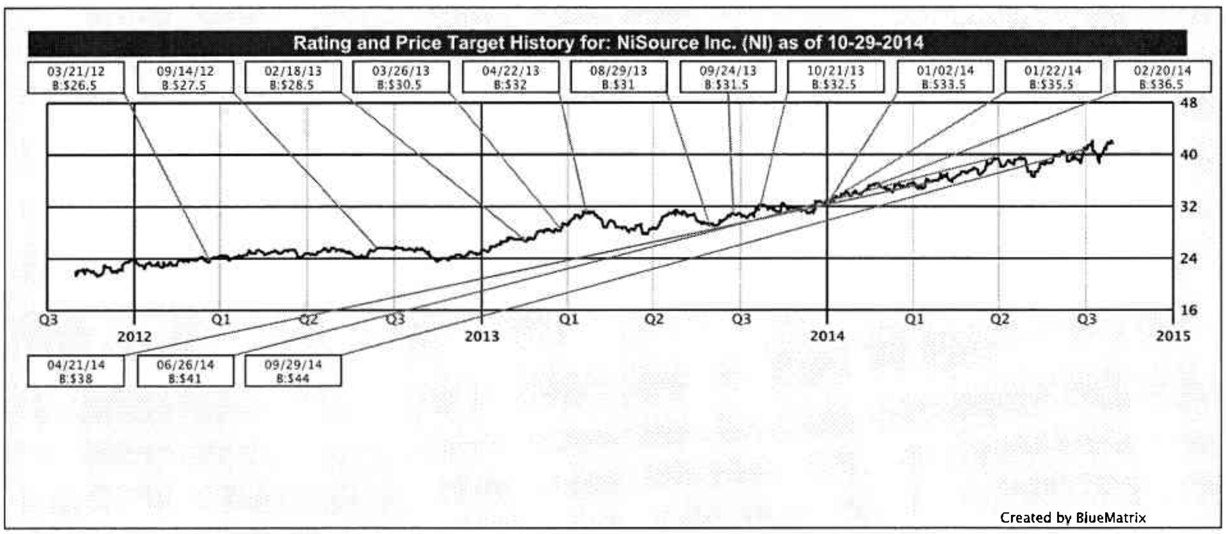
Three- Year Rating and Price Target History



Rating Disclosures

Distribution of Ratings/IB Services Firmwide and by Sector

KeyBanc Capital Markets			IB Serv/Past 12 Mos.		ENERGY			IB Serv/Past 12 Mos.	
Rating	Count	Percent	Count	Percent	Rating	Count	Percent	Count	Percent
BUY [BUY]	259	46.50	60	23.17	BUY [BUY]	45	52.94	19	42.22
HOLD [HOLD]	284	50.99	49	17.25	HOLD [HOLD]	40	47.06	16	40.00
SELL [UND]	14	2.51	4	28.57	SELL [UND]	0	0.00	0	0.00

Rating System

BUY - The security is expected to outperform the market over the next six to 12 months; investors should consider adding the security to their holdings opportunistically, subject to their overall diversification requirements.

HOLD - The security is expected to perform in line with general market indices over the next six to 12 months; no buy or sell action is recommended at this time.

UNDERWEIGHT - The security is expected to underperform the market over the next six to 12 months; investors should reduce their holdings opportunistically.

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Morgan Stanley

MORGAN STANLEY RESEARCH
NORTH AMERICA

Morgan Stanley & Co. LLC

Brian Lasky
Brian.Lasky@morganstanley.com
+1 212 761 7249

Robert S Kad
Robert.Kad@morganstanley.com
+1 212 761 6385

Matthew Giacobbe
Matthew.Giacobbe@morganstanley.com
+1 212 761 7243

Alexander H Renker
Alexander.Renker@morganstanley.com
+1 212 761 4657

October 30, 2014

Stock Rating
Equal-weight

Industry View
Attractive

NiSource, Inc.

Continued Progress Within the Northeast

NiSource reported in-line results (EPS of $0.14 vs. MSe of $0.14) despite warmer than expected weather and higher expenses. We look forward to the separation of CPG and further clarity on large-scale project development within the Northeast, such as Mountaineer XPress.

Looking for Further Clarity on CPG. With another solid quarter of execution under NI's belt, focus now turns to the execution of the planned separation of CPG set to be completed by mid-2015. While the unveiling of COLP and CPPL at NI's Analyst Day in late September was a welcome surprise and well-received by the market, we continue to look for more clarity on targeted dropdown pace and payout policies. As valuation around the pro forma entity remains in flux given limited information during the registration process, we believe the stock could trade somewhat range-bound until the market gets greater clarity on the new entity's strategy. We maintain our EW rating reaffirm our $45 price target.

Mountaineer Could Represent Significant Capital Opportunity. Management retired strong customer interest in their Mountaineer XPress project, which could rival Rayne/Leach XPress from a capital cost point-of view.

Results largely in-line with MSe: Columbia Pipeline Ahead of Our Estimates. Columbia Pipeline operating income came in at $94.4mm vs. MSe of $85.6mm as new growth projects came into service. **Gas Distribution** reported operating income of $1.0mm vs. MSe of $1.1mm as. Results were largely impacted by increases in regulatory and service programs, including the implementation of new rates in Ohio and Massachusetts. **Electric Operations** operating income was $90.2mm vs. MSe of $92.3mm primarily due to higher industrial and residential margins partially offset by increased employee/admin costs and electric generation costs due to outages.

Key Ratios and Statistics

Reuters: NI.N Bloomberg: NI US
Diversified Natural Gas / United States of America

Price target	**$45.00**
Shr price, close (Oct 30, 2014)	$42.37
Mkt cap, curr (mm)	$13,465
52-Week Range	$42.37-30.66

Fiscal Year ending	12/13	12/14e	12/15e	12/16e
ModelWare EPS ($)	**1.57**	**1.69**	**1.81**	**1.92**
Prior ModelWare EPS ($)	**-**	**1.68**	**1.81**	**1.92**
P/E	**20.9**	**25.0**	**23.4**	**22.1**
Consensus EPS ($)§	**1.55**	**1.71**	**1.84**	**2.00**
Div yld (%)	3.0	2.4	2.5	2.6

Unless otherwise noted, all metrics are based on Morgan Stanley ModelWare framework (please see explanation later in this note).
§ = Consensus data is provided by Thomson Reuters Estimates.
e = Morgan Stanley Research estimates

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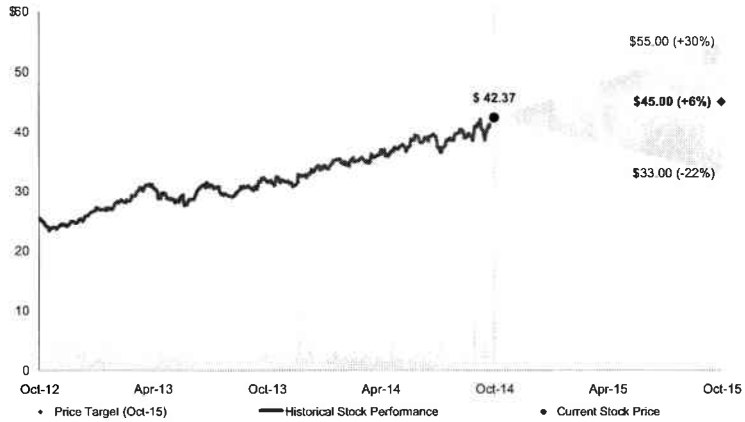
October 30, 2014
NiSource, Inc.

NiSource (NI, Equal-weight)

Risk-Reward View: Strong Marcellus + Utica Midstream Potential



Source: Thomson Reuters; Morgan Stanley Research

Price Target $45

Bull Case **$55**	**Increasing Marcellus/Utica market share and utilities outperform; more projects, aggressive MLP/GP strategy.** NI gains larger Appalachian market share than anticipated from new production, fostering additional capital spend in the CPG segment. Newly formed CPPL and COLP aggressively pursue organic and third party growth and achieve premium resulting valuations in stand-alone structures committed to high-payout, high growth strategies.
Base Case **$45**	**Business separation allows better recognition of execution on Marcellus / Utica opportunities.** NI places Marcellus/Utica growth projects on budget and on time. NI's adoption of an MLP is followed through with a periodic dropdown strategy.
Bear Case **$33**	**Marcellus opportunities fail to materialize.** Marcellus regulation issues persist or worsen, prolonging development. The required infrastructure projects are delayed causing NI to push back expansions and the stock re-rates lower given weaker growth profile. NI underutilizes its MLP.

Target price derivation	Per share
1. Sum-of-the Parts	$49
2. Comparables	$43
Price target	$45

Why Equal-weight?

- Numerous midstream opportunities surrounding its existing pipeline systems in the Marcellus + Utica provide exceptional long-term value.
- Restored earnings power at regulated utilities segments.
- Announced separation of midstream and utility businesses should help value recognition with upside in aggressive MLP/GP scenario, but next leg of outperformance is likely dependent on execution and might ultimately take a period of time to be realized.

Key Value Drivers

- Executing Marcellus + Utica midstream projects on time and below budget.
- Execution on its regulatory agenda (e.g., infrastructure modernization plan, filing rate cases, implementing trackers / cost recovery mechanisms).
- Stable dividend growth profiles consistent with both of NI's core businesses as they migrate to stand-alone entities.

Potential Catalysts

- MLP formation adds to value of NI and offers further upside on projects and acquisitions, particularly through general partner value recognition.
- Updates to rate case settlement approval by regulatory bodies.
- Announcement of additional Marcellus or Utica project or acquisition beyond those included in guidance.

Where We Could Be Wrong

- Regulatory risks associated with Marcellus and/or Utica drilling puts a hold on midstream project expansions.
- Execution challenges

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October 30, 2014
NiSource, Inc.

Exhibit 1

NI Earnings Variance

NiSource Inc.

(amounts in 000s, except per unit)

	Actual 3Q13	Actual 3Q14	A / A % chg	MS 3Q14E	A / E % chg	MS 4Q14E
Operating Revenues						
Gas Distribution	255,300	240,400	-5.8%	405,563	-40.7%	969,857
Gas Transportation and Storage	350,100	381,700	9.0%	298,863	27.7%	335,862
Electric	416,400	437,900	5.2%	427,007	2.6%	406,376
Other	61,200	77,300		-		-
Total operating revenues	**1,083,000**	**1,137,300**	5.0%	**1,131,433**	0.5%	**1,712,094**
Operating Expenses						
Cost of Sales	243,200	230,400	-5.3%	285,466	-19.3%	638,552
Operation and maintenance	468,900	520,600	11.0%	474,598	9.7%	517,188
Depreciation and amortization	144,500	153,000	5.9%	151,978	0.7%	155,998
Other taxes	64,300	65,000	1.1%	59,763	8.8%	74,919
Total operating expenses	**920,900**	**969,000**	5.2%	**971,805**	-0.3%	**1,386,657**
Equity Earnings (Loss) in Uncon. Affiliates	**10,500**	**12,000**	14.3%	**11,156**	7.6%	**12,180**
EBIT	**172,600**	**180,300**	4.5%	**170,784**	5.6%	**337,617**
EBITDA	**317,100**	**333,300**	5.1%	**322,762**	3.3%	**493,615**
Interest expense, net	(103,700)	(109,600)	5.7%	(109,100)	0.5%	(109,600)
Other income	15,800	9,200		7,500		9,200
Total other income and expenses	**(87,900)**	**(100,400)**	14.2%	**(101,600)**	-1.2%	**(100,400)**
Earnings From Cont. Oper. Bef. Inc. Taxes	**84,700**	**79,900**	-5.7%	**69,184**	15.5%	**237,217**
Income tax (provision)	27,600	34,400	24.6%	23,464	46.6%	82,530
Net Income (Operating)	**57,100**	**45,500**	-20.3%	**45,720**	-0.5%	**154,687**
Average # of Shares Outstanding	313,800	316,600	0.9%	316,100	0.2%	316,600
Net Income per Share (Operating)	**$ 0.18**	**$ 0.14**		**$ 0.14**		**$ 0.49**
Net Income per Share (GAAP)	**$ 0.16**	**$ 0.10**		**$ 0.14**		**$ 0.49**
Segment Data						
Gas Distribution (MMDth)						
Residential	15.2	15.4	1.3%	15.7	-1.6%	93.0
Commercial	16.2	17.5	8.0%	16.7	4.9%	56.0
Industrial	120.7	126.2	4.6%	124.3	1.5%	133.5
Off System	15.6	7.1	-54.5%	14.8	-52.1%	12.5
Other	-	-		(0.1)		(0.0)
Gas Transmission & Storage (MMDth)						
Columbia Transmission	158.4	160.9	1.6%	166.3	-3.3%	350.5
Columbia Gulf	134.0	143.0	6.7%	134.0	6.7%	159.4
Crossroads Gas Pipeline	4.1	3.2	-22.0%	4.2	-24.2%	4.6
Intrasegment eliminations	(36.5)	(22.1)	-39.5%	(61.9)	-64.3%	(87.7)
Electric Operations (Gigawatt Hours)						
Residential	1,000.5	915.2	-8.5%	1,030.5	-11.2%	835.3
Commercial	1,066.1	1,031.6	-3.2%	1,087.4	-5.1%	980.6
Industrial	2,337.2	2,504.7	7.2%	2,348.9	6.6%	2,450.9
Wholesale	108.6	161.4	48.6%	109.1	47.9%	5.2
Other	31.3	36.4	16.3%	31.9	14.0%	41.7

Source: Company data, Morgan Stanley Research

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October 30, 2014
NiSource, Inc.

Exhibit 2

NI Income Statement

NiSource Inc.

Income Statement

(amounts in thousands, except per unit data)	2013	2014E	2015E	2016E	2017E
Net Revenues					
Gas Distribution	2,225,300	2,829,957	3,592,351	3,956,138	4,356,885
Gas Transportation and Storage	1,646,400	1,686,162	1,471,176	1,724,978	1,944,212
Electric	1,563,200	1,691,376	1,790,867	1,874,020	1,935,239
Other	224,400	271,000	-	-	-
Total Net Revenues	**5,659,300**	**6,478,494**	**6,854,394**	**7,555,136**	**8,236,336**
Operating Costs					
Cost of Sales	1,815,500	2,301,952	2,365,379	2,615,126	2,818,335
Operation and maintenance	1,873,900	2,072,088	2,198,302	2,441,221	2,690,390
Depreciation and amortization	577,300	606,798	642,898	677,813	716,843
Other taxes	300,600	296,919	318,700	339,123	371,218
Total Operating Costs	**4,567,300**	**5,277,757**	**5,525,279**	**6,073,283**	**6,596,786**
Equity Earnings (Loss) in Uncon. Affiliates	**35,900**	**45,080**	**49,823**	**51,080**	**52,368**
EBIT	**1,127,900**	**1,245,817**	**1,378,938**	**1,532,932**	**1,691,918**
EBITDA	**1,705,200**	**1,852,615**	**2,021,836**	**2,210,745**	**2,408,762**
Other income					
Interest expense, net	(414,800)	(437,400)	(530,650)	(625,615)	(723,951)
Other income	42,600	30,400	36,800	36,800	36,800
Inc. from continuing operations bef inc. taxes	**755,700**	**838,817**	**885,089**	**944,117**	**1,004,767**
Income tax (provision)	261,800	302,630	312,596	336,692	356,469
Operating Net income (Loss)	**493,900**	**536,187**	**572,493**	**607,424**	**648,298**
Net Income per Share (Operating)	**$1.57**	**$1.69**	**$1.81**	**$1.92**	**$2.05**
Net Income per Share (GAAP)	**$1.56**	**$1.68**	**$1.81**	**$1.92**	**$2.05**
Weighted Avg Diluted Units Outstanding	313,600	316,600	316,600	316,600	316,600
Dividends per share	0.99	1.03	1.07	1.11	1.16

Source: Company data, Morgan Stanley Research

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October 30, 2014
NiSource, Inc.

Exhibit 3

NI Balance Sheet

Balance Sheet

(amounts in thousands, except per unit data)	2013	2014E	2015E	2016E	2017E
ASSETS					
Cash and cash equivalents	26,800	89,131	272,382	226,761	339,850
Restricted cash	8,000	9,800	9,800	9,800	9,800
Accounts receivable	1,005,800	956,896	981,473	1,177,122	1,233,414
Income tax receivable	5,100	-	-	-	-
Gas inventory	354,600	55,983	58,393	202,149	119,094
Regulatory assets	142,800	188,100	188,100	188,100	188,100
Other	330,600	320,900	320,900	320,900	320,900
Total Current Assets	**2,159,200**	**1,992,910**	**2,203,148**	**2,496,931**	**2,583,258**
Net Property, Plant and Equipment	**14,365,100**	**16,101,902**	**17,459,004**	**18,781,190**	**20,064,347**
Unconsolidated affiliates	373,700	437,100	437,100	437,100	437,100
Other investments	204,000	201,900	201,900	201,900	201,900
Price risk management assets	500	-	-	-	-
Regulatory assets	1,522,200	1,454,100	1,454,100	1,454,100	1,454,100
Goodwill	3,666,200	3,666,200	3,666,200	3,666,200	3,666,200
Intangible assets	275,700	270,200	270,200	270,200	270,200
Deferred charges, Postretiremen, other	87,300	85,000	85,000	85,000	85,000
TOTAL ASSETS	**22,653,900**	**24,209,312**	**25,776,652**	**27,392,622**	**28,762,105**
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current portion of long-term debt	542,100	530,000	530,000	530,000	530,000
Short-term borrowings	698,700	1,101,100	1,101,100	1,101,100	1,101,100
Accounts payable	619,000	789,557	823,546	884,800	972,800
Dividends payable	-	82,000	82,000	82,000	82,000
Customer deposits and credits	262,600	241,700	241,700	241,700	241,700
Taxes accrued	254,800	216,100	216,100	216,100	216,100
Interest accrued	136,400	142,000	142,000	142,000	142,000
Price risk management liabilities	1,400	-	-	-	-
Exchange gas payable	186,400	139,200	139,200	139,200	139,200
Deferred revenue	18,500	8,700	8,700	8,700	8,700
Regulatory liabilities	60,200	88,700	88,700	88,700	88,700
Acc liab for post-retirement / -employment benefits	6,200	6,200	6,200	6,200	6,200
Other accruals	327,600	347,400	347,400	347,400	347,400
Total Current Liabilities	**3,178,400**	**3,761,357**	**3,795,346**	**3,856,600**	**3,944,600**
Long-term debt, excl amounts due within one year	7,593,200	8,240,600	9,540,600	10,840,600	11,840,600
Price risk management liabilities	300	-	-	-	-
Deferred income taxes	3,277,800	3,471,900	3,471,900	3,471,900	3,471,900
Deferred inc. taxes, credits, other	129,900	143,300	143,300	143,300	143,300
Acc liability for post-retirement/-employment benefits	527,500	466,100	466,100	466,100	466,100
Regulatory liabilities and other removal costs	1,669,800	1,673,900	1,673,900	1,673,900	1,673,900
Asset retirement obligations	174,400	178,000	178,000	178,000	178,000
Other noncurrent liabilities	216,000	224,300	224,300	224,300	224,300
Total Other Liabilities and Deferred Credits	**13,588,900**	**14,398,100**	**15,698,100**	**16,998,100**	**17,998,100**
Common stock	3,200	3,200	3,200	3,200	3,200
Additional paid-in capital	4,690,100	4,734,700	4,734,700	4,734,700	4,734,700
Retained earnings	1,285,500	1,412,155	1,645,505	1,900,222	2,181,705
Treasury stock	(43,600)	(41,400)	(41,400)	(41,400)	(41,400)
Accumulated other comprehensive loss	(48,600)	(58,800)	(58,800)	(58,800)	(58,800)
Total Common Stockholders' Equity	**5,886,600**	**6,049,855**	**6,283,205**	**6,537,922**	**6,819,405**
TOTAL CAPITALIZATION & LIABILITIES	**22,653,900**	**24,209,312**	**25,776,652**	**27,392,622**	**28,762,105**
CONSOLIDATED DEBT METRICS					
Average Total Debt	8,468,600	9,352,850	10,521,700	11,821,700	12,971,700
Average Net Debt	8,437,050	9,294,884	10,340,943	11,572,129	12,688,395
Net Debt/ Total Book Capitalization	59.6%	60.9%	62.6%	64.4%	65.5%
Average Debt/ EBITDA	5.0x	5.0x	5.2x	5.3x	5.4x
Average Interest Rate	4.9%	4.7%	5.0%	5.3%	5.6%

Source: Company data, Morgan Stanley Research

Morgan Stanley

Exhibit 4

NI Cash Flow Statement

Cash Flow Statement

(amounts in thousands, except per unit data)	2013	2014E	2015E	2016E	2017E
Cash from Operating Activities					
Net Income	532,100	530,587	572,493	607,424	648,298
Debt: Gain Early Extinguishment / Amort Disc.+Premium	9,400	-	-	-	-
Depreciation and Amortization	577,300	606,798	642,898	677,813	716,843
Net Changes in Price Risk Mgmt A / L	2,600	1,400	-	-	-
Deferred: Inc. Tax/Credits; Revenues	280,200	188,400	-	-	-
Stock Compensation Expense	50,700	27,900	-	-	-
Loss/(Gain) on Asset Sales / Impairments / Disc Opts	(17,500)	(16,400)	-	-	-
Income from Unconsolidated Affiliates	(35,700)	(20,600)	-	-	-
Disc. Operations: Loss/(Gain) on Disposition	(41,200)	500	-	-	-
AFUDC Equity	(18,500)	(9,200)	-	-	-
Dist. of Earnings Received from Equity Investee	32,100	12,900	-	-	-
Other	10,000	4,100	-	-	-
Changes in Assets and Liabilities:	**55,300**	**282,478**	**7,002**	**(278,152)**	**114,764**
Net cash from operating activities	**1,436,800**	**1,608,863**	**1,222,393**	**1,007,086**	**1,479,905**
Cash from Investing Activities					
Capital Expenditures	(1,879,900)	(2,175,000)	(2,000,000)	(2,000,000)	(2,000,000)
Insurance Recoveries	6,400	6,800	-	-	-
Proceeds from Disposition of Assets	18,000	6,200	-	-	-
Restricted Cash Deposits (Borrowings)	38,700	(1,800)	-	-	-
Contributions to Equity Investments	(125,400)	(54,800)	-	-	-
Other Investing Activities	50,800	(1,100)	-	-	-
Net cash from investing activities	**(1,891,400)**	**(2,219,700)**	**(2,000,000)**	**(2,000,000)**	**(2,000,000)**
Cash from Financing Activities					
Issuance of Long-Term Debt	1,307,600	600,000	1,300,000	1,300,000	1,000,000
Retirement/Repurchase of Long-Term Debt	(510,900)	(13,300)	-	-	-
Change in Short-Term Borrowings, Net	(78,100)	402,400	-	-	-
Issuance of Common Stock	43,700	16,100	-	-	-
Acquisition of Treasury Stock	(8,100)	(10,200)	-	-	-
Dividends Paid - Common Stock	(305,900)	(321,832)	(339,142)	(352,708)	(366,816)
Other	(3,200)	-	-	-	-
Net cash from financing activities	**445,100**	**673,168**	**960,858**	**947,292**	**633,184**
Net change in cash	**(9,500)**	**62,331**	**183,251**	**(45,622)**	**113,089**
Cash at beginning of period	**36,300**	**26,800**	**89,131**	**272,382**	**226,761**
Cash at end of period	**26,800**	**89,131**	**272,382**	**226,761**	**339,850**

Source: Company data, Morgan Stanley Research

Morgan Stanley

MORGAN STANLEY RESEARCH

October 30, 2014
NiSource, Inc.

Exhibit 5

NI Operating Data

Operating Data

	2013	2014E	2015E	2016E	2017E
GAS DISTRIBUTION					
Sales and Transportation (MMDth):					
Residential	272.3	299.9	290.4	304.9	320.2
Commercial	172.9	191.0	190.7	200.2	210.2
Industrial	494.5	518.2	544.1	571.3	599.8
Off System	70.4	48.1	49.1	50.0	51.0
Other	0.4	(0.1)	(0.1)	(0.1)	(0.1)
Total Sales and Transports	**1,010.5**	**1,057.1**	**1,074.1**	**1,126.3**	**1,181.1**
Weather Adjustment	(3.4)	(33.8)	(4.0)	(4.0)	(4.0)
Sales and Transport Vols — Excluding Weather	**1,007.1**	**1,023.3**	**1,070.1**	**1,122.3**	**1,177.1**
y/y change	*2.6%*	*1.6%*	*4.6%*	*4.9%*	*4.9%*
Sales Price ($ / Dth)	$3.03	$3.46	$3.36	$3.52	$3.70
y/y change	*8.9%*	*14.2%*	*-3.1%*	*5.0%*	*5.0%*
COGS Price ($ / Dth)	$1.41	$1.76	$1.63	$1.74	$1.82
y/y change	*18.1%*	*24.8%*	*-7.2%*	*6.9%*	*4.1%*
Gross Margin ($ / Dth)	$1.62	$1.71	$1.73	$1.78	$1.89
y/y change	*1.9%*	*5.0%*	*1.1%*	*3.2%*	*5.9%*
COLUMBIA PIPELINE GROUP					
Throughput (MMDth):					
Columbia Transmission	1,124.6	1,165.1	1,234.8	1,296.6	1,361.4
Columbia Gulf	643.0	632.7	672.6	706.3	741.6
Crossroads Gas Pipeline	16.9	17.0	17.9	18.8	19.7
Total throughput	**1,784.5**	**1,814.9**	**1,925.3**	**2,021.6**	**2,122.7**
Intrasegment eliminations	(239.4)	(193.0)	(285.1)	(260.4)	(271.0)
Total third-party throughput	**1,545.1**	**1,621.9**	**1,640.3**	**1,761.3**	**1,851.7**
y/y change	*-2.4%*	*5.0%*	*1.1%*	*7.4%*	*5.1%*
Tariff ($ / Dth)	$0.50	$0.50	$0.52	$0.55	$0.56
y/y change	*10.0%*	*-0.6%*	*4.4%*	*5.2%*	*3.0%*
ELECTRIC OPERATIONS					
Sales (Gigawatt Hours):					
Residential	3,444.7	3,439.9	3,611.9	3,792.5	3,868.4
Commercial	3,881.9	3,912.6	3,990.8	4,070.6	4,111.3
Industrial	9,339.7	10,018.5	10,319.0	10,525.4	10,630.7
Wholesale	669.7	490.5	500.3	510.3	520.5
Other	132.0	146.4	150.8	155.3	160.0
Total sales	**17,468.0**	**18,007.8**	**18,572.8**	**19,054.1**	**19,290.8**
Weather Adjustment	(2.4)	79.3	-	-	-
Total sales volumes — Adj. for weather impacts	**17,465.6**	**18,087.1**	**18,572.8**	**19,054.1**	**19,290.8**
y/y change	*3.6%*	*3.6%*	*2.7%*	*2.6%*	*1.2%*
Revenue ($ / Gigawatt hour)	$89.59	$93.57	$96.42	$98.35	$100.32
y/y change	*0.5%*	*4.4%*	*3.0%*	*2.0%*	*2.0%*
COGS ($ / Gigawatt hour)	$31.07	$33.59	$33.32	$34.47	$35.29
y/y change	*5.0%*	*8.1%*	*-0.8%*	*3.4%*	*2.4%*
Gross Margin ($ / Gigawatt hour)	$58.53	$59.99	$63.10	$63.89	$65.03
y/y change	*-1.8%*	*2.5%*	*5.2%*	*1.2%*	*1.8%*

Source: Company data, Morgan Stanley Research

Exhibit 6

NI Sum of Parts Analysis

NiSource, Inc.
NI

NiSource Inc.		Value ($m)		$/Share
Gas Distribution	$	6,369	$	20.12
Gas Transmission & Storage		14,758		**46.62**
Electric Utility		3,692		**11.66**
Value	**$**	**24,819**	**$**	**78.39**
Net Debt		**(9,295)**		**(29.36)**
Net Equity Value	**$**	**15,524**	**$**	**49.04**
Shares Outstanding (in m)				316.6

GAS DISTRIBUTION	
Forward EBIT (2015E)	$527
Interest	$136
Tax Rate	35%
Net Income	$253
Forward multiple	16.0x
Equity value	**$4,051**
Debt	$2,318
Enterprise value	**$6,369**

GAS TRANSMISSION & STORAGE (on a PV basis)	
MLP Drop-down Proceeds, Net of Funding Obligation	$9,213
MLP GP Value	4,275
MLP LP Value	1,270
Enterprise value	**$14,758**

ELECTRIC UTILITY	
Forward EBIT (2015E)	$319
Interest	$79
Tax Rate	35%
Net Income	$155
Forward multiple	15.5x
Equity value	**$2,406**
Debt	$1,286
Enterprise value	**$3,692**

EBITDA Breakdown		
Gas Distribution	$754	37%
Gas Transmission & Storage	$694	34%
Electric Utility	$570	28%
	$2,017	

Consolidated	
Interest Expense (2015)	531
Tax Rate (2015)	35%
Incremental Funding Obligation (dropdown period)	$917

Source: Company Data, Morgan Stanley Research

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October 30, 2014
NiSource, Inc.

Exhibit 7

NI New Stand-Alone Entities Comparable Metrics

Pro-Forma Net Debt	(3,000)
Pro-Forma Shares	316.6

		EV / Adj. EBITDA		Price / CF		Forward Yield		Dividend Growth		
		15E	16E	15E	16E	15E	16E	15E	16E	17E
ONEOK Inc	OKE	16.5x	14.9x	23.3x	20.5x	4.3%	4.7%	11.4%	10.8%	9.7%
Spectra Energy Corp	SE	17.3x	16.1x	22.9x	20.0x	3.8%	4.1%	9.0%	8.2%	7.6%
Williams Cos	WMB	14.8x	13.0x	17.7x	15.5x	4.7%	5.5%	17.3%	16.0%	15.0%
Average		16.2x	14.7x	21.3x	18.7x	4.2%	4.8%	12.6%	11.7%	10.8%
Columbia Pipeline Group	**COLP**									
Statistics		640	710	311	360	0.98	1.20		22%	24%

15.0x	$20.85	13.5x	$20.82	19.0x	$18.66	16.5x	$19.81	4.75%	$20.68	5.25%	$25.28
15.5x	$21.86	14.0x	$21.94	20.5x	$20.14	18.0x	$21.61	4.50%	$21.83	5.00%	$26.68
16.0x	$22.87	14.5x	$23.06	22.0x	$21.61	19.5x	$23.41	4.25%	$23.11	4.75%	$28.25
16.5x	$23.88	15.0x	$24.18	23.5x	$23.08	21.0x	$25.22	4.00%	$24.56	4.50%	$30.02
17.0x	$24.89	15.5x	$25.30	25.0x	$24.56	22.5x	$27.02	3.75%	$26.19	4.25%	$32.02

	P/E		P/E		P/E		EPS Growth
	15E	16E	15E	16E	15E	16E	3-Yr
Gas LDC Group Median	16.1x	15.4x	16.1x	15.4x	16.1x	15.4x	5%

Pro-Forma NiSource **NI**

NiSource Gas Distribution

15.0x	$12.00	14.5x	$12.18	15.0x	$12.00	14.5x	$12.18	15.0x	$12.00	14.5x	$12.18
15.5x	$12.40	15.0x	$12.60	15.5x	$12.40	15.0x	$12.60	15.5x	$12.40	15.0x	$12.60
16.0x	$12.80	15.5x	$13.02	16.0x	$12.80	15.5x	$13.02	16.0x	$12.80	15.5x	$13.02
16.5x	$13.20	16.0x	$13.44	16.5x	$13.20	16.0x	$13.44	16.5x	$13.20	16.0x	$13.44
17.0x	$13.60	16.5x	$13.86	17.0x	$13.60	16.5x	$13.86	17.0x	$13.60	16.5x	$13.86

	P/E		P/E		P/E		EPS Growth
	15E	16E	15E	16E	15E	16E	3-Yr
Regulated Utilities Group Median	15.3x	14.2x	15.3x	14.2x	15.3x	14.2x	5%

Nipsco

14.5x	$7.11	13.0x	$6.69	14.0x	$6.87	13.0x	$6.69	14.0x	$6.87	13.0x	$6.69
15.0x	$7.36	13.5x	$6.95	14.5x	$7.11	13.5x	$6.95	14.5x	$7.11	13.5x	$6.95
15.5x	$7.60	14.0x	$7.21	15.0x	$7.36	14.0x	$7.21	15.0x	$7.36	14.0x	$7.21
16.0x	$7.85	14.5x	$7.47	15.5x	$7.60	14.5x	$7.47	15.5x	$7.60	14.5x	$7.47
16.5x	$8.09	15.0x	$7.72	16.0x	$7.85	15.0x	$7.72	16.0x	$7.85	15.0x	$7.72

Total Consolidated Value **NI**

	$39.95	$39.69	$37.52	$38.68	$39.54	$44.15
	$41.61	$41.48	$39.64	$41.16	$41.33	$46.23
	$43.26	$43.28	$41.76	$43.64	$43.26	$48.48
	$44.92	$45.08	$43.88	$46.12	$45.35	$50.92
	$46.58	$46.88	$46.00	$48.59	$47.63	$53.60

							2015 Avg
Minimum	$39.95	$39.69	$37.52	$38.68	$39.54	$44.15	$39.00
Average	$43.26	$43.28	$41.76	$43.64	$43.42	$48.67	$42.82
Maximum	$46.58	$46.88	$46.00	$48.59	$47.63	$53.60	$46.73

Source: Company Data, Morgan Stanley Research

Valuation Methodology & Risks

Assets in an MLP have typically traded at a premium to C-Corps. MLPs have traded at higher valuations than would similar assets in a corporate structure due to: 1) their tax efficiency (no federal taxes) and 2) the premium investors tend to place on yield. These two factors have typically produced: 3) a lower cost of capital, which can facilitate a potentially faster growth rate.

Interest rates are not the driver. Although MLPs have benefited from declining interest rates, so have other asset classes. We believe that gains in MLP stocks are a function of their ability to grow cash flows, not just their current yield.

The key value proposition is total return (growing cash flow yield + stock price appreciation). We find a statistically insignificant correlation between bond and MLP prices. Several periods of rate increases (1994, 1999, 2004) are correlated with poor performance, but there is little day-to-day link.

Distribution discount models (DDM) and implied yield targets. We use a 10-year distribution discount model to arrive at our price targets along with our implied yield target for each individual MLP as we view long-term cash flow stability and growth as the true measure of an MLP stock's value.

Yield spread. Despite historical day-to-day insignificance, we think this is worth looking at as a check on valuation. Overall, yields tend to revert to their mean, and even if we have modest yield compression, significant share price upside is possible.

Multiples provide valuation check. While we generally think it is difficult to target an EV (enterprise value) / EBITDA or P / DCF (distributable cash flow) multiple for an MLP stock, we think it certainly provides a gauge as to the stock's valuation. Currently, MLP multiples are near their historical average over time and we believe this provides another metric of valuation support along with looking at the high yield spreads and distribution growth.

Relative (historical) valuation measures support MLPs. The primary argument against improving valuation is weak relative performance in a rising interest rate environment. While we believe that the relationship to Treasury yields will become less relevant over time, using traditional dividend yield analysis, and the MLP index dividend yield spread to Treasury MLPs appear undervalued. Valuation supports MLPs relative to peers. Pipeline MLPs offer organic growth in a rising petroleum demand environment that requires infrastructure development. When we compare MLPs to comparable income asset classes — utilities and REITs — the valuation disconnect is unwarranted, in our opinion, as the pipeline MLPs offer twice the implied return of REITs and utilities.

Distribution growth is predicated on energy fundamentals. The United States is short on critical energy infrastructure, much of which has scarcity/franchise value, in our view, and this should drive a number of expansion projects for MLPs over the next five years. This scarcity is apparent, given the age of most US energy infrastructure assets (many were constructed during or shortly after World War II), combined with approximately 1.5–2.0% demand growth for oil, natural gas, and refined products, along with changing sources of supply for natural gas — deepwater Gulf of Mexico, the US Rockies, and liquefied natural gas (LNG) versus more traditional, conventional sources of supply.

Access to capital markets is of particular importance in this space. Given that MLPs pay out a majority of their free cash flow to unitholders each quarter, growth is funded largely through ongoing debt and equity capital raises. To the extent MLPs are unable to raise financing on favorable terms, organic capital spending budgets and third party acquisitions will likely be delayed or forgone. A prolonged period of limited capital market access could place downward pressure on unit prices if investors are concerned that distribution growth could be limited for a significant amount of time.

Investment concerns. The risks to our thesis include economic growth and demand, alternative energy programs, legislative items including tax reform and easing of product restrictions for natural gas and refined products, as well as a return to Treasury yield valuation and infrastructure reliability. Increased institutional ownership would likely create a revaluation of the sector, as new money would flood the current market. Our analysis is based on the current capital markets and economic outlook, with our Overweight names likely to outperform with or without institutional equity.

Glossary of MLP Terms

Cash Available (distributable cash flow or "DCF"): This is calculated as net income plus depreciation and other non-cash items, less maintenance capital expenditure requirements.

Cash Distributed (distributions): Quarterly dividend payments made to limited partner (LP) and general partner (GP) investors. These amounts are set by the GP and are supported by an MLP's operating cash flows.

Distribution Coverage Ratio: Calculated as cash available to limited partners divided by cash distributed to limited partners. It gives an indication of an MLP's ability to make dividend payments to limited partner investors from operating cash flows. MLPs with a coverage ratio of in excess of 1.0 times are able to meet their dividend payments without external financing.

Yield or Distribution Yield: Yield or distribution yield as referenced in this report are defined as most recent distribution declared, annualized, and then divided by the current market price. It may consist of short-term capital gains, long-term capital gains, and/or return of capital.

General Partner (GP): Corporate sponsor, management team, or financial investor that typically owns a 2% interest in the MLP. Through this 2% interest, the GP has the responsibility for the operations and maintenance of the MLP and the authority to make decisions. To align the interests of the GP with the limited partners, MLPs have an incentive distribution schedule that rewards the GP for increasing the cash distributions to the limited partners.

Incentive Distribution Rights (IDRs): Increases in cash distributions entitle the GP to a higher percentage of the incremental distributed cash flows. These per unit target levels are set out specifically in the MLP agreement and give the GP a larger percentage of the incremental dollars (in many cases upwards of 50% of incremental cash payouts).

Limited Partner (LP): Owners of the limited partner units that are entitled to receive the majority of the cash flows generated by the partnership through a quarterly distribution. LPs typically cannot participate in making decisions regarding the operation of the MLP unless they secure a definitive majority (e.g., 66%, but it can vary) in a proxy vote.

K-1 Statement: This is the form that an MLP investor receives each year from the partnerships that shows the investor's share of the partnership's income, gain, loss, deductions, and credits. The K-1 is similar to a Form 1099 that is received from a corporation. The investor will pay tax on the portion of net income that is allocated at his or her individual tax rate.

Publicly Traded Partnership (PTP): a master limited partnership (MLP) or a limited liability company that has chosen to be taxed as a partnership, which is publicly traded. There are roughly 75 publicly traded partnerships and the majority is involved in energy-related activities. Energy related PTP's comprise approximately 85% of total PTP market cap, with REITs making up the majority of the 15% balance.

Qualifying Income: In order to be taxed as a partnership, 90 percent of a PTP's income must be "qualifying income" every year that it is a publicly traded partnership. Qualifying income can include 1) interest 2) dividends 3) real property rents 4) gains from the sale or other disposition of real estate 5) income and gains from the exploration, development, mining, or production, processing, refining, transportation, or marketing of any mineral or natural resource 6) Any gain from selling or disposing of a capital asset held for the production of any of the types of income in numbers 1-5 7) Income and gains from commodities, if buying and selling commodities is the PTP's principal activity 8) Any income that would be qualifying income for a regulated investment company (RIC) or real estate investment trust (REIT).

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MORGAN STANLEY RESEARCH

October 30, 2014
NiSource, Inc.

MORGAN STANLEY ModelWare	**Morgan Stanley ModelWare is a proprietary analytic framework that helps clients uncover value, adjusting for distortions and ambiguities created by local accounting regulations.** For example, ModelWare EPS adjusts for one-time events, capitalizes operating leases (where their use is significant), and converts inventory from LIFO costing to a FIFO basis. ModelWare also emphasizes the separation of operating performance of a company from its financing for a more complete view of how a company generates earnings.

Disclosure Section

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(as of September 30, 2014)

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	Coverage Universe		Investment Banking Clients (IBC)		
Stock Rating Category	Count	% of Total	Count	% of Total IBC	% of Rating Category
Overweight/Buy	**1113**	**35%**	**353**	**40%**	**32%**
Equal-weight/Hold	**1390**	**44%**	**410**	**47%**	**29%**
Not-Rated/Hold	**109**	**3%**	**21**	**2%**	**19%**
Underweight/Sell	**575**	**18%**	**96**	**11%**	**17%**
Total	**3,187**		**880**		

Data include common stock and ADRs currently assigned ratings. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months.

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Attractive (A): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.
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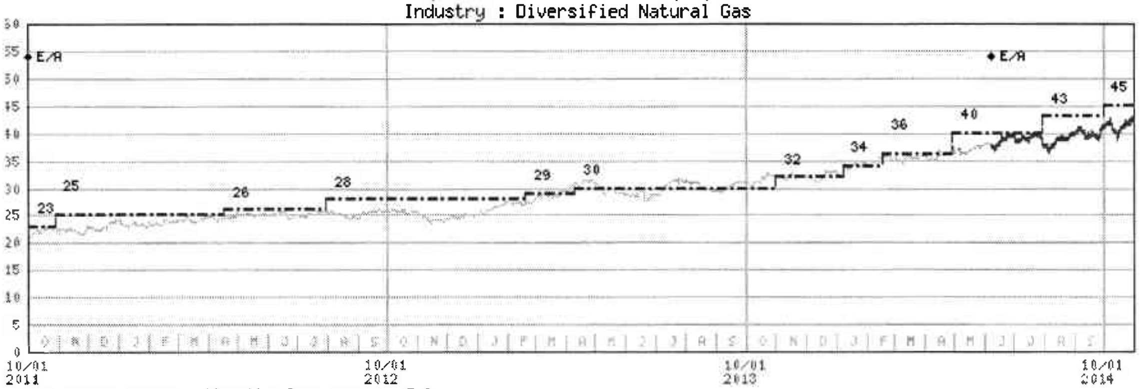
Stock Price, Price Target and Rating History (See Rating Definitions)

Morgan Stanley

MORGAN STANLEY RESEARCH

October 30, 2014
NiSource, Inc.

NiSource, Inc. (NI.N) - As of 10/30/14 in USD
Industry : Diversified Natural Gas



Stock Rating History: 10/1/11 : E/A; 6/9/14 : E/A

Price Target History: 8/2/11 : 23; 10/28/11 : 25; 4/18/12 : 26; 7/31/12 : 28; 2/19/13 : 29; 4/10/13 : 30; 10/31/13 : 32; 1/8/14 : 34; 2/18/14 : 36; 4/30/14 : 40; 7/31/14 : 43; 9/30/14 : 45

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target -- No Price Target Assigned (NA)
Stock Price (Not Covered by Current Analyst) Stock Price (Covered by Current Analyst)
Stock and Industry Ratings (abbreviations below) appear as ♦ Stock Rating/Industry View
Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) No Rating Available (NA)
Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

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The Americas
1585 Broadway
New York, NY 10036-8293
United States
Tel: +1 (1) 212 761 4000

Europe
20 Bank Street, Canary Wharf
London E14 4AD
United Kingdom
Tel: +44 (0) 20 7 425 8000

Japan
1-9-7 Otemachi, Chiyoda-ku
Tokyo 100-8104
Japan
Tel: +81 (0) 3 6836 5000

Asia/Pacific
1 Austin Road West
Kowloon
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Tel: +852 2848 5200

Industry Coverage:Diversified Natural Gas

Company (Ticker)	Rating (as of)	Price* (10/30/2014)
Brian Lasky		
CenterPoint Energy, Inc (CNP.N)	E (06/09/2014)	$24.41
Cheniere Energy Inc. (LNG.A)	O (06/09/2014)	$73.75
Cheniere Energy Partners L.P. Holdings (CQH.A)	E (06/09/2014)	$24
EnLink Midstream LLC (ENLC.N)	E (06/09/2014)	$38
Enbridge Energy Partners LP (EEP.N)	U (09/10/2012)	$36.43
Enbridge Energy Partners LP (EEQ.N)	U (12/17/2013)	$35.48
Kinder Morgan Energy Partners LP (KMR.N)	E- (06/09/2014)	$94.92
Kinder Morgan Energy Partners LP (KMP.N)	E (08/14/2014)	$93.96
Kinder Morgan Inc. (KMI.N)	E (06/09/2014)	$38.54
NiSource, Inc. (NI.N)	E (06/09/2014)	$42.37
Oneok Inc. (OKE.N)	O (06/09/2014)	$58.67
SemGroup Corp (SEMG.N)	O (06/09/2014)	$76.8
Spectra Energy Corp. (SE.N)	E (06/09/2014)	$38.83
Williams Companies, Inc (WMB.N)	O (06/09/2014)	$55

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* Historical prices are not split adjusted.

NiSource Inc NI (NYSE) ★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Morningstar Credit Rating	Industry Group
42.37 USD	32.00 USD	22.40 USD	43.20 USD	Medium	Narrow	Stable	Standard	BBB	Utilities - Regulated

NiSource Reaffirms Earnings Guidance; Mountaineer XPress Pipeline Could Be $1 Billion Investment

Charles Fishman, CFA
Stock Analyst
charles.fishman@morningstar.com
312-696-6523

The primary analyst covering this company does not own its stock.

Research as of 31 Oct 2014
Estimates as of 31 Jul 2014
Pricing data through 30 Oct 2014
Rating updated as of 30 Oct 2014

Currency amounts expressed with "$" are in U.S. dollars (USD) unless otherwise denoted.

Contents

Analyst Note 31 Oct 2014

We are reaffirming our narrow moat and stable moat trend ratings and $32 fair value estimate after NiSource reported third-quarter operating earnings per share of $0.14 versus $0.18 in the same period last year. Management reiterated its expectation that 2014 operating earnings would probably be in the upper half of the guidance range of $1.61-$1.71 per share. Our EPS estimate of $1.70 is unchanged.

NiSource indicated that the planned NiSource/Columbia Pipeline Group separation is on track for completion in mid-2015. Columbia Pipeline Partners, the new master limited partnership, filed its registration statement with the Securities and Exchange Commission on Sept. 29.

The only new project NiSource discussed was the Mountaineer XPress, potentially a $1 billion pipeline serving Marcellus and Utica gas shippers. If constructed, the 750 mmcf/d- 2.5 bcf/d pipeline would provide incremental capacity from Noble County, Ohio, via the Leach Xpress header. NiSource management said it was encouraged by the strong interest following the nonbinding open season for the project and is currently refining the project scope. Management declined to provide a range of the investment, but indicated it could be similar in size to the WB XPress ($870 million) and the Rayne/Leach XPress ($1.75 billion).

Vital Statistics

Market Cap (USD Mil)	13,360
52-Week High (USD)	42.45
52-Week Low (USD)	30.65
52-Week Total Return %	36.9
YTD Total Return %	32.0
Last Fiscal Year End	31 Dec 2013
5-Yr Forward Revenue CAGR %	7.1
5-Yr Forward EPS CAGR %	7.7
Price/Fair Value	1.32

Valuation Summary and Forecasts

Fiscal Year:	2012	2013	*2014(E)*	*2015(E)*
Price/Earnings	17.0	20.8	*24.9*	*23.2*
EV/EBITDA	9.9	11.2	*11.9*	*10.9*
EV/EBIT	15.2	17.0	*17.5*	*16.0*
Free Cash Flow Yield %	-3.0	-4.4	*-4.2*	*-4.1*
Dividend Yield %	3.5	3.0	*2.4*	*2.6*

Financial Summary and Forecasts (USD Mil)

Fiscal Year:	2012	2013	*2014(E)*	*2015(E)*
Revenue	5,061	5,657	*6,169*	*6,573*
Revenue YoY %	-15.9	11.8	*9.0*	*6.6*
EBIT	1,039	1,126	*1,294*	*1,413*
EBIT YoY %	12.7	8.4	*14.9*	*9.2*
Net Income, Adjusted	437	494	*542*	*589*
Net Income YoY %	12.4	13.0	*9.7*	*8.6*
Diluted EPS	1.46	1.58	*1.70*	*1.83*
Diluted EPS YoY %	7.9	8.3	*7.8*	*7.9*
Free Cash Flow	71	-379	*-148*	*-417*
Free Cash Flow YoY %	339.3	-637.2	*-61.0*	*182.0*

Historical/forecast data sources are Morningstar Estimates and may reflect adjustments.

Profile

NiSource is one of the nation's largest natural gas distribution companies with 3.4 million customers in Indiana, Kentucky, Maryland, Massachusetts, Ohio, Pennsylvania, and Virginia. NiSource also owns 15,000 miles of natural gas transmission pipeline, operates one of the nation's largest underground natural gas storage systems, and provides unregulated midstream services in the growing Marcellus and Utica shale production area. NiSource's electric utility generates, transmits, and distributes electricity in northern Indiana.

NiSource Inc NI (NYSE) | ★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Morningstar Credit Rating	Industry Group
42.37 USD	32.00 USD	22.40 USD	43.20 USD	Medium	Narrow	Stable	Standard	BBB	Utilities - Regulated

Morningstar Analyst Forecasts

Financial Summary and Forecasts

Fiscal Year Ends in December

Growth (% YoY)	3-Year Hist. CAGR	2011	2012	2013	Forecast 2014	Forecast 2015	5-Year Proj. CAGR
Revenue	-4.1	-6.3	-15.9	11.8	9.0	6.6	7.1
EBIT	6.8	-0.2	12.7	8.4	14.9	9.2	10.4
EBITDA	3.9	-4.0	9.6	6.4	11.4	9.2	9.4
Net Income	13.2	14.1	12.4	13.0	9.7	8.6	9.8
Diluted EPS	9.0	10.8	7.9	8.3	7.8	7.9	7.7
Earnings Before Interest, after Tax	4.4	10.4	4.1	-1.0	18.4	5.4	8.7
Free Cash Flow	-237.7	-88.9	339.3	-637.2	-61.0	182.0	—

Profitability	3-Year Hist. Avg	2011	2012	2013	2014	2015	5-Year Proj. Avg
Operating Margin %	18.6	15.3	20.5	19.9	21.0	21.5	22.1
EBITDA Margin %	28.7	24.3	31.6	30.1	30.8	31.5	32.2
Net Margin %	7.9	6.5	8.6	8.7	8.8	9.0	9.3
Free Cash Flow Margin %	-1.7	0.3	1.4	-6.7	-2.4	-6.4	-3.4
ROIC %	7.3	7.6	7.5	6.9	7.5	7.3	7.3
Adjusted ROIC %	10.0	10.6	10.2	9.1	9.8	9.3	9.2
Return on Assets %	1.9	1.5	2.0	2.4	2.3	2.3	2.4
Return on Equity %	7.7	6.0	7.9	9.3	9.0	9.4	9.7

Leverage	3-Year Hist. Avg	2011	2012	2013	2014	2015	5-Year Proj. Avg
Debt/Capital	0.60	0.61	0.59	0.60	0.61	0.63	0.62
Total Debt/EBITDA	5.23	5.45	5.06	5.19	5.14	5.19	5.05
EBITDA/Interest Expense	3.94	3.88	3.83	4.11	4.08	4.04	4.12

Valuation Summary and Forecasts

	2012	2013	2014(E)	2015(E)
Price/Fair Value	1.00	1.22	—	—
Price/Earnings	17.0	20.8	24.9	23.2
EV/EBITDA	9.9	11.2	11.9	10.9
EV/EBIT	15.2	17.0	17.5	16.0
Free Cash Flow Yield %	-3.0	-4.4	-4.2	-4.1
Dividend Yield %	3.5	3.0	2.4	2.6

Key Valuation Drivers

Cost of Equity %	10.0
Pre-Tax Cost of Debt %	5.0
Weighted Average Cost of Capital %	6.7
Long-Run Tax Rate %	35.0
Stage II EBI Growth Rate %	7.0
Stage II Investment Rate %	87.5
Perpetuity Year	15

Additional estimates and scenarios available for download at http://select.morningstar.com.

Discounted Cash Flow Valuation

	USD Mil	Firm Value (%)	Per Share Value
Present Value Stage I	-974	-5.2	-3.05
Present Value Stage II	1,407	7.5	4.40
Present Value Stage III	18,225	97.7	57.04
Total Firm Value	**18,657**	**100.0**	**58.39**
Cash and Equivalents	70	—	0.22
Debt	-8,834	—	-27.65
Preferred Stock	—	—	—
Other Adjustments	35	—	0.11
Equity Value	**9,928**	—	**31.07**
Projected Diluted Shares	320		
Fair Value per Share (USD)	—		

The data in the table above represent base-case forecasts in the company's reporting currency as of the beginning of the current year. Our fair value estimate may differ from the equity value per share shown above due to our time value of money adjustment and in cases where probability-weighted scenario analysis is performed.

NiSource Inc NI (NYSE) | ★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Morningstar Credit Rating	Industry Group
42.37 USD	32.00 USD	22.40 USD	43.20 USD	Medium	Narrow	Stable	Standard	BBB	Utilities - Regulated

Morningstar Analyst Forecasts

Income Statement (USD Mil)
Fiscal Year Ends in December

				Forecast	
	2011	2012	2013	*2014*	*2015*
Revenue	**6,019**	**5,061**	**5,657**	***6,169***	***6,573***
Cost of Goods Sold	2,556	1,542	1,816	*2,044*	*2,129*
Gross Profit	**3,463**	**3,520**	**3,842**	***4,125***	***4,445***
Selling, General & Administrative Expenses	1,723	1,663	1,874	*1,976*	*2,115*
Other Operating Expense (Income)	295	288	301	*297*	*307*
Other Operating Expense (Income)	-15	-32	-36	*-45*	*-49*
Depreciation & Amortization (if reported separately)	538	562	577	*603*	*658*
Operating Income (ex charges)	**922**	**1,039**	**1,126**	***1,294***	***1,413***
Restructuring & Other Cash Charges	17	-4	-18	—	—
Impairment Charges (if reported separately)	—	—	—	—	—
Other Non-Cash (Income)/Charges	—	—	—	—	—
Operating Income (incl charges)	**905**	**1,043**	**1,143**	***1,294***	***1,413***
Interest Expense	377	418	415	*465*	*513*
Interest Income	-61	2	24	*5*	*5*
Pre-Tax Income	**467**	**626**	**753**	***834***	***906***
Income Tax Expense	163	216	262	*292*	*317*
Other After-Tax Cash Gains (Losses)	-5	6	6	—	—
Other After-Tax Non-Cash Gains (Losses)	—	—	35	—	—
(Minority Interest)	—	—	—	—	—
(Preferred Dividends)	—	—	—	—	—
Net Income	**299**	**416**	**532**	***542***	***589***
Weighted Average Diluted Shares Outstanding	289	300	314	*319*	*321*
Diluted Earnings Per Share	**1.03**	**1.39**	**1.70**	***1.70***	***1.83***
Adjusted Net Income	389	437	494	*542*	*589*
Diluted Earnings Per Share (Adjusted)	**1.35**	**1.46**	**1.58**	***1.70***	***1.83***
Dividends Per Common Share	0.92	0.94	0.98	*1.02*	*1.06*
EBITDA	**1,443**	**1,605**	**1,721**	***1,897***	***2,071***
Adjusted EBITDA	**1,460**	**1,601**	**1,703**	***1,897***	***2,071***

NiSource Inc NI (NYSE) ★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Morningstar Credit Rating	Industry Group
42.37 USD	32.00 USD	22.40 USD	43.20 USD	Medium	Narrow	Stable	Standard	BBB	Utilities - Regulated

Morningstar Analyst Forecasts

Balance Sheet (USD Mil)
Fiscal Year Ends in December

	2011	2012	2013	Forecast 2014	Forecast 2015
Cash and Equivalents	172	83	35	*209*	*151*
Investments	—	—	—	—	—
Accounts Receivable	855	907	1,006	*1,099*	*1,171*
Inventory	566	496	500	*560*	*583*
Deferred Tax Assets (Current)	—	—	—	—	—
Other Short Term Assets	655	866	618	*750*	*750*
Current Assets	**2,248**	**2,352**	**2,159**	***2,617***	***2,655***
Net Property Plant, and Equipment	11,800	12,916	14,365	*15,843*	*17,310*
Goodwill	3,677	3,677	3,666	*3,666*	*3,666*
Other Intangibles	298	287	276	*276*	*276*
Deferred Tax Assets (Long-Term)	—	—	—	—	—
Other Long-Term Operating Assets	2,685	2,613	2,188	*2,561*	*2,689*
Long-Term Non-Operating Assets	—	—	—	—	—
Total Assets	**20,708**	**21,845**	**22,654**	***24,963***	***26,595***
Accounts Payable	435	539	619	*697*	*726*
Short-Term Debt	1,687	1,284	1,241	*1,250*	*1,250*
Deferred Tax Liabilities (Current)	—	—	—	—	—
Other Short-Term Liabilities	1,525	1,479	1,319	*1,500*	*1,500*
Current Liabilities	**3,646**	**3,302**	**3,178**	***3,447***	***3,476***
Long-Term Debt	6,267	6,819	7,593	*8,500*	*9,500*
Deferred Tax Liabilities (Long-Term)	2,542	2,953	3,278	*3,632*	*3,972*
Other Long-Term Operating Liabilities	3,256	3,216	2,718	*3,252*	*3,236*
Long-Term Non-Operating Liabilities	—	—	—	—	—
Total Liabilities	**15,711**	**16,290**	**16,767**	***18,830***	***20,184***
Preferred Stock	—	—	—	—	—
Common Stock	3	3	3	*3*	*3*
Additional Paid-in Capital	4,168	4,598	4,690	*4,725*	*4,760*
Retained Earnings (Deficit)	917	1,060	1,286	*1,502*	*1,750*
(Treasury Stock)	-31	-41	-49	*-49*	*-49*
Other Equity	-60	-66	-44	*-49*	*-54*
Shareholder's Equity	**4,997**	**5,554**	**5,887**	***6,133***	***6,411***
Minority Interest	—	—	—	—	—
Total Equity	**4,997**	**5,554**	**5,887**	***6,133***	***6,411***

NiSource Inc NI (NYSE) | ★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Morningstar Credit Rating	Industry Group
42.37 USD	32.00 USD	22.40 USD	43.20 USD	Medium	Narrow	Stable	Standard	BBB	Utilities - Regulated

Morningstar Analyst Forecasts

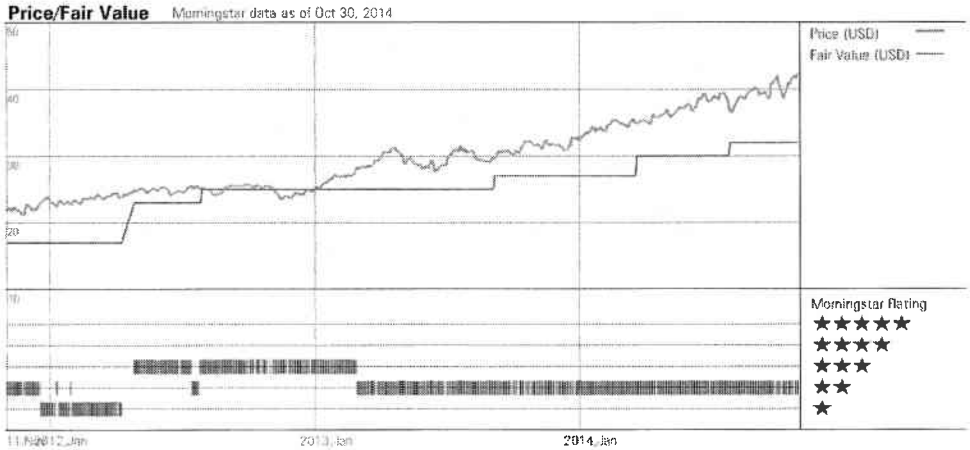
Cash Flow (USD Mil)
Fiscal Year Ends in December

	2011	2012	2013	*Forecast* 2014	2015
Net Income	299	416	532	*542*	*589*
Depreciation	538	562	577	*603*	*658*
Amortization	—	—	—	—	—
Stock-Based Compensation	39	45	51	*49*	*53*
Impairment of Goodwill	—	—	—	—	—
Impairment of Other Intangibles	—	—	—	—	—
Deferred Taxes	178	305	287	*354*	*340*
Other Non-Cash Adjustments	217	25	-65	—	—
(Increase) Decrease in Accounts Receivable	220	-51	-95	*-93*	*-72*
(Increase) Decrease in Inventory	-142	62	-9	*-60*	*-23*
Change in Other Short-Term Assets	-274	-157	81	*-132*	—
Increase (Decrease) in Accounts Payable	-155	57	68	*78*	*29*
Change in Other Short-Term Liabilities	—	—	—	*181*	—
Cash From Operations	**920**	**1,264**	**1,427**	***1,523***	***1,574***
(Capital Expenditures)	-1,125	-1,499	-1,880	*-2,081*	*-2,125*
Net (Acquisitions), Asset Sales, and Disposals	9	26	18	—	—
Net Sales (Purchases) of Investments	—	—	—	—	—
Other Investing Cash Flows	-34	51	-148	*160*	*-143*
Cash From Investing	**-1,149**	**-1,422**	**-2,010**	***-1,921***	***-2,268***
Common Stock Issuance (or Repurchase)	21	374	36	*35*	*35*
Common Stock (Dividends)	-258	-273	-306	*-326*	*-341*
Short-Term Debt Issuance (or Retirement)	-23	-582	-78	*9*	—
Long-Term Debt Issuance (or Retirement)	541	656	794	*907*	*1,000*
Other Financing Cash Flows	—	—	—	*-49*	*-53*
Cash From Financing	**281**	**175**	**445**	***576***	***641***
Exchange Rates, Discontinued Ops, etc. (net)	-50	8	129	*-5*	*-5*
Net Change in Cash	**2**	**25**	**-10**	***174***	***-58***

NiSource Inc NI (NYSE) ★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Morningstar Credit Rating	Industry Group
42.37 USD	32.00 USD	22.40 USD	43.20 USD	Medium	Narrow	Stable	Standard	BBB	Utilities - Regulated

Price/Fair Value Morningstar data as of Oct 30, 2014



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WOLFE RESEARCH

UTILITIES & POWER

Regulateds – Market Underweight
Integrateds – Market Weight
IPPs – Market Overweight

October 30, 2014

NISOURCE INC.

(NI US Equity – $ 42.37 – Outperform)

NI takes up Mountaineering to avoid Q3 doldrums

- **Midstream opportunities the key from a quiet quarter**
  Between its seasonally slowest quarter and pending IPO of its pipeline MLP, NI's quarter was relatively quiet. The major new update was progress on growth initiatives at the pipeline segment. The $870M WB Xpress project is moving forward and is now in execution. NI management also expressed optimism on Mountaineer Xpress, which just completed an open season. Sizing (750mmcf/d to 2.5Bcf/d), route, and firm commitments are being finalized; the potential investment could be at least as large as WB.

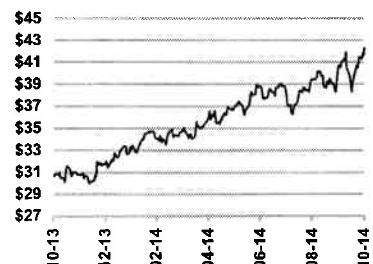
- **MLP and corporate separation are on track**
  The MLP IPO announced last month is moving forward as expected, with no major developments to report – the key next event is SEC approval of the S-1. We believe that timing on the offering remains early next year. The corporate separation also remains on track for mid-2015.

- **Q3 lower as expected; estimates and $49 PT unchanged**
  The Q3 result of $0.14 vs. $0.18 last year was in line with our estimate, as the absence of base gas sales and higher interest costs more than offset investment growth. NI remains on target for the upper half of the $1.61-$1.71 guidance range for 2014. Estimates and sum of parts target price of $49 are unchanged.

- **NI still one of the best gas infrastructure ideas; Outperform**
  We continue to see NiSource as a highly attractive way to play the gas infrastructure growth theme. The company plans to at least triple its pipeline business by 2020, and the combination of MLP and corporate separation should support a robust valuation. The utilities benefit from investment recovery via trackers in balanced regulatory environments, and gas main replacements provide a long path of investment growth at the LDC.

Trading and Fundamental Data	
Target Price	**$ 49**
Current Price	$ 42.37
52 Week Range	$ 31 - $ 42
Market Cap. ($MM)	$ 13,376
Share Out. (MM)	315.7
Dividend Yield	2.38%
Dividend Payout Ratio	62.4%
ROE	9%
Debt to Cap	60%
Avg Daily Vol (ooo)	1,467

Price Performance	YTD	LTM
NI US Equity	29%	34%
Utility Index	19%	16%
S&P 500	8%	13%



Source: Bloomberg/Wolfe Research

Estimates / Valuation				
(US$)	**2014E**	**2015E**	**2016E**	**2017E**
EPS	$1.69	$1.89	$2.03	$2.21
Consensus	$1.71	$1.84	$2.00	$2.10
P/E	25.0x	22.4x	20.8x	19.1x
Dividend Per Share	$1.02	$1.11	$1.21	$1.32
Dividend Yield	2.4%	2.6%	2.9%	3.1%

Steven Fleishman
(646) 582-9241
SFleishman@WolfeResearch.com

Alex Kania
(646) 582-9244
AKania@WolfeResearch.com

WOLFE RESEARCH

NiSource Inc.

October 30, 2014

NiSource Snapshot

Exhibit 1. Financial Summary

Financial Summary	2014E	2015E	2016E	2017E
EPS	$1.69	$1.89	$2.03	$2.21
Diluted Shares Outstanding	314	319	326	330
Dividends Per Share	$1.02	$1.11	$1.21	$1.32
Dividend Yield	2.4%	2.6%	2.9%	3.1%
Dividend Payout Ratio	60%	59%	60%	60%
Equity Ratio	39%	39%	39%	37%
FFO/Net Debt	14%	14%	13%	13%
Valuation Metrics				
P/E	25.0x	22.4x	20.8x	19.1x
Price/Book	2.2x	1.9x	1.8x	1.7x
Segment EPS				
Gas Distribution	$0.75	$0.83	$0.89	$0.95
Transmission & Storage	0.60	0.72	0.81	0.94
Electric	0.55	0.57	0.59	0.61
Parent & Other	(0.21)	(0.23)	(0.26)	(0.29)
Total EPS	**$1.69**	**$1.89**	**$2.03**	**$2.21**
EBITDA by Segment				
Gas Distribution	$701	$776	$845	$907
Transmission & Storage	$565	$676	$792	$931
Electric	$588	$615	$641	$667
Parent	$16	$16	$16	$16
Total EBIT	**$1,869**	**$2,082**	**$2,294**	**$2,520**

Source: Wolfe Utilities & Power Research

Exhibit 2. Modeling Assumptions

Model Assumptions	2014E	2015E	2016E	2017E
Total Capital Spending by Segment ($M)				
Gas Distribution	$790	$790	$760	$730
Transmission & Storage	825	1,255	1,542	1,474
Electric	440	593	593	593
Parent	125	50	50	50
Total Capex	**$2,180**	**$2,688**	**$2,945**	**$2,847**
Financings ($M)				
Total Equity Issued/(Repurchased)	$45	$300	$275	$45
Total Debt Issued/(Repurchased)	$1,078	$1,180	$1,448	$1,338

Source: Wolfe Utilities & Power Research

Company description

NiSource, headquartered in Merrillville, Indiana, operates three separate business lines: electric utility, gas distribution, and midstream natural gas. The electric utility serves just under 500,000 customers in northern Indiana and owns 3,300 MW of generation. The gas LDC serves 3.4 million customers in Ohio, Pennsylvania, Kentucky, Virginia, and Massachusetts. Finally, the midstream segment, Columbia Pipeline Group, operates 15,000 miles of interstate gas pipelines and has a large set of storage assets across its footprint.

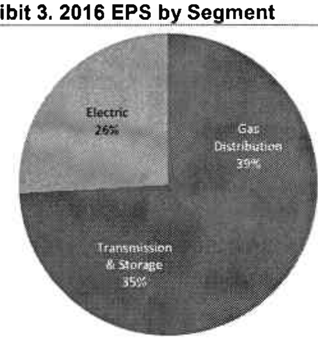
Investment Thesis

We believe that the significant investment opportunities in the midstream space will serve to boost NI's long term growth rate close to double digits over the next five years, up from the current 5%-7%. We see well over $5B of known investment opportunities in the gas infrastructure segment over the next five years with a substantial likelihood of upside, plus the cost of capital benefits of forming an MLP.

Valuation

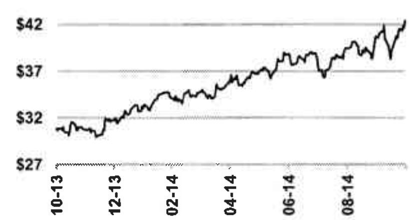
Our $49 price target is from our sum of parts valuation. We apply a16x multiple to 2016E electric utility earnings and a 16.5x multiple to 2016E gas distribution earnings, and 16.5x parent drag. We value midstream on an MLP basis targeting a 5% yield. Downside risks for NiSource are execution on project development, economic conditions and long-term performance of an MLP. Upside risks are additional growth projects in midstream.

Exhibit 3. 2016 EPS by Segment



Source: Wolfe Utilities & Power Research

Exhibit 4. Performance Chart



Source: Bloomberg

Exhibit 5:NiSource valuation

Regulated Operations	Valuation Metric	Estimate	Valuation Multiple	$MM Value
Electric Utility	P/E	193	16.0	3,082
Gas Distribution	P/E	289	16.5	4,775
Parent Drag	P/E	(83)	16.5	(1,372)
Equity Value of Utility				**6,485**
MLP Valuation	**2019E**			
LP Stake				
Total LP Distributions	449			
Less Taxes on Distributions	(99)	Assume 20% tax rate		
Net After Tax Distributions	350			
Target Equity Yield	5.00%			
Equity Value of MLP LP	**5,884**	Discounted back 3 years		
GP Stake				
Total GP Distributions	241			
Less Taxes on Distributions	(84)	Assume 35% tax rate		
Net After Tax Distributions	157			
Target Equity Yield of GP	4.00%			
Equity Value of MLP GP	**3,290**	Discounted back 3 years		
Total Equity Value of MLP to NiSource				**9,174**
NiSource Equity Value				**$15,659**
Fully Diluted Outstanding Shares				318.7
NI Equity Value per Share				**$49**

Source: NI, Wolfe Research

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Wolfe Research, LLC Fundamental Valuation Methodology:

Company:	Fundamental Valuation Methodology:
NI US Equity	Sum of parts: P/E on utility, EV/EBITDA on midstream

Wolfe Research, LLC Fundamental Target Price Risks:

Company:	Fundamental Target Price Risks:
NI US Equity	Economy, regulatory outcomes, project execution

Wolfe Research, LLC Research Disclosures:

Company:	Research Disclosures:
NI US Equity	None

Other Disclosures:

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Peer Perform (PP):	The security is projected to perform approximately in line with analyst's industry coverage universe over the next 12 months.
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Underperform:	7%	0% Investment Banking Clients

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Power & Utilities | North America Utilities
29 September 2014

NiSource, Inc.
Suspending Rating

Suspending rating: Barclays Bank plc and/or an affiliate is providing investment banking services to NiSource Inc. (NI) in relation to the potential IPO of Columbia Pipeline Partners LP. The ratings, price target, and estimates of NiSource Inc. (NI) previously issued by the Firm's Research department have been temporarily suspended due to Barclays' role in the potential transaction.

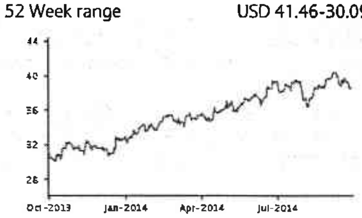
Stock Rating	RATING SUSPENDED
Industry View	NEUTRAL Unchanged
Price Target	N/A

Price (29-Sep-2014)	USD 40.84
Potential Upside/Downside	N/A
Tickers	NI

Market Cap (USD mn)	12878
Shares Outstanding (mn)	315.32
Free Float (%)	99.52
52 Wk Avg Daily Volume (mn)	2.0
Dividend Yield (%)	2.7
Return on Equity TTM (%)	9.33
Current BVPS (USD)	19.12

Source: Thomson Reuters

Price Performance	Exchange-NYSE
52 Week range	USD 41.46-30.09



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North America Utilities
Daniel Ford, CFA
1.212.526.0836
daniel.x.ford@barclays.com
BCI, New York

William Zhang
1.212.526.6203
william.zhang@barclays.com
BCI, New York

NI: Quarterly and Annual EPS (USD)

	2013	2014			2015			Change y/y	
FY Dec	Actual	Old	New	Cons	Old	New	Cons	2014	2015
Q1	0.69A	0.82A	0.82A	0.82A	N/A	N/A	0.90E	19%	N/A
Q2	0.23A	N/A	N/A	0.25A	N/A	N/A	0.26E	N/A	N/A
Q3	0.18A	N/A	N/A	0.16E	N/A	N/A	0.16E	N/A	N/A
Q4	0.47A	N/A	N/A	0.50E	N/A	N/A	0.56E	N/A	N/A
Year	1.58A	N/A	N/A	1.71E	N/A	N/A	1.84E	N/A	N/A
P/E	25.8		N/A			N/A			

Source: Barclays Research.
Consensus numbers are from Thomson Reuters

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Primary Stocks (Ticker, Date, Price)

NiSource, Inc. (NI, 29-Sep-2014, USD 40.84), Rating Suspended/Neutral, C/D/J/K/L/M/O

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Stock Rating

Overweight - The stock is expected to outperform the unweighted expected total return of the industry coverage universe over a 12-month investment horizon.

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Alliant Energy (LNT)	Ameren Corp. (AEE)	American Electric Power (AEP)
American Water Works (AWK)	Aqua America (WTR)	Canadian Utilities Ltd. (CU.TO)
CenterPoint Energy Inc. (CNP)	CMS Energy (CMS)	Consolidated Edison (ED)
Dominion Resources (D)	DTE Energy (DTE)	Duke Energy (DUK)
Edison International (EIX)	Emera Inc. (EMA.TO)	Fortis Inc. (FTS.TO)
Great Plains Energy Inc. (GXP)	Hawaiian Electric Inds (HE)	Integrys Energy Group Inc. (TEG)
ITC Holdings (ITC)	National Grid Plc (NGG)	National Grid Plc (NG.L)
NiSource, Inc. (NI)	Northeast Utilities (NU)	OGE Energy Corp. (OGE)
Pepco Holdings (POM)	PG&E Corp. (PCG)	Pinnacle West Capital (PNW)
PNM Resources (PNM)	Portland General Electric Co. (POR)	PPL Corporation (PPL)
SCANA Corp. (SCG)	Sempra Energy (SRE)	Southern Co. (SO)
TECO Energy (TE)	Westar Energy (WR)	Wisconsin Energy (WEC)
Xcel Energy (XEL)		

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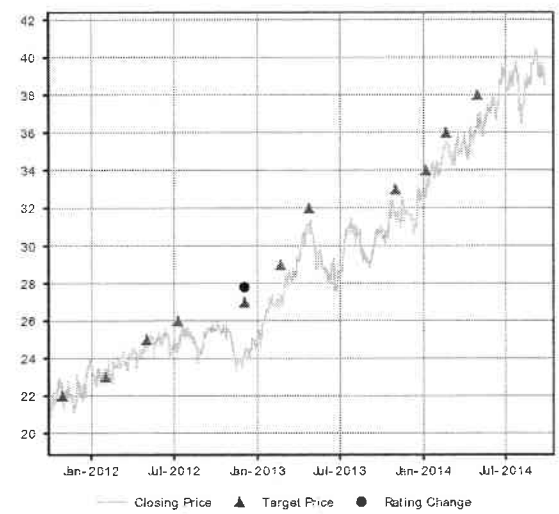
NiSource, Inc. (NI)

USD 40.84 (29-Sep-2014)

Stock Rating: **RATING SUSPENDED**

Industry View: **NEUTRAL**

Rating and Price Target Chart - USD (as of 29-Sep-2014)



Source: IDC, Barclays Research

Link to Barclays Live for interactive charting

Currency=USD

Date	Closing Price	Rating	Adjusted Price Target
30-Apr-2014	36.32		38.00
19-Feb-2014	35.40		36.00
06-Jan-2014	32.95		34.00
31-Oct-2013	31.52		33.00
24-Apr-2013	31.14		32.00
20-Feb-2013	27.04		29.00
03-Dec-2012	24.34	Overweight	27.00
09-Jul-2012	24.41		26.00
01-May-2012	25.33		25.00
01-Feb-2012	23.45		23.00
28-Oct-2011	22.52		22.00

Source: Thomson Reuters, Barclays Research

Historical stock prices and price targets may have been adjusted for stock splits and dividends.

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Valuation Methodology: Rating Suspended

Risks which May Impede the Achievement of the Barclays Research Price Target: Rating Suspended

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North American Pipelines BMO Capital Markets

NiSource

(NI-NYSE)

Stock Rating: Market Perform
Industry Rating: Market Perform

October 1, 2014

Carl Kirst, CFA 713-546-9756
BMO Capital Markets Corp.
carl.kirst@bmo.com

Danilo Juvane, CFA / Leah Jordan, CFA
BMO Capital Markets Corp.
713-546-9741 / 713-546-9707
danilo.juvane@bmo.com / leah.jordan@bmo.com

Unlocking Value With Pure-Play Entities

Event

In conjunction with its bi-annual Analyst Day, NI announced the formation of a high-growth MLP (expected) and, surprisingly, the tax-free spin-off of its pipes business; the MLP IPO is set to occur in 1Q15 with the separation following suit in mid-2015. Positively, the two new entities—CPG (the pipes corporate parent, ticker: COLP) and NI Remain Co (gas and electric utilities)—will provide competitive dividend growth rates versus each's peers at mid-teens (our estimate) for the former and 4-6% (guidance) for the latter, largely driven by the sizeable long-term fixed-fee investment opportunity set that both possess.

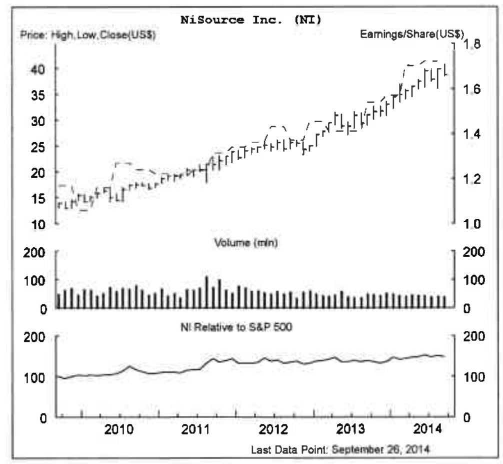
Impact & Analysis

Positive. The transaction provides additional clarity, addresses future funding needs and creates two yield plus growth investment vehicles (COLP and its MLP, CPPL) that sport cleaner, lower-risk cash flow with higher growth rates than arguably each of its peers. Our EPS is only slightly tweaked in the process.

Valuation & Recommendation

We're raising our price target $4 to $42 post refinement of our sum-of-the-parts valuation and assuming NI's structural split into two entities. Our $42 target comprises $22/sh for COLP and $20/sh for NI Remain Co. On the former, given the significant step-up of distributable cash flow post the $1.75B Rayne/Leach, we look to 2018 estimates to value COLP and discount back. At peer 2016 EV/EBITDA and P/DCF multiples of 14.5x and 18.3x, respectively, we derive an average target of $22, although note we could see upside from 1) looking deeper into 2019 given the $87 5mm WB Express, now contracted, and 2) the potential for a group premium multiple given its high-growth but lower-risk asset base versus peers. NI Remain Co at $20 implies 2016 stand-alone P/E and EV/EBITDA multiples of 17.9x and 9.4x, 19% and 18% premiums to current trading multiples at 15.0x and 8.0x (assuming a gas-electric weighting in line with its business mix), defensible given low-risk tracker-related investment driving above utility average growth (4-6% vs. peers at ~4%). Given the recent uplift we maintain our Market Perform, but continue to see long-term upside.

Price (30-Sep)	$40.98	**52-Week High**	$41.46
Target Price	$42.00↑	**52-Week Low**	$30.09



(FY-Dec.)	2012A	2013A	2014E	2015E
EPS	$1.44	$1.57	$1.70↓	$1.84↑
P/E			24.1x	22.3x
CFPS	$4.31	$4.37	$4.49↓	$4.25
P/CFPS			9.1x	9.6x
Rev. ($mm)	$5,091	$5,657	$6,330	$6,558
EV ($mm)	$14,955	$16,838	$16,838	$16,838
EBITDA ($mm)	$1,615	$1,745	$1,913	$2,009
EV/EBITDA	9.3x	9.6x	8.8x	8.4x

Quarterly EPS	Q1	Q2	Q3	Q4
2012A	$0.73	$0.23	$0.05	$0.44
2013A	$0.69	$0.23	$0.18	$0.47
2014E	$0.82a	$0.25a	$0.16	$0.47↓

Dividend	$1.04	**Yield**	2.5%
Book Value	$18.21	**Price/Book**	2.3x
Shares O/S (mm)	313.3	**Mkt. Cap (mm)**	$12,839
Float O/S (mm)	310.8	**Float Cap (mm)**	$12,737
Wkly Vol (000s)	9,658	**Wkly $ Vol (mm)**	$340.0
Net Debt ($mm)	$6,740	**Next Rep. Date**	na

Notes: All values in US$
First Call Mean Estimates: NISOURCE INC (US$) 2014E: $1.71; 2015E: $1.84

Changes	Annual EPS	Annual CFPS	Quarterly EPS	Target
	2014E $1.71 to $1.70 2015E $1.81 to $1.84	2014E $4.51 to $4.49	Q4/14E $0.48 to $0.47	$38.00 to $42.00

Please refer to pages 8 to 11 for Important Disclosures, including the Analyst's Certification.

Structural Changes at NI

On Monday, NI held its bi-annual Analyst Day and announced the formation of a new MLP and the separation of its pipes business. While the former was expected, the latter was a surprise, unlocking value with the transition of NI into two pure-play entities. Below we highlight the two new companies—Columbia Pipeline Group (COLP) and NI Remain Co.

Columbia Pipeline Group (CPG, expected ticker: COLP)

In an effort to provide clarity and unlock value, NI intends to separate its pipeline business from its utilities via a tax-free spin-off (expected mid-2015), creating a new company Columbia Pipeline Group to serve as the pipes corporate parent (ultimately becoming a pure-play GP in the future). All of NI's pipeline assets, including midstream and storage, will be housed in an operating company, Columbia Pipeline Operating Company (Op Co), with various ownership interests from COLP and Columbia Pipeline Partners (CPPL). CPPL is the new MLP NI concurrently announced that is expected to IPO in 1Q15. Initially, Op Co ownership will be spilt at an estimated 85%/15% COLP/CPPL, noting COLP plans to sell additional ownership to CPPL over time (via multiple transactions) to drive additional growth at the MLP and transition itself into a pure-play GP, similar to WMB, OKE and to a lesser extent, SE. Notably, COLP will be the 2% general partner (GP) of CPPL in addition to holding about 50% of the LP units at the start. Under this GP-MLP structure, equity financing will be done primarily at the MLP level. All-in, we see potential for a mid-teen dividend and distribution CAGR at both entities.

Notably, management sees $12-15 billion of fixed-fee investment opportunity for the pipeline assets over the next 10 years ($1 billion-plus annually) given their strategic position within the Marcellus and Utica shale plays, which in turn could drive additional growth for COLP and CPPL well beyond asset drop-downs. We bake in only $5.5 billion of collective growth capital—that which is secured—while through 2020 management sees additional upside from $1 billion in midstream spend, and an additional $2 billion in FERC-regulated pipeline projects.

COLP Valuation

Given the significant step-up of cash flow as a result of Rayne and Leach ($1.75 billion of total investment) coming into service year-end 2017, we look to 2018 estimates to value COLP. Specifically, we estimate EBITDA and DCF/sh to increase 47% and 158% y/y to $1,119 million and $1.24/sh, respectively, in 2018. As such, using average 2016 trading EV/EBITDA and P/DCF multiples of large infrastructure companies growing at or near double-digit rates (see Exhibit 1) on COLP's 2018 estimates and discounting back two years, we derive values of $25 and $19, respectively, or an average of $22. (See Exhibit 2.) Given the lower-risk asset base and greater clarity, we also see potential support for COLP to trade at a premium—assuming 10% on each multiple, we derive valuations at $29 on EV/EBITDA and $21 for P/DCF for a $25 average, suggesting $3 or, 7% upside to our current $42 target. Furthermore, with another sizeable project, $875 million WB Express, due in service by year-end 2018, looking to 2019, our EBITDA and DCF/sh estimates increase 12% and 19% y/y to $1,254 million and $1.48/sh, respectively. Using those estimates with the same 2016 trading multiples, discounted back, we derive an average valuation of $25 ($28 EV/EBITDA and $22 P/DCF) or $28 ($33 EV/EBITDA and $24 P/DCF) assuming the same 10% premiums, suggesting support for further upside to our estimate over the long term.

Exhibit 1: COLP Comp Sheet

Company	Ticker	Price 09/30/14	Rating	Mkt Cap ($MM)	Current Yield	Est. 3-yr Div. CAGR	Total Enterprise Value / EBITDA 2014E	2015E	2016E	Adj 2015E	Adj 2016E	P/Distributable Cash Flow (1) 2014E	2015E	2016E
Enbridge Inc. (2)	ENB	$53.61	OP	$45,374	2.6%	11.0%	16.6x	15.5x	14.9x	15.5x	14.9x	15.9x	15.5x	14.4x
Kinder Morgan Inc. (4)	KMI	$38.34	OP	$39,414	4.5%	11.3%	10.7x	15.5x	15.2x	15.5x	15.2x	21.4x	16.7x	15.8x
Oneok Inc. (3)	OKE	$65.55	MKT	$13,635	3.4%	10.0%	15.2x	14.2x	14.6x	17.7x	16.0x	24.3x	23.3x	21.7x
Spectra Energy (3)	SE	$39.26	OP	$26,339	3.4%	9.0%	13.5x	13.1x	12.4x	13.8x	12.7x	18.7x	21.6x	21.0x
Williams Cos (3)	WMB	$55.35	OP	$41,364	3.1%	15.0%	17.7x	14.1x	12.2x	16.6x	13.8x	27.2x	21.4x	18.7x
Average					**3.4%**	**11.3%**	**14.7x**	**14.5x**	**13.8x**	**15.8x**	**14.5x**	**21.5x**	**19.7x**	**18.3x**

1) After tax cash flow from operations less sustaining / maintenance capital
2) Dollars Canadian
3) Adjusted EBITDA valuation assesses the "family multiple," including the market cap of the parent, publicly traded market cap of the MLP and total debt to calculate Enterprise Value, which is then divided by consolidated EBITDA before minority interest
4) Pro forma for completion of proposed KMP/KMR/EPB acquisition by year end 2014

Source: BMO Capital Markets estimates, company data.

Exhibit 2: COLP Valuation

	2016E	2016 Valuation Multiple	
COLP			
EV/EBITDA			
EBITDA	$1,119	14.5x	$16,226
Enterprise Value of COLP			$16,226
Net COLP Debt (YE17)			($5,466)
Net publicly owned portion of MLP			($1,515)
Net Equity Value			$9,245
Diluted Shares Outstanding			317
$/sh			$29.16
Discount to 2016			$25.00
P/DCF			
DCF	$1.24	18.3x	$22.67
Discount to 2016			$19.43
Average COLP Price Target			**$22.21**

Source: BMO Capital Markets estimates, company data.

NI Remain Co

After the separation of the pipes business, the NI Remain Co will retain NIPSCO electric and the seven gas utilities, resulting in an earnings mix of 35%/65% electric/gas. Driving 4-6% annual earnings and dividend growth, NI has identified $30 billion in investment opportunity over the next 20-plus years (~$1.2 billion annually), 75% of which is expected to be revenue producing. Breaking down the $30 billion opportunity set, about two-thirds is targeting the gas utilities, with the remainder for NIPSCO electric, suggesting the business mix should not materially change over time. As a 100% regulated company, the NI Remain Co will be suitable for low risk investors targeting a higher yield plus modest single digit growth.

NI Remain Co Valuation

After the spin-off of the pipes business, we derive a NI Remain Co valuation of $20 (see Exhibit 3), implying 2016 P/E and EV/EBITDA multiples of 17.9x and 9.4x, appropriate premiums we would argue to the current trading multiples for gas and electric utilities (see Exhibit 4) given both a) its higher earnings and dividend growth rate at 4-6% versus peers at ~4%, and b) the growth is delivered primarily through trackers, significantly reducing regulatory risk. Assuming two-thirds/one-thirds split for gas/electric in line with NI Remain Co's business mix, we derive comp multiples of 15.0x and 8.0x for P/E and EV/EBITDA, respectively. As such, our EBITDA derived SOTP for the utility component implies premiums of 19% and 18% for group comparable P/E and EV/EBITDA metrics, respectively.

Exhibit 3: NI Remain Co Comp Sheet

	2016E	Valuation Multiple		Notes:
NI Remain Co				
EBITDA by Segment				
Gas Distribution	$824	10.0x	$8,244	- 1x turn higher given $700mm 7-yr pipe modernization prgm
Electric	$597	9.0x	$5,371	- 1x turn higher given $3-4B L-T t&d modernization prgm (see tab)
Other	$48	5.0x	$241	
Enterprise Value of NI Remain Co	$1,469	9.4x	$13,856	
Net NI Debt (YE 2015)			($7,443)	Consolidated, net of cash
Pension/OPEB Underfunded Obligation	($448)	25%	($112)	- est underfunded at YE14; risk adjusted at 25% (rest assumes recovery in rates)
Net Equity Value			$6,301	
Diluted Shares Outstanding			317	
$/sh			$19.85	
Net NI Remain Co Price Target			$19.85	

Source: BMO Capital Markets estimates, company data.

Exhibit 4: NI Remain Co Comp Sheet

Company	Ticker	P/E 2014E	P/E 2015E	P/E 2016E	TEV/EBITDA 2014E	TEV/EBITDA 2015E	TEV/EBITDA 2016E
Industry Comps							
U.S. Gas Utilities							
Average		16.6x	16.3x	15.2x	10.1x	8.8x	8.1x
U.S. Regulated Electric Utilities							
Average		15.9x	15.3x	14.6x	8.8x	8.3x	7.9x

Source: BMO Capital Markets estimates, company data. Priced as of 9/30/14.

Exhibit 5: NiSource Valuation

Sum-of-the-Parts Valuation Analysis

	2016E	2016 Valuation Multiple		Notes:
COLP				
EV/EBITDA				
EBITDA	$1,119	14.5x	$16,226	
Enterprise Value of COLP			$16,226	
Net COLP Debt (YE17)			($5,466)	
Net publicly owned portion of MLP			($1,515)	
Net Equity Value			$9,245	
Diluted Shares Outstanding			317	
$/sh			$29.16	
Discount to 2016			$25.00	
P/DCF				
DCF	$1.24	18.3x	$22.67	
Discount to 2016			$19.43	
Average COLP Price Target			**$22.21**	

	2016E	Valuation Multiple		Notes:
NI Remain Co				
EBITDA by Segment				
Gas Distribution	$824	10.0x	$8,244	- 1x turn higher given $700mm 7-yr pipe modernization prgm
Electric	$597	9.0x	$5,371	- 1x turn higher given $3-4B L-T t&d modernization prgm (see tab)
Other	$48	5.0x	$241	
Enterprise Value of NI Remain Co	**$1,469**	**9.4x**	**$13,856**	
Net NI Debt (YE 2015)			($7,443)	Consolidated, net of cash
Pension/OPEB Underfunded Obligation	($448)	25%	($112)	- est underfunded at YE14; risk adjusted at 25% (rest assumes recovery in rates)
Net Equity Value			$6,301	
Diluted Shares Outstanding			317	
$/sh			$19.85	
Net NI Remain Co Price Target			**$19.85**	

Target Price (rounded):	**$42.00**
Valuation Summary:	
Current Price	$40.98
Current Dividend	$1.04
Appreciation Potential	2.5%
Current Yield	2.5%
Total Return Potential	**5.0%**

Source: BMO Capital Markets estimates, company data.

Exhibit 6: NiSource Income Statement

NiSource Inc.

Consolidated Earnings ($ Millions Except Per Share Data)	2009A	2010A	2011A	2012A	2013A	Q1	Q2	Q3	Q4	2014E	2015E	2016E	2017E	2018E
Operating Revenues:														
Gas Distribution	$3,303	$3,096	$2,918	$1,960	$2,226	$1,215	$424	$409	$901	$2,949	$3,555	$3,638	$3,720	$3,803
Pipelines & Storage	1,241	1,261	1,355	1,462	1,643	579	390	297	337	1,603	1,417	1,483	1,534	1,903
Electric	1,213	1,375	1,428	1,508	1,563	450	405	425	400	1,679	1,725	1,770	1,815	1,860
Other	542	603	319	161	224	77	117	(29)	(65)	99	(140)	(140)	(140)	(140)
Revenues	6,299	6,335	6,019	5,091	5,657	2,321	1,335	1,102	1,573	6,330	6,558	6,751	6,929	7,426
Operating Expenses:														
Cost of Sales	2,978	2,898	2,556	1,549	1,816	1,061	372	228	478	2,140	2,189	2,202	2,215	2,228
Operation & Maintenance	1,650	1,654	1,723	1,674	1,674	501	533	479	519	2,033	2,078	2,134	2,192	2,251
DD&A	589	596	538	564	577	149	149	153	154	605	640	672	701	780
Loss (gain) on asset sales	16	1	17	(4)	(18)	(16)	(1)	0	0	(16)	0	0	0	0
Taxes and Other	283	287	295	289	301	101	73	60	82	317	311	311	312	313
Total Operating Expenses	5,516	5,436	5,129	4,072	4,550	1,797	1,127	921	1,234	5,078	5,217	5,319	5,419	5,572
Operating Income	783	899	890	1,020	1,108	524	209	181	339	1,253	1,340	1,432	1,510	1,854
Other:														
Equity in Earnings	16	15	15	32	36	10	11	11	11	43	55	65	76	86
Other	(6)	4	(61)	(1)	24	5	8	0	0	12	(4)	(4)	(4)	(4)
Total Other Income	10	19	(47)	31	60	14	19	11	11	55	51	61	72	82
Reported EBIT	$793	$918	$844	$1,051	$1,168	$538	$227	$193	$350	$1,308	$1,391	$1,494	$1,582	$1,937
EBITDA	$1,383	$1,514	$1,382	$1,615	$1,745	$687	$376	$346	$504	$1,913	$2,009	$2,098	$2,169	$2,678
EBIT Composition														
Gas Distribution	328	324	393	403	445	302	60	2	167	531	545	581	617	652
Pipelines & Storage	389	377	360	398	441	159	104	98	125	486	559	648	723	945
Electric	117	233	210	251	266	79	63	92	58	292	314	337	360	382
Corporate & Other	(40)	(16)	(119)	(2)	15	(1)	1	(0)	(0)	(1)	(4)	(4)	(4)	(4)
Total EBIT	$793	$918	$844	$1,051	$1,168	$538	$227	$193	$350	$1,308	$1,414	$1,562	$1,695	$1,975
Interest Expense	399	392	377	416	415	109	109	116	119	453	495	500	588	611
Preferred Distributions of Subsidiaries	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Financing Expense	399	392	377	416	415	109	109	116	119	453	495	500	588	611
Minority Interests (NI MLP)	0	0	0	0	0	0	0	0	0	0	(18)	(96)	(108)	(134)
Income Before Taxes	394	526	467	635	753	429	118	76	231	855	900	966	999	1,230
Income Taxes														
Current	(214)	118	(15)	(86)	(26)	14	2	7	20	42	188	203	210	258
Deferred	378	55	178	305	287	149	38	20	61	268	127	135	140	172
Total Income Taxes	165	173	163	219	262	163	40	27	81	310	315	338	350	430
Effective Inc. Tax Rate (%)	42%	33%	35%	34%	35%	38%	33%	35%	35%	36%	35%	35%	35%	35%
Net Income From Continuing Operations	229	353	304	416	491	266	79	50	150	545	585	628	649	799
Discontinued Operations, net	(12)	(0)	(5)	0	6	(0)	(0)	0	0	(1)	0	0	0	0
Change in Accounting	(0)	(58)	0	0	35	0	0	0	0	0	0	0	0	0
GAAP Net Income to Common	$218	$294	$299	$416	$532	$266	$78	$50	$150	$544	$585	$628	$649	$799
Adjustments to Core														
Asset Impairment	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Gain (Loss) From Disposal	(8)	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Non-Recurring Gains (Loss)	(40)	11	(74)	(17)	(3)	8	1	0	0	9	0	0	0	0
Total Adjustments	(49)	11	(74)	(17)	(3)	8	1	0	0	9	0	0	0	0
Non-GAAP Core Earnings	$278	$342	$378	$433	$494	$258	$78	$50	$150	$536	$585	$628	$649	$799
Shares Outstanding (mm)														
Avg. Diluted Shares Out	276	280	289	300	314	315	316	316	317	316	317	318	318	318
Avg. Basic Shares Out	275	278	280	292	312	314	315	315	316	315	316	317	317	317
Period-end basic Shares Out	276	279	282	311	314	315	315	316	316	316	317	317	317	317
Earnings Per Share (Diluted)														
GAAP EPS	$0.79	$1.05	$1.04	$1.39	$1.70	$0.84	$0.25	$0.16	$0.47	$1.72	$1.84	$1.98	$2.04	$2.52
Core EPS	$1.01	$1.22	$1.31	$1.44	$1.57	$0.82	$0.25	$0.16	$0.47	$1.70	$1.84	$1.98	$2.04	$2.52
EPS Growth (core)	-19.4%	21.0%	7.4%	10.0%	9.3%	18.9%	6.9%	-13.7%	0.0%	7.7%	8.7%	7.2%	3.4%	23.1%
											8.6%			
Dividends														
Cash per share	$0.92	$0.92	$0.92	$0.94	$0.98	$0.25	$0.25	$0.26	$0.26	$1.02	$1.08	$1.16	$1.24	$1.32
Div Growth	0.0%	0.0%	0.0%	2.2%	4.3%	4.2%	4.2%	4.0%	4.0%	4.1%	5.9%	7.4%	6.9%	6.5%
Payout Ratio (%)	116.6%	87.5%	88.7%	67.9%	57.8%					59.2%	58.6%	58.7%	60.6%	52.4%

Source: BMO Capital Markets estimates, company data.

Exhibit 7: NiSource Cash Flow Statement

Cash Flow Statement ($ Millions Except Per Share Data)	2009A	2010A	2011A	2012A	2013A	Q1	Q2	Q3	Q4	2014E	2015E	2016E	2017E	2018E
Operating Activities														
GAAP Net Income from Cont. Ops	218	292	299	416	532	266	78	50	150	544	585	628	649	799
DD&A	589	596	538	562	577	149	149	153	154	605	640	672	701	780
Deferred income tax benefit	378	200	178	305	287	149	38	20	61	268	127	135	140	172
Deferred Revenues	4	(20)	3	(8)	(7)	2	(0)	0	0	2	0	0	0	0
Amortization of premium on debt	13	10	9	10	9	2	3	0	0	5	0	0	0	0
Less Gain or Loss on assets	(4)	(0)	0	(4)	(18)	(16)	(1)	0	0	(16)	0	0	0	0
Less Equity Earnings plus Cash Distributions	(15)	7	16	4	(4)	(2)	(6)	0	0	(8)	0	0	0	0
Non-cash minority interest	0	0	0	0	0	0	0	0	0	0	18	96	108	134
Other non-cash income items	36	112	139	11	(6)	11	10	0	0	21	(23)	(68)	(113)	0
OCF (pre-working capital)	**$1,219**	**$1,197**	**$1,183**	**$1,296**	**$1,372**	**$561**	**$271**	**$223**	**$365**	**$1,420**	**$1,349**	**$1,463**	**$1,485**	**$1,885**
OCF per share	**$4.42**	**$4.27**	**$4.10**	**$4.31**	**$4.37**	**$1.78**	**$0.86**	**$0.70**	**$1.15**	**$4.49**	**$4.26**	**$4.61**	**$4.68**	**$5.94**
Working Capital														
Accounts and notes receivable	259	(244)	318	(181)	31	(264)	442			177	0	0	0	0
Inventory	129	103	(142)	62	(9)	274	(246)			28	0	0	0	0
Less Change of Price Risk Management Activities	0	0	0	0	0	0	0			0	0	0	0	0
Accounts payable	(192)	38	(155)	57	68	127	(297)			(170)	0	0	0	0
Customer deposit, net	25	(25)	(5)	(44)	(7)	(23)	2			(21)	0	0	0	0
Other assets	83	(206)	(201)	144	21	(276)	110			(166)	0	0	0	0
Other Liabilities	382	(86)	(78)	(68)	(49)	(4)	(24)			(28)	0	0	0	0
Changes in Working Capital	686	(420)	(262)	(30)	55	(167)	(13)	0	0	(180)	0	0	0	0
Discontinued Operations	(255)	(57)	(50)	11	10	(0)	(1)	0	0	(1)	0	0	0	0
Cash Flow From Operations	1,651	720	870	1,276	1,437	394	257	223	365	1,239	1,349	1,463	1,485	1,885
Investing Activities														
Capital Spending (to PP&E)	(777)	(804)	(1,125)	(1,499)	(1,880)	(386)	(467)	(544)	(778)	(2,175)	(2,522)	(2,525)	(2,500)	(1,744)
Purchases of equity investments	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Acquisitions	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Proceeds from asset sales	6	1	9	26	18	5	1	0	0	6	0	0	0	0
Other	109	(140)	(34)	51	(148)	(27)	(24)	0	0	(51)	0	0	0	0
Cash Used in Investing	(662)	(944)	(1,149)	(1,422)	(2,010)	(408)	(490)	(544)	(778)	(2,220)	(2,522)	(2,525)	(2,500)	(1,744)
Discontinued Operations	8	0	0	(3)	119	0	0	0	0	0	0	0	0	0
Investing Cash Flow	(655)	(943)	(1,149)	(1,425)	(1,891)	(408)	(490)	(544)	(778)	(2,220)	(2,522)	(2,525)	(2,500)	(1,744)
Financing Activities														
Sale of Common Stock	26	14	24	384	44	9	7	12	12	40	24	0	0	0
Sale of Common Units (MLP)	0	0	0	0	0	0	0	0	0	0	375	500	500	500
Sale of Preferred Stock	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Sale of L.T. Debt	1,460	250	890	988	1,308	0	0	1,000	0	1,000	0	0	0	0
Sale of L.T. Debt (MLP)	0	0	0	0	0	0	0	0	0	0	750	0	1,350	500
Redemption of Common Stock	(3)	(2)	(3)	(10)	(8)	(10)	(0)	0	0	(10)	0	0	0	0
Redemption of Preferred Stock	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Redemption of L.T. Debt	(1,170)	(1,071)	(287)	(332)	(511)	(9)	(4)	(500)	0	(513)	(230)	0	0	0
Redemption of L.T. Debt (MLP)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Change in Notes Payable, LC, ST Debt	(1,061)	1,280	(23)	(582)	(78)	114	289	0	360	762	675	410	475	(500)
Change in Notes Payable, LC, ST Debt (MLP)	0	0	0	0	0	0	0	0	0	0	0	500	(850)	0
Payments to Minority Interests	0	0	0	0	0	0	0	0	0	0	(15)	(39)	(68)	(104)
Dividends	(253)	(256)	(258)	(273)	(306)	(79)	(79)	(82)	(82)	(321)	(342)	(367)	(393)	(418)
Other	0	0	(62)	0	(3)	0	0	0	0	0	0	0	0	0
Cash From (For) Financing	(1,000)	216	281	175	445	25	213	430	290	958	1,237	1,004	1,014	(22)
Discontinued Operations	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Financing Cash Flow	(1,000)	216	281	175	445	25	213	430	290	958	1,237	1,004	1,014	(22)
Change in Cash	($4)	($7)	$2	$25	($9)	$11	($20)	$109	($124)	($23)	$64	($58)	($1)	$120
Cash & Temp. Inv. Beginning of Yr.	$21	$16	$9	$12	$36	$27	$38	$18	$127	$27	$3	$67	$9	$8
Cash & Temp. Inv. End of Yr.	**$16**	**$9**	**$12**	**$37**	**$27**	**$38**	**$18**	**$127**	**$3**	**$3**	**$67**	**$9**	**$8**	**$128**

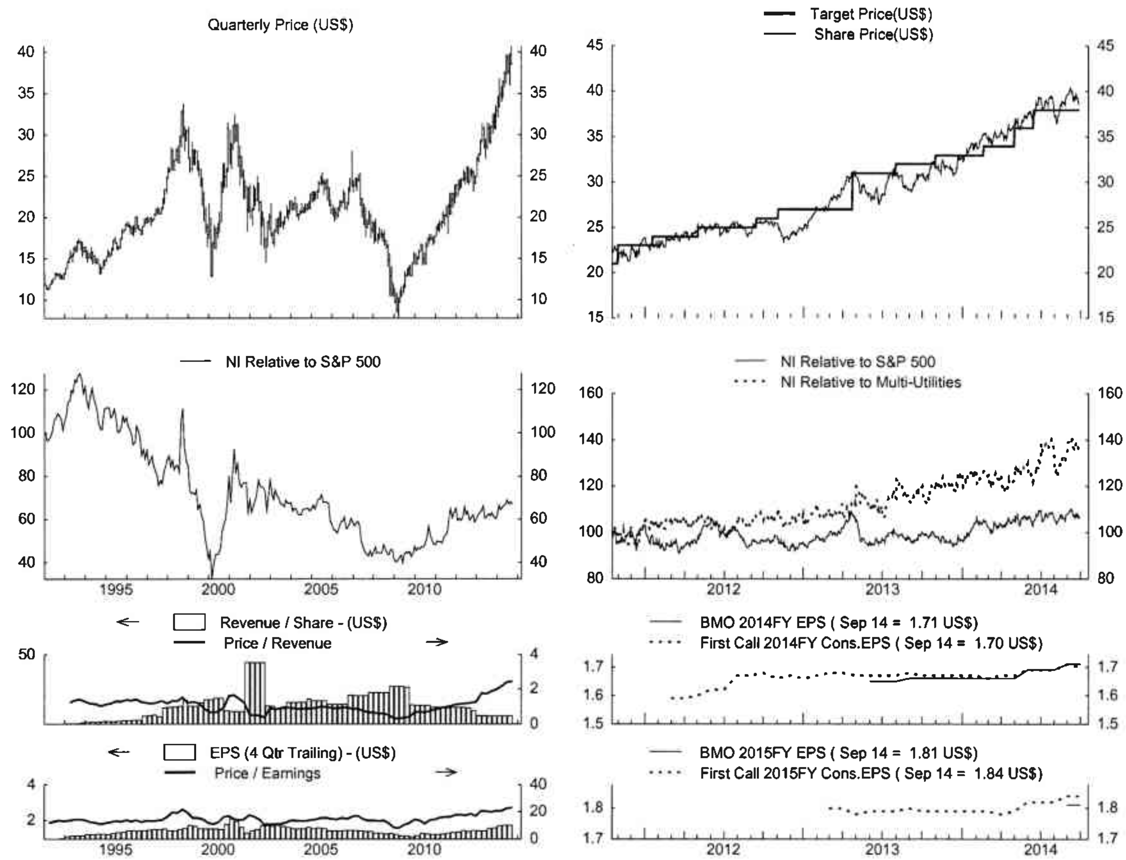
Source: BMO Capital Markets estimates, company data.

Exhibit 3: NiSource Balance Sheet

Balance Sheet ($ Millions Except Per Share Data)	2009A	2010A	2011A	2012A	2013A	Q1	Q2	Q3	Q4	2014E	2015E	2016E	2017E	2018E
Assets:														
Cash & Equivalent	16	9	12	36	27	38	18	127	3	3	75	9	8	128
Restricted Cash	175	203	161	47	8	11	10	10	10	10	10	10	10	10
Receivables	848	1,121	851	1,114	1,105	1,471	989	989	989	989	989	989	989	989
Allowance for Uncollectable Acts	(40)	(41)	(31)	(24)	(24)	(35)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)
Unbilled Revenues	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Underrecovered gas & fuel costs	40	136	21	45	48	114	76	76	76	76	76	76	76	76
Inventories	385	428	566	495	500	226	469	469	469	469	469	469	469	469
ST Assets Price Risk Management	173	160	137	92	73	14	13	13	13	13	13	13	13	13
Regulatory Assets	238	152	170	163	143	159	188	188	188	188	188	188	188	188
Other Current Assets	387	283	262	384	331	231	321	321	321	321	321	321	321	321
Total Current Assets	2,224	2,449	2,248	2,352	2,159	2,230	2,055	2,164	2,040	2,040	2,111	2,045	2,044	2,164
Plant & Equipment (Gross)	19,038	19,590	20,470	21,902	23,622	24,016	24,533	25,077	25,855	25,855	28,377	30,903	33,403	35,147
Accumulated DD&A	(8,354)	(8,493)	(8,670)	(8,986)	(9,257)	(9,359)	(9,444)	(9,597)	(9,751)	(9,751)	(10,391)	(11,063)	(11,764)	(12,544)
Plant & Equipment, Net	10,684	11,097	11,800	12,916	14,365	14,658	15,089	15,480	16,104	16,104	17,986	19,839	21,639	22,603
Investments	295	349	356	436	578	610	639	639	639	639	639	639	639	639
LT Assets Price Risk Management	238	240	189	56	1	0	0	0	0	0	0	0	0	0
Regulatory Assets	1,644	1,650	1,978	2,024	1,522	1,495	1,454	1,454	1,454	1,454	1,454	1,454	1,454	1,454
Goodwill	3,677	3,677	3,677	3,677	3,666	3,666	3,666	3,666	3,666	3,666	3,666	3,666	3,666	3,666
Intangible Assets	320	309	298	287	276	273	270	270	270	270	270	270	270	270
Other Long Term Assets (& flywheel)	53	168	162	94	87	85	85	85	85	85	90	69	74	(60)
Total Assets	19,134	19,939	20,708	21,845	22,654	23,017	23,258	23,758	24,259	24,259	26,216	27,983	29,786	30,736
Liabilities & Equity:														
Short Term Debt	800	1,417	1,687	1,264	1,240	1,343	1,631	1,631	1,991	1,991	2,666	3,576	3,201	2,701
Accounts Payables	502	582	435	539	805	793	542	542	542	542	542	542	542	542
ST Liabilities Price Risk Management	190	174	168	85	1	0	0	0	0	0	0	0	0	0
Regulatory Liabilities	44	93	112	172	60	79	89	89	89	89	89	89	89	89
Other	1,575	1,384	1,245	1,212	1,071	1,126	1,170	1,170	1,170	1,170	1,170	1,170	1,170	1,170
Total Current Liab	3,111	3,649	3,648	3,302	3,178	3,341	3,431	3,431	3,791	3,791	4,466	5,376	5,001	4,501
Long Term Debt	5,968	5,936	6,267	6,819	7,593	7,639	7,641	8,141	8,141	8,141	8,661	8,661	10,011	10,511
LT Liabilities Price Risk Management	170	182	139	20	0	0	0	0	0	0	0	0	0	0
Accumulated Deferred Taxes	2,018	2,243	2,571	2,953	3,278	3,412	3,491	3,511	3,572	3,572	3,699	3,834	3,974	4,147
Regulatory Liabilities	1,559	1,596	1,664	1,593	1,670	1,678	1,674	1,674	1,674	1,674	1,674	1,674	1,674	1,674
Other Liabilities	1,572	1,409	1,424	1,603	1,048	1,026	993	993	993	993	993	993	993	993
Total Liabilities	14,416	15,016	15,711	16,290	16,767	17,095	17,230	17,750	18,170	18,170	19,493	20,538	21,653	21,825
Preferred Equity/Securities of Consolidated Subsidiaries	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Common Equity	4,717	4,923	4,997	5,554	5,887	6,012	6,028	6,008	6,088	6,088	6,723	7,445	8,134	8,911
Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Liab & Equity	19,134	19,939	20,708	21,845	22,653	23,107	23,258	23,758	24,259	24,259	26,216	27,983	29,786	30,736

Source: BMO Capital Markets estimates, company data.

NiSource Inc. (NI)



FYE (Dec.)	EPS US$	P/E Hi	P/E Lo	DPS US$	Yield% Hi	Yield% Lo	Payout %	BV US$	P/B Hi	P/B Lo	ROE %
1992	1.00	13.5	11.3	0.62	5.5	4.6	62	7.9	1.7	1.4	
1993	1.16	15.0	10.7	0.72	5.8	4.1	62	8.3	2.1	1.5	14
1994	1.24	13.3	10.5	0.78	6.0	4.7	63	8.7	1.9	1.5	15
1995	1.36	14.2	10.4	0.84	5.9	4.4	62	9.0	2.1	1.6	15
1996	1.43	14.1	12.3	0.90	5.1	4.5	63	9.2	2.2	1.9	16
1997	1.53	16.3	12.4	0.96	5.1	3.8	63	10.2	2.5	1.9	16
1998	1.59	21.2	14.4	1.02	4.5	3.0	64	9.8	3.5	2.3	16
1999	1.52	20.4	10.8	1.08	6.6	3.5	71	10.9	2.8	1.5	15
2000	1.89	16.7	6.7	1.08	8.5	3.4	57	16.6	1.9	0.8	14
2001	1.30	25.0	14.0	1.16	6.4	3.6	89	16.8	1.9	1.1	8
2002	2.00	12.5	7.3	1.16	8.0	4.6	58	20.1	1.2	0.7	11
2003	1.60	13.7	10.2	0.92	5.6	4.2	58	16.8	1.3	1.0	9
2004	1.61	14.2	12.2	0.92	4.7	4.0	57	17.7	1.3	1.1	9
2005	1.42	18.0	14.4	0.92	4.5	3.6	65	18.1	1.4	1.1	8
2006	1.43	19.6	13.6	0.92	4.7	3.3	64	18.3	1.5	1.1	8
2007	1.38	20.3	12.7	0.92	5.3	3.3	67	18.5	1.5	0.9	7
2008	1.27	15.6	8.1	0.92	8.9	4.6	72	17.2	1.1	0.6	7
2009	1.06	14.9	7.3	0.92	11.8	5.8	87	17.6	0.9	0.4	6
2010	1.22	14.7	11.6	0.92	6.5	5.1	75	17.7	1.0	0.8	7
2011	1.33	18.0	12.7	0.92	5.5	3.8	69	17.7	1.4	0.9	8
2012	1.44	18.2	15.0	0.96	4.4	3.7	67	17.9	1.5	1.2	8
2013	1.57	21.3	15.3	1.00	4.2	3.0	64	18.8	1.8	1.3	9
Range*:		25.0	6.7		11.8	3.0			3.5	0.4	
Current*	1.72	23.1		1.04	2.6		60	18.2	2.2		9
Growth(%):											
5 Year:	8.8			2.5				1.1			
10 Year:	1.2			1.2				0.8			
20 Year:	1.8			1.9				4.0			

NI - Rating as of 26-Jun-08 = Mkt

* Current EPS is the 4 Quarter Trailing to Q2/2014.
* Valuation metrics are based on high and low for the fiscal year.
* Range indicates the valuation range for the period presented above.

Last Price (September 26, 2014): $38.58
Sources: IHS Global Insight, Thomson Reuters, BMO Capital Markets.

IMPORTANT DISCLOSURES

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Methodology and Risks to Price Target/Valuation
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Hold	Market Perform	50.9%	8.4%	31.3%	51.2%	39.9%	39.5%
Sell	Underperform	5.0%	3.4%	1.3%	5.5%	1.5%	5.1%

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Flash BMO Capital Markets

NiSource

(NI-NYSE)

Stock Rating: **Market Perform**
Stock Price: **US$38.58**
Target Price: **US$38.00**

September 29, 2014
North American Pipelines

Carl Kirst, CFA **713-546-9756**
BMO Capital Markets Corp.
carl.kirst@bmo.com

Danilo Juvane, CFA / Leah Jordan, CFA
(713) 546-9741 / (713) 546-9707
BMO Capital Markets Corp.
danilo.juvane@bmo.com / leah.jordan@bmo.com

Restructuring Wave Continues: I'll See Your MLP, and Raise You A Spin-Off

In front of its biannual analyst day, NiSource announced both an expected and an unexpected move. The expected move is the formal announcement creating a pipeline MLP (we expect the S1 to be filed before tomorrow's presentations kick off), an event which has been well telegraphed over the last 12 months. Not expected was the company's move to separate in a tax-free spin the entirety of its pipeline and midstream business, Columbia Pipeline Group (CPG), by mid-2015. In effect, NI would split into two companies: a pure 100% regulated gas/electric combination utility (NiSource), and a new pipeline corporate parent, CPG (expected ticker COLP). This latter entity would in turn own and operate the newly created MLP to both optimize valuation and fund CPG's growth initiatives; over time we'd expect it to become an asset-light corporate wrap around the MLP, making it analogous to the parent-subsidiary structures at Williams (WMB, $56.51, Outperform), ONEOK (OKE, $66.17, Market Perform), and Spectra (SE, $39.18, Outperform). While details remain scarce at this point—we're hoping to glean more from both the S1 and the analyst day—our initial reaction is incrementally positive, and we expect the market to provide a warm reception to the news. Even as we see the stand-alone utility as likely trading at a slight premium to other pure utilities given its arguably above-average 4%-6% EPS and dividend growth outlook, we think investors will more welcome a new pure-play, well-positioned high-quality (low-to-no commodity exposure) midstream player whose dividend and MLP distribution CAGR are both likely to reside in the double-digit/mid-teen range. While we have already fully baked a hypothetical MLP into our NI financial forecast and valuation, our SOTP price target does not fully mark CPG to WMB, OKE and SE's trading multiples, and as such we see potential upside. Our $38 target effectively values the utility piece at $24/sh, and the pipeline/MLP combination at $14/sh. All else equal, marking the latter to its midstream comps could generate an incremental $2/sh of value. We'll look to do a greater refresh and refinement post the analyst day.

Our View:

- Key assumptions: we estimate 1) that CPG will be recapitalized, and loaded with ~$3B of debt (~5x trailing EBITDA, maintaining solid investment grade given its low-risk cash flow), 2) we incorporate $3B of NI's indicated $12-$15B in growth prospects through 2025—the 5-yr $1.5B modernization and $1.5B Rayne/Leach pipes; WB Express remains nascent stage and we don't yet include—which generates over $1B in CPG EBITDA come 2018, and 3) hypothetical distributable cash flow at CPG, net of ongoing MLP drops, at $0.87/sh come 2018 (assuming spin at NI share count).
- CPG Value. Its three closest comps are trading at average 2016 multiples of 14.2x EBITDA and 20.6x distributable cash flow. Applied to our 2018 forecast would imply future CPG value of ~$22/sh and $18/sh, respectively, which discounted back to present would imply an avg value of $16/sh, upside to the $14 incorporated in our target today.

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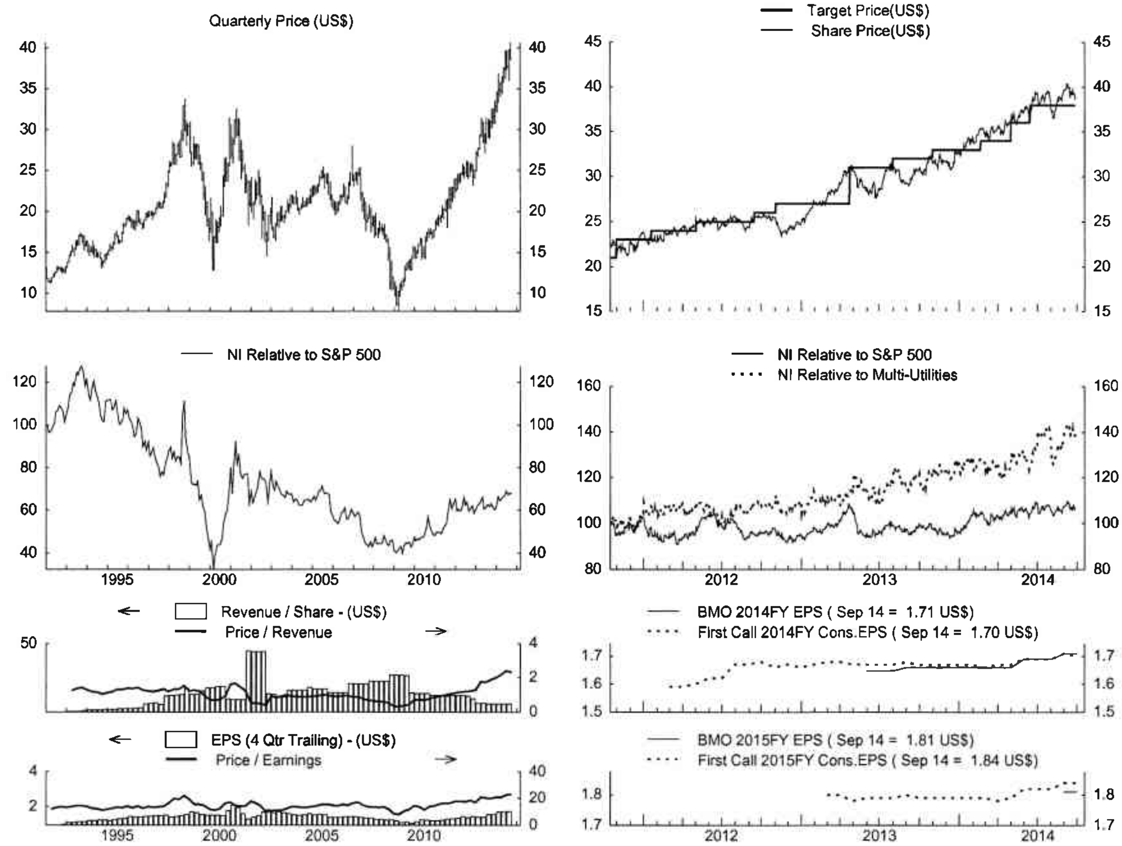
NiSource Inc. (NI)



FYE (Dec.)	EPS US$	P/E Hi	P/E Lo	DPS US$	Yield% Hi	Yield% Lo	Payout %	BV US$	P/B Hi	P/B Lo	ROE %
1992	1.00	13.5	11.3	0.62	5.5	4.6	62	7.9	1.7	1.4	
1993	1.16	15.0	10.7	0.72	5.8	4.1	62	8.3	2.1	1.5	14
1994	1.24	13.3	10.5	0.78	6.0	4.7	63	8.7	1.9	1.5	15
1995	1.36	14.2	10.4	0.84	5.9	4.4	62	9.0	2.1	1.6	15
1996	1.43	14.1	12.3	0.90	5.1	4.5	63	9.2	2.2	1.9	16
1997	1.53	16.3	12.4	0.96	5.1	3.8	63	10.2	2.5	1.9	16
1998	1.59	21.2	14.4	1.02	4.5	3.0	64	9.8	3.5	2.3	16
1999	1.52	20.4	10.8	1.08	6.6	3.5	71	10.9	2.8	1.5	15
2000	1.89	16.7	6.7	1.08	8.5	3.4	57	16.6	1.9	0.8	14
2001	1.30	25.0	14.0	1.16	6.4	3.6	89	16.8	1.9	1.1	8
2002	2.00	12.5	7.3	1.16	8.0	4.6	58	20.1	1.2	0.7	11
2003	1.60	13.7	10.2	0.92	5.6	4.2	58	16.8	1.3	1.0	9
2004	1.61	14.2	12.2	0.92	4.7	4.0	57	17.7	1.3	1.1	9
2005	1.42	18.0	14.4	0.92	4.5	3.6	65	18.1	1.4	1.1	8
2006	1.43	19.6	13.6	0.92	4.7	3.3	64	18.3	1.5	1.1	8
2007	1.38	20.3	12.7	0.92	5.3	3.3	67	18.5	1.5	0.9	7
2008	1.27	15.6	8.1	0.92	8.9	4.6	72	17.2	1.1	0.6	7
2009	1.06	14.9	7.3	0.92	11.8	5.8	87	17.6	0.9	0.4	6
2010	1.22	14.7	11.6	0.92	6.5	5.1	75	17.7	1.0	0.8	7
2011	1.33	18.0	12.7	0.92	5.5	3.8	69	17.7	1.4	0.9	8
2012	1.44	18.2	15.0	0.96	4.4	3.7	67	17.9	1.5	1.2	8
2013	1.57	21.3	15.3	1.00	4.2	3.0	64	18.8	1.8	1.3	9
Range*:		25.0	6.7		11.8	3.0			3.5	0.4	
Current*	1.72	23.1		1.04	2.6		60	18.2	2.2		9
Growth(%):											
5 Year:	8.8			2.5				1.1			
10 Year:	1.2			1.2				0.8			
20 Year:	1.8			1.9				4.0			

NI - Rating as of 26-Jun-08 = Mkt

* Current EPS is the 4 Quarter Trailing to Q2/2014.
* Valuation metrics are based on high and low for the fiscal year.
* Range indicates the valuation range for the period presented above.

Last Price (September 25, 2014): $38.65
Sources: IHS Global Insight, Thomson Reuters, BMO Capital Markets.

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Company Specific Disclosure
Disclosure 9: BMO Capital Markets makes a market in this security.

Methodology and Risks to Price Target/Valuation
Methodology: Sum of the Parts
Risks: 1) regulatory risk, 2) weather and 3) customer conservation

Distribution of Ratings (June 30, 2014)

Rating Category	BMO Rating	BMOCM US Universe*	BMOCM US IB Clients**	BMOCM US IB Clients***	BMOCM Universe****	BMOCM IB Clients*****	Starmine Universe
Buy	Outperform	44.1%	21.1%	67.5%	43.3%	58.6%	55.4%
Hold	Market Perform	50.9%	8.4%	31.3%	51.2%	39.9%	39.5%
Sell	Underperform	5.0%	3.4%	1.3%	5.5%	1.5%	5.1%

* Reflects rating distribution of all companies covered by BMO Capital Markets Corp. equity research analysts.
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CREDIT SUISSE

30 September 2014
Americas/United States
Equity Research
Natural Gas

NiSource Inc. (NI)

UPGRADE RATING

Raising TP by $9, to $50 on Separation/MLP Formation; Raise to O/P

Rating	(from Neutral) **OUTPERFORM***
Price (29 Sep 14, US$)	40.84
Target price (US$)	(from 41.00) 50.00[1]
52-week price range	40.84 - 30.16
Market cap. (US$ m)	12,877.59
Enterprise value (US$ m)	22,548.82

**Stock ratings are relative to the coverage universe in each analyst's or each team's respective sector.*
[1]Target price is for 12 months.

Research Analysts
John Edwards, CFA
713 890 1594
john.edwards@credit-suisse.com
Abhiram Rajendran
212 538 9038
abhiram.rajendran@credit-suisse.com
Bhavesh Lodaya
212 325 2337
bhavesh.lodaya@credit-suisse.com

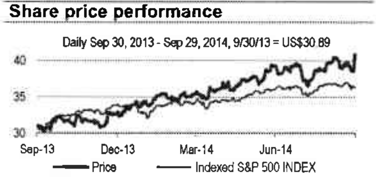
Our take: With NI only taking its EPS growth trajectory down by 100bp to 4-6% after the separation of Columbia Pipeline Group which has ~$700mm in 2015E EBITDA, it's clear NI's growth prospects are rising and difficult to see downside to the outlook. CPG is expected to invest $12-$15b over the next 10 years which should support double digit EBITDA growth.

Risks to our call: Putting a value on NI post separation given the financial engineering – the IDRs, unit count, and capitalization information is very limited though our preliminary assumptions suggest a higher valuation is supportable (see risks section for more details).

NI to Separate CPG, Form MLP to IPO in 2015: NI announced plans to separate into two publicly traded companies by spinning off its Columbia Pipeline Group into a separate MLP. The new MLP (CPPL) will have its own GP and IDRs owned by Columbia Pipeline Group (COLP), and will initially own 14.6% of CPG OpCo's (asset holding company).

Raising TP by $9 to $50, Upgrade to Outperform: We are valuing NI shares based on sum of the parts for now. We note that with $1.2B+ being invested at Columbia Op Co, mid-teens growth is sustainable for the next 5 to 10 years. Thus we are raising the multiple on 2015E EBITDA to the 14-15x range giving us a TP on all NI of $50. Together with the NTM dividend, gives a total return potential of over 25%, supportive of a relative O/P. We have given no credit for NI EPS growth falling by only 100bp despite the spin next year which suggests accelerating growth at the utility.

Share price performance



On 09/29/14 the S&P 500 INDEX closed at 1977.8

Quarterly EPS	Q1	Q2	Q3	Q4
2013A	0.69	0.23	0.18	0.47
2014E	0.82	0.25	0.15	0.52
2015E	0.93	0.27	0.14	0.60

Financial and valuation metrics

Year	12/13A	12/14E	12/15E	12/16E
EPS (CS adj.) (US$)	1.57	1.76	1.94	2.12
Prev. EPS (US$)	—	—	—	—
P/E (x)	26.1	23.2	21.0	19.3
P/E rel. (%)	141.6	135.9	138.2	140.7
Revenue (US$ m)	5,657.3	6,439.2	6,898.1	7,565.2
EBITDA (US$ m)	1,720.7	1,905.8	2,155.3	2,388.4
OCFPS (US$)	4.58	4.61	5.07	4.21
P/OCF (x)	7.2	8.9	8.0	9.7
EV/EBITDA (current)	12.9	11.6	10.3	9.3
Net debt (US$ m)	8,807	9,671	10,213	10,818
ROIC (%)	5.07	5.38	5.76	5.91

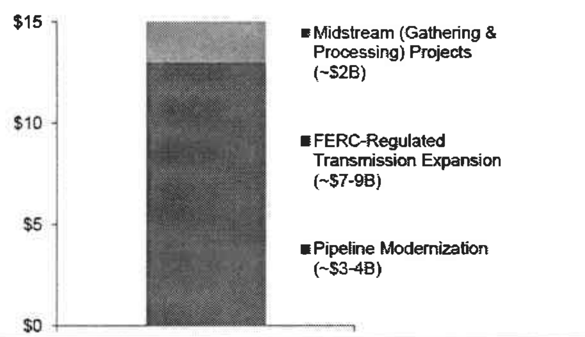
Number of shares (m)	315.32	IC (current, US$ m)	14,693.80
BV/share (Next Qtr., US$)	19.3	EV/IC (x)	1.4
Net debt (Next Qtr., US$ m)	9,686.3	Dividend (current, US$)	1.0
Net debt/tot eq (Next Qtr., %)	161.4	Dividend yield (%)	0.64

Source: Company data, Credit Suisse estimates.

MLP and Separation specifics

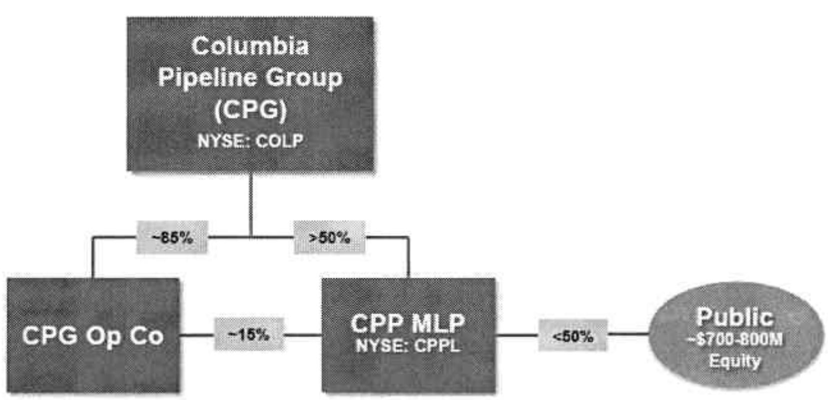
The Columbia Pipeline Group (CPG) will be separating from NI and forming a standalone MLP (NYSE: CPPL) which will operate under a general partner owned by Columbia Pipeline Group (NYSE: COLP). The assets will be housed in CPG OpCo LP, of which CPPL will initially own 14.6%. The MLP will be the primary funding vehicle for $12-$15B in organic projects highlighted in Exhibit 1. CLLP will be a pure-play natural gas pipeline, midstream and storage business with an investment grade balance sheet and visible double-digit distribution growth. NI management indicated that both NI and CPG will benefit from the split as it will allow both to focus on their respective businesses, i.e., regulated utility and midstream. We agree. The MLP is expected to IPO in 1Q2015, with CPG's separation from NI to occur in mid-2015 following establishment of the MLP. CPG will pay a one-time cash distribution to NI just prior to separation which will be funded by ~$3B in debt, and NI shareholders will receive a pro-rata dividend of CPG shares. NI's dividend would be maintained in total following separation.

Exhibit 1: $12-$15B of capital projects identified by CPG



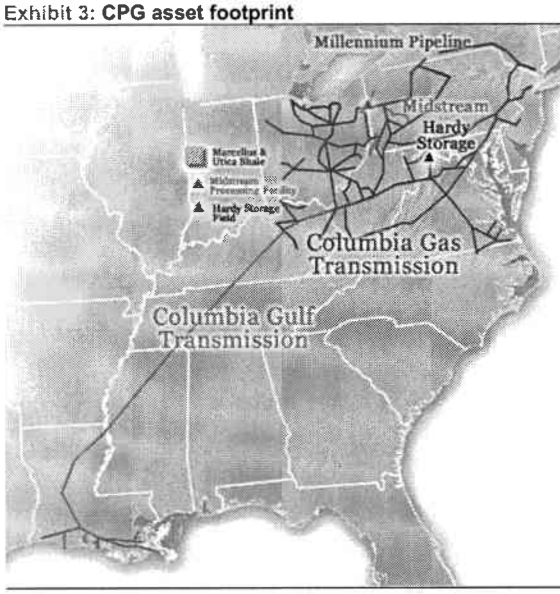
Source: Company presentation 9/29/14

Exhibit 2: NI will own the MLP (CPPL) through its ownership of Columbia Energy Group



Source: Company presentation 9/29/14

Exhibit 3: **CPG asset footprint**



Source: Company S-1 Filing

The MLP's initial assets will consist of a 14.6% interest in Columbia OpCo, whose assets include:

Columbia Gas Transmission, LLC: 100% owned by Columbia OpCo, includes 11,200 miles of natural gas transmission pipeline, 98 compressor stations and 3,400 underground storage wells with 290 MMDth of working gas capacity and operations located in Delaware, Kentucky, Maryland, New Jersey, New York, North Carolina, Ohio, Pennsylvania, Virginia, and West Virginia.

Columbia Gulf Transmission Company, LLC: 100% owned by Columbia OpCo, includes 3,400 miles of natural gas transmission pipeline and 11 compressor stations with ~470,200 horsepower of installed capacity. Columbia Gulf is interconnected to major natural gas pipelines in the Gulf Coast and as a response to increased Utica/Marcellus production is currently undergoing bi-directional expansion.

Millennium Pipeline Joint Venture: 47.5% owned by Columbia OpCo, includes 253 miles of natural gas transmission pipeline and three compressor stations. Millennium Pipeline transports an average of 1MMDth/d of natural gas from the Marcellus to southern New York.

Hardy Storage Joint Venture: 49% owned by Columbia OpCo, includes 12 MMDth of underground storage capacity.

NiSource Midstream Services, LLC: 100% owned by Columbia OpCo, natural gas gathering, treating, conditioning, processing and liquids handling in the Appalachian Basin. Includes 104 miles of natural gas gathering pipeline and one compressor station with 6,800 horsepower of installed capacity.

Pennant Midstream, LLC: 50% owned by Columbia OpCo, includes 43 miles of wet natural gas gathering pipeline infrastructure, a gas processing facility and a NGL pipeline.

NiSource Energy Ventures, LLC: 100% owned by Columbia OpCo, manages Columbia OpCo's mineral rights positions in Marcellus and Utica. Production rights to over 450,000 acres and subleased production rights to four storage fields. NEVCO owns 100% of ownership interest in CNS Microwave, INC, which provides ancillary communication services.

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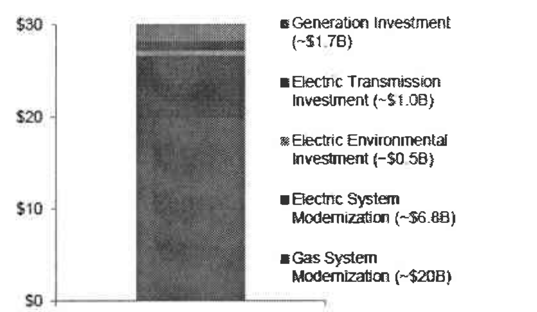
30 September 2014

NI to 4-6% EPS Growth Post-Split

Perhaps the most important news for NI shareholders is the fact that NI plans to grow earnings and dividends by 4% - 6% annually after separating CPG, which is roughly 100bp below previous guidance. This growth is expected to be driven by NI's backlog of capital investment projects totaling ~30B over 20+ years and an average rate base growth of 8% per year. NI will also likely benefit from increased efficiencies by focusing solely on its regulated gas and electric utilities business. Lastly, NI now has the ability to use the MLP as a vehicle to obtain financing needed for its robust capital program, which it can obtain by dropping down incremental ownership interests of CPG OpCo to the MLP.

Exhibit 4: NI Capital Investment Backlog ~$30B



Source: Company presentation 9/29/14

Valuation

The most challenging aspect of evaluating the separation is assigning the proper valuation. NI shareholders will receive a special dividend of COLP following the separation which is expected mid-2015. COLP is expected to own 85.4% of CPG Op, the IDR's and over 50% of the MLP. The formation of the MLP is expected to be completed in 1Q15. Management says that the $1.2B /year in expected cap ex will be financed at the MLP yet housed at CPG Op Co (which seems contradictory to us). Other Mid-stream MLPs have EV/EBITDA multiples running 12-20x depending on the distribution growth rates. Assuming $1.2B of capital investment at CPG overall and about $700mm in 2015 EBITDA would suggest that teens type of EBITDA growth is in the future and suggests a multiple uplift in the midstream assets to the 14-15x range and giving us a valuation range of $48-$51 over the next 12 months, which we average to $50. Together with dividend would take our total return outlook to ~25% and would warrant an Outperform relative to our universe.

Exhibit 5: Multiple uplift on Midstream Suggests Uplift in Valuation to the $50 range

	2015 EBIT	D&A	2015 EBITDA / NI	Metric	Multiple Low	Multiple Base	Multiple High	Enterprise Value / Equity Value Low	Enterprise Value / Equity Value Base	Enterprise Value / Equity Value High
Electric Services	302.6	253.8	202.2	P/E	18.0x	19.5x	21.0x	3,638.8	3,942.1	4,245.3
Natural Gas Utilities	641.0	241.0	882.0	EV/EBITDA	10.0x	10.0x	10.0x	8,820.1	8,820.1	8,820.1
TG&S (88.5% of business)	552.8	141.3	694.1	EV/EBITDA	14.0x	15.0x	16.0x	9,717.4	10,411.5	11,105.6
TG&S (11.5% dropped into MLP)	0.0	0.0	0.0	EV/EBITDA	14.0x	15.0x	16.0x	0.0	0.0	0.0
			694.1							
Total Enterprise / Equity Value								22,176.4	23,173.7	24,171.1
Cash & Equivalents								27.8	27.8	27.8
Short-term Debt								530.0	530.0	530.0
Long-term Debt								7,640.6	7,640.6	7,640.6
Less Net Debt								8,142.8	8,142.8	8,142.8
Less Net Debt attributable to NIPSCO (~$1.1 billion)								7,042.8	7,042.8	7,042.8
Total Equity Value								15,133.6	16,130.9	17,128.3
Shares Outstanding								316	316	316
Per Share								**$47.88**	$51.03	**$54.19**
Current Share Price (Sep 29, 2014)								$40.84	$40.84	$40.84
Return								20%	28%	35%
Dividend per share (Est.)								$1.09	$1.09	$1.09
Dividend Yield								*3%*	3%	*3%*
Total Return								*23%*	30%	*38%*
Implied Price Target								$48.00	$51.00	$54.00

Source: Company data, Credit Suisse estimates

Risks to our Call

The main risk to our call is the valuation. There are few disputes with fundamentals in terms of being very strong. The regulatory environment is benign and the gas production in the Marcellus and Utica is expected to roughly double between 2014 and 2020 from about 12-13bcf/d to 24-26 bcf/d on average. So the risk is in the valuation – MLPs that support this kind of projected EBITDA and what we believe will be mid-teens distribution growth trade at high EBITDA multiples but we have not been able to completely verify our calculations from the somewhat limited disclosures in the S-1. But our preliminary calculation suggests more upside than the uplift in the EV/EBITA multiple so we will keep it here for now. The risk is in our being too aggressive pending modeling verification of our preliminary calculation when we try to back into the cash flows from the restructuring associated with the MLP formation and separation.

30 September 2014

CREDIT SUISSE

Companies Mentioned *(Price as of 29-Sep-2014)*
NiSource Inc. (NI.N, $40.84, OUTPERFORM, TP $50.0)

Disclosure Appendix

Important Global Disclosures

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3-Year Price and Rating History for NiSource Inc. (NI.N)

NI.N Date	Closing Price (US$)	Target Price (US$)	Rating
24-Oct-11	22.92	21.00	N
28-Oct-11	22.52	24.00	
02-May-12	25.04	26.00	*
01-Aug-12	25.38	27.00	
20-Feb-13	27.04	29.00	
01-May-13	30.61	31.00	
01-Aug-13	31.11	32.00	
01-Nov-13	31.72	33.00	
28-Jan-14	34.18	35.00	
19-Feb-14	35.40	38.00	
21-Apr-14	35.71	39.00	
30-Apr-14	36.32	40.00	
31-Jul-14	37.68	41.00	

* *Asterisk signifies initiation or assumption of coverage.*

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Underperform/Sell*	14%	(43% banking clients)
Restricted	3%	

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Price Target: (12 months) for NiSource Inc. (NI.N)

Method: Assuming $1.2B of capital investment at CPG overall and about $700mm in 2015 EBITDA would suggest that teens type of EBITDA growth is in the future and suggests a multiple uplift in the midstream assets to the 14-15x range and giving us a valuation range of $48-$51 over the next 12 months, which we average to $50. Together with dividend would take our total return outlook to ~25% and would warrant an Outperform relative to our universe.

Risk: The main risk to our call is the valuation. MLPs that support this kind of projected EBITDA and what we believe will be mid-teens distribution growth trade at high EBITDA multiples but we have not been able to completely verify our calculations from the somewhat limited disclosures in the S-1. The regulatory environment is benign and the and gas production in the Marcellus and Utica is expected to roughly double between 2014 and 2020 from about 12-13bcf/d to 24-26 bcf/d on average.

Please refer to the firm's disclosure website at https://rave.credit-suisse.com/disclosures for the definitions of abbreviations typically used in the target price method and risk sections.

See the Companies Mentioned section for full company names

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30 September 2014

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HILLIARD LYONS

Electric Utilities
Analyst: David Burks
502.588.8648 / DBurks@hilliard.com
Institutional Sales Desk: Tim Rexing
502.585.8509 / TRexing@hilliard.com
J.J.B. Hilliard, W.L. Lyons, LLC
October 1, 2014

COMPANY UPDATE

Key Metrics		
NI - NYSE (Price as of 9/30/14)		$40.98
Price Target		NA
52-Week Range		$41.70 - $30.09
Shares Outstanding (mm)		315.0
Market Cap. ($mm)		$12,908
3-Mo. Average Daily Volume		1,949,000
Institutional Ownership		81.0%
Debt/Total Capital (6/30)		60.6%
ROE (ttm)		9.1%
Book Value/Share		$18.42
Price/Book Value		2.22x
Indicated Dividend / Yield	$1.04	2.5%
Dividend Cycle		Feb., May, Aug., Nov.

EPS FY 12/31

	2013	Prior 2014E	Curr. 2014E	Prior 2015E	Curr. 2015E
1Q		--		--	--
2Q		--		--	--
3Q		--		--	--
4Q		--		--	--
Year	$1.58		$1.70		$1.82
P/E	25.9x		24.1x		22.5x
Payout	63%		61%		57%

Note: Figures exclude non-recurring items

Revenue ($mm)

	2013	Prior 2014E	Curr. 2014E	Prior 2015E	Curr. 2015E
1Q		--		--	--
2Q		--		--	--
3Q		--		--	--
4Q		--		--	--
Year	$5,659		$6,300	--	$6,750

Company Description: *Based in Merrillville, Ind., NiSource Inc. is a Fortune 500 company engaged in natural gas transmission, storage and distribution, as well as electric generation, transmission and distribution. NiSource operating companies deliver energy to 3.7 million customers located within the high-demand energy corridor stretching from the Gulf Coast through the Midwest to New England. Generation sources: Coal 77%, Natural Gas 22%, Hydro 1%.*

NiSource Inc.

NI -- NYSE -- Neutral -- 2

Company announces plan to separate into two publicly traded companies and create an MLP

Investment Highlights

- **NiSource announced on September 28th that it plans to separate into two companies: a fully regulated natural gas and electric utilities company (NiSource), and a pure-play natural gas pipeline midstream and storage company (Columbia Pipeline Group - CPG).** The separation is expected to occur in mid-2015. In addition, the company announced that it intends to file a registration statement for an initial public offering of common units representing limited partner interests in a new master limited partnership to be named Columbia Pipeline Partners LP. The MLP's initial assets are expected to consist of a 14.6% interest in Columbia Pipeline Group which represents nearly all of NI's natural gas transmission, midstream and storage assets.
- **Separation plan terms.** Under the separation plan, NiSource shareholders would retain their current shares of NiSource stock and receive a pro-rata dividend of shares of CPG stock in a transaction that is expected to be tax-free to NiSource and its shareholders. The actual number of shares that would be distributed to NiSource shareholders will be determined prior to the closing.
- **NiSource will remain a large natural gas and electric utility.** It will serve more than 3.4 million natural gas customers in seven states and 450,000 NIPSCO electric customers in northern Indiana. NiSource expects to be able to grow its earnings and dividends by 4% to 6% annually. This potential growth is supported by multiple infrastructure opportunities in the coming years.
- **Columbia Pipeline Group appears to have significant growth potential.** CPG expects to have projects that represent potential capital investment opportunities of $12-$15 billion over the next 10 years. This could drive both future earnings and dividend growth.
- **We would maintain positions in NiSource.** In our view, the company's proposed strategy has the potential to enhance long-term shareholder value.

Note Important Disclosures on Pages 2 and 3.
Note Analyst Certification on Page 2.

Additional information is available upon request.

Analyst Certification

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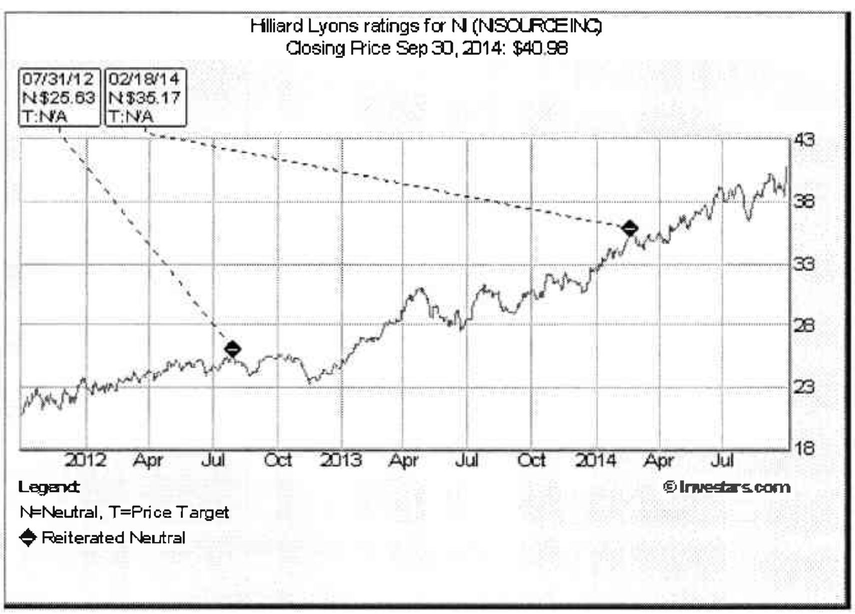
Long-term Buy - We believe the stock is an above average holding in its sector, and expect solid returns to be realized over a longer time frame than our Buy rated issues.
Neutral - We believe the stock is an average holding in its sector, is currently fully valued, and may be used as a source of funds if better opportunities arise.
Underperform - We believe the stock is vulnerable to a price set back in the next 12 months.

Suitability Ratings
1 - A large cap, core holding with a solid history
2 - A historically secure company which could be cyclical, has a shorter history than a "1" or is subject to event driven setbacks
3 - An above average risk/reward ratio could be due to small size, lack of product diversity, sporadic earnings or high leverage
4 - Speculative, due to small size, inconsistent profitability, erratic revenue, volatility, low trading volume or a narrow customer or product base



	Hilliard Lyons Recommended Issues		Investment Banking Provided in Past 12 Mo.	
Rating	# of Stocks Covered	% of Stocks Covered	Banking	No Banking
Buy	49	39%	10%	90%
Hold/Neutral	71	57%	3%	97%
Sell	5	4%	0%	100%

As of 3 September 2014

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FLASH NOTE

Company Update

USA | Energy | Natural Gas

September 28, 2014

Jefferies

NiSource Inc. (NI)

NiSource to Separate, Form MLP

HOLD
Price target $40.00
Price $38.58

EQUITY RESEARCH AMERICAS

Key Takeaway

This afternoon, NI announced that its Board of Directors had approved a plan to split its utility and natural gas midstream operations into two distinct, publicly-traded companies; this is to be achieved via a tax-free spin of Columbia Pipeline Group in mid-2015. In a separate announcement, NI unveiled plans to file an S-1 Monday morning for an early 2015 IPO of a midstream MLP. We await Monday's Investor Day for greater detail on these strategic initiatives.

Tax-free spin of CPG to result in two investment grade energy companies. NI announced Sunday that its Board had approved plans to separate the company's utility and midstream operations into two publicly-traded companies via a tax-free spin of the midstream businesses in mid-2015. The transaction will create the Columbia Pipeline Group Inc., a natural gas focused midstream company, and leave NiSource as a fully-regulated natural gas & electric distribution company. NI shareholders are expected to receive a pro-rate dividend of CPG stock, with the exchange ratio to be determined prior to deal closing. NI's announcement comes amid a broader sector trend toward dis-aggregation of integrated energy businesses and we highlight the tax-free spin of OKE's gas distribution businesses into ONE Gas, Inc. (OGS) last February as the most recent comparable example. Mgmt stated an expectation for both companies to carry investment grade credit ratings and noted that the separation will not impact operational commitments or employment levels.

CPG to form MLP. In a separate press release this afternoon, NI announced plans to file an S-1 with the SEC on Monday for an early 2015 IPO of a midstream Master Limited Partnership (MLP). The MLP, to be called Columbia Pipeline Partners LP, will initially own an approximate 14.6% interest in a to-be-formed CPG operating partnership, which will own substantially all of NI's transmission & storage assets. These initial MLP details closely resemble the expectations outlined in our Investor Day Preview last week, in which we estimated ~15% of CPG would initially be dropped into a NI-MLP in 1H15.

Growth and investment updates. Mgmt expects the utility companies (NI pro-forma) to produce annual earnings & dividend growth of 4-6% and noted that CPG's future earnings & dividends will be driven by its net investment growth, though it refrained from citing a numeric range. Mgmt also noted $12-$15B in CPG investment opportunities over the next 10 years, a notable increase from the previous $8-$10B range. With large-scale projects such as Rayne/Leach XPress, WB XPress, and Cameron Access already in the works, and annual FERC-tracked modernization investments running at $300mm, we look forward to tomorrow's Investor Day for additional color on the expanded opportunity set. We note that these CPG investments provide future drop-down opportunities to Columbia Pipeline Partners, LP.

Shares fairly reflect break-up value. While we are encouraged by the news as separately-focused companies tend to more efficiently allocate capital and better capture dedicated investor bases, we see the shares as already reflecting full Sum-of-the-Parts (SOP) value. Our $40 price target is derived via a combination of SOP, DCF, and target yield approaches; however, our SOP analysis itself, which includes an MLP component for CPG, yields an approximate $40 outcome, just ~4% above NI's Friday closing price. Please see our Investor Day Preview for a full description of our various valuation methodologies.

Anticipate greater detail at tomorrow's Investor Day. We await further detail on today's strategic announcements at tomorrow's Investor Day. In particular, we anticipate mgmt will review the strategy, time-line, and valuation considerations of its plans in prepared commentary and Q&A.

Investor Day Details: Sept. 29, 2014 @ 8:30am ET; Millennium Broadway Hotel, 145 W 44th Street NY, NY. Live webcast available at www.nisource.com.

Christopher Sighinolfi, CFA *
Equity Analyst
(212) 707-6420 csighino@jefferies.com
Christopher Tillett *
Equity Associate
(212) 284-4697 ctillett@jefferies.com
Corey Goldman *
Equity Associate
(212) 284-3411 cgoldma1@jefferies.com
* Jefferies LLC

NI

Company Update

September 28, 2014

Company Description

NiSource, Inc. (NYSE: NI) is a diversified energy holding company whose subsidiaries provide natural gas, electricity, and other energy products & services to nearly 4 million US customers. The Company operates through three segments: Gas Distribution, Columbia Pipeline Group, and Electric. The Gas Distribution operations provide natural gas service and transportation for residential, commercial and industrial customers in Ohio, Pennsylvania, Virginia, Kentucky, Maryland, Indiana and Massachusetts. Columbia Pipeline Group offers gas transportation and storage services for Local distribution companies, marketers and industrial and commercial customers located in Northeastern, Mid-Atlantic, Midwestern and Southern states. The Electric Operations segment provides electric service in various counties in the northern part of Indiana. NiSource was founded in 1987, is incorporated under the laws of the state of Delaware, and is headquartered in Merrillville, IN.

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Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

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NI

Company Update

September 28, 2014

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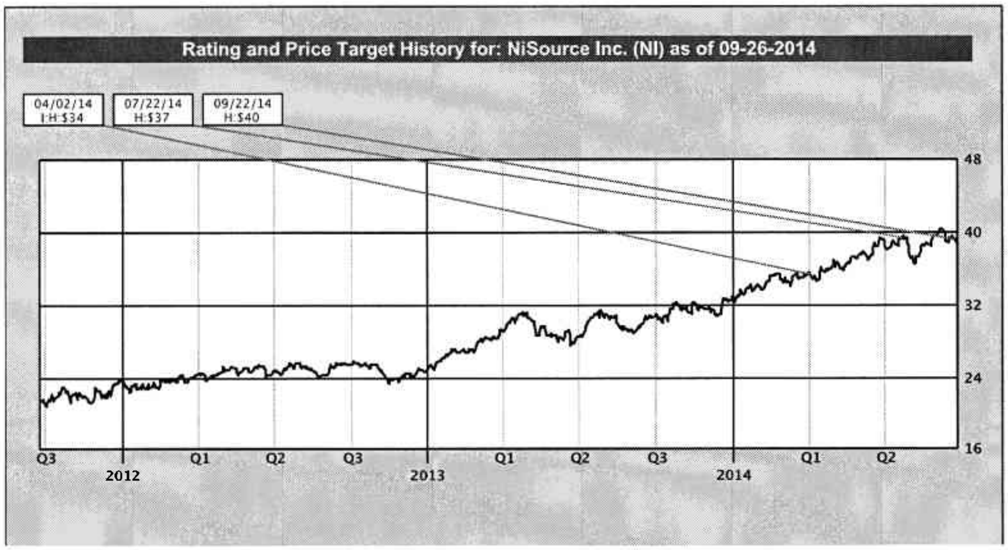

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UNDERPERFORM	144	7.61%	6	4.17%

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Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

September 29, 2014
ENERGY: Multi- Utilities
Company Update / Price Target Change

KeyBanc
Capital Markets

NiSource, Inc.:

NI: Upbeat Analyst Day; Raising Price Target Given Stronger Growth

KeyBanc Capital Markets Inc.
Member NYSE/FINRA/SIPC

Paul T. Ridzon: (216) 689- 0270 — pridzon@key.com
John Barta: (216) 689- 3386 — john_j_barta@key.com

Rating	BUY
Price	$40.84
12- Mo. Price Target	$44.00
Dividend	$0.96
Yield	2.4%
52- Wk. Range	$30 - $41
Trading Volume (000)	1,854
Market Cap. (mm)	$12,080.5
Shares Out. (mm)	295.80
Book Value/Share	$17.93

EPS (Net) Summary

FY Dec	2013A	2014E	2015E
1Q	$0.69	$0.82A	- -
2Q	$0.23	$0.25A	- -
Prior	*$0.23*	*$0.24*	- -
3Q	$0.18	$0.20	- -
4Q	$0.47	- -	- -
YEAR	$1.58	$1.70	$1.80
First Call	- -	$1.70E	$1.84E
P/E	25.8x	24.0x	22.7x

ACTION STATEMENT

NiSource, Inc. (NI-NYSE) hosted an analyst day to update investors on its corporate separation plan, its planned IPO and an updated capital forecast. We viewed the event positively. We believe the separation allows for two cleaner stories, each attractive to different investor bases. Given attractive investment opportunities, NI updated its capital forecast. We have increased our price target to $44 from $41 per share.

- **Price Target: $44.00 from $41.00**

KEY INVESTMENT POINTS

NI hosted an analyst day on September 29, 2014 to update investors on its decision to separate its company into two publicly traded companies. The regulated utility companies will remain at NiSource, while the natural gas transmission, storage and midstream businesses will comprise Columbia Pipeline Group (CPG).

NI plans to IPO an MLP at the midstream segment in 1Q15, and complete the corporate separation mid 2015.

NI updated its capital expenditure forecasts at the regulated utility and CPG segments. We believe the plans position both segments to be very well positioned relative to their peers. The utility segment is expected to grow rate base by an average 8% annually, while CPG is expected to grow at a CAGR of 20%, which will likely triple assets by 2020 to an estimated $12.5 billion.

We have updated our valuation given the separation plans and more robust capital forecast. We have raised our price target to $44 from $41 per share.

VALUATION

Our $44 price target is based upon a sum of the regulated utility based upon a P/E methodology and CPG based upon an EBITDA valuation. We value the regulated utility at $18 per share based on our 2015 forecast of $1.05 and a target P/E ratio of 17.0x. This target valuation represents a 5% premium to peers, which we believe is justified by the combination of a robust capital plan backed by constructive regulation. For CPG, we grow $600 million of trailing EBITDA by 20% (per the targeted asset growth rate) and apply a 15.5x EV/EBITDA multiple, which we believe is justified by NI's growth platform and strategic position in the Utica and Marcellus. A peer group we view less well positioned trades at a multiple of 13.6x. Subtracting $3 billion of debt that NI indicated it would issue at the CPG level leaves an equity value of $8.16 billion, or approximately $26 per share, resulting in our $44 price target. NI is trading at an overall 2015 P/E ratio of 22.7x compared with its peers, which are trading at a 2015 P/E ratio of 16.2x, and our price target reflects a 2015 P/E ratio of 24.4x.

FOR IMPORTANT DISCLOSURES AND CERTIFICATIONS, PLEASE REFER TO PAGES 3 - 4 OF THIS NOTE.

RISKS

We believe the primary risks to achieving our price target include: any deterioration of regulation; and any inability to execute on the growth initiatives that management is targeting. We believe management has historically been somewhat conservative in its communications with investors.

DISCUSSION

As discussed, NI hosted an analyst in New York on September 29. 2014. Key takeaways from the meeting are discussed below:

Business Separation – NI announced plans to separate its state regulated utility electric and natural gas utilities from its FERC regulated pipelines, storage and midstream segments. We believe this facilitates valuation and more closely aligns the assets with specific investor classes.

MLP Formally Announced – As widely anticipated, NI announced plans to form an MLP at the CPG segment. NI expects to IPO Columbia Pipeline Partners (CPPL- NYSE) during 1Q15. The structure calls for 100% of CPG to be held by an operating company (CPG OpCO). Initially, roughly 15% of the OpCo will be offered to limited partners with the balance held by CPG. The general partner will be 100% owned by CPG. Rather than dropping discrete assets into the MLP, we expect percentage interest in CPG will be sold to limited partners, allowing management to grow the MLP in a very controlled manner. The filing of the S- 1 Registration statement precludes management from discussing the MLP and, largely by reference, CPG in greater detail.

Updated Capital Plans – NI updated its capital plans and gave a view of a longer dated investment runway. At the regulated utilities, NI forecasts a $30 billion ($20 billion at the LDC's and $10 billion on the electric side) investment opportunity over 20 years. In the more near term, utility investment is expected at approximately $1.2 billion per year, driving 8% rate base growth (off a current level of $7.4 billion) and earnings and dividend growth of 4- 6%. 75% of the capital is expected to drive revenue increases (in excess of depreciation). Previous growth discussions were around investment of up to ~$16 billion.

On the CPG side, NI's presence in the Utica and Marcellus drive stronger growth. Assets are forecast to grow from the current ~$4 billion level to $12.5 billion by 2020, an approximate 20% CAGR. Management expects longer- term investment of $12 billion- $15 billion over the next 10 years. Previous forecasts discussed a ~$10 billion opportunity.

Minimal Dissynergies – Management indicated that costs to achieve the separation would be on the order of "a couple hundred million" and that the cost structure going forward for the separated entities would increase due to the separation by an amount that was not material.

Dividend Outlook – Management forecasts that the dividend of the two companies would collectively be equal to the current NI dividend of $1.04 per share. We expect that the regulated utilities will continue to pay roughly 60- 70% of earnings out in dividends.

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NiSource, Inc. - NI

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As of the date of this report, we make a market in NiSource, Inc..

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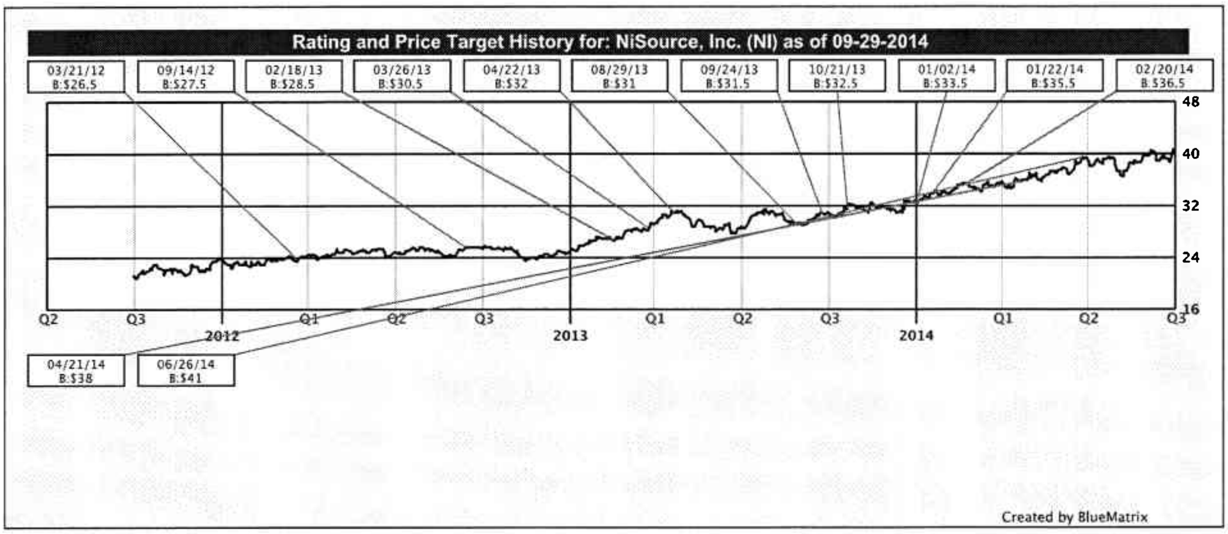
Three- Year Rating and Price Target History



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Distribution of Ratings/IB Services Firmwide and by Sector

	KeyBanc Capital Markets		**IB Serv/Past 12 Mos.**		**ENERGY**			**IB Serv/Past 12 Mos.**	
Rating	**Count**	**Percent**	**Count**	**Percent**	**Rating**	**Count**	**Percent**	**Count**	**Percent**
BUY [BUY]	270	47.04	60	22.22	**BUY [BUY]**	44	52.38	19	43.18
HOLD [HOLD]	292	50.87	50	17.12	**HOLD [HOLD]**	40	47.62	16	40.00
SELL [UND]	12	2.09	3	25.00	**SELL [UND]**	0	0.00	0	0.00

Rating System

BUY - The security is expected to outperform the market over the next six to 12 months; investors should consider adding the security to their holdings opportunistically, subject to their overall diversification requirements.

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UNDERWEIGHT - The security is expected to underperform the market over the next six to 12 months; investors should reduce their holdings opportunistically.

September 28, 2014
ENERGY: Multi- Utilities
Quick Alert

KeyBanc
Capital Markets

NiSource, Inc. (BUY)

NI - QA: Separation Shows Commitment to Value Creation; More Details at Meeting

KeyBanc Capital Markets Inc.
Member NYSE/FINRA/SIPC

Paul T. Ridzon: (216) 689- 0270 — pridzon@key.com
John Barta: (216) 689- 3386 — john_j_barta@key.com

KEY INVESTMENT POINTS

NiSource, Inc. (NI- NYSE) has announced that on top of forming an MLP for its midstream segment (as was widely expected), it will effect a tax- free corporate separation of its regulated utility businesses and its natural gas pipeline, midstream and storage businesses. The new public entity will be known as Columbia Pipeline Group (CPG). The new segment is expected to trade under the symbol COLP. COLP will be the entity to form the MLP. The spin is expected around mid- 2015.

We expect this announcement will be well received by investors, given several positives aspects, including:

- **Separation Allows Clearer Path to Valuation –** We believe COLP's value has been masked by the P/E valuation methodology we believe is widely used given that the majority of earnings are derived from regulated operations.
- **Access to Different Investor Bases –** We believe the current structure of NI may be limiting potential interest from various investor classes. The different classes we think may have been precluded are midstream, pure utility and MLP investors.
- **More Attractive M&A Characteristics –** While not an absolute deal killer, we believe NI's current diverse businesses may have been a potential impediment to merger activity. We expect pure regulated and pure midstream entities are likely more easy entities with which to transact.
- **Differentiated Strategy Should Be Well Received –** Other entities announcing MLPs have performed well into the anticipated announcement of MLP formation, then tended to languish post announcement. In our view, NI has created a more clear path to value creation by its planned corporate separation.

VALUATION IMPLICATIONS

As discussed, we expect the separation to more clearly define the value of NI's asset portfolio. We value the Indiana electric utility and local gas distribution utilities at roughly $17 per existing NI share, based upon our expectation of roughly $1.05 of 2015 earnings from these segment at a blended P//E multiple of 16.2x. NI has indicated in the past that it expects to grow CPG at 10- 12%. In light of the attractive additions to project backlog, we fully expect NI management to raise this growth rate at its investor presentation. LTM EBITDA of roughly $600 million and growing it at 13- 14% (13.5% midpoint) yields $681 million of forward EBITDA. While we await further details at analyst day regarding the capital structure of COLP, we believe $3 billion of leverage would provide the credit protection that NI has indicated was necessary before pursuing an MLP.

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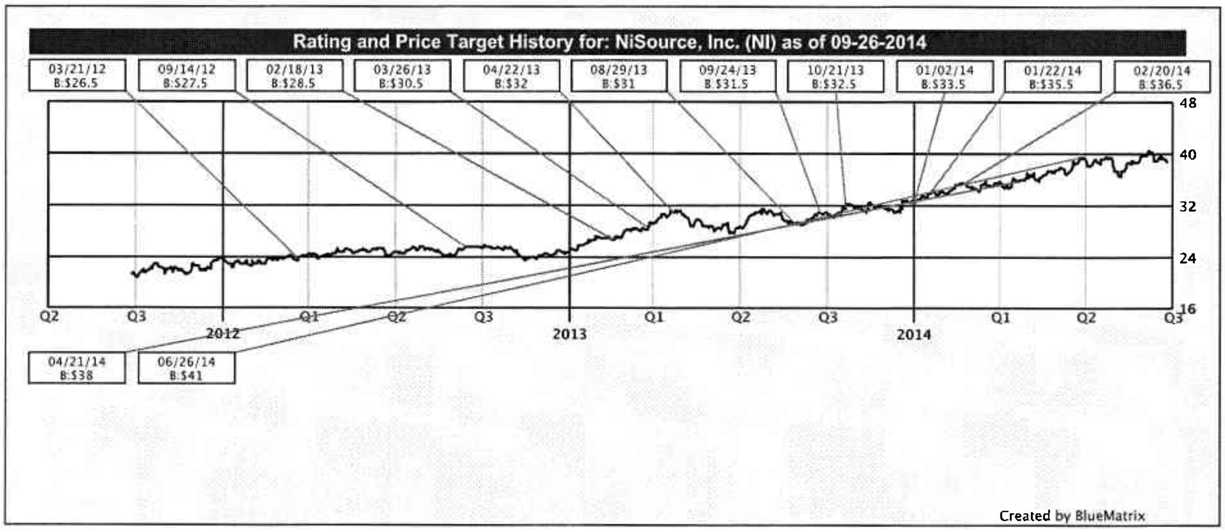

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Morgan Stanley

MORGAN STANLEY RESEARCH
NORTH AMERICA

Morgan Stanley & Co. LLC

Brian Lasky
Brian.Lasky@morganstanley.com
+1 212 761 7249

Robert S Kad
Robert.Kad@morganstanley.com
+1 212 761 6385

Matthew Giacobbe
Matthew.Giacobbe@morganstanley.com
+1 212 761 7243

Alexander H Renker
Alexander.Renker@morganstanley.com
+1 212 761 4657

September 30, 2014

Stock Rating
Equal-weight

Industry View
Attractive

NiSource, Inc.

Unlocking the Embedded Value of Midstream Assets

NiSource unveiled the spinoff of COLP (Columbia Pipeline) and the formation of CPPL (midstream MLP) at its analyst day and outlined a capex opportunity of more than $40b by 2020 for the entire company.

NiSource analyst day highlights separation potential given leading position within the Marcellus and Utica shales. Despite limited details on COLP or CPPL's strategy, investors were encouraged by the value unlock proposition of spinning off COLP and establishing CPPL as a dropdown vehicle with significant exposure to infrastructure investment within the Marcellus and Utica. However, there is a debate around what is currently priced in the stock. Management outlined an investment opportunity of $12-15b of projects over the next 10 years for CPPL and expects to place into service almost $4b of projects by YE18. Additionally, NiSource sees a bright outlook at LCD and NIPSCO, where ~$1.2b of expected annual capital investment will produce 4-6% of expected EPS and dividend growth. NI noted that once the MLP IPO and COLP spin-off is complete, they will provide more detailed guidance on the proforma entities.

Long-term value, but could take some time to play out. While the formation of an MLP does not come as a surprise, spinning off COLP is a positive long-term development. This standalone structure will highlight the GP value of CPPL as COLP transitions to an asset-light GP Holdco over time (similar to WMB, OKE, and SE). We believe that this strategic move could represent further valuation upside, but details around dropdown pace and payout policy are needed in order to become more constructive. We expect the stock could trade somewhat range-bound until the market gets this clarity and while we see long-term value in the pro-forma entities, we acknowledge it could take time to play out. We maintain our EW rating and increase our price target to $45 from $43. *Please see the following pages for our key takeaways and analysis.*

Key Ratios and Statistics

Reuters: NI.N Bloomberg: NI US
Diversified Natural Gas / United States of America

Price target	**$45.00**
Shr price, close (Sep 29, 2014)	$40.84
Mkt cap, curr (mm)	$12,955
52-Week Range	$40.84-30.10

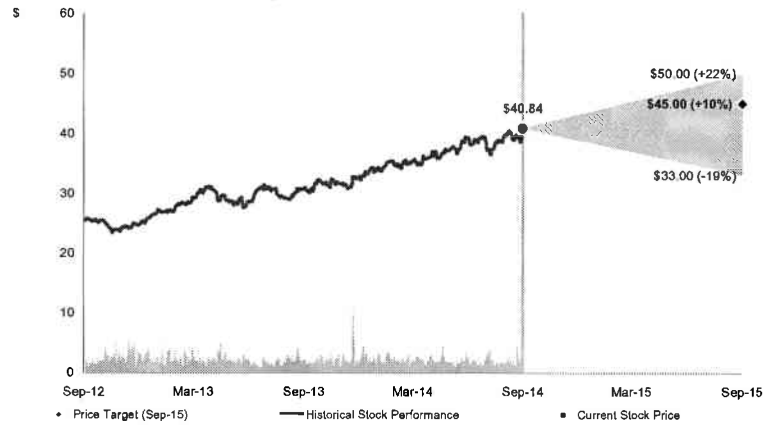
Fiscal Year ending	12/13	12/14e	12/15e	12/16e
ModelWare EPS ($)	1.57	1.68	1.81	1.92
Prior ModelWare EPS ($)	-	-	-	-
P/E	20.9	24.3	22.5	21.2
Consensus EPS ($)§	1.55	1.71	1.84	2.01
Div yld (%)	3.0	2.5	2.6	2.7

Unless otherwise noted, all metrics are based on Morgan Stanley ModelWare framework (please see explanation later in this note).
§ = Consensus data is provided by Thomson Reuters Estimates.
e = Morgan Stanley Research estimates

Morgan Stanley

NiSource (NI, Equal-weight)

Risk-Reward View: Strong Marcellus + Utica Midstream Potential



Source: ThomsonOne; Morgan Stanley Research

Price Target $45	
Bull Case **$55**	**Increasing Marcellus/Utica market share and utilities outperform; more projects, aggressive MLP/GP strategy.** NI gains larger Appalachian market share than anticipated from new production, fostering additional capital spend in the CPG segment. Newly formed CPPL and COLP aggressively pursue organic and third party growth and achieve premium resulting valuations in stand-alone structures committed to high-payout, high growth strategies.
Base Case $45	**Business separation allows better recognition of execution on Marcellus / Utica opportunities.** NI places Marcellus/Utica growth projects on budget and on time. NI's adoption of an MLP is followed through with a periodic dropdown strategy.
Bear Case **$33**	**Marcellus opportunities fail to materialize.** Marcellus regulation issues persist or worsen, prolonging development. The required infrastructure projects are delayed causing NI to push back expansions and the stock re-rates lower given weaker growth profile. NI underutilizes its MLP.

Why Equal-weight?

- Numerous midstream opportunities surrounding its existing pipeline systems in the Marcellus + Utica provide exceptional long-term value.
- Restored earnings power at regulated utilities segments.
- Announced separation of midstream and utility businesses should help value recognition with upside in aggressive MLP/GP scenario, but next leg of outperformance is likely dependent on execution and might ultimately take a period of time to be realized.

Key Value Drivers

- Executing Marcellus + Utica midstream projects on time and below budget.
- Execution on its regulatory agenda (e.g., infrastructure modernization plan, filing rate cases, implementing trackers / cost recovery mechanisms).
- Stable dividend growth profiles consistent with both of NI's core businesses as they migrate to stand-alone entities.

Potential Catalysts

- MLP formation adds to value of NI and offers further upside on projects and acquisitions, particularly through general partner value recognition.
- Updates to rate case settlement approval by regulatory bodies.
- Announcement of additional Marcellus or Utica project or acquisition beyond those included in guidance.

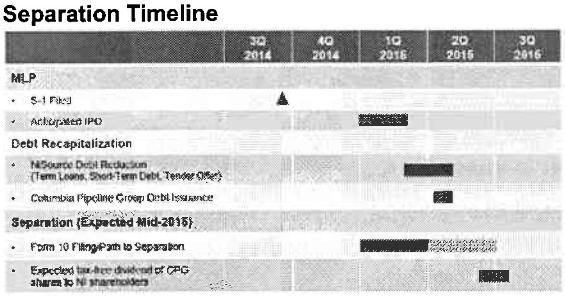
Where We Could Be Wrong

- Regulatory risks associated with Marcellus and/or Utica drilling puts a hold on midstream project expansions.
- Execution challenges

Transaction Overview

➢ **Transaction Overview:** NiSource announced its plan to separate into two publicly traded companies (NiSource and Columbia Pipeline Group). The separation is expected to occur in mid-2015. No state or regulatory filings are needed for the transaction to proceed, which will be wholly controlled by NiSource. Under the separation plan, NiSource shareholders would retain their current NI shares and receive a pro-rata dividend of CPG stock in a tax-free transaction. Prior to the separation, NI expects to complete a debt recapitalization, where NiSource will reduce its net debt by receiving a one-time cash distribution from CPG, which will be funded through the issuance of long-term CPG debt (~$3bn). NI and CPG will both target investment grade credit metrics pro forma the transaction. Separately, NI announced its intent to form a midstream energy MLP. Its initial assets will consist of a 14.6% interest in CPG OpCo LP, which will own substantially all of NI's midstream assets. CPG will own the general partner and limited partner units in the newly formed MLP.

Exhibit 1
Separation Timeline



Source: Company data.

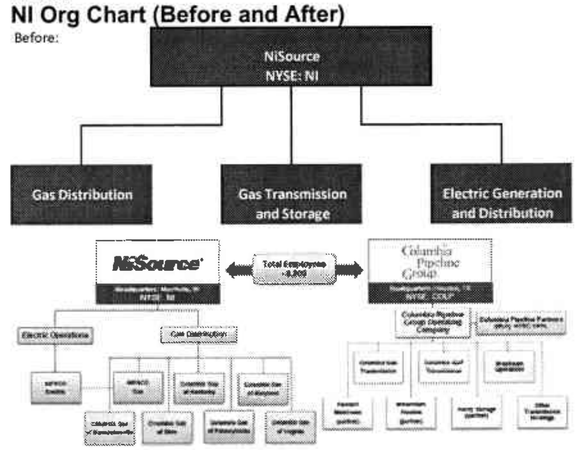
➢ **MLP Value Creation.** With the creation of a dedicated midstream MLP, CPPL should be able to leverage an advantaged cost of capital. The absence of taxes at the company level would allow CCPL access to a lower cost of capital than is typically available to corporations, allowing the MLP to pursue projects that might not be feasible for a taxable entity. An advantaged cost of capital would greatly aid CPG as it executes on $12-15b of expected infrastructure investment opportunities over the next ten years. Secondly, NI should see a significant valuation uplift from greater transparency on its midstream earnings and cash flow growth.

Exhibit 2
Proforma NI and CPG
Two Premier Companies with Significant Growth Potential

NiSource		Columbia Pipeline Group
Pure-Play Natural Gas & Electric Utilities Company	**Strategic Focus & Clarity**	Pure-play Pipeline, Midstream & Storage Company
Utility System Modernization & Organic Growth (~$30B Over 20+ Years; ~75% Revenue-Producing)	**Long-Term Investment Opportunity**	Pipeline/Midstream Growth & Modernization ($12-15B Over Next 10 Years; ~90% Fixed Fee)
~$7.4B; Expected to Grow on Average by ~6% Per Year	**Rate Base*/Net Investment Growth**	~$4B; Expected to Grow to ~$12.5B by 2020
Expected Net Earnings Growth 4-6% Per Year	**Long-Term Growth**	Expected EBITDA Growth Driven By Net Investment Growth
Expected to Average 4-6% Per Year	**Long-Term Dividend Growth**	Expected to be Driven By Net Investment Growth
Expected to Maintain Investment-Grade Credit Rating with Strong Liquidity	**Investment-Grade Credit**	Expected to Maintain Investment-Grade Credit Rating with Strong Liquidity

Source: Company data.

Exhibit 3
NI Org Chart (Before and After)



Source: Company data, Morgan Stanley Research.

➢ **NI/CPG Separation Value Creation.** The breakup of NiSource and CPG also creates several value-enhancing initiatives. First, the creation of CPG forms a public structure, which will hold the general partner and incentive distribution rights (IDRs) of CPPL. With CPPL's strategy of capitalizing on organic expansion opportunities and through dropdown acquisitions (increasing ownership interests in Columbia OpCo), we believe that the corresponding IDR cash flows will grow significantly, which investors should value at a premium multiple, given CPPL will represent an early-stage Marcellus/Utica dropdown MLP with a compelling mix of dropdown and organic growth opportunities. Secondly,

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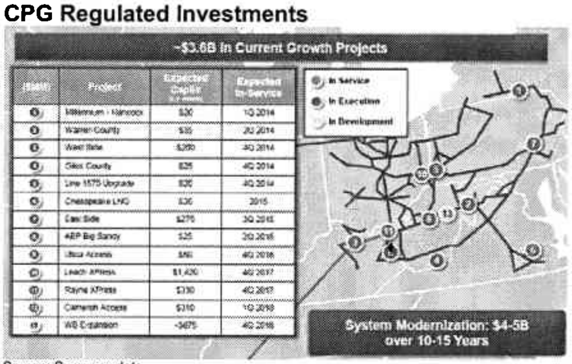
CPG should be able to adopt a payout strategy suitable to its dedicated cash flow streams. Before, NiSource traditionally pursued a 60-70% payout ratio, given its mix of LDC, NIPSCO, and Midstream earnings. However, with CPG solely dedicated towards midstream, CPG should be able to adopt a payout ratio (presumably higher) more fitting to their cash flow streams and new general partner and IDR cash flow streams. Lastly, the ownership of CPPL's GP and IDR interests exposes CPG to upside from M&A at the CPPL level through accretive acquisitions and additional equity issuance.

- **Large capex backlog dedicated to midstream.** The Columbia Pipeline system is strategically located in that it links Marcellus and Utica supply regions to the Midwest, Mid-Atlantic, and Gulf Coast markets. With significant new supply sources arising out of the Marcellus/Utica, Columbia has been able to identify several large-scale projects (Rayne/Leach Xpress, WB Expansion, Cameron Access) providing line of sight towards earnings and cash flow growth throughout the end of the decade ($12-15b growth project inventory over the next 10 years). The Columbia system is underpinned with fee-based (~90% demand based) long-term firm contracts with minimal commodity/volumetric exposure. Columbia is also undergoing a sizeable system modernization program, which represents a $4-5b investment over the next 10-15 years, where the company will earn a return on upgrading compression, replacing aging infrastructure, and increasing in-line inspections. Columbia also has a growing midstream business (gathering and processing) which is a joint venture with privately owned Hilcorp. The company is currently contemplating a second phase of their joint venture (Pennant II) which would involve an incremental $250mm investment over 2015-2018 and would position the company to win new third-party midstream business ($500mm opportunity over 2016-2018).

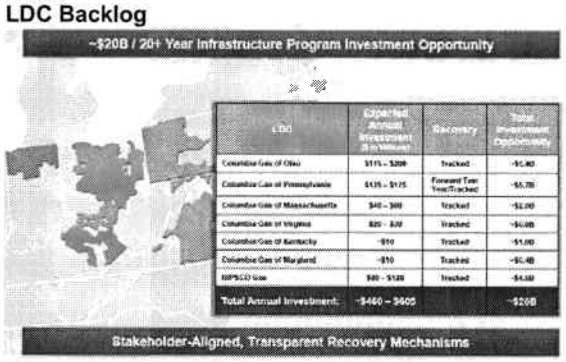
Exhibit 4
CPG Regulated Investments



Source: Company data.

- **Opportunities at NIPSCO/LDC.** NiSource has identified 20-plus years and ~$30 billion of investment opportunities in its natural gas LDC and NIPSCO electric businesses, with annual capex totaling ~$460-$605mm for LDCs and ~$175-$500mm for NIPSCO electric. Capital investment will be focused on expanding distribution programs and growing NiSource's customer base, enhancing the electric transmission system, and modernizing gas & electric infrastructure. With ~75% of capex expected to be revenue-producing and complementary rate structures and tracker mechanisms, NiSource expects that its capital investment program will lead to a 4-6% annual EPS and dividend growth rate.

Exhibit 5
LDC Backlog

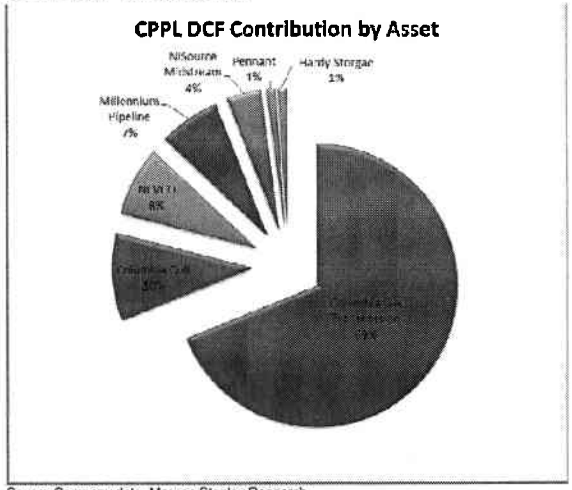


Source: Company data.

CPPL Summary

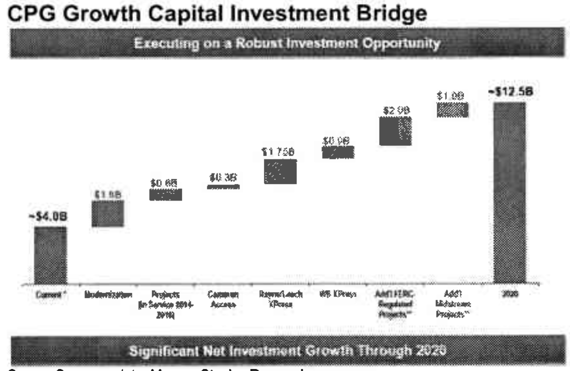
- **Extensive East Coast interstate and storage footprint at Columbia OpCo.** Columbia OpCo owns and operates one of the largest underground natural gas storage systems in the United States, with approximately 300 MMDth of working gas capacity, as well as an extensive interstate pipeline networking serving customers in 15 states from the Gulf of Mexico to New York. CCPL's initial assets will include a 14.6% limited partner interest in Columbia OpCo, as well as the non-economic general partner interest.
- **Distributable cash flow profile levered toward steady cash-flow generating interstate assets.** Excluding cost recoveries under regulatory tracker mechanisms, 93% of Columbia OpCo's revenue for the year ended December 31, 2013 was generated under firm revenue contracts with a weighted average remaining contract life of 5.2 years. Through its ownership interest in Columbia OpCo, CPPL's initial assets include FERC-regulated interstate pipeline and storage assets as well as gathering, processing and mineral rights assets. FERC-regulated assets including Columbia Gas Transmission, LLC, Columbia Gulf Transmission Company, LLC, Millennium Pipeline Joint Venture, and Hardy Storage Joint Venture, constitute the majority (~87%) of CPPL's initial forecasted distributable cash flow. The remaining ~13% of distributable cash flow is attributable to ownership interest in Columbia OpCo's gathering, processing, and mineral rights assets, including NiSource Midstream Services, LLC, Pennant Midstream, LLC, and NiSource Energy Ventures, LLC. Exhibit 10 offers an asset-level overview of expected distributable cash flow contribution from CPPL's initial assets.
- **Multi-tiered strategy provides optionality for executing distribution growth** CPPL expects to generate increasing quarterly cash distributions through four principal business strategies: 1) capitalizing on $4.0 billion of organic growth opportunities expected to be completed by the first quarter of 2018, 2) increasing ownership interest in Columbia OpCo by exercising preemptive rights to purchase equity interest issued to fund CPPL capex, 3) maintaining and growing stable cash flows by focusing on minimizing commodity exposure and winning long-term firm customer commitments and 4) targeting a conservative and flexible capital structure, while contributing substantially all of the capital required to finance Columbia OpCo's organic expansion projects and pursuing third-party acquisitions.

Exhibit 6
CPPL DCF Breakdown



Source Company data, Morgan Stanley Research.

Exhibit 7
CPG Growth Capital Investment Bridge



Source Company data, Morgan Stanley Research.

Exhibit 8

NI MLP (CPPL) IPO Assumptions

MLP IPO Assumptions

	Metric
Assumed IPO Unit Price ($ / unit)	20.00
Assumed Fully Distributed Yield (%)	2.50%
IPO Discount	15%
Assumed IPO Yield (%)	2.88%
Implied P/DCF	31.1x
Implied EV/EBITDA	31.1x
LP Share (%)	98%
NTM LP Distribution ($MM)	58.54
Implied Equity Value ($MM)	2,036
LP Units Outstanding (MM)	101.8
Implied MQD / Distribution ($ / unit)	0.58
IPO Size ($MM)	750
Public Units (MM)	37.5
Public Ownership (%)	36.8%
Sponsor Ownership (%)	63.2%

Source: Company Data, Morgan Stanley Research

Exhibit 9

NI MLP (CPPL) Estimated Distributable Cash Flow

Estimated Distributable Cash Flow

$MM

Twelve Months Ending September 30, 2015

	2015
Total EBITDA	620.0
MLP Initial EBITDA	90.5
Less: Cash Interest Paid	(2.6)
Less: Income Taxes Paid & Other	(6.4)
Less: Main. Capex	(15.8)
Total DCF	65.70
Coverage	1.10x
Total Distributions	59.73
Market Cap	2,036
Net Debt	758
Enterprise Value	2,794

Source: Company Data, Morgan Stanley Research

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September 30, 2014
NiSource, Inc.

Exhibit 10

NI MLP Illustrative Analysis (CPPL)

MLP Summary Page	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E
Unit Value (trading to a 2.5% yield)	$27.60	$29.81	$31.16	$32.85	$33.36	$34.07	$33.39	$32.87	$32.48	$31.60
Equity Raised	3,227.1	774.8	1,159.8	1,157.7	1,421.9	1,688.7	1,957.0	2,226.2	2,495.7	2,583.5
Debt Raised	268.8	516.6	773.2	771.8	947.9	1,125.8	1,304.7	1,484.1	1,663.8	1,722.3
EBITDA	140.5	225.5	345.5	500.5	690.5	915.5	1,175.5	1,470.5	1,800.5	2,135.3
Debt	399.5	916.0	1,689.2	2,461.0	3,408.9	4,534.7	5,839.4	7,323.5	8,987.3	10,709.6
Interest Expense	16.0	36.6	67.6	98.4	136.4	181.4	233.6	292.9	359.5	428.4
Maintenance Capex	14.1	22.6	34.6	50.1	69.1	91.6	117.6	147.1	180.1	213.5
Cash Flow Distributed to GP + LP	**83.5**	**122.2**	**196.4**	**297.6**	**414.2**	**569.4**	**727.5**	**923.7**	**1,163.5**	**1,405.5**
Unit Structure										
Common Units	116.6	142.6	179.8	215.1	257.7	307.2	365.9	433.6	510.4	592.2
GP Interest Unit Equivalent	2.4	2.9	3.7	4.4	5.3	6.3	7.5	8.8	10.4	12.1
Total Units Outstanding (incl. implied GP int	119.0	145.5	183.5	219.4	262.9	313.5	373.3	442.4	520.8	604.3
Expected Distribution per Unit	**$0.69**	**$0.83**	**$0.95**	**$1.10**	**$1.20**	**$1.32**	**$1.39**	**$1.46**	**$1.53**	**$1.58**
Total unit distribution coverage	**1.32x**	**1.36x**	**1.24x**	**1.18x**	**1.17x**	**1.13x**	**1.13x**	**1.12x**	**1.08x**	**1.06x**
Calculation of Incentive Distributions										
Distribution Levels										
MQD (Minimum Quarterly Distributions)	$0.58	$0.58	$0.58	$0.58	$0.58	$0.58	$0.58	$0.58	$0.58	$0.58
First Target	$0.66	$0.66	$0.66	$0.66	$0.66	$0.66	$0.66	$0.66	$0.66	$0.66
Second Target	$0.72	$0.72	$0.72	$0.72	$0.72	$0.72	$0.72	$0.72	$0.72	$0.72
Third Target	$0.86	$0.86	$0.86	$0.86	$0.86	$0.86	$0.86	$0.86	$0.86	$0.86
Incentive Distribution GP Sharing Percentage										
MQD (Minimum Quarterly Distributions)	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
First Target	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
Second Target	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Third Target	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
thereafter	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%
Distribution of MQD (Implied initial 3% Yield)	0	0	0	0	0	0	0	0	0	0
Common Units	67.0	82.0	103.4	123.7	148.2	176.7	210.4	249.3	293.5	340.5
GP Interest Unit Equivalent	1.4	1.7	2.1	2.5	3.0	3.6	4.3	5.1	6.0	6.9
Total MQD Distribution	68.4	83.7	105.5	126.2	151.2	180.3	214.7	254.4	299.5	347.5
per Common Unit	$0.58	$0.58	$0.58	$0.58	$0.58	$0.58	$0.58	$0.58	$0.58	$0.58
First Target Distribution										
Common Units	9.9	12.1	15.2	18.2	21.8	26.0	30.9	36.6	43.1	50.1
GP Interest Unit Equivalent	0.2	0.2	0.3	0.4	0.4	0.5	0.6	0.7	0.9	1.0
Cash Distributed	10.1	12.3	15.5	18.5	22.2	26.5	31.6	37.4	44.0	51.1
per Common Unit	$0.08	$0.08	$0.08	$0.08	$0.08	$0.08	$0.08	$0.08	$0.08	$0.08
Second Target Distribution										
Common Units	4.2	7.0	8.8	10.5	12.6	15.0	17.9	21.2	24.9	28.9
GP Interest Unit Equivalent	0.7	1.2	1.6	1.9	2.2	2.6	3.2	3.7	4.4	5.1
Cash Distributed	5.0	8.2	10.3	12.4	14.8	17.7	21.0	24.9	29.3	34.1
per Common Unit	$0.04	$0.05	$0.05	$0.05	$0.05	$0.05	$0.05	$0.05	$0.05	$0.05
Third Target Distribution										
Common Units	0.0	13.5	19.4	23.2	27.8	33.1	39.4	46.7	55.0	63.8
GP Interest Unit Equivalent	0.0	4.5	6.5	7.7	9.3	11.0	13.1	15.6	18.3	21.3
Cash Distributed	0.0	18.0	25.8	30.9	37.0	44.2	52.6	62.3	73.4	85.1
per Common Unit	$0.00	$0.09	$0.11	$0.11	$0.11	$0.11	$0.11	$0.11	$0.11	$0.11
Remaining Distribution										
Common Units	0.0	0.0	19.6	54.8	94.5	150.4	203.8	272.3	358.6	443.9
GP Interest Unit Equivalent	0.0	0.0	19.6	54.8	94.5	150.4	203.8	272.3	358.6	443.9
Cash Distributed	0.0	0.0	39.2	109.6	188.9	300.8	407.7	544.7	717.3	887.8
per Common Unit	$0.00	$0.00	$0.11	$0.25	$0.37	$0.49	$0.56	$0.63	$0.70	$0.75
Total Distributions										
Common Units	81.1	114.5	166.4	230.3	304.8	401.2	502.4	626.2	775.3	927.2
GP Interest Unit Equivalent	2.3	7.6	30.1	67.3	109.4	168.2	225.1	297.5	388.3	478.3
Total Distributions	83.5	122.2	196.4	297.6	414.2	569.4	727.5	923.7	1,163.5	1,405.5
Gp Distribution as % Total	*3%*	*6%*	*15%*	*23%*	*26%*	*30%*	*31%*	*32%*	*33%*	*34%*
Common Units (at IPO, no further participatio	73.7	73.7	73.7	73.7	73.7	73.7	73.7	73.7	73.7	73.7
% of Total Common Units	63.2%	51.6%	41.0%	34.2%	28.6%	24.0%	20.1%	17.0%	14.4%	12.4%
Share of LP Distribution	50.8	61.0	70.1	80.7	88.7	97.6	102.5	107.6	113.0	116.4
Share of GP Distribution	2.3	7.6	30.1	67.3	109.4	168.2	225.1	297.5	388.3	478.3
Total MLP Distributions	53.1	68.6	100.2	147.9	198.1	265.8	327.5	405.1	501.2	594.6

Source: Company Data, Morgan Stanley Research

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September 30, 2014
NiSource, Inc.

Exhibit 11

NI Midstream Illustrative Capex

Top-Down Capex													
	2012	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Total CPG Capex	490	798	807	1,125	1125	1125	1125	1125	1125	1125	1125	1125	1125
Maintanence Capex			125	125	125	125	125	125	125	125	125	125	125
Total - Maintanence			682	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000
Columbia Gas Modernization	300	300	300	300	300	300	300	300	300	300	300	300	300
Midstream Capex			175	175	175	175	175	175	175	175	175	175	175
Residual Pipeline & Storage Capex			**207**	**525**	**525**	**525**	**525**	**525**	**525**	**525**	**525**	**525**	**525**
Bottom-Up Growth Capex													
			2014	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Columbia Gas Modernization			300	300	300	300	300	300	300	300	300	300	300
Pipeline & Storage Capex			300	310	950	1623	438						
Midstream Capex			85	95	280	30	30						
Total CPG Capex			**685**	**705**	**1,530**	**1,953**	**768**	**300**	**300**	**300**	**300**	**300**	**300**
Modeled Growth Capex													
Columbia Gas Modernization			300	300	300	300	300	300	300	300	300	300	300
Pipeline & Storage Capex			207	525	950	1623	525	525	525	525	525	525	525
Midstream Capex			175	175	280	175	175	175	175	175	175	175	175
Total Growth Capex			**682**	**1,000**	**1,530**	**2,098**	**1,000**	**1,000**	**1,000**	**1,000**	**1,000**	**1,000**	**1,000**
Maintanence Capex			125	125	125	125	125	125	125	125	125	125	125
Total CPG Capex			**807**	**1,125**	**1,655**	**2,223**	**1,125**	**1,125**	**1,125**	**1,125**	**1,125**	**1,125**	**1,125**
Columbia Gas Modernization			300	300	300	300	300	300	300	300	300	300	300
Assumed Multiple			8.7x	8.7x	8.7x	8.7x	8.7x	8.7x	8.7x	8.7x	8.7x	8.7x	8.7x
Pipeline & Storage Capex			207	525	950	1,623	525	525	525	525	525	525	525
Assumed Multiple			8.7x	8.7x	8.7x	8.7x	8.7x	8.7x	8.7x	8.7x	8.7x	8.7x	8.7x
Midstream Capex			175	175	280	175	175	175	175	175	175	175	175
Assumed Multiple			7.4x	7.4x	7.4x	7.4x	7.4x	7.4x	7.4x	7.4x	7.4x	7.4x	7.4x
Additional EBITDA				**82**	**119**	**182**	**245**	**119**	**119**	**119**	**119**	**119**	**119**
pipeline				*58*	*95*	*144*	*221*	*95*	*95*	*95*	*95*	*95*	*95*
midstream				24	24	38	24	24	24	24	24	24	24
Total EBITDA	497	549	595	640	**771**	**968**	**1,232**	**1,376**	**1,522**	**1,670**	**1,822**	**1,977**	**2,135**
Invested Capex			4,000	**5,125**	**6,780**	**9,003**	**10,128**	**11,253**	**12,378**	**13,503**	**14,628**	**15,753**	**16,878**

Source: Company Data, Morgan Stanley Research

Valuation of Combined NI

To determine fair value for the newly reconfigured NI, we leverage two primary methods: 1) sum of parts analysis and 2) relative trading multiples against the two newly formed entities' closest comps. Excluded from our formal price target derivation but nonetheless likely to be tools as well over time are implied dividend yield/growth and dividend discount model analyses as COLP executes on its business strategies and transitions to a general partner holdco model pivoting toward a high dividend payout and growth-focused model. **As a result of formal announcement of plans to pursue an MLP as well as management's new strategic decision to fully separate the midstream and utility businesses, we are raising our price target on NI to $45 (from $43).**

- **1.) Sum of Parts Analysis - $49 fair value.** Given the disparate nature of NI's assets and resulting strategic decision toward separation, sum of parts analysis is particularly helpful as it isolates the various sources of value uplift. In the following pages, we detail the illustrative impact of MLP formation and pursuit of a dual growth capital expenditure and parent asset dropdown strategy as it relates to the economics benefits of COLP's general and limited partner interests. With the separation of the utility and midstream businesses, full value recognition of the two businesses and its attendant structures is more likely, but we note could take time to achieve as growth project execution and return of cash to shareholders is realized.

Exhibit 12

NI Sum of Parts Analysis

NiSource, Inc.
NI

NiSource Inc.	Value ($m)	$/Share
Gas Distribution	$ 6,429	$ 20.34
Gas Transmission & Storage	19,567	61.90
Electric Utility	3,738	11.82
Value	$ 29,733	$ 94.06
Net Debt	(14,237)	(45.04)
Net Equity Value	$ 15,496	$ 49.02
Shares Outstanding (in m)		316.1

GAS DISTRIBUTION	
Forward EBIT (2015E)	$531
Interest	$136
Tax Rate	35%
Net Income	$257
Forward multiple	16.0x
Equity value	$4,111
Debt	$2,318
Enterprise value	$6,429

GAS TRANSMISSION & STORAGE (on a PV basis)	
MLP Drop-down Proceeds	$13,775
MLP GP Valuation	4,390
MLP LP Value	1,401
Enterprise value	$19,567

ELECTRIC UTILITY	
Forward EBIT (2015E)	$323
Interest	$79
Tax Rate	35%
Net Income	$158
Forward multiple	15.5x
Equity value	$2,452
Debt	$1,286
Enterprise value	$3,738

EBITDA Breakdown		
Gas Distribution	$754	38%
Gas Transmission & Storage	$688	34%
Electric Utility	$567	28%
	$2,009	

Consolidated	
Interest Expense (2015)	531
Tax Rate (2015)	35%
Incremental Funding Obligation (dropdown period)	$4,945

Source: Company Data, Morgan Stanley Research

Morgan Stanley

MORGAN STANLEY RESEARCH

September 30, 2014
NISource, Inc.

Exhibit 13

NI Value from CPPL MLP Formation & Subsequent Midstream Asset Dropdowns

Assumptions	
C-Corp	
Discount Rate (on cash proceeds)	10.0%
Return Spread (on cash proceeds)	5.0%
Tax Rate	35%
Tax Deferral on LP Units	50%
LP Units Holdco Discount	10%
GP	
Discount Rate	10.0%
Terminal Multiple	20.0x
LP	
Discount Rate	10.0%
Terminal Yield	5.0%

MLP
Valuation

MLP Drop-down Proceeds	$ 13,775
MLP GP Valuation	$ 4,390
MLP LP Value	$ 1,401
Total Value	19,567

MLP Drop-down Proceeds	
Dropdown, GP+LP, net	$13,157
Total NPV Proceeds	$13,775

MLP GP Valuation	
Total Value	19,567

MLP LP Value		
LP Price Target		21.14
Holdco Discount		10%
NPV, LP Value	$	1,401

MLP
Asset Dropdown Schedule

Date	9/29/2014		12/31/2015	12/31/2016	12/31/2017	12/31/2018	12/31/2019	12/31/2020	12/31/2021	12/31/2022	12/31/2023	12/31/2024	
Discount period			0.6	1.6	2.6	3.6	4.6	5.6	6.6	7.6	8.6	9.6	9.6
EBITDA	620	529	640	771	968	1,232	1,376	1,522	1,670	1,822	1,877	2,135	
Contributed EBITDA			50	85	120	155	190	225	260	295	330	335	
Cumulative Contributed EBITDA			141	226	346	501	691	916	1,176	1,471	1,801	2,135	
% of Entity Owned By MLP		15%	22%	29%	36%	41%	50%	60%	70%	81%	91%	100%	

		IPO Proceeds	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	Terminal LP Value
			EBITDA Drop-down Value										
EBITDA to Sold to MLP		91	50	85	120	155	190	225	260	295	330	335	2,135
Multiple Paid (peer avg. IPO discount)		31.1x	9.5x	9.5x	9.5x	9.5x	9.5x	9.5x	9.5x	9.5x	9.5x	9.5x	12.5x
MLP Enterprise Value Added		$ 2,794	$ 475	$ 808	$ 1,140	$ 1,473	$ 1,806	$ 2,138	$ 2,470	$ 2,803	$ 3,135	$ 3,181	$ 26,592
Debt		111	190	323	456	589	722	855	988	1,121	1,254	1,272	7,881
% Debt			*40%*	*40%*	*40%*	*40%*	*40%*	*40%*	*40%*	*40%*	*40%*	*40%*	
Debt/EBITDA			*2.8x*	*4.1x*	*4.9x*	*4.9x*	*4.9x*	*5.0x*	*5.0x*	*5.0x*	*5.0x*	*5.0x*	
Total EBITDA		*91*	*141*	*226*	*346*	*501*	*691*	*916*	*1,176*	*1,471*	*1,801*	*2,135*	
Total Debt		*111*	*399*	*916*	*1,689*	*2,461*	*3,409*	*4,535*	*5,839*	*7,323*	*8,987*	*10,710*	
Equity		2,794	285	485	684	884	1,083	1,283	1,482	1,682	1,881	1,908	18,711
27% IPO Offered to Public		*750*											
Dropdown Cash Proceeds		861	475	808	1,140	1,473	1,805	2,138	2,470	2,803	3,135	3,181	
Return on Cash Proceeds			-	-	-	57	74	90	107	124	140	157	
GP Distributions			2	8	30	67	109	168	225	297	388	478	
LP Distributions			51	61	70	81	89	98	102	108	113	116	
IPO Proceeds after tax		$ 619											
After tax, discounted cash flow			$ 496	$ 753	$ 972	$ 1,201	$ 1,362	$ 1,503	$ 1,612	$ 1,708	$ 1,797	$ 1,752	
Discount Rate		10.0%											
LP assumed tax deferral		80%	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%	
Tax Rate		35%	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%	
Total Estimated Cost Basis	$11,110												
Allocated Cost Basis		1,397.0	237.5	403.6	570.0	736.3	902.5	1,068.8	1,235.0	1,401.3	1,567.5	1,590.4	
Total Dropped	$32,220												
% Dropped Down		13%	2%	4%	5%	7%	8%	10%	11%	13%	14%	14%	
Consolidated Capex			1,125	1,655	2,223	1,125	1,125	1,125	1,125	1,125	1,125	1,125	
C-Corp Capex			570	1,171	1,429	668	560	448	333	217	101	0	
Residual Proceeds			(403)	(364)	(289)	804	1,245	1,689	2,137	2,585	3,034	3,181	

Source: Company Data, Morgan Stanley Research

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September 30, 2014
NISource, Inc.

Exhibit 14

NI Illustrative Value of CPPL General & Limited Partner Interests in MLP

MLP

General Partner (GP) Interest Valuation

			0.6	1.6	2.6	3.6	4.6	5.6	6.6	7.6	8.6	9.6
GP Value	$ 4,390		**2015E**	**2016E**	**2017E**	**2018E**	**2019E**	**2020E**	**2021E**	**2022E**	**2023E**	**2024E**
GP IDR discount rate	10.00%	*GP IDRs*	$ 2	$ 8	$ 30	$ 67	$ 109	$ 168	$ 225	$ 297	$ 388	$ 478
GP terminal multiple	20.0x	*Taxes*	-	(3)	(11)	(24)	(38)	(59)	(79)	(104)	(136)	(167)
		Net	$ 2	$ 5	$ 20	$ 44	$ 71	$ 109	$ 146	$ 193	$ 252	$ 311
		PV	2	4	15	31	46	64	78	93	111	124
		Terminal value										$ 9,565
		PV of Terminal value										$ 3,821

MLP

Limited Partner (LP) Interest Valuation

			0.6	1.6	2.6	3.6	4.6	5.6	6.6	7.6	8.6	9.6
LP Value	$ 1,557		**2015E**	**2016E**	**2017E**	**2018E**	**2019E**	**2020E**	**2021E**	**2022E**	**2023E**	**2024E**
Distribution per unit			$0.69	$0.83	$0.95	$1.10	$1.20	$1.32	$1.39	$1.46	$1.53	$1.58
Terminal value of paid distribution												$ 31.60
PV of paid distributions per unit		$0.58	$ 0.65	$ 0.71	$ 0.74	$ 0.77	$ 0.77	$ 0.77	$ 0.74	$ 0.71	$ 0.67	$ 0.63

Sum of PV of paid distributio	$ 7.12
PV of terminal value	12.62
Equity value per unit	**$ 19.74**
Forecasted equity value in 1	**$ 21.14**

Assumptions	
1-5 year distribution CAGR	6.15%
4-9 year distribution CAGR	5.57%
Current yield	2.50%
Terminal value trading yield	5.00%
Forward US 10-Year Yield	3.50%
Equity Risk Premium	5.00%
Stock Specific Risk Premium	1.50%
Discount rate	**10.00%**
Terminal Discount rate	**10.00%**

Source: Company Data, Morgan Stanley Research

Morgan Stanley

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September 30, 2014
NiSource, Inc.

➢ **2.) Relative Trading Multiples - $43 fair value.** While a range of outcomes is likely here – perhaps more so on the COLP side in the degree to which it maximizes the potential value of its general partner interest in CPPL and achieves valuation credit in line with high dividend growth peers – reference to NI's closest midstream and utility segment peers helps bracket valuation. For the midstream business, we have triangulated across EV/EBITDA, Price / Cash Flow and forward dividend yield, while the utility valuation has centered on P/E metrics.

Exhibit 15

NI New Stand-Alone Entities Comparable Metrics

Pro-Forma Net Debt	(3,000)
Pro-Forma Shares	316.1

			EV / Adj. EBITDA				Price / CF				Forward Yield			Dividend Growth		
			15E		16E		15E		16E		15E		16E	15E	16E	17E
ONEOK Inc	OKE		16.2x		14.6x		25.3x		22.2x		3.9%		4.3%	11.4%	10.8%	9.7%
Spectra Energy Corp	SE		17.0x		15.7x		23.0x		20.2x		3.8%		4.1%	8.8%	7.4%	5.0%
Williams Cos	WMB		14.8x		13.0x		18.8x		16.5x		4.5%		5.2%	17.3%	16.0%	15.0%
Average			16.0x		14.4x		22.4x		19.6x		4.1%		4.5%	12.5%	11.4%	9.9%
Columbia Pipeline Group	**COLP**															
		15.0x	$20.88	13.5x	$20.85	19.0x	$18.70	16.5x	$18.64	4.75%	$20.72	5.25%	$24.04			
		15.5x	$21.89	14.0x	$21.97	20.5x	$20.18	18.0x	$20.55	4.50%	$21.87	5.00%	$25.37			
		16.0x	$22.90	14.5x	$23.10	22.0x	$21.65	19.5x	$22.27	4.25%	$23.16	4.75%	$26.87			
		16.5x	$23.92	15.0x	$24.22	23.5x	$23.13	21.0x	$23.98	4.00%	$24.60	4.50%	$28.55			
		17.0x	$24.93	15.5x	$25.34	25.0x	$24.60	22.5x	$25.69	3.75%	$26.25	4.25%	$30.45			
			P/E				P/E				P/E			EPS Growth		
			15E		16E		15E		16E		15E		16E	3-Yr		
Gas LDC Group Median			16.1x		15.4x		16.1x		15.4x		16.1x		15.4x	5%		
Pro-Forma NiSource	**NI**															
NiSource Gas Distribution																
		15.0x	$12.19	14.5x	$12.37	15.0x	$12.19	14.5x	$12.37	15.0x	$12.19	14.5x	$12.37			
		15.5x	$12.60	15.0x	$12.80	15.5x	$12.60	15.0x	$12.80	15.5x	$12.60	15.0x	$12.80			
		16.0x	$13.00	15.5x	$13.23	16.0x	$13.00	15.5x	$13.23	16.0x	$13.00	15.5x	$13.23			
		16.5x	$13.41	16.0x	$13.65	16.5x	$13.41	16.0x	$13.65	16.5x	$13.41	16.0x	$13.65			
		17.0x	$13.82	16.5x	$14.08	17.0x	$13.82	16.5x	$14.08	17.0x	$13.82	16.5x	$14.08			
			P/E				P/E				P/E			EPS Growth		
			15E		16E		15E		16E		15E		16E	3-Yr		
Regulated Utilities Group Median			15.3x		14.2x		15.3x		14.2x		15.3x		14.2x	5%		
Nipsco																
		14.5x	$7.26	13.0x	$6.83	14.0x	$7.01	13.0x	$6.83	14.0x	$7.01	13.0x	$6.83			
		15.0x	$7.51	13.5x	$7.09	14.5x	$7.26	13.5x	$7.09	14.5x	$7.26	13.5x	$7.09			
		15.5x	$7.76	14.0x	$7.36	15.0x	$7.51	14.0x	$7.36	15.0x	$7.51	14.0x	$7.36			
		16.0x	$8.01	14.5x	$7.62	15.5x	$7.76	14.5x	$7.62	15.5x	$7.76	14.5x	$7.62			
		16.5x	$8.26	15.0x	$7.88	16.0x	$8.01	15.0x	$7.88	16.0x	$8.01	15.0x	$7.88			
Total Consolidated Value	**NI**															
			$40.33		$40.06		$37.90		$38.05		$39.92		$43.24			
			$42.00		$41.87		$40.03		$40.45		$41.73		$45.27			
			$43.67		$43.68		$42.16		$42.85		$43.67		$47.45			
			$45.34		$45.50		$44.30		$45.25		$45.77		$49.82			
			$47.00		$47.31		$46.43		$47.66		$48.07		$52.41		2015 Avg	
Minimum			$40.33		$40.06		$37.90		$38.05		$39.92		$43.24		$39.38	
Average			$43.67		$43.68		$42.16		$42.85		$43.83		$47.64		$43.22	
Maximum			$47.00		$47.31		$46.43		$47.66		$48.07		$52.41		$47.17	

Source: Company Data, Morgan Stanley Research

Morgan Stanley

MORGAN STANLEY RESEARCH

September 30, 2014
NISource, Inc.

- **Implied Dividend Yield/Growth & Dividend Discount Model analysis.** Given the challenges associated with transitioning from direct ownership of assets to an asset-light general partner holdco model in terms of immediate recurring cash flow displacement, uncertainty exists as far as COLP's immediate payout ratio. By way of referencing, SEMG –which faces a similar challenge as it completes its dropdown strategy – has elected a payout strategy underpinned solely by cash flows in its MLP interests and excludes direct asset ownership from its distributable cash flow calculation. Over time, however, as COLP reaches an inflection in this transaction as general partner cash flows reach critical mass, asset-level EBITDA shrinks in proportionate contribution and redeployment of cash proceeds from dropdowns manifests itself in tangible benefits, we would expect yield-based valuation to ascend in importance to investors and growth positioning relative to general partner peers to be of primary importance. Consistent with this view, a dividend discount model can help derive value from long-term general partner cash flows while also offering the ability to flex up or down to sensitize for the optionality to new growth investment at the MLP level. Over time, therefore, we would expect to include both of these approaches in our formal price target methodology as payout normalization and strategic focus on payout growth dictate.

Exhibit 16

COLP Free Cash Flow Analysis

COLP	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E
EBITDA from Assets at CPG OpCo	$ 499	$ 546	$ 623	$ 732	$ 685	$ 606	$ 495	$ 352	$ 177	$ -
Cash flow from MLP LP distribution	44	53	61	70	77	85	89	94	99	102
Cash flow from MLP GP distribution	2	8	30	67	109	168	225	297	388	478
Corporate capex & other	(10)	(10)	(10)	(10)	(10)	(10)	(10)	(10)	(10)	(10)
Corporate interest	(135)	(135)	(135)	(135)	(135)	(135)	(135)	(135)	(135)	(135)
Maintanence Capex	(50)	(55)	(62)	(73)	(68)	(61)	(49)	(35)	(18)	-
Taxes	(40)	(46)	(57)	(72)	(73)	(71)	(66)	(60)	(52)	(43)
Other / Reinvestment of Dropdown Cash Proceeds	-	-	-	57	74	90	107	124	140	157
effective cash tax rate	*10%*	*10%*	*10%*	*10%*	*10%*	*10%*	*10%*	*10%*	*10%*	*10%*
Total COLP estimated Free Cash Flow	**$ 311**	**$ 361**	**$ 450**	**$ 636**	**$ 659**	**$ 673**	**$ 655**	**$ 627**	**$ 589**	**$ 548**
COLP shares outstanding	316	316	316	316	316	316	316	316	316	316
COLP free cash flow per share	$ 0.98	$ 1.14	$ 1.42	$ 2.01	$ 2.09	$ 2.13	$ 2.07	$ 1.98	$ 1.86	$ 1.73
Assumed COLP dividend	$ 0.29	$ 0.38	$ 0.47	$ 0.59	$ 0.71	$ 0.85	$ 1.02	$ 1.17	$ 1.29	$ 1.35
Dividend growth rate		30.0%	25.0%	25.0%	20.0%	20.0%	20.0%	15.0%	10.0%	5.0%
Free cash flow growth rate		16%	25%	41%	4%	2%	-3%	-4%	-6%	-7%
Dividend coverage ratio	3.38x	3.03x	3.02x	3.42x	2.95x	2.51x	2.04x	1.69x	1.45x	1.28x
Taxes										
Assets at CPG OpCo	175	191	218	256	240	212	173	123	62	-
LP Distribution	3	4	4	5	5	6	6	7	7	7
GP Distribution	-	-	11	24	38	59	79	104	136	167
Tax Shields	(138)	(149)	(176)	(212)	(211)	(205)	(192)	(174)	(153)	(131)
Total Taxes	**40**	**46**	**57**	**72**	**73**	**71**	**66**	**60**	**52**	**43**
	2015E	**2016E**	**2017E**	**2018E**	**2019E**	**2020E**	**2021E**	**2022E**	**2023E**	**2024E**
LP / GP Cash from MLP										
MLP shares owned	64	64	64	64	64	64	64	64	64	64
MLP distribution/share	$0.69	$0.83	$0.95	$1.10	$1.20	$1.32	$1.39	$1.48	$1.53	$1.58
Cash from ownership in MLP LP	44	53	61	70	77	85	89	94	99	102
% LP tax deferred (*MS assumption*)	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%
Tax rate on LP distributions	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%
Cash from ownership in MLP GP	2	8	30	67	109	168	225	297	388	478
Tax rate on GP distributions	0%	0%	35%	35%	35%	35%	35%	35%	35%	35%
Net overall tax rate on MLP distributions (LP + GP)	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*100%*	*100%*	*100%*	*92%*
Cash tax rate on assets at OpCo	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%
OpCo net pro forma corp debt	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000
Proportionate debt issued to fund capex	$876	$1,171	$1,429	$666	$560	$448	$333	$217	$101	$0
Cash proceeds from asset dropdowns	$475	$808	$1,140	$1,473	$1,805	$2,138	$2,470	$2,803	$3,135	$3,161
Interest rate (assumed)	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
OpCo cash on hand	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Interest rate (assumed)	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Pro forma proportionate expansion capex	$1,034	$1,421	$1,754	$625	$722	$610	$493	$371	$248	$140
Maintanence capex	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%

Source: Company Data, Morgan Stanley Research

Valuation Methodology & Risks

Assets in an MLP have typically traded at a premium to C-Corps. MLPs have traded at higher valuations than would similar assets in a corporate structure due to: 1) their tax efficiency (no federal taxes) and 2) the premium investors tend to place on yield. These two factors have typically produced: 3) a lower cost of capital, which can facilitate a potentially faster growth rate.

Interest rates are not the driver. Although MLPs have benefited from declining interest rates, so have other asset classes. We believe that gains in MLP stocks are a function of their ability to grow cash flows, not just their current yield.

The key value proposition is total return (growing cash flow yield + stock price appreciation). We find a statistically insignificant correlation between bond and MLP prices. Several periods of rate increases (1994, 1999, 2004) are correlated with poor performance, but there is little day-to-day link.

Distribution discount models (DDM) and implied yield targets. We use a 10-year distribution discount model to arrive at our price targets along with our implied yield target for each individual MLP as we view long-term cash flow stability and growth as the true measure of an MLP stock's value.

Yield spread. Despite historical day-to-day insignificance, we think this is worth looking at as a check on valuation. Overall, yields tend to revert to their mean, and even if we have modest yield compression, significant share price upside is possible.

Multiples provide valuation check. While we generally think it is difficult to target an EV (enterprise value) / EBITDA or P / DCF (distributable cash flow) multiple for an MLP stock, we think it certainly provides a gauge as to the stock's valuation. Currently, MLP multiples are near their historical average over time and we believe this provides another metric of valuation support along with looking at the high yield spreads and distribution growth.

Relative (historical) valuation measures support MLPs. The primary argument against improving valuation is weak relative performance in a rising interest rate environment. While we believe that the relationship to Treasury yields will become less relevant over time, using traditional dividend yield analysis, and the MLP index dividend yield spread to Treasury MLPs appear undervalued. Valuation supports MLPs relative to peers. Pipeline MLPs offer organic growth in a rising petroleum demand environment that requires infrastructure development. When we compare MLPs to comparable income asset classes — utilities and REITs — the valuation disconnect is unwarranted, in our opinion, as the pipeline MLPs offer twice the implied return of REITs and utilities.

Distribution growth is predicated on energy fundamentals. The United States is short on critical energy infrastructure, much of which has scarcity/franchise value, in our view, and this should drive a number of expansion projects for MLPs over the next five years. This scarcity is apparent, given the age of most US energy infrastructure assets (many were constructed during or shortly after World War II), combined with approximately 1.5–2.0% demand growth for oil, natural gas, and refined products, along with changing sources of supply for natural gas — deepwater Gulf of Mexico, the US Rockies, and liquefied natural gas (LNG) versus more traditional, conventional sources of supply.

Access to capital markets is of particular importance in this space. Given that MLPs pay out a majority of their free cash flow to unitholders each quarter, growth is funded largely through ongoing debt and equity capital raises. To the extent MLPs are unable to raise financing on favorable terms, organic capital spending budgets and third party acquisitions will likely be delayed or forgone. A prolonged period of limited capital market access could place downward pressure on unit prices if investors are concerned that distribution growth could be limited for a significant amount of time.

Investment concerns. The risks to our thesis include economic growth and demand, alternative energy programs, legislative items including tax reform and easing of product restrictions for natural gas and refined products, as well as a return to Treasury yield valuation and infrastructure reliability. Increased institutional ownership would likely create a revaluation of the sector, as new money would flood the current market. Our analysis is based on the current capital markets and economic outlook, with our Overweight names likely to outperform with or without institutional equity.

Glossary of MLP Terms

Cash Available (distributable cash flow or "DCF"): This is calculated as net income plus depreciation and other non-cash items, less maintenance capital expenditure requirements.

Cash Distributed (distributions): Quarterly dividend payments made to limited partner (LP) and general partner (GP) investors. These amounts are set by the GP and are supported by an MLP's operating cash flows.

Distribution Coverage Ratio: Calculated as cash available to limited partners divided by cash distributed to limited partners. It gives an indication of an MLP's ability to make dividend payments to limited partner investors from operating cash flows. MLPs with a coverage ratio of in excess of 1.0 times are able to meet their dividend payments without external financing.

Yield or Distribution Yield: Yield or distribution yield as referenced in this report are defined as most recent distribution declared, annualized, and then divided by the current market price. It may consist of short-term capital gains, long-term capital gains, and/or return of capital.

General Partner (GP): Corporate sponsor, management team, or financial investor that typically owns a 2% interest in the MLP. Through this 2% interest, the GP has the responsibility for the operations and maintenance of the MLP and the authority to make decisions. To align the interests of the GP with the limited partners, MLPs have an incentive distribution schedule that rewards the GP for increasing the cash distributions to the limited partners.

Incentive Distribution Rights (IDRs): Increases in cash distributions entitle the GP to a higher percentage of the incremental distributed cash flows. These per unit target levels are set out specifically in the MLP agreement and give the GP a larger percentage of the incremental dollars (in many cases upwards of 50% of incremental cash payouts).

Limited Partner (LP): Owners of the limited partner units that are entitled to receive the majority of the cash flows generated by the partnership through a quarterly distribution. LPs typically cannot participate in making decisions regarding the operation of the MLP unless they secure a definitive majority (e.g., 66%, but it can vary) in a proxy vote.

K-1 Statement: This is the form that an MLP investor receives each year from the partnerships that shows the investor's share of the partnership's income, gain, loss, deductions, and credits. The K-1 is similar to a Form 1099 that is received from a corporation. The investor will pay tax on the portion of net income that is allocated at his or her individual tax rate.

Publicly Traded Partnership (PTP): a master limited partnership (MLP) or a limited liability company that has chosen to be taxed as a partnership, which is publicly traded. There are roughly 75 publicly traded partnerships and the majority is involved in energy-related activities. Energy related PTP's comprise approximately 85% of total PTP market cap, with REITs making up the majority of the 15% balance.

Qualifying Income: In order to be taxed as a partnership, 90 percent of a PTP's income must be "qualifying income" every year that it is a publicly traded partnership. Qualifying income can include 1) interest 2) dividends 3) real property rents 4) gains from the sale or other disposition of real estate 5) income and gains from the exploration, development, mining, or production, processing, refining, transportation, or marketing of any mineral or natural resource 6) Any gain from selling or disposing of a capital asset held for the production of any of the types of income in numbers 1-5 7) Income and gains from commodities, if buying and selling commodities is the PTP's principal activity 8) Any income that would be qualifying income for a regulated investment company (RIC) or real estate investment trust (REIT).

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MORGAN STANLEY RESEARCH

September 30, 2014
NiSource, Inc.

MORGAN STANLEY ModelWare	**Morgan Stanley ModelWare is a proprietary analytic framework that helps clients uncover value, adjusting for distortions and ambiguities created by local accounting regulations.** For example, ModelWare EPS adjusts for one-time events, capitalizes operating leases (where their use is significant), and converts inventory from LIFO costing to a FIFO basis. ModelWare also emphasizes the separation of operating performance of a company from its financing for a more complete view of how a company generates earnings.

Disclosure Section

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(as of August 31, 2014)

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	Coverage Universe		Investment Banking Clients (IBC)		
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Overweight/Buy	**1078**	**34%**	**334**	**39%**	**31%**
Equal-weight/Hold	**1378**	**44%**	**413**	**48%**	**30%**
Not-Rated/Hold	**108**	**3%**	**21**	**2%**	**19%**
Underweight/Sell	**566**	**18%**	**93**	**11%**	**16%**
Total	**3,130**		**861**		

Data include common stock and ADRs currently assigned ratings. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months.

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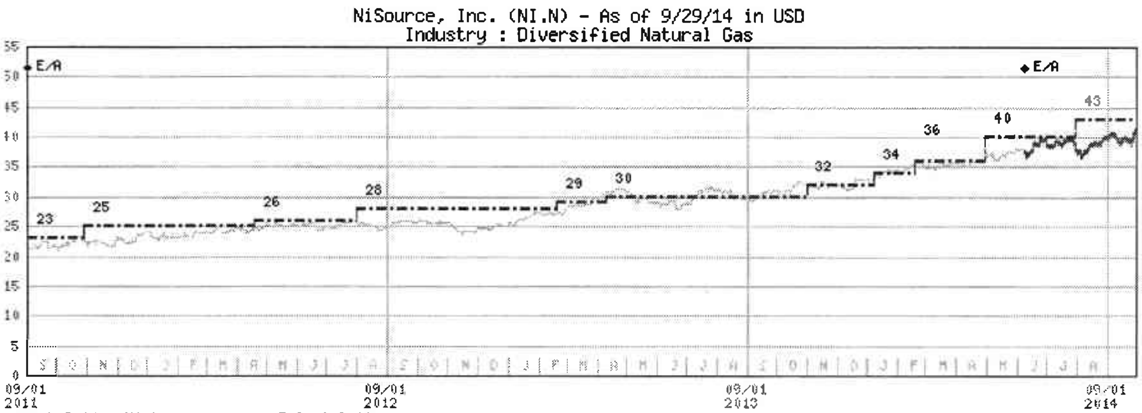
Stock Price, Price Target and Rating History (See Rating Definitions)

Morgan Stanley

MORGAN STANLEY RESEARCH

September 30, 2014
NiSource, Inc.



Stock Rating History: 9/1/11 : E/A; 6/9/14 : E/A

Price Target History: 8/2/11 : 23; 10/28/11 : 25; 4/18/12 : 26; 7/31/12 : 28; 2/19/13 : 29; 4/10/13 : 30; 10/31/13 : 32; 1/8/14 : 34; 2/18/14 : 36; 4/30/14 : 40; 7/31/14 : 43

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target -- No Price Target Assigned (NA)
Stock Price (Not Covered by Current Analyst) Stock Price (Covered by Current Analyst)
Stock and Industry Ratings (abbreviations below) appear as ◆ Stock Rating/Industry View
Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) No Rating Available (NA)
Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

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MORGAN STANLEY RESEARCH

The Americas
1585 Broadway
New York, NY 10036-8293
United States
Tel: +1 (1) 212 761 4000

Europe
20 Bank Street, Canary Wharf
London E14 4AD
United Kingdom
Tel: +44 (0) 20 7 425 8000

Japan
1-9-7 Otemachi, Chiyoda-ku
Tokyo 100-8104
Japan
Tel: +81 (0) 3 6836 5000

Asia/Pacific
1 Austin Road West
Kowloon
Hong Kong
Tel: +852 2848 5200

Industry Coverage:Diversified Natural Gas

Company (Ticker)	Rating (as of)	Price* (09/29/2014)
Brian Lasky		
CenterPoint Energy, Inc (CNP.N)	E (06/09/2014)	$24.46
Cheniere Energy Inc. (LNG.A)	O (06/09/2014)	$81.59
Cheniere Energy Partners L.P. Holdings (CQH.A)	E (06/09/2014)	$24.48
EnLink Midstream LLC (ENLC.N)	E (06/09/2014)	$41.27
Enbridge Energy Partners LP (EEP.N)	U (09/10/2012)	$39.55
Enbridge Energy Partners LP (EEQ.N)	U (12/17/2013)	$37.35
Kinder Morgan Energy Partners LP (KMR.N)	E- (06/09/2014)	$94.5
Kinder Morgan Energy Partners LP (KMP.N)	E (08/14/2014)	$93.6
Kinder Morgan Inc. (KMI.N)	E (06/09/2014)	$38.53
NiSource, Inc. (NI.N)	E (06/09/2014)	$40.84
Oneok Inc. (OKE.N)	O (06/09/2014)	$66.07
SemGroup Corp (SEMG.N)	O (06/09/2014)	$84.26
Spectra Energy Corp. (SE.N)	E (06/09/2014)	$39.23
Williams Companies, Inc (WMB.N)	O (06/09/2014)	$55.99

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* Historical prices are not split adjusted.

Morgan Stanley

MORGAN STANLEY RESEARCH
NORTH AMERICA

Morgan Stanley & Co. LLC

Brian Lasky
Brian.Lasky@morganstanley.com
+1 212 761 7249

Robert S Kad
Robert.Kad@morganstanley.com
+1 212 761 6385

Matthew Giacobbe
Matthew.Giacobbe@morganstanley.com
+1 212 761 7243

Alexander H Renker
Alexander.Renker@morganstanley.com
+1 212 761 4657

September 28, 2014

Stock Rating
Equal-weight

Industry View
Attractive

NiSource, Inc.

Doubling Down on Midstream

NiSource announced its intent to separate into two publicly traded companies and form an MLP. While the formation of a midstream MLP does not come as a surprise given management's previous comments - the breakup of NiSource and Columbia Pipeline Group (CPG) comes as an incremental positive and we expect the market to react favorably to the news. This transaction enables each entity to independently fund and aggressively pursue strategic initiatives (i.e., large-scale project development, M&A). Furthermore, it should provide the market better transparency around each business' cash flow growth and risk profiles. The creation of an MLP through an OpCo structure with 85% of the EBITDA remaining and $12-$15bn in capex over the next decade should create a high growth MLP that will drive meaningful midstream value (both LP and GP) over time. Given CPG's premier asset base located in the Marcellus/Utica shales, we believe premium valuation will be ascribed to both CPG and its pending MLP formation. *We will provide our analysis of this transaction after NI's Analyst Day on 9/29.*

What's new: NI announced its plan to separate into two publicly traded companies (NiSource and Columbia Pipeline Group). The separation is expected to occur in mid-2015. Under the separation plan, NI shareholders would retain their current NI shares and receive a pro-rata dividend of CPG stock in a tax-free transaction. Prior to the separation, NI expects to reduce its net debt with proceeds from a one-time cash distribution from CPG, through long-term debt. NI and CPG will target IG credit metrics. Separately, NI announced its intent to form a midstream MLP. The initial assets will consist of a 14.6% interest in CPG OpCo LP, which will own substantially all of NI's midstream assets.

Key Ratios and Statistics

Reuters: NI.N Bloomberg: NI US
Diversified Natural Gas / United States of America

Shr price, close (Sep 26, 2014)	$38.58
Mkt cap, curr (mm)	$12,238
52-Week Range	$40.66-30.10

Valuation Methodology & Risks

Assets in an MLP have typically traded at a premium to C-Corps. MLPs have traded at higher valuations than would similar assets in a corporate structure due to: 1) their tax efficiency (no federal taxes) and 2) the premium investors tend to place on yield. These two factors have typically produced: 3) a lower cost of capital, which can facilitate a potentially faster growth rate.

Interest rates are not the driver. Although MLPs have benefited from declining interest rates, so have other asset classes. We believe that gains in MLP stocks are a function of their ability to grow cash flows, not just their current yield.

The key value proposition is total return (growing cash flow yield + stock price appreciation). We find a statistically insignificant correlation between bond and MLP prices. Several periods of rate increases (1994, 1999, 2004) are correlated with poor performance, but there is little day-to-day link.

Distribution discount models (DDM) and implied yield targets. We use a 10-year distribution discount model to arrive at our price targets along with our implied yield target for each individual MLP as we view long-term cash flow stability and growth as the true measure of an MLP stock's value.

Yield spread. Despite historical day-to-day insignificance, we think this is worth looking at as a check on valuation. Overall, yields tend to revert to their mean, and even if we have modest yield compression, significant share price upside is possible.

Multiples provide valuation check. While we generally think it is difficult to target an EV (enterprise value) / EBITDA or P / DCF (distributable cash flow) multiple for an MLP stock, we think it certainly provides a gauge as to the stock's valuation. Currently, MLP multiples are near their historical average over time and we believe this provides another metric of valuation support along with looking at the high yield spreads and distribution growth.

Relative (historical) valuation measures support MLPs. The primary argument against improving valuation is weak relative performance in a rising interest rate environment. While we believe that the relationship to Treasury yields will become less relevant over time, using traditional dividend yield analysis, and the MLP index dividend yield spread to Treasury MLPs appear undervalued. Valuation supports MLPs relative to peers. Pipeline MLPs offer organic growth in a rising petroleum demand environment that requires infrastructure development. When we compare MLPs to comparable income asset classes — utilities and REITs — the valuation disconnect is unwarranted, in our opinion, as the pipeline MLPs offer twice the implied return of REITs and utilities.

Distribution growth is predicated on energy fundamentals. The United States is short on critical energy infrastructure, much of which has scarcity/franchise value, in our view, and this should drive a number of expansion projects for MLPs over the next five years. This scarcity is apparent, given the age of most US energy infrastructure assets (many were constructed during or shortly after World War II), combined with approximately 1.5–2.0% demand growth for oil, natural gas, and refined products, along with changing sources of supply for natural gas — deepwater Gulf of Mexico, the US Rockies, and liquefied natural gas (LNG) versus more traditional, conventional sources of supply.

Access to capital markets is of particular importance in this space. Given that MLPs pay out a majority of their free cash flow to unitholders each quarter, growth is funded largely through ongoing debt and equity capital raises. To the extent MLPs are unable to raise financing on favorable terms, organic capital spending budgets and third party acquisitions will likely be delayed or forgone. A prolonged period of limited capital market access could place downward pressure on unit prices if investors are concerned that distribution growth could be limited for a significant amount of time.

Investment concerns. The risks to our thesis include economic growth and demand, alternative energy programs, legislative items including tax reform and easing of product restrictions for natural gas and refined products, as well as a return to Treasury yield valuation and infrastructure reliability. Increased institutional ownership would likely create a revaluation of the sector, as new money would flood the current market. Our analysis is based on the current capital markets and economic outlook, with our Overweight names likely to outperform with or without institutional equity.

Glossary of MLP Terms

Cash Available (distributable cash flow or "DCF"): This is calculated as net income plus depreciation and other non-cash items, less maintenance capital expenditure requirements.

Cash Distributed (distributions): Quarterly dividend payments made to limited partner (LP) and general partner (GP) investors. These amounts are set by the GP and are supported by an MLP's operating cash flows.

Distribution Coverage Ratio: Calculated as cash available to limited partners divided by cash distributed to limited partners. It gives an indication of an MLP's ability to make dividend payments to limited partner investors from operating cash flows. MLPs with a coverage ratio of in excess of 1.0 times are able to meet their dividend payments without external financing.

Yield or Distribution Yield: Yield or distribution yield as referenced in this report are defined as most recent distribution declared, annualized, and then divided by the current market price. It may consist of short-term capital gains, long-term capital gains, and/or return of capital.

General Partner (GP): Corporate sponsor, management team, or financial investor that typically owns a 2% interest in the MLP. Through this 2% interest, the GP has the responsibility for the operations and maintenance of the MLP and the authority to make decisions. To align the interests of the GP with the limited partners, MLPs have an incentive distribution schedule that rewards the GP for increasing the cash distributions to the limited partners.

Incentive Distribution Rights (IDRs): Increases in cash distributions entitle the GP to a higher percentage of the incremental distributed cash flows. These per unit target levels are set out specifically in the MLP agreement and give the GP a larger percentage of the incremental dollars (in many cases upwards of 50% of incremental cash payouts).

ontinue writing your Quick Comments here...

Limited Partner (LP): Owners of the limited partner units that are entitled to receive the majority of the cash flows generated by the partnership through a quarterly distribution. LPs typically cannot participate in making decisions regarding the operation of the MLP unless they secure a definitive majority (e.g., 66%, but it can vary) in a proxy vote.

K-1 Statement: This is the form that an MLP investor receives each year from the partnerships that shows the investor's share of the partnership's income, gain, loss, deductions, and credits. The K-1 is similar to a Form 1099 that is received from a corporation. The investor will pay tax on the portion of net income that is allocated at his or her individual tax rate.

Publicly Traded Partnership (PTP): a master limited partnership (MLP) or a limited liability company that has chosen to be taxed as a partnership, which is publicly traded. There are roughly 75 publicly traded partnerships and the majority is involved in energy-related activities. Energy related PTP's comprise approximately 85% of total PTP market cap, with REITs making up the majority of the 15% balance.

Qualifying Income: In order to be taxed as a partnership, 90 percent of a PTP's income must be "qualifying income" every year that it is a publicly traded partnership. Qualifying income can include 1) interest 2) dividends 3) real property rents 4) gains from the sale or other disposition of real estate 5) income and gains from the exploration, development, mining, or production, processing, refining, transportation, or marketing of any mineral or natural resource 6) Any gain from selling or disposing of a capital asset held for the production of any of the types of income in numbers 1-5 7) Income and gains from commodities, if buying and selling commodities is the PTP's principal activity 8) Any income that would be qualifying income for a regulated investment company (RIC) or real estate investment trust (REIT).

Morgan Stanley

MORGAN STANLEY RESEARCH

September 28, 2014
NiSource, Inc.

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(as of August 31, 2014)

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	Coverage Universe		Investment Banking Clients (IBC)		
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Equal-weight/Hold	**1378**	**44%**	**413**	**48%**	**30%**
Not-Rated/Hold	**108**	**3%**	**21**	**2%**	**19%**
Underweight/Sell	**566**	**18%**	**93**	**11%**	**16%**
Total	**3,130**		**861**		

Data include common stock and ADRs currently assigned ratings. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months.

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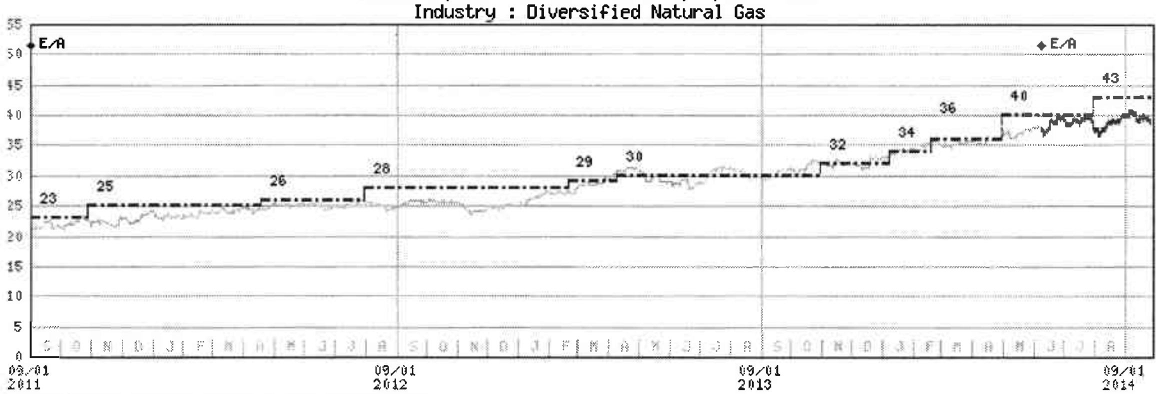
Stock Price, Price Target and Rating History (See Rating Definitions)

Morgan Stanley

MORGAN STANLEY RESEARCH

September 28, 2014
NiSource, Inc.

NiSource, Inc. (NI.N) - As of 9/27/14 in USD
Industry : Diversified Natural Gas



Stock Rating History: 9/1/11 : E/A; 6/9/14 : E/A

Price Target History: 8/2/11 : 23; 10/28/11 : 25; 4/18/12 : 26; 7/31/12 : 28; 2/19/13 : 29; 4/10/13 : 30; 10/31/13 : 32; 1/8/14 : 34; 2/18/14 : 36; 4/30/14 : 40; 7/31/14 : 43

Source: Morgan Stanley Research   Date Format : MM/DD/YY   Price Target --   No Price Target Assigned (NA)
Stock Price (Not Covered by Current Analyst)   Stock Price (Covered by Current Analyst)
Stock and Industry Ratings (abbreviations below) appear as ◆ Stock Rating/Industry View
Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) No Rating Available (NA)
Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

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The Americas
1585 Broadway
New York, NY 10036-8293
United States
Tel: +1 (1) 212 761 4000

Europe
20 Bank Street, Canary Wharf
London E14 4AD
United Kingdom
Tel: +44 (0) 20 7 425 8000

Japan
1-9-7 Otemachi, Chiyoda-ku
Tokyo 100-8104
Japan
Tel: +81 (0) 3 6836 5000

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1 Austin Road West
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Industry Coverage:Diversified Natural Gas

Company (Ticker)	Rating (as of)	Price* (09/26/2014)
Brian Lasky		
CenterPoint Energy, Inc (CNP.N)	E (06/09/2014)	$24.39
Cheniere Energy Inc. (LNG.A)	O (06/09/2014)	$80.14
Cheniere Energy Partners L.P. Holdings (CQH.A)	E (06/09/2014)	$24.55
EnLink Midstream LLC (ENLC.N)	E (06/09/2014)	$41.45
Enbridge Energy Partners LP (EEP.N)	U (09/10/2012)	$39.46
Enbridge Energy Partners LP (EEQ.N)	U (12/17/2013)	$37.1
Kinder Morgan Energy Partners LP (KMR.N)	E- (06/09/2014)	$94.15
Kinder Morgan Energy Partners LP (KMP.N)	E (08/14/2014)	$93.45
Kinder Morgan Inc. (KMI.N)	E (06/09/2014)	$38.39
NiSource, Inc. (NI.N)	E (06/09/2014)	$38.58
Oneok Inc. (OKE.N)	O (06/09/2014)	$66.17
SemGroup Corp (SEMG.N)	O (06/09/2014)	$83.75
Spectra Energy Corp. (SE.N)	E (06/09/2014)	$39.18
Williams Companies, Inc (WMB.N)	O (06/09/2014)	$56.51

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* Historical prices are not split adjusted.

NiSource Inc NI (NYSE) | ★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Morningstar Credit Rating	Industry Group
38.58 USD	32.00 USD	22.40 USD	43.20 USD	Medium	Narrow	Stable	Standard	BBB	Utilities - Regulated

NiSource Announces Columbia Pipeline MLP Plans, Finally

Charles Fishman, CFA
Stock Analyst
charles.fishman@morningstar.com
312-696-6523

The primary analyst covering this company does not own its stock.

Research as of 29 Sep 2014
Estimates as of 31 Jul 2014
Pricing data through 26 Sep 2014
Rating updated as of 26 Sep 2014

Currency amounts expressed with "$" are in U.S. dollars (USD) unless otherwise denoted.

Contents

Analyst Note 29 Sep 2014

In a long-anticipated move, NiSource announced it will split off its natural gas pipeline, midstream, and storage businesses into a publicly traded master limited partnership, Columbia Pipeline Group. NiSource expects to launch an initial public offering in early 2015 and close the transaction in mid-2015.

We are reaffirming our $32 fair value estimate and narrow moat and stable moat trend ratings for NiSource. Although we think the split could result in a higher market valuation for the midstream business, it won't change CPG's fundamentals or cash flow profile. Thus, we don't expect the transaction itself to have a material impact on our fair value estimate. We do think CPG's pipeline assets in particular have wide-moat characteristics, given their favorable federal regulation and location in the Eastern U. S. shale gas regions.

Management said it intends to invest $12 billion-$15 billion during the next 10 years at CPG, representing a growing trend from the $4.5 billion management previously said it planned to invest during the next five years at the group. We think the Columbia Pipeline modernization program and opportunities in shale gas producing regions can support 12.6% average annual earnings growth during the next five years at CPG.

This is higher than the 10%-12% growth target management had set before announcing the CPG spin-off. However, management set this target in 2012 before the joint venture with Hilcorp announced several new midstream projects. It also does not include any benefit from the Rayne and Leach XPress pipeline projects. We believe both of these projects have a high probability of moving forward.

Vital Statistics

Market Cap (USD Mil)	12,165
52-Week High (USD)	40.66
52-Week Low (USD)	30.09
52-Week Total Return %	29.1
YTD Total Return %	19.7
Last Fiscal Year End	31 Dec 2013
5-Yr Forward Revenue CAGR %	7.1
5-Yr Forward EPS CAGR %	7.7
Price/Fair Value	1.21

Valuation Summary and Forecasts

Fiscal Year:	2012	2013	*2014(E)*	*2015(E)*
Price/Earnings	17.0	20.8	*22.7*	*21.1*
EV/EBITDA	9.9	11.2	*11.3*	*10.3*
EV/EBIT	15.2	17.0	*16.6*	*15.2*
Free Cash Flow Yield %	-3.0	-4.4	*-4.6*	*-4.5*
Dividend Yield %	3.5	3.0	*2.7*	*2.8*

Financial Summary and Forecasts (USD Mil)

Fiscal Year:	2012	2013	*2014(E)*	*2015(E)*
Revenue	5,061	5,657	*6,169*	*6,573*
Revenue YoY %	-15.9	11.8	*9.0*	*6.6*
EBIT	1,039	1,126	*1,294*	*1,413*
EBIT YoY %	12.7	8.4	*14.9*	*9.2*
Net Income, Adjusted	437	494	*542*	*589*
Net Income YoY %	12.4	13.0	*9.7*	*8.6*
Diluted EPS	1.46	1.58	*1.70*	*1.83*
Diluted EPS YoY %	7.9	8.3	*7.8*	*7.9*
Free Cash Flow	71	-379	*-148*	*-417*
Free Cash Flow YoY %	339.3	-637.2	*-61.0*	*182.0*

Historical/forecast data sources are Morningstar Estimates and may reflect adjustments.

Profile

NiSource is one of the nation's largest natural gas distribution companies with 3.4 million customers in Indiana, Kentucky, Maryland, Massachusetts, Ohio, Pennsylvania, and Virginia. NiSource also owns 15,000 miles of natural gas transmission pipeline, operates one of the nation's largest underground natural gas storage systems, and provides unregulated midstream services in the growing Marcellus and Utica shale production area. NiSource's electric utility generates, transmits, and distributes electricity in northern Indiana.

NiSource Inc NI [NYSE] | ★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Morningstar Credit Rating	Industry Group
38.58 USD	32.00 USD	22.40 USD	43.20 USD	Medium	Narrow	Stable	Standard	BBB	Utilities - Regulated

We've said that completing the spin-off could help NiSource avoid having to issue equity in 2015. We'll continue to monitor this as we gain a better idea of the transaction's exact impact on NiSource.

NiSource Inc NI (NYSE) | ★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Morningstar Credit Rating	Industry Group
38.58 USD	32.00 USD	22.40 USD	43.20 USD	Medium	Narrow	Stable	Standard	BBB	Utilities - Regulated

Morningstar Analyst Forecasts

Financial Summary and Forecasts

Fiscal Year Ends in December

Growth (% YoY)	3-Year Hist. CAGR	2011	2012	2013	Forecast 2014	Forecast 2015	5 Year Proj. CAGR
Revenue	-4.1	-6.3	-15.9	11.8	9.0	6.6	7.1
EBIT	6.8	-0.2	12.7	8.4	14.9	9.2	10.4
EBITDA	3.9	-4.0	9.6	6.4	11.4	9.2	9.4
Net Income	13.2	14.1	12.4	13.0	9.7	8.6	9.8
Diluted EPS	9.0	10.8	7.9	8.3	7.8	7.9	7.7
Earnings Before Interest, after Tax	4.4	10.4	4.1	-1.0	18.4	5.4	8.7
Free Cash Flow	-237.7	-88.9	339.3	-637.2	-61.0	182.0	—

Profitability	3-Year Hist. Avg	2011	2012	2013	2014	2015	5-Year Proj. Avg
Operating Margin %	18.6	15.3	20.5	19.9	21.0	21.5	22.1
EBITDA Margin %	28.7	24.3	31.6	30.1	30.8	31.5	32.2
Net Margin %	7.9	6.5	8.6	8.7	8.8	9.0	9.3
Free Cash Flow Margin %	-1.7	0.3	1.4	-6.7	-2.4	-6.4	-3.4
ROIC %	7.3	7.6	7.5	6.9	7.5	7.3	7.3
Adjusted ROIC %	10.0	10.6	10.2	9.1	9.8	9.3	9.2
Return on Assets %	1.9	1.5	2.0	2.4	2.3	2.3	2.4
Return on Equity %	7.7	6.0	7.9	9.3	9.0	9.4	9.7

Leverage	3-Year Hist. Avg	2011	2012	2013	2014	2015	5-Year Proj. Avg
Debt/Capital	0.60	0.61	0.59	0.60	0.61	0.63	0.62
Total Debt/EBITDA	5.23	5.45	5.06	5.19	5.14	5.19	5.05
EBITDA/Interest Expense	3.94	3.88	3.83	4.11	4.08	4.04	4.12

Valuation Summary and Forecasts

	2012	2013	2014(E)	2015(E)
Price/Fair Value	1.00	1.22	—	—
Price/Earnings	17.0	20.8	22.7	21.1
EV/EBITDA	9.9	11.2	11.3	10.3
EV/EBIT	15.2	17.0	16.6	15.2
Free Cash Flow Yield %	-3.0	-4.4	-4.6	-4.5
Dividend Yield %	3.5	3.0	2.7	2.8

Key Valuation Drivers

Cost of Equity %	10.0
Pre-Tax Cost of Debt %	5.0
Weighted Average Cost of Capital %	6.7
Long-Run Tax Rate %	35.0
Stage II EBI Growth Rate %	7.0
Stage II Investment Rate %	87.5
Perpetuity Year	15

Additional estimates and scenarios available for download at http://select.morningstar.com.

Discounted Cash Flow Valuation

	USD Mil	Firm Value (%)	Per Share Value
Present Value Stage I	-974	-5.2	-3.05
Present Value Stage II	1,407	7.5	4.40
Present Value Stage III	18,225	97.7	57.04
Total Firm Value	**18,657**	**100.0**	**58.39**
Cash and Equivalents	70	—	0.22
Debt	-8,834	—	-27.65
Preferred Stock	—	—	—
Other Adjustments	35	—	0.11
Equity Value	**9,928**	—	**31.07**
Projected Diluted Shares	320		
Fair Value per Share (USD)	—		

The data in the table above represent base-case forecasts in the company's reporting currency as of the beginning of the current year. Our fair value estimate may differ from the equity value per share shown above due to our time value of money adjustment and in cases where probability-weighted scenario analysis is performed.

NiSource Inc NI [NYSE] ★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Morningstar Credit Rating	Industry Group
38.58 USD	32.00 USD	22.40 USD	43.20 USD	Medium	Narrow	Stable	Standard	BBB	Utilities - Regulated

Morningstar Analyst Forecasts

Income Statement (USD Mil)
Fiscal Year Ends in December

	2011	2012	2013	*Forecast* 2014	*Forecast* 2015
Revenue	**6,019**	**5,061**	**5,657**	***6,169***	***6,573***
Cost of Goods Sold	2,556	1,542	1,816	*2,044*	*2,129*
Gross Profit	**3,463**	**3,520**	**3,842**	***4,125***	***4,445***
Selling, General & Administrative Expenses	1,723	1,663	1,874	*1,976*	*2,115*
Other Operating Expense (Income)	295	288	301	*297*	*307*
Other Operating Expense (Income)	-15	-32	-36	*-45*	*-49*
Depreciation & Amortization (if reported separately)	538	562	577	*603*	*658*
Operating Income (ex charges)	**922**	**1,039**	**1,126**	***1,294***	***1,413***
Restructuring & Other Cash Charges	17	-4	-18	—	—
Impairment Charges (if reported separately)	—	—	—	—	—
Other Non-Cash (Income)/Charges	—	—	—	—	—
Operating Income (incl charges)	**905**	**1,043**	**1,143**	***1,294***	***1,413***
Interest Expense	377	418	415	*465*	*513*
Interest Income	-61	2	24	*5*	*5*
Pre-Tax Income	**467**	**626**	**753**	***834***	***906***
Income Tax Expense	163	216	262	*292*	*317*
Other After-Tax Cash Gains (Losses)	-5	6	6	—	—
Other After-Tax Non-Cash Gains (Losses)	—	—	35	—	—
(Minority Interest)	—	—	—	—	—
(Preferred Dividends)	—	—	—	—	—
Net Income	**299**	**416**	**532**	***542***	***589***
Weighted Average Diluted Shares Outstanding	289	300	314	*319*	*321*
Diluted Earnings Per Share	**1.03**	**1.39**	**1.70**	***1.70***	***1.83***
Adjusted Net Income	389	437	494	*542*	*589*
Diluted Earnings Per Share (Adjusted)	**1.35**	**1.46**	**1.58**	***1.70***	***1.83***
Dividends Per Common Share	0.92	0.94	0.98	*1.02*	*1.06*
EBITDA	**1,443**	**1,605**	**1,721**	***1,897***	***2,071***
Adjusted EBITDA	**1,460**	**1,601**	**1,703**	***1,897***	***2,071***

MORNINGSTAR

NiSource Inc NI (NYSE) ★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Morningstar Credit Rating	Industry Group
38.58 USD	32.00 USD	22.40 USD	43.20 USD	Medium	Narrow	Stable	Standard	BBB	Utilities - Regulated

Morningstar Analyst Forecasts

Balance Sheet (USD Mil)
Fiscal Year Ends in December

	2011	2012	2013	*Forecast* 2014	2015
Cash and Equivalents	172	83	35	*209*	*151*
Investments	—	—	—	—	—
Accounts Receivable	855	907	1,006	*1,099*	*1,171*
Inventory	566	496	500	*560*	*583*
Deferred Tax Assets (Current)	—	—	—	—	—
Other Short Term Assets	655	866	618	*750*	*750*
Current Assets	**2,248**	**2,352**	**2,159**	***2,617***	***2,655***
Net Property Plant, and Equipment	11,800	12,916	14,365	*15,843*	*17,310*
Goodwill	3,677	3,677	3,666	*3,666*	*3,666*
Other Intangibles	298	287	276	*276*	*276*
Deferred Tax Assets (Long-Term)	—	—	—	—	—
Other Long-Term Operating Assets	2,685	2,613	2,188	*2,561*	*2,689*
Long-Term Non-Operating Assets	—	—	—	—	—
Total Assets	**20,708**	**21,845**	**22,654**	***24,963***	***26,595***
Accounts Payable	435	539	619	*697*	*726*
Short-Term Debt	1,687	1,284	1,241	*1,250*	*1,250*
Deferred Tax Liabilities (Current)	—	—	—	—	—
Other Short-Term Liabilities	1,525	1,479	1,319	*1,500*	*1,500*
Current Liabilities	**3,646**	**3,302**	**3,178**	***3,447***	***3,476***
Long-Term Debt	6,267	6,819	7,593	*8,500*	*9,500*
Deferred Tax Liabilities (Long-Term)	2,542	2,953	3,278	*3,632*	*3,972*
Other Long-Term Operating Liabilities	3,256	3,216	2,718	*3,252*	*3,236*
Long-Term Non-Operating Liabilities	—	—	—	—	—
Total Liabilities	**15,711**	**16,290**	**16,767**	***18,830***	***20,184***
Preferred Stock	—	—	—	—	—
Common Stock	3	3	3	*3*	*3*
Additional Paid-in Capital	4,168	4,598	4,690	*4,725*	*4,760*
Retained Earnings (Deficit)	917	1,060	1,286	*1,502*	*1,750*
(Treasury Stock)	-31	-41	-49	*-49*	*-49*
Other Equity	-60	-66	-44	*-49*	*-54*
Shareholder's Equity	**4,997**	**5,554**	**5,887**	***6,133***	***6,411***
Minority Interest	—	—	—	—	—
Total Equity	**4,997**	**5,554**	**5,887**	***6,133***	***6,411***

NiSource Inc NI (NYSE) | ★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Morningstar Credit Rating	Industry Group
38.58 USD	32.00 USD	22.40 USD	43.20 USD	Medium	Narrow	Stable	Standard	BBB	Utilities - Regulated

Morningstar Analyst Forecasts

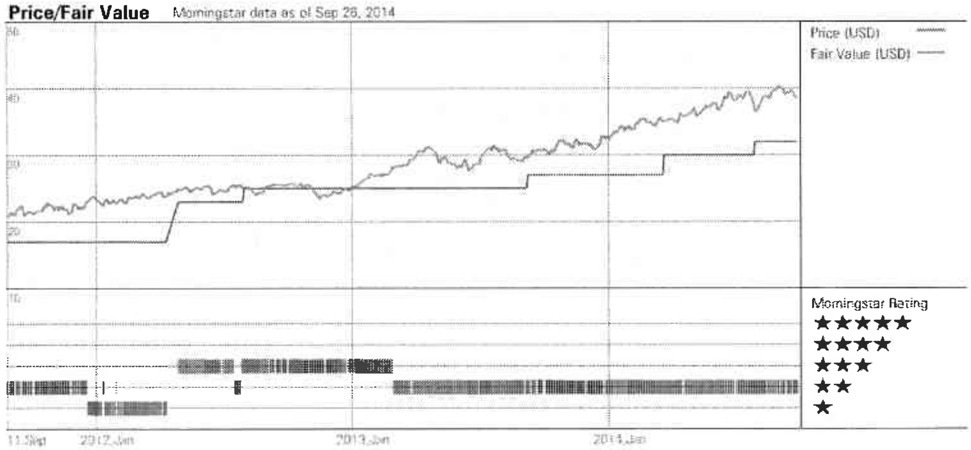
Cash Flow (USD Mil)
Fiscal Year Ends in December

				Forecast	
	2011	2012	2013	*2014*	*2015*
Net Income	299	416	532	*542*	*589*
Depreciation	538	562	577	*603*	*658*
Amortization	—	—	—	—	—
Stock-Based Compensation	39	45	51	*49*	*53*
Impairment of Goodwill	—	—	—	—	—
Impairment of Other Intangibles	—	—	—	—	—
Deferred Taxes	178	305	287	*354*	*340*
Other Non-Cash Adjustments	217	25	-65	—	—
(Increase) Decrease in Accounts Receivable	220	-51	-95	*-93*	*-72*
(Increase) Decrease in Inventory	-142	62	-9	*-60*	*-23*
Change in Other Short-Term Assets	-274	-157	81	*-132*	—
Increase (Decrease) in Accounts Payable	-155	57	68	*78*	*29*
Change in Other Short-Term Liabilities	—	—	—	*181*	—
Cash From Operations	**920**	**1,264**	**1,427**	***1,523***	***1,574***
(Capital Expenditures)	-1,125	-1,499	-1,880	*-2,081*	*-2,125*
Net (Acquisitions), Asset Sales, and Disposals	9	26	18	—	—
Net Sales (Purchases) of Investments	—	—	—	—	—
Other Investing Cash Flows	-34	51	-148	*160*	*-143*
Cash From Investing	**-1,149**	**-1,422**	**-2,010**	***-1,921***	***-2,268***
Common Stock Issuance (or Repurchase)	21	374	36	*35*	*35*
Common Stock (Dividends)	-258	-273	-306	*-326*	*-341*
Short-Term Debt Issuance (or Retirement)	-23	-582	-78	*9*	—
Long-Term Debt Issuance (or Retirement)	541	656	794	*907*	*1,000*
Other Financing Cash Flows	—	—	—	*-49*	*-53*
Cash From Financing	**281**	**175**	**445**	***576***	***641***
Exchange Rates, Discontinued Ops, etc. (net)	-50	8	129	*-5*	*-5*
Net Change in Cash	**2**	**25**	**-10**	***174***	***-58***

NiSource Inc NI (NYSE) ★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Morningstar Credit Rating	Industry Group
38.58 USD	32.00 USD	22.40 USD	43.20 USD	Medium	Narrow	Stable	Standard	BBB	Utilities - Regulated

Price/Fair Value Morningstar data as of Sep 26, 2014



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WOLFE RESEARCH

UTILITIES & POWER

Regulateds – Market Underweight
Integrateds – Market Weight
IPPs – Market Overweight

September 29, 2014

NISOURCE INC.

(NI US Equity – $ 40.84 – Outperform)

NI-ce response to the MLP and split

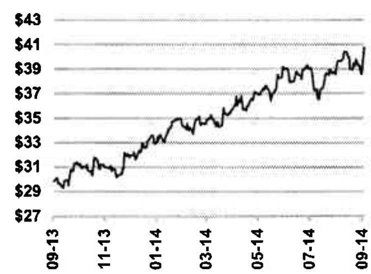
- **Positive response to split and MLP even without new guidance**
  Shares of NI rose nearly 6% on Monday following the announcement of the pipeline spin and MLP formation. While the MLP S-1 filing limited the amount of detail management gave at the analyst meeting, the long growth runway for both the pipeline and utility operations were clear themes. Overall the analyst meeting bolstered our confidence in the outlook for NI, and we believe NI remains a key way to play the gas infrastructure growth theme.

- **Columbia will be a core midstream holding; plus premium utilities**
  Management highlighted mid-teens annual growth potential for the pipeline business over the next six years, which will triple in size from $4B in net investment today to $12.5B by 2020. We believe that this growth potential, along with the upside from the MLP and likely strategic interest over time will support a robust valuation once Columbia Pipeline Group spins off next year. While the utility growth potential is not as high as midstream, the high quality growth and regulatory environments continue to warrant premiums.

- **Maintaining estimates but boosting target to $49 to reflect the split**
  The outlook for both the utility and pipeline operations appear to largely reflect our financial forecasts, though we will have to wait until after the MLP offering for formal guidance and an updated growth rate. That said, we have greater confidence in the outlook and the long glide path of high growth at the pipeline and utilities. We are boosting our price target to $49 based on an updated sum of parts valuation.

Trading and Fundamental Data	
Target Price	**$ 49**
Current Price	$ 40.84
52 Week Range	$ 30 - $ 41
Market Cap. ($MM)	$ 12,878
Share Out. (MM)	315.3
Dividend Yield	2.47%
Dividend Payout Ratio	62.4%
ROE	9%
Debt to Cap	60%
Avg Daily Vol (ooo)	3,562

Price Performance	YTD	LTM
NI US Equity	24%	32%
Utility Index	10%	11%
S&P 500	7%	18%



Source: FactSet/Wolfe Research

Key Changes		
Year	New	Old
Target Price	$49	$44

Estimates / Valuation				
(US$)	2014E	2015E	2016E	2017E
EPS	$1.69	$1.89	$2.03	$2.21
Consensus	$1.71	$1.84	$1.99	$2.07
P/E	24.1x	21.6x	20.1x	18.4x
Dividend Per Share	$1.02	$1.11	$1.21	$1.32
Dividend Yield	2.5%	2.7%	3.0%	3.2%

Steven Fleishman
(646) 582-9241
SFleishman@WolfeResearch.com

Alex Kania
(646) 582-9244
AKania@WolfeResearch.com

WOLFE RESEARCH

NiSource Inc.

September 29, 2014

NiSource Snapshot

Exhibit 1. Financial Summary

Financial Summary	2014E	2015E	2016E	2017E
EPS	$1.69	$1.89	$2.03	$2.21
Diluted Shares Outstanding	314	319	326	330
Dividends Per Share	$1.02	$1.11	$1.21	$1.32
Dividend Yield	2.5%	2.7%	3.0%	3.2%
Dividend Payout Ratio	60%	59%	60%	60%
Equity Ratio	39%	39%	39%	37%
FFO/Net Debt	14%	14%	13%	13%
Valuation Metrics				
P/E	24.1x	21.6x	20.1x	18.4x
Price/Book	2.1x	1.8x	1.7x	1.6x
Segment EPS				
Gas Distribution	$0.75	$0.83	$0.89	$0.95
Transmission & Storage	0.60	0.72	0.81	0.94
Electric	0.55	0.57	0.59	0.61
Parent & Other	(0.21)	(0.23)	(0.26)	(0.29)
Total EPS	**$1.69**	**$1.89**	**$2.03**	**$2.21**
EBITDA by Segment				
Gas Distribution	$701	$776	$845	$907
Transmission & Storage	$565	$676	$792	$931
Electric	$588	$615	$641	$667
Parent	$16	$16	$16	$16
Total EBIT	**$1,869**	**$2,082**	**$2,294**	**$2,520**

Source: Wolfe Utilities & Power Research

Exhibit 2. Modeling Assumptions

Model Assumptions	2014E	2015E	2016E	2017E
Total Capital Spending by Segment ($M)				
Gas Distribution	$790	$790	$760	$730
Transmission & Storage	825	1,255	1,542	1,474
Electric	440	593	593	593
Parent	125	50	50	50
Total Capex	**$2,180**	**$2,688**	**$2,945**	**$2,847**
Financings ($M)				
Total Equity Issued/(Repurchased)	$45	$300	$275	$45
Total Debt Issued/(Repurchased)	$1,078	$1,180	$1,448	$1,338

Source: Wolfe Utilities & Power Research

Company description

NiSource, headquartered in Merrillville, Indiana, operates three separate business lines: electric utility, gas distribution, and midstream natural gas. The electric utility serves just under 500,000 customers in northern Indiana and owns 3,300 MW of generation. The gas LDC serves 3.4 million customers in Ohio, Pennsylvania, Kentucky, Virginia, and Massachusetts. Finally, the midstream segment, Columbia Pipeline Group, operates 15,000 miles of interstate gas pipelines and has a large set of storage assets across its footprint.

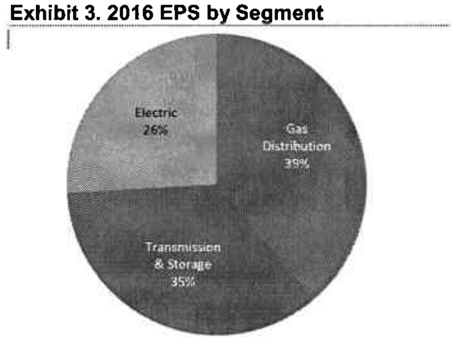
Investment Thesis

We believe that the significant investment opportunities in the midstream space will serve to boost NI's long term growth rate close to double digits over the next five years, up from the current 5%-7%. We see well over $5B of known investment opportunities in the gas infrastructure segment over the next five years with a substantial likelihood of upside, plus the cost of capital benefits of forming an MLP.

Valuation

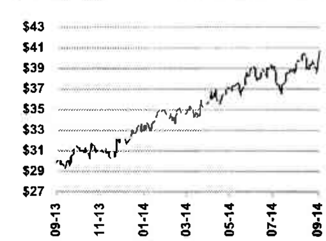
Our $49 price target is from our sum of parts valuation. We apply a16x multiple to 2016E electric utility earnings and a 16.5x multiple to 2016E gas distribution earnings, and 16.5x parent drag. We value midstream on an MLP basis targeting a 5% yield. Downside risks for NiSource are execution on project development, economic conditions and long-term performance of an MLP. Upside risks are additional growth projects in midstream.

Exhibit 3. 2016 EPS by Segment



Source: Wolfe Utilities & Power Research

Exhibit 4. Performance Chart



Source: Bloomberg

Investment Conclusion

NI remains one of the best ways to play the gas infrastructure theme, and the analyst day underscored the significant value of both the utilities and midstream segments. In particular, we believe that Columbia Pipeline Group will garner a very high valuation post corporate split owing to the tripling of the size of the midstream operation, the cost of capital upside from the MLP, and the strategic interest in it from other players. The utility has solid growth potential over the very long term in strong regulatory environments and should also attract a premium. We reiterate our Outperform rating.

Valuation: higher target price on treatment of utility parent drag

We are boosting our target price on NiSource to $49 from $44. There two key drivers for the increase. First, we have higher confidence in the long-term EPS growth potential for the business through our forecast period (2019) but also in 2020 and beyond. Second, while our valuation approach to the midstream operation is largely unchanged (long-term MLP value discounted back to 2016), we are now valuing the "NiSource classic" earnings more in line with the valuation of other utilities that have a parent debt load, i.e., on simple P/E. The implication of this is a shift on valuing the parent from an enterprise value of the debt compared to a P/E multiple on the parent drag. See Exhibit 5 for our updated sum of parts valuation.

Exhibit 5:NiSource valuation

Regulated Operations	Valuation Metric	Estimate	Valuation Multiple	$MM Value
Electric Utility	P/E	193	16.0	3,082
Gas Distribution	P/E	289	16.5	4,775
Parent Drag	P/E	(83)	16.5	(1,372)
Equity Value of Utility				**6,485**
MLP Valuation	**2019E**			
LP Stake				
Total LP Distributions	449			
Less Taxes on Distributions	(99)	Assume 20% tax rate		
Net After Tax Distributions	350			
Target Equity Yield	5.00%			
Equity Value of MLP LP	**5,884**	Discounted back 3 years		
GP Stake				
Total GP Distributions	241			
Less Taxes on Distributions	(84)	Assume 35% tax rate		
Net After Tax Distributions	157			
Target Equity Yield of GP	4.00%			
Equity Value of MLP GP	**3,290**	Discounted back 3 years		
Total Equity Value of MLP to NiSource				**9,174**
NiSource Equity Value				**$15,659**
Fully Diluted Outstanding Shares				318.7
NI Equity Value per Share				**$49**

Source: NI, Wolfe Research

Highlights from the analyst day

- **MLP S-1 within expectations.** The S-1 for Columbia Pipeline Partners was filed early this morning. The specifics of the filing are largely in line with our expectations. Initial EBITDA of the MLP for the year ended 9/30/2015 will be about $90M, with initial cash available for distribution of $65.7M. This level should easily be able to support 15%+ annual distribution growth for a very long period of time. Additionally the S-1 indicated that total pipeline segment EBITDA of about $620M for that time period. Given the number of projects going into service in late 2015 (Big Pine, Washington County Gathering, East Side Expansion) 2015 we believe that this figure largely agrees with our full-year 2015 pipeline EBITDA estimate of $675M.

- **Separation and capitalization of pipeline segment**. The tax-free spin of the pipeline and electric/gas distribution segments is on track for mid-2015, and there are no regulatory approvals necessary beyond the filing of the Form 10 with the SEC. Prior to the separation, NI will start the recapitalization process. This starts with issuing $3B of debt at Columbia Pipeline Group (roughly 5x EBITDA to start). Proceeds would then be used to reduce debt at NI – about $1B would be used to pay down commercial paper, about another billion to pay off a term loan (this and CP can be repurchased with no premium), and the rest would pay off long term debt via a tender (at a premium). Finally, the company noted that while M&A is not a strategy it is actively following, the tax-free spin does have some timing restrictions on when a sale of either segment could happen – at most two years.

- **Pipeline net investment set to triple by 2020, self-financing**. NI management sees net investment in the pipeline business growing from $4B as of the start of 2014 to more than $12.5B in 2020. The majority of this investment is driven by specifically identified projects and the system modernization with $3B of upside projects under development though with high confidence in completion. These would include the Mountaineer Xpress project, a 1-1.5Bcf/d pipeline which is wrapping up an open season shortly. Importantly, management noted that no external equity beyond units issued by the MLP would be needed to fund this growth.

- **Utility growth of 4%-6% appears conservative**. Management outlined long-term rate base growth for both utilities approaching 8% annually, though suggested that this supported EPS growth of 4%-6%. The key reasons for the difference cited by NI was the need for new equity over time (primarily the DRIP), as well as some room for any regulatory lag, particularly on non-tracked investment. Despite this the company also stressed that its track record in the past has been to exceed its targets on the regulated side. We believe that the EPS growth potential from and underlying 8% rate base growth story could in fact be higher than 4%-6%. Our estimates imply utility growth a little higher than the top end of the range.

- **Growth does not disappear in 2020**. A key takeaway from the analyst day from our perspective is that the growth investment does not simply go away in 2020. Even with $8B of net investment in the pipeline business through 2020, management sees another $4-7B of investment opportunities in the long run. On the utility side, the visibility on growth is even longer dated. NI identified about $1.2B of utility investment through 2020 – but there is a full $30B inventory of rate base investment over the next 20 years. This underscores our belief that both segments are premium properties with attractive long term outlooks.

- **Dividend to be boosted by midyear**. The total dividend from both entities will be unchanged post-split relative to pre-split. That said, the utility will likely target a 60%-70% payout, with growth mirroring the level of EPS growth. On the midstream side, NI had less to say on the dividend policy of either the pipeline C-Corp or the MLP given the S-1. However, with the growth potential of the pipeline business and the capacity of 15% distribution growth of the MLP we expect overall dividend growth to be robust.

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Company:	Fundamental Valuation Methodology:
NI US Equity	Sum of parts: P/E on utility, EV/EBITDA on midstream

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Company:	Fundamental Target Price Risks:
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