ValuEngine™ DETAILED RESEARCH REPORT

NISOURCE INC(NI)

Feb. 05, 2010

VALUENGINE RECOMMENDATION & BASIC INFORMATION

RECOMMENDATION

negative	neutral	positive
SELL	HOLD	BUY

VALUENGINE RATING

VVV

RECOMMENDATION FACTORS

	Value	Rank
Overall Rank		top 21%
Fair Value	$12.00	btm 14%
1Yr Target Price	$14.88	top 11%
P/E Ratio	13.81	top 28%
Last 1-Y Return	48.79%	top 39%
Market Cap(bil)	$4.06	top 12%

BASIC INFORMATION

Last Trade	$14.73
Trade Date	02/04/10
Market Cap(bil)	$4.06187
Trailing P/E	13.81
Forward P/E	14.60
PEG Ratio	n/a
P/S Ratio	0.58
M/B Ratio	0.86
Sharpe Ratio	-0.38
5-Y Avg Ann Return	-8.96%
Volatility	23.59%
EPS Growth	-5.43%
Annual Dividend	$0.92
Dividend Yield	6.25%
LT Debt/Equity	1.38
Beta	0.85

VALUATION ANALYSIS

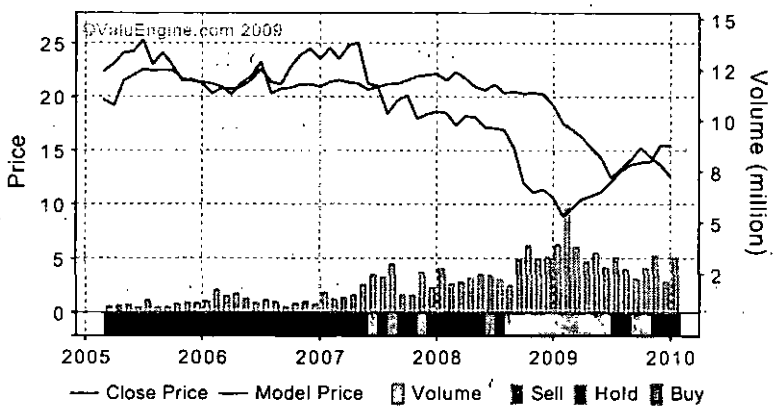
NI	Today's Fair value: $12.00 22.75% overvalued
Industry	Electrical Utilities 7.00% undervalued
Sector	Public Utilities 2.05% undervalued

FORECAST ANALYSIS

	Target Price	Exp. Return
1-Month	$14.70	-0.19%
3-Month	$14.57	-1.08%
6-Month	$14.63	-0.69%
1-Year	$14.88	1.05%
2-Year	$16.17	9.80%
3-Year	$18.29	24.15%

Contact ValuEngine:

ValuEngine, Inc.
100 Overlook Center, 2nd Floor
Princeton, NJ 08540, U.S.A.
(800) 381-5576 (T)
support@ValuEngine.com
www.ValuEngine.com



VALUENGINE RECOMMENDATION

ValuEngine has issued a HOLD recommendation for NISOURCE INC on Feb. 05, 2010. Based on the information we have gathered and our resulting research, we feel that NISOURCE INC has the probability to ROUGHLY MATCH average market performance for the next year. The company exhibits ATTRACTIVE volatility and company size, but UNATTRACTIVE expected EPS growth and market valuation.

RATING OVERVIEW

The ValuEngine Rating is an overall assessment of a stock's attractiveness. It combines the following five factors:

1. Fair market valuation
2. 1 year forecasted returns
3. Price/Earnings ratio
4. Momentum
5. Market capitalization

Only two percent of the over 4,000 stocks that we cover receive the highest 5 rating. The ratings are the result of the cumulative of the above factors. As such, stocks with relatively poor results for any one of the five variables can still be attractive if the other four factors are strong enough. Top 5 rated stocks can be expected to outperform the overall market by 15% or more, with average annualized returns from Jan. 2000 through Jan. 2006 of over 30% per year.

FAIR MARKET VALUATION PRICE

Based on available data as of Feb. 05, 2010, we believe that NI should be trading at $12. This makes NI 22.75% overvalued. Fair Value indicates what we believe the stock should be trading at today if the stock market were perfectly efficient and everything traded at its true worth. For NI, we base this on actual earnings per share (EPS) for the previous four quarters of $1.07, forecasted EPS for the next four quarters of $1.01, and correlations to the 30-year Treasury bond yield of 4.54%. There are an additional 10 firm specific and interest rate related parameters, each playing a role in the valuation analysis.

FORECASTED TARGET PRICES

The predictive variables used in Valuengine's forecast target price models include both proprietary and well-established forecasting variables derived from credible financial research studies and publications. Our forecasting models capture, among other things, several important tendencies that stock prices consistently exhibit: Short-term price reversals, Intermediate-term momentum continuation, and Long-term price reversals. We use a distinct forecasting model for each time horizon and for every industry. We then apply the most advanced statistical/econometric techniques to ensure that our stock return forecasts are as reliable as possible.

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ValuEngine™ DETAILED RESEARCH REPORT
NISOURCE INC(NI)

DATA SUMMARY & MARKET RATIO BASED VALUATION

OPTIMAL BUY-SELL

Based solely on the Historical Mispricing of NI, the best time to buy would be below $10.80 (or valuation below -10.00%). The best time to sell would be above $14.40 (or valuation above 20.00%).

EVALUATION & RANKINGS

	Value	Rank
Valuation	22.75%	14
12-Month Return	48.79%	62
5-Y Avg Ann Rtn	-8.96%	46
Volatility	23.59%	95
EPS Growth	-5.43%	13
Market Cap(bill)	4.06	89
Sharpe Ratio	-0.38	27
P/S Ratio	0.58	73
M/B Ratio	0.86	71
P/E Ratio	13.81	73

EVALUATION & RANKINGS SUMMARY

Just as important as the percentages shown for our ten predictive variables for each stock is the way they are ranked against the 7000 plus stocks in our database. This is sometimes confusing to newcomers to ValuEngine. Each of these quantitative measurements is ranked on a scale of 1 to 100. Generally the higher the ranking, the more positive the influence each measurement has on the overall attractiveness of the stock. In other words a high rank is always better. Let's take them one by one:

- Valuation rank 14: 86% of stocks are more undervalued
- Momentum rank 62: 38% of stocks have higher momentum
- Sharpe Ratio rank 27: 73% of stocks have a higher Sharpe Ratio
- 5-Year Average Annual Return 46: 54% of stocks have higher average annual return
- Volatility rank 95: 5% of stocks have less volatility
- EPS growth rank 13: 87% of stocks have greater projected EPS growth
- Size rank 89: 11% of companies have higher market capitalization
- P/E rank 73: 27% of stocks have lower P/E ratios
- Price/Sales rank 73: 27% of stocks have lower price/sales ratios
- Market/Book rank 71: 29% of stocks have lower market/book value ratios

MARKET RATIO BASED VALUATION

Portfolio managers and professionals traditionally rely on market ratios to gauge whether a stock is fair valued or overvalued. On this page, we present such a valuation based on one of three market ratios: PEG (price to trailing 4 quarter earnings ratio, divided by the consensus analyst forecasted next year EPS growth), P/E (price to forward 4 quarter earnings ratio), and P/S ratio (price to trailing 4 quarter sales). Among the three, PEG is the most informative as it reflects both the price/earnings ratio and expected future EPS growth, while P/E is better than P/S. For each given stock, we apply the PEG to give a fair value assessment if both its trailing 4 quarter EPS and forecasted EPS growth rate are positive. If its forecasted EPS growth is negative but its forward 4 quarter EPS is positive, we apply the P/E to give a fair value for the stock as of today. Otherwise, we resort to the P/S to assess its fair value.

To establish a valuation standard, we use both (i) the average historical market ratio of the stock over the past 10 years (or however long there is data available for the stock), and (ii) the average market ratio today of five comparable stocks in the same sector and from companies of similar size. These two alternative perspectives should give you a good idea about where this stock's valuation stands today.

1. Valuation Based on NI's Past PE

Over the past 10 years, NI's average PE is 13.04. NI earned $1.07 per share in its recent 4 quarters. The analyst consensus estimate is $1.01 for its 4 quarter forward EPS. NI's current price sales ratio is 0.58. The following assessment is based on multiplying the historical PE with next 4 quarter EPS for NI.

Fair Value	
Historical Average PE	13.04
PE-Based Fair Value	$13.15

2. Valuation Based on Comparables' PE

NI's comparables are NST, NU, PNW, SCG and TAC. The current PE average of these comparables is 12.64. NI earned $1.07 per share in its recent 4 quarters. The analyst consensus estimate is $1.01 for its 4-quarter-forward EPS. NI's current price sales ratio is 0.58. The following assessment is based on multiplying comparable stocks' average PE today with NI's next 4 quarter EPS.

Comparables' PE

Comparables	Current PE
NST	13.25
NU	12.84
PNW	11.27
SCG	11.41
TAC	14.4

Fair Value	
Comparable Stocks' Avg PE	12.64
Comparable PE-Based Fair Value	$12.75

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ValuEngine™ DETAILED RESEARCH REPORT
NISOURCE INC(NI)

COMPANY ANALYSIS

NiSource Inc. provides natural gas, electricity and other products and services. The company operates east of the Rocky Mountains.

Subsidiaries
NiSource's principal subsidiaries include Columbia Energy Group, a vertically-integrated natural gas distribution, transmission and storage holding company whose subsidiaries provide service to customers in the Midwest, the Mid-Atlantic and the Northeast; Northern Indiana Public Service Company, a vertically-integrated gas and electric company providing service to customers in northern Indiana; and Bay State Gas Company, a natural gas distribution company serving customers in Massachusetts.

Segments
NiSource's business segments are: Gas Distribution Operations; Gas Transmission and Storage Operations; Electric Operations; and Other Operations.

Gas Distribution Operations
NiSource's natural gas distribution operations serve approximately 3.3 million customers in nine states and operate approximately 57 thousand miles of pipeline. Through its wholly owned subsidiary, Columbia, NiSource owns five distribution subsidiaries that provide natural gas to approximately 2.2 million residential, commercial and industrial customers in Ohio, Pennsylvania, Virginia, Kentucky and Maryland. NiSource also distributes natural gas to approximately 793 thousand customers in northern Indiana through three subsidiaries: Northern Indiana, Kokomo Gas and Northern Indiana Fuel and Light. Additionally, NiSource's subsidiaries Bay State and Northern Utilities distribute natural gas to approximately 291 thousand customers in Massachusetts.

Gas Transmission and Storage Operations
NiSource's Gas Transmission and Storage Operations subsidiaries own and operate approximately 16 thousand miles of interstate pipelines and operate underground natural gas storage systems capable of storing approximately 629 Bcf of natural gas. Through its subsidiaries, Columbia Transmission, Columbia Gulf, Crossroads Pipeline and Granite State Gas, NiSource owns and operates an interstate pipeline network extending from offshore in the Gulf of Mexico to Lake Erie, New York and the eastern seaboard. Together, these companies serve customers in 16 northeastern, mid-Atlantic, midwestern and southern states and the District of Columbia. The Gas Transmission and Storage Operations subsidiaries completed milestone projects with Millennium and Hardy Storage and are engaged in other projects that would expand their facilities and throughput. In June 2007, construction began on the Millennium pipeline, which includes 182-miles of newly constructed, 30-inch-diameter pipe across New York's Southern Tier and lower Hudson Valley. Substantially all of the facilities related to the project were completed in 2008.

Electric Operations
NiSource generates, transmits and distributes electricity through its subsidiary Northern Indiana to approximately 457 thousand customers in 20 counties in the northern part of Indiana and engages in wholesale and transmission transactions. Northern Indiana owns four and has the ability to operate three coal-fired electric generating stations. The three operable facilities have a net capability of 2,574 mw. Northern Indiana also operates Sugar Creek, a CCGT plant with a 535 mw capacity rating, four gas-fired generating units located at Northern Indiana's coal-fired electric generating stations with a net capability of 203 mw and two hydroelectric generating plants with a net capability of 10 mw. These facilities provide for a total system operating net capability of 3,322 mw. Sugar Creek was purchased in May, 2008 and dispatched into MISO on December 1, 2008. Northern Indiana's transmission system, with voltages from 69,000 to 345,000 volts, consists of 2,782 circuit miles. Northern Indiana is interconnected with five neighboring electric utilities.

Northern Indiana participates in the MISO transmission service and wholesale energy market. Additionally, MISO is responsible for managing the energy markets, managing transmission constraints, managing the day-ahead, real-time and FTRs markets and managing the ancillary market.

Other Operations
The Other Operations segment participates in energy-related services including gas marketing, power and gas risk management and ventures focused on distributed power generation technologies and fuel cells and storage systems. Additionally, the Other Operations segment is involved in real estate and other businesses.

Customers
The company provides natural gas, electricity and other products and services to approximately 3.8 million customers located within a corridor that runs from the Gulf Coast through the Midwest to New England.

History
NiSource Inc. was founded in 1912.

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ValuEngine™ DETAILED RESEARCH REPORT

NISOURCE INC(NI)

VALUENGINE RANKINGS

Just as important as the percentages shown for our ten predictive variables for each stock is the way they are ranked against the 7000 plus stocks in our database. Each of these quantitative measurements is ranked on a scale of 1 to 100. Generally the higher the ranking, the more positive the influence each measurement has on the overall attractiveness of the stock. In other words a high rank is always better. The below data points show how the rank for each data point for NI relates to the overall industry, sector, and S&P 500 averages.

Valuation		Rank
NI	22.75%	14
Industry	-7.00%	48
Sector	-2.05%	46
S&P 500	n/a	n/a

The ValuEngine Valuation Rank measures the relationship between a company's stock price and its Fair Value. The higher the Valuation rank, the more undervalued the stock. With a Valuation Rank of 14, NI is substantially lower than the average of its industry group, which carries a Valuation Rank of 48.

12-Month Return		Rank
NI	48.79%	62
Industry	19.71%	35
Sector	29.74%	40
S&P 500	27.74%	45

The ValuEngine 12-Month Return Rank reflects the relative stock performance of a stock over the recent 12 months. On a scale of 1 to 100, a higher 12-Month Return rank indicates a stronger performance. With a 12-Month Return Rank of 62, NI is moderately higher than the industry's rank score of 35.

5-Y Avg Ann Rtn		Rank
NI	-8.96%	46
Industry	-0.98%	63
Sector	-3.28%	60
S&P 500	-2.59%	59

The ValuEngine 5-Years Average Return Rank reflects a stock's average annual return over the last 5 years, in comparison with the coverage universe. A higher rank indicates a better return performance. With a rank of 46, NI is slightly lower than the industry, which has a rank of 63.

Volatility		Rank
NI	23.59%	95
Industry	36.83%	80
Sector	50.50%	70
S&P 500	19.35%	98

The ValuEngine Volatility Rank reflects the volatility associated with the stock. A higher Volatility Rank indicates a lower volatile percentile of stocks. NI has a Volatility Rank of 95, which is slightly higher than the industry Rank of 80.

EPS Growth		Rank
NI	-5.43%	13
Industry	15.08%	34
Sector	20.11%	35
S&P 500	n/a	n/a

The ValuEngine EPS Growth Rank indicates a stock's expected EPS growth rate. A high rank indicates a high growth rate expectation. NI has an EPS Growth Rank of 13.This is moderately lower than the industry rank of 34.

Market Cap(bill)		Rank
NI	4.06	89
Industry	6.61	79
Sector	8.37	74
S&P 500	n/a	n/a

The ValuEngine Size rank signifies the company's size in terms of market capitalization. A higher rank denotes a larger market capitalization within ValuEngine's stock universe. With a Size rank of 89, NI is in line with the industry, which has a rank of 79.

Sharpe Ratio		Rank
NI	-0.38	27
Industry	-0.03	61
Sector	-0.06	59
S&P 500	-0.13	51

The ValuEngine Sharpe Ratio Rank measures the risk return tradeoff offered by a stock. Sharpe ratio is the stock's average annual return (over the last five years) divided by its annualized volatility over the same 5 years. With a rank of 27, NI is substantially lower than the industry, which has a rank of 61.

P/S Ratio		Rank
NI	0.58	73
Industry	2.13	54
Sector	2.37	54
S&P 500	n/a	n/a

The ValuEngine Price/Sales rank signifies the relative position of the company based on its P/S ratio. Stocks with the lowest P/S ratio are assigned a rank of 100 while stocks with the highest P/S ratio are ranked 1. At a Price/Sales rank of 73, NI is slightly higher than the industry rank of 54.

M/B Ratio		Rank
NI	0.86	71
Industry	1.48	51
Sector	2.22	46
S&P 500	n/a	n/a

The Market/Book Rank is a measure of a stock's market to book ratio relative to the stock universe. A higher rank corresponds to a lower market book value. NI has a Market/Book rank of 71, which is slightly higher than the industry rank of 51.

P/E Ratio		Rank
NI	13.81	73
Industry	14.06	69
Sector	15.84	65
S&P 500	17.28	63

The ValuEngine P/E Rank signifies the relative standing of a company on its P/E ratio, relative to the universe. Stocks in the top P/E percentile are each assigned a rank of 1(highest P/E stocks) while those in the bottom P/E percentile are assigned a rank of 100 (traditional value stocks). With a P/E rank of 73, NI is in line with the industry P/E rank of 69.

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COMPARISON OF SIMILAR STOCKS* & RISK ASSESSMENT

Valuation		Rank
NI	22.75%	14
SCG	-7.06%	48
NU	4.42%	31
TAC	-16.82%	65
NST	0.08%	37

12-Month Return		Rank
NI	48.79%	62
SCG	7.58%	27
NU	5.00%	25
TAC	18.96%	37
NST	3.74%	25

5-Y Avg Ann Rtn		Rank
NI	-8.96%	46
SCG	-2.19%	60
NU	5.63%	80
TAC	1.08%	69
NST	3.14%	75

Volatility		Rank
NI	23.59%	95
SCG	19.74%	98
NU	23.00%	95
TAC	27.59%	90
NST	20.44%	97

EPS Growth		Rank
NI	-0.05	13
SCG	0.06	24
NU	0.08	27
TAC	0.44	60
NST	0.08	27

Market Cap(bill)		Rank
NI	4.06	89
SCG	4.34	89
NU	4.43	89
TAC	4.49	89
NST	3.61	87

Sharpe Ratio		Rank
NI	-0.38	27
SCG	-0.11	54
NU	0.24	88
TAC	0.04	71
NST	0.15	81

P/S Ratio		Rank
NI	0.58	73
SCG	0.98	58
NU	0.79	64
TAC	1.73	41
NST	1.11	54

M/B Ratio		Rank
NI	0.86	71
SCG	1.3	51
NU	1.25	52
TAC	1.94	33
NST	1.93	33

P/E Ratio		Rank
NI	13.81	73
SCG	12.14	79
NU	13.88	73
TAC	20.73	57
NST	14.35	71

FORECAST COMPARISONS

RETURN FORECAST: EXPECTED RETURN

	NI	NST	NU	SCG	TAC
One-Month	-0.19%	0.43%	0.12%	0.46%	-0.11%
Three-Month	-1.08%	-0.39%	-0.54%	0.16%	-1.58%
Six-Month	-0.69%	-0.38%	-0.52%	0.95%	-1.75%
One-Year	1.05%	0.37%	0.60%	3.10%	-2.02%
Two-Year	9.80%	7.01%	7.61%	12.51%	2.30%
Three-Year	24.15%	16.28%	18.19%	23.57%	10.79%

RISK ASSESSMENT: CHANCE OF GAIN

	NI	NST	NU	SCG	TAC
One-Month	48.90%	52.89%	50.74%	53.20%	49.43%
Three-Month	46.36%	48.48%	48.11%	50.64%	45.45%
Six-Month	48.36%	48.96%	48.71%	52.72%	46.42%
One-Year	51.77%	50.72%	51.04%	56.24%	47.08%
Two-Year	61.55%	59.58%	59.25%	67.30%	52.35%
Three-Year	72.28%	67.73%	67.61%	75.47%	58.93%

RISK ASSESSMENT: CHANCE OF LOSS

	NI	NST	NU	SCG	TAC
One-Month	51.10%	47.11%	49.26%	46.80%	50.57%
Three-Month	53.64%	51.52%	51.89%	49.36%	54.55%
Six-Month	51.64%	51.04%	51.29%	47.28%	53.58%
One-Year	48.23%	49.28%	48.96%	43.76%	52.92%
Two-Year	38.45%	40.42%	40.75%	32.70%	47.65%
Three-Year	27.72%	32.27%	32.39%	24.53%	41.07%

*** Comparables are companies in the same Sector and Industry and of approximately similar market capitalization value.**

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ValuEngine™ DETAILED RESEARCH REPORT

NISOURCE INC(NI)

ANNUAL FINANCIALS - BALANCE SHEET (millions)

	2008-12	2007-12	2006-12	2005-12	2004-12	2003-12	2002-12	2001-12
Cash and Equivalents	20.6	36	33.1	69.4	30.1	27.3	54.3	127.9
TOTAL CASH & SHORT TERM INVEST	**20.6**	**36**	**33.1**	**69.4**	**30.1**	**27.3**	**54.3**	**127.9**
Accounts Receivable	1142.5	936	866.3	1676.4	1183.2	1017.5	885.3	937.7
Other Receivables	393.8	223.9	252.3	169.8	169.6	174.8	120.8	196.9
TOTAL RECEIVABLES	**1536.3**	**1159.9**	**1118.6**	**1846.2**	**1352.8**	**1192.3**	**1006.1**	**1134.6**
INVENTORIES	**670.7**	**604.7**	**703.4**	**623.8**	**552.9**	**529.9**	**360.2**	**480.2**
Prepaid Expenses	249.1	112.7	111.7	109.3	96.2	101.8	229.5	395.4
Other Current Assets	934.1	541.6	816.1	412	253.6	211.6	218.4	428.6
TOTAL CURRENT ASSETS	**3410.8**	**2454.9**	**2782.9**	**3060.7**	**2285.6**	**2062.9**	**1868.5**	**2566.7**
Gross Property Plant and Equip.	18468.9	17882.3	17544.5	17111.1	16632.3	16400.8	18188.9	17245.7
Accumulated Depreciation	-8080.8	-7850.5	-7850	-7556.8	-7247.6	-7095.9	-8120.9	-7691
NET PROPERTY, PLANT AND EQUIP.	**10388.1**	**10031.8**	**9694.5**	**9554.3**	**9384.7**	**9304.9**	**10068**	**9554.7**
Long-term Investments	204.7	189.9	175.7	189.2	180.6	180.6	169.5	171.7
Goodwill	3677.3	3677.3	3677.3	3677.3	3687.2	3704	3707.6	3732.9
Other Intangibles	330.6	422	435.7	495.8	520.3	527.2	57.3	5
Deferred Charges, LT	1763.9	1004.7	1297.5	753.7	757.9	723.3	803.8	933.6
Other Long Term Assets	256.8	224.2	92.9	227.5	171.7	120.9	222.2	409.5
TOTAL ASSETS	**20032.2**	**18004.8**	**18156.5**	**17958.5**	**16988**	**16623.8**	**16896.9**	**17374.1**
Accounts Payable	693.3	719.9	713.1	866.7	648.4	496.6	521.6	646.6
Accrued Expenses	613.9	614	834.1	913.9	808.9	768	843.7	1080.6
Short-term Borrowings	1163.5	1061	1193	898	307.6	685.5	913.1	1854.3
Current Income Taxes Payable	206.5	188.7	–	–	–	–	–	–
Unearned Revenue, Current	14.7	38.7	55.9	51.3	31.5	28.2	130.2	89
Other Current Liabilities	1422.2	736.4	931.8	672.6	505.9	512.4	536.2	616.9
TOTAL CURRENT LIABILITIES	**4583.4**	**3392.6**	**3821.2**	**3843.2**	**3602.2**	**2609**	**4177.4**	**4728.6**
Long Term Debt	5906.1	5589.1	5146.2	5271.2	4835.9	5993.4	5363	6125.8
Capital Leases	37.8	5.3	–	–	–	–	–	–
Minority Interest	–	–	–	81.1	81.1	81.1	84.9	88.6
Unearned Revenue Non-Current	6.2	0.2	21.9	60.4	87.4	113	305.4	435.4
Pension and Other Post-Retire. Benefits	1238.5	547.9	799.5	511	413	406.9	417.2	277.7
Deferred Tax Liability Non-Current	1595.9	1616.8	1553.7	1591.9	1665.9	1595.9	1958	1726.3
Other Non-Current Liabilities	1935.5	1776.3	1800.4	1666.7	1514.8	1406.2	416.1	522.3
TOTAL LIABILITIES	**15303.4**	**12928.2**	**13142.9**	**13025.5**	**12200.3**	**12205.5**	**12722**	**13904.7**
Preferred Stock, Redeemable	–	–	–	–	0.6	2.4	–	–
TOTAL PREFERRED EQUITY	**–**	**–**	**–**	**–**	**0.6**	**2.4**	**–**	**–**
Common Stock	2.7	2.7	2.7	2.7	2.7	2.6	2.5	2.1
Additional Paid In Capital	4020.3	4011	3998.3	3969.4	3924	3756.6	3389.5	2611.6
Retained Earnings	901.1	1074.5	1012.9	981.6	925.4	731.3	930.9	798.6
Treasury Stock	-23.3	-23.3	-21.2	–	–	-9.4	-6.9	–
Comprehensive Income and Other	-172	11.7	20.9	-20.7	-65	-65.2	-141.1	57.1
TOTAL COMMON EQUITY	**4728.8**	**5076.6**	**5013.6**	**4933**	**4787.1**	**4415.9**	**4174.9**	**3469.4**
TOTAL EQUITY	**4728.8**	**5076.6**	**5013.6**	**4933**	**4787.7**	**4418.3**	**4174.9**	**3469.4**
TOTAL LIABILITIES AND EQUITY	**20032.2**	**18004.8**	**18156.5**	**17958.5**	**16988**	**16623.8**	**16896.9**	**17374.1**

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ValuEngine™ DETAILED RESEARCH REPORT

NISOURCE INC(NI)

ANNUAL FINANCIALS : INCOME STATEMENT (millions)

	2008-12	2007-12	2006-12	2005-12	2004-12	2003-12	2002-12	2001-12
Revenues	7660.7	6894.6	6521.7	6849	5936.2	5768.8	5161.6	9020.3
Other Revenues	1213.5	1045.2	968.3	1050.1	730	477.8	1330.7	438.4
TOTAL REVENUES	**8874.2**	**7939.8**	**7490**	**7899.1**	**6666.2**	**6246.6**	**6492.3**	**9458.7**
Cost Of Goods Sold	7394	6431.5	6030.4	6345.1	5087.4	4672.3	4663.8	7798.9
GROSS PROFIT	**1480.2**	**1508.3**	**1459.6**	**1554**	**1578.8**	**1574.3**	**1828.5**	**1659.8**
Selling General and Admin Exp.	--	--	--	--	--	--	79	--
Stock-Based Compensation	--	2.6	--	--	--	--	--	--
Depr. and Amortization	567.2	559.2	549.2	545.2	509.7	497	574	641.7
OPERATING INCOME	**913**	**946.5**	**910.4**	**1008.8**	**1069.1**	**1077.3**	**1175.5**	**1018.1**
Interest Expense	-396	-410.5	-391.9	-403.5	-383.4	-440.5	-516.3	-591.2
Interest and Invest. Income	15.4	12.3	8.8	23.6	9.4	14.8	14.6	0.1
NET INTEREST EXP.	**-380.6**	**-398.2**	**-383.1**	**-379.9**	**-374**	**-425.7**	**-501.7**	**-591.1**
Income/(Loss) from Affiliates	**12.3**	**9.4**	**-12.3**	**--**	**--**	**--**	**--**	**--**
Other Non-Oper. Inc. (Exp.)	1.4	-9	-11.9	-31.3	-26.9	-28.2	-21	-20.9
EBT EXCL. UNUSUAL ITEMS	**562.8**	**548.7**	**503.1**	**597.6**	**671.3**	**648.3**	**680**	**424.9**
Restructuring Charges	--	-13.2	1.6	-33.8	-0.2	7.5	--	--
Merger and Related Restruct. Charges	--	--	2.5	--	--	--	--	--
Gain (Loss) On Sale Of Invest.	16.7	--	--	--	--	--	--	--
Asset Writedown	-7.6	-10.8	-4.1	-22.2	--	--	--	-9.2
Legal Settlements	--	--	-18.1	--	--	6.6	--	--
Other Unusual Items	--	-40.6	-0.7	-108.6	--	--	--	--
EBT INCL. UNUSUAL ITEMS	**555.2**	**484.1**	**484.3**	**433**	**671.1**	**662.4**	**680**	**415.7**
Income Tax Expense	185.4	172.1	170.8	149.4	240.9	234.2	233.9	183.2
Minority Int. in Earnings	--	--	--	--	--	-2.5	-20.4	-20.4
EARNINGS FROM CONTINUING	**369.8**	**312**	**313.5**	**283.6**	**430.2**	**425.7**	**425.7**	**212.1**
Earnings Of Discontinued Oper.	-290.8	9.4	-31.7	23.2	6.1	-331.7	-53.2	0.1
NET INCOME	**79**	**321.4**	**282.2**	**306.5**	**436.3**	**85.2**	**372.5**	**216.2**
NI TO COMMON INCL EXTRA ITEMS	**79**	**321.4**	**282.2**	**306.5**	**436.3**	**85.2**	**372.5**	**216.2**
Basic EPS	0.3	1.2	1	1.1	1.6	0.3	1.8	1
Basic EPS Excl. Extra Items	1.4	1.1	1.1	1	1.6	1.6	2	1
Weighted Avg. Basic Shares Out.	274	273.8	272.6	271.3	263.7	259.5	211	205.3
Diluted EPS	0.3	1.2	1	1.1	1.6	0.3	1.8	1
Diluted EPS Excl Extra Items	1.3	1.1	1.1	1	1.6	1.6	2	1
Weighted Avg. Diluted Shares Out.	275.4	274.7	273.4	273	265.5	261.6	212.8	209.8

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ValuEngine™ DETAILED RESEARCH REPORT

NISOURCE INC(NI)

ANNUAL FINANCIALS - CASH FLOW STATEMENT (millions)

	2008-12	2007-12	2006-12	2005-12	2004-12	2003-12	2002-12	2001-12
Net Income	79	321.4	282.2	306.5	436.3	85.2	372.5	216.2
Depreciation and Amortization	533.1	523	528.6	516.9	392.2	485	574	641.7
Amortization Of Goodwill	11	13.6	–	–	82.5	–	–	–
DEPRECIATION AND AMORT., TOTAL	**544.1**	**536.6**	**528.6**	**516.9**	**474.7**	**485**	**574**	**641.7**
Amort. Of Deferred Charges	30.8	29.9	28.3	45.8	56.6	30.9	–	–
(Gain) Loss From Sale Of Asset	4.3	-0.3	-1.1	0.4	-3.1	-24.9	-27.2	-11
Asset Writedown and Restruct. Costs	3.3	11.1	5.2	21.8	–	–	–	9.2
(Income) Loss On Equity Investments	-25.3	-14.1	8.4	-4.7	-0.9	5.4	--	--
Stock-Based Compensation	9.5	4.4	6.9	6.8	8	12.9	27.1	–
Net Cash From Disc. Oper.	-2.2	0.3	4.8	-17.4	2.2	-141.5	-16.2	--
Other Operating Activities	287.1	9.5	14.9	34.9	14.4	329.8	37.5	465.7
Change In Accounts Receivable	-201.7	-3.4	407.7	-358.9	-92	67.3	102.7	552.5
Change In Inventories	-82.4	94.4	-71.7	-71.1	-23.1	-166.9	66.8	-73.3
Change In Accounts Payable	-30.3	-65.2	-176.4	205.7	153.3	-41.4	-91.6	-495.5
Change In Unearned Revenues	–	–	–	–	7.6	12.9	–	–
Change In Income Taxes	-89.7	-10.7	53.4	21.3	-57.8	-89.5	-5.4	142.1
Change In Deferred Taxes	137.8	12.7	113.4	16.7	97.5	77.9	114.1	43.1
Change In Other Working Capital	-79	-150.4	208.2	21	26.6	-144.4	93.1	569.5
CASH FROM OPERATIONS	**585.3**	**757.2**	**1156.2**	**712.3**	**1056.3**	**472.9**	**1172.4**	**1042.6**
Capital Expenditure	-969.9	-788.3	-637.4	-590.4	-517	-574.6	-621.9	-668.1
Sale of Prop., Plant, and Equip.	47.8	4.2	21.6	7.5	7.1	586.5	419.2	227.9
Cash Acquisitions	-329.7	--	–	–	--	--	–	–
Invest. in Marketable and Eqty Securties	-39.2	–	–	–	–	–	–	–
Other Investing Activities	176.7	102.7	-116.7	10.8	-42.7	-17.6	–	-7
CASH FLOW FROM INVESTING	**-1114.3**	**-681.4**	**-732.5**	**-572.1**	**-552.6**	**-5.7**	**-202.7**	**-447.2**
Short-Term Debt Issued	102.5	--	296.4	590.4	--	–	–	–
Long-Term Debt Issued	959.3	803.6	–	1907.9	450	1401.5	–	300
TOTAL DEBT ISSUED	**1061.8**	**803.6**	**296.4**	**2498.3**	**450**	**1401.5**	**–**	**300**
Short-Term Debt Repaid	–	-132	–	–	-377.9	-227.6	-941.2	-642.5
Long-Term Debt Repaid	-294.6	-457.9	-438.7	-2386.7	-486.6	-1366.9	-532.1	-93
TOTAL DEBT REPAID	**-294.6**	**-589.9**	**-438.7**	**-2386.7**	**-864.5**	**-1594.5**	**-1473.3**	**-735.5**
TOTAL DIVIDENDS PAID	**-252.4**	**-252.1**	**-251.9**	**-250.3**	**-243.1**	**-284**	**-241.5**	**-239**
Other Financing Activities	–	-40.6	–	–	–	–	-46.7	–
CASH FROM FINANCING	**516.1**	**-72.9**	**-460**	**-100.3**	**-500.9**	**-471**	**-1033.5**	**-660.5**
Misc. Cash Flow Adjustments	-1.1	–	–	–	–	–	–	–
NET CHANGE IN CASH	**-14**	**2.9**	**-36.3**	**39.9**	**2.8**	**-3.8**	**-63.8**	**-65.1**
Cash Interest Paid	375.8	413.2	370	404.5	383	442.3	496.6	518
Cash Taxes Paid	60.6	185.2	288.2	101.4	184.6	256.8	118.8	250.2
Net Debt Issued	767.2	213.7	-142.3	111.6	-414.5	-193	-1473.3	-435.5

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ValuEngine™ DETAILED RESEARCH REPORT

NISOURCE INC(NI)

QUARTERLY FINANCIALS - BALANCE SHEET (millions)

	2009-09	2009-06	2009-03	2008-12	2008-09	2008-06	2008-03	2007-12
Cash and Equivalents	83.8	248.9	135.2	20.6	25.1	45.9	77.4	36
TOTAL CASH & SHORT TERM INVEST	**83.8**	**248.9**	**135.2**	**20.6**	**25.1**	**45.9**	**77.4**	**36**
Accounts Receivable	442.3	544.7	910.7	1142.5	586.8	737	1086.2	936
Other Receivables	374.7	163.7	257.4	393.8	407.3	464.2	389.1	223.9
TOTAL RECEIVABLES	**817**	**708.4**	**1168.1**	**1536.3**	**994.1**	**1201.2**	**1475.3**	**1159.9**
INVENTORIES	**691.8**	**426.6**	**259.3**	**670.7**	**838**	**400.5**	**213.3**	**604.7**
Prepaid Expenses	131.6	148.9	256.7	249.1	228.9	173.9	103.5	112.7
Other Current Assets	839	903.9	813.1	934.1	1039.9	858.9	652	541.6
TOTAL CURRENT ASSETS	**2563.2**	**2436.7**	**2632.4**	**3410.8**	**3126**	**2680.4**	**2521.5**	**2454.9**
Gross Property Plant and Equip.	18868.4	18776	18610.8	18468.9	18339.8	18108.6	17495.1	17882.3
Accumulated Depreciation	-8286.3	-8232.9	-8134.1	-8080.8	-8078	-7982.5	-7819.1	-7850.5
NET PROPERTY, PLANT AND EQUIP.	**10582.1**	**10543.1**	**10476.7**	**10388.1**	**10261.8**	**10126.1**	**9676**	**10031.8**
Long-term Investments	277.7	258	229.8	204.7	190.3	186.8	187.8	189.9
Goodwill	3677.3	3677.3	3677.3	3677.3	3677.3	3677.3	3677.3	3677.3
Other Intangibles	322.4	325.1	327.8	330.6	333.4	336.1	338.8	422
Deferred Charges, LT	1704.6	1722.9	1745.6	1763.9	940.4	999.7	995.2	1004.7
Other Long Term Assets	263.8	260.2	260.4	256.8	568.6	609.8	790.1	224.2
TOTAL ASSETS	**19391.1**	**19223.3**	**19350**	**20032.2**	**19097.8**	**18616.2**	**18186.7**	**18004.8**
Accounts Payable	214	240.9	531.6	693.3	498	665.2	755.9	719.9
Accrued Expenses	450.2	381.7	392.4	613.9	488.4	418.8	524.9	614
Short-term Borrowings	200	–	–	1163.5	1263	506	624.7	1061
Current Income Taxes Payable	148	209.1	259.4	206.5	145.1	223.7	327.1	188.7
Unearned Revenue, Current	8.7	20.2	11	14.7	10.9	14.1	22.4	38.7
Other Current Liabilities	1455	1666.5	1647.6	1422.2	1593.9	1777.9	1409	736.4
TOTAL CURRENT LIABILITIES	**2909.7**	**2942.4**	**3278**	**4583.4**	**4019.2**	**3648.8**	**3753.3**	**3392.6**
Long Term Debt	6560.7	6564.4	6451.9	5906.1	6323.3	6059.9	5383	5589.1
Capital Leases	–	–	–	37.8	–	–	–	5.3
Unearned Revenue Non-Current	7.9	7.3	6.8	6.2	5.1	0.2	0.2	0.2
Pension and Other Post-Retire. Benefits	1172.3	1254.4	1248.5	1238.5	550	553.1	566.2	547.9
Deferred Tax Liability Non-Current	2042.8	1715	1650.7	1595.9	1588.6	1572	1546.1	1616.8
Other Non-Current Liabilities	1957.9	1947.4	1976.4	1935.5	1940.8	1971.3	1873.7	1776.3
TOTAL LIABILITIES	**14651.3**	**14430.9**	**14612.3**	**15303.4**	**14427**	**13805.3**	**13122.5**	**12928.2**
Common Stock	2.8	2.8	2.7	2.7	2.7	2.7	2.7	2.7
Additional Paid In Capital	4043.2	4032.7	4023	4020.3	4017.8	4015.4	4013.2	4011
Retained Earnings	776.3	855.1	923.3	901.1	739.1	782.2	1047.5	1074.5
Treasury Stock	-24.2	-24.2	-24.1	-23.3	-23.5	-23.4	-23.3	-23.3
Comprehensive Income and Other	-58.3	-74	-187.2	-172	-65.3	34	24.1	11.7
TOTAL COMMON EQUITY	**4739.8**	**4792.4**	**4737.7**	**4728.8**	**4670.8**	**4810.9**	**5064.2**	**5076.6**
TOTAL EQUITY	**4739.8**	**4792.4**	**4737.7**	**4728.8**	**4670.8**	**4810.9**	**5064.2**	**5076.6**
TOTAL LIABILITIES AND EQUITY	**19391.1**	**19223.3**	**19350**	**20032.2**	**19097.8**	**18616.2**	**18186.7**	**18004.8**

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NISOURCE INC(NI)

QUARTERLY FINANCIALS - INCOME STATEMENT (millions)

	2009-09	2009-06	2009-03	2008-12	2008-09	2008-06	2008-03	2007-12
Revenues	860.2	995.1	2409.9	2101.9	1140.8	1499.2	2918.7	1964.1
Other Revenues	24.6	14.1	310.3	283.6	268.3	292.9	371	280.8
TOTAL REVENUES	**884.8**	**1009.2**	**2720.2**	**2385.5**	**1409.1**	**1792.1**	**3289.7**	**2244.9**
Cost Of Goods Sold	633.3	754.5	2221	1938.8	1164	1530.3	2762.8	1847.7
GROSS PROFIT	**251.5**	**254.7**	**499.2**	**446.7**	**245.1**	**261.8**	**526.9**	**397.2**
Depr. and Amortization	148.7	148.2	143.8	142.9	141	147.7	135.6	139.8
OPERATING INCOME	**102.8**	**106.5**	**355.4**	**303.8**	**104.1**	**114.1**	**391.3**	**257.4**
Interest Expense	-104.8	-105.3	-90.5	-100.7	-100.2	-87.4	-91.8	-103.2
NET INTEREST EXP.	**-104.8**	**-105.3**	**-90.5**	**-100.7**	**-100.2**	**-87.4**	**-91.8**	**-103.2**
Income/(Loss) from Affiliates	**5.8**	**-2.6**	**6.4**	**5.3**	**3.4**	**1.6**	**2**	**1.6**
Other Non-Oper. Inc. (Exp.)	2.3	-0.5	-4.2	-3	4.1	-1.3	1.5	-4.7
EBT EXCL. UNUSUAL ITEMS	**6.1**	**-1.9**	**267.1**	**205.4**	**28.1**	**29.6**	**300**	**151.1**
Restructuring Charges	-4.6	--	-19.8	--	--	--	--	--
Gain (Loss) On Sale Of Invest.	--	--	--	--	16.7	--	--	--
Asset Writedown	-4.4	--	2	-10.4	0.4	0.9	1.5	-1
Insurance Settlements	--	--	4.3	--	--	--	--	--
Other Unusual Items	--	-0.7	3.2	--	--	--	--	-40.6
EBT INCL. UNUSUAL ITEMS	**-2.9**	**-2.6**	**256.8**	**195**	**28.5**	**30.5**	**301.5**	**109.5**
Income Tax Expense	6.8	6.1	97.5	68	-4.1	9.5	112.1	34.6
EARNINGS FROM CONTINUING	**-9.7**	**-8.7**	**159.3**	**127**	**32.6**	**21**	**189.4**	**74.9**
Earnings Of Discontinued Oper.	-5.7	3.9	-10.9	35	-12.6	-223.3	-90.1	2.1
NET INCOME	**-15.4**	**-4.8**	**148.4**	**162**	**20**	**-202.3**	**99.3**	**77**
NI TO COMMON INCL EXTRA ITEMS	**-15.4**	**-4.8**	**148.4**	**162**	**20**	**-202.3**	**99.3**	**77**
Basic EPS	-0.1	-0	0.5	0.6	0.1	-0.7	0.4	0.3
Basic EPS Excl. Extra Items	-0	-0	0.6	0.5	0.1	0.1	0.7	0.3
Weighted Avg. Basic Shares Out.	275.4	274.7	274.2	274	274	274	273.9	273.9
Diluted EPS	-0.1	-0	0.5	0.6	0.1	-0.7	0.4	0.3
Diluted EPS Excl Extra Items	-0	-0	0.6	0.5	0.1	0.1	0.7	0.3
Weighted Avg. Diluted Shares Out.	275.4	274.7	276.7	275.5	275.5	275.4	275.4	274.7

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ValuEngine™ DETAILED RESEARCH REPORT

NISOURCE INC(NI)

QUARTERLY FINANCIALS - CASH FLOW STATEMENT (millions)

	2009-09	2009-06	2009-03	2008-12	2008-09	2008-06	2008-03	2007-12
Net Income	-15.4	-4.8	148.4	162	20	-202.3	99.3	67
Depreciation and Amortization	148.2	148.1	143.8	108.8	141	147.7	135.6	103.6
Amortization Of Goodwill	–	–	–	11	–	–	–	13.6
DEPRECIATION AND AMORT., TOTAL	**148.2**	**148.1**	**143.8**	**119.8**	**141**	**147.7**	**135.6**	**117.2**
Amort. Of Deferred Charges	3.7	4.1	2.1	25.1	2	1.9	1.8	24.4
(Gain) Loss From Sale Of Asset	–	–	-2	8.7	-0.4	-0.8	-3.2	–
Asset Writedown and Restruct. Costs	4.4	–	–	1.7	–	–	1.6	1
(Income) Loss On Equity Investments	-5.4	2.6	-6.4	-5	-19.2	0.6	-1.7	-2.5
Stock-Based Compensation	3.4	3.3	1.6	2.3	2.7	3.1	1.4	1.7
Net Cash From Disc. Oper.	-162.1	-15.1	-116.3	11.3	-11.6	-1.9	-0.7	–
Other Operating Activities	-6.2	18.9	3.2	-27.5	10.8	242.8	61	33.3
Change In Accounts Receivable	109	241.1	172.1	-606.9	181.3	376.8	-152.9	-292.7
Change In Inventories	-242.2	-268.4	487.7	165.6	-609.9	-485.4	847.3	219.2
Change In Accounts Payable	28	-166	-161.1	229	-185.6	-105.8	32.1	173.8
Change In Income Taxes	-328.8	-0.1	82	-38.5	-64.1	-115.5	128.4	17.2
Change In Deferred Taxes	320.3	11	23.1	45.7	40	35.4	16.7	34.9
Change In Other Working Capital	23.1	207.6	225.3	241.7	104.9	-104.2	-321.4	-36.2
CASH FROM OPERATIONS	**-120**	**182.3**	**1003.5**	**335**	**-388.1**	**-207.6**	**845.3**	**358.3**
Capital Expenditure	-200.1	-178.7	-206.9	-290.5	-256.6	-232.1	-190.7	-268.5
Sale of Prop., Plant, and Equip.	0.3	–	2.1	5.8	-187.6	217.1	12.5	1.9
Cash Acquisitions	–	–	–	–	–	-329.7	–	–
Invest. in Marketable and Eqty Securties	–	–	–	-39.2	–	–	–	–
Other Investing Activities	16.8	55.2	8.4	178.5	-137.1	61.7	-73.6	-31.7
CASH FLOW FROM INVESTING	**-183**	**-123.5**	**-196.4**	**-145.4**	**-581.3**	**-283**	**-104.6**	**-234.9**
Short-Term Debt Issued	200.1	–	–	–	757	–	–	388
Long-Term Debt Issued	0.6	118.3	581.7	–	228.2	639.1	0.9	–
TOTAL DEBT ISSUED	**200.7**	**118.3**	**581.7**	**–**	**985.2**	**639.1**	**0.9**	**388**
Short-Term Debt Repaid	–	–	-1163.5	-99.5	–	-118.7	-436.3	–
Long-Term Debt Repaid	–	–	-101.4	-3.5	–	–	-200	-389.8
TOTAL DEBT REPAID	**–**	**–**	**-1264.9**	**-103**	**–**	**-118.7**	**-636.3**	**-389.8**
TOTAL DIVIDENDS PAID	**-63.4**	**-63.1**	**-63.1**	**-63.2**	**-63.1**	**-63**	**-63.1**	**-63**
Other Financing Activities	–	–	–	0.2	–	–	–	-40.6
CASH FROM FINANCING	**137.5**	**55.3**	**-746.9**	**-165.8**	**922.4**	**457.4**	**-697.9**	**-105.1**
Misc. Cash Flow Adjustments	0.4	-0.4	54.4	-28.3	26.2	1.7	–	–
NET CHANGE IN CASH	**-165.1**	**113.7**	**114.6**	**-4.5**	**-20.8**	**-31.5**	**42.8**	**18.3**
Net Debt Issued	200.7	118.3	-683.2	-103	985.2	520.4	-635.4	-1.8

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ValuEngine™ DETAILED RESEARCH REPORT
NISOURCE INC(NI)

VALUENGINE SERVICE DESCRIPTIONS

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ValuEngine™ DETAILED RESEARCH REPORT
NISOURCE INC(NI)

VALUENGINE'S METHODOLOGY

ValuEngine's research combines the most advanced academic concepts with real world Wall Street practice. The result is state-of-the-art fair market valuation and price forecasting technologies.

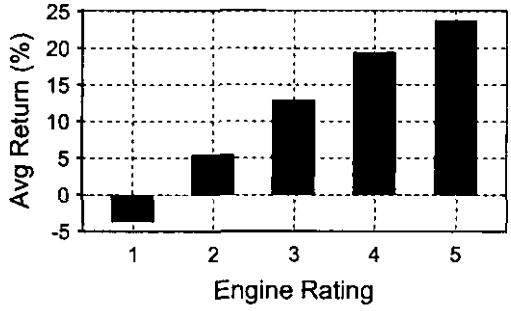
ValuEngine's stock valuation employs a sophisticated, three-factor approach. Fundamental variables, such as a company's trailing 12-month Earnings-Per-Share (EPS), the analyst consensus estimate of the company's future 12-month EPS, and the 30-year Treasury yield, are all used to create a more accurate reflection of a company's fair value. Together with eleven additional variables, ValuEngine paints a detailed picture of a company's fair value, represented by the model price.

ValuEngine's stock forecasts examine, among other things, short-term price reversals, intermediate-term momentum continuation, and long-term price reversals over six time horizons for every industry to ensure forecasts are established relative to a stock's proper peer groups. Advanced statistical/econometric techniques are used to run thousands of simulations estimating the probability of a double in stock price, as well as the probability of meeting and exceeding any given portfolio or stock investment target.

The stock's engine rating is an assessment of its overall attractiveness. It combines valuation, risk-return trade-off, momentum, market capitalization and forecasted future returns. Only two percent of the stock universe receives the highest 5-engine rating. The lowest rating is a single engine.

For more information on ValuEngine, its models and performance, go to www.ValuEngine.com

Engine Rating and Average Annual Return
(Jan 1990 - Jan 2010)



DISCLOSURES

ValuEngine offers equity recommendations and related return estimates to investors and their advisors. It uses a three-class Buy-Hold-Sell rating system. This is a consolidated version of the firm's five class rating system: most favorable and favorable ratings are buys; neutral ratings are holds and the categories unfavorable and most unfavorable are sells.

STOCK RATINGS: The terms below are used to rate a stock's 12-month performance:

1. Buy: Expected to outperform the SP500 producing above average returns.
2. Hold: Expected to perform in line with the SP500 with average returns.
3. Sell: Expected to underperform the SP500 producing below-average returns.

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ValuEngine™ DETAILED RESEARCH REPORT

NISOURCE INC(NI)

Feb. 08, 2010

VALUENGINE RECOMMENDATION & BASIC INFORMATION

RECOMMENDATION

negative	neutral	positive
SELL	HOLD	BUY

VALUENGINE RATING

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RECOMMENDATION FACTORS

	Value	Rank
Overall Rank		top 14%
Fair Value	$13.31	btm 23%
1Yr Target Price	$15.04	top 8%
P/E Ratio	12.94	top 25%
Last 1-Y Return	47.69%	top 38%
Market Cap(bil)	$4.05	top 13%

BASIC INFORMATION

Last Trade	$14.68
Trade Date	02/05/10
Market Cap(bil)	$4.04808
Trailing P/E	12.94
Forward P/E	13.92
PEG Ratio	n/a
P/S Ratio	0.58
M/B Ratio	0.85
Sharpe Ratio	-0.38
5-Y Avg Ann Return	-9.03%
Volatility	23.60%
EPS Growth	-7.04%
Annual Dividend	$0.92
Dividend Yield	6.27%
LT Debt/Equity	1.38
Beta	0.85

VALUATION ANALYSIS

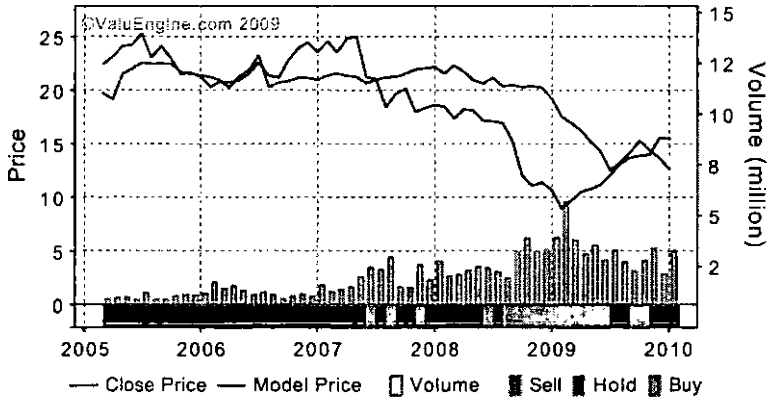
NI	Today's Fair value: $13.31 10.26% overvalued
Industry	Electrical Utilities 8.05% undervalued
Sector	Public Utilities 3.56% undervalued

FORECAST ANALYSIS

	Target Price	Exp. Return
1-Month	$14.67	-0.06%
3-Month	$14.59	-0.62%
6-Month	$14.71	0.18%
1-Year	$15.04	2.47%
2-Year	$16.47	12.19%
3-Year	$18.61	26.78%

Contact ValuEngine:

ValuEngine, Inc.
100 Overlook Center, 2nd Floor
Princeton, NJ 08540, U.S.A.
(800) 381-5576 (T)
support@ValuEngine.com
www.ValuEngine.com



VALUENGINE RECOMMENDATION

ValuEngine has issued a BUY recommendation for NISOURCE INC on Feb. 08, 2010. Based on the information we have gathered and our resulting research, we feel that NISOURCE INC has the probability to OUTPERFORM average market performance for the next year. The company exhibits ATTRACTIVE volatility, company size and P/E ratio.

RATING OVERVIEW

The ValuEngine Rating is an overall assessment of a stock's attractiveness. It combines the following five factors:

1. Fair market valuation
2. 1 year forecasted returns
3. Price/Earnings ratio
4. Momentum
5. Market capitalization

Only two percent of the over 4,000 stocks that we cover receive the highest 5 rating. The ratings are the result of the cumulative of the above factors. As such, stocks with relatively poor results for any one of the five variables can still be attractive if the other four factors are strong enough. Top 5 rated stocks can be expected to outperform the overall market by 15% or more, with average annualized returns from Jan. 2000 through Jan. 2006 of over 30% per year.

FAIR MARKET VALUATION PRICE

Based on available data as of Feb. 08, 2010, we believe that NI should be trading at $13.31. This makes NI 10.26% overvalued. Fair Value indicates what we believe the stock should be trading at today if the stock market were perfectly efficient and everything traded at its true worth. For NI, we base this on actual earnings per share (EPS) for the previous four quarters of $1.13, forecasted EPS for the next four quarters of $1.05, and correlations to the 30-year Treasury bond yield of 4.49%. There are an additional 10 firm specific and interest rate related parameters, each playing a role in the valuation analysis.

FORECASTED TARGET PRICES

The predictive variables used in Valuengine's forecast target price models include both proprietary and well-established forecasting variables derived from credible financial research studies and publications. Our forecasting models capture, among other things, several important tendencies that stock prices consistently exhibit: Short-term price reversals, Intermediate-term momentum continuation, and Long-term price reversals. We use a distinct forecasting model for each time horizon and for every industry. We then apply the most advanced statistical/econometric techniques to ensure that our stock return forecasts are as reliable as possible.

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ValuEngine™ DETAILED RESEARCH REPORT

NISOURCE INC(NI)

DATA SUMMARY & MARKET RATIO BASED VALUATION

OPTIMAL BUY-SELL

Based solely on the Historical Mispricing of NI, the best time to buy would be below $11.98 (or valuation below -10.00%). The best time to sell would be above $15.98 (or valuation above 20.00%).

EVALUATION & RANKINGS

	Value	Rank
Valuation	10.26%	23
12-Month Return	47.69%	63
5-Y Avg Ann Rtn	-9.03%	45
Volatility	23.60%	95
EPS Growth	-7.04%	12
Market Cap(bill)	4.05	88
Sharpe Ratio	-0.38	27
P/S Ratio	0.58	73
M/B Ratio	0.85	71
P/E Ratio	12.94	76

EVALUATION & RANKINGS SUMMARY

Just as important as the percentages shown for our ten predictive variables for each stock is the way they are ranked against the 7000 plus stocks in our database. This is sometimes confusing to newcomers to ValuEngine. Each of these quantitative measurements is ranked on a scale of 1 to 100. Generally the higher the ranking, the more positive the influence each measurement has on the overall attractiveness of the stock. In other words a high rank is always better. Let's take them one by one:

- Valuation rank 23: 77% of stocks are more undervalued
- Momentum rank 63: 37% of stocks have higher momentum
- Sharpe Ratio rank 27: 73% of stocks have a higher Sharpe Ratio
- 5-Year Average Annual Return 45: 55% of stocks have higher average annual return
- Volatility rank 95: 5% of stocks have less volatility
- EPS growth rank 12: 88% of stocks have greater projected EPS growth
- Size rank 88: 12% of companies have higher market capitalization
- P/E rank 76: 24% of stocks have lower P/E ratios
- Price/Sales rank 73: 27% of stocks have lower price/sales ratios
- Market/Book rank 71: 29% of stocks have lower market/book value ratios

MARKET RATIO BASED VALUATION

Portfolio managers and professionals traditionally rely on market ratios to gauge whether a stock is fair valued or overvalued. On this page, we present such a valuation based on one of three market ratios: PEG (price to trailing 4 quarter earnings ratio, divided by the consensus analyst forecasted next year EPS growth), P/E (price to forward 4 quarter earnings ratio), and P/S ratio (price to trailing 4 quarter sales). Among the three, PEG is the most informative as it reflects both the price/earnings ratio and expected future EPS growth, while P/E is better than P/S. For each given stock, we apply the PEG to give a fair value assessment if both its trailing 4 quarter EPS and forecasted EPS growth rate are positive. If its forecasted EPS growth is negative but its forward 4 quarter EPS is positive, we apply the P/E to give a fair value for the stock as of today. Otherwise, we resort to the P/S to assess its fair value.

To establish a valuation standard, we use both (i) the average historical market ratio of the stock over the past 10 years (or however long there is data available for the stock), and (ii) the average market ratio today of five comparable stocks in the same sector and from companies of similar size. These two alternative perspectives should give you a good idea about where this stock's valuation stands today.

1. Valuation Based on NI's Past PE

Over the past 10 years, NI's average PE is 13.04. NI earned $1.13 per share in its recent 4 quarters. The analyst consensus estimate is $1.05 for its 4 quarter forward EPS. NI's current price sales ratio is 0.58. The following assessment is based on multiplying the historical PE with next 4 quarter EPS for NI.

Fair Value	
Historical Average PE	13.04
PE-Based Fair Value	$13.76

2. Valuation Based on Comparables' PE

NI's comparables are AYE, NST, NU, PNW and SCG. The current PE average of these comparables is 11.55. NI earned $1.13 per share in its recent 4 quarters. The analyst consensus estimate is $1.05 for its 4-quarter-forward EPS. NI's current price sales ratio is 0.58. The following assessment is based on multiplying comparable stocks' average PE today with NI's next 4 quarter EPS.

Comparables' PE

Comparables	Current PE
AYE	9.09
NST	13.24
NU	12.77
PNW	11.25
SCG	11.38

Fair Value	
Comparable Stocks' Avg PE	11.55
Comparable PE-Based Fair Value	$12.18

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ValuEngine™ DETAILED RESEARCH REPORT
NISOURCE INC(NI)
COMPANY ANALYSIS

NiSource Inc. provides natural gas, electricity and other products and services. The company operates east of the Rocky Mountains.

Subsidiaries
NiSource's principal subsidiaries include Columbia Energy Group, a vertically-integrated natural gas distribution, transmission and storage holding company whose subsidiaries provide service to customers in the Midwest, the Mid-Atlantic and the Northeast; Northern Indiana Public Service Company, a vertically-integrated gas and electric company providing service to customers in northern Indiana; and Bay State Gas Company, a natural gas distribution company serving customers in Massachusetts.

Segments
NiSource's business segments are: Gas Distribution Operations; Gas Transmission and Storage Operations; Electric Operations; and Other Operations.

Gas Distribution Operations
NiSource's natural gas distribution operations serve approximately 3.3 million customers in nine states and operate approximately 57 thousand miles of pipeline. Through its wholly owned subsidiary, Columbia, NiSource owns five distribution subsidiaries that provide natural gas to approximately 2.2 million residential, commercial and industrial customers in Ohio, Pennsylvania, Virginia, Kentucky and Maryland. NiSource also distributes natural gas to approximately 793 thousand customers in northern Indiana through three subsidiaries: Northern Indiana, Kokomo Gas and Northern Indiana Fuel and Light. Additionally, NiSource's subsidiaries Bay State and Northern Utilities distribute natural gas to approximately 291 thousand customers in Massachusetts.

Gas Transmission and Storage Operations
NiSource's Gas Transmission and Storage Operations subsidiaries own and operate approximately 16 thousand miles of interstate pipelines and operate underground natural gas storage systems capable of storing approximately 629 Bcf of natural gas. Through its subsidiaries, Columbia Transmission, Columbia Gulf, Crossroads Pipeline and Granite State Gas, NiSource owns and operates an interstate pipeline network extending from offshore in the Gulf of Mexico to Lake Erie, New York and the eastern seaboard. Together, these companies serve customers in 16 northeastern, mid-Atlantic, midwestern and southern states and the District of Columbia. The Gas Transmission and Storage Operations subsidiaries completed milestone projects with Millennium and Hardy Storage and are engaged in other projects that would expand their facilities and throughput. In June 2007, construction began on the Millennium pipeline, which includes 182-miles of newly constructed, 30-inch-diameter pipe across New York's Southern Tier and lower Hudson Valley. Substantially all of the facilities related to the project were completed in 2008.

Electric Operations
NiSource generates, transmits and distributes electricity through its subsidiary Northern Indiana to approximately 457 thousand customers in 20 counties in the northern part of Indiana and engages in wholesale and transmission transactions. Northern Indiana owns four and has the ability to operate three coal-fired electric generating stations. The three operable facilities have a net capability of 2,574 mw. Northern Indiana also operates Sugar Creek, a CCGT plant with a 535 mw capacity rating, four gas-fired generating units located at Northern Indiana's coal-fired electric generating stations with a net capability of 203 mw and two hydroelectric generating plants with a net capability of 10 mw. These facilities provide for a total system operating net capability of 3,322 mw. Sugar Creek was purchased in May, 2008 and dispatched into MISO on December 1, 2008. Northern Indiana's transmission system, with voltages from 69,000 to 345,000 volts, consists of 2,782 circuit miles. Northern Indiana is interconnected with five neighboring electric utilities.

Northern Indiana participates in the MISO transmission service and wholesale energy market. Additionally, MISO is responsible for managing the energy markets, managing transmission constraints, managing the day-ahead, real-time and FTRs markets and managing the ancillary market.

Other Operations
The Other Operations segment participates in energy-related services including gas marketing, power and gas risk management and ventures focused on distributed power generation technologies and fuel cells and storage systems. Additionally, the Other Operations segment is involved in real estate and other businesses.

Customers
The company provides natural gas, electricity and other products and services to approximately 3.8 million customers located within a corridor that runs from the Gulf Coast through the Midwest to New England.

History
NiSource Inc. was founded in 1912.

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ValuEngine™ DETAILED RESEARCH REPORT

NISOURCE INC(NI)

VALUENGINE RANKINGS

Just as important as the percentages shown for our ten predictive variables for each stock is the way they are ranked against the 7000 plus stocks in our database. Each of these quantitative measurements is ranked on a scale of 1 to 100. Generally the higher the ranking, the more positive the influence each measurement has on the overall attractiveness of the stock. In other words a high rank is always better. The below data points show how the rank for each data point for NI relates to the overall industry, sector, and S&P 500 averages.

Valuation		Rank
NI	10.26%	23
Industry	-8.05%	49
Sector	-3.56%	47
S&P 500	n/a	n/a

The ValuEngine Valuation Rank measures the relationship between a company's stock price and its Fair Value. The higher the Valuation rank, the more undervalued the stock. With a Valuation Rank of 23, NI is moderately lower than the average of its industry group, which carries a Valuation Rank of 49.

12-Month Return		Rank
NI	47.69%	63
Industry	18.36%	34
Sector	27.58%	40
S&P 500	26.05%	45

The ValuEngine 12-Month Return Rank reflects the relative stock performance of a stock over the recent 12 months. On a scale of 1 to 100, a higher 12-Month Return rank indicates a stronger performance. With a 12-Month Return Rank of 63, NI is moderately higher than the industry's rank score of 34.

5-Y Avg Ann Rtn		Rank
NI	-9.03%	45
Industry	-1.06%	63
Sector	-3.37%	60
S&P 500	-2.54%	59

The ValuEngine 5-Years Average Return Rank reflects a stock's average annual return over the last 5 years, in comparison with the coverage universe. A higher rank indicates a better return performance. With a rank of 45, NI is slightly lower than the industry, which has a rank of 63.

Volatility		Rank
NI	23.60%	95
Industry	36.86%	80
Sector	50.53%	70
S&P 500	19.33%	98

The ValuEngine Volatility Rank reflects the volatility associated with the stock. A higher Volatility Rank indicates a lower volatile percentile of stocks. NI has a Volatility Rank of 95, which is slightly higher than the industry Rank of 80.

EPS Growth		Rank
NI	-7.04%	12
Industry	15.52%	34
Sector	22.75%	35
S&P 500	n/a	n/a

The ValuEngine EPS Growth Rank indicates a stock's expected EPS growth rate. A high rank indicates a high growth rate expectation. NI has an EPS Growth Rank of 12.This is moderately lower than the industry rank of 34.

Market Cap(bill)		Rank
NI	4.05	88
Industry	6.57	79
Sector	8.35	74
S&P 500	n/a	n/a

The ValuEngine Size rank signifies the company's size in terms of market capitalization. A higher rank denotes a larger market capitalization within ValuEngine's stock universe. With a Size rank of 88, NI is in line with the industry, which has a rank of 79.

Sharpe Ratio		Rank
NI	-0.38	27
Industry	-0.03	61
Sector	-0.07	58
S&P 500	-0.13	51

The ValuEngine Sharpe Ratio Rank measures the risk return tradeoff offered by a stock. Sharpe ratio is the stock's average annual return (over the last five years) divided by its annualized volatility over the same 5 years. With a rank of 27, NI is substantially lower than the industry, which has a rank of 61.

P/S Ratio		Rank
NI	0.58	73
Industry	2.1	54
Sector	2.34	54
S&P 500	n/a	n/a

The ValuEngine Price/Sales rank signifies the relative position of the company based on its P/S ratio. Stocks with the lowest P/S ratio are assigned a rank of 100 while stocks with the highest P/S ratio are ranked 1. At a Price/Sales rank of 73, NI is slightly higher than the industry rank of 54.

M/B Ratio		Rank
NI	0.85	71
Industry	1.47	51
Sector	2.21	46
S&P 500	n/a	n/a

The Market/Book Rank is a measure of a stock's market to book ratio relative to the stock universe. A higher rank corresponds to a lower market book value. NI has a Market/Book rank of 71, which is slightly higher than the industry rank of 51.

P/E Ratio		Rank
NI	12.94	76
Industry	13.95	69
Sector	15.88	65
S&P 500	17.33	63

The ValuEngine P/E Rank signifies the relative standing of a company on its P/E ratio, relative to the universe. Stocks in the top P/E percentile are each assigned a rank of 1(highest P/E stocks) while those in the bottom P/E percentile are assigned a rank of 100 (traditional value stocks). With a P/E rank of 76, NI is in line with the industry P/E rank of 69.

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ValuEngine™ DETAILED RESEARCH REPORT

NISOURCE INC(NI)

COMPARISON OF SIMILAR STOCKS & RISK ASSESSMENT

Valuation		Rank
NI	10.26%	23
SCG	-7.65%	49
NU	3.72%	31
PNW	-3.02%	41
NST	-1.24%	38

12-Month Return		Rank
NI	47.69%	63
SCG	6.68%	27
NU	5.23%	26
PNW	10.19%	30
NST	2.10%	24

5-Y Avg Ann Rtn		Rank
NI	-9.03%	45
SCG	-2.24%	60
NU	5.57%	80
PNW	-3.48%	57
NST	2.95%	74

Volatility		Rank
NI	23.60%	95
SCG	19.75%	98
NU	23.01%	96
PNW	19.77%	98
NST	20.51%	97

EPS Growth		Rank
NI	-0.07	12
SCG	0.06	24
NU	0.09	28
PNW	0.26	50
NST	0.06	24

Market Cap(bill)		Rank
NI	4.05	88
SCG	4.32	89
NU	4.41	89
PNW	3.58	87
NST	3.58	87

Sharpe Ratio		Rank
NI	-0.38	27
SCG	-0.11	54
NU	0.24	88
PNW	-0.18	46
NST	0.14	81

P/S Ratio		Rank
NI	0.58	73
SCG	0.97	58
NU	0.79	64
PNW	1.09	55
NST	1.1	54

M/B Ratio		Rank
NI	0.85	71
SCG	1.29	51
NU	1.25	52
PNW	1.05	61
NST	1.91	34

P/E Ratio		Rank
NI	12.94	76
SCG	12.11	79
NU	13.89	73
PNW	14.23	72
NST	14.07	73

FORECAST COMPARISONS

RETURN FORECAST: EXPECTED RETURN

	NI	NST	NU	PNW	SCG
One-Month	-0.06%	0.45%	0.09%	0.00%	0.38%
Three-Month	-0.62%	-0.29%	-0.58%	-0.48%	0.14%
Six-Month	0.18%	-0.23%	-0.53%	-0.20%	0.92%
One-Year	2.47%	0.58%	0.62%	1.37%	3.13%
Two-Year	12.19%	7.29%	7.65%	8.92%	12.55%
Three-Year	26.78%	16.55%	18.26%	20.85%	23.72%

RISK ASSESSMENT: CHANCE OF GAIN

	NI	NST	NU	PNW	SCG
One-Month	49.65%	53.04%	50.52%	50.03%	52.67%
Three-Month	47.91%	48.86%	47.99%	48.04%	50.55%
Six-Month	50.42%	49.37%	48.70%	49.44%	52.63%
One-Year	54.16%	51.13%	51.07%	52.77%	56.30%
Two-Year	64.25%	59.93%	59.29%	62.52%	67.35%
Three-Year	74.38%	67.93%	67.66%	72.87%	75.60%

RISK ASSESSMENT: CHANCE OF LOSS

	NI	NST	NU	PNW	SCG
One-Month	50.35%	46.96%	49.48%	49.97%	47.33%
Three-Month	52.09%	51.14%	52.01%	51.96%	49.45%
Six-Month	49.58%	50.63%	51.30%	50.56%	47.37%
One-Year	45.84%	48.87%	48.93%	47.23%	43.70%
Two-Year	35.75%	40.07%	40.71%	37.48%	32.65%
Three-Year	25.62%	32.07%	32.34%	27.13%	24.40%

*** Comparables are companies in the same Sector and Industry and of approximately similar market capitalization value.**

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ValuEngine™ DETAILED RESEARCH REPORT

NISOURCE INC(NI)

ANNUAL FINANCIALS - BALANCE SHEET (millions)

	2008-12	2007-12	2006-12	2005-12	2004-12	2003-12	2002-12	2001-12
Cash and Equivalents	20.6	36	33.1	69.4	30.1	27.3	54.3	127.9
TOTAL CASH & SHORT TERM INVEST	**20.6**	**36**	**33.1**	**69.4**	**30.1**	**27.3**	**54.3**	**127.9**
Accounts Receivable	1142.5	936	866.3	1676.4	1183.2	1017.5	885.3	937.7
Other Receivables	393.8	223.9	252.3	169.8	169.6	174.8	120.8	196.9
TOTAL RECEIVABLES	**1536.3**	**1159.9**	**1118.6**	**1846.2**	**1352.8**	**1192.3**	**1006.1**	**1134.6**
INVENTORIES	**670.7**	**604.7**	**703.4**	**623.8**	**552.9**	**529.9**	**360.2**	**480.2**
Prepaid Expenses	249.1	112.7	111.7	109.3	96.2	101.8	229.5	395.4
Other Current Assets	934.1	541.6	816.1	412	253.6	211.6	218.4	428.6
TOTAL CURRENT ASSETS	**3410.8**	**2454.9**	**2782.9**	**3060.7**	**2285.6**	**2062.9**	**1868.5**	**2566.7**
Gross Property Plant and Equip.	18468.9	17882.3	17544.5	17111.1	16632.3	16400.8	18188.9	17245.7
Accumulated Depreciation	-8080.8	-7850.5	-7850	-7556.8	-7247.6	-7095.9	-8120.9	-7691
NET PROPERTY, PLANT AND EQUIP.	**10388.1**	**10031.8**	**9694.5**	**9554.3**	**9384.7**	**9304.9**	**10068**	**9554.7**
Long-term Investments	204.7	189.9	175.7	189.2	180.6	180.6	169.5	171.7
Goodwill	3677.3	3677.3	3677.3	3677.3	3687.2	3704	3707.6	3732.9
Other Intangibles	330.6	422	435.7	495.8	520.3	527.2	57.3	5
Deferred Charges, LT	1763.9	1004.7	1297.5	753.7	757.9	723.3	803.8	933.6
Other Long Term Assets	256.8	224.2	92.9	227.5	171.7	120.9	222.2	409.5
TOTAL ASSETS	**20032.2**	**18004.8**	**18156.5**	**17958.5**	**16988**	**16623.8**	**16896.9**	**17374.1**
Accounts Payable	693.3	719.9	713.1	866.7	648.4	496.6	521.6	646.6
Accrued Expenses	613.9	614	834.1	913.9	808.9	768	843.7	1080.6
Short-term Borrowings	1163.5	1061	1193	898	307.6	685.5	913.1	1854.3
Current Income Taxes Payable	206.5	188.7	–	–	–	–	–	–
Unearned Revenue, Current	14.7	38.7	55.9	51.3	31.5	28.2	130.2	89
Other Current Liabilities	1422.2	736.4	931.8	672.6	505.9	512.4	536.2	616.9
TOTAL CURRENT LIABILITIES	**4583.4**	**3392.6**	**3821.2**	**3843.2**	**3602.2**	**2609**	**4177.4**	**4728.6**
Long Term Debt	5906.1	5589.1	5146.2	5271.2	4835.9	5993.4	5363	6125.8
Capital Leases	37.8	5.3	–	–	–	–	–	–
Minority Interest	–	–	–	81.1	81.1	81.1	84.9	88.6
Unearned Revenue Non-Current	6.2	0.2	21.9	60.4	87.4	113	305.4	435.4
Pension and Other Post-Retire. Benefits	1238.5	547.9	799.5	511	413	406.9	417.2	277.7
Deferred Tax Liability Non-Current	1595.9	1616.8	1553.7	1591.9	1665.9	1595.9	1958	1726.3
Other Non-Current Liabilities	1935.5	1776.3	1800.4	1666.7	1514.8	1406.2	416.1	522.3
TOTAL LIABILITIES	**15303.4**	**12928.2**	**13142.9**	**13025.5**	**12200.3**	**12205.5**	**12722**	**13904.7**
Preferred Stock, Redeemable	–	–	–	–	0.6	2.4	–	–
TOTAL PREFERRED EQUITY	**–**	**–**	**–**	**–**	**0.6**	**2.4**	**–**	**–**
Common Stock	2.7	2.7	2.7	2.7	2.7	2.6	2.5	2.1
Additional Paid In Capital	4020.3	4011	3998.3	3969.4	3924	3756.6	3389.5	2611.6
Retained Earnings	901.1	1074.5	1012.9	981.6	925.4	731.3	930.9	798.6
Treasury Stock	-23.3	-23.3	-21.2	–	–	-9.4	-6.9	–
Comprehensive Income and Other	-172	11.7	20.9	-20.7	-65	-65.2	-141.1	57.1
TOTAL COMMON EQUITY	**4728.8**	**5076.6**	**5013.6**	**4933**	**4787.1**	**4415.9**	**4174.9**	**3469.4**
TOTAL EQUITY	**4728.8**	**5076.6**	**5013.6**	**4933**	**4787.7**	**4418.3**	**4174.9**	**3469.4**
TOTAL LIABILITIES AND EQUITY	**20032.2**	**18004.8**	**18156.5**	**17958.5**	**16988**	**16623.8**	**16896.9**	**17374.1**

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ValuEngine™ DETAILED RESEARCH REPORT

NISOURCE INC(NI)

ANNUAL FINANCIALS - INCOME STATEMENT (millions)

	2008-12	2007-12	2006-12	2005-12	2004-12	2003-12	2002-12	2001-12
Revenues	7660.7	6894.6	6521.7	6849	5936.2	5768.8	5161.6	9020.3
Other Revenues	1213.5	1045.2	968.3	1050.1	730	477.8	1330.7	438.4
TOTAL REVENUES	**8874.2**	**7939.8**	**7490**	**7899.1**	**6666.2**	**6246.6**	**6492.3**	**9458.7**
Cost Of Goods Sold	7394	6431.5	6030.4	6345.1	5087.4	4672.3	4663.8	7798.9
GROSS PROFIT	**1480.2**	**1508.3**	**1459.6**	**1554**	**1578.8**	**1574.3**	**1828.5**	**1659.8**
Selling General and Admin Exp.	--	--	--	--	--	--	79	--
Stock-Based Compensation	--	2.6	--	--	--	--	--	--
Depr. and Amortization	567.2	559.2	549.2	545.2	509.7	497	574	641.7
OPERATING INCOME	**913**	**946.5**	**910.4**	**1008.8**	**1069.1**	**1077.3**	**1175.5**	**1018.1**
Interest Expense	-396	-410.5	-391.9	-403.5	-383.4	-440.5	-516.3	-591.2
Interest and Invest. Income	15.4	12.3	8.8	23.6	9.4	14.8	14.6	0.1
NET INTEREST EXP.	**-380.6**	**-398.2**	**-383.1**	**-379.9**	**-374**	**-425.7**	**-501.7**	**-591.1**
Income/(Loss) from Affiliates	**12.3**	**9.4**	**-12.3**	--	--	--	--	--
Other Non-Oper. Inc. (Exp.)	1.4	-9	-11.9	-31.3	-26.9	-28.2	-21	-20.9
EBT EXCL. UNUSUAL ITEMS	**562.8**	**548.7**	**503.1**	**597.6**	**671.3**	**648.3**	**680**	**424.9**
Restructuring Charges	--	-13.2	1.6	-33.8	-0.2	7.5	--	--
Merger and Related Restruct. Charges	--	--	2.5	--	--	--	--	--
Gain (Loss) On Sale Of Invest.	16.7	--	--	--	--	--	--	--
Asset Writedown	-7.6	-10.8	-4.1	-22.2	--	--	--	-9.2
Legal Settlements	--	--	-18.1	--	--	6.6	--	--
Other Unusual Items	--	-40.6	-0.7	-108.6	--	--	--	--
EBT INCL. UNUSUAL ITEMS	**555.2**	**484.1**	**484.3**	**433**	**671.1**	**662.4**	**680**	**415.7**
Income Tax Expense	185.4	172.1	170.8	149.4	240.9	234.2	233.9	183.2
Minority Int. in Earnings	--	--	--	--	--	-2.5	-20.4	-20.4
EARNINGS FROM CONTINUING	**369.8**	**312**	**313.5**	**283.6**	**430.2**	**425.7**	**425.7**	**212.1**
Earnings Of Discontinued Oper.	-290.8	9.4	-31.7	23.2	6.1	-331.7	-53.2	0.1
NET INCOME	**79**	**321.4**	**282.2**	**306.5**	**436.3**	**85.2**	**372.5**	**216.2**
NI TO COMMON INCL EXTRA ITEMS	**79**	**321.4**	**282.2**	**306.5**	**436.3**	**85.2**	**372.5**	**216.2**
Basic EPS	0.3	1.2	1	1.1	1.6	0.3	1.8	1
Basic EPS Excl. Extra Items	1.4	1.1	1.1	1	1.6	1.6	2	1
Weighted Avg. Basic Shares Out.	274	273.8	272.6	271.3	263.7	259.5	211	205.3
Diluted EPS	0.3	1.2	1	1.1	1.6	0.3	1.8	1
Diluted EPS Excl Extra Items	1.3	1.1	1.1	1	1.6	1.6	2	1
Weighted Avg. Diluted Shares Out.	275.4	274.7	273.4	273	265.5	261.6	212.8	209.8

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ValuEngine™ DETAILED RESEARCH REPORT

NISOURCE INC(NI)

ANNUAL FINANCIALS - CASH FLOW STATEMENT (millions)

	2008-12	2007-12	2006-12	2005-12	2004-12	2003-12	2002-12	2001-12
Net Income	79	321.4	282.2	306.5	436.3	85.2	372.5	216.2
Depreciation and Amortization	533.1	523	528.6	516.9	392.2	485	574	641.7
Amortization Of Goodwill	11	13.6	--	--	82.5	--	--	--
DEPRECIATION AND AMORT., TOTAL	**544.1**	**536.6**	**528.6**	**516.9**	**474.7**	**485**	**574**	**641.7**
Amort. Of Deferred Charges	30.8	29.9	28.3	45.8	56.6	30.9	--	--
(Gain) Loss From Sale Of Asset	4.3	-0.3	-1.1	0.4	-3.1	-24.9	-27.2	-11
Asset Writedown and Restruct. Costs	3.3	11.1	5.2	21.8	--	--	--	9.2
(Income) Loss On Equity Investments	-25.3	-14.1	8.4	-4.7	-0.9	5.4	--	--
Stock-Based Compensation	9.5	4.4	6.9	6.8	8	12.9	27.1	--
Net Cash From Disc. Oper.	-2.2	0.3	4.8	-17.4	2.2	-141.5	-16.2	--
Other Operating Activities	287.1	-9.5	-14.9	34.9	-14.4	329.8	-37.5	-465.7
Change In Accounts Receivable	-201.7	-3.4	407.7	-358.9	-92	67.3	102.7	552.5
Change In Inventories	-82.4	94.4	-71.7	-71.1	-23.1	-166.9	66.8	-73.3
Change In Accounts Payable	-30.3	-65.2	-176.4	205.7	153.3	-41.4	-91.6	-495.5
Change In Unearned Revenues	--	--	--	--	-7.6	-12.9	--	--
Change In Income Taxes	-89.7	-10.7	53.4	21.3	-57.8	-89.5	-5.4	142.1
Change In Deferred Taxes	137.8	12.7	-113.4	-16.7	97.5	77.9	114.1	-43.1
Change In Other Working Capital	-79	-150.4	208.2	21	26.6	-144.4	93.1	569.5
CASH FROM OPERATIONS	**585.3**	**757.2**	**1156.2**	**712.3**	**1056.3**	**472.9**	**1172.4**	**1042.6**
Capital Expenditure	-969.9	-788.3	-637.4	-590.4	-517	-574.6	-621.9	-668.1
Sale of Prop., Plant, and Equip.	47.8	4.2	21.6	7.5	7.1	586.5	419.2	227.9
Cash Acquisitions	-329.7	--	--	--	--	--	--	--
Invest. in Marketable and Eqty Securties	-39.2	--	--	--	--	--	--	--
Other Investing Activities	176.7	102.7	-116.7	10.8	-42.7	-17.6	--	-7
CASH FLOW FROM INVESTING	**-1114.3**	**-681.4**	**-732.5**	**-572.1**	**-552.6**	**-5.7**	**-202.7**	**-447.2**
Short-Term Debt Issued	102.5	--	296.4	590.4	--	--	--	--
Long-Term Debt Issued	959.3	803.6	--	1907.9	450	1401.5	--	300
TOTAL DEBT ISSUED	**1061.8**	**803.6**	**296.4**	**2498.3**	**450**	**1401.5**	**--**	**300**
Short-Term Debt Repaid	--	-132	--	--	-377.9	-227.6	-941.2	-642.5
Long-Term Debt Repaid	-294.6	-457.9	-438.7	-2386.7	-486.6	-1366.9	-532.1	-93
TOTAL DEBT REPAID	**-294.6**	**-589.9**	**-438.7**	**-2386.7**	**-864.5**	**-1594.5**	**-1473.3**	**-735.5**
TOTAL DIVIDENDS PAID	**-252.4**	**-252.1**	**-251.9**	**-250.3**	**-243.1**	**-284**	**-241.5**	**-239**
Other Financing Activities	--	-40.6	--	--	--	--	-46.7	--
CASH FROM FINANCING	**516.1**	**-72.9**	**-460**	**-100.3**	**-500.9**	**-471**	**-1033.5**	**-660.5**
Misc. Cash Flow Adjustments	-1.1	--	--	--	--	--	--	--
NET CHANGE IN CASH	**-14**	**2.9**	**-36.3**	**39.9**	**2.8**	**-3.8**	**-63.8**	**-65.1**
Cash Interest Paid	375.8	413.2	370	404.5	383	442.3	496.6	518
Cash Taxes Paid	60.6	185.2	288.2	101.4	184.6	256.8	118.8	250.2
Net Debt Issued	767.2	213.7	-142.3	111.6	-414.5	-193	-1473.3	-435.5

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ValuEngine™ DETAILED RESEARCH REPORT
NISOURCE INC(NI)

QUARTERLY FINANCIALS - BALANCE SHEET (millions)

	2009-09	2009-06	2009-03	2008-12	2008-09	2008-06	2008-03	2007-12
Cash and Equivalents	83.8	248.9	135.2	20.6	25.1	45.9	77.4	36
TOTAL CASH & SHORT TERM INVEST	**83.8**	**248.9**	**135.2**	**20.6**	**25.1**	**45.9**	**77.4**	**36**
Accounts Receivable	442.3	544.7	910.7	1142.5	586.8	737	1086.2	936
Other Receivables	374.7	163.7	257.4	393.8	407.3	464.2	389.1	223.9
TOTAL RECEIVABLES	**817**	**708.4**	**1168.1**	**1536.3**	**994.1**	**1201.2**	**1475.3**	**1159.9**
INVENTORIES	**691.8**	**426.6**	**259.3**	**670.7**	**838**	**400.5**	**213.3**	**604.7**
Prepaid Expenses	131.6	148.9	256.7	249.1	228.9	173.9	103.5	112.7
Other Current Assets	839	903.9	813.1	934.1	1039.9	858.9	652	541.6
TOTAL CURRENT ASSETS	**2563.2**	**2436.7**	**2632.4**	**3410.8**	**3126**	**2680.4**	**2521.5**	**2454.9**
Gross Property Plant and Equip.	18868.4	18776	18610.8	18468.9	18339.8	18108.6	17495.1	17882.3
Accumulated Depreciation	-8286.3	-8232.9	-8134.1	-8080.8	-8078	-7982.5	-7819.1	-7850.5
NET PROPERTY, PLANT AND EQUIP.	**10582.1**	**10543.1**	**10476.7**	**10388.1**	**10261.8**	**10126.1**	**9676**	**10031.8**
Long-term Investments	277.7	258	229.8	204.7	190.3	186.8	187.8	189.9
Goodwill	3677.3	3677.3	3677.3	3677.3	3677.3	3677.3	3677.3	3677.3
Other Intangibles	322.4	325.1	327.8	330.6	333.4	336.1	338.8	422
Deferred Charges, LT	1704.6	1722.9	1745.6	1763.9	940.4	999.7	995.2	1004.7
Other Long Term Assets	263.8	260.2	260.4	256.8	568.6	609.8	790.1	224.2
TOTAL ASSETS	**19391.1**	**19223.3**	**19350**	**20032.2**	**19097.8**	**18616.2**	**18186.7**	**18004.8**
Accounts Payable	214	240.9	531.6	693.3	498	665.2	755.9	719.9
Accrued Expenses	450.2	381.7	392.4	613.9	488.4	418.8	524.9	614
Short-term Borrowings	200	--	--	1163.5	1263	506	624.7	1061
Current Income Taxes Payable	148	209.1	259.4	206.5	145.1	223.7	327.1	188.7
Unearned Revenue, Current	8.7	20.2	11	14.7	10.9	14.1	22.4	38.7
Other Current Liabilities	1455	1666.5	1647.6	1422.2	1593.9	1777.9	1409	736.4
TOTAL CURRENT LIABILITIES	**2909.7**	**2942.4**	**3278**	**4583.4**	**4019.2**	**3648.8**	**3753.3**	**3392.6**
Long Term Debt	6560.7	6564.4	6451.9	5906.1	6323.3	6059.9	5383	5589.1
Capital Leases	--	--	--	37.8	--	--	--	5.3
Unearned Revenue Non-Current	7.9	7.3	6.8	6.2	5.1	0.2	0.2	0.2
Pension and Other Post-Retire. Benefits	1172.3	1254.4	1248.5	1238.5	550	553.1	566.2	547.9
Deferred Tax Liability Non-Current	2042.8	1715	1650.7	1595.9	1588.6	1572	1546.1	1616.8
Other Non-Current Liabilities	1957.9	1947.4	1976.4	1935.5	1940.8	1971.3	1873.7	1776.3
TOTAL LIABILITIES	**14651.3**	**14430.9**	**14612.3**	**15303.4**	**14427**	**13805.3**	**13122.5**	**12928.2**
Common Stock	2.8	2.8	2.7	2.7	2.7	2.7	2.7	2.7
Additional Paid In Capital	4043.2	4032.7	4023	4020.3	4017.8	4015.4	4013.2	4011
Retained Earnings	776.3	855.1	923.3	901.1	739.1	782.2	1047.5	1074.5
Treasury Stock	-24.2	-24.2	-24.1	-23.3	-23.5	-23.4	-23.3	-23.3
Comprehensive Income and Other	-58.3	-74	-187.2	-172	-65.3	34	24.1	11.7
TOTAL COMMON EQUITY	**4739.8**	**4792.4**	**4737.7**	**4728.8**	**4670.8**	**4810.9**	**5064.2**	**5076.6**
TOTAL EQUITY	**4739.8**	**4792.4**	**4737.7**	**4728.8**	**4670.8**	**4810.9**	**5064.2**	**5076.6**
TOTAL LIABILITIES AND EQUITY	**19391.1**	**19223.3**	**19350**	**20032.2**	**19097.8**	**18616.2**	**18186.7**	**18004.8**

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ValuEngine™ DETAILED RESEARCH REPORT

NISOURCE INC(NI)

QUARTERLY FINANCIALS - INCOME STATEMENT (millions)

	2009-09	2009-06	2009-03	2008-12	2008-09	2008-06	2008-03	2007-12
Revenues	860.2	995.1	2409.9	2101.9	1140.8	1499.2	2918.7	1964.1
Other Revenues	24.6	14.1	310.3	283.6	268.3	292.9	371	280.8
TOTAL REVENUES	**884.8**	**1009.2**	**2720.2**	**2385.5**	**1409.1**	**1792.1**	**3289.7**	**2244.9**
Cost Of Goods Sold	633.3	754.5	2221	1938.8	1164	1530.3	2762.8	1847.7
GROSS PROFIT	**251.5**	**254.7**	**499.2**	**446.7**	**245.1**	**261.8**	**526.9**	**397.2**
Depr. and Amortization	148.7	148.2	143.8	142.9	141	147.7	135.6	139.8
OPERATING INCOME	**102.8**	**106.5**	**355.4**	**303.8**	**104.1**	**114.1**	**391.3**	**257.4**
Interest Expense	-104.8	-105.3	-90.5	-100.7	-100.2	-87.4	-91.8	-103.2
NET INTEREST EXP.	**-104.8**	**-105.3**	**-90.5**	**-100.7**	**-100.2**	**-87.4**	**-91.8**	**-103.2**
Income/(Loss) from Affiliates	**5.8**	**-2.6**	**6.4**	**5.3**	**3.4**	**1.6**	**2**	**1.6**
Other Non-Oper. Inc. (Exp.)	2.3	-0.5	-4.2	-3	4.1	1.3	-1.5	-4.7
EBT EXCL. UNUSUAL ITEMS	**6.1**	**-1.9**	**267.1**	**205.4**	**28.1**	**29.6**	**300**	**151.1**
Restructuring Charges	-4.6	–	-19.8	–	–	–	–	–
Gain (Loss) On Sale Of Invest.	–	–	–	–	16.7	–	–	–
Asset Writedown	-4.4	–	2	-10.4	0.4	0.9	1.5	-1
Insurance Settlements	–	–	4.3	–	–	–	–	–
Other Unusual Items	–	-0.7	3.2	–	–	–	–	-40.6
EBT INCL. UNUSUAL ITEMS	**-2.9**	**-2.6**	**256.8**	**195**	**28.5**	**30.5**	**301.5**	**109.5**
Income Tax Expense	6.8	6.1	97.5	68	4.1	9.5	112.1	34.6
EARNINGS FROM CONTINUING	**-9.7**	**-8.7**	**159.3**	**127**	**32.6**	**21**	**189.4**	**74.9**
Earnings Of Discontinued Oper.	-5.7	3.9	-10.9	35	-12.6	-223.3	-90.1	2.1
NET INCOME	**-15.4**	**-4.8**	**148.4**	**162**	**20**	**-202.3**	**99.3**	**77**
NI TO COMMON INCL EXTRA ITEMS	**-15.4**	**-4.8**	**148.4**	**162**	**20**	**-202.3**	**99.3**	**77**
Basic EPS	-0.1	-0	0.5	0.6	0.1	-0.7	0.4	0.3
Basic EPS Excl. Extra Items	-0	-0	0.6	0.5	0.1	0.1	0.7	0.3
Weighted Avg. Basic Shares Out.	275.4	274.7	274.2	274	274	274	273.9	273.9
Diluted EPS	-0.1	-0	0.5	0.6	0.1	-0.7	0.4	0.3
Diluted EPS Excl Extra Items	-0	-0	0.6	0.5	0.1	0.1	0.7	0.3
Weighted Avg. Diluted Shares Out.	275.4	274.7	276.7	275.5	275.5	275.4	275.4	274.7

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ValuEngine™ DETAILED RESEARCH REPORT

NISOURCE INC(NI)

QUARTERLY FINANCIALS - CASH FLOW STATEMENT (millions)

	2009-09	2009-06	2009-03	2008-12	2008-09	2008-06	2008-03	2007-12
Net Income	-15.4	-4.8	148.4	162	20	-202.3	99.3	67
Depreciation and Amortization	148.2	148.1	143.8	108.8	141	147.7	135.6	103.6
Amortization Of Goodwill	--	--	--	11	--	--	--	13.6
DEPRECIATION AND AMORT., TOTAL	**148.2**	**148.1**	**143.8**	**119.8**	**141**	**147.7**	**135.6**	**117.2**
Amort. Of Deferred Charges	3.7	4.1	2.1	25.1	2	1.9	1.8	24.4
(Gain) Loss From Sale Of Asset	--	--	-2	8.7	-0.4	-0.8	-3.2	--
Asset Writedown and Restruct. Costs	4.4	--	--	1.7	--	--	1.6	1
(Income) Loss On Equity Investments	-5.4	2.6	-6.4	-5	-19.2	0.6	-1.7	-2.5
Stock-Based Compensation	3.4	3.3	1.6	2.3	2.7	3.1	1.4	1.7
Net Cash From Disc. Oper.	-162.1	-15.1	-116.3	11.3	-11.6	-1.9	-0.7	--
Other Operating Activities	-6.2	18.9	3.2	-27.5	10.8	242.8	61	33.3
Change In Accounts Receivable	109	241.1	172.1	-606.9	181.3	376.8	-152.9	-292.7
Change In Inventories	-242.2	-268.4	487.7	165.6	-609.9	-485.4	847.3	219.2
Change In Accounts Payable	28	-166	-161.1	229	-185.6	-105.8	32.1	173.8
Change In Income Taxes	-328.8	-0.1	82	-38.5	-64.1	-115.5	128.4	17.2
Change In Deferred Taxes	320.3	11	23.1	45.7	40	35.4	16.7	34.9
Change In Other Working Capital	23.1	207.6	225.3	241.7	104.9	-104.2	-321.4	-36.2
CASH FROM OPERATIONS	**-120**	**182.3**	**1003.5**	**335**	**-388.1**	**-207.6**	**845.3**	**358.3**
Capital Expenditure	-200.1	-178.7	-206.9	-290.5	-256.6	-232.1	-190.7	-268.5
Sale of Prop., Plant, and Equip.	0.3	--	2.1	5.8	-187.6	217.1	12.5	1.9
Cash Acquisitions	--	--	--	--	--	-329.7	--	--
Invest. in Marketable and Eqty Securties	--	--	--	-39.2	--	--	--	--
Other Investing Activities	16.8	55.2	8.4	178.5	-137.1	61.7	73.6	31.7
CASH FLOW FROM INVESTING	**-183**	**-123.5**	**-196.4**	**-145.4**	**-581.3**	**-283**	**-104.6**	**-234.9**
Short-Term Debt Issued	200.1	--	--	--	757	--	--	388
Long-Term Debt Issued	0.6	118.3	581.7	--	228.2	639.1	0.9	--
TOTAL DEBT ISSUED	**200.7**	**118.3**	**581.7**	**--**	**985.2**	**639.1**	**0.9**	**388**
Short-Term Debt Repaid	--	--	-1163.5	-99.5	--	-118.7	-436.3	--
Long-Term Debt Repaid	--	--	-101.4	-3.5	--	--	-200	-389.8
TOTAL DEBT REPAID	**--**	**--**	**-1264.9**	**-103**	**--**	**-118.7**	**-636.3**	**-389.8**
TOTAL DIVIDENDS PAID	**-63.4**	**-63.1**	**-63.1**	**-63.2**	**-63.1**	**-63**	**-63.1**	**-63**
Other Financing Activities	--	--	--	0.2	--	--	--	-40.6
CASH FROM FINANCING	**137.5**	**55.3**	**-746.9**	**-165.8**	**922.4**	**457.4**	**-697.9**	**-105.1**
Misc. Cash Flow Adjustments	0.4	-0.4	54.4	-28.3	26.2	1.7	--	--
NET CHANGE IN CASH	**-165.1**	**113.7**	**114.6**	**-4.5**	**-20.8**	**-31.5**	**42.8**	**18.3**
Net Debt Issued	200.7	118.3	-683.2	-103	985.2	520.4	-635.4	-1.8

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ValuEngine™ DETAILED RESEARCH REPORT
NISOURCE INC(NI)

VALUENGINE SERVICE DESCRIPTIONS

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ValuEngine™ DETAILED RESEARCH REPORT
NISOURCE INC(NI)

VALUENGINE'S METHODOLOGY

ValuEngine's research combines the most advanced academic concepts with real world Wall Street practice. The result is state-of-the-art fair market valuation and price forecasting technologies.

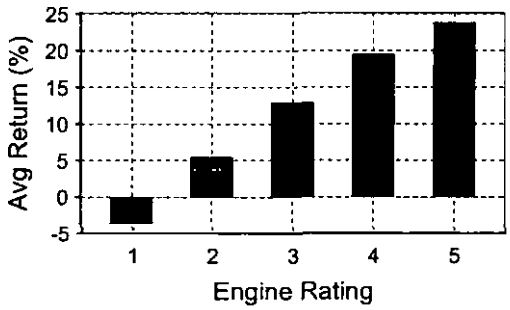
ValuEngine's stock valuation employs a sophisticated, three-factor approach. Fundamental variables, such as a company's trailing 12-month Earnings-Per-Share (EPS), the analyst consensus estimate of the company's future 12-month EPS, and the 30-year Treasury yield, are all used to create a more accurate reflection of a company's fair value. Together with eleven additional variables, ValuEngine paints a detailed picture of a company's fair value, represented by the model price.

ValuEngine's stock forecasts examine, among other things, short-term price reversals, intermediate-term momentum continuation, and long-term price reversals over six time horizons for every industry to ensure forecasts are established relative to a stock's proper peer groups. Advanced statistical/econometric techniques are used to run thousands of simulations estimating the probability of a double in stock price, as well as the probability of meeting and exceeding any given portfolio or stock investment target.

The stock's engine rating is an assessment of its overall attractiveness. It combines valuation, risk-return trade-off, momentum, market capitalization and forecasted future returns. Only two percent of the stock universe receives the highest 5-engine rating. The lowest rating is a single engine.

For more information on ValuEngine, its models and performance, go to www.ValuEngine.com

Engine Rating and Average Annual Return
(Jan 1990 - Jan 2010)



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1. Buy: Expected to outperform the SP500 producing above average returns.
2. Hold: Expected to perform in line with the SP500 with average returns.
3. Sell: Expected to underperform the SP500 producing below-average returns.

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ValuEngine™ DETAILED RESEARCH REPORT

NISOURCE INC(NI)

Mar. 10, 2010

VALUENGINE RECOMMENDATION & BASIC INFORMATION

RECOMMENDATION

NEGATIVE	NEUTRAL	POSITIVE
underperform	match	outperform

VALUENGINE RATING

VVV

RECOMMENDATION FACTORS

	Value	Rank
Overall Rank		top 19%
Fair Value	$12.41	btm 21%
1Yr Target Price	$15.69	top 16%
P/E Ratio	13.52	top 23%
Last 1-Y Return	99.10%	top 43%
Market Cap(bil)	$4.25	top 13%

BASIC INFORMATION

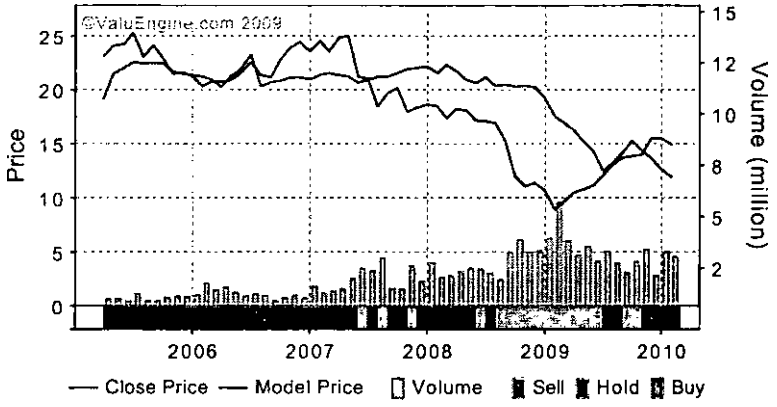
Last Trade	$15.43
Trade Date	03/09/10
Market Cap(bil)	$4.2549
Trailing P/E	13.52
Forward P/E	16.42
PEG Ratio	n/a
P/S Ratio	0.61
M/B Ratio	0.9
Sharpe Ratio	-0.32
5-Y Avg Ann Return	-7.49%
Volatility	23.58%
EPS Growth	-17.67%
Annual Dividend	$0.92
Dividend Yield	5.96%
LT Debt/Equity	1.38
Beta	0.86

VALUATION ANALYSIS

NI	Today's Fair value: $12.41 24.36% overvalued
Industry	Electrical Utilities 2.02% undervalued
Sector	Public Utilities 2.12% overvalued

FORECAST ANALYSIS

	Target Price	Exp. Return
1-Month	$15.29	-0.93%
3-Month	$15.16	-1.72%
6-Month	$15.23	-1.32%
1-Year	$15.69	1.68%
2-Year	$17.40	12.75%
3-Year	$20.05	29.97%



VALUENGINE RECOMMENDATION

ValuEngine has issued a HOLD recommendation for NISOURCE INC on Mar. 10, 2010. Based on the information we have gathered and our resulting research, we feel that NISOURCE INC has the probability to ROUGHLY MATCH average market performance for the next year. The company exhibits ATTRACTIVE volatility and company size, but UNATTRACTIVE expected EPS growth and market valuation.

RATING OVERVIEW

The ValuEngine Rating is an overall assessment of a stock's attractiveness. It combines the following five factors:

1. Fair market valuation
2. 1 year forecasted returns
3. Price/Earnings ratio
4. Momentum
5. Market capitalization

Only two percent of the over 4,000 stocks that we cover receive the highest 5 rating. The ratings are the result of the cumulative of the above factors. As such, stocks with relatively poor results for any one of the five variables can still be attractive if the other four factors are strong enough. Top 5 rated stocks can be expected to outperform the overall market by 15% or more, with average annualized returns from Jan. 2000 through Jan. 2006 of over 30% per year.

FAIR MARKET VALUATION PRICE

Based on available data as of Mar. 10, 2010, we believe that NI should be trading at $12.41. This makes NI 24.36% overvalued. Fair Value indicates what we believe the stock should be trading at today if the stock market were perfectly efficient and everything traded at its true worth. For NI, we base this on actual earnings per share (EPS) for the previous four quarters of $1.14, forecasted EPS for the next four quarters of $0.94, and correlations to the 30-year Treasury bond yield of 4.68%. There are an additional 10 firm specific and interest rate related parameters, each playing a role in the valuation analysis.

FORECASTED TARGET PRICES

The predictive variables used in Valuengine's forecast target price models include both proprietary and well-established forecasting variables derived from credible financial research studies and publications. Our forecasting models capture, among other things, several important tendencies that stock prices consistently exhibit: Short-term price reversals, Intermediate-term momentum continuation, and Long-term price reversals. We use a distinct forecasting model for each time horizon and for every industry. We then apply the most advanced statistical/econometric techniques to ensure that our stock return forecasts are as reliable as possible.

Contact ValuEngine:

ValuEngine, Inc.
100 Overlook Center, 2nd Floor
Princeton, NJ 08540, U.S.A.
(800) 381-5576 (T)
support@ValuEngine.com
www.ValuEngine.com

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ValuEngine™ DETAILED RESEARCH REPORT
NISOURCE INC(NI)

DATA SUMMARY & MARKET RATIO BASED VALUATION

OPTIMAL BUY-SELL

Based solely on the Historical Mispricing of NI, the best time to buy would be below $11.17 (or valuation below -10.00%). The best time to sell would be above $14.89 (or valuation above 20.00%).

EVALUATION & RANKINGS

	Value	Rank
Valuation	24.36%	21
12-Month Return	99.10%	58
5-Y Avg Ann Rtn	-7.49%	43
Volatility	23.58%	95
EPS Growth	-17.67%	8
Market Cap(bill)	4.25	88
Sharpe Ratio	-0.32	28
P/S Ratio	0.61	74
M/B Ratio	0.9	72
P/E Ratio	13.52	78

EVALUATION & RANKINGS SUMMARY

Just as important as the percentages shown for our ten predictive variables for each stock is the way they are ranked against the 7000 plus stocks in our database. This is sometimes confusing to newcomers to ValuEngine. Each of these quantitative measurements is ranked on a scale of 1 to 100. Generally the higher the ranking, the more positive the influence each measurement has on the overall attractiveness of the stock. In other words a high rank is always better. Let's take them one by one:

- Valuation rank 21: 79% of stocks are more undervalued
- Momentum rank 58: 42% of stocks have higher momentum
- Sharpe Ratio rank 28: 72% of stocks have a higher Sharpe Ratio
- 5-Year Average Annual Return 43: 57% of stocks have higher average annual return
- Volatility rank 95: 5% of stocks have less volatility
- EPS growth rank 8: 92% of stocks have greater projected EPS growth
- Size rank 88: 12% of companies have higher market capitalization
- P/E rank 78: 22% of stocks have lower P/E ratios
- Price/Sales rank 74: 26% of stocks have lower price/sales ratios
- Market/Book rank 72: 28% of stocks have lower market/book value ratios

MARKET RATIO BASED VALUATION

Portfolio managers and professionals traditionally rely on market ratios to gauge whether a stock is fair valued or overvalued. On this page, we present such a valuation based on one of three market ratios: PEG (price to trailing 4 quarter earnings ratio, divided by the consensus analyst forecasted next year EPS growth), P/E (price to forward 4 quarter earnings ratio), and P/S ratio (price to trailing 4 quarter sales). Among the three, PEG is the most informative as it reflects both the price/earnings ratio and expected future EPS growth, while P/E is better than P/S. For each given stock, we apply the PEG to give a fair value assessment if both its trailing 4 quarter EPS and forecasted EPS growth rate are positive. If its forecasted EPS growth is negative but its forward 4 quarter EPS is positive, we apply the P/E to give a fair value for the stock as of today. Otherwise, we resort to the P/S to assess its fair value.

To establish a valuation standard, we use both (i) the average historical market ratio of the stock over the past 10 years (or however long there is data available for the stock), and (ii) the average market ratio today of five comparable stocks in the same sector and from companies of similar size. These two alternative perspectives should give you a good idea about where this stock's valuation stands today.

1. Valuation Based on NI's Past PE

Over the past 10 years, NI's average PE is 13.08. NI earned $1.14 per share in its recent 4 quarters. The analyst consensus estimate is $0.94 for its 4 quarter forward EPS. NI's current price sales ratio is 0.61. The following assessment is based on multiplying the historical PE with next 4 quarter EPS for NI.

Fair Value	
Historical Average PE	13.08
PE-Based Fair Value	$12.29

2. Valuation Based on Comparables' PE

NI's comparables are AYE, NU, PNW, POM and SCG. The current PE average of these comparables is 11.86. NI earned $1.14 per share in its recent 4 quarters. The analyst consensus estimate is $0.94 for its 4-quarter-forward EPS. NI's current price sales ratio is 0.61. The following assessment is based on multiplying comparable stocks' average PE today with NI's next 4 quarter EPS.

Comparables' PE

Comparables	Current PE
AYE	10.36
NU	12.7
PNW	12.39
POM	12.29
SCG	11.54

Fair Value	
Comparable Stocks' Avg PE	11.86
Comparable PE-Based Fair Value	$11.14

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ValuEngine™ DETAILED RESEARCH REPORT
NISOURCE INC(NI)

COMPANY ANALYSIS

NiSource Inc. provides natural gas, electricity and other products and services. The company operates east of the Rocky Mountains.

Subsidiaries
NiSource's principal subsidiaries include Columbia Energy Group, a vertically-integrated natural gas distribution, transmission and storage holding company whose subsidiaries provide service to customers in the Midwest, the Mid-Atlantic and the Northeast; Northern Indiana Public Service Company, a vertically-integrated gas and electric company providing service to customers in northern Indiana; and Bay State Gas Company, a natural gas distribution company serving customers in Massachusetts.

Segments
NiSource's business segments are: Gas Distribution Operations; Gas Transmission and Storage Operations; Electric Operations; and Other Operations.

Gas Distribution Operations
NiSource's natural gas distribution operations serve approximately 3.3 million customers in nine states and operate approximately 57 thousand miles of pipeline. Through its wholly owned subsidiary, Columbia, NiSource owns five distribution subsidiaries that provide natural gas to approximately 2.2 million residential, commercial and industrial customers in Ohio, Pennsylvania, Virginia, Kentucky and Maryland. NiSource also distributes natural gas to approximately 793 thousand customers in northern Indiana through three subsidiaries: Northern Indiana, Kokomo Gas and Northern Indiana Fuel and Light. Additionally, NiSource's subsidiaries Bay State and Northern Utilities distribute natural gas to approximately 291 thousand customers in Massachusetts.

Gas Transmission and Storage Operations
NiSource's Gas Transmission and Storage Operations subsidiaries own and operate approximately 16 thousand miles of interstate pipelines and operate underground natural gas storage systems capable of storing approximately 629 Bcf of natural gas. Through its subsidiaries, Columbia Transmission, Columbia Gulf, Crossroads Pipeline and Granite State Gas, NiSource owns and operates an interstate pipeline network extending from offshore in the Gulf of Mexico to Lake Erie, New York and the eastern seaboard. Together, these companies serve customers in 16 northeastern, mid-Atlantic, midwestern and southern states and the District of Columbia. The Gas Transmission and Storage Operations subsidiaries completed milestone projects with Millennium and Hardy Storage and are engaged in other projects that would expand their facilities and throughput. In June 2007, construction began on the Millennium pipeline, which includes 182-miles of newly constructed, 30-inch-diameter pipe across New York's Southern Tier and lower Hudson Valley. Substantially all of the facilities related to the project were completed in 2008.

Electric Operations
NiSource generates, transmits and distributes electricity through its subsidiary Northern Indiana to approximately 457 thousand customers in 20 counties in the northern part of Indiana and engages in wholesale and transmission transactions. Northern Indiana owns four and has the ability to operate three coal-fired electric generating stations. The three operable facilities have a net capability of 2,574 mw. Northern Indiana also operates Sugar Creek, a CCGT plant with a 535 mw capacity rating, four gas-fired generating units located at Northern Indiana's coal-fired electric generating stations with a net capability of 203 mw and two hydroelectric generating plants with a net capability of 10 mw. These facilities provide for a total system operating net capability of 3,322 mw. Sugar Creek was purchased in May, 2008 and dispatched into MISO on December 1, 2008. Northern Indiana's transmission system, with voltages from 69,000 to 345,000 volts, consists of 2,782 circuit miles. Northern Indiana is interconnected with five neighboring electric utilities.

Northern Indiana participates in the MISO transmission service and wholesale energy market. Additionally, MISO is responsible for managing the energy markets, managing transmission constraints, managing the day-ahead, real-time and FTRs markets and managing the ancillary market.

Other Operations
The Other Operations segment participates in energy-related services including gas marketing, power and gas risk management and ventures focused on distributed power generation technologies and fuel cells and storage systems. Additionally, the Other Operations segment is involved in real estate and other businesses.

Customers
The company provides natural gas, electricity and other products and services to approximately 3.8 million customers located within a corridor that runs from the Gulf Coast through the Midwest to New England.

History
NiSource Inc. was founded in 1912.

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ValuEngine™ DETAILED RESEARCH REPORT

NISOURCE INC(NI)

VALUENGINE RANKINGS

Just as important as the percentages shown for our ten predictive variables for each stock is the way they are ranked against the 7000 plus stocks in our database. Each of these quantitative measurements is ranked on a scale of 1 to 100. Generally the higher the ranking, the more positive the influence each measurement has on the overall attractiveness of the stock. In other words a high rank is always better. The below data points show how the rank for each data point for NI relates to the overall industry, sector, and S&P 500 averages.

Valuation		Rank
NI	24.36%	21
Industry	-2.02%	53
Sector	2.12%	51
S&P 500	7.32%	41

The ValuEngine Valuation Rank measures the relationship between a company's stock price and its Fair Value. The higher the Valuation rank, the more undervalued the stock. With a Valuation Rank of 21, NI is substantially lower than the average of its industry group, which carries a Valuation Rank of 53.

12-Month Return		Rank
NI	99.10%	58
Industry	59.86%	38
Sector	68.50%	40
S&P 500	68.57%	44

The ValuEngine 12-Month Return Rank reflects the relative stock performance of a stock over the recent 12 months. On a scale of 1 to 100, a higher 12-Month Return rank indicates a stronger performance. With a 12-Month Return Rank of 58, NI is slightly higher than the industry's rank score of 38.

5-Y Avg Ann Rtn		Rank
NI	-7.49%	43
Industry	0.04%	60
Sector	-1.47%	59
S&P 500	-0.82%	57

The ValuEngine 5-Years Average Return Rank reflects a stock's average annual return over the last 5 years, in comparison with the coverage universe. A higher rank indicates a better return performance. With a rank of 43, NI is slightly lower than the industry, which has a rank of 60.

Volatility		Rank
NI	23.58%	95
Industry	37.06%	80
Sector	48.36%	71
S&P 500	19.21%	98

The ValuEngine Volatility Rank reflects the volatility associated with the stock. A higher Volatility Rank indicates a lower volatile percentile of stocks. NI has a Volatility Rank of 95, which is slightly higher than the industry Rank of 80.

EPS Growth		Rank
NI	-17.67%	8
Industry	23.41%	35
Sector	21.81%	34
S&P 500	22.50%	46

The ValuEngine EPS Growth Rank indicates a stock's expected EPS growth rate. A high rank indicates a high growth rate expectation. NI has an EPS Growth Rank of 8.This is moderately lower than the industry rank of 35.

Market Cap(bill)		Rank
NI	4.25	88
Industry	6.73	78
Sector	8.81	74
S&P 500	n/a	n/a

The ValuEngine Size rank signifies the company's size in terms of market capitalization. A higher rank denotes a larger market capitalization within ValuEngine's stock universe. With a Size rank of 88, NI is in line with the industry, which has a rank of 78.

Sharpe Ratio		Rank
NI	-0.32	28
Industry	0.02	60
Sector	-0.01	59
S&P 500	-0.04	55

The ValuEngine Sharpe Ratio Rank measures the risk return tradeoff offered by a stock. Sharpe ratio is the stock's average annual return (over the last five years) divided by its annualized volatility over the same 5 years. With a rank of 28, NI is substantially lower than the industry, which has a rank of 60.

P/S Ratio		Rank
NI	0.61	74
Industry	2.01	55
Sector	2.39	55
S&P 500	n/a	n/a

The ValuEngine Price/Sales rank signifies the relative position of the company based on its P/S ratio. Stocks with the lowest P/S ratio are assigned a rank of 100 while stocks with the highest P/S ratio are ranked 1. At a Price/Sales rank of 74, NI is slightly higher than the industry rank of 55.

M/B Ratio		Rank
NI	0.9	72
Industry	1.5	53
Sector	2.35	47
S&P 500	n/a	n/a

The Market/Book Rank is a measure of a stock's market to book ratio relative to the stock universe. A higher rank corresponds to a lower market book value. NI has a Market/Book rank of 72, which is slightly higher than the industry rank of 53.

P/E Ratio		Rank
NI	13.52	78
Industry	14.45	69
Sector	16.38	66
S&P 500	17.73	65

The ValuEngine P/E Rank signifies the relative standing of a company on its P/E ratio, relative to the universe. Stocks in the top P/E percentile are each assigned a rank of 1(highest P/E stocks) while those in the bottom P/E percentile are assigned a rank of 100 (traditional value stocks). With a P/E rank of 78, NI is in line with the industry P/E rank of 69.

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ValuEngine™ DETAILED RESEARCH REPORT

NISOURCE INC(NI)

COMPARISON OF SIMILAR STOCKS* & RISK ASSESSMENT

Valuation		Rank
NI	24.36%	21
SCG	-1.64%	55
AYE	-39.38%	89
NU	10.33%	37
PNW	6.31%	43

12-Month Return		Rank
NI	99.10%	58
SCG	45.39%	32
AYE	15.78%	17
NU	41.89%	30
PNW	74.95%	47

5-Y Avg Ann Rtn		Rank
NI	-7.49%	43
SCG	-0.38%	59
AYE	2.34%	66
NU	6.88%	78
PNW	-2.27%	54

Volatility		Rank
NI	23.58%	95
SCG	19.81%	98
AYE	32.12%	84
NU	22.91%	95
PNW	19.66%	98

EPS Growth		Rank
NI	-0.18	8
SCG	0.09	27
AYE	-0.04	13
NU	0.17	39
PNW	0.24	47

Market Cap(bill)		Rank
NI	4.25	88
SCG	4.54	88
AYE	3.93	87
NU	4.65	89
PNW	3.82	87

Sharpe Ratio		Rank
NI	-0.32	28
SCG	-0.02	58
AYE	0.07	68
NU	0.3	88
PNW	-0.12	47

P/S Ratio		Rank
NI	0.61	74
SCG	1.02	59
AYE	1.2	55
NU	0.84	66
PNW	1.16	56

M/B Ratio		Rank
NI	0.9	72
SCG	1.36	52
AYE	1.29	54
NU	1.32	53
PNW	1.15	60

P/E Ratio		Rank
NI	13.52	78
SCG	12.58	80
AYE	9.91	87
NU	14.84	73
PNW	15.32	72

FORECAST COMPARISONS

RETURN FORECAST: EXPECTED RETURN

	AYE	NI	NU	PNW	SCG
One-Month	-0.87%	-0.93%	-0.89%	-1.08%	-0.69%
Three-Month	0.45%	-1.72%	-1.59%	-1.80%	-0.91%
Six-Month	2.64%	-1.32%	-1.64%	-1.55%	-0.22%
One-Year	8.08%	1.68%	0.57%	1.48%	3.35%
Two-Year	20.19%	12.75%	9.16%	11.54%	14.62%
Three-Year	37.49%	29.97%	22.82%	27.27%	29.28%

RISK ASSESSMENT: CHANCE OF GAIN

	AYE	NI	NU	PNW	SCG
One-Month	46.26%	44.55%	44.65%	42.49%	45.21%
Three-Month	51.12%	44.20%	44.47%	42.75%	46.36%
Six-Month	54.63%	46.84%	45.98%	45.56%	49.37%
One-Year	59.93%	52.83%	50.99%	53.00%	56.72%
Two-Year	67.17%	64.89%	61.13%	66.10%	69.91%
Three-Year	74.98%	76.85%	71.73%	78.84%	80.33%

RISK ASSESSMENT: CHANCE OF LOSS

	AYE	NI	NU	PNW	SCG
One-Month	53.74%	55.45%	55.35%	57.51%	54.79%
Three-Month	48.88%	55.80%	55.53%	57.25%	53.64%
Six-Month	45.37%	53.16%	54.02%	54.44%	50.63%
One-Year	40.07%	47.17%	49.01%	47.00%	43.28%
Two-Year	32.83%	35.11%	38.87%	33.90%	30.09%
Three-Year	25.02%	23.15%	28.27%	21.16%	19.67%

*** Comparables are companies in the same Sector and Industry and of approximately similar market capitalization value.**

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ValuEngine™ DETAILED RESEARCH REPORT

NISOURCE INC(NI)

ANNUAL FINANCIALS - BALANCE SHEET (millions)

	2008-12	2007-12	2006-12	2005-12	2004-12	2003-12	2002-12	2001-12
Cash and Equivalents	20.6	36	33.1	69.4	30.1	27.3	54.3	127.9
TOTAL CASH & SHORT TERM INVEST	**20.6**	**36**	**33.1**	**69.4**	**30.1**	**27.3**	**54.3**	**127.9**
Accounts Receivable	1142.5	936	866.3	1676.4	1183.2	1017.5	885.3	937.7
Other Receivables	393.8	223.9	252.3	169.8	169.6	174.8	120.8	196.9
TOTAL RECEIVABLES	**1536.3**	**1159.9**	**1118.6**	**1846.2**	**1352.8**	**1192.3**	**1006.1**	**1134.6**
INVENTORIES	**670.7**	**604.7**	**703.4**	**623.8**	**552.9**	**529.9**	**360.2**	**480.2**
Prepaid Expenses	249.1	112.7	111.7	109.3	96.2	101.8	229.5	395.4
Other Current Assets	934.1	541.6	816.1	412	253.6	211.6	218.4	428.6
TOTAL CURRENT ASSETS	**3410.8**	**2454.9**	**2782.9**	**3060.7**	**2285.6**	**2062.9**	**1868.5**	**2566.7**
Gross Property Plant and Equip.	18468.9	17882.3	17544.5	17111.1	16632.3	16400.8	18188.9	17245.7
Accumulated Depreciation	-8080.8	-7850.5	-7850	-7556.8	-7247.6	-7095.9	-8120.9	-7691
NET PROPERTY, PLANT AND EQUIP.	**10388.1**	**10031.8**	**9694.5**	**9554.3**	**9384.7**	**9304.9**	**10068**	**9554.7**
Long-term Investments	204.7	189.9	175.7	189.2	180.6	180.6	169.5	171.7
Goodwill	3677.3	3677.3	3677.3	3677.3	3687.2	3704	3707.6	3732.9
Other Intangibles	330.6	422	435.7	495.8	520.3	527.2	57.3	5
Deferred Charges, LT	1763.9	1004.7	1297.5	753.7	757.9	723.3	803.8	933.6
Other Long Term Assets	256.8	224.2	92.9	227.5	171.7	120.9	222.2	409.5
TOTAL ASSETS	**20032.2**	**18004.8**	**18156.5**	**17958.5**	**16988**	**16623.8**	**16896.9**	**17374.1**
Accounts Payable	693.3	719.9	713.1	866.7	648.4	496.6	521.6	646.6
Accrued Expenses	613.9	614	834.1	913.9	808.9	768	843.7	1080.6
Short-term Borrowings	1163.5	1061	1193	898	307.6	685.5	913.1	1854.3
Current Income Taxes Payable	206.5	188.7	–	–	–	–	–	–
Unearned Revenue, Current	14.7	38.7	55.9	51.3	31.5	28.2	130.2	89
Other Current Liabilities	1422.2	736.4	931.8	672.6	505.9	512.4	536.2	616.9
TOTAL CURRENT LIABILITIES	**4583.4**	**3392.6**	**3821.2**	**3843.2**	**3602.2**	**2609**	**4177.4**	**4728.6**
Long Term Debt	5906.1	5589.1	5146.2	5271.2	4835.9	5993.4	5363	6125.8
Capital Leases	37.8	5.3	–	–	–	–	–	–
Minority Interest	–	–	–	81.1	81.1	81.1	84.9	88.6
Unearned Revenue Non-Current	6.2	0.2	21.9	60.4	87.4	113	305.4	435.4
Pension and Other Post-Retire. Benefits	1238.5	547.9	799.5	511	413	406.9	417.2	277.7
Deferred Tax Liability Non-Current	1595.9	1616.8	1553.7	1591.9	1665.9	1595.9	1958	1726.3
Other Non-Current Liabilities	1935.5	1776.3	1800.4	1666.7	1514.8	1406.2	416.1	522.3
TOTAL LIABILITIES	**15303.4**	**12928.2**	**13142.9**	**13025.5**	**12200.3**	**12205.5**	**12722**	**13904.7**
Preferred Stock, Redeemable	–	–	–	–	0.6	2.4	–	–
TOTAL PREFERRED EQUITY	**–**	**–**	**–**	**–**	**0.6**	**2.4**	**–**	**–**
Common Stock	2.7	2.7	2.7	2.7	2.7	2.6	2.5	2.1
Additional Paid In Capital	4020.3	4011	3998.3	3969.4	3924	3756.6	3389.5	2611.6
Retained Earnings	901.1	1074.5	1012.9	981.6	925.4	731.3	930.9	798.6
Treasury Stock	-23.3	-23.3	-21.2	–	–	-9.4	-6.9	–
Comprehensive Income and Other	-172	11.7	20.9	-20.7	-65	-65.2	-141.1	57.1
TOTAL COMMON EQUITY	**4728.8**	**5076.6**	**5013.6**	**4933**	**4787.1**	**4415.9**	**4174.9**	**3469.4**
TOTAL EQUITY	**4728.8**	**5076.6**	**5013.6**	**4933**	**4787.7**	**4418.3**	**4174.9**	**3469.4**
TOTAL LIABILITIES AND EQUITY	**20032.2**	**18004.8**	**18156.5**	**17958.5**	**16988**	**16623.8**	**16896.9**	**17374.1**

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ValuEngine™ DETAILED RESEARCH REPORT

NISOURCE INC(NI)

ANNUAL FINANCIALS - INCOME STATEMENT (millions)

	2008-12	2007-12	2006-12	2005-12	2004-12	2003-12	2002-12	2001-12
Revenues	7660.7	6894.6	6521.7	6849	5936.2	5768.8	5161.6	9020.3
Other Revenues	1213.5	1045.2	968.3	1050.1	730	477.8	1330.7	438.4
TOTAL REVENUES	**8874.2**	**7939.8**	**7490**	**7899.1**	**6666.2**	**6246.6**	**6492.3**	**9458.7**
Cost Of Goods Sold	7394	6431.5	6030.4	6345.1	5087.4	4672.3	4663.8	7798.9
GROSS PROFIT	**1480.2**	**1508.3**	**1459.6**	**1554**	**1578.8**	**1574.3**	**1828.5**	**1659.8**
Selling General and Admin Exp.	--	--	--	--	--	--	79	--
Stock-Based Compensation	--	2.6	--	--	--	--	--	--
Depr. and Amortization	567.2	559.2	549.2	545.2	509.7	497	574	641.7
OPERATING INCOME	**913**	**946.5**	**910.4**	**1008.8**	**1069.1**	**1077.3**	**1175.5**	**1018.1**
Interest Expense	-396	-410.5	-391.9	-403.5	-383.4	-440.5	-516.3	-591.2
Interest and Invest. Income	15.4	12.3	8.8	23.6	9.4	14.8	14.6	0.1
NET INTEREST EXP.	**-380.6**	**-398.2**	**-383.1**	**-379.9**	**-374**	**-425.7**	**-501.7**	**-591.1**
Income/(Loss) from Affiliates	**12.3**	**9.4**	**-12.3**	**--**	**--**	**--**	**--**	**--**
Other Non-Oper. Inc. (Exp.)	1.4	-9	-11.9	-31.3	-26.9	-28.2	-21	-20.9
EBT EXCL. UNUSUAL ITEMS	**562.8**	**548.7**	**503.1**	**597.6**	**671.3**	**648.3**	**680**	**424.9**
Restructuring Charges	--	-13.2	1.6	-33.8	-0.2	7.5	--	--
Merger and Related Restruct. Charges	--	--	2.5	--	--	--	--	--
Gain (Loss) On Sale Of Invest.	16.7	--	--	--	--	--	--	--
Asset Writedown	-7.6	-10.8	-4.1	-22.2	--	--	--	-9.2
Legal Settlements	--	--	-18.1	--	--	6.6	--	--
Other Unusual Items	--	-40.6	-0.7	-108.6	--	--	--	--
EBT INCL. UNUSUAL ITEMS	**555.2**	**484.1**	**484.3**	**433**	**671.1**	**662.4**	**680**	**415.7**
Income Tax Expense	185.4	172.1	170.8	149.4	240.9	234.2	233.9	183.2
Minority Int. in Earnings	--	--	--	--	--	-2.5	-20.4	-20.4
EARNINGS FROM CONTINUING	**369.8**	**312**	**313.5**	**283.6**	**430.2**	**425.7**	**425.7**	**212.1**
Earnings Of Discontinued Oper.	-290.8	9.4	-31.7	23.2	6.1	-331.7	-53.2	0.1
NET INCOME	**79**	**321.4**	**282.2**	**306.5**	**436.3**	**85.2**	**372.5**	**216.2**
NI TO COMMON INCL EXTRA ITEMS	**79**	**321.4**	**282.2**	**306.5**	**436.3**	**85.2**	**372.5**	**216.2**
Basic EPS	0.3	1.2	1	1.1	1.6	0.3	1.8	1
Basic EPS Excl. Extra Items	1.4	1.1	1.1	1	1.6	1.6	2	1
Weighted Avg. Basic Shares Out.	274	273.8	272.6	271.3	263.7	259.5	211	205.3
Diluted EPS	0.3	1.2	1	1.1	1.6	0.3	1.8	1
Diluted EPS Excl Extra Items	1.3	1.1	1.1	1	1.6	1.6	2	1
Weighted Avg. Diluted Shares Out.	275.4	274.7	273.4	273	265.5	261.6	212.8	209.8

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ValuEngine™ DETAILED RESEARCH REPORT

NISOURCE INC(NI)

ANNUAL FINANCIALS - CASH FLOW STATEMENT (millions)

	2008-12	2007-12	2006-12	2005-12	2004-12	2003-12	2002-12	2001-12
Net Income	79	-321.4	282.2	306.5	436.3	85.2	372.5	216.2
Depreciation and Amortization	533.1	523	528.6	516.9	392.2	485	574	641.7
Amortization Of Goodwill	11	13.6	--	--	82.5	--	--	--
DEPRECIATION AND AMORT., TOTAL	**544.1**	**536.6**	**528.6**	**516.9**	**474.7**	**485**	**574**	**641.7**
Amort. Of Deferred Charges	30.8	29.9	28.3	45.8	56.6	30.9	--	--
(Gain) Loss From Sale Of Asset	4.3	-0.3	-1.1	0.4	-3.1	-24.9	-27.2	-11
Asset Writedown and Restruct. Costs	3.3	11.1	5.2	21.8	--	--	--	9.2
(Income) Loss On Equity Investments	-25.3	-14.1	8.4	-4.7	-0.9	5.4	--	--
Stock-Based Compensation	9.5	4.4	6.9	6.8	8	12.9	27.1	--
Net Cash From Disc. Oper.	-2.2	0.3	4.8	-17.4	2.2	-141.5	-16.2	--
Other Operating Activities	287.1	-9.5	-14.9	34.9	-14.4	329.8	-37.5	-465.7
Change In Accounts Receivable	-201.7	-3.4	407.7	-358.9	-92	67.3	102.7	552.5
Change In Inventories	-82.4	94.4	-71.7	-71.1	-23.1	-166.9	66.8	-73.3
Change In Accounts Payable	-30.3	-65.2	-176.4	205.7	153.3	-41.4	-91.6	-495.5
Change In Unearned Revenues	--	--	--	--	-7.6	-12.9	--	--
Change In Income Taxes	-89.7	-10.7	53.4	21.3	-57.8	-89.5	-5.4	142.1
Change In Deferred Taxes	137.8	12.7	-113.4	-16.7	97.5	77.9	114.1	-43.1
Change In Other Working Capital	-79	-150.4	208.2	21	26.6	-144.4	93.1	569.5
CASH FROM OPERATIONS	**585.3**	**757.2**	**1156.2**	**712.3**	**1056.3**	**472.9**	**1172.4**	**1042.6**
Capital Expenditure	-969.9	-788.3	-637.4	-590.4	-517	-574.6	-621.9	-668.1
Sale of Prop., Plant, and Equip.	47.8	4.2	21.6	7.5	7.1	586.5	419.2	227.9
Cash Acquisitions	-329.7	--	--	--	--	--	--	--
Invest. in Marketable and Eqty Securties	-39.2	--	--	--	--	--	--	--
Other Investing Activities	176.7	102.7	-116.7	10.8	-42.7	-17.6	--	-7
CASH FLOW FROM INVESTING	**-1114.3**	**-681.4**	**-732.5**	**-572.1**	**-552.6**	**-5.7**	**-202.7**	**-447.2**
Short-Term Debt Issued	102.5	--	296.4	590.4	--	--	--	--
Long-Term Debt Issued	959.3	803.6	--	1907.9	450	1401.5	--	300
TOTAL DEBT ISSUED	**1061.8**	**803.6**	**296.4**	**2498.3**	**450**	**1401.5**	**--**	**300**
Short-Term Debt Repaid	--	-132	--	--	-377.9	-227.6	-941.2	-642.5
Long-Term Debt Repaid	-294.6	-457.9	-438.7	-2386.7	-486.6	-1366.9	-532.1	-93
TOTAL DEBT REPAID	**-294.6**	**-589.9**	**-438.7**	**-2386.7**	**-864.5**	**-1594.5**	**-1473.3**	**-735.5**
TOTAL DIVIDENDS PAID	**-252.4**	**-252.1**	**-251.9**	**-250.3**	**-243.1**	**-284**	**-241.5**	**-239**
Other Financing Activities	--	-40.6	--	--	--	--	-46.7	--
CASH FROM FINANCING	**516.1**	**-72.9**	**-460**	**-100.3**	**-500.9**	**-471**	**-1033.5**	**-660.5**
Misc. Cash Flow Adjustments	-1.1	--	--	--	--	--	--	--
NET CHANGE IN CASH	**-14**	**2.9**	**-36.3**	**39.9**	**2.8**	**-3.8**	**-63.8**	**-65.1**
Cash Interest Paid	375.8	413.2	370	404.5	383	442.3	496.6	518
Cash Taxes Paid	60.6	185.2	288.2	101.4	184.6	256.8	118.8	250.2
Net Debt Issued	767.2	213.7	-142.3	111.6	-414.5	-193	-1473.3	-435.5

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ValuEngine™ DETAILED RESEARCH REPORT

NISOURCE INC(NI)

QUARTERLY FINANCIALS - BALANCE SHEET (millions)

	2009-09	2009-06	2009-03	2008-12	2008-09	2008-06	2008-03	2007-12
Cash and Equivalents	83.8	248.9	135.2	20.6	25.1	45.9	77.4	36
TOTAL CASH & SHORT TERM INVEST	**83.8**	**248.9**	**135.2**	**20.6**	**25.1**	**45.9**	**77.4**	**36**
Accounts Receivable	442.3	544.7	910.7	1142.5	586.8	737	1086.2	936
Other Receivables	374.7	163.7	257.4	393.8	407.3	464.2	389.1	223.9
TOTAL RECEIVABLES	**817**	**708.4**	**1168.1**	**1536.3**	**994.1**	**1201.2**	**1475.3**	**1159.9**
INVENTORIES	**691.8**	**426.6**	**259.3**	**670.7**	**838**	**400.5**	**213.3**	**604.7**
Prepaid Expenses	131.6	148.9	256.7	249.1	228.9	173.9	103.5	112.7
Other Current Assets	839	903.9	813.1	934.1	1039.9	858.9	652	541.6
TOTAL CURRENT ASSETS	**2563.2**	**2436.7**	**2632.4**	**3410.8**	**3126**	**2680.4**	**2521.5**	**2454.9**
Gross Property Plant and Equip.	18868.4	18776	18610.8	18468.9	18339.8	18108.6	17495.1	17882.3
Accumulated Depreciation	-8286.3	-8232.9	-8134.1	-8080.8	-8078	-7982.5	-7819.1	-7850.5
NET PROPERTY, PLANT AND EQUIP.	**10582.1**	**10543.1**	**10476.7**	**10388.1**	**10261.8**	**10126.1**	**9676**	**10031.8**
Long-term Investments	277.7	258	229.8	204.7	190.3	186.8	187.8	189.9
Goodwill	3677.3	3677.3	3677.3	3677.3	3677.3	3677.3	3677.3	3677.3
Other Intangibles	322.4	325.1	327.8	330.6	333.4	336.1	338.8	422
Deferred Charges, LT	1704.6	1722.9	1745.6	1763.9	940.4	999.7	995.2	1004.7
Other Long Term Assets	263.8	260.2	260.4	256.8	568.6	609.8	790.1	224.2
TOTAL ASSETS	**19391.1**	**19223.3**	**19350**	**20032.2**	**19097.8**	**18616.2**	**18186.7**	**18004.8**
Accounts Payable	214	240.9	531.6	693.3	498	665.2	755.9	719.9
Accrued Expenses	450.2	381.7	392.4	613.9	488.4	418.8	524.9	614
Short-term Borrowings	200	–	–	1163.5	1263	506	624.7	1061
Current Income Taxes Payable	148	209.1	259.4	206.5	145.1	223.7	327.1	188.7
Unearned Revenue, Current	8.7	20.2	11	14.7	10.9	14.1	22.4	38.7
Other Current Liabilities	1455	1666.5	1647.6	1422.2	1593.9	1777.9	1409	736.4
TOTAL CURRENT LIABILITIES	**2909.7**	**2942.4**	**3278**	**4583.4**	**4019.2**	**3648.8**	**3753.3**	**3392.6**
Long Term Debt	6560.7	6564.4	6451.9	5906.1	6323.3	6059.9	5383	5589.1
Capital Leases	–	–	–	37.8	–	–	–	5.3
Unearned Revenue Non-Current	7.9	7.3	6.8	6.2	5.1	0.2	0.2	0.2
Pension and Other Post-Retire. Benefits	1172.3	1254.4	1248.5	1238.5	550	553.1	566.2	547.9
Deferred Tax Liability Non-Current	2042.8	1715	1650.7	1595.9	1588.6	1572	1546.1	1616.8
Other Non-Current Liabilities	1957.9	1947.4	1976.4	1935.5	1940.8	1971.3	1873.7	1776.3
TOTAL LIABILITIES	**14651.3**	**14430.9**	**14612.3**	**15303.4**	**14427**	**13805.3**	**13122.5**	**12928.2**
Common Stock	2.8	2.8	2.7	2.7	2.7	2.7	2.7	2.7
Additional Paid In Capital	4043.2	4032.7	4023	4020.3	4017.8	4015.4	4013.2	4011
Retained Earnings	776.3	855.1	923.3	901.1	739.1	782.2	1047.5	1074.5
Treasury Stock	-24.2	-24.2	-24.1	-23.3	-23.5	-23.4	-23.3	-23.3
Comprehensive Income and Other	-58.3	-74	-187.2	-172	-65.3	34	24.1	11.7
TOTAL COMMON EQUITY	**4739.8**	**4792.4**	**4737.7**	**4728.8**	**4670.8**	**4810.9**	**5064.2**	**5076.6**
TOTAL EQUITY	**4739.8**	**4792.4**	**4737.7**	**4728.8**	**4670.8**	**4810.9**	**5064.2**	**5076.6**
TOTAL LIABILITIES AND EQUITY	**19391.1**	**19223.3**	**19350**	**20032.2**	**19097.8**	**18616.2**	**18186.7**	**18004.8**

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ValuEngine™ DETAILED RESEARCH REPORT

NISOURCE INC(NI)

QUARTERLY FINANCIALS - INCOME STATEMENT (millions)

	2009-09	2009-06	2009-03	2008-12	2008-09	2008-06	2008-03	2007-12
Revenues	860.2	995.1	2409.9	2101.9	1140.8	1499.2	2918.7	1964.1
Other Revenues	24.6	14.1	310.3	283.6	268.3	292.9	371	280.8
TOTAL REVENUES	**884.8**	**1009.2**	**2720.2**	**2385.5**	**1409.1**	**1792.1**	**3289.7**	**2244.9**
Cost Of Goods Sold	633.3	754.5	2221	1938.8	1164	1530.3	2762.8	1847.7
GROSS PROFIT	**251.5**	**254.7**	**499.2**	**446.7**	**245.1**	**261.8**	**526.9**	**397.2**
Depr. and Amortization	148.7	148.2	143.8	142.9	141	147.7	135.6	139.8
OPERATING INCOME	**102.8**	**106.5**	**355.4**	**303.8**	**104.1**	**114.1**	**391.3**	**257.4**
Interest Expense	-104.8	-105.3	-90.5	-100.7	-100.2	-87.4	-91.8	-103.2
NET INTEREST EXP.	**-104.8**	**-105.3**	**-90.5**	**-100.7**	**-100.2**	**-87.4**	**-91.8**	**-103.2**
Income/(Loss) from Affiliates	**5.8**	**-2.6**	**6.4**	**5.3**	**3.4**	**1.6**	**2**	**1.6**
Other Non-Oper. Inc. (Exp.)	2.3	-0.5	-4.2	-3	4.1	1.3	-1.5	-4.7
EBT EXCL. UNUSUAL ITEMS	**6.1**	**-1.9**	**267.1**	**205.4**	**28.1**	**29.6**	**300**	**151.1**
Restructuring Charges	-4.6	--	-19.8	--	--	--	--	--
Gain (Loss) On Sale Of Invest.	--	--	--	--	16.7	--	--	--
Asset Writedown	-4.4	--	2	-10.4	0.4	0.9	1.5	-1
Insurance Settlements	--	--	4.3	--	--	--	--	--
Other Unusual Items	--	-0.7	3.2	--	--	--	--	-40.6
EBT INCL. UNUSUAL ITEMS	**-2.9**	**-2.6**	**256.8**	**195**	**28.5**	**30.5**	**301.5**	**109.5**
Income Tax Expense	6.8	6.1	97.5	68	-4.1	9.5	112.1	34.6
EARNINGS FROM CONTINUING	**-9.7**	**-8.7**	**159.3**	**127**	**32.6**	**21**	**189.4**	**74.9**
Earnings Of Discontinued Oper.	-5.7	3.9	-10.9	35	-12.6	-223.3	-90.1	2.1
NET INCOME	**-15.4**	**-4.8**	**148.4**	**162**	**20**	**-202.3**	**99.3**	**77**
NI TO COMMON INCL EXTRA ITEMS	**-15.4**	**-4.8**	**148.4**	**162**	**20**	**-202.3**	**99.3**	**77**
Basic EPS	-0.1	-0	0.5	0.6	0.1	-0.7	0.4	0.3
Basic EPS Excl. Extra Items	-0	-0	0.6	0.5	0.1	0.1	0.7	0.3
Weighted Avg. Basic Shares Out.	275.4	274.7	274.2	274	274	274	273.9	273.9
Diluted EPS	-0.1	-0	0.5	0.6	0.1	-0.7	0.4	0.3
Diluted EPS Excl Extra Items	-0	-0	0.6	0.5	0.1	0.1	0.7	0.3
Weighted Avg. Diluted Shares Out.	275.4	274.7	276.7	275.5	275.5	275.4	275.4	274.7

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ValueEngine™ DETAILED RESEARCH REPORT

NISOURCE INC(NI)

QUARTERLY FINANCIALS - CASH FLOW STATEMENT (millions)

	2009-09	2009-06	2009-03	2008-12	2008-09	2008-06	2008-03	2007-12
Net Income	-15.4	-4.8	148.4	162	20	202.3	99.3	67
Depreciation and Amortization	148.2	148.1	143.8	108.8	141	147.7	135.6	103.6
Amortization Of Goodwill	–	–	–	11	–	–	–	13.6
DEPRECIATION AND AMORT., TOTAL	**148.2**	**148.1**	**143.8**	**119.8**	**141**	**147.7**	**135.6**	**117.2**
Amort. Of Deferred Charges	3.7	4.1	2.1	25.1	2	1.9	1.8	24.4
(Gain) Loss From Sale Of Asset	–	–	-2	8.7	-0.4	-0.8	-3.2	--
Asset Writedown and Restruct. Costs	4.4	–	–	1.7	–	–	1.6	1
(Income) Loss On Equity Investments	-5.4	2.6	-6.4	-5	-19.2	0.6	-1.7	-2.5
Stock-Based Compensation	3.4	3.3	1.6	2.3	2.7	3.1	1.4	1.7
Net Cash From Disc. Oper.	-162.1	-15.1	-116.3	11.3	-11.6	-1.9	-0.7	--
Other Operating Activities	-6.2	18.9	3.2	-27.5	10.8	242.8	61	33.3
Change In Accounts Receivable	109	241.1	172.1	-606.9	181.3	376.8	-152.9	-292.7
Change In Inventories	-242.2	-268.4	-487.7	165.6	-609.9	-485.4	847.3	219.2
Change In Accounts Payable	28	-166	-161.1	229	-185.6	-105.8	32.1	173.8
Change In Income Taxes	-328.8	-0.1	82	-38.5	-64.1	-115.5	128.4	17.2
Change In Deferred Taxes	320.3	11	23.1	45.7	40	35.4	16.7	34.9
Change In Other Working Capital	23.1	207.6	225.3	241.7	104.9	-104.2	-321.4	-36.2
CASH FROM OPERATIONS	**-120**	**182.3**	**1003.5**	**335**	**-388.1**	**-207.6**	**845.3**	**358.3**
Capital Expenditure	-200.1	-178.7	-206.9	-290.5	-256.6	-232.1	-190.7	-268.5
Sale of Prop., Plant, and Equip.	0.3	--	2.1	5.8	-187.6	217.1	12.5	1.9
Cash Acquisitions	–	–	–	–	–	-329.7	–	–
Invest. in Marketable and Eqty Securties	–	--	–	-39.2	--	–	–	--
Other Investing Activities	16.8	55.2	8.4	178.5	-137.1	61.7	73.6	31.7
CASH FLOW FROM INVESTING	**-183**	**-123.5**	**-196.4**	**-145.4**	**-581.3**	**-283**	**-104.6**	**-234.9**
Short-Term Debt Issued	200.1	–	–	–	757	--	–	388
Long-Term Debt Issued	0.6	118.3	581.7	--	228.2	639.1	0.9	--
TOTAL DEBT ISSUED	**200.7**	**118.3**	**581.7**	**–**	**985.2**	**639.1**	**0.9**	**388**
Short-Term Debt Repaid	--	–	-1163.5	-99.5	--	-118.7	-436.3	--
Long-Term Debt Repaid	–	–	-101.4	-3.5	–	–	-200	-389.8
TOTAL DEBT REPAID	**–**	**–**	**-1264.9**	**-103**	**–**	**-118.7**	**-636.3**	**-389.8**
TOTAL DIVIDENDS PAID	**-63.4**	**-63.1**	**-63.1**	**-63.2**	**-63.1**	**-63**	**-63.1**	**-63**
Other Financing Activities	–	–	–	0.2	--	–	–	-40.6
CASH FROM FINANCING	**137.5**	**55.3**	**-746.9**	**-165.8**	**922.4**	**457.4**	**-697.9**	**-105.1**
Misc. Cash Flow Adjustments	0.4	-0.4	54.4	-28.3	26.2	1.7	--	--
NET CHANGE IN CASH	**-165.1**	**113.7**	**114.6**	**-4.5**	**-20.8**	**-31.5**	**42.8**	**18.3**
Net Debt Issued	200.7	118.3	-683.2	-103	985.2	520.4	-635.4	-1.8

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ValuEngine™ DETAILED RESEARCH REPORT
NISOURCE INC(NI)
VALUENGINE SERVICE DESCRIPTIONS

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ValuEngine™ DETAILED RESEARCH REPORT
NISOURCE INC(NI)

VALUENGINE'S METHODOLOGY

ValuEngine's research combines the most advanced academic concepts with real world Wall Street practice. The result is state-of-the-art fair market valuation and price forecasting technologies.

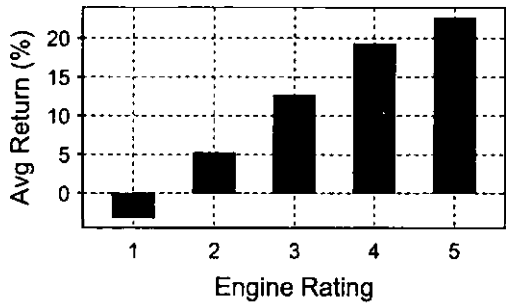
ValuEngine's stock valuation employs a sophisticated, three-factor approach. Fundamental variables, such as a company's trailing 12-month Earnings-Per-Share (EPS), the analyst consensus estimate of the company's future 12-month EPS, and the 30-year Treasury yield, are all used to create a more accurate reflection of a company's fair value. Together with eleven additional variables, ValuEngine paints a detailed picture of a company's fair value, represented by the model price.

ValuEngine's stock forecasts examine, among other things, short-term price reversals, intermediate-term momentum continuation, and long-term price reversals over six time horizons for every industry to ensure forecasts are established relative to a stock's proper peer groups. Advanced statistical/econometric techniques are used to run thousands of simulations estimating the probability of a double in stock price, as well as the probability of meeting and exceeding any given portfolio or stock investment target.

The stock's engine rating is an assessment of its overall attractiveness. It combines valuation, risk-return trade-off, momentum, market capitalization and forecasted future returns. Only two percent of the stock universe receives the highest 5-engine rating. The lowest rating is a single engine.

For more information on ValuEngine, its models and performance, go to www.ValuEngine.com

Engine Rating and Average Annual Return
(Jan 1990 - Feb 2010)



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1. Buy: Expected to outperform the SP500 producing above average returns.
2. Hold: Expected to perform in line with the SP500 with average returns.
3. Sell: Expected to underperform the SP500 producing below-average returns.

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ValuEngine™ DETAILED RESEARCH REPORT

NISOURCE INC(NI)

Mar. 15, 2010

VALUENGINE RECOMMENDATION & BASIC INFORMATION

RECOMMENDATION

NEGATIVE	NEUTRAL	POSITIVE
underperform	match	outperform

VALUENGINE RATING

V V V V

RECOMMENDATION FACTORS

	Value	Rank
Overall Rank		top 16%
Fair Value	$12.45	btm 22%
1Yr Target Price	$15.71	top 14%
P/E Ratio	13.57	top 23%
Last 1-Y Return	88.21%	top 39%
Market Cap(bil)	$4.27	top 13%

BASIC INFORMATION

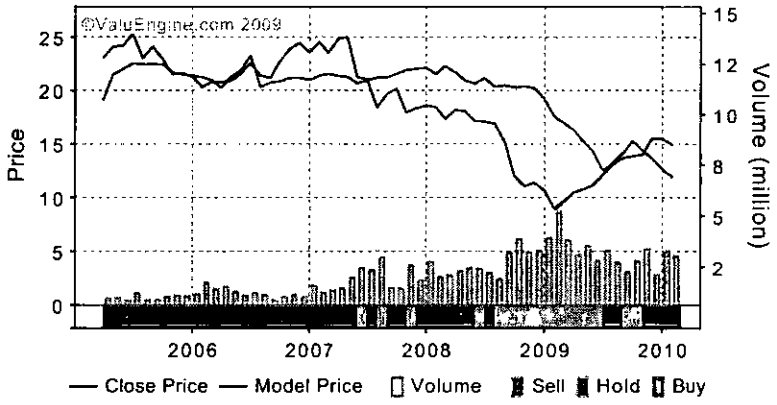
Last Trade	$15.49
Trade Date	03/12/10
Market Cap(bil)	$4.27144
Trailing P/E	13.57
Forward P/E	16.48
PEG Ratio	n/a
P/S Ratio	0.61
M/B Ratio	0.9
Sharpe Ratio	-0.31
5-Y Avg Ann Return	-7.41%
Volatility	23.59%
EPS Growth	-17.67%
Annual Dividend	$0.92
Dividend Yield	5.94%
LT Debt/Equity	1.38
Beta	0.86

VALUATION ANALYSIS

NI	Today's Fair value: $12.45 24.42% overvalued
Industry	Electrical Utilities 2.41% undervalued
Sector	Public Utilities 1.67% overvalued

FORECAST ANALYSIS

	Target Price	Exp. Return
1-Month	$15.34	-0.97%
3-Month	$15.23	-1.70%
6-Month	$15.27	-1.41%
1-Year	$15.71	1.42%
2-Year	$17.35	11.99%
3-Year	$19.96	28.83%



VALUENGINE RECOMMENDATION

ValuEngine has issued a BUY recommendation for NISOURCE INC on Mar. 15, 2010. Based on the information we have gathered and our resulting research, we feel that NISOURCE INC has the probability to OUTPERFORM average market performance for the next year. The company exhibits ATTRACTIVE volatility, company size and P/E ratio.

RATING OVERVIEW

The ValuEngine Rating is an overall assessment of a stock's attractiveness. It combines the following five factors:

1. Fair market valuation
2. 1 year forecasted returns
3. Price/Earnings ratio
4. Momentum
5. Market capitalization

Only two percent of the over 4,000 stocks that we cover receive the highest 5 rating. The ratings are the result of the cumulative of the above factors. As such, stocks with relatively poor results for any one of the five variables can still be attractive if the other four factors are strong enough. Top 5 rated stocks can be expected to outperform the overall market by 15% or more, with average annualized returns from Jan. 2000 through Jan. 2006 of over 30% per year.

FAIR MARKET VALUATION PRICE

Based on available data as of Mar. 15, 2010, we believe that NI should be trading at $12.45. This makes NI 24.42% overvalued. Fair Value indicates what we believe the stock should be trading at today if the stock market were perfectly efficient and everything traded at its true worth. For NI, we base this on actual earnings per share (EPS) for the previous four quarters of $1.14, forecasted EPS for the next four quarters of $0.94, and correlations to the 30-year Treasury bond yield of 4.63%. There are an additional 10 firm specific and interest rate related parameters, each playing a role in the valuation analysis.

FORECASTED TARGET PRICES

The predictive variables used in Valuengine's forecast target price models include both proprietary and well-established forecasting variables derived from credible financial research studies and publications. Our forecasting models capture, among other things, several important tendencies that stock prices consistently exhibit: Short-term price reversals, Intermediate-term momentum continuation, and Long-term price reversals. We use a distinct forecasting model for each time horizon and for every industry. We then apply the most advanced statistical/econometric techniques to ensure that our stock return forecasts are as reliable as possible.

Contact ValuEngine:

ValuEngine, Inc.
100 Overlook Center, 2nd Floor
Princeton, NJ 08540, U.S.A.
(800) 381-5576 (T)
support@ValuEngine.com
www.ValuEngine.com

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ValuEngine™ DETAILED RESEARCH REPORT

NISOURCE INC(NI)

DATA SUMMARY & MARKET RATIO BASED VALUATION

OPTIMAL BUY-SELL

Based solely on the Historical Mispricing of NI, the best time to buy would be below $11.20 (or valuation below -10.00%). The best time to sell would be above $14.94 (or valuation above 20.00%).

EVALUATION & RANKINGS

	Value	Rank
Valuation	24.42%	22
12-Month Return	88.21%	62
5-Y Avg Ann Rtn	-7.41%	42
Volatility	23.59%	95
EPS Growth	-17.67%	8
Market Cap(bil)	4.27	88
Sharpe Ratio	-0.31	28
P/S Ratio	0.61	74
M/B Ratio	0.9	72
P/E Ratio	13.57	78

EVALUATION & RANKINGS SUMMARY

Just as important as the percentages shown for our ten predictive variables for each stock is the way they are ranked against the 7000 plus stocks in our database. This is sometimes confusing to newcomers to ValuEngine. Each of these quantitative measurements is ranked on a scale of 1 to 100. Generally the higher the ranking, the more positive the influence each measurement has on the overall attractiveness of the stock. In other words a high rank is always better. Let's take them one by one:

- Valuation rank 22: 78% of stocks are more undervalued
- Momentum rank 62: 38% of stocks have higher momentum
- Sharpe Ratio rank 28: 72% of stocks have a higher Sharpe Ratio
- 5-Year Average Annual Return 42: 58% of stocks have higher average annual return
- Volatility rank 95: 5% of stocks have less volatility
- EPS growth rank 8: 92% of stocks have greater projected EPS growth
- Size rank 88: 12% of companies have higher market capitalization
- P/E rank 78: 22% of stocks have lower P/E ratios
- Price/Sales rank 74: 26% of stocks have lower price/sales ratios
- Market/Book rank 72: 28% of stocks have lower market/book value ratios

MARKET RATIO BASED VALUATION

Portfolio managers and professionals traditionally rely on market ratios to gauge whether a stock is fair valued or overvalued. On this page, we present such a valuation based on one of three market ratios: PEG (price to trailing 4 quarter earnings ratio, divided by the consensus analyst forecasted next year EPS growth), P/E (price to forward 4 quarter earnings ratio), and P/S ratio (price to trailing 4 quarter sales). Among the three, PEG is the most informative as it reflects both the price/earnings ratio and expected future EPS growth, while P/E is better than P/S. For each given stock, we apply the PEG to give a fair value assessment if both its trailing 4 quarter EPS and forecasted EPS growth rate are positive. If its forecasted EPS growth is negative but its forward 4 quarter EPS is positive, we apply the P/E to give a fair value for the stock as of today. Otherwise, we resort to the P/S to assess its fair value.

To establish a valuation standard, we use both (i) the average historical market ratio of the stock over the past 10 years (or however long there is data available for the stock), and (ii) the average market ratio today of five comparable stocks in the same sector and from companies of similar size. These two alternative perspectives should give you a good idea about where this stock's valuation stands today.

1. Valuation Based on NI's Past PE

Over the past 10 years, NI's average PE is 13.08. NI earned $1.14 per share in its recent 4 quarters. The analyst consensus estimate is $0.94 for its 4 quarter forward EPS. NI's current price sales ratio is 0.61. The following assessment is based on multiplying the historical PE with next 4 quarter EPS for NI.

Fair Value	
Historical Average PE	13.08
PE-Based Fair Value	$12.29

2. Valuation Based on Comparables' PE

NI's comparables are AYE, NU, PNW, POM and SCG. The current PE average of these comparables is 11.63. NI earned $1.14 per share in its recent 4 quarters. The analyst consensus estimate is $0.94 for its 4-quarter-forward EPS. NI's current price sales ratio is 0.61. The following assessment is based on multiplying comparable stocks' average PE today with NI's next 4 quarter EPS.

Comparables' PE

Comparables:	Current PE
AYE	10.2
NU	12.85
PNW	11.09
POM	12.45
SCG	11.56

Fair Value	
Comparable Stocks' Avg PE	11.63
Comparable PE-Based Fair Value	$10.93

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ValuEngine™ DETAILED RESEARCH REPORT
NISOURCE INC(NI)

COMPANY ANALYSIS

NiSource Inc. provides natural gas, electricity and other products and services. The company operates east of the Rocky Mountains.

Subsidiaries
NiSource's principal subsidiaries include Columbia Energy Group, a vertically-integrated natural gas distribution, transmission and storage holding company whose subsidiaries provide service to customers in the Midwest, the Mid-Atlantic and the Northeast; Northern Indiana Public Service Company, a vertically-integrated gas and electric company providing service to customers in northern Indiana; and Bay State Gas Company, a natural gas distribution company serving customers in Massachusetts.

Segments
NiSource's business segments are: Gas Distribution Operations; Gas Transmission and Storage Operations; Electric Operations; and Other Operations.

Gas Distribution Operations
NiSource's natural gas distribution operations serve approximately 3.3 million customers in nine states and operate approximately 57 thousand miles of pipeline. Through its wholly owned subsidiary, Columbia, NiSource owns five distribution subsidiaries that provide natural gas to approximately 2.2 million residential, commercial and industrial customers in Ohio, Pennsylvania, Virginia, Kentucky and Maryland. NiSource also distributes natural gas to approximately 793 thousand customers in northern Indiana through three subsidiaries: Northern Indiana, Kokomo Gas and Northern Indiana Fuel and Light. Additionally, NiSource's subsidiaries Bay State and Northern Utilities distribute natural gas to approximately 291 thousand customers in Massachusetts.

Gas Transmission and Storage Operations
NiSource's Gas Transmission and Storage Operations subsidiaries own and operate approximately 16 thousand miles of interstate pipelines and operate underground natural gas storage systems capable of storing approximately 629 Bcf of natural gas. Through its subsidiaries, Columbia Transmission, Columbia Gulf, Crossroads Pipeline and Granite State Gas, NiSource owns and operates an interstate pipeline network extending from offshore in the Gulf of Mexico to Lake Erie, New York and the eastern seaboard. Together, these companies serve customers in 16 northeastern, mid-Atlantic, midwestern and southern states and the District of Columbia. The Gas Transmission and Storage Operations subsidiaries completed milestone projects with Millennium and Hardy Storage and are engaged in other projects that would expand their facilities and throughput. In June 2007, construction began on the Millennium pipeline, which includes 182-miles of newly constructed, 30-inch-diameter pipe across New York's Southern Tier and lower Hudson Valley. Substantially all of the facilities related to the project were completed in 2008.

Electric Operations
NiSource generates, transmits and distributes electricity through its subsidiary Northern Indiana to approximately 457 thousand customers in 20 counties in the northern part of Indiana and engages in wholesale and transmission transactions. Northern Indiana owns four and has the ability to operate three coal-fired electric generating stations. The three operable facilities have a net capability of 2,574 mw. Northern Indiana also operates Sugar Creek, a CCGT plant with a 535 mw capacity rating, four gas-fired generating units located at Northern Indiana's coal-fired electric generating stations with a net capability of 203 mw and two hydroelectric generating plants with a net capability of 10 mw. These facilities provide for a total system operating net capability of 3,322 mw. Sugar Creek was purchased in May, 2008 and dispatched into MISO on December 1, 2008. Northern Indiana's transmission system, with voltages from 69,000 to 345,000 volts, consists of 2,782 circuit miles. Northern Indiana is interconnected with five neighboring electric utilities.

Northern Indiana participates in the MISO transmission service and wholesale energy market. Additionally, MISO is responsible for managing the energy markets, managing transmission constraints, managing the day-ahead, real-time and FTRs markets and managing the ancillary market.

Other Operations
The Other Operations segment participates in energy-related services including gas marketing, power and gas risk management and ventures focused on distributed power generation technologies and fuel cells and storage systems. Additionally, the Other Operations segment is involved in real estate and other businesses.

Customers
The company provides natural gas, electricity and other products and services to approximately 3.8 million customers located within a corridor that runs from the Gulf Coast through the Midwest to New England.

History
NiSource Inc. was founded in 1912.

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ValuEngine™ DETAILED RESEARCH REPORT

NISOURCE INC(NI)

VALUENGINE RANKINGS

Just as important as the percentages shown for our ten predictive variables for each stock is the way they are ranked against the 7000 plus stocks in our database. Each of these quantitative measurements is ranked on a scale of 1 to 100. Generally the higher the ranking, the more positive the influence each measurement has on the overall attractiveness of the stock. In other words a high rank is always better. The below data points show how the rank for each data point for NI relates to the overall industry, sector, and S&P 500 averages.

Valuation		Rank
NI	24.42%	22
Industry	-2.41%	55
Sector	1.67%	51
S&P 500	7.87%	41

The ValuEngine Valuation Rank measures the relationship between a company's stock price and its Fair Value. The higher the Valuation rank, the more undervalued the stock. With a Valuation Rank of 22, NI is substantially lower than the average of its industry group, which carries a Valuation Rank of 55.

12-Month Return		Rank
NI	88.21%	62
Industry	50.48%	39
Sector	59.45%	41
S&P 500	53.18%	43

The ValuEngine 12-Month Return Rank reflects the relative stock performance of a stock over the recent 12 months. On a scale of 1 to 100, a higher 12-Month Return rank indicates a stronger performance. With a 12-Month Return Rank of 62, NI is moderately higher than the industry's rank score of 39.

5-Y Avg Ann Rtn		Rank
NI	-7.41%	42
Industry	0.24%	60
Sector	-1.32%	58
S&P 500	-0.65%	57

The ValuEngine 5-Years Average Return Rank reflects a stock's average annual return over the last 5 years, in comparison with the coverage universe. A higher rank indicates a better return performance. With a rank of 42, NI is slightly lower than the industry, which has a rank of 60.

Volatility		Rank
NI	23.59%	95
Industry	37.05%	80
Sector	48.29%	71
S&P 500	19.25%	98

The ValuEngine Volatility Rank reflects the volatility associated with the stock. A higher Volatility Rank indicates a lower volatile percentile of stocks. NI has a Volatility Rank of 95, which is slightly higher than the industry Rank of 80.

EPS Growth		Rank
NI	-17.67%	8
Industry	24.05%	35
Sector	21.41%	34
S&P 500	22.50%	46

The ValuEngine EPS Growth Rank indicates a stock's expected EPS growth rate. A high rank indicates a high growth rate expectation. NI has an EPS Growth Rank of 8.This is moderately lower than the industry rank of 35.

Market Cap(bill)		Rank
NI	4.27	88
Industry	6.75	78
Sector	8.88	74
S&P 500	n/a	n/a

The ValuEngine Size rank signifies the company's size in terms of market capitalization. A higher rank denotes a larger market capitalization within ValuEngine's stock universe. With a Size rank of 88, NI is in line with the industry, which has a rank of 78.

Sharpe Ratio		Rank
NI	-0.31	28
Industry	0.02	60
Sector	-0	59
S&P 500	-0.03	56

The ValuEngine Sharpe Ratio Rank measures the risk return tradeoff offered by a stock. Sharpe ratio is the stock's average annual return (over the last five years) divided by its annualized volatility over the same 5 years. With a rank of 28, NI is substantially lower than the industry, which has a rank of 60.

P/S Ratio		Rank
NI	0.61	74
Industry	2.03	55
Sector	2.43	55
S&P 500	n/a	n/a

The ValuEngine Price/Sales rank signifies the relative position of the company based on its P/S ratio. Stocks with the lowest P/S ratio are assigned a rank of 100 while stocks with the highest P/S ratio are ranked 1. At a Price/Sales rank of 74, NI is slightly higher than the industry rank of 55.

M/B Ratio		Rank
NI	0.9	72
Industry	1.51	53
Sector	2.36	47
S&P 500	n/a	n/a

The Market/Book Rank is a measure of a stock's market to book ratio relative to the stock universe. A higher rank corresponds to a lower market book value. NI has a Market/Book rank of 72, which is slightly higher than the industry rank of 53.

P/E Ratio		Rank
NI	13.57	78
Industry	14.54	69
Sector	16.48	66
S&P 500	17.88	65

The ValuEngine P/E Rank signifies the relative standing of a company on its P/E ratio, relative to the universe. Stocks in the top P/E percentile are each assigned a rank of 1(highest P/E stocks) while those in the bottom P/E percentile are assigned a rank of 100 (traditional value stocks). With a P/E rank of 78, NI is in line with the industry P/E rank of 69.

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ValuEngine™ DETAILED RESEARCH REPORT

NISOURCE INC(NI)

COMPARISON OF SIMILAR STOCKS* & RISK ASSESSMENT

Valuation		Rank
NI	24.42%	22
SCG	-1.79%	56
AYE	-38.66%	89
NU	11.31%	36
POM	-9.24%	66

12-Month Return		Rank
NI	88.21%	62
SCG	43.98%	37
AYE	12.30%	18
NU	35.82%	31
POM	62.97%	49

5-Y Avg Ann Rtn		Rank
NI	-7.41%	42
SCG	-0.34%	58
AYE	2.42%	66
NU	7.12%	78
POM	-5.34%	46

Volatility		Rank
NI	23.59%	95
SCG	19.82%	98
AYE	32.12%	84
NU	22.94%	96
POM	24.25%	94

EPS Growth		Rank
NI	-0.18	8
SCG	0.09	27
AYE	0.05	22
NU	0.17	40
POM	0.37	57

Market Cap(bill)		Rank
NI	4.27	88
SCG	4.55	88
AYE	3.95	87
NU	4.7	89
POM	3.83	87

Sharpe Ratio		Rank
NI	-0.31	28
SCG	-0.02	58
AYE	0.08	68
NU	0.31	88
POM	-0.22	36

P/S Ratio		Rank
NI	0.61	74
SCG	1.02	60
AYE	1.21	55
NU	0.84	66
POM	0.41	83

M/B Ratio		Rank
NI	0.9	72
SCG	1.36	52
AYE	1.29	54
NU	1.33	53
POM	0.9	72

P/E Ratio		Rank
NI	13.57	78
SCG	12.6	80
AYE	10.75	85
NU	15.02	73
POM	17.1	67

FORECAST COMPARISONS

RETURN FORECAST: EXPECTED RETURN

	AYE	NI	NU	POM	SCG
One-Month	-0.62%	-0.97%	-0.90%	-1.22%	-0.76%
Three-Month	0.28%	-1.70%	-1.60%	-1.99%	-0.94%
Six-Month	2.22%	-1.41%	-1.76%	-1.62%	-0.30%
One-Year	6.46%	1.42%	0.21%	0.73%	3.31%
Two-Year	16.43%	11.99%	8.28%	8.31%	14.52%
Three-Year	32.05%	28.83%	21.59%	23.23%	29.21%

RISK ASSESSMENT: CHANCE OF GAIN

	AYE	NI	NU	POM	SCG
One-Month	47.34%	44.36%	44.60%	43.10%	44.70%
Three-Month	50.70%	44.26%	44.45%	43.49%	46.21%
Six-Month	53.89%	46.63%	45.67%	46.24%	49.16%
One-Year	57.97%	52.41%	50.37%	51.20%	56.63%
Two-Year	64.12%	64.03%	60.08%	59.57%	69.78%
Three-Year	71.77%	75.97%	70.66%	70.99%	80.26%

RISK ASSESSMENT: CHANCE OF LOSS

	AYE	NI	NU	POM	SCG
One-Month	52.66%	55.64%	55.40%	56.90%	55.30%
Three-Month	49.30%	55.74%	55.55%	56.51%	53.79%
Six-Month	46.11%	53.37%	54.33%	53.76%	50.84%
One-Year	42.03%	47.59%	49.63%	48.80%	43.37%
Two-Year	35.88%	35.97%	39.93%	40.43%	30.22%
Three-Year	28.23%	24.03%	29.34%	29.01%	19.74%

*** Comparables are companies in the same Sector and Industry and of approximately similar market capitalization value.**

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ValuEngine™ DETAILED RESEARCH REPORT

NISOURCE INC(NI)

ANNUAL FINANCIALS - BALANCE SHEET (millions)

	2008-12	2007-12	2006-12	2005-12	2004-12	2003-12	2002-12	2001-12
Cash and Equivalents	20.6	36	33.1	69.4	30.1	27.3	54.3	127.9
TOTAL CASH & SHORT TERM INVEST	**20.6**	**36**	**33.1**	**69.4**	**30.1**	**27.3**	**54.3**	**127.9**
Accounts Receivable	1142.5	936	866.3	1676.4	1183.2	1017.5	885.3	937.7
Other Receivables	393.8	223.9	252.3	169.8	169.6	174.8	120.8	196.9
TOTAL RECEIVABLES	**1536.3**	**1159.9**	**1118.6**	**1846.2**	**1352.8**	**1192.3**	**1006.1**	**1134.6**
INVENTORIES	**670.7**	**604.7**	**703.4**	**623.8**	**552.9**	**529.9**	**360.2**	**480.2**
Prepaid Expenses	249.1	112.7	111.7	109.3	96.2	101.8	229.5	395.4
Other Current Assets	934.1	541.6	816.1	412	253.6	211.6	218.4	428.6
TOTAL CURRENT ASSETS	**3410.8**	**2454.9**	**2782.9**	**3060.7**	**2285.6**	**2062.9**	**1868.5**	**2566.7**
Gross Property Plant and Equip.	18468.9	17882.3	17544.5	17111.1	16632.3	16400.8	18188.9	17245.7
Accumulated Depreciation	-8080.8	-7850.5	-7850	-7556.8	-7247.6	-7095.9	-8120.9	-7691
NET PROPERTY, PLANT AND EQUIP.	**10388.1**	**10031.8**	**9694.5**	**9554.3**	**9384.7**	**9304.9**	**10068**	**9554.7**
Long-term Investments	204.7	189.9	175.7	189.2	180.6	180.6	169.5	171.7
Goodwill	3677.3	3677.3	3677.3	3677.3	3687.2	3704	3707.6	3732.9
Other Intangibles	330.6	422	435.7	495.8	520.3	527.2	57.3	5
Deferred Charges, LT	1763.9	1004.7	1297.5	753.7	757.9	723.3	803.8	933.6
Other Long Term Assets	256.8	224.2	92.9	227.5	171.7	120.9	222.2	409.5
TOTAL ASSETS	**20032.2**	**18004.8**	**18156.5**	**17958.5**	**16988**	**16623.8**	**16896.9**	**17374.1**
Accounts Payable	693.3	719.9	713.1	866.7	648.4	496.6	521.6	646.6
Accrued Expenses	613.9	614	834.1	913.9	808.9	768	843.7	1080.6
Short-term Borrowings	1163.5	1061	1193	898	307.6	685.5	913.1	1854.3
Current Income Taxes Payable	206.5	188.7	–	–	–	–	–	–
Unearned Revenue, Current	14.7	38.7	55.9	51.3	31.5	28.2	130.2	89
Other Current Liabilities	1422.2	736.4	931.8	672.6	505.9	512.4	536.2	616.9
TOTAL CURRENT LIABILITIES	**4583.4**	**3392.6**	**3821.2**	**3843.2**	**3602.2**	**2609**	**4177.4**	**4728.6**
Long Term Debt	5906.1	5589.1	5146.2	5271.2	4835.9	5993.4	5363	6125.8
Capital Leases	37.8	5.3	–	–	–	–	–	–
Minority Interest	–	–	–	81.1	81.1	81.1	84.9	88.6
Unearned Revenue Non-Current	6.2	0.2	21.9	60.4	87.4	113	305.4	435.4
Pension and Other Post-Retire. Benefits	1238.5	547.9	799.5	511	413	406.9	417.2	277.7
Deferred Tax Liability Non-Current	1595.9	1616.8	1553.7	1591.9	1665.9	1595.9	1958	1726.3
Other Non-Current Liabilities	1935.5	1776.3	1800.4	1666.7	1514.8	1406.2	416.1	522.3
TOTAL LIABILITIES	**15303.4**	**12928.2**	**13142.9**	**13025.5**	**12200.3**	**12205.5**	**12722**	**13904.7**
Preferred Stock, Redeemable	–	–	–	–	0.6	2.4	–	–
TOTAL PREFERRED EQUITY	–	–	–	–	0.6	2.4	–	–
Common Stock	2.7	2.7	2.7	2.7	2.7	2.6	2.5	2.1
Additional Paid In Capital	4020.3	4011	3998.3	3969.4	3924	3756.6	3389.5	2611.6
Retained Earnings	901.1	1074.5	1012.9	981.6	925.4	731.3	930.9	798.6
Treasury Stock	-23.3	-23.3	-21.2	–	–	-9.4	-6.9	–
Comprehensive Income and Other	-172	11.7	20.9	-20.7	-65	-65.2	-141.1	57.1
TOTAL COMMON EQUITY	**4728.8**	**5076.6**	**5013.6**	**4933**	**4787.1**	**4415.9**	**4174.9**	**3469.4**
TOTAL EQUITY	**4728.8**	**5076.6**	**5013.6**	**4933**	**4787.7**	**4418.3**	**4174.9**	**3469.4**
TOTAL LIABILITIES AND EQUITY	**20032.2**	**18004.8**	**18156.5**	**17958.5**	**16988**	**16623.8**	**16896.9**	**17374.1**

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ValuEngine™ DETAILED RESEARCH REPORT

NISOURCE INC(NI)

ANNUAL FINANCIALS - INCOME STATEMENT (millions)

	2008-12	2007-12	2006-12	2005-12	2004-12	2003-12	2002-12	2001-12
Revenues	7660.7	6894.6	6521.7	6849	5936.2	5768.8	5161.6	9020.3
Other Revenues	1213.5	1045.2	968.3	1050.1	730	477.8	1330.7	438.4
TOTAL REVENUES	**8874.2**	**7939.8**	**7490**	**7899.1**	**6666.2**	**6246.6**	**6492.3**	**9458.7**
Cost Of Goods Sold	7394	6431.5	6030.4	6345.1	5087.4	4672.3	4663.8	7798.9
GROSS PROFIT	**1480.2**	**1508.3**	**1459.6**	**1554**	**1578.8**	**1574.3**	**1828.5**	**1659.8**
Selling General and Admin Exp.	--	--	--	--	--	--	79	--
Stock-Based Compensation	--	2.6	--	--	--	--	--	--
Depr. and Amortization	567.2	559.2	549.2	545.2	509.7	497	574	641.7
OPERATING INCOME	**913**	**946.5**	**910.4**	**1008.8**	**1069.1**	**1077.3**	**1175.5**	**1018.1**
Interest Expense	-396	-410.5	-391.9	-403.5	-383.4	-440.5	-516.3	-591.2
Interest and Invest. Income	15.4	12.3	8.8	23.6	9.4	14.8	14.6	0.1
NET INTEREST EXP.	**-380.6**	**-398.2**	**-383.1**	**-379.9**	**-374**	**-425.7**	**-501.7**	**-591.1**
Income/(Loss) from Affiliates	**12.3**	**9.4**	**-12.3**	--	--	--	--	--
Other Non-Oper. Inc. (Exp.)	1.4	-9	-11.9	-31.3	-26.9	-28.2	-21	-20.9
EBT EXCL. UNUSUAL ITEMS	**562.8**	**548.7**	**503.1**	**597.6**	**671.3**	**648.3**	**680**	**424.9**
Restructuring Charges	--	-13.2	1.6	-33.8	-0.2	7.5	--	--
Merger and Related Restruct. Charges	--	--	2.5	--	--	--	--	--
Gain (Loss) On Sale Of Invest.	16.7	--	--	--	--	--	--	--
Asset Writedown	-7.6	-10.8	-4.1	-22.2	--	--	--	-9.2
Legal Settlements	--	--	-18.1	--	--	6.6	--	--
Other Unusual Items	--	-40.6	-0.7	-108.6	--	--	--	--
EBT INCL. UNUSUAL ITEMS	**555.2**	**484.1**	**484.3**	**433**	**671.1**	**662.4**	**680**	**415.7**
Income Tax Expense	185.4	172.1	170.8	149.4	240.9	234.2	233.9	183.2
Minority Int. in Earnings	--	--	--	--	--	-2.5	-20.4	-20.4
EARNINGS FROM CONTINUING	**369.8**	**312**	**313.5**	**283.6**	**430.2**	**425.7**	**425.7**	**212.1**
Earnings Of Discontinued Oper.	-290.8	9.4	-31.7	23.2	6.1	-331.7	-53.2	0.1
NET INCOME	**79**	**321.4**	**282.2**	**306.5**	**436.3**	**85.2**	**372.5**	**216.2**
NI TO COMMON INCL EXTRA ITEMS	**79**	**321.4**	**282.2**	**306.5**	**436.3**	**85.2**	**372.5**	**216.2**
Basic EPS	0.3	1.2	1	1.1	1.6	0.3	1.8	1
Basic EPS Excl. Extra Items	1.4	1.1	1.1	1	1.6	1.6	2	1
Weighted Avg. Basic Shares Out.	274	273.8	272.6	271.3	263.7	259.5	211	205.3
Diluted EPS	0.3	1.2	1	1.1	1.6	0.3	1.8	1
Diluted EPS Excl Extra Items	1.3	1.1	1.1	1	1.6	1.6	2	1
Weighted Avg. Diluted Shares Out.	275.4	274.7	273.4	273	265.5	261.6	212.8	209.8

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ValuEngine™ DETAILED RESEARCH REPORT

NISOURCE INC(NI)

ANNUAL FINANCIALS - CASH FLOW STATEMENT (millions)

	2008-12	2007-12	2006-12	2005-12	2004-12	2003-12	2002-12	2001-12
Net Income	79	321.4	282.2	306.5	436.3	85.2	372.5	216.2
Depreciation and Amortization	533.1	523	528.6	516.9	392.2	485	574	641.7
Amortization Of Goodwill	11	13.6	–	–	82.5	–	–	–
DEPRECIATION AND AMORT., TOTAL	**544.1**	**536.6**	**528.6**	**516.9**	**474.7**	**485**	**574**	**641.7**
Amort. Of Deferred Charges	30.8	29.9	28.3	45.8	56.6	30.9	–	–
(Gain) Loss From Sale Of Asset	4.3	-0.3	-1.1	0.4	-3.1	-24.9	-27.2	-11
Asset Writedown and Restruct. Costs	-3.3	11.1	5.2	21.8	–	–	–	9.2
(Income) Loss On Equity Investments	-25.3	-14.1	8.4	-4.7	-0.9	5.4	–	–
Stock-Based Compensation	9.5	4.4	6.9	6.8	8	12.9	27.1	–
Net Cash From Disc. Oper.	-2.2	0.3	4.8	-17.4	2.2	-141.5	-16.2	–
Other Operating Activities	287.1	-9.5	-14.9	34.9	-14.4	329.8	-37.5	-465.7
Change In Accounts Receivable	-201.7	-3.4	407.7	-358.9	-92	67.3	102.7	552.5
Change In Inventories	-82.4	94.4	-71.7	-71.1	-23.1	-166.9	66.8	-73.3
Change In Accounts Payable	-30.3	-65.2	-176.4	205.7	153.3	-41.4	-91.6	-495.5
Change in Unearned Revenues	–	–	–	–	-7.6	-12.9	–	–
Change In Income Taxes	-89.7	-10.7	53.4	21.3	-57.8	-89.5	-5.4	142.1
Change In Deferred Taxes	137.8	-12.7	-113.4	-16.7	97.5	77.9	114.1	-43.1
Change In Other Working Capital	-79	-150.4	208.2	21	26.6	-144.4	93.1	569.5
CASH FROM OPERATIONS	**585.3**	**757.2**	**1156.2**	**712.3**	**1056.3**	**472.9**	**1172.4**	**1042.6**
Capital Expenditure	-969.9	-788.3	-637.4	-590.4	-517	-574.6	-621.9	-668.1
Sale of Prop., Plant, and Equip.	47.8	4.2	21.6	7.5	7.1	586.5	419.2	227.9
Cash Acquisitions	-329.7	–	–	–	–	–	–	–
Invest. in Marketable and Eqty Securties	-39.2	–	–	–	–	–	–	–
Other Investing Activities	176.7	102.7	-116.7	10.8	-42.7	-17.6	–	-7
CASH FLOW FROM INVESTING	**-1114.3**	**-681.4**	**-732.5**	**-572.1**	**-552.6**	**-5.7**	**-202.7**	**-447.2**
Short-Term Debt Issued	102.5	–	296.4	590.4	–	–	–	–
Long-Term Debt Issued	959.3	803.6	–	1907.9	450	1401.5	–	300
TOTAL DEBT ISSUED	**1061.8**	**803.6**	**296.4**	**2498.3**	**450**	**1401.5**	**–**	**300**
Short-Term Debt Repaid	-132	–	–	–	-377.9	-227.6	-941.2	-642.5
Long-Term Debt Repaid	-294.6	-457.9	-438.7	-2386.7	-486.6	-1366.9	-532.1	-93
TOTAL DEBT REPAID	**-294.6**	**-589.9**	**-438.7**	**-2386.7**	**-864.5**	**-1594.5**	**-1473.3**	**-735.5**
TOTAL DIVIDENDS PAID	**-252.4**	**-252.1**	**-251.9**	**-250.3**	**-243.1**	**-284**	**-241.5**	**-239**
Other Financing Activities	–	-40.6	–	–	–	–	-46.7	–
CASH FROM FINANCING	**516.1**	**-72.9**	**-460**	**-100.3**	**-500.9**	**-471**	**-1033.5**	**-660.5**
Misc. Cash Flow Adjustments	-1.1	–	–	–	–	–	–	–
NET CHANGE IN CASH	**-14**	**2.9**	**-36.3**	**39.9**	**2.8**	**-3.8**	**-63.8**	**-65.1**
Cash Interest Paid	375.8	413.2	370	404.5	383	442.3	496.6	518
Cash Taxes Paid	60.6	185.2	288.2	101.4	184.6	256.8	118.8	250.2
Net Debt Issued	767.2	213.7	-142.3	111.6	-414.5	-193	-1473.3	-435.5

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ValuEngine™ DETAILED RESEARCH REPORT

NISOURCE INC(NI)

QUARTERLY FINANCIALS - BALANCE SHEET (millions)

	2009-09	2009-06	2009-03	2008-12	2008-09	2008-06	2008-03	2007-12
Cash and Equivalents	83.8	248.9	135.2	20.6	25.1	45.9	77.4	36
TOTAL CASH & SHORT TERM INVEST	**83.8**	**248.9**	**135.2**	**20.6**	**25.1**	**45.9**	**77.4**	**36**
Accounts Receivable	442.3	544.7	910.7	1142.5	586.8	737	1086.2	936
Other Receivables	374.7	163.7	257.4	393.8	407.3	464.2	389.1	223.9
TOTAL RECEIVABLES	**817**	**708.4**	**1168.1**	**1536.3**	**994.1**	**1201.2**	**1475.3**	**1159.9**
INVENTORIES	**691.8**	**426.6**	**259.3**	**670.7**	**838**	**400.5**	**213.3**	**604.7**
Prepaid Expenses	131.6	148.9	256.7	249.1	228.9	173.9	103.5	112.7
Other Current Assets	839	903.9	813.1	934.1	1039.9	858.9	652	541.6
TOTAL CURRENT ASSETS	**2563.2**	**2436.7**	**2632.4**	**3410.8**	**3126**	**2680.4**	**2521.5**	**2454.9**
Gross Property Plant and Equip.	18868.4	18776	18610.8	18468.9	18339.8	18108.6	17495.1	17882.3
Accumulated Depreciation	-8286.3	-8232.9	-8134.1	-8080.8	-8078	-7982.5	-7819.1	-7850.5
NET PROPERTY, PLANT AND EQUIP.	**10582.1**	**10543.1**	**10476.7**	**10388.1**	**10261.8**	**10126.1**	**9676**	**10031.8**
Long-term Investments	277.7	258	229.8	204.7	190.3	186.8	187.8	189.9
Goodwill	3677.3	3677.3	3677.3	3677.3	3677.3	3677.3	3677.3	3677.3
Other Intangibles	322.4	325.1	327.8	330.6	333.4	336.1	338.8	422
Deferred Charges, LT	1704.6	1722.9	1745.6	1763.9	940.4	999.7	995.2	1004.7
Other Long Term Assets	263.8	260.2	260.4	256.8	568.6	609.8	790.1	224.2
TOTAL ASSETS	**19391.1**	**19223.3**	**19350**	**20032.2**	**19097.8**	**18616.2**	**18186.7**	**18004.8**
Accounts Payable	214	240.9	531.6	693.3	498	665.2	755.9	719.9
Accrued Expenses	450.2	381.7	392.4	613.9	488.4	418.8	524.9	614
Short-term Borrowings	200	–	–	1163.5	1263	506	624.7	1061
Current Income Taxes Payable	148	209.1	259.4	206.5	145.1	223.7	327.1	188.7
Unearned Revenue, Current	8.7	20.2	11	14.7	10.9	14.1	22.4	38.7
Other Current Liabilities	1455	1666.5	1647.6	1422.2	1593.9	1777.9	1409	736.4
TOTAL CURRENT LIABILITIES	**2909.7**	**2942.4**	**3278**	**4583.4**	**4019.2**	**3648.8**	**3753.3**	**3392.6**
Long Term Debt	6560.7	6564.4	6451.9	5906.1	6323.3	6059.9	5383	5589.1
Capital Leases	–	–	–	37.8	–	–	–	5.3
Unearned Revenue Non-Current	7.9	7.3	6.8	6.2	5.1	0.2	0.2	0.2
Pension and Other Post-Retire. Benefits	1172.3	1254.4	1248.5	1238.5	550	553.1	566.2	547.9
Deferred Tax Liability Non-Current	2042.8	1715	1650.7	1595.9	1588.6	1572	1546.1	1616.8
Other Non-Current Liabilities	1957.9	1947.4	1976.4	1935.5	1940.8	1971.3	1873.7	1776.3
TOTAL LIABILITIES	**14651.3**	**14430.9**	**14612.3**	**15303.4**	**14427**	**13805.3**	**13122.5**	**12928.2**
Common Stock	2.8	2.8	2.7	2.7	2.7	2.7	2.7	2.7
Additional Paid In Capital	4043.2	4032.7	4023	4020.3	4017.8	4015.4	4013.2	4011
Retained Earnings	776.3	855.1	923.3	901.1	739.1	782.2	1047.5	1074.5
Treasury Stock	-24.2	-24.2	-24.1	-23.3	-23.5	-23.4	-23.3	-23.3
Comprehensive Income and Other	-58.3	-74	-187.2	-172	-65.3	34	24.1	11.7
TOTAL COMMON EQUITY	**4739.8**	**4792.4**	**4737.7**	**4728.8**	**4670.8**	**4810.9**	**5064.2**	**5076.6**
TOTAL EQUITY	**4739.8**	**4792.4**	**4737.7**	**4728.8**	**4670.8**	**4810.9**	**5064.2**	**5076.6**
TOTAL LIABILITIES AND EQUITY	**19391.1**	**19223.3**	**19350**	**20032.2**	**19097.8**	**18616.2**	**18186.7**	**18004.8**

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NISOURCE INC(NI)

QUARTERLY FINANCIALS - INCOME STATEMENT (millions)

	2009-09	2009-06	2009-03	2008-12	2008-09	2008-06	2008-03	2007-12
Revenues	860.2	995.1	2409.9	2101.9	1140.8	1499.2	2918.7	1964.1
Other Revenues	24.6	14.1	310.3	283.6	268.3	292.9	371	280.8
TOTAL REVENUES	**884.8**	**1009.2**	**2720.2**	**2385.5**	**1409.1**	**1792.1**	**3289.7**	**2244.9**
Cost Of Goods Sold	633.3	754.5	2221	1938.8	1164	1530.3	2762.8	1847.7
GROSS PROFIT	**251.5**	**254.7**	**499.2**	**446.7**	**245.1**	**261.8**	**526.9**	**397.2**
Depr. and Amortization	148.7	148.2	143.8	142.9	141	147.7	135.6	139.8
OPERATING INCOME	**102.8**	**106.5**	**355.4**	**303.8**	**104.1**	**114.1**	**391.3**	**257.4**
Interest Expense	-104.8	-105.3	-90.5	-100.7	-100.2	-87.4	-91.8	-103.2
NET INTEREST EXP.	**-104.8**	**-105.3**	**-90.5**	**-100.7**	**-100.2**	**-87.4**	**-91.8**	**-103.2**
Income/(Loss) from Affiliates	**5.8**	**-2.6**	**6.4**	**5.3**	**3.4**	**1.6**	**2**	**1.6**
Other Non-Oper. Inc. (Exp.)	2.3	-0.5	-4.2	-3	4.1	1.3	-1.5	-4.7
EBT EXCL. UNUSUAL ITEMS	**6.1**	**-1.9**	**267.1**	**205.4**	**28.1**	**29.6**	**300**	**151.1**
Restructuring Charges	-4.6	–	-19.8	–	–	–	–	–
Gain (Loss) On Sale Of Invest.	–	–	–	–	16.7	–	–	–
Asset Writedown	-4.4	–	2	-10.4	0.4	0.9	-1.5	-1
Insurance Settlements	–	–	4.3	–	–	–	–	–
Other Unusual Items	–	-0.7	3.2	–	–	–	–	-40.6
EBT INCL. UNUSUAL ITEMS	**-2.9**	**-2.6**	**256.8**	**195**	**28.5**	**30.5**	**301.5**	**109.5**
Income Tax Expense	6.8	6.1	97.5	68	4.1	9.5	112.1	34.6
EARNINGS FROM CONTINUING	**-9.7**	**-8.7**	**159.3**	**127**	**32.6**	**21**	**189.4**	**74.9**
Earnings Of Discontinued Oper.	-5.7	3.9	-10.9	35	-12.6	-223.3	-90.1	2.1
NET INCOME	**-15.4**	**-4.8**	**148.4**	**162**	**20**	**-202.3**	**99.3**	**77**
NI TO COMMON INCL EXTRA ITEMS	**-15.4**	**-4.8**	**148.4**	**162**	**20**	**-202.3**	**99.3**	**77**
Basic EPS	-0.1	-0	0.5	0.6	0.1	-0.7	0.4	0.3
Basic EPS Excl. Extra Items	-0	-0	0.6	0.5	0.1	0.1	0.7	0.3
Weighted Avg. Basic Shares Out.	275.4	274.7	274.2	274	274	274	273.9	273.9
Diluted EPS	-0.1	-0	0.5	0.6	0.1	-0.7	0.4	0.3
Diluted EPS Excl Extra Items	-0	-0	0.6	0.5	0.1	0.1	0.7	0.3
Weighted Avg. Diluted Shares Out.	275.4	274.7	276.7	275.5	275.5	275.4	275.4	274.7

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ValuEngine™ DETAILED RESEARCH REPORT

NISOURCE INC(NI)

QUARTERLY FINANCIALS - CASH FLOW STATEMENT (millions)

	2009-09	2009-06	2009-03	2008-12	2008-09	2008-06	2008-03	2007-12
Net Income	-15.4	-4.8	148.4	162	20	-202.3	99.3	67
Depreciation and Amortization	148.2	148.1	143.8	108.8	141	147.7	135.6	103.6
Amortization Of Goodwill	--	--	--	11	--	--	--	13.6
DEPRECIATION AND AMORT., TOTAL	**148.2**	**148.1**	**143.8**	**119.8**	**141**	**147.7**	**135.6**	**117.2**
Amort. Of Deferred Charges	3.7	4.1	2.1	25.1	2	1.9	1.8	24.4
(Gain) Loss From Sale Of Asset	--	--	-2	8.7	-0.4	-0.8	-3.2	--
Asset Writedown and Restruct. Costs	4.4	--	--	1.7	--	--	1.6	1
(Income) Loss On Equity Investments	-5.4	2.6	-6.4	-5	-19.2	0.6	-1.7	-2.5
Stock-Based Compensation	3.4	3.3	1.6	2.3	2.7	3.1	1.4	1.7
Net Cash From Disc. Oper.	-162.1	-15.1	-116.3	11.3	-11.6	-1.9	-0.7	--
Other Operating Activities	-6.2	18.9	3.2	-27.5	10.8	242.8	61	-33.3
Change In Accounts Receivable	109	241.1	172.1	-606.9	181.3	376.8	-152.9	-292.7
Change In Inventories	-242.2	-268.4	487.7	165.6	-609.9	-485.4	847.3	219.2
Change In Accounts Payable	28	-166	-161.1	229	-185.6	-105.8	32.1	173.8
Change In Income Taxes	-328.8	-0.1	82	-38.5	-64.1	-115.5	128.4	17.2
Change In Deferred Taxes	320.3	11	23.1	45.7	40	35.4	16.7	34.9
Change In Other Working Capital	23.1	207.6	225.3	241.7	104.9	-104.2	-321.4	-36.2
CASH FROM OPERATIONS	**-120**	**182.3**	**1003.5**	**335**	**-388.1**	**-207.6**	**845.3**	**358.3**
Capital Expenditure	-200.1	-178.7	-206.9	-290.5	-256.6	-232.1	-190.7	-268.5
Sale of Prop., Plant, and Equip.	0.3	--	2.1	5.8	-187.6	217.1	12.5	1.9
Cash Acquisitions	--	--	--	--	--	-329.7	--	--
Invest. in Marketable and Eqty Securties	--	--	--	-39.2	--	--	--	--
Other Investing Activities	16.8	55.2	8.4	178.5	-137.1	61.7	73.6	31.7
CASH FLOW FROM INVESTING	**-183**	**-123.5**	**-196.4**	**-145.4**	**-581.3**	**-283**	**-104.6**	**-234.9**
Short-Term Debt Issued	200.1	--	--	--	757	--	--	388
Long-Term Debt Issued	0.6	118.3	581.7	--	228.2	639.1	0.9	--
TOTAL DEBT ISSUED	**200.7**	**118.3**	**581.7**	**--**	**985.2**	**639.1**	**0.9**	**388**
Short-Term Debt Repaid	--	--	-1163.5	-99.5	--	-118.7	-436.3	--
Long-Term Debt Repaid	--	--	-101.4	-3.5	--	--	-200	-389.8
TOTAL DEBT REPAID	**--**	**--**	**-1264.9**	**-103**	**--**	**-118.7**	**-636.3**	**-389.8**
TOTAL DIVIDENDS PAID	**-63.4**	**-63.1**	**-63.1**	**-63.2**	**-63.1**	**-63**	**-63.1**	**-63**
Other Financing Activities	--	--	--	0.2	--	--	--	-40.6
CASH FROM FINANCING	**137.5**	**55.3**	**-746.9**	**-165.8**	**922.4**	**457.4**	**-697.9**	**-105.1**
Misc. Cash Flow Adjustments	0.4	-0.4	54.4	-28.3	26.2	1.7	--	--
NET CHANGE IN CASH	**-165.1**	**113.7**	**114.6**	**-4.5**	**-20.8**	**-31.5**	**42.8**	**18.3**
Net Debt Issued	200.7	118.3	-683.2	-103	985.2	520.4	-635.4	-1.8

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ValuEngine™ DETAILED RESEARCH REPORT
NISOURCE INC(NI)

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ValuEngine™ DETAILED RESEARCH REPORT
NISOURCE INC(NI)

VALUENGINE'S METHODOLOGY

ValuEngine's research combines the most advanced academic concepts with real world Wall Street practice. The result is state-of-the-art fair market valuation and price forecasting technologies.

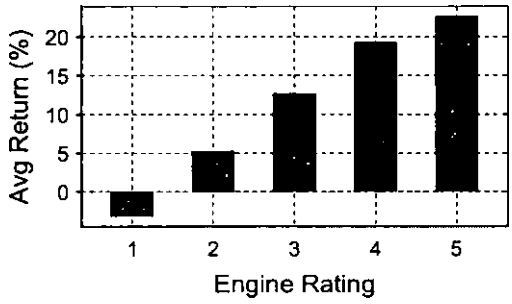
ValuEngine's stock valuation employs a sophisticated, three-factor approach. Fundamental variables, such as a company's trailing 12-month Earnings-Per-Share (EPS), the analyst consensus estimate of the company's future 12-month EPS, and the 30-year Treasury yield, are all used to create a more accurate reflection of a company's fair value. Together with eleven additional variables, ValuEngine paints a detailed picture of a company's fair value, represented by the model price.

ValuEngine's stock forecasts examine, among other things, short-term price reversals, intermediate-term momentum continuation, and long-term price reversals over six time horizons for every industry to ensure forecasts are established relative to a stock's proper peer groups. Advanced statistical/econometric techniques are used to run thousands of simulations estimating the probability of a double in stock price, as well as the probability of meeting and exceeding any given portfolio or stock investment target.

The stock's engine rating is an assessment of its overall attractiveness. It combines valuation, risk-return trade-off, momentum, market capitalization and forecasted future returns. Only two percent of the stock universe receives the highest 5-engine rating. The lowest rating is a single engine.

For more information on ValuEngine, its models and performance, go to www.ValuEngine.com

Engine Rating and Average Annual Return
(Jan 1990 - Feb 2010)



DISCLOSURES

ValuEngine offers equity recommendations and related return estimates to investors and their advisors. It uses a three-class Buy-Hold-Sell rating system. This is a consolidated version of the firm's five class rating system: most favorable and favorable ratings are buys; neutral ratings are holds and the categories unfavorable and most unfavorable are sells.

STOCK RATINGS: The terms below are used to rate a stock's 12-month performance:

1. Buy: Expected to outperform the SP500 producing above average returns.
2. Hold: Expected to perform in line with the SP500 with average returns.
3. Sell: Expected to underperform the SP500 producing below-average returns.

ValuEngine does not offer brokerage or investment banking services. ValuEngine adheres to professional standards and abides by formal codes of ethics that put the interests of clients ahead of their own. The following are specific disclosures made by ValuEngine with regards to this research report:

1. ValuEngine, Inc. does not make a market in this security.
2. ValuEngine, Inc. has not received compensation from the companies discussed above in the last 12 months.
3. ValuEngine has not managed or co-managed a public offering for any companies in the above report in the past twelve months.
4. None of ValuEngine's management, the analysts involved, nor a member of the research analyst's household serves as an officer, director or advisory board member of the companies discussed in this report.
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ValuEngine™ DETAILED RESEARCH REPORT

NISOURCE INC(NI)

Mar. 17, 2010

VALUENGINE RECOMMENDATION & BASIC INFORMATION

RECOMMENDATION

NEGATIVE	NEUTRAL	POSITIVE
underperform	match	outperform

VALUENGINE RATING

√√√

RECOMMENDATION FACTORS

	Value	Rank
Overall Rank		top 25%
Fair Value	$11.28	btm 13%
1Yr Target Price	$15.64	top 17%
P/E Ratio	14.61	top 26%
Last 1-Y Return	82.33%	top 41%
Market Cap(bil)	$4.34	top 13%

BASIC INFORMATION

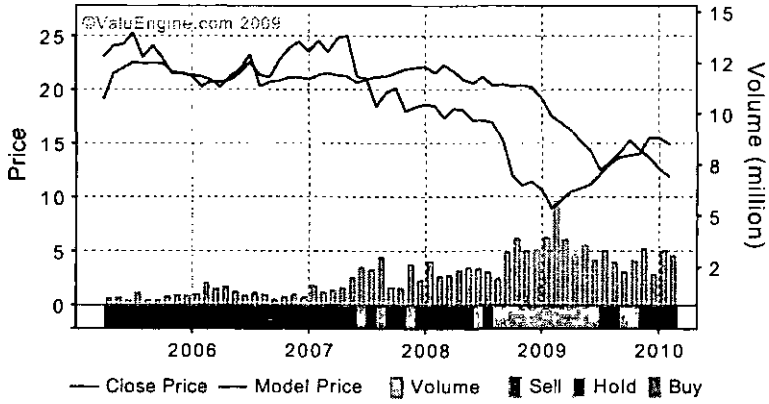
Last Trade	$15.68
Trade Date	03/16/10
Market Cap(bil)	$4.34013
Trailing P/E	14.61
Forward P/E	17.55
PEG Ratio	n/a
P/S Ratio	0.62
M/B Ratio	0.92
Sharpe Ratio	-0.3
5-Y Avg Ann Return	-7.17%
Volatility	23.64%
EPS Growth	-16.74%
Annual Dividend	$0.92
Dividend Yield	5.87%
LT Debt/Equity	1.38
Beta	0.86

VALUATION ANALYSIS

NI	Today's Fair value: $11.28 39.02% overvalued
Industry	Electrical Utilities 1.68% undervalued
Sector	Public Utilities 1.63% overvalued

FORECAST ANALYSIS

	Target Price	Exp. Return
1-Month	$15.55	-0.84%
3-Month	$15.38	-1.91%
6-Month	$15.34	-2.14%
1-Year	$15.64	-0.27%
2-Year	$17.09	8.97%
3-Year	$19.60	25.00%



VALUENGINE RECOMMENDATION

ValuEngine has issued a HOLD recommendation for NISOURCE INC on Mar. 17, 2010. Based on the information we have gathered and our resulting research, we feel that NISOURCE INC has the probability to ROUGHLY MATCH average market performance for the next year. The company exhibits ATTRACTIVE volatility and company size, but UNATTRACTIVE expected EPS growth and market valuation.

RATING OVERVIEW

The ValuEngine Rating is an overall assessment of a stock's attractiveness. It combines the following five factors:

1. Fair market valuation
2. 1 year forecasted returns
3. Price/Earnings ratio
4. Momentum
5. Market capitalization

Only two percent of the over 4,000 stocks that we cover receive the highest 5 rating. The ratings are the result of the cumulative of the above factors. As such, stocks with relatively poor results for any one of the five variables can still be attractive if the other four factors are strong enough. Top 5 rated stocks can be expected to outperform the overall market by 15% or more, with average annualized returns from Jan. 2000 through Jan. 2006 of over 30% per year.

FAIR MARKET VALUATION PRICE

Based on available data as of Mar. 17, 2010, we believe that NI should be trading at $11.28. This makes NI 39.02% overvalued. Fair Value indicates what we believe the stock should be trading at today if the stock market were perfectly efficient and everything traded at its true worth. For NI, we base this on actual earnings per share (EPS) for the previous four quarters of $1.07, forecasted EPS for the next four quarters of $0.89, and correlations to the 30-year Treasury bond yield of 4.59%. There are an additional 10 firm specific and interest rate related parameters, each playing a role in the valuation analysis.

FORECASTED TARGET PRICES

The predictive variables used in Valuengine's forecast target price models include both proprietary and well-established forecasting variables derived from credible financial research studies and publications. Our forecasting models capture, among other things, several important tendencies that stock prices consistently exhibit: Short-term price reversals, Intermediate-term momentum continuation, and Long-term price reversals. We use a distinct forecasting model for each time horizon and for every industry. We then apply the most advanced statistical/econometric techniques to ensure that our stock return forecasts are as reliable as possible.

Contact ValuEngine:

ValuEngine, Inc.
100 Overlook Center, 2nd Floor
Princeton, NJ 08540, U.S.A.
(800) 381-5576 (T)
support@ValuEngine.com
www.ValuEngine.com

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ValuEngine™ DETAILED RESEARCH REPORT
NISOURCE INC(NI)

DATA SUMMARY & MARKET RATIO BASED VALUATION

OPTIMAL BUY-SELL

Based solely on the Historical Mispricing of NI, the best time to buy would be below $10.15 (or valuation below -10.00%). The best time to sell would be above $13.53 (or valuation above 20.00%).

EVALUATION & RANKINGS

	Value	Rank
Valuation	39.02%	13
12-Month Return	82.33%	60
5-Y Avg Ann Rtn	-7.17%	43
Volatility	23.64%	95
EPS Growth	-16.74%	8
Market Cap(bil)	4.34	88
Sharpe Ratio	-0.3	29
P/S Ratio	0.62	74
M/B Ratio	0.92	72
P/E Ratio	14.61	75

EVALUATION & RANKINGS SUMMARY

Just as important as the percentages shown for our ten predictive variables for each stock is the way they are ranked against the 7000 plus stocks in our database. This is sometimes confusing to newcomers to ValuEngine. Each of these quantitative measurements is ranked on a scale of 1 to 100. Generally the higher the ranking, the more positive the influence each measurement has on the overall attractiveness of the stock. In other words a high rank is always better. Let's take them one by one:

- Valuation rank 13: 87% of stocks are more undervalued
- Momentum rank 60: 40% of stocks have higher momentum
- Sharpe Ratio rank 29: 71% of stocks have a higher Sharpe Ratio
- 5-Year Average Annual Return 43: 57% of stocks have higher average annual return
- Volatility rank 95: 5% of stocks have less volatility
- EPS growth rank 8: 92% of stocks have greater projected EPS growth
- Size rank 88: 12% of companies have higher market capitalization
- P/E rank 75: 25% of stocks have lower P/E ratios
- Price/Sales rank 74: 26% of stocks have lower price/sales ratios
- Market/Book rank 72: 28% of stocks have lower market/book value ratios

MARKET RATIO BASED VALUATION

Portfolio managers and professionals traditionally rely on market ratios to gauge whether a stock is fair valued or overvalued. On this page, we present such a valuation based on one of three market ratios: PEG (price to trailing 4 quarter earnings ratio, divided by the consensus analyst forecasted next year EPS growth), P/E (price to forward 4 quarter earnings ratio), and P/S ratio (price to trailing 4 quarter sales). Among the three, PEG is the most informative as it reflects both the price/earnings ratio and expected future EPS growth, while P/E is better than P/S. For each given stock, we apply the PEG to give a fair value assessment if both its trailing 4 quarter EPS and forecasted EPS growth rate are positive. If its forecasted EPS growth is negative but its forward 4 quarter EPS is positive, we apply the P/E to give a fair value for the stock as of today. Otherwise, we resort to the P/S to assess its fair value.

To establish a valuation standard, we use both (i) the average historical market ratio of the stock over the past 10 years (or however long there is data available for the stock), and (ii) the average market ratio today of five comparable stocks in the same sector and from companies of similar size. These two alternative perspectives should give you a good idea about where this stock's valuation stands today.

1. Valuation Based on NI's Past PE

Over the past 10 years, NI's average PE is 13.08. NI earned $1.07 per share in its recent 4 quarters. The analyst consensus estimate is $0.89 for its 4 quarter forward EPS. NI's current price sales ratio is 0.62. The following assessment is based on multiplying the historical PE with next 4 quarter EPS for NI.

Fair Value	
Historical Average PE	13.08
PE-Based Fair Value	$11.69

2. Valuation Based on Comparables' PE

NI's comparables are AYE, NU, PNW, POM and SCG. The current PE average of these comparables is 11.7. NI earned $1.07 per share in its recent 4 quarters. The analyst consensus estimate is $0.89 for its 4-quarter-forward EPS. NI's current price sales ratio is 0.62. The following assessment is based on multiplying comparable stocks' average PE today with NI's next 4 quarter EPS.

Comparables' PE

Comparables	Current PE
AYE	10.33
NU	12.7
PNW	11.2
POM	12.54
SCG	11.7

Fair Value	
Comparable Stocks' Avg PE	11.7
Comparable PE-Based Fair Value	$10.45

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ValuEngine™ DETAILED RESEARCH REPORT
NISOURCE INC(NI)

COMPANY ANALYSIS

NiSource Inc. provides natural gas, electricity and other products and services. The company operates east of the Rocky Mountains.

Subsidiaries
NiSource's principal subsidiaries include Columbia Energy Group, a vertically-integrated natural gas distribution, transmission and storage holding company whose subsidiaries provide service to customers in the Midwest, the Mid-Atlantic and the Northeast; Northern Indiana Public Service Company, a vertically-integrated gas and electric company providing service to customers in northern Indiana; and Bay State Gas Company, a natural gas distribution company serving customers in Massachusetts.

Segments
NiSource's business segments are: Gas Distribution Operations; Gas Transmission and Storage Operations; Electric Operations; and Other Operations.

Gas Distribution Operations
NiSource's natural gas distribution operations serve approximately 3.3 million customers in nine states and operate approximately 57 thousand miles of pipeline. Through its wholly owned subsidiary, Columbia, NiSource owns five distribution subsidiaries that provide natural gas to approximately 2.2 million residential, commercial and industrial customers in Ohio, Pennsylvania, Virginia, Kentucky and Maryland. NiSource also distributes natural gas to approximately 793 thousand customers in northern Indiana through three subsidiaries: Northern Indiana, Kokomo Gas and Northern Indiana Fuel and Light. Additionally, NiSource's subsidiaries Bay State and Northern Utilities distribute natural gas to approximately 291 thousand customers in Massachusetts.

Gas Transmission and Storage Operations
NiSource's Gas Transmission and Storage Operations subsidiaries own and operate approximately 16 thousand miles of interstate pipelines and operate underground natural gas storage systems capable of storing approximately 629 Bcf of natural gas. Through its subsidiaries, Columbia Transmission, Columbia Gulf, Crossroads Pipeline and Granite State Gas, NiSource owns and operates an interstate pipeline network extending from offshore in the Gulf of Mexico to Lake Erie, New York and the eastern seaboard. Together, these companies serve customers in 16 northeastern, mid-Atlantic, midwestern and southern states and the District of Columbia. The Gas Transmission and Storage Operations subsidiaries completed milestone projects with Millennium and Hardy Storage and are engaged in other projects that would expand their facilities and throughput. In June 2007, construction began on the Millennium pipeline, which includes 182-miles of newly constructed, 30-inch-diameter pipe across New York's Southern Tier and lower Hudson Valley. Substantially all of the facilities related to the project were completed in 2008.

Electric Operations
NiSource generates, transmits and distributes electricity through its subsidiary Northern Indiana to approximately 457 thousand customers in 20 counties in the northern part of Indiana and engages in wholesale and transmission transactions. Northern Indiana owns four and has the ability to operate three coal-fired electric generating stations. The three operable facilities have a net capability of 2,574 mw. Northern Indiana also operates Sugar Creek, a CCGT plant with a 535 mw capacity rating, four gas-fired generating units located at Northern Indiana's coal-fired electric generating stations with a net capability of 203 mw and two hydroelectric generating plants with a net capability of 10 mw. These facilities provide for a total system operating net capability of 3,322 mw. Sugar Creek was purchased in May, 2008 and dispatched into MISO on December 1, 2008. Northern Indiana's transmission system, with voltages from 69,000 to 345,000 volts, consists of 2,782 circuit miles. Northern Indiana is interconnected with five neighboring electric utilities.

Northern Indiana participates in the MISO transmission service and wholesale energy market. Additionally, MISO is responsible for managing the energy markets, managing transmission constraints, managing the day-ahead, real-time and FTRs markets and managing the ancillary market.

Other Operations
The Other Operations segment participates in energy-related services including gas marketing, power and gas risk management and ventures focused on distributed power generation technologies and fuel cells and storage systems. Additionally, the Other Operations segment is involved in real estate and other businesses.

Customers
The company provides natural gas, electricity and other products and services to approximately 3.8 million customers located within a corridor that runs from the Gulf Coast through the Midwest to New England.

History
NiSource Inc. was founded in 1912.

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ValuEngine™ DETAILED RESEARCH REPORT

NISOURCE INC(NI)

VALUENGINE RANKINGS

Just as important as the percentages shown for our ten predictive variables for each stock is the way they are ranked against the 7000 plus stocks in our database. Each of these quantitative measurements is ranked on a scale of 1 to 100. Generally the higher the ranking, the more positive the influence each measurement has on the overall attractiveness of the stock. In other words a high rank is always better. The below data points show how the rank for each data point for NI relates to the overall industry, sector, and S&P 500 averages.

Valuation		Rank
NI	39.02%	13
Industry	-1.68%	54
Sector	1.63%	51
S&P 500	8.44%	40

The ValuEngine Valuation Rank measures the relationship between a company's stock price and its Fair Value. The higher the Valuation rank, the more undervalued the stock. With a Valuation Rank of 13, NI is substantially lower than the average of its industry group, which carries a Valuation Rank of 54.

12-Month Return		Rank
NI	82.33%	60
Industry	52.76%	38
Sector	58.48%	40
S&P 500	53.80%	44

The ValuEngine 12-Month Return Rank reflects the relative stock performance of a stock over the recent 12 months. On a scale of 1 to 100, a higher 12-Month Return rank indicates a stronger performance. With a 12-Month Return Rank of 60, NI is moderately higher than the industry's rank score of 38.

5-Y Avg Ann Rtn		Rank
NI	-7.17%	43
Industry	0.38%	60
Sector	-1.07%	58
S&P 500	-0.49%	58

The ValuEngine 5-Years Average Return Rank reflects a stock's average annual return over the last 5 years, in comparison with the coverage universe. A higher rank indicates a better return performance. With a rank of 43, NI is slightly lower than the industry, which has a rank of 60.

Volatility		Rank
NI	23.64%	95
Industry	37.10%	80
Sector	48.81%	71
S&P 500	19.29%	98

The ValuEngine Volatility Rank reflects the volatility associated with the stock. A higher Volatility Rank indicates a lower volatile percentile of stocks. NI has a Volatility Rank of 95, which is slightly higher than the industry Rank of 80.

EPS Growth		Rank
NI	-16.74%	8
Industry	23.72%	35
Sector	22.20%	35
S&P 500	22.50%	47

The ValuEngine EPS Growth Rank indicates a stock's expected EPS growth rate. A high rank indicates a high growth rate expectation. NI has an EPS Growth Rank of 8.This is moderately lower than the industry rank of 35.

Market Cap(bill)		Rank
NI	4.34	88
Industry	6.81	78
Sector	8.92	74
S&P 500	n/a	n/a

The ValuEngine Size rank signifies the company's size in terms of market capitalization. A higher rank denotes a larger market capitalization within ValuEngine's stock universe. With a Size rank of 88, NI is in line with the industry, which has a rank of 78.

Sharpe Ratio		Rank
NI	-0.3	29
Industry	0.03	60
Sector	-0	59
S&P 500	-0.03	57

The ValuEngine Sharpe Ratio Rank measures the risk return tradeoff offered by a stock. Sharpe ratio is the stock's average annual return (over the last five years) divided by its annualized volatility over the same 5 years. With a rank of 29, NI is substantially lower than the industry, which has a rank of 60.

P/S Ratio		Rank
NI	0.62	74
Industry	2.03	55
Sector	2.43	55
S&P 500	n/a	n/a

The ValuEngine Price/Sales rank signifies the relative position of the company based on its P/S ratio. Stocks with the lowest P/S ratio are assigned a rank of 100 while stocks with the highest P/S ratio are ranked 1. At a Price/Sales rank of 74, NI is slightly higher than the industry rank of 55.

M/B Ratio		Rank
NI	0.92	72
Industry	1.51	53
Sector	2.35	47
S&P 500	n/a	n/a

The Market/Book Rank is a measure of a stock's market to book ratio relative to the stock universe. A higher rank corresponds to a lower market book value. NI has a Market/Book rank of 72, which is slightly higher than the industry rank of 53.

P/E Ratio		Rank
NI	14.61	75
Industry	14.74	68
Sector	16.87	66
S&P 500	18.03	65

The ValuEngine P/E Rank signifies the relative standing of a company on its P/E ratio, relative to the universe. Stocks in the top P/E percentile are each assigned a rank of 1(highest P/E stocks) while those in the bottom P/E percentile are assigned a rank of 100 (traditional value stocks). With a P/E rank of 75, NI is in line with the industry P/E rank of 68.

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ValuEngine™ DETAILED RESEARCH REPORT

NISOURCE INC(NI)

COMPARISON OF SIMILAR STOCKS* & RISK ASSESSMENT

Valuation		Rank
NI	39.02%	13
SCG	-0.83%	55
AYE	-38.08%	88
NU	12.67%	35
POM	-8.91%	66

12-Month Return		Rank
NI	82.33%	60
SCG	40.87%	36
AYE	6.94%	16
NU	40.03%	35
POM	59.43%	47

5-Y Avg Ann Rtn		Rank
NI	-7.17%	43
SCG	-0.09%	59
AYE	2.67%	66
NU	7.45%	79
POM	-5.20%	46

Volatility		Rank
NI	23.64%	95
SCG	19.90%	98
AYE	32.15%	84
NU	23.00%	96
POM	24.27%	94

EPS Growth		Rank
NI	-0.17	8
SCG	0.09	27
AYE	0.05	22
NU	0.19	43
POM	0.37	58

Market Cap(bill)		Rank
NI	4.34	88
SCG	4.61	88
AYE	4	87
NU	4.79	89
POM	3.85	87

Sharpe Ratio		Rank
NI	-0.3	29
SCG	-0	59
AYE	0.08	68
NU	0.32	89
POM	-0.21	36

P/S Ratio		Rank
NI	0.62	74
SCG	1.09	58
AYE	1.22	54
NU	0.86	65
POM	0.42	82

M/B Ratio		Rank
NI	0.92	72
SCG	1.35	53
AYE	1.31	54
NU	1.35	53
POM	0.91	72

P/E Ratio		Rank
NI	14.61	75
SCG	12.76	80
AYE	10.89	85
NU	15.09	73
POM	17.22	67

FORECAST COMPARISONS

RETURN FORECAST: EXPECTED RETURN

	AYE	NI	NU	POM	SCG
One-Month	-0.62%	-0.84%	-0.76%	-1.19%	-0.77%
Three-Month	0.27%	-1.91%	-1.48%	-1.98%	-0.98%
Six-Month	2.06%	-2.14%	-1.66%	-1.67%	-0.44%
One-Year	6.00%	-0.27%	0.34%	0.56%	2.99%
Two-Year	15.31%	8.97%	8.56%	7.93%	13.85%
Three-Year	30.37%	25.00%	22.28%	22.53%	28.20%

RISK ASSESSMENT: CHANCE OF GAIN

	AYE	NI	NU	POM	SCG
One-Month	47.34%	45.12%	45.44%	43.25%	44.67%
Three-Month	50.66%	43.57%	44.86%	43.53%	46.07%
Six-Month	53.61%	44.91%	45.92%	46.12%	48.75%
One-Year	57.40%	49.54%	50.59%	50.92%	55.98%
Two-Year	63.18%	60.57%	60.38%	59.13%	68.87%
Three-Year	70.72%	72.92%	71.20%	70.40%	79.34%

RISK ASSESSMENT: CHANCE OF LOSS

	AYE	NI	NU	POM	SCG
One-Month	52.66%	54.88%	54.56%	56.75%	55.33%
Three-Month	49.34%	56.43%	55.14%	56.47%	53.93%
Six-Month	46.39%	55.09%	54.08%	53.88%	51.25%
One-Year	42.60%	50.46%	49.41%	49.06%	44.02%
Two-Year	36.82%	39.43%	39.62%	40.87%	31.13%
Three-Year	29.28%	27.08%	28.80%	29.60%	20.66%

*** Comparables are companies in the same Sector and Industry and of approximately similar market capitalization value.**

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ValuEngine™ DETAILED RESEARCH REPORT

NISOURCE INC(NI)

ANNUAL FINANCIALS - BALANCE SHEET (millions)

	2008-12	2007-12	2006-12	2005-12	2004-12	2003-12	2002-12	2001-12
Cash and Equivalents	20.6	36	33.1	69.4	30.1	27.3	54.3	127.9
TOTAL CASH & SHORT TERM INVEST	**20.6**	**36**	**33.1**	**69.4**	**30.1**	**27.3**	**54.3**	**127.9**
Accounts Receivable	1142.5	936	866.3	1676.4	1183.2	1017.5	885.3	937.7
Other Receivables	393.8	223.9	252.3	169.8	169.6	174.8	120.8	196.9
TOTAL RECEIVABLES	**1536.3**	**1159.9**	**1118.6**	**1846.2**	**1352.8**	**1192.3**	**1006.1**	**1134.6**
INVENTORIES	**670.7**	**604.7**	**703.4**	**623.8**	**552.9**	**529.9**	**360.2**	**480.2**
Prepaid Expenses	249.1	112.7	111.7	109.3	96.2	101.8	229.5	395.4
Other Current Assets	934.1	541.6	816.1	412	253.6	211.6	218.4	428.6
TOTAL CURRENT ASSETS	**3410.8**	**2454.9**	**2782.9**	**3060.7**	**2285.6**	**2062.9**	**1868.5**	**2566.7**
Gross Property Plant and Equip.	18468.9	17882.3	17544.5	17111.1	16632.3	16400.8	18188.9	17245.7
Accumulated Depreciation	-8080.8	-7850.5	-7850	-7556.8	-7247.6	-7095.9	-8120.9	-7691
NET PROPERTY, PLANT AND EQUIP.	**10388.1**	**10031.8**	**9694.5**	**9554.3**	**9384.7**	**9304.9**	**10068**	**9554.7**
Long-term Investments	204.7	189.9	175.7	189.2	180.6	180.6	169.5	171.7
Goodwill	3677.3	3677.3	3677.3	3677.3	3687.2	3704	3707.6	3732.9
Other Intangibles	330.6	422	435.7	495.8	520.3	527.2	57.3	5
Deferred Charges, LT	1763.9	1004.7	1297.5	753.7	757.9	723.3	803.8	933.6
Other Long Term Assets	256.8	224.2	92.9	227.5	171.7	120.9	222.2	409.5
TOTAL ASSETS	**20032.2**	**18004.8**	**18156.5**	**17958.5**	**16988**	**16623.8**	**16896.9**	**17374.1**
Accounts Payable	693.3	719.9	713.1	866.7	648.4	496.6	521.6	646.6
Accrued Expenses	613.9	614	834.1	913.9	808.9	768	843.7	1080.6
Short-term Borrowings	1163.5	1061	1193	898	307.6	685.5	913.1	1854.3
Current Income Taxes Payable	206.5	188.7	–	–	–	–	–	–
Unearned Revenue, Current	14.7	38.7	55.9	51.3	31.5	28.2	130.2	89
Other Current Liabilities	1422.2	736.4	931.8	672.6	505.9	512.4	536.2	616.9
TOTAL CURRENT LIABILITIES	**4583.4**	**3392.6**	**3821.2**	**3843.2**	**3602.2**	**2609**	**4177.4**	**4728.6**
Long Term Debt	5906.1	5589.1	5146.2	5271.2	4835.9	5993.4	5363	6125.8
Capital Leases	37.8	5.3	–	–	–	–	–	–
Minority Interest	–	–	–	81.1	81.1	81.1	84.9	88.6
Unearned Revenue Non-Current	6.2	0.2	21.9	60.4	87.4	113	305.4	435.4
Pension and Other Post-Retire. Benefits	1238.5	547.9	799.5	511	413	406.9	417.2	277.7
Deferred Tax Liability Non-Current	1595.9	1616.8	1553.7	1591.9	1665.9	1595.9	1958	1726.3
Other Non-Current Liabilities	1935.5	1776.3	1800.4	1666.7	1514.8	1406.2	416.1	522.3
TOTAL LIABILITIES	**15303.4**	**12928.2**	**13142.9**	**13025.5**	**12200.3**	**12205.5**	**12722**	**13904.7**
Preferred Stock, Redeemable	–	–	–	–	0.6	2.4	–	–
TOTAL PREFERRED EQUITY	**–**	**–**	**–**	**–**	**0.6**	**2.4**	**–**	**–**
Common Stock	2.7	2.7	2.7	2.7	2.7	2.6	2.5	2.1
Additional Paid In Capital	4020.3	4011	3998.3	3969.4	3924	3756.6	3389.5	2611.6
Retained Earnings	901.1	1074.5	1012.9	981.6	925.4	731.3	930.9	798.6
Treasury Stock	-23.3	-23.3	-21.2	–	–	-9.4	-6.9	–
Comprehensive Income and Other	-172	11.7	20.9	-20.7	-65	-65.2	-141.1	57.1
TOTAL COMMON EQUITY	**4728.8**	**5076.6**	**5013.6**	**4933**	**4787.1**	**4415.9**	**4174.9**	**3469.4**
TOTAL EQUITY	**4728.8**	**5076.6**	**5013.6**	**4933**	**4787.7**	**4418.3**	**4174.9**	**3469.4**
TOTAL LIABILITIES AND EQUITY	**20032.2**	**18004.8**	**18156.5**	**17958.5**	**16988**	**16623.8**	**16896.9**	**17374.1**

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ValuEngine™ DETAILED RESEARCH REPORT

NISOURCE INC(NI)

ANNUAL FINANCIALS - INCOME STATEMENT (millions)

	2008-12	2007-12	2006-12	2005-12	2004-12	2003-12	2002-12	2001-12
Revenues	7660.7	6894.6	6521.7	6849	5936.2	5768.8	5161.6	9020.3
Other Revenues	1213.5	1045.2	968.3	1050.1	730	477.8	1330.7	438.4
TOTAL REVENUES	8874.2	7939.8	7490	7899.1	6666.2	6246.6	6492.3	9458.7
Cost Of Goods Sold	7394	6431.5	6030.4	6345.1	5087.4	4672.3	4663.8	7798.9
GROSS PROFIT	1480.2	1508.3	1459.6	1554	1578.8	1574.3	1828.5	1659.8
Selling General and Admin Exp.	–	–	–	–	–	–	79	–
Stock-Based Compensation	–	2.6	–	–	–	–	–	–
Depr. and Amortization	567.2	559.2	549.2	545.2	509.7	497	574	641.7
OPERATING INCOME	913	946.5	910.4	1008.8	1069.1	1077.3	1175.5	1018.1
Interest Expense	-396	-410.5	-391.9	-403.5	-383.4	-440.5	-516.3	-591.2
Interest and Invest. Income	15.4	12.3	8.8	23.6	9.4	14.8	14.6	0.1
NET INTEREST EXP.	-380.6	-398.2	-383.1	-379.9	-374	-425.7	-501.7	-591.1
Income/(Loss) from Affiliates	12.3	9.4	-12.3	–	–	–	–	–
Other Non-Oper. Inc. (Exp.)	1.4	-9	-11.9	-31.3	-26.9	-28.2	-21	-20.9
EBT EXCL. UNUSUAL ITEMS	562.8	548.7	503.1	597.6	671.3	648.3	680	424.9
Restructuring Charges	–	-13.2	1.6	-33.8	-0.2	7.5	–	–
Merger and Related Restruct. Charges	–	–	2.5	–	–	–	–	–
Gain (Loss) On Sale Of Invest.	16.7	–	–	–	–	–	–	–
Asset Writedown	-7.6	-10.8	-4.1	-22.2	–	–	–	-9.2
Legal Settlements	–	–	-18.1	–	–	6.6	–	–
Other Unusual Items	–	-40.6	-0.7	-108.6	–	–	–	–
EBT INCL. UNUSUAL ITEMS	555.2	484.1	484.3	433	671.1	662.4	680	415.7
Income Tax Expense	185.4	172.1	170.8	149.4	240.9	234.2	233.9	183.2
Minority Int. in Earnings	–	–	–	–	–	-2.5	-20.4	-20.4
EARNINGS FROM CONTINUING	369.8	312	313.5	283.6	430.2	425.7	425.7	212.1
Earnings Of Discontinued Oper.	-290.8	9.4	-31.7	23.2	6.1	-331.7	-53.2	0.1
NET INCOME	79	321.4	282.2	306.5	436.3	85.2	372.5	216.2
NI TO COMMON INCL EXTRA ITEMS	79	321.4	282.2	306.5	436.3	85.2	372.5	216.2
Basic EPS	0.3	1.2	1	1.1	1.6	0.3	1.8	1
Basic EPS Excl. Extra Items	1.4	1.1	1.1	1	1.6	1.6	2	1
Weighted Avg. Basic Shares Out.	274	273.8	272.6	271.3	263.7	259.5	211	205.3
Diluted EPS	0.3	1.2	1	1.1	1.6	0.3	1.8	1
Diluted EPS Excl Extra Items	1.3	1.1	1.1	1	1.6	1.6	2	1
Weighted Avg. Diluted Shares Out.	275.4	274.7	273.4	273	265.5	261.6	212.8	209.8

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ValuEngine™ DETAILED RESEARCH REPORT

NISOURCE INC(NI)

ANNUAL FINANCIALS - CASH FLOW STATEMENT (millions)

	2008-12	2007-12	2006-12	2005-12	2004-12	2003-12	2002-12	2001-12
Net Income	79	321.4	282.2	306.5	436.3	85.2	372.5	216.2
Depreciation and Amortization	533.1	523	528.6	516.9	392.2	485	574	641.7
Amortization Of Goodwill	11	13.6	–	–	82.5	–	–	–
DEPRECIATION AND AMORT., TOTAL	**544.1**	**536.6**	**528.6**	**516.9**	**474.7**	**485**	**574**	**641.7**
Amort. Of Deferred Charges	30.8	29.9	28.3	45.8	56.6	30.9	–	–
(Gain) Loss From Sale Of Asset	4.3	-0.3	-1.1	0.4	-3.1	-24.9	-27.2	-11
Asset Writedown and Restruct. Costs	3.3	11.1	5.2	21.8	–	–	–	9.2
(Income) Loss On Equity Investments	-25.3	-14.1	8.4	-4.7	-0.9	5.4	–	–
Stock-Based Compensation	9.5	4.4	6.9	6.8	8	12.9	27.1	–
Net Cash From Disc. Oper.	-2.2	0.3	4.8	-17.4	2.2	-141.5	-16.2	–
Other Operating Activities	287.1	-9.5	-14.9	34.9	-14.4	329.8	-37.5	-465.7
Change In Accounts Receivable	-201.7	-3.4	407.7	-358.9	-92	67.3	102.7	552.5
Change In Inventories	-82.4	94.4	-71.7	-71.1	-23.1	-166.9	66.8	-73.3
Change In Accounts Payable	-30.3	-65.2	-176.4	205.7	153.3	-41.4	-91.6	-495.5
Change In Unearned Revenues	–	–	–	–	-7.6	-12.9	–	–
Change In Income Taxes	-89.7	-10.7	53.4	21.3	-57.8	-89.5	-5.4	142.1
Change In Deferred Taxes	137.8	12.7	-113.4	-16.7	97.5	77.9	114.1	-43.1
Change In Other Working Capital	-79	-150.4	208.2	21	26.6	-144.4	93.1	569.5
CASH FROM OPERATIONS	**585.3**	**757.2**	**1156.2**	**712.3**	**1056.3**	**472.9**	**1172.4**	**1042.6**
Capital Expenditure	-969.9	-788.3	-637.4	-590.4	-517	-574.6	-621.9	-668.1
Sale of Prop., Plant, and Equip.	47.8	4.2	21.6	7.5	7.1	586.5	419.2	227.9
Cash Acquisitions	-329.7	–	–	–	–	–	–	–
Invest. in Marketable and Eqty Securties	-39.2	–	–	–	–	–	–	–
Other Investing Activities	176.7	102.7	-116.7	10.8	-42.7	-17.6	–	-7
CASH FLOW FROM INVESTING	**-1114.3**	**-681.4**	**-732.5**	**-572.1**	**-552.6**	**-5.7**	**-202.7**	**-447.2**
Short-Term Debt Issued	102.5	–	296.4	590.4	–	–	–	–
Long-Term Debt Issued	959.3	803.6	–	1907.9	450	1401.5	–	300
TOTAL DEBT ISSUED	**1061.8**	**803.6**	**296.4**	**2498.3**	**450**	**1401.5**	**–**	**300**
Short-Term Debt Repaid	–	-132	–	-377.9	-227.6	-941.2	-642.5	
Long-Term Debt Repaid	-294.6	-457.9	-438.7	-2386.7	-486.6	-1366.9	-532.1	-93
TOTAL DEBT REPAID	**-294.6**	**-589.9**	**-438.7**	**-2386.7**	**-864.5**	**-1594.5**	**-1473.3**	**-735.5**
TOTAL DIVIDENDS PAID	**-252.4**	**-252.1**	**-251.9**	**-250.3**	**-243.1**	**-284**	**-241.5**	**-239**
Other Financing Activities	–	-40.6	–	–	–	–	-46.7	–
CASH FROM FINANCING	**516.1**	**-72.9**	**-460**	**-100.3**	**-500.9**	**-471**	**-1033.5**	**-660.5**
Misc. Cash Flow Adjustments	-1.1	–	–	–	–	–	–	–
NET CHANGE IN CASH	**-14**	**2.9**	**-36.3**	**39.9**	**2.8**	**-3.8**	**-63.8**	**-65.1**
Cash Interest Paid	375.8	413.2	370	404.5	383	442.3	496.6	518
Cash Taxes Paid	60.6	185.2	288.2	101.4	184.6	256.8	118.8	250.2
Net Debt Issued	767.2	213.7	-142.3	111.6	-414.5	-193	-1473.3	-435.5

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ValuEngine™ DETAILED RESEARCH REPORT

NISOURCE INC(NI)

QUARTERLY FINANCIALS - BALANCE SHEET (millions)

	2009-09	2009-06	2009-03	2008-12	2008-09	2008-06	2008-03	2007-12
Cash and Equivalents	83.8	248.9	135.2	20.6	25.1	45.9	77.4	36
TOTAL CASH & SHORT TERM INVEST	**83.8**	**248.9**	**135.2**	**20.6**	**25.1**	**45.9**	**77.4**	**36**
Accounts Receivable	442.3	544.7	910.7	1142.5	586.8	737	1086.2	936
Other Receivables	374.7	163.7	257.4	393.8	407.3	464.2	389.1	223.9
TOTAL RECEIVABLES	**817**	**708.4**	**1168.1**	**1536.3**	**994.1**	**1201.2**	**1475.3**	**1159.9**
INVENTORIES	**691.8**	**426.6**	**259.3**	**670.7**	**838**	**400.5**	**213.3**	**604.7**
Prepaid Expenses	131.6	148.9	256.7	249.1	228.9	173.9	103.5	112.7
Other Current Assets	839	903.9	813.1	934.1	1039.9	858.9	652	541.6
TOTAL CURRENT ASSETS	**2563.2**	**2436.7**	**2632.4**	**3410.8**	**3126**	**2680.4**	**2521.5**	**2454.9**
Gross Property Plant and Equip.	18868.4	18776	18610.8	18468.9	18339.8	18108.6	17495.1	17882.3
Accumulated Depreciation	-8286.3	-8232.9	-8134.1	-8080.8	-8078	-7982.5	-7819.1	-7850.5
NET PROPERTY, PLANT AND EQUIP.	**10582.1**	**10543.1**	**10476.7**	**10388.1**	**10261.8**	**10126.1**	**9676**	**10031.8**
Long-term Investments	277.7	258	229.8	204.7	190.3	186.8	187.8	189.9
Goodwill	3677.3	3677.3	3677.3	3677.3	3677.3	3677.3	3677.3	3677.3
Other Intangibles	322.4	325.1	327.8	330.6	333.4	336.1	338.8	422
Deferred Charges, LT	1704.6	1722.9	1745.6	1763.9	940.4	999.7	995.2	1004.7
Other Long Term Assets	263.8	260.2	260.4	256.8	568.6	609.8	790.1	224.2
TOTAL ASSETS	**19391.1**	**19223.3**	**19350**	**20032.2**	**19097.8**	**18616.2**	**18186.7**	**18004.8**
Accounts Payable	214	240.9	531.6	693.3	498	665.2	755.9	719.9
Accrued Expenses	450.2	381.7	392.4	613.9	488.4	418.8	524.9	614
Short-term Borrowings	200	–	–	1163.5	1263	506	624.7	1061
Current Income Taxes Payable	148	209.1	259.4	206.5	145.1	223.7	327.1	188.7
Unearned Revenue, Current	8.7	20.2	11	14.7	10.9	14.1	22.4	38.7
Other Current Liabilities	1455	1666.5	1647.6	1422.2	1593.9	1777.9	1409	736.4
TOTAL CURRENT LIABILITIES	**2909.7**	**2942.4**	**3278**	**4583.4**	**4019.2**	**3648.8**	**3753.3**	**3392.6**
Long Term Debt	6560.7	6564.4	6451.9	5906.1	6323.3	6059.9	5383	5589.1
Capital Leases	–	–	–	37.8	–	–	–	5.3
Unearned Revenue Non-Current	7.9	7.3	6.8	6.2	5.1	0.2	0.2	0.2
Pension and Other Post-Retire. Benefits	1172.3	1254.4	1248.5	1238.5	550	553.1	566.2	547.9
Deferred Tax Liability Non-Current	2042.8	1715	1650.7	1595.9	1588.6	1572	1546.1	1616.8
Other Non-Current Liabilities	1957.9	1947.4	1976.4	1935.5	1940.8	1971.3	1873.7	1776.3
TOTAL LIABILITIES	**14651.3**	**14430.9**	**14612.3**	**15303.4**	**14427**	**13805.3**	**13122.5**	**12928.2**
Common Stock	2.8	2.8	2.7	2.7	2.7	2.7	2.7	2.7
Additional Paid In Capital	4043.2	4032.7	4023	4020.3	4017.8	4015.4	4013.2	4011
Retained Earnings	776.3	855.1	923.3	901.1	739.1	782.2	1047.5	1074.5
Treasury Stock	-24.2	-24.2	-24.1	-23.3	-23.5	-23.4	-23.3	-23.3
Comprehensive Income and Other	-58.3	-74	-187.2	-172	-65.3	34	24.1	11.7
TOTAL COMMON EQUITY	**4739.8**	**4792.4**	**4737.7**	**4728.8**	**4670.8**	**4810.9**	**5064.2**	**5076.6**
TOTAL EQUITY	**4739.8**	**4792.4**	**4737.7**	**4728.8**	**4670.8**	**4810.9**	**5064.2**	**5076.6**
TOTAL LIABILITIES AND EQUITY	**19391.1**	**19223.3**	**19350**	**20032.2**	**19097.8**	**18616.2**	**18186.7**	**18004.8**

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ValuEngine™ DETAILED RESEARCH REPORT

NISOURCE INC(NI)

QUARTERLY FINANCIALS - INCOME STATEMENT (millions)

	2009-09	2009-06	2009-03	2008-12	2008-09	2008-06	2008-03	2007-12
Revenues	860.2	995.1	2409.9	2101.9	1140.8	1499.2	2918.7	1964.1
Other Revenues	24.6	14.1	310.3	283.6	268.3	292.9	371	280.8
TOTAL REVENUES	**884.8**	**1009.2**	**2720.2**	**2385.5**	**1409.1**	**1792.1**	**3289.7**	**2244.9**
Cost Of Goods Sold	633.3	754.5	2221	1938.8	1164	1530.3	2762.8	1847.7
GROSS PROFIT	**251.5**	**254.7**	**499.2**	**446.7**	**245.1**	**261.8**	**526.9**	**397.2**
Depr. and Amortization	148.7	148.2	143.8	142.9	141	147.7	135.6	139.8
OPERATING INCOME	**102.8**	**106.5**	**355.4**	**303.8**	**104.1**	**114.1**	**391.3**	**257.4**
Interest Expense	-104.8	-105.3	-90.5	-100.7	-100.2	-87.4	-91.8	-103.2
NET INTEREST EXP.	**-104.8**	**-105.3**	**-90.5**	**-100.7**	**-100.2**	**-87.4**	**-91.8**	**-103.2**
Income/(Loss) from Affiliates	**5.8**	**-2.6**	**6.4**	**5.3**	**3.4**	**1.6**	**2**	**1.6**
Other Non-Oper. Inc. (Exp.)	2.3	-0.5	-4.2	-3	4.1	1.3	-1.5	-4.7
EBT EXCL. UNUSUAL ITEMS	**6.1**	**-1.9**	**267.1**	**205.4**	**28.1**	**29.6**	**300**	**151.1**
Restructuring Charges	-4.6	–	-19.8	–	–	–	–	–
Gain (Loss) On Sale Of Invest.	–	–	–	–	16.7	–	–	–
Asset Writedown	-4.4	–	2	-10.4	0.4	0.9	1.5	-1
Insurance Settlements	–	–	4.3	–	–	–	–	–
Other Unusual Items	–	-0.7	3.2	–	–	–	–	-40.6
EBT INCL. UNUSUAL ITEMS	**-2.9**	**-2.6**	**256.8**	**195**	**28.5**	**30.5**	**301.5**	**109.5**
Income Tax Expense	6.8	6.1	97.5	68	-4.1	9.5	112.1	34.6
EARNINGS FROM CONTINUING	**-9.7**	**-8.7**	**159.3**	**127**	**32.6**	**21**	**189.4**	**74.9**
Earnings Of Discontinued Oper.	-5.7	3.9	-10.9	35	-12.6	-223.3	-90.1	2.1
NET INCOME	**-15.4**	**-4.8**	**148.4**	**162**	**20**	**-202.3**	**99.3**	**77**
NI TO COMMON INCL EXTRA ITEMS	**-15.4**	**-4.8**	**148.4**	**162**	**20**	**-202.3**	**99.3**	**77**
Basic EPS	-0.1	-0	0.5	0.6	0.1	-0.7	0.4	0.3
Basic EPS Excl. Extra Items	-0	-0	0.6	0.5	0.1	0.1	0.7	0.3
Weighted Avg. Basic Shares Out.	275.4	274.7	274.2	274	274	274	273.9	273.9
Diluted EPS	-0.1	-0	0.5	0.6	0.1	-0.7	0.4	0.3
Diluted EPS Excl Extra Items	-0	-0	0.6	0.5	0.1	0.1	0.7	0.3
Weighted Avg. Diluted Shares Out.	275.4	274.7	276.7	275.5	275.5	275.4	275.4	274.7

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ValuEngine™ DETAILED RESEARCH REPORT

NISOURCE INC(NI)

QUARTERLY FINANCIALS - CASH FLOW STATEMENT (millions)

	2009-09	2009-06	2009-03	2008-12	2008-09	2008-06	2008-03	2007-12
Net Income	-15.4	-4.8	148.4	162	20	-202.3	99.3	67
Depreciation and Amortization	148.2	148.1	143.8	108.8	141	147.7	135.6	103.6
Amortization Of Goodwill	--	--	--	11	--	--	--	13.6
DEPRECIATION AND AMORT., TOTAL	**148.2**	**148.1**	**143.8**	**119.8**	**141**	**147.7**	**135.6**	**117.2**
Amort. Of Deferred Charges	3.7	4.1	2.1	25.1	2	1.9	1.8	24.4
(Gain) Loss From Sale Of Asset	--	--	-2	8.7	-0.4	-0.8	-3.2	--
Asset Writedown and Restruct. Costs	4.4	--	--	1.7	--	--	1.6	1
(Income) Loss On Equity Investments	-5.4	2.6	-6.4	-5	-19.2	0.6	-1.7	-2.5
Stock-Based Compensation	3.4	3.3	1.6	2.3	2.7	3.1	1.4	1.7
Net Cash From Disc. Oper.	-162.1	-15.1	-116.3	11.3	-11.6	-1.9	-0.7	--
Other Operating Activities	-6.2	18.9	3.2	-27.5	10.8	242.8	61	33.3
Change In Accounts Receivable	109	241.1	172.1	-606.9	181.3	376.8	-152.9	-292.7
Change In Inventories	-242.2	-268.4	487.7	165.6	-609.9	-485.4	847.3	219.2
Change In Accounts Payable	28	-166	-161.1	229	-185.6	-105.8	32.1	173.8
Change In Income Taxes	-328.8	-0.1	82	-38.5	-64.1	-115.5	128.4	17.2
Change In Deferred Taxes	320.3	11	23.1	45.7	40	35.4	16.7	34.9
Change In Other Working Capital	23.1	207.6	225.3	241.7	104.9	-104.2	-321.4	-36.2
CASH FROM OPERATIONS	**-120**	**182.3**	**1003.5**	**335**	**-388.1**	**-207.6**	**845.3**	**358.3**
Capital Expenditure	-200.1	-178.7	-206.9	-290.5	-256.6	-232.1	-190.7	-268.5
Sale of Prop., Plant, and Equip.	0.3	--	2.1	5.8	-187.6	217.1	12.5	1.9
Cash Acquisitions	--	--	--	--	--	-329.7	--	--
Invest. in Marketable and Eqty Securties	--	--	--	-39.2	--	--	--	--
Other Investing Activities	16.8	55.2	8.4	178.5	-137.1	61.7	73.6	31.7
CASH FLOW FROM INVESTING	**-183**	**-123.5**	**-196.4**	**-145.4**	**-581.3**	**-283**	**-104.6**	**-234.9**
Short-Term Debt Issued	200.1	--	--	--	757	--	--	388
Long-Term Debt Issued	0.6	118.3	581.7	--	228.2	639.1	0.9	--
TOTAL DEBT ISSUED	**200.7**	**118.3**	**581.7**	**--**	**985.2**	**639.1**	**0.9**	**388**
Short-Term Debt Repaid	--	--	-1163.5	-99.5	--	-118.7	-436.3	--
Long-Term Debt Repaid	--	--	-101.4	-3.5	--	--	-200	-389.8
TOTAL DEBT REPAID	**--**	**--**	**-1264.9**	**-103**	**--**	**-118.7**	**-636.3**	**-389.8**
TOTAL DIVIDENDS PAID	**-63.4**	**-63.1**	**-63.1**	**-63.2**	**-63.1**	**-63**	**-63.1**	**-63**
Other Financing Activities	--	--	--	0.2	--	--	--	-40.6
CASH FROM FINANCING	**137.5**	**55.3**	**-746.9**	**-165.8**	**922.4**	**457.4**	**-697.9**	**-105.1**
Misc. Cash Flow Adjustments	0.4	-0.4	54.4	-28.3	26.2	1.7	--	--
NET CHANGE IN CASH	**-165.1**	**113.7**	**114.6**	**-4.5**	**-20.8**	**-31.5**	**42.8**	**18.3**
Net Debt Issued	200.7	118.3	-683.2	-103	985.2	520.4	-635.4	-1.8

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ValuEngine™ DETAILED RESEARCH REPORT
NISOURCE INC(NI)

VALUENGINE SERVICE DESCRIPTIONS

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ValuEngine Detailed Valuation Report:
Advanced academic research that brings you superior investment strategies in an actionable format. The most comprehensive and useful report available. ValuEngine's three models: Valuation Model, Forecast Model and Ratings Model are incorporated to give you a well-rounded analysis from three different perspectives. Consensus EPS trend and Earnings Surprise statistics provide additional insights. Also, detailed Company Profile, ValuEngine Fair Valuation; 1-3-6 month and 1-2-3 yr forecasts, ValuEngine 1-5 Engine Rating, Multi-stock comparison, Financials, Earnings Estimates, Risk Assessment, Data Summary and much more. More report information: http://www.valuengine.com/rep/mainrep

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ValuEngine™ DETAILED RESEARCH REPORT
NISOURCE INC(NI)

VALUENGINE'S METHODOLOGY

ValuEngine's research combines the most advanced academic concepts with real world Wall Street practice. The result is state-of-the-art fair market valuation and price forecasting technologies.

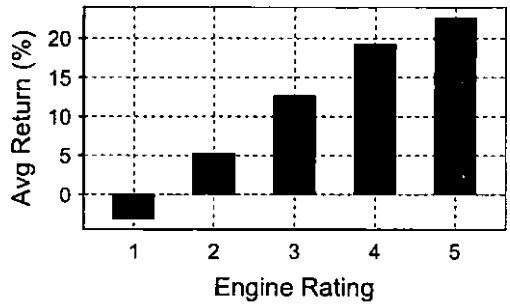
ValuEngine's stock valuation employs a sophisticated, three-factor approach. Fundamental variables, such as a company's trailing 12-month Earnings-Per-Share (EPS), the analyst consensus estimate of the company's future 12-month EPS, and the 30-year Treasury yield, are all used to create a more accurate reflection of a company's fair value. Together with eleven additional variables, ValuEngine paints a detailed picture of a company's fair value, represented by the model price.

ValuEngine's stock forecasts examine, among other things, short-term price reversals, intermediate-term momentum continuation, and long-term price reversals over six time horizons for every industry to ensure forecasts are established relative to a stock's proper peer groups. Advanced statistical/econometric techniques are used to run thousands of simulations estimating the probability of a double in stock price, as well as the probability of meeting and exceeding any given portfolio or stock investment target.

The stock's engine rating is an assessment of its overall attractiveness. It combines valuation, risk-return trade-off, momentum, market capitalization and forecasted future returns. Only two percent of the stock universe receives the highest 5-engine rating. The lowest rating is a single engine.

For more information on ValuEngine, its models and performance, go to www.ValuEngine.com

Engine Rating and Average Annual Return
(Jan 1990 - Feb 2010)



DISCLOSURES

ValuEngine offers equity recommendations and related return estimates to investors and their advisors. It uses a three-class Buy-Hold-Sell rating system. This is a consolidated version of the firm's five class rating system: most favorable and favorable ratings are buys; neutral ratings are holds and the categories unfavorable and most unfavorable are sells.

STOCK RATINGS: The terms below are used to rate a stock's 12-month performance:

1. Buy: Expected to outperform the SP500 producing above average returns.
2. Hold: Expected to perform in line with the SP500 with average returns.
3. Sell: Expected to underperform the SP500 producing below-average returns.

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ValuEngine™ DETAILED RESEARCH REPORT

NISOURCE INC(NI)

Mar. 26, 2010

VALUENGINE RECOMMENDATION & BASIC INFORMATION

RECOMMENDATION

NEGATIVE	NEUTRAL	POSITIVE
underperform	match	outperform

VALUENGINE RATING

V V V V

RECOMMENDATION FACTORS

	Value	Rank
Overall Rank		top 17%
Fair Value	$12.31	btm 22%
1Yr Target Price	$15.72	top 12%
P/E Ratio	13.68	top 24%
Last 1-Y Return	66.06%	top 42%
Market Cap(bil)	$4.30	top 13%

BASIC INFORMATION

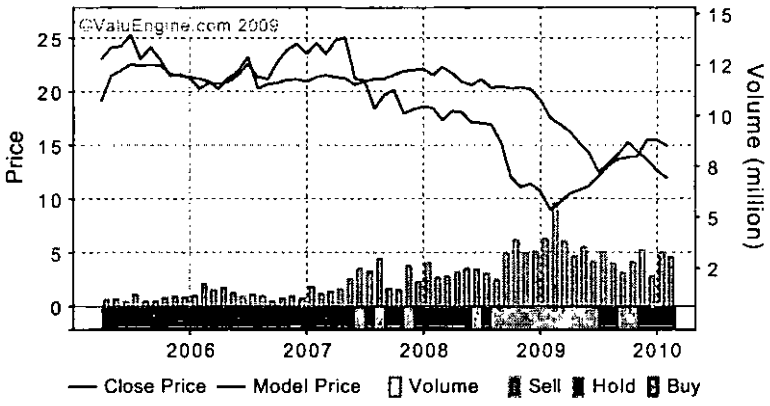
Last Trade	$15.61
Trade Date	03/25/10
Market Cap(bil)	$4.30454
Trailing P/E	13.68
Forward P/E	16.61
PEG Ratio	n/a
P/S Ratio	0.68
M/B Ratio	0.89
Sharpe Ratio	-0.31
5-Y Avg Ann Return	-7.26%
Volatility	23.62%
EPS Growth	-17.67%
Annual Dividend	$0.92
Dividend Yield	5.89%
LT Debt/Equity	1.22
Beta	0.86

VALUATION ANALYSIS

NI	Today's Fair value: $12.31 26.79% overvalued
Industry	Electrical Utilities 2.28% undervalued
Sector	Public Utilities 1.60% overvalued

FORECAST ANALYSIS

	Target Price	Exp Return
1-Month	$15.49	-0.75%
3-Month	$15.37	-1.51%
6-Month	$15.39	-1.43%
1-Year	$15.72	0.73%
2-Year	$17.18	10.03%
3-Year	$19.61	25.63%



VALUENGINE RECOMMENDATION

ValuEngine has issued a BUY recommendation for NISOURCE INC on Mar. 26, 2010. Based on the information we have gathered and our resulting research, we feel that NISOURCE INC has the probability to OUTPERFORM average market performance for the next year. The company exhibits ATTRACTIVE volatility, company size and P/E ratio.

RATING OVERVIEW

The ValuEngine Rating is an overall assessment of a stock's attractiveness. It combines the following five factors:

1. Fair market valuation
2. 1 year forecasted returns
3. Price/Earnings ratio
4. Momentum
5. Market capitalization

Only two percent of the over 4,000 stocks that we cover receive the highest 5 rating. The ratings are the result of the cumulative of the above factors. As such, stocks with relatively poor results for any one of the five variables can still be attractive if the other four factors are strong enough. Top 5 rated stocks can be expected to outperform the overall market by 15% or more, with average annualized returns from Jan. 2000 through Jan. 2006 of over 30% per year.

FAIR MARKET VALUATION PRICE

Based on available data as of Mar. 26, 2010, we believe that NI should be trading at $12.31. This makes NI 26.79% overvalued. Fair Value indicates what we believe the stock should be trading at today if the stock market were perfectly efficient and everything traded at its true worth. For NI, we base this on actual earnings per share (EPS) for the previous four quarters of $1.14, forecasted EPS for the next four quarters of $0.94, and correlations to the 30-year Treasury bond yield of 4.78%. There are an additional 10 firm specific and interest rate related parameters, each playing a role in the valuation analysis.

FORECASTED TARGET PRICES

The predictive variables used in Valuengine's forecast target price models include both proprietary and well-established forecasting variables derived from credible financial research studies and publications. Our forecasting models capture, among other things, several important tendencies that stock prices consistently exhibit: Short-term price reversals, Intermediate-term momentum continuation, and Long-term price reversals. We use a distinct forecasting model for each time horizon and for every industry. We then apply the most advanced statistical/econometric techniques to ensure that our stock return forecasts are as reliable as possible.

Contact ValuEngine:

ValuEngine, Inc.
100 Overlook Center, 2nd Floor
Princeton, NJ 08540, U.S.A.
(800) 381-5576 (T)
support@ValuEngine.com
www.ValuEngine.com

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ValuEngine™ DETAILED RESEARCH REPORT

NISOURCE INC(NI)

DATA SUMMARY & MARKET RATIO BASED VALUATION

OPTIMAL BUY-SELL

Based solely on the Historical Mispricing of NI, the best time to buy would be below $11.08 (or valuation below -10.00%). The best time to sell would be above $14.77 (or valuation above 20.00%).

EVALUATION & RANKINGS

	Value	Rank
Valuation	26.79%	22
12-Month Return	66.06%	59
5-Y Avg Ann Rtn	-7.26%	42
Volatility	23.62%	95
EPS Growth	-17.67%	8
Market Cap(bill)	4.3	88
Sharpe Ratio	-0.31	28
P/S Ratio	0.68	71
M/B Ratio	0.89	73
P/E Ratio	13.68	77

EVALUATION & RANKINGS SUMMARY

Just as important as the percentages shown for our ten predictive variables for each stock is the way they are ranked against the 7000 plus stocks in our database. This is sometimes confusing to newcomers to ValuEngine. Each of these quantitative measurements is ranked on a scale of 1 to 100. Generally the higher the ranking, the more positive the influence each measurement has on the overall attractiveness of the stock. In other words a high rank is always better. Let's take them one by one:

- Valuation rank 22: 78% of stocks are more undervalued
- Momentum rank 59: 41% of stocks have higher momentum
- Sharpe Ratio rank 28: 72% of stocks have a higher Sharpe Ratio
- 5-Year Average Annual Return 42: 58% of stocks have higher average annual return
- Volatility rank 95: 5% of stocks have less volatility
- EPS growth rank 8: 92% of stocks have greater projected EPS growth
- Size rank 88: 12% of companies have higher market capitalization
- P/E rank 77: 23% of stocks have lower P/E ratios
- Price/Sales rank 71: 29% of stocks have lower price/sales ratios
- Market/Book rank 73: 27% of stocks have lower market/book value ratios

MARKET RATIO BASED VALUATION

Portfolio managers and professionals traditionally rely on market ratios to gauge whether a stock is fair valued or overvalued. On this page, we present such a valuation based on one of three market ratios: PEG (price to trailing 4 quarter earnings ratio, divided by the consensus analyst forecasted next year EPS growth), P/E (price to forward 4 quarter earnings ratio), and P/S ratio (price to trailing 4 quarter sales). Among the three, PEG is the most informative as it reflects both the price/earnings ratio and expected future EPS growth, while P/E is better than P/S. For each given stock, we apply the PEG to give a fair value assessment if both its trailing 4 quarter EPS and forecasted EPS growth rate are positive. If its forecasted EPS growth is negative but its forward 4 quarter EPS is positive, we apply the P/E to give a fair value for the stock as of today. Otherwise, we resort to the P/S to assess its fair value.

To establish a valuation standard, we use both (i) the average historical market ratio of the stock over the past 10 years (or however long there is data available for the stock), and (ii) the average market ratio today of five comparable stocks in the same sector and from companies of similar size. These two alternative perspectives should give you a good idea about where this stock's valuation stands today.

1. Valuation Based on NI's Past PE

Over the past 10 years, NI's average PE is 13.08. NI earned $1.14 per share in its recent 4 quarters. The analyst consensus estimate is $0.94 for its 4 quarter forward EPS. NI's current price sales ratio is 0.68. The following assessment is based on multiplying the historical PE with next 4 quarter EPS for NI.

Fair Value	
Historical Average PE	13.08
PE-Based Fair Value	$12.29

2. Valuation Based on Comparables' PE

NI's comparables are AYE, NST, NU, PNW and SCG. The current PE average of these comparables is 12.07. NI earned $1.14 per share in its recent 4 quarters. The analyst consensus estimate is $0.94 for its 4-quarter-forward EPS. NI's current price sales ratio is 0.68. The following assessment is based on multiplying comparable stocks' average PE today with NI's next 4 quarter EPS.

Comparables' PE

Comparables	Current PE
AYE	10.08
NST	13.65
NU	12.99
PNW	11.07
SCG	12.57

Fair Value	
Comparable Stocks' Avg PE	12.07
Comparable PE-Based Fair Value	$11.34

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ValuEngine™ DETAILED RESEARCH REPORT
NISOURCE INC(NI)

COMPANY ANALYSIS

NiSource Inc. provides natural gas, electricity and other products and services. The company operates east of the Rocky Mountains.

Subsidiaries
NiSource's principal subsidiaries include Columbia Energy Group, a vertically-integrated natural gas distribution, transmission and storage holding company whose subsidiaries provide service to customers in the Midwest, the Mid-Atlantic and the Northeast; Northern Indiana Public Service Company, a vertically-integrated gas and electric company providing service to customers in northern Indiana; and Bay State Gas Company, a natural gas distribution company serving customers in Massachusetts.

Segments
NiSource's business segments are: Gas Distribution Operations; Gas Transmission and Storage Operations; Electric Operations; and Other Operations.

Gas Distribution Operations
NiSource's natural gas distribution operations serve approximately 3.3 million customers in nine states and operate approximately 57 thousand miles of pipeline. Through its wholly owned subsidiary, Columbia, NiSource owns five distribution subsidiaries that provide natural gas to approximately 2.2 million residential, commercial and industrial customers in Ohio, Pennsylvania, Virginia, Kentucky and Maryland. NiSource also distributes natural gas to approximately 793 thousand customers in northern Indiana through three subsidiaries: Northern Indiana, Kokomo Gas and Northern Indiana Fuel and Light. Additionally, NiSource's subsidiaries Bay State and Northern Utilities distribute natural gas to approximately 291 thousand customers in Massachusetts.

Gas Transmission and Storage Operations
NiSource's Gas Transmission and Storage Operations subsidiaries own and operate approximately 16 thousand miles of interstate pipelines and operate underground natural gas storage systems capable of storing approximately 629 Bcf of natural gas. Through its subsidiaries, Columbia Transmission, Columbia Gulf, Crossroads Pipeline and Granite State Gas, NiSource owns and operates an interstate pipeline network extending from offshore in the Gulf of Mexico to Lake Erie, New York and the eastern seaboard. Together, these companies serve customers in 16 northeastern, mid-Atlantic, midwestern and southern states and the District of Columbia. The Gas Transmission and Storage Operations subsidiaries completed milestone projects with Millennium and Hardy Storage and are engaged in other projects that would expand their facilities and throughput. In June 2007, construction began on the Millennium pipeline, which includes 182-miles of newly constructed, 30-inch-diameter pipe across New York's Southern Tier and lower Hudson Valley. Substantially all of the facilities related to the project were completed in 2008.

Electric Operations
NiSource generates, transmits and distributes electricity through its subsidiary Northern Indiana to approximately 457 thousand customers in 20 counties in the northern part of Indiana and engages in wholesale and transmission transactions. Northern Indiana owns four and has the ability to operate three coal-fired electric generating stations. The three operable facilities have a net capability of 2,574 mw. Northern Indiana also operates Sugar Creek, a CCGT plant with a 535 mw capacity rating, four gas-fired generating units located at Northern Indiana's coal-fired electric generating stations with a net capability of 203 mw and two hydroelectric generating plants with a net capability of 10 mw. These facilities provide for a total system operating net capability of 3,322 mw. Sugar Creek was purchased in May, 2008 and dispatched into MISO on December 1, 2008. Northern Indiana's transmission system, with voltages from 69,000 to 345,000 volts, consists of 2,782 circuit miles. Northern Indiana is interconnected with five neighboring electric utilities.

Northern Indiana participates in the MISO transmission service and wholesale energy market. Additionally, MISO is responsible for managing the energy markets, managing transmission constraints, managing the day-ahead, real-time and FTRs markets and managing the ancillary market.

Other Operations
The Other Operations segment participates in energy-related services including gas marketing, power and gas risk management and ventures focused on distributed power generation technologies and fuel cells and storage systems. Additionally, the Other Operations segment is involved in real estate and other businesses.

Customers
The company provides natural gas, electricity and other products and services to approximately 3.8 million customers located within a corridor that runs from the Gulf Coast through the Midwest to New England.

History
NiSource Inc. was founded in 1912.

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ValuEngine™ DETAILED RESEARCH REPORT

NISOURCE INC(NI)

VALUENGINE RANKINGS

Just as important as the percentages shown for our ten predictive variables for each stock is the way they are ranked against the 7000 plus stocks in our database. Each of these quantitative measurements is ranked on a scale of 1 to 100. Generally the higher the ranking, the more positive the influence each measurement has on the overall attractiveness of the stock. In other words a high rank is always better. The below data points show how the rank for each data point for NI relates to the overall industry, sector, and S&P 500 averages.

Valuation		Rank
NI	26.79%	22
Industry	-2.28%	56
Sector	1.60%	53
S&P 500	10.51%	40

The ValuEngine Valuation Rank measures the relationship between a company's stock price and its Fair Value. The higher the Valuation rank, the more undervalued the stock. With a Valuation Rank of 22, NI is substantially lower than the average of its industry group, which carries a Valuation Rank of 56.

12-Month Return		Rank
NI	66.06%	59
Industry	37.61%	36
Sector	45.54%	40
S&P 500	43.23%	44

The ValuEngine 12-Month Return Rank reflects the relative stock performance of a stock over the recent 12 months. On a scale of 1 to 100, a higher 12-Month Return rank indicates a stronger performance. With a 12-Month Return Rank of 59, NI is moderately higher than the industry's rank score of 36.

5-Y Avg Ann Rtn		Rank
NI	-7.26%	42
Industry	-0.14%	59
Sector	-1.55%	58
S&P 500	-0.38%	58

The ValuEngine 5-Years Average Return Rank reflects a stock's average annual return over the last 5 years, in comparison with the coverage universe. A higher rank indicates a better return performance. With a rank of 42, NI is slightly lower than the industry, which has a rank of 59.

Volatility		Rank
NI	23.62%	95
Industry	37.10%	80
Sector	47.87%	72
S&P 500	19.32%	98

The ValuEngine Volatility Rank reflects the volatility associated with the stock. A higher Volatility Rank indicates a lower volatile percentile of stocks. NI has a Volatility Rank of 95, which is slightly higher than the industry Rank of 80.

EPS Growth		Rank
NI	-17.67%	8
Industry	22.98%	35
Sector	21.44%	34
S&P 500	22.50%	46

The ValuEngine EPS Growth Rank indicates a stock's expected EPS growth rate. A high rank indicates a high growth rate expectation. NI has an EPS Growth Rank of 8.This is moderately lower than the industry rank of 35.

Market Cap(bill)		Rank
NI	4.3	88
Industry	6.64	78
Sector	8.78	74
S&P 500	n/a	n/a

The ValuEngine Size rank signifies the company's size in terms of market capitalization. A higher rank denotes a larger market capitalization within ValuEngine's stock universe. With a Size rank of 88, NI is in line with the industry, which has a rank of 78.

Sharpe Ratio		Rank
NI	-0.31	28
Industry	0.01	59
Sector	-0.01	58
S&P 500	-0.02	58

The ValuEngine Sharpe Ratio Rank measures the risk return tradeoff offered by a stock. Sharpe ratio is the stock's average annual return (over the last five years) divided by its annualized volatility over the same 5 years. With a rank of 28, NI is substantially lower than the industry, which has a rank of 59.

P/S Ratio		Rank
NI	0.68	71
Industry	2.01	55
Sector	2.41	55
S&P 500	n/a	n/a

The ValuEngine Price/Sales rank signifies the relative position of the company based on its P/S ratio. Stocks with the lowest P/S ratio are assigned a rank of 100 while stocks with the highest P/S ratio are ranked 1. At a Price/Sales rank of 71, NI is slightly higher than the industry rank of 55.

M/B Ratio		Rank
NI	0.89	73
Industry	1.49	54
Sector	2.34	48
S&P 500	n/a	n/a

The Market/Book Rank is a measure of a stock's market to book ratio relative to the stock universe. A higher rank corresponds to a lower market book value. NI has a Market/Book rank of 73, which is slightly higher than the industry rank of 54.

P/E Ratio		Rank
NI	13.68	77
Industry	14.36	69
Sector	15.95	66
S&P 500	18.12	65

The ValuEngine P/E Rank signifies the relative standing of a company on its P/E ratio, relative to the universe. Stocks in the top P/E percentile are each assigned a rank of 1(highest P/E stocks) while those in the bottom P/E percentile are assigned a rank of 100 (traditional value stocks). With a P/E rank of 77, NI is in line with the industry P/E rank of 69.

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ValuEngine™ DETAILED RESEARCH REPORT

NISOURCE INC(NI)

COMPARISON OF SIMILAR STOCKS* & RISK ASSESSMENT

Valuation		Rank
NI	26.79%	22
SCG	1.25%	53
AYE	-38.53%	89
NU	13.64%	36
PNW	-1.94%	58

12-Month Return		Rank
NI	66.06%	59
SCG	30.12%	34
AYE	0.09%	16
NU	30.37%	34
PNW	49.54%	49

5-Y Avg Ann Rtn		Rank
NI	-7.26%	42
SCG	0.03%	59
AYE	2.26%	65
NU	7.33%	78
PNW	-2.47%	53

Volatility		Rank
NI	23.62%	95
SCG	19.94%	98
AYE	32.11%	84
NU	22.97%	96
PNW	19.63%	98

EPS Growth		Rank
NI	-0.18	8
SCG	0.05	22
AYE	0.05	22
NU	0.17	39
PNW	0.29	52

Market Cap(bill)		Rank
NI	4.3	88
SCG	4.66	89
AYE	3.92	87
NU	4.75	89
PNW	3.78	87

Sharpe Ratio		Rank
NI	-0.31	28
SCG	0	60
AYE	0.07	67
NU	0.32	89
PNW	-0.13	45

P/S Ratio		Rank
NI	0.68	71
SCG	1.1	58
AYE	1.14	57
NU	0.85	65
PNW	1.14	56

M/B Ratio		Rank
NI	0.89	73
SCG	1.37	52
AYE	1.26	56
NU	1.35	53
PNW	1.14	61

P/E Ratio		Rank
NI	13.68	77
SCG	13.17	79
AYE	10.6	85
NU	15.17	73
PNW	14.31	75

FORECAST COMPARISONS

RETURN FORECAST: EXPECTED RETURN

	AYE	NI	NU	PNW	SCG
One-Month	-0.32%	-0.75%	-0.79%	-0.51%	-0.54%
Three-Month	0.67%	-1.51%	-1.54%	-1.08%	-0.86%
Six-Month	2.52%	-1.43%	-1.78%	-0.56%	-0.56%
One-Year	6.32%	0.73%	-0.20%	2.19%	2.02%
Two-Year	15.37%	10.03%	7.19%	11.76%	11.21%
Three-Year	30.23%	25.63%	20.21%	26.20%	24.45%

RISK ASSESSMENT: CHANCE OF GAIN

	AYE	NI	NU	PNW	SCG
One-Month	48.62%	45.60%	45.27%	46.42%	46.28%
Three-Month	51.67%	44.90%	44.66%	45.61%	46.55%
Six-Month	54.42%	46.59%	45.63%	48.39%	48.42%
One-Year	57.80%	51.24%	49.66%	54.44%	54.04%
Two-Year	63.25%	61.80%	58.75%	66.41%	65.45%
Three-Year	70.66%	73.45%	69.43%	77.95%	76.05%

RISK ASSESSMENT: CHANCE OF LOSS

	AYE	NI	NU	PNW	SCG
One-Month	51.38%	54.40%	54.73%	53.58%	53.72%
Three-Month	48.33%	55.10%	55.34%	54.39%	53.45%
Six-Month	45.58%	53.41%	54.37%	51.61%	51.58%
One-Year	42.20%	48.76%	50.34%	45.56%	45.96%
Two-Year	36.75%	38.20%	41.25%	33.59%	34.55%
Three-Year	29.34%	26.55%	30.57%	22.05%	23.95%

*** Comparables are companies in the same Sector and Industry and of approximately similar market capitalization value.**

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ValuEngine™ DETAILED RESEARCH REPORT

NISOURCE INC(NI)

ANNUAL FINANCIALS - BALANCE SHEET (millions)

	2008-12	2007-12	2006-12	2005-12	2004-12	2003-12	2002-12	2001-12
Cash and Equivalents	20.6	36	33.1	69.4	30.1	27.3	54.3	127.9
TOTAL CASH & SHORT TERM INVEST	**20.6**	**36**	**33.1**	**69.4**	**30.1**	**27.3**	**54.3**	**127.9**
Accounts Receivable	1142.5	936	866.3	1676.4	1183.2	1017.5	885.3	937.7
Other Receivables	393.8	223.9	252.3	169.8	169.6	174.8	120.8	196.9
TOTAL RECEIVABLES	**1536.3**	**1159.9**	**1118.6**	**1846.2**	**1352.8**	**1192.3**	**1006.1**	**1134.6**
INVENTORIES	**670.7**	**604.7**	**703.4**	**623.8**	**552.9**	**529.9**	**360.2**	**480.2**
Prepaid Expenses	249.1	112.7	111.7	109.3	96.2	101.8	229.5	395.4
Other Current Assets	934.1	541.6	816.1	412	253.6	211.6	218.4	428.6
TOTAL CURRENT ASSETS	**3410.8**	**2454.9**	**2782.9**	**3060.7**	**2285.6**	**2062.9**	**1868.5**	**2566.7**
Gross Property Plant and Equip.	18468.9	17882.3	17544.5	17111.1	16632.3	16400.8	18188.9	17245.7
Accumulated Depreciation	-8080.8	-7850.5	-7850	-7556.8	-7247.6	-7095.9	-8120.9	-7691
NET PROPERTY, PLANT AND EQUIP.	**10388.1**	**10031.8**	**9694.5**	**9554.3**	**9384.7**	**9304.9**	**10068**	**9554.7**
Long-term Investments	204.7	189.9	175.7	189.2	180.6	180.6	169.5	171.7
Goodwill	3677.3	3677.3	3677.3	3677.3	3687.2	3704	3707.6	3732.9
Other Intangibles	330.6	422	435.7	495.8	520.3	527.2	57.3	5
Deferred Charges, LT	1763.9	1004.7	1297.5	753.7	757.9	723.3	803.8	933.6
Other Long Term Assets	256.8	224.2	92.9	227.5	171.7	120.9	222.2	409.5
TOTAL ASSETS	**20032.2**	**18004.8**	**18156.5**	**17958.5**	**16988**	**16623.8**	**16896.9**	**17374.1**
Accounts Payable	693.3	719.9	713.1	866.7	648.4	496.6	521.6	646.6
Accrued Expenses	613.9	614	834.1	913.9	808.9	768	843.7	1080.6
Short-term Borrowings	1163.5	1061	1193	898	307.6	685.5	913.1	1854.3
Current Income Taxes Payable	206.5	188.7	–	–	–	–	–	–
Unearned Revenue, Current	14.7	38.7	55.9	51.3	31.5	28.2	130.2	89
Other Current Liabilities	1422.2	736.4	931.8	672.6	505.9	512.4	536.2	616.9
TOTAL CURRENT LIABILITIES	**4583.4**	**3392.6**	**3821.2**	**3843.2**	**3602.2**	**2609**	**4177.4**	**4728.6**
Long Term Debt	5906.1	5589.1	5146.2	5271.2	4835.9	5993.4	5363	6125.8
Capital Leases	37.8	5.3	–	–	–	–	–	–
Minority Interest	–	–	–	81.1	81.1	81.1	84.9	88.6
Unearned Revenue Non-Current	6.2	0.2	21.9	60.4	87.4	113	305.4	435.4
Pension and Other Post-Retire. Benefits	1238.5	547.9	799.5	511	413	406.9	417.2	277.7
Deferred Tax Liability Non-Current	1595.9	1616.8	1553.7	1591.9	1665.9	1595.9	1958	1726.3
Other Non-Current Liabilities	1935.5	1776.3	1800.4	1666.7	1514.8	1406.2	416.1	522.3
TOTAL LIABILITIES	**15303.4**	**12928.2**	**13142.9**	**13025.5**	**12200.3**	**12205.5**	**12722**	**13904.7**
Preferred Stock, Redeemable	–	–	–	–	0.6	2.4	–	–
TOTAL PREFERRED EQUITY	**–**	**–**	**–**	**–**	**0.6**	**2.4**	**–**	**–**
Common Stock	2.7	2.7	2.7	2.7	2.7	2.6	2.5	2.1
Additional Paid In Capital	4020.3	4011	3998.3	3969.4	3924	3756.6	3389.5	2611.6
Retained Earnings	901.1	1074.5	1012.9	981.6	925.4	731.3	930.9	798.6
Treasury Stock	-23.3	-23.3	-21.2	–	–	-9.4	-6.9	–
Comprehensive Income and Other	-172	11.7	20.9	-20.7	-65	-65.2	-141.1	57.1
TOTAL COMMON EQUITY	**4728.8**	**5076.6**	**5013.6**	**4933**	**4787.1**	**4415.9**	**4174.9**	**3469.4**
TOTAL EQUITY	**4728.8**	**5076.6**	**5013.6**	**4933**	**4787.7**	**4418.3**	**4174.9**	**3469.4**
TOTAL LIABILITIES AND EQUITY	**20032.2**	**18004.8**	**18156.5**	**17958.5**	**16988**	**16623.8**	**16896.9**	**17374.1**

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ValuEngine™ DETAILED RESEARCH REPORT

NISOURCE INC(NI)

ANNUAL FINANCIALS - INCOME STATEMENT (millions)

	2008-12	2007-12	2006-12	2005-12	2004-12	2003-12	2002-12	2001-12
Revenues	7660.7	6894.6	6521.7	6849	5936.2	5768.8	5161.6	9020.3
Other Revenues	1213.5	1045.2	968.3	1050.1	730	477.8	1330.7	438.4
TOTAL REVENUES	**8874.2**	**7939.8**	**7490**	**7899.1**	**6666.2**	**6246.6**	**6492.3**	**9458.7**
Cost Of Goods Sold	7394	6431.5	6030.4	6345.1	5087.4	4672.3	4663.8	7798.9
GROSS PROFIT	**1480.2**	**1508.3**	**1459.6**	**1554**	**1578.8**	**1574.3**	**1828.5**	**1659.8**
Selling General and Admin Exp.	–	–	–	–	–	–	79	–
Stock-Based Compensation	–	2.6	–	–	–	–	–	–
Depr. and Amortization	567.2	559.2	549.2	545.2	509.7	497	574	641.7
OPERATING INCOME	**913**	**946.5**	**910.4**	**1008.8**	**1069.1**	**1077.3**	**1175.5**	**1018.1**
Interest Expense	-396	-410.5	-391.9	-403.5	-383.4	-440.5	-516.3	-591.2
Interest and Invest. Income	15.4	12.3	8.8	23.6	9.4	14.8	14.6	0.1
NET INTEREST EXP.	**-380.6**	**-398.2**	**-383.1**	**-379.9**	**-374**	**-425.7**	**-501.7**	**-591.1**
Income/(Loss) from Affiliates	**12.3**	**9.4**	**-12.3**	–	–	–	–	–
Other Non-Oper. Inc. (Exp.)	1.4	-9	-11.9	-31.3	-26.9	-28.2	-21	-20.9
EBT EXCL. UNUSUAL ITEMS	**562.8**	**548.7**	**503.1**	**597.6**	**671.3**	**648.3**	**680**	**424.9**
Restructuring Charges	–	-13.2	1.6	-33.8	-0.2	7.5	–	–
Merger and Related Restruct. Charges	–	–	2.5	–	–	–	–	–
Gain (Loss) On Sale Of Invest.	16.7	–	–	–	–	–	–	–
Asset Writedown	-7.6	-10.8	-4.1	-22.2	–	–	–	-9.2
Legal Settlements	–	–	-18.1	–	–	6.6	–	–
Other Unusual Items	–	-40.6	-0.7	-108.6	–	–	–	–
EBT INCL. UNUSUAL ITEMS	**555.2**	**484.1**	**484.3**	**433**	**671.1**	**662.4**	**680**	**415.7**
Income Tax Expense	185.4	172.1	170.8	149.4	240.9	234.2	233.9	183.2
Minority Int. in Earnings	–	–	–	–	–	-2.5	-20.4	-20.4
EARNINGS FROM CONTINUING	**369.8**	**312**	**313.5**	**283.6**	**430.2**	**425.7**	**425.7**	**212.1**
Earnings Of Discontinued Oper.	-290.8	9.4	-31.7	23.2	6.1	-331.7	-53.2	0.1
NET INCOME	**79**	**321.4**	**282.2**	**306.5**	**436.3**	**85.2**	**372.5**	**216.2**
NI TO COMMON INCL EXTRA ITEMS	**79**	**321.4**	**282.2**	**306.5**	**436.3**	**85.2**	**372.5**	**216.2**
Basic EPS	0.3	1.2	1	1.1	1.6	0.3	1.8	1
Basic EPS Excl. Extra Items	1.4	1.1	1.1	1	1.6	1.6	2	1
Weighted Avg. Basic Shares Out.	274	273.8	272.6	271.3	263.7	259.5	211	205.3
Diluted EPS	0.3	1.2	1	1.1	1.6	0.3	1.8	1
Diluted EPS Excl Extra Items	1.3	1.1	1.1	1	1.6	1.6	2	1
Weighted Avg. Diluted Shares Out.	275.4	274.7	273.4	273	265.5	261.6	212.8	209.8

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ValuEngine™ DETAILED RESEARCH REPORT

NISOURCE INC(NI)

ANNUAL FINANCIALS - CASH FLOW STATEMENT (millions)

	2008-12	2007-12	2006-12	2005-12	2004-12	2003-12	2002-12	2001-12
Net Income	79	321.4	282.2	306.5	436.3	85.2	372.5	216.2
Depreciation and Amortization	533.1	523	528.6	516.9	392.2	485	574	641.7
Amortization Of Goodwill	11	13.6	--	--	82.5	--	--	--
DEPRECIATION AND AMORT., TOTAL	**544.1**	**536.6**	**528.6**	**516.9**	**474.7**	**485**	**574**	**641.7**
Amort. Of Deferred Charges	30.8	29.9	28.3	45.8	56.6	30.9	--	--
(Gain) Loss From Sale Of Asset	4.3	-0.3	-1.1	0.4	-3.1	-24.9	-27.2	-11
Asset Writedown and Restruct. Costs	3.3	11.1	5.2	21.8	--	--	--	9.2
(Income) Loss On Equity Investments	-25.3	-14.1	8.4	-4.7	-0.9	5.4	--	--
Stock-Based Compensation	9.5	4.4	6.9	6.8	8	12.9	27.1	--
Net Cash From Disc. Oper.	-2.2	0.3	4.8	-17.4	2.2	-141.5	-16.2	--
Other Operating Activities	287.1	-9.5	-14.9	34.9	-14.4	329.8	-37.5	-465.7
Change In Accounts Receivable	-201.7	-3.4	407.7	-358.9	-92	67.3	102.7	552.5
Change In Inventories	-82.4	94.4	-71.7	-71.1	-23.1	166.9	66.8	-73.3
Change In Accounts Payable	-30.3	-65.2	-176.4	205.7	153.3	-41.4	-91.6	-495.5
Change In Unearned Revenues	--	--	--	--	--	-7.6	-12.9	--
Change In Income Taxes	-89.7	-10.7	53.4	21.3	-57.8	-89.5	-5.4	142.1
Change In Deferred Taxes	137.8	12.7	-113.4	-16.7	97.5	77.9	114.1	-43.1
Change In Other Working Capital	-79	-150.4	208.2	21	26.6	-144.4	93.1	569.5
CASH FROM OPERATIONS	**585.3**	**757.2**	**1156.2**	**712.3**	**1056.3**	**472.9**	**1172.4**	**1042.6**
Capital Expenditure	-969.9	-788.3	-637.4	-590.4	-517	-574.6	-621.9	-668.1
Sale of Prop., Plant, and Equip.	47.8	4.2	21.6	7.5	7.1	586.5	419.2	227.9
Cash Acquisitions	-329.7	--	--	--	--	--	--	--
Invest. in Marketable and Eqty Securties	39.2	--	--	--	--	--	--	--
Other Investing Activities	176.7	102.7	-116.7	10.8	-42.7	-17.6	--	-7
CASH FLOW FROM INVESTING	**-1114.3**	**-681.4**	**-732.5**	**-572.1**	**-552.6**	**-5.7**	**-202.7**	**-447.2**
Short-Term Debt Issued	102.5	--	296.4	590.4	--	--	--	--
Long-Term Debt Issued	959.3	803.6	--	1907.9	450	1401.5	--	300
TOTAL DEBT ISSUED	**1061.8**	**803.6**	**296.4**	**2498.3**	**450**	**1401.5**	**--**	**300**
Short-Term Debt Repaid	--	-132	--	--	-377.9	-227.6	-941.2	-642.5
Long-Term Debt Repaid	-294.6	-457.9	-438.7	-2386.7	-486.6	-1366.9	-532.1	-93
TOTAL DEBT REPAID	**-294.6**	**-589.9**	**-438.7**	**-2386.7**	**-864.5**	**-1594.5**	**-1473.3**	**-735.5**
TOTAL DIVIDENDS PAID	**-252.4**	**-252.1**	**-251.9**	**-250.3**	**-243.1**	**-284**	**-241.5**	**-239**
Other Financing Activities	--	-40.6	--	--	--	--	-46.7	--
CASH FROM FINANCING	**516.1**	**-72.9**	**-460**	**-100.3**	**-500.9**	**-471**	**-1033.5**	**-660.5**
Misc. Cash Flow Adjustments	-1.1	--	--	--	--	--	--	--
NET CHANGE IN CASH	**-14**	**2.9**	**-36.3**	**39.9**	**2.8**	**-3.8**	**-63.8**	**-65.1**
Cash Interest Paid	375.8	413.2	370	404.5	383	442.3	496.6	518
Cash Taxes Paid	60.6	185.2	288.2	101.4	184.6	256.8	118.8	250.2
Net Debt Issued	767.2	213.7	-142.3	111.6	-414.5	-193	-1473.3	-435.5

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ValuEngine™ DETAILED RESEARCH REPORT

NISOURCE INC(NI)

QUARTERLY FINANCIALS - BALANCE SHEET (millions)

	2009-09	2009-06	2009-03	2008-12	2008-09	2008-06	2008-03	2007-12
Cash and Equivalents	83.8	248.9	135.2	20.6	25.1	45.9	77.4	36
TOTAL CASH & SHORT TERM INVEST	**83.8**	**248.9**	**135.2**	**20.6**	**25.1**	**45.9**	**77.4**	**36**
Accounts Receivable	442.3	544.7	910.7	1142.5	586.8	737	1086.2	936
Other Receivables	374.7	163.7	257.4	393.8	407.3	464.2	389.1	223.9
TOTAL RECEIVABLES	**817**	**708.4**	**1168.1**	**1536.3**	**994.1**	**1201.2**	**1475.3**	**1159.9**
INVENTORIES	**691.8**	**426.6**	**259.3**	**670.7**	**838**	**400.5**	**213.3**	**604.7**
Prepaid Expenses	131.6	148.9	256.7	249.1	228.9	173.9	103.5	112.7
Other Current Assets	839	903.9	813.1	934.1	1039.9	858.9	652	541.6
TOTAL CURRENT ASSETS	**2563.2**	**2436.7**	**2632.4**	**3410.8**	**3126**	**2680.4**	**2521.5**	**2454.9**
Gross Property Plant and Equip.	18868.4	18776	18610.8	18468.9	18339.8	18108.6	17495.1	17882.3
Accumulated Depreciation	-8286.3	-8232.9	-8134.1	-8080.8	-8078	-7982.5	-7819.1	-7850.5
NET PROPERTY, PLANT AND EQUIP.	**10582.1**	**10543.1**	**10476.7**	**10388.1**	**10261.8**	**10126.1**	**9676**	**10031.8**
Long-term Investments	277.7	258	229.8	204.7	190.3	186.8	187.8	189.9
Goodwill	3677.3	3677.3	3677.3	3677.3	3677.3	3677.3	3677.3	3677.3
Other Intangibles	322.4	325.1	327.8	330.6	333.4	336.1	338.8	422
Deferred Charges, LT	1704.6	1722.9	1745.6	1763.9	940.4	999.7	995.2	1004.7
Other Long Term Assets	263.8	260.2	260.4	256.8	568.6	609.8	790.1	224.2
TOTAL ASSETS	**19391.1**	**19223.3**	**19350**	**20032.2**	**19097.8**	**18616.2**	**18186.7**	**18004.8**
Accounts Payable	214	240.9	531.6	693.3	498	665.2	755.9	719.9
Accrued Expenses	450.2	381.7	392.4	613.9	488.4	418.8	524.9	614
Short-term Borrowings	200	–	–	1163.5	1263	506	624.7	1061
Current Income Taxes Payable	148	209.1	259.4	206.5	145.1	223.7	327.1	188.7
Unearned Revenue, Current	8.7	20.2	11	14.7	10.9	14.1	22.4	38.7
Other Current Liabilities	1455	1666.5	1647.6	1422.2	1593.9	1777.9	1409	736.4
TOTAL CURRENT LIABILITIES	**2909.7**	**2942.4**	**3278**	**4583.4**	**4019.2**	**3648.8**	**3753.3**	**3392.6**
Long Term Debt	6560.7	6564.4	6451.9	5906.1	6323.3	6059.9	5383	5589.1
Capital Leases	–	–	–	37.8	–	–	–	5.3
Unearned Revenue Non-Current	7.9	7.3	6.8	6.2	5.1	0.2	0.2	0.2
Pension and Other Post-Retire. Benefits	1172.3	1254.4	1248.5	1238.5	550	553.1	566.2	547.9
Deferred Tax Liability Non-Current	2042.8	1715	1650.7	1595.9	1588.6	1572	1546.1	1616.8
Other Non-Current Liabilities	1957.9	1947.4	1976.4	1935.5	1940.8	1971.3	1873.7	1776.3
TOTAL LIABILITIES	**14651.3**	**14430.9**	**14612.3**	**15303.4**	**14427**	**13805.3**	**13122.5**	**12928.2**
Common Stock	2.8	2.8	2.7	2.7	2.7	2.7	2.7	2.7
Additional Paid In Capital	4043.2	4032.7	4023	4020.3	4017.8	4015.4	4013.2	4011
Retained Earnings	776.3	855.1	923.3	901.1	739.1	782.2	1047.5	1074.5
Treasury Stock	-24.2	-24.2	-24.1	-23.3	-23.5	-23.4	-23.3	-23.3
Comprehensive Income and Other	-58.3	-74	-187.2	-172	-65.3	34	24.1	11.7
TOTAL COMMON EQUITY	**4739.8**	**4792.4**	**4737.7**	**4728.8**	**4670.8**	**4810.9**	**5064.2**	**5076.6**
TOTAL EQUITY	**4739.8**	**4792.4**	**4737.7**	**4728.8**	**4670.8**	**4810.9**	**5064.2**	**5076.6**
TOTAL LIABILITIES AND EQUITY	**19391.1**	**19223.3**	**19350**	**20032.2**	**19097.8**	**18616.2**	**18186.7**	**18004.8**

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ValuEngine™ DETAILED RESEARCH REPORT

NISOURCE INC(NI)

QUARTERLY FINANCIALS - INCOME STATEMENT (millions)

	2009-09	2009-06	2009-03	2008-12	2008-09	2008-06	2008-03	2007-12
Revenues	860.2	995.1	2409.9	2101.9	1140.8	1499.2	2918.7	1964.1
Other Revenues	24.6	14.1	310.3	283.6	268.3	292.9	371	280.8
TOTAL REVENUES	**884.8**	**1009.2**	**2720.2**	**2385.5**	**1409.1**	**1792.1**	**3289.7**	**2244.9**
Cost Of Goods Sold	633.3	754.5	2221	1938.8	1164	1530.3	2762.8	1847.7
GROSS PROFIT	**251.5**	**254.7**	**499.2**	**446.7**	**245.1**	**261.8**	**526.9**	**397.2**
Depr. and Amortization	148.7	148.2	143.8	142.9	141	147.7	135.6	139.8
OPERATING INCOME	**102.8**	**106.5**	**355.4**	**303.8**	**104.1**	**114.1**	**391.3**	**257.4**
Interest Expense	-104.8	-105.3	-90.5	-100.7	-100.2	-87.4	-91.8	-103.2
NET INTEREST EXP.	**-104.8**	**-105.3**	**-90.5**	**-100.7**	**-100.2**	**-87.4**	**-91.8**	**-103.2**
Income/(Loss) from Affiliates	**5.8**	**-2.6**	**6.4**	**5.3**	**3.4**	**1.6**	**2**	**1.6**
Other Non-Oper. Inc. (Exp.)	2.3	-0.5	-4.2	-3	4.1	1.3	-1.5	-4.7
EBT EXCL. UNUSUAL ITEMS	**6.1**	**-1.9**	**267.1**	**205.4**	**28.1**	**29.6**	**300**	**151.1**
Restructuring Charges	-4.6	--	-19.8	--	--	--	--	--
Gain (Loss) On Sale Of Invest.	--	--	--	--	16.7	--	--	--
Asset Writedown	-4.4	--	2	-10.4	0.4	0.9	1.5	-1
Insurance Settlements	--	--	4.3	--	--	--	--	--
Other Unusual Items	--	-0.7	3.2	--	--	--	--	-40.6
EBT INCL. UNUSUAL ITEMS	**-2.9**	**-2.6**	**256.8**	**195**	**28.5**	**30.5**	**301.5**	**109.5**
Income Tax Expense	6.8	6.1	97.5	68	-4.1	9.5	112.1	34.6
EARNINGS FROM CONTINUING	**-9.7**	**-8.7**	**159.3**	**127**	**32.6**	**21**	**189.4**	**74.9**
Earnings Of Discontinued Oper.	-5.7	3.9	-10.9	35	-12.6	-223.3	-90.1	2.1
NET INCOME	**-15.4**	**-4.8**	**148.4**	**162**	**20**	**-202.3**	**99.3**	**77**
NI TO COMMON INCL EXTRA ITEMS	**-15.4**	**-4.8**	**148.4**	**162**	**20**	**-202.3**	**99.3**	**77**
Basic EPS	-0.1	-0	0.5	0.6	0.1	-0.7	0.4	0.3
Basic EPS Excl. Extra Items	-0	-0	0.6	0.5	0.1	0.1	0.7	0.3
Weighted Avg. Basic Shares Out.	275.4	274.7	274.2	274	274	274	273.9	273.9
Diluted EPS	-0.1	-0	0.5	0.6	0.1	-0.7	0.4	0.3
Diluted EPS Excl Extra Items	-0	-0	0.6	0.5	0.1	0.1	0.7	0.3
Weighted Avg. Diluted Shares Out.	275.4	274.7	276.7	275.5	275.5	275.4	275.4	274.7

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ValuEngine™ DETAILED RESEARCH REPORT

NISOURCE INC(NI)

QUARTERLY FINANCIALS - CASH FLOW STATEMENT (millions)

	2009-09	2009-06	2009-03	2008-12	2008-09	2008-06	2008-03	2007-12
Net Income	-15.4	-4.8	148.4	162	20	-202.3	99.3	67
Depreciation and Amortization	148.2	148.1	143.8	108.8	141	147.7	135.6	103.6
Amortization Of Goodwill	–	–	–	11	–	–	–	13.6
DEPRECIATION AND AMORT., TOTAL	**148.2**	**148.1**	**143.8**	**119.8**	**141**	**147.7**	**135.6**	**117.2**
Amort. Of Deferred Charges	3.7	4.1	2.1	25.1	2	1.9	1.8	24.4
(Gain) Loss From Sale Of Asset	--	--	-2	8.7	-0.4	-0.8	-3.2	--
Asset Writedown and Restruct. Costs	4.4	–	–	1.7	–	–	1.6	1
(Income) Loss On Equity Investments	-5.4	2.6	-6.4	-5	-19.2	0.6	-1.7	-2.5
Stock-Based Compensation	3.4	3.3	1.6	2.3	2.7	3.1	1.4	1.7
Net Cash From Disc. Oper.	-162.1	-15.1	-116.3	11.3	-11.6	-1.9	-0.7	–
Other Operating Activities	-6.2	18.9	3.2	-27.5	10.8	242.8	61	33.3
Change In Accounts Receivable	109	241.1	172.1	-606.9	181.3	376.8	-152.9	-292.7
Change In Inventories	-242.2	-268.4	487.7	165.6	-609.9	-485.4	847.3	219.2
Change In Accounts Payable	28	-166	-161.1	229	-185.6	-105.8	32.1	173.8
Change In Income Taxes	-328.8	-0.1	82	-38.5	-64.1	-115.5	128.4	-17.2
Change In Deferred Taxes	320.3	11	23.1	45.7	40	35.4	16.7	34.9
Change In Other Working Capital	23.1	207.6	225.3	241.7	104.9	-104.2	-321.4	-36.2
CASH FROM OPERATIONS	**-120**	**182.3**	**1003.5**	**335**	**-388.1**	**-207.6**	**845.3**	**358.3**
Capital Expenditure	-200.1	-178.7	-206.9	-290.5	-256.6	-232.1	-190.7	-268.5
Sale of Prop., Plant, and Equip.	0.3	–	2.1	5.8	-187.6	217.1	12.5	1.9
Cash Acquisitions	–	–	–	–	–	-329.7	–	–
Invest. in Marketable and Eqty Securties	–	–	–	-39.2	–	–	–	–
Other Investing Activities	16.8	55.2	8.4	178.5	-137.1	61.7	73.6	31.7
CASH FLOW FROM INVESTING	**-183**	**-123.5**	**-196.4**	**-145.4**	**-581.3**	**-283**	**-104.6**	**-234.9**
Short-Term Debt Issued	200.1	–	–	–	757	–	–	388
Long-Term Debt Issued	0.6	118.3	581.7	--	228.2	639.1	0.9	–
TOTAL DEBT ISSUED	**200.7**	**118.3**	**581.7**	**–**	**985.2**	**639.1**	**0.9**	**388**
Short-Term Debt Repaid	--	--	-1163.5	-99.5	--	-118.7	-436.3	--
Long-Term Debt Repaid	--	--	-101.4	-3.5	–	–	-200	-389.8
TOTAL DEBT REPAID	**--**	**--**	**-1264.9**	**-103**	**–**	**-118.7**	**-636.3**	**-389.8**
TOTAL DIVIDENDS PAID	**-63.4**	**-63.1**	**-63.1**	**-63.2**	**-63.1**	**-63**	**-63.1**	**-63**
Other Financing Activities	–	–	–	0.2	--	–	–	-40.6
CASH FROM FINANCING	**137.5**	**55.3**	**-746.9**	**-165.8**	**922.4**	**457.4**	**-697.9**	**-105.1**
Misc. Cash Flow Adjustments	0.4	-0.4	54.4	-28.3	26.2	1.7	–	--
NET CHANGE IN CASH	**-165.1**	**113.7**	**114.6**	**-4.5**	**-20.8**	**-31.5**	**42.8**	**18.3**
Net Debt Issued	200.7	118.3	-683.2	-103	985.2	520.4	-635.4	-1.8

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ValuEngine™ DETAILED RESEARCH REPORT
NISOURCE INC(NI)

VALUENGINE SERVICE DESCRIPTIONS

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ValuEngine™ DETAILED RESEARCH REPORT
NISOURCE INC(NI)

VALUENGINE'S METHODOLOGY

ValuEngine's research combines the most advanced academic concepts with real world Wall Street practice. The result is state-of-the-art fair market valuation and price forecasting technologies.

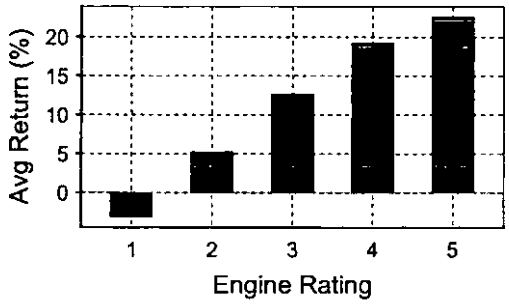
ValuEngine's stock valuation employs a sophisticated, three-factor approach. Fundamental variables, such as a company's trailing 12-month Earnings-Per-Share (EPS), the analyst consensus estimate of the company's future 12-month EPS, and the 30-year Treasury yield, are all used to create a more accurate reflection of a company's fair value. Together with eleven additional variables, ValuEngine paints a detailed picture of a company's fair value, represented by the model price.

ValuEngine's stock forecasts examine, among other things, short-term price reversals, intermediate-term momentum continuation, and long-term price reversals over six time horizons for every industry to ensure forecasts are established relative to a stock's proper peer groups. Advanced statistical/econometric techniques are used to run thousands of simulations estimating the probability of a double in stock price, as well as the probability of meeting and exceeding any given portfolio or stock investment target.

The stock's engine rating is an assessment of its overall attractiveness. It combines valuation, risk-return trade-off, momentum, market capitalization and forecasted future returns. Only two percent of the stock universe receives the highest 5-engine rating. The lowest rating is a single engine.

For more information on ValuEngine, its models and performance, go to www.ValuEngine.com

Engine Rating and Average Annual Return
(Jan 1990 - Feb 2010)



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STOCK RATINGS: The terms below are used to rate a stock's 12-month performance:

1. Buy: Expected to outperform the SP500 producing above average returns.
2. Hold: Expected to perform in line with the SP500 with average returns.
3. Sell: Expected to underperform the SP500 producing below-average returns.

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ValuEngine™ DETAILED RESEARCH REPORT

NISOURCE INC(NI)

May. 11, 2010

VALUENGINE RECOMMENDATION & BASIC INFORMATION

RECOMMENDATION

NEGATIVE	NEUTRAL	POSITIVE
underperform	match	outperform

VALUENGINE RATING

V V V V

RECOMMENDATION FACTORS

	Value	Rank
Overall Rank		top 16%
Fair Value	$12.66	btm 17%
1Yr Target Price	$15.71	top 14%
P/E Ratio	13.58	top 24%
Last 1-Y Return	48.18%	top 32%
Market Cap(bil)	$4.39	top 13%

BASIC INFORMATION

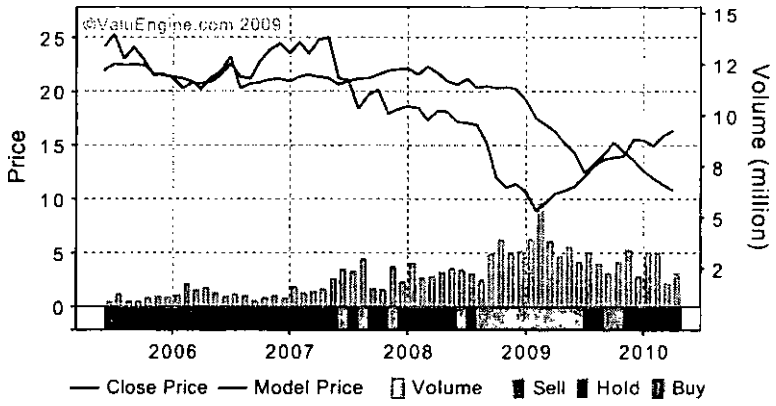
Last Trade	$15.84
Trade Date	05/10/10
Market Cap(bil)	$4.39468
Trailing P/E	13.58
Forward P/E	18.40
PEG Ratio	n/a
P/S Ratio	0.7
M/B Ratio	1,569.53
Sharpe Ratio	-0.36
5-Y Avg Ann Return	-8.39%
Volatility	23.62%
EPS Growth	-26.16%
Annual Dividend	$0.92
Dividend Yield	5.81%
LT Debt/Equity	2,130.39
Beta	0.86

VALUATION ANALYSIS

NI	Today's Fair value: $12.66 25.15% overvalued
Industry	Electrical Utilities 3.35% undervalued
Sector	Public Utilities 0.12% overvalued

FORECAST ANALYSIS

	Target Price	Exp. Return
1-Month	$15.84	-0.01%
3-Month	$15.68	-0.99%
6-Month	$15.63	-1.32%
1-Year	$15.71	-0.79%
2-Year	$16.98	7.19%
3-Year	$19.11	20.63%



VALUENGINE RECOMMENDATION

ValuEngine has issued a BUY recommendation for NISOURCE INC on May. 11, 2010. Based on the information we have gathered and our resulting research, we feel that NISOURCE INC has the probability to OUTPERFORM average market performance for the next year. The company exhibits ATTRACTIVE volatility, company size and P/E ratio.

RATING OVERVIEW

The ValuEngine Rating is an overall assessment of a stock's attractiveness. It combines the following five factors:

1. Fair market valuation
2. 1 year forecasted returns
3. Price/Earnings ratio
4. Momentum
5. Market capitalization

Only two percent of the over 4,000 stocks that we cover receive the highest 5 rating. The ratings are the result of the cumulative of the above factors. As such, stocks with relatively poor results for any one of the five variables can still be attractive if the other four factors are strong enough. Top 5 rated stocks can be expected to outperform the overall market by 15% or more, with average annualized returns from Jan. 2000 through Jan. 2006 of over 30% per year.

FAIR MARKET VALUATION PRICE

Based on available data as of May. 11, 2010, we believe that NI should be trading at $12.66. This makes NI 25.15% overvalued. Fair Value indicates what we believe the stock should be trading at today if the stock market were perfectly efficient and everything traded at its true worth. For NI, we base this on actual earnings per share (EPS) for the previous four quarters of $1.17, forecasted EPS for the next four quarters of $0.86, and correlations to the 30-year Treasury bond yield of 4.41%. There are an additional 10 firm specific and interest rate related parameters, each playing a role in the valuation analysis.

FORECASTED TARGET PRICES

The predictive variables used in Valuengine's forecast target price models include both proprietary and well-established forecasting variables derived from credible financial research studies and publications. Our forecasting models capture, among other things, several important tendencies that stock prices consistently exhibit: Short-term price reversals, Intermediate-term momentum continuation, and Long-term price reversals. We use a distinct forecasting model for each time horizon and for every industry. We then apply the most advanced statistical/econometric techniques to ensure that our stock return forecasts are as reliable as possible.

Contact ValuEngine:

ValuEngine, Inc.
41 University Drive, Suite 400
Newtown, PA 18940, U.S.A.
(800) 381-5576 (T)
support@ValuEngine.com
www.ValuEngine.com

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ValuEngine™ DETAILED RESEARCH REPORT

NISOURCE INC(NI)

BUSINESS SUMMARY, DATA SUMMARY & MARKET RATIO BASED VALUATION

BUSINESS SUMMARY

NiSource Inc., formerly NIPSCO Industries, Inc., is an energy and utility-based holding company headquartered in Merrillville, Indiana, that provides natural gas, electricity and water to the public for residential, commercial and industrial uses. NiSource operating companies deliver energy to millions of customers located within the high-demand energy corridor stretching from the Gulf Coast through the Midwest to New England.

OPTIMAL BUY-SELL

Based solely on the Historical Mispricing of NI, the best time to buy would be below $11.39 (or valuation below -10.00%). The best time to sell would be above $15.19 (or valuation above 20.00%).

EVALUATION & RANKINGS

	Value	Rank
Valuation	25.15%	17
12-Month Return	48.18%	69
5-Y Avg Ann Rtn	-8.39%	39
Volatility	23.62%	95
EPS Growth	-26.16%	7
Market Cap(bil)	4.39	88
Sharpe Ratio	-0.36	23
P/S Ratio	0.7	71
M/B Ratio	1,569.53	28
P/E Ratio	13.58	77

EVALUATION & RANKINGS SUMMARY

Just as important as the percentages shown for our ten predictive variables for each stock is the way they are ranked against the 7000 plus stocks in our database. This is sometimes confusing to newcomers to ValuEngine. Each of these quantitative measurements is ranked on a scale of 1 to 100. Generally the higher the ranking, the more positive the influence each measurement has on the overall attractiveness of the stock. In other words a high rank is always better. Let's take them one by one:

- Valuation rank 17: 83% of stocks are more undervalued
- Momentum rank 69: 31% of stocks have higher momentum
- Sharpe Ratio rank 23: 77% of stocks have a higher Sharpe Ratio
- 5-Year Average Annual Return 39: 61% of stocks have higher average annual return
- Volatility rank 95: 5% of stocks have less volatility
- EPS growth rank 7: 93% of stocks have greater projected EPS growth
- Size rank 88: 12% of companies have higher market capitalization
- P/E rank 77: 23% of stocks have lower P/E ratios
- Price/Sales rank 71: 29% of stocks have lower price/sales ratios
- Market/Book rank 28: 72% of stocks have lower market/book value ratios

MARKET RATIO BASED VALUATION

Portfolio managers and professionals traditionally rely on market ratios to gauge whether a stock is fair valued or overvalued. On this page, we present such a valuation based on one of three market ratios: PEG (price to trailing 4 quarter earnings ratio, divided by the consensus analyst forecasted next year EPS growth), P/E (price to forward 4 quarter earnings ratio), and P/S ratio (price to trailing 4 quarter sales). Among the three, PEG is the most informative as it reflects both the price/earnings ratio and expected future EPS growth, while P/E is better than P/S. For each given stock, we apply the PEG to give a fair value assessment if both its trailing 4 quarter EPS and forecasted EPS growth rate are positive. If its forecasted EPS growth is negative but its forward 4 quarter EPS is positive, we apply the P/E to give a fair value for the stock as of today. Otherwise, we resort to the P/S to assess its fair value.

To establish a valuation standard, we use both (i) the average historical market ratio of the stock over the past 10 years (or however long there is data available for the stock), and (ii) the average market ratio today of five comparable stocks in the same sector and from companies of similar size. These two alternative perspectives should give you a good idea about where this stock's valuation stands today.

1. Valuation Based on NI's Past PE

Over the past 10 years, NI's average PE is 13.25. NI earned $1.17 per share in its recent 4 quarters. The analyst consensus estimate is $0.86 for its 4 quarter forward EPS. NI's current price sales ratio is 0.7. The following assessment is based on multiplying the historical PE with next 4 quarter EPS for NI.

Fair Value	
Historical Average PE	13.25
PE-Based Fair Value	$11.40

2. Valuation Based on Comparables' PE

NI's comparables are NST, NU, PNW, SCG and TAC. The current PE average of these comparables is 13.64. NI earned $1.17 per share in its recent 4 quarters. The analyst consensus estimate is $0.86 for its 4-quarter-forward EPS. NI's current price sales ratio is 0.7. The following assessment is based on multiplying comparable stocks' average PE today with NI's next 4 quarter EPS.

Comparables' PE

Comparables	Current PE
NST	14.12
NU	12.97
PNW	11.88
SCG	12.64
TAC	16.62

Fair Value	
Comparable Stocks' Avg PE	13.64
Comparable PE-Based Fair Value	$11.75

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ValuEngine™ DETAILED RESEARCH REPORT

NISOURCE INC(NI)

VALUENGINE RANKINGS

Just as important as the percentages shown for our ten predictive variables for each stock is the way they are ranked against the 7000 plus stocks in our database. Each of these quantitative measurements is ranked on a scale of 1 to 100. Generally the higher the ranking, the more positive the influence each measurement has on the overall attractiveness of the stock. In other words a high rank is always better. The below data points show how the rank for each data point for NI relates to the overall industry, sector, and S&P 500 averages.

Valuation		Rank
NI	25.15%	17
Industry	-3.35%	52
Sector	0.12%	49
S&P 500	0.08%	46

The ValuEngine Valuation Rank measures the relationship between a company's stock price and its Fair Value. The higher the Valuation rank, the more undervalued the stock. With a Valuation Rank of 17, NI is substantially lower than the average of its industry group, which carries a Valuation Rank of 52.

12-Month Return		Rank
NI	48.18%	69
Industry	21.04%	43
Sector	25.33%	44
S&P 500	24.81%	46

The ValuEngine 12-Month Return Rank reflects the relative stock performance of a stock over the recent 12 months. On a scale of 1 to 100, a higher 12-Month Return rank indicates a stronger performance. With a 12-Month Return Rank of 69, NI is moderately higher than the industry's rank score of 43.

5-Y Avg Ann Rtn		Rank
NI	-8.39%	39
Industry	-2.00%	56
Sector	-2.41%	56
S&P 500	-0.44%	56

The ValuEngine 5-Years Average Return Rank reflects a stock's average annual return over the last 5 years, in comparison with the coverage universe. A higher rank indicates a better return performance. With a rank of 39, NI is slightly lower than the industry, which has a rank of 56.

Volatility		Rank
NI	23.62%	95
Industry	36.28%	80
Sector	47.47%	72
S&P 500	19.48%	98

The ValuEngine Volatility Rank reflects the volatility associated with the stock. A higher Volatility Rank indicates a lower volatile percentile of stocks. NI has a Volatility Rank of 95, which is slightly higher than the industry Rank of 80.

EPS Growth		Rank
NI	-26.16%	7
Industry	17.18%	33
Sector	16.86%	34
S&P 500	28.85%	53

The ValuEngine EPS Growth Rank indicates a stock's expected EPS growth rate. A high rank indicates a high growth rate expectation. NI has an EPS Growth Rank of 7.This is moderately lower than the industry rank of 33.

Market Cap(bill)		Rank
NI	4.39	88
Industry	6.03	78
Sector	8.42	74
S&P 500	n/a	n/a

The ValuEngine Size rank signifies the company's size in terms of market capitalization. A higher rank denotes a larger market capitalization within ValuEngine's stock universe. With a Size rank of 88, NI is in line with the industry, which has a rank of 78.

Sharpe Ratio		Rank
NI	-0.36	23
Industry	0	57
Sector	-0.02	56
S&P 500	-0.02	55

The ValuEngine Sharpe Ratio Rank measures the risk return tradeoff offered by a stock. Sharpe ratio is the stock's average annual return (over the last five years) divided by its annualized volatility over the same 5 years. With a rank of 23, NI is substantially lower than the industry, which has a rank of 57.

P/S Ratio		Rank
NI	0.7	71
Industry	3.12	55
Sector	2.47	55
S&P 500	n/a	n/a

The ValuEngine Price/Sales rank signifies the relative position of the company based on its P/S ratio. Stocks with the lowest P/S ratio are assigned a rank of 100 while stocks with the highest P/S ratio are ranked 1. At a Price/Sales rank of 71, NI is slightly higher than the industry rank of 55.

M/B Ratio		Rank
NI	1,569.53	28
Industry	10.24	67
Sector	13.55	65
S&P 500	n/a	n/a

The Market/Book Rank is a measure of a stock's market to book ratio relative to the stock universe. A higher rank corresponds to a lower market book value. NI has a Market/Book rank of 28, which is substantially lower than the industry rank of 67.

P/E Ratio		Rank
NI	13.58	77
Industry	14.87	70
Sector	16.65	66
S&P 500	17.32	65

The ValuEngine P/E Rank signifies the relative standing of a company on its P/E ratio, relative to the universe. Stocks in the top P/E percentile are each assigned a rank of 1(highest P/E stocks) while those in the bottom P/E percentile are assigned a rank of 100 (traditional value stocks). With a P/E rank of 77, NI is in line with the industry P/E rank of 70.

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ValuEngine™ DETAILED RESEARCH REPORT

NISOURCE INC(NI)

COMPARISON OF SIMILAR STOCKS* & RISK ASSESSMENT

Valuation		Rank
NI	25.15%	17
TAC	-14.31%	68
NU	-10.07%	62
SCG	0.08%	46
NST	6.13%	37

12-Month Return		Rank
NI	48.18%	69
TAC	13.04%	33
NU	29.34%	51
SCG	30.85%	53
NST	23.71%	45

5-Y Avg Ann Rtn		Rank
NI	-8.39%	39
TAC	1.01%	60
NU	6.15%	74
SCG	-1.44%	53
NST	4.70%	70

Volatility		Rank
NI	23.62%	95
TAC	27.17%	91
NU	23.17%	95
SCG	19.73%	98
NST	20.47%	97

EPS Growth		Rank
NI	-0.26	7
TAC	0.16	41
NU	0.12	35
SCG	0.04	22
NST	0.12	34

Market Cap(bill)		Rank
NI	4.39	88
TAC	4.36	88
NU	4.63	88
SCG	4.74	88
NST	3.87	87

Sharpe Ratio		Rank
NI	-0.36	23
TAC	0.04	62
NU	0.27	85
SCG	-0.07	49
NST	0.23	82

P/S Ratio		Rank
NI	0.7	71
TAC	1.68	44
NU	0.85	65
SCG	1.12	57
NST	1.35	51

M/B Ratio		Rank
NI	1,569.53	28
TAC	2.09	87
NU	4.74	80
SCG	2.89	85
NST	36.21	64

P/E Ratio		Rank
NI	13.58	77
TAC	19.24	60
NU	14.55	73
SCG	13.09	78
NST	15.74	69

FORECAST COMPARISONS

RETURN FORECAST: EXPECTED RETURN

	NI	NST	NU	SCG	TAC
One-Month	-0.01%	-0.28%	-0.12%	-0.15%	-0.48%
Three-Month	-0.99%	-1.35%	-1.09%	-0.85%	-2.16%
Six-Month	-1.32%	-1.76%	-0.85%	-0.65%	-2.30%
One-Year	-0.79%	-0.97%	0.62%	1.50%	-2.86%
Two-Year	7.19%	4.80%	6.79%	9.85%	-1.16%
Three-Year	20.63%	15.90%	18.45%	22.88%	6.46%

RISK ASSESSMENT: CHANCE OF GAIN

	NI	NST	NU	SCG	TAC
One-Month	49.93%	48.12%	49.27%	48.94%	47.56%
Three-Month	46.66%	44.74%	46.27%	46.55%	43.69%
Six-Month	46.86%	45.15%	47.94%	48.15%	45.25%
One-Year	48.66%	48.11%	51.07%	53.03%	45.81%
Two-Year	58.52%	56.58%	58.21%	63.80%	48.79%
Three-Year	69.30%	67.30%	67.71%	74.84%	55.46%

RISK ASSESSMENT: CHANCE OF LOSS

	NI	NST	NU	SCG	TAC
One-Month	50.07%	51.88%	50.73%	51.06%	52.44%
Three-Month	53.34%	55.26%	53.73%	53.45%	56.31%
Six-Month	53.14%	54.85%	52.06%	51.85%	54.75%
One-Year	51.34%	51.89%	48.93%	46.97%	54.19%
Two-Year	41.48%	43.42%	41.79%	36.20%	51.21%
Three-Year	30.70%	32.70%	32.29%	25.16%	44.54%

*** Comparables are companies in the same Sector and Industry and of approximately similar market capitalization value.**

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ValuEngine™ DETAILED RESEARCH REPORT

NISOURCE INC(NI)

ANNUAL FINANCIALS (All items in Millions)

BALANCE SHEET	200912	200812	200712	200612	200512	200412	200312	200212
Cash	191.1	307.2	95.4	175.6	103.3	86.4	50.1	56.2
Marketable Securities	0	0	0	0	0	0	0	0
Receivables	833.5	1142.5	1159.9	1118.6	1254.6	536.7	814.3	885.3
Inventory	547	670.7	604.7	703.4	1045.6	846.7	529.9	510.1
Raw Materials	547	670.7	–	–	–	–	–	–
Work in Progress	–	–	–	–	–	–	–	–
Finished Goods	–	–	–	–	–	–	–	–
Notes Receivable	0	0	0	0	0	0	0	0
Other Current Assets	652	1290.4	594.9	785.3	657.2	815.8	668.6	416.9
Total Current Assets	**2223.6**	**3410.8**	**2454.9**	**2782.9**	**3060.7**	**2285.6**	**2062.9**	**1868.5**
Property, Plant & Equipment	19037.6	18468.9	17543.5	17194.9	16684.4	16632.3	16400.8	18188.9
Accumulated Depreciation	8353.7	8080.8	7850.5	7850	7556.8	7247.6	7095.9	8120.9
Net Property, Plant & Equipment	10683.9	10388.1	9693	9344.9	9127.6	9384.7	9304.9	10068
Investment & Advances	129.2	117.9	456	465.7	540.9	204	187.1	274.8
Other non-current Assets	422.1	333.3	41.2	43	34.6	0	0	0
Deferred Charges	1796.2	1763.9	1004.7	1297.5	753.7	189.5	147.8	195
Intangibles	3996.9	4007.9	4099.3	4113	4173.1	4207.5	4231.2	3764.9
Deposits & other assets	19.8	10.3	255.7	109.5	267.9	716.7	689.9	725.7
TOTAL ASSETS	19271.7	20032.2	18004.8	18156.5	17958.5	16988	16623.8	16896.9
Notes Payable	0	0	1061	1193	898	307.6	685.5	913.1
Accounts Payable	724.3	1248.8	1161.5	713.1	866.7	648.4	496.6	521.6
Current Portion of Long-term Debt	822.3	1632.8	33.9	93.3	440.7	1299.9	118.3	1232.6
Current Portion of Capital Leases	0	0	0	0	0	0	0	0
Accrued Expenses	459.3	613.9	802.7	834.1	913.9	808.9	557.2	601.6
Income Taxes Payable	212.9	206.5	0	0	0	0	210.8	242.1
Other Current Liabilities	930.8	881.4	333.5	987.7	723.9	537.4	540.6	666.4
Total Current Liabilities	**3149.6**	**4583.4**	**3392.6**	**3821.2**	**3843.2**	**3602.2**	**2609**	**4177.4**
Mortgages	0	0	0	0	0	0	0	0
Deferred Charges (taxes/income)	2138.7	1678.8	3068.4	3010.2	1803.3	1889.7	1868.9	2408.4
Convertible Debt	0	0	0	0	0	0	0	0
Long Term Debt	5965.1	5943.9	5594.4	5146.2	5271.2	4835.9	5993.4	5018
Non-Current Capital Leases	0	0	0	0	0	0	0	0
Other Long-Term Liabilities	3164.2	3097.3	872.8	1165.3	2026.7	1792	1655.5	688.3
Minority Interest (liabilities)	0	0	0	0	0	0	0	345
Total Liabilities	**14417.6**	**15303.4**	**12928.2**	**13142.9**	**12944.4**	**12119.8**	**12126.8**	**12637.1**
Preferred Stock	0	0	0	0	81.1	81.1	81.1	84.9
Common Stock, Net	2.8	2.7	2.7	2.7	2.7	2.7	0	0
Capital Surplus	4057.6	4020.3	4011	3998.3	3969.4	3924	0	0
Retained Earnings	865.5	901.1	1074.5	1012.9	981.6	925.4	0	0
Treasury Stock	25.9	23.3	23.3	21.2	0	0	0	0
Other Equity	-45.9	-172	11.7	20.9	-20.7	-65	0	0
Total Shareholders' Equity	**4854.1**	**4728.8**	**5076.6**	**5013.6**	**5014.1**	**4868.2**	**4497**	**4259.8**
Total Liabilites & Shareholders Equity	**19271.7**	**20032.2**	**18004.8**	**18156.5**	**17958.5**	**16988**	**16623.8**	**16896.9**

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ValuEngine™ DETAILED RESEARCH REPORT

NISOURCE INC(NI)

ANNUAL FINANCIALS (All items in Millions)

INCOME STATEMENT	200912	200812	200712	200612	200512	200412	200312	200212
Net Sales or Revenues	6649.4	8874.2	7939.8	7490	7899.1	6666.2	6246.6	6492.3
Cost of Goods Sold	4971.4	7086.5	4676.1	4365.4	4749.3	3610.5	3186.3	3163.3
Gross Profit	1678	1787.7	3263.7	3124.6	3149.8	3055.7	3060.3	3329
Research & Development Expense	0	0	0	0	0	0	0	0
Selling, General & Admin. Expense	303.1	315.1	1771.2	1679	1629.6	1477.1	1471.9	1579.5
Income Before Depr., Depl., Amort.	1374.9	1472.6	1492.5	1445.6	1520.2	1578.6	1588.4	1749.5
Depreciation, Depletion, Amort.	589	567.2	559.2	549.2	545.2	509.7	497	574
Non-Operating Income	10.1	29.9	-48.5	-24.7	-121	6.1	33.2	10.2
Interest Expense	399	380.1	400.7	387.4	421	403.9	464.7	526.1
Pretax Income	397	555.2	484.1	484.3	433	671.1	659.9	659.6
Provision for Income Taxes	165.8	185.4	172.1	170.8	149.4	240.9	234.2	233.9
Minority Interest	0	0	0	0	0	0	0	0
Investment Gains (Losses)	0	0	0	0	0	0	0	0
Other Income	0	0	0	0	0	0	0	0
Income Before Extraordinaries & Disc	231.2	369.8	312	313.5	283.6	430.2	425.7	425.7
Extraordinary Items & Discontinued	-13.5	-290.8	9.4	-31.3	22.9	6.1	-340.5	-53.2
Net Income	217.7	79	321.4	282.2	306.5	436.3	85.2	372.5
Average Shares used for Diluted EPS	275.8	275.4	273.8	272.6	271.3	265.5	261.6	212.8
Average Shares used for Basic EPS	275.1	274	273.8	272.6	271.3	263.7	259.6	211
Income Before Non-Recurring Items	295.3	348.5	375.8	388.5	375.4	430.2	425.7	425.7
Income From Non-Recurring Items	-64.1	21.3	-53.8	0	-91.8	0	0	0
EPS - Basic, net	0.8	0.3	1.2	1.4	1	1.7	0.3	1.8
EPS - Diluted, net	0.8	0.3	1.2	1.4	1	1.6	0.3	1.8
EPS - Diluted, before non-recurring	1.1	1.3	1.4	1.4	1.4	1.6	1.6	2
Preferred Dividends - Acc & Pd	–	–	–	–	24.4	-1.4	-0.5	1.1
Dividends (common)	253.7	252.3	252.2	251.2	250.8	242.5	288.7	282.8
Dividend per share (common)	0.9	0.9	0.9	0.9	0.9	0.9	1.1	1.2

CASH FLOW STATEMENT								
Net Income (Cash Flow)	217.7	79	321.4	282.2	306.5	436.3	85.2	372.5
Depreciation, Depletion, Amortization-CF	602	574.9	566.5	556.9	562.7	531.3	515.9	574
Net Increase(decrease) in	692.2	-457.4	-133.6	410.3	-223	-34.1	-387.8	165.6
Cash from(used in) Discontinued Oper.	-241	288.6	-9.1	36.1	68.3	-3.9	199	-16.2
Other Adjustments - Net	395.3	100.2	12	-129.3	-2.2	93.2	60.6	76.5
Net Cash from (used by) Operating Act.	1666.2	585.3	757.2	1156.2	712.3	1022.8	472.9	1172.4
Increase/Decrease in Prop, Plant, & Equ.	-771.5	-1251.8	-788.3	-637.4	-590.4	-517	-574.6	-202.7
Acquisition/Disposition of Subsidiaires	0	0	0	0	-0.1	0	0	0
Increase (decrease) in Investments	39.2	7.5	0	0	0	0	0	0
Other Cash inflow from Investment Act.	77.5	130	106.9	-95.1	18.4	-2.1	568.9	0
Net Cash from (used by) Invesment Act.	-654.8	-1114.3	-681.4	-732.5	-572.1	-519.1	-5.7	-202.7
Issuance (purchase) of Equity Shares	8	1.3	6.1	-65.8	38.4	156.7	6	681.3
Issuance (repayment) of Debt Securities	290.2	664.7	345.7	-438.7	-464.6	-414.5	34.6	-532.1
Increase (decrease) in Bank & Other	-1060.5	102.5	-132	296.4	576.2	0	-227.6	-941.2
Payment of Dividends & Other Cash	-253.3	-252.4	-252.1	-251.9	-250.3	-243.1	-284	-241.5
Other Cash from (used by) Financing	0	-1.1	-40.6	0	0	0	0	0
Net Cash from (used by) Financing Act.	-1015.6	515	-72.9	-460	-100.3	-500.9	-471	-1033.5
Net Change in Cash & Cash Equivalents	-4.2	-14	2.9	-36.3	39.9	2.8	-3.8	-63.8

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ValuEngine™ DETAILED RESEARCH REPORT

NISOURCE INC(NI)

QUARTERLY FINANCIALS (All items in Millions)

BALANCE SHEET	200912	200909	200906	200903	200812	200809	200806	200803
Cash	191.1	148.3	313.1	452	307.2	269	47.2	81.2
Marketable Securities	0	0	0	0	0	0	0	0
Receivables	833.5	738	544.7	910.7	1142.5	586.8	1201.2	1475.3
Inventory	547	691.8	426.6	259.3	670.7	838	400.5	213.3
Raw Materials	547	691.8	426.6	259.3	670.7	838	–	–
Work in Progress	–	–	–	–	–	–	–	–
Finished Goods	–	–	–	–	–	–	–	–
Notes Receivable	0	0	0	0	0	0	0	0
Other Current Assets	652	985.1	1152.3	1010.4	1290.4	1432.2	1031.5	751.7
Total Current Assets	**2223.6**	**2563.2**	**2436.7**	**2632.4**	**3410.8**	**3126**	**2680.4**	**2521.5**
Property, Plant & Equipment	19037.6	18868.4	18776	18610.8	18468.9	18227.7	18040.9	17428
Accumulated Depreciation	8353.7	8286.3	8232.9	8134.1	8080.8	8078	7982.5	7819.1
Net Property, Plant & Equipment	10683.9	10582.1	10543.1	10476.7	10388.1	10261.8	10058.4	9608.9
Investment & Advances	129.2	128.2	111.6	115.7	117.9	119.8	178.5	180.5
Other non-current Assets	422.1	402.8	397.4	364.9	333.3	242.4	299.2	536.3
Deferred Charges	1796.2	1704.6	1722.9	1745.6	1763.9	940.4	999.7	995.2
Intangibles	3996.9	3999.7	4002.4	4005.1	4007.9	4010.7	4013.4	4016.1
Deposits & other assets	19.8	10.5	9.2	9.6	10.3	188.2	386.6	328.2
TOTAL ASSETS	19271.7	19391.1	19223.3	19350	20032.2	19097.8	18616.2	18186.7
Notes Payable	0	0	0	0	0	0	506	624.7
Accounts Payable	724.3	454.1	560.3	870.6	1248.8	1147.7	1352.2	1327.2
Current Portion of Long-term Debt	822.3	633.8	424	436	1632.8	1282.9	43.1	89.3
Current Portion of Capital Leases	0	0	0	0	0	0	0	0
Accrued Expenses	459.3	450.2	381.7	392.4	613.9	488.4	642.5	852
Income Taxes Payable	212.9	148	209.1	259.4	206.5	145.1	0	0
Other Current Liabilities	930.8	1223.6	1367.3	1319.6	881.4	955.1	1105	860.1
Total Current Liabilities	**3149.6**	**2909.7**	**2942.4**	**3278**	**4583.4**	**4019.2**	**3648.8**	**3753.3**
Mortgages	0	0	0	0	0	0	0	0
Deferred Charges (taxes/income)	2138.7	2120.8	1795.3	1733.6	1678.8	1669.9	3085	2969.4
Convertible Debt	0	0	0	0	0	0	0	0
Long Term Debt	5965.1	6560.7	6564.4	6451.9	5943.9	6323.3	6059.9	5383
Non-Current Capital Leases	0	0	0	0	0	0	0	0
Other Long-Term Liabilities	3164.2	3060.1	3128.8	3148.8	3097.3	2414.6	1011.6	1016.8
Minority Interest (liabilities)	0	0	0	0	0	0	0	0
Total Liabilities	**14417.6**	**14651.3**	**14430.9**	**14612.3**	**15303.4**	**14427**	**13805.3**	**13122.5**
Preferred Stock	0	0	0	0	0	0	0	0
Common Stock, Net	2.8	2.8	2.8	2.7	2.7	2.7	2.7	2.7
Capital Surplus	4057.6	4043.2	4032.7	4023	4020.3	4017.8	4015.4	4013.2
Retained Earnings	865.5	776.3	855.1	923.3	901.1	739.1	782.2	1047.5
Treasury Stock	25.9	24.2	24.2	24.1	23.3	23.5	23.4	23.3
Other Equity	-45.9	-58.3	-74	-187.2	-172	-65.3	34	24.1
Total Shareholders' Equity	**4854.1**	**4739.8**	**4792.4**	**4737.7**	**4728.8**	**4670.8**	**4810.9**	**5064.2**
Total Liabilites & Shareholders Equity	**19271.7**	**19391.1**	**19223.3**	**19350**	**20032.2**	**19097.8**	**18616.2**	**18186.7**

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ValuEngine™ DETAILED RESEARCH REPORT

NISOURCE INC(NI)

QUARTERLY FINANCIALS (All items in Millions)

INCOME STATEMENT	200912	200909	200906	200903	200812	200809	200806	200803
Net Sales or Revenues	1684.7	884.8	1009.2	2722.3	2385.5	1409.1	1792.1	1041.2
Cost of Goods Sold	1552.2	584.2	701.9	2133.1	2610.4	1105.8	1121.8	2248.5
Gross Profit	483	300.6	307.3	587.1	-227.1	303.3	670.3	1041.2
Research & Development Expense	0	0	0	0	0	0	0	0
Selling, General & Admin. Expense	91	58.1	52.6	101.4	666.3	58.6	408.5	514.3
Income Before Depr., Depl., Amort.	392	242.5	254.7	485.7	439.2	244.7	261.8	526.9
Depreciation, Depletion, Amort.	148.3	148.7	148.2	143.8	142.9	141	147.7	135.6
Non-Operating Income	0.4	8.1	-3.8	5.4	-0.1	24.2	3.8	2
Interest Expense	98.4	104.8	105.3	90.5	100.7	100.2	87.4	91.8
Pretax Income	145.7	-2.9	-2.6	256.8	194.7	28.5	30.5	301.5
Provision for Income Taxes	55.4	6.8	6.1	97.5	67.9	-4.1	9.5	112.1
Minority Interest	0	0	0	0	0	0	0	0
Investment Gains (Losses)	0	0	0	0	0	0	0	0
Other Income	0	0	0	0	0	0	0	0
Income Before Extraordinaries & Disc	88.5	-9.7	-8.7	159.3	127	32.6	21	189.4
Extraordinary Items & Discontinued	1	-5.7	3.9	-10.9	35	-12.6	-223.3	-90.1
Net Income	89.5	-15.4	-4.8	148.4	162	20	-202.3	99.3
Average Shares used for Diluted EPS	276.8	275.4	274.7	276.7	275.5	275.5	275.4	275.4
Average Shares used for Basic EPS	276	275.4	274.7	274.2	274	274	274	273.9
Income Before Non-Recurring Items	98.9	-6.8	6.2	170.2	126	7.9	24.3	189.4
Income From Non-Recurring Items	-10.4	-2.9	-14.9	-10.9	1	24.7	-3.3	0
EPS - Basic, net	0.3	-0.1	-0	0.5	0.6	0.1	-0.7	0.4
EPS - Diluted, net	0.3	-0.1	-0	0.5	0.6	0.1	-0.7	0.4
EPS - Diluted, before non-recurring	0.3	-0	0	0.6	0.5	0	0.1	0.7
Preferred Dividends - Acc & Pd	-	-	-	-	-	-	-	-
Dividends (common)	63.4	63.3	63.2	63.1	63.1	63.1	63.1	63.1
Dividend per share (common)	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2

CASH FLOW STATEMENT								
Net Income (Cash Flow)	217.7	128.2	143.6	148.4	79	-83	103	99.3
Depreciation, Depletion, Amortization-CF	602	450	298.1	145.9	574.9	430	287	137.4
Net Increase(decrease) in	692.2	410.8	821.9	798.6	457.4	452.6	118.5	523.9
Cash from(used in) Discontinued Oper.	-241	-223.9	-70	-51	288.6	312.3	311.5	88
Other Adjustments - Net	395.3	355.1	46.6	16	100.2	43.6	24.4	-2.6
Net Cash from (used by) Operating Act.	1666.2	1120.2	1240.2	1057.9	585.3	250.3	638.4	846
Increase/Decrease in Prop, Plant, & Equ.	-771.5	-583.3	-383.5	-204.8	-1251.8	-967.1	-422.8	-190.7
Acquisition/Disposition of Subsidiaires	0	0	0	0	0	203.2	-328.8	2.9
Increase (decrease) in Investments	39.2	61.4	54.6	52	7.5	0	0	0
Other Cash inflow from Investment Act.	77.5	19	9	-43.6	130	-205	364	83.2
Net Cash from (used by) Invesment Act.	-654.8	-502.9	-319.9	-196.4	-1114.3	-968.9	-387.6	-104.6
Issuance (purchase) of Equity Shares	8	-0.3	-0.5	-0.6	1.3	0.9	0.6	0.6
Issuance (repayment) of Debt Securities	290.2	599.2	598.6	480.3	664.7	668.2	440	-199.1
Increase (decrease) in Bank & Other	-1060.5	-963.4	-1163.5	-1163.5	102.5	202	-555	-436.3
Payment of Dividends & Other Cash	-253.3	-189.6	-126.2	-63.1	-252.4	-189.2	-126.1	-63.1
Other Cash from (used by) Financing	0	0	-0.4	0	-1.1	0	1	-0.7
Net Cash from (used by) Financing Act.	-1015.6	-554.1	-692	-746.9	515	681.9	-239.5	-698.6
Net Change in Cash & Cash Equivalents	-4.2	63.2	228.3	114.6	-14	-9.5	11.3	42.8

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ValuEngine™ DETAILED RESEARCH REPORT
NISOURCE INC(NI)

VALUENGINE SERVICE DESCRIPTIONS

Thank you for your interest in ValuEngine!

ValuEngine Detailed Valuation Report:
Advanced academic research that brings you superior investment strategies in an actionable format. The most comprehensive and useful report available. ValuEngine's three models: Valuation Model, Forecast Model and Ratings Model are incorporated to give you a well-rounded analysis from three different perspectives. Consensus EPS trend and Earnings Surprise statistics provide additional insights. Also, detailed Company Profile, ValuEngine Fair Valuation; 1-3-6 month and 1-2-3 yr forecasts, ValuEngine 1-5 Engine Rating, Multi-stock comparison, Financials, Earnings Estimates, Risk Assessment, Data Summary and much more. More report information: http://www.valuengine.com/rep/mainrep

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ValuEngine™ DETAILED RESEARCH REPORT

NISOURCE INC(NI)

VALUENGINE'S METHODOLOGY

ValuEngine's research combines the most advanced academic concepts with real world Wall Street practice. The result is state-of-the-art fair market valuation and price forecasting technologies.

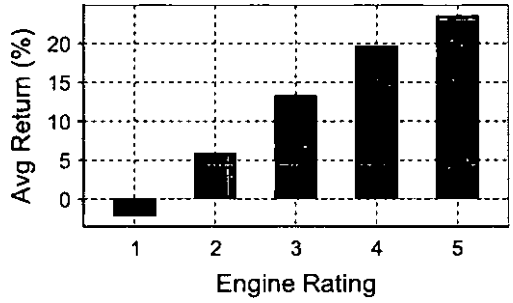
ValuEngine's stock valuation employs a sophisticated, three-factor approach. Fundamental variables, such as a company's trailing 12-month Earnings-Per-Share (EPS), the analyst consensus estimate of the company's future 12-month EPS, and the 30-year Treasury yield, are all used to create a more accurate reflection of a company's fair value. Together with eleven additional variables, ValuEngine paints a detailed picture of a company's fair value, represented by the model price.

ValuEngine's stock forecasts examine, among other things, short-term price reversals, intermediate-term momentum continuation, and long-term price reversals over six time horizons for every industry to ensure forecasts are established relative to a stock's proper peer groups. Advanced statistical/econometric techniques are used to run thousands of simulations estimating the probability of a double in stock price, as well as the probability of meeting and exceeding any given portfolio or stock investment target.

The stock's engine rating is an assessment of its overall attractiveness. It combines valuation, risk-return trade-off, momentum, market capitalization and forecasted future returns. Only two percent of the stock universe receives the highest 5-engine rating. The lowest rating is a single engine.

For more information on ValuEngine, its models and performance, go to www.ValuEngine.com

Engine Rating and Average Annual Return
(Jan 1990 - Apr 2010)



DISCLOSURES

ValuEngine offers equity recommendations and related return estimates to investors and their advisors. It uses a three-class Buy-Hold-Sell rating system. This is a consolidated version of the firm's five class rating system: most favorable and favorable ratings are buys; neutral ratings are holds and the categories unfavorable and most unfavorable are sells.

STOCK RATINGS: The terms below are used to rate a stock's 12-month performance:

1. Buy: Expected to outperform the SP500 producing above average returns.
2. Hold: Expected to perform in line with the SP500 with average returns.
3. Sell: Expected to underperform the SP500 producing below-average returns.

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ValuEngine™ DETAILED RESEARCH REPORT

NISOURCE INC(NI)

May. 12, 2010

VALUENGINE RECOMMENDATION & BASIC INFORMATION

RECOMMENDATION

NEGATIVE	NEUTRAL	POSITIVE
underperform	match	outperform

VALUENGINE RATING

√√√

RECOMMENDATION FACTORS

	Value	Rank
Overall Rank		top 18%
Fair Value	$12.52	btm 16%
1Yr Target Price	$15.75	top 14%
P/E Ratio	13.63	top 25%
Last 1-Y Return	51.77%	top 32%
Market Cap(bil)	$4.41	top 13%

BASIC INFORMATION

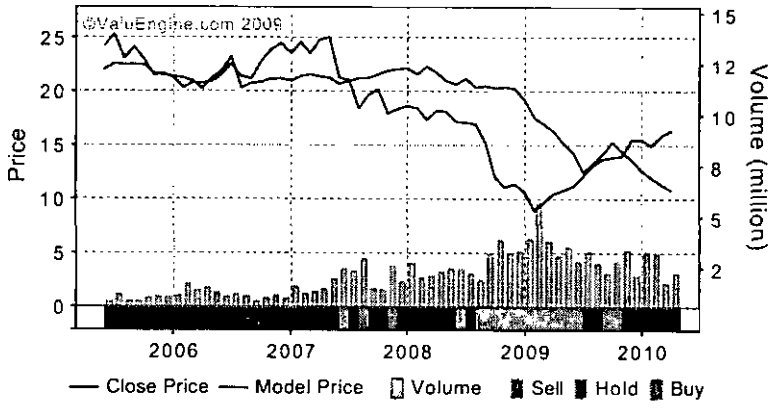
Last Trade	$15.89
Trade Date	05/11/10
Market Cap(bil)	$4.40855
Trailing P/E	13.63
Forward P/E	18.93
PEG Ratio	n/a
P/S Ratio	0.74
M/B Ratio	1,574.48
Sharpe Ratio	-0.35
5-Y Avg Ann Return	-8.33%
Volatility	23.62%
EPS Growth	-28.02%
Annual Dividend	$0.92
Dividend Yield	5.79%
LT Debt/Equity	2,129.96
Beta	0.86

VALUATION ANALYSIS

NI	Today's Fair value: $12.52 26.93% overvalued
Industry	Electrical Utilities 2.11% undervalued
Sector	Public Utilities 1.45% overvalued

FORECAST ANALYSIS

	Target Price	Exp. Return
1-Month	$15.89	-0.01%
3-Month	$15.73	-1.01%
6-Month	$15.67	-1.38%
1-Year	$15.75	-0.89%
2-Year	$17.04	7.23%
3-Year	$19.21	20.88%



VALUENGINE RECOMMENDATION

ValuEngine has issued a HOLD recommendation for NISOURCE INC on May. 12, 2010. Based on the information we have gathered and our resulting research, we feel that NISOURCE INC has the probability to ROUGHLY MATCH average market performance for the next year. The company exhibits ATTRACTIVE volatility and company size, but UNATTRACTIVE expected EPS growth and market valuation.

RATING OVERVIEW

The ValuEngine Rating is an overall assessment of a stock's attractiveness. It combines the following five factors:

1. Fair market valuation
2. 1 year forecasted returns
3. Price/Earnings ratio
4. Momentum
5. Market capitalization

Only two percent of the over 4,000 stocks that we cover receive the highest 5 rating. The ratings are the result of the cumulative of the above factors. As such, stocks with relatively poor results for any one of the five variables can still be attractive if the other four factors are strong enough. Top 5 rated stocks can be expected to outperform the overall market by 15% or more, with average annualized returns from Jan. 2000 through Jan. 2006 of over 30% per year.

FAIR MARKET VALUATION PRICE

Based on available data as of May. 12, 2010, we believe that NI should be trading at $12.52. This makes NI 26.93% overvalued. Fair Value indicates what we believe the stock should be trading at today if the stock market were perfectly efficient and everything traded at its true worth. For NI, we base this on actual earnings per share (EPS) for the previous four quarters of $1.17, forecasted EPS for the next four quarters of $0.84, and correlations to the 30-year Treasury bond yield of 4.42%. There are an additional 10 firm specific and interest rate related parameters, each playing a role in the valuation analysis.

FORECASTED TARGET PRICES

The predictive variables used in Valuengine's forecast target price models include both proprietary and well-established forecasting variables derived from credible financial research studies and publications. Our forecasting models capture, among other things, several important tendencies that stock prices consistently exhibit: Short-term price reversals, Intermediate-term momentum continuation, and Long-term price reversals. We use a distinct forecasting model for each time horizon and for every industry. We then apply the most advanced statistical/econometric techniques to ensure that our stock return forecasts are as reliable as possible.

Contact ValuEngine:

ValuEngine, Inc.
41 University Drive, Suite 400
Newtown, PA 18940, U.S.A.
(800) 381-5576 (T)
support@ValuEngine.com
www.ValuEngine.com

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ValuEngine™ DETAILED RESEARCH REPORT

NISOURCE INC(NI)

BUSINESS SUMMARY, DATA SUMMARY & MARKET RATIO BASED VALUATION

BUSINESS SUMMARY

NiSource Inc., formerly NIPSCO Industries, Inc., is an energy and utility-based holding company headquartered in Merrillville, Indiana, that provides natural gas, electricity and water to the public for residential, commercial and industrial uses. NiSource operating companies deliver energy to millions of customers located within the high-demand energy corridor stretching from the Gulf Coast through the Midwest to New England.

OPTIMAL BUY-SELL

Based solely on the Historical Mispricing of NI, the best time to buy would be below $11.27 (or valuation below -10.00%). The best time to sell would be above $15.02 (or valuation above 20.00%).

EVALUATION & RANKINGS

	Value	Rank
Valuation	26.93%	16
12-Month Return	51.77%	69
5-Y Avg Ann Rtn	-8.33%	39
Volatility	23.62%	95
EPS Growth	-28.02%	7
Market Cap(bill)	4.41	88
Sharpe Ratio	-0.35	23
P/S Ratio	0.74	70
M/B Ratio	1,574.48	28
P/E Ratio	13.63	76

EVALUATION & RANKINGS SUMMARY

Just as important as the percentages shown for our ten predictive variables for each stock is the way they are ranked against the 7000 plus stocks in our database. This is sometimes confusing to newcomers to ValuEngine. Each of these quantitative measurements is ranked on a scale of 1 to 100. Generally the higher the ranking, the more positive the influence each measurement has on the overall attractiveness of the stock. In other words a high rank is always better. Let's take them one by one:

- Valuation rank 16: 84% of stocks are more undervalued
- Momentum rank 69: 31% of stocks have higher momentum
- Sharpe Ratio rank 23: 77% of stocks have a higher Sharpe Ratio
- 5-Year Average Annual Return 39: 61% of stocks have higher average annual return
- Volatility rank 95: 5% of stocks have less volatility
- EPS growth rank 7: 93% of stocks have greater projected EPS growth
- Size rank 88: 12% of companies have higher market capitalization
- P/E rank 76: 24% of stocks have lower P/E ratios
- Price/Sales rank 70: 30% of stocks have lower price/sales ratios
- Market/Book rank 28: 72% of stocks have lower market/book value ratios

MARKET RATIO BASED VALUATION

Portfolio managers and professionals traditionally rely on market ratios to gauge whether a stock is fair valued or overvalued. On this page, we present such a valuation based on one of three market ratios: PEG (price to trailing 4 quarter earnings ratio, divided by the consensus analyst forecasted next year EPS growth), P/E (price to forward 4 quarter earnings ratio), and P/S ratio (price to trailing 4 quarter sales). Among the three, PEG is the most informative as it reflects both the price/earnings ratio and expected future EPS growth, while P/E is better than P/S. For each given stock, we apply the PEG to give a fair value assessment if both its trailing 4 quarter EPS and forecasted EPS growth rate are positive. If its forecasted EPS growth is negative but its forward 4 quarter EPS is positive, we apply the P/E to give a fair value for the stock as of today. Otherwise, we resort to the P/S to assess its fair value.

To establish a valuation standard, we use both (i) the average historical market ratio of the stock over the past 10 years (or however long there is data available for the stock), and (ii) the average market ratio today of five comparable stocks in the same sector and from companies of similar size. These two alternative perspectives should give you a good idea about where this stock's valuation stands today.

1. Valuation Based on NI's Past PE

Over the past 10 years, NI's average PE is 13.25. NI earned $1.17 per share in its recent 4 quarters. The analyst consensus estimate is $0.84 for its 4 quarter forward EPS. NI's current price sales ratio is 0.74. The following assessment is based on multiplying the historical PE with next 4 quarter EPS for NI.

Fair Value	
Historical Average PE	13.25
PE-Based Fair Value	$11.12

2. Valuation Based on Comparables' PE

NI's comparables are NST, NU, PNW, SCG and TAC. The current PE average of these comparables is 13.63. NI earned $1.17 per share in its recent 4 quarters. The analyst consensus estimate is $0.84 for its 4-quarter-forward EPS. NI's current price sales ratio is 0.74. The following assessment is based on multiplying comparable stocks' average PE today with NI's next 4 quarter EPS.

Comparables' PE

Comparables	Current PE
NST	14.13
NU	13.07
PNW	11.95
SCG	12.33
TAC	16.67

Fair Value	
Comparable Stocks' Avg PE	13.63
Comparable PE-Based Fair Value	$11.44

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ValuEngine™ DETAILED RESEARCH REPORT

NISOURCE INC(NI)

VALUENGINE RANKINGS

Just as important as the percentages shown for our ten predictive variables for each stock is the way they are ranked against the 7000 plus stocks in our database. Each of these quantitative measurements is ranked on a scale of 1 to 100. Generally the higher the ranking, the more positive the influence each measurement has on the overall attractiveness of the stock. In other words a high rank is always better. The below data points show how the rank for each data point for NI relates to the overall industry, sector, and S&P 500 averages.

Valuation		Rank
NI	26.93%	16
Industry	-2.11%	52
Sector	1.45%	49
S&P 500	-0.17%	47

The ValuEngine Valuation Rank measures the relationship between a company's stock price and its Fair Value. The higher the Valuation rank, the more undervalued the stock. With a Valuation Rank of 16, NI is substantially lower than the average of its industry group, which carries a Valuation Rank of 52.

12-Month Return		Rank
NI	51.77%	69
Industry	22.35%	43
Sector	26.88%	44
S&P 500	27.12%	47

The ValuEngine 12-Month Return Rank reflects the relative stock performance of a stock over the recent 12 months. On a scale of 1 to 100, a higher 12-Month Return rank indicates a stronger performance. With a 12-Month Return Rank of 69, NI is moderately higher than the industry's rank score of 43.

5-Y Avg Ann Rtn		Rank
NI	-8.33%	39
Industry	-1.99%	56
Sector	-2.32%	56
S&P 500	-0.51%	56

The ValuEngine 5-Years Average Return Rank reflects a stock's average annual return over the last 5 years, in comparison with the coverage universe. A higher rank indicates a better return performance. With a rank of 39, NI is slightly lower than the industry, which has a rank of 56.

Volatility		Rank
NI	23.62%	95
Industry	36.31%	80
Sector	47.55%	72
S&P 500	19.50%	98

The ValuEngine Volatility Rank reflects the volatility associated with the stock. A higher Volatility Rank indicates a lower volatile percentile of stocks. NI has a Volatility Rank of 95, which is slightly higher than the industry Rank of 80.

EPS Growth		Rank
NI	-28.02%	7
Industry	20.98%	33
Sector	17.44%	34
S&P 500	28.85%	53

The ValuEngine EPS Growth Rank indicates a stock's expected EPS growth rate. A high rank indicates a high growth rate expectation. NI has an EPS Growth Rank of 7.This is moderately lower than the industry rank of 33.

Market Cap(bill)		Rank
NI	4.41	88
Industry	6.03	78
Sector	8.39	74
S&P 500	n/a	n/a

The ValuEngine Size rank signifies the company's size in terms of market capitalization. A higher rank denotes a larger market capitalization within ValuEngine's stock universe. With a Size rank of 88, NI is in line with the industry, which has a rank of 78.

Sharpe Ratio		Rank
NI	-0.35	23
Industry	0	57
Sector	-0.02	56
S&P 500	-0.03	54

The ValuEngine Sharpe Ratio Rank measures the risk return tradeoff offered by a stock. Sharpe ratio is the stock's average annual return (over the last five years) divided by its annualized volatility over the same 5 years. With a rank of 23, NI is substantially lower than the industry, which has a rank of 57.

P/S Ratio		Rank
NI	0.74	70
Industry	3.11	55
Sector	2.46	55
S&P 500	n/a	n/a

The ValuEngine Price/Sales rank signifies the relative position of the company based on its P/S ratio. Stocks with the lowest P/S ratio are assigned a rank of 100 while stocks with the highest P/S ratio are ranked 1. At a Price/Sales rank of 70, NI is slightly higher than the industry rank of 55.

M/B Ratio		Rank
NI	1,574.48	28
Industry	9.98	68
Sector	13.47	65
S&P 500	n/a	n/a

The Market/Book Rank is a measure of a stock's market to book ratio relative to the stock universe. A higher rank corresponds to a lower market book value. NI has a Market/Book rank of 28, which is substantially lower than the industry rank of 68.

P/E Ratio		Rank
NI	13.63	76
Industry	14.88	70
Sector	16.67	66
S&P 500	17.26	65

The ValuEngine P/E Rank signifies the relative standing of a company on its P/E ratio, relative to the universe. Stocks in the top P/E percentile are each assigned a rank of 1(highest P/E stocks) while those in the bottom P/E percentile are assigned a rank of 100 (traditional value stocks). With a P/E rank of 76, NI is in line with the industry P/E rank of 70.

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ValuEngine™ DETAILED RESEARCH REPORT

NISOURCE INC(NI)

COMPARISON OF SIMILAR STOCKS* & RISK ASSESSMENT

Valuation		Rank
NI	26.93%	16
TAC	-13.89%	68
SCG	-2.35%	51
NU	-9.31%	61
NST	6.54%	37

12-Month Return		Rank
NI	51.77%	69
TAC	16.40%	35
SCG	28.22%	48
NU	30.40%	50
NST	24.27%	44

5-Y Avg Ann Rtn		Rank
NI	-8.33%	39
TAC	1.09%	60
SCG	-1.95%	52
NU	6.30%	75
NST	4.78%	70

Volatility		Rank
NI	23.62%	95
TAC	27.15%	91
SCG	19.80%	98
NU	23.13%	95
NST	20.47%	97

EPS Growth		Rank
NI	-0.28	7
TAC	0.16	40
SCG	0.04	22
NU	0.12	35
NST	0.12	35

Market Cap(bill)		Rank
NI	4.41	88
TAC	4.37	88
SCG	4.62	88
NU	4.66	88
NST	3.88	87

Sharpe Ratio		Rank
NI	-0.35	23
TAC	0.04	62
SCG	-0.1	46
NU	0.27	85
NST	0.23	82

P/S Ratio		Rank
NI	0.74	70
TAC	1.68	44
SCG	1.09	58
NU	0.86	65
NST	1.35	51

M/B Ratio		Rank
NI	1,574.48	28
TAC	2.09	87
SCG	2.82	85
NU	4.77	80
NST	36.35	64

P/E Ratio		Rank
NI	13.63	76
TAC	19.31	60
SCG	12.77	79
NU	14.66	73
NST	15.8	69

FORECAST COMPARISONS

RETURN FORECAST: EXPECTED RETURN

	NI	NST	NU	SCG	TAC
One-Month	-0.01%	-0.31%	-0.17%	-0.01%	-0.53%
Three-Month	-1.01%	-1.39%	-1.15%	-0.67%	-2.22%
Six-Month	-1.38%	-1.82%	-0.95%	-0.30%	-2.36%
One-Year	-0.89%	-1.02%	0.50%	1.93%	-2.85%
Two-Year	7.23%	4.77%	6.68%	10.37%	-0.94%
Three-Year	20.88%	15.92%	18.42%	23.22%	6.93%

RISK ASSESSMENT: CHANCE OF GAIN

	NI	NST	NU	SCG	TAC
One-Month	49.93%	47.91%	49.00%	49.91%	47.33%
Three-Month	46.60%	44.58%	46.06%	47.31%	43.49%
Six-Month	46.70%	45.00%	47.69%	49.16%	45.11%
One-Year	48.50%	48.01%	50.86%	53.89%	45.82%
Two-Year	58.57%	56.54%	58.09%	64.44%	49.02%
Three-Year	69.51%	67.33%	67.71%	75.09%	55.86%

RISK ASSESSMENT: CHANCE OF LOSS

	NI	NST	NU	SCG	TAC
One-Month	50.07%	52.09%	51.00%	50.09%	52.67%
Three-Month	53.40%	55.42%	53.94%	52.69%	56.51%
Six-Month	53.30%	55.00%	52.31%	50.84%	54.89%
One-Year	51.50%	51.99%	49.14%	46.11%	54.18%
Two-Year	41.43%	43.46%	41.91%	35.56%	50.98%
Three-Year	30.49%	32.67%	32.29%	24.91%	44.14%

*** Comparables are companies in the same Sector and Industry and of approximately similar market capitalization value.**

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ValuEngine™ DETAILED RESEARCH REPORT

NISOURCE INC(NI)

ANNUAL FINANCIALS (All items in Millions)

BALANCE SHEET	200912	200812	200712	200612	200512	200412	200312	200212
Cash	191.1	307.2	95.4	175.6	103.3	86.4	50.1	56.2
Marketable Securities	0	0	0	0	0	0	0	0
Receivables	833.5	1142.5	1159.9	1118.6	1254.6	536.7	814.3	885.3
Inventory	547	670.7	604.7	703.4	1045.6	846.7	529.9	510.1
Raw Materials	547	670.7	–	–	–	–	–	–
Work in Progress	–	–	–	–	–	–	–	–
Finished Goods	–	–	–	–	–	–	–	–
Notes Receivable	0	0	0	0	0	0	0	0
Other Current Assets	652	1290.4	594.9	785.3	657.2	815.8	668.6	416.9
Total Current Assets	**2223.6**	**3410.8**	**2454.9**	**2782.9**	**3060.7**	**2285.6**	**2062.9**	**1868.5**
Property, Plant & Equipment	19037.6	18468.9	17543.5	17194.9	16684.4	16632.3	16400.8	18188.9
Accumulated Depreciation	8353.7	8080.8	7850.5	7850	7556.8	7247.6	7095.9	8120.9
Net Property, Plant & Equipment	10683.9	10388.1	9693	9344.9	9127.6	9384.7	9304.9	10068
Investment & Advances	129.2	117.9	456	465.7	540.9	204	187.1	274.8
Other non-current Assets	422.1	333.3	41.2	43	34.6	0	0	0
Deferred Charges	1796.2	1763.9	1004.7	1297.5	753.7	189.5	147.8	195
Intangibles	3996.9	4007.9	4099.3	4113	4173.1	4207.5	4231.2	3764.9
Deposits & other assets	19.8	10.3	255.7	109.5	267.9	716.7	689.9	725.7
TOTAL ASSETS	19271.7	20032.2	18004.8	18156.5	17958.5	16988	16623.8	16896.9
Notes Payable	0	0	1061	1193	898	307.6	685.5	913.1
Accounts Payable	724.3	1248.8	1161.5	713.1	866.7	648.4	496.6	521.6
Current Portion of Long-term Debt	822.3	1632.8	33.9	93.3	440.7	1299.9	118.3	1232.6
Current Portion of Capital Leases	0	0	0	0	0	0	0	0
Accrued Expenses	459.3	613.9	802.7	834.1	913.9	808.9	557.2	601.6
Income Taxes Payable	212.9	206.5	0	0	0	0	210.8	242.1
Other Current Liabilities	930.8	881.4	333.5	987.7	723.9	537.4	540.6	666.4
Total Current Liabilities	**3149.6**	**4583.4**	**3392.6**	**3821.2**	**3843.2**	**3602.2**	**2609**	**4177.4**
Mortgages	0	0	0	0	0	0	0	0
Deferred Charges (taxes/income)	2138.7	1678.8	3068.4	3010.2	1803.3	1889.7	1868.9	2408.4
Convertible Debt	0	0	0	0	0	0	0	0
Long Term Debt	5965.1	5943.9	5594.4	5146.2	5271.2	4835.9	5993.4	5018
Non-Current Capital Leases	0	0	0	0	0	0	0	0
Other Long-Term Liabilities	3164.2	3097.3	872.8	1165.3	2026.7	1792	1655.5	688.3
Minority Interest (liabilities)	0	0	0	0	0	0	0	345
Total Liabilities	**14417.6**	**15303.4**	**12928.2**	**13142.9**	**12944.4**	**12119.8**	**12126.8**	**12637.1**
Preferred Stock	0	0	0	0	81.1	81.1	81.1	84.9
Common Stock, Net	2.8	2.7	2.7	2.7	2.7	2.7	0	0
Capital Surplus	4057.6	4020.3	4011	3998.3	3969.4	3924	0	0
Retained Earnings	865.5	901.1	1074.5	1012.9	981.6	925.4	0	0
Treasury Stock	25.9	23.3	23.3	21.2	0	0	0	0
Other Equity	-45.9	-172	11.7	20.9	-20.7	-65	0	0
Total Shareholders' Equity	**4854.1**	**4728.8**	**5076.6**	**5013.6**	**5014.1**	**4868.2**	**4497**	**4259.8**
Total Liabilites & Shareholders Equity	**19271.7**	**20032.2**	**18004.8**	**18156.5**	**17958.5**	**16988**	**16623.8**	**16896.9**

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ValuEngine™ DETAILED RESEARCH REPORT

NISOURCE INC(NI)

ANNUAL FINANCIALS (All items in Millions)

INCOME STATEMENT	200912	200812	200712	200612	200512	200412	200312	200212
Net Sales or Revenues	6649.4	8874.2	7939.8	7490	7899.1	6666.2	6246.6	6492.3
Cost of Goods Sold	4971.4	7086.5	4676.1	4365.4	4749.3	3610.5	3186.3	3163.3
Gross Profit	1678	1787.7	3263.7	3124.6	3149.8	3055.7	3060.3	3329
Research & Development Expense	0	0	0	0	0	0	0	0
Selling, General & Admin. Expense	303.1	315.1	1771.2	1679	1629.6	1477.1	1471.9	1579.5
Income Before Depr., Depl., Amort.	1374.9	1472.6	1492.5	1445.6	1520.2	1578.6	1588.4	1749.5
Depreciation, Depletion, Amort.	589	567.2	559.2	549.2	545.2	509.7	497	574
Non-Operating Income	10.1	29.9	-48.5	-24.7	-121	6.1	33.2	10.2
Interest Expense	399	380.1	400.7	387.4	421	403.9	464.7	526.1
Pretax Income	397	555.2	484.1	484.3	433	671.1	659.9	659.6
Provision for Income Taxes	165.8	185.4	172.1	170.8	149.4	240.9	234.2	233.9
Minority Interest	0	0	0	0	0	0	0	0
Investment Gains (Losses)	0	0	0	0	0	0	0	0
Other Income	0	0	0	0	0	0	0	0
Income Before Extraordinaries & Disc.	231.2	369.8	312	313.5	283.6	430.2	425.7	425.7
Extraordinary Items & Discontinued	-13.5	-290.8	9.4	-31.3	22.9	6.1	-340.5	-53.2
Net Income	217.7	79	321.4	282.2	306.5	436.3	85.2	372.5
Average Shares used for Diluted EPS	275.8	275.4	273.8	272.6	271.3	265.5	261.6	212.8
Average Shares used for Basic EPS	275.1	274	273.8	272.6	271.3	263.7	259.6	211
Income Before Non-Recurring Items	295.3	348.5	375.8	388.5	375.4	430.2	425.7	425.7
Income From Non-Recurring Items	-64.1	21.3	-53.8	0	-91.8	0	0	0
EPS - Basic, net	0.8	0.3	1.2	1.4	1	1.7	0.3	1.8
EPS - Diluted, net	0.8	0.3	1.2	1.4	1	1.6	0.3	1.8
EPS - Diluted, before non-recurring	1.1	1.3	1.4	1.4	1.4	1.6	1.6	2
Preferred Dividends - Acc & Pd	—	—	—	—	24.4	-1.4	-0.5	1.1
Dividends (common)	253.7	252.3	252.2	251.2	250.8	242.5	288.7	282.8
Dividend per share (common)	0.9	0.9	0.9	0.9	0.9	0.9	1.1	1.2

CASH FLOW STATEMENT								
Net Income (Cash Flow)	217.7	79	321.4	282.2	306.5	436.3	85.2	372.5
Depreciation, Depletion, Amortization-CF	602	574.9	566.5	556.9	562.7	531.3	515.9	574
Net Increase(decrease) in	692.2	-457.4	-133.6	410.3	-223	-34.1	-387.8	165.6
Cash from(used in) Discontinued Oper.	-241	288.6	-9.1	36.1	68.3	-3.9	199	-16.2
Other Adjustments - Net	395.3	100.2	12	-129.3	-2.2	93.2	60.6	76.5
Net Cash from (used by) Operating Act.	1666.2	585.3	757.2	1156.2	712.3	1022.8	472.9	1172.4
Increase/Decrease In Prop, Plant, & Equ.	-771.5	-1251.8	-788.3	-637.4	-590.4	-517	-574.6	-202.7
Acquisition/Disposition of Subsidiaires	0	0	0	0	-0.1	0	0	0
Increase (decrease) in Investments	39.2	7.5	0	0	0	0	0	0
Other Cash inflow from Investment Act.	77.5	130	106.9	-95.1	18.4	-2.1	568.9	0
Net Cash from (used by) Invesment Act.	-654.8	-1114.3	-681.4	-732.5	-572.1	-519.1	-5.7	-202.7
Issuance (purchase) of Equity Shares	8	1.3	6.1	-65.8	38.4	156.7	6	681.3
Issuance (repayment) of Debt Securities	290.2	664.7	345.7	-438.7	-464.6	-414.5	34.6	-532.1
Increase (decrease) in Bank & Other	-1060.5	102.5	-132	296.4	576.2	0	-227.6	-941.2
Payment of Dividends & Other Cash	-253.3	-252.4	-252.1	-251.9	-250.3	-243.1	-284	-241.5
Other Cash from (used by) Financing	0	-1.1	-40.6	0	0	0	0	0
Net Cash from (used by) Financing Act.	-1015.6	515	-72.9	-460	-100.3	-500.9	-471	-1033.5
Net Change in Cash & Cash Equivalents	-4.2	-14	2.9	-36.3	39.9	2.8	-3.8	-63.8

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ValuEngine™ DETAILED RESEARCH REPORT

NISOURCE INC(NI)

QUARTERLY FINANCIALS (All items in Millions)

BALANCE SHEET	200912	200909	200906	200903	200812	200809	200806	200803
Cash	191.1	148.3	313.1	452	307.2	269	47.2	81.2
Marketable Securities	0	0	0	0	0	0	0	0
Receivables	833.5	738	544.7	910.7	1142.5	586.8	1201.2	1475.3
Inventory	547	691.8	426.6	259.3	670.7	838	400.5	213.3
Raw Materials	547	691.8	426.6	259.3	670.7	838	--	--
Work in Progress	--	--	--	--	--	--	--	--
Finished Goods	--	--	--	--	--	--	--	--
Notes Receivable	0	0	0	0	0	0	0	0
Other Current Assets	652	985.1	1152.3	1010.4	1290.4	1432.2	1031.5	751.7
Total Current Assets	**2223.6**	**2563.2**	**2436.7**	**2632.4**	**3410.8**	**3126**	**2680.4**	**2521.5**
Property, Plant & Equipment	19037.6	18868.4	18776	18610.8	18468.9	18227.7	18040.9	17428
Accumulated Depreciation	8353.7	8286.3	8232.9	8134.1	8080.8	8078	7982.5	7819.1
Net Property, Plant & Equipment	10683.9	10582.1	10543.1	10476.7	10388.1	10261.8	10058.4	9608.9
Investment & Advances	129.2	128.2	111.6	115.7	117.9	119.8	178.5	180.5
Other non-current Assets	422.1	402.8	397.4	364.9	333.3	242.4	299.2	536.3
Deferred Charges	1796.2	1704.6	1722.9	1745.6	1763.9	940.4	999.7	995.2
Intangibles	3996.9	3999.7	4002.4	4005.1	4007.9	4010.7	4013.4	4016.1
Deposits & other assets	19.8	10.5	9.2	9.6	10.3	188.2	386.6	328.2
TOTAL ASSETS	19271.7	19391.1	19223.3	19350	20032.2	19097.8	18616.2	18186.7
Notes Payable	0	0	0	0	0	0	506	624.7
Accounts Payable	724.3	454.1	560.3	870.6	1248.8	1147.7	1352.2	1327.2
Current Portion of Long-term Debt	822.3	633.8	424	436	1632.8	1282.9	43.1	89.3
Current Portion of Capital Leases	0	0	0	0	0	0	0	0
Accrued Expenses	459.3	450.2	381.7	392.4	613.9	488.4	642.5	852
Income Taxes Payable	212.9	148	209.1	259.4	206.5	145.1	0	0
Other Current Liabilities	930.8	1223.6	1367.3	1319.6	881.4	955.1	1105	860.1
Total Current Liabilities	**3149.6**	**2909.7**	**2942.4**	**3278**	**4583.4**	**4019.2**	**3648.8**	**3753.3**
Mortgages	0	0	0	0	0	0	0	0
Deferred Charges (taxes/income)	2138.7	2120.8	1795.3	1733.6	1678.8	1669.9	3085	2969.4
Convertible Debt	0	0	0	0	0	0	0	0
Long Term Debt	5965.1	6560.7	6564.4	6451.9	5943.9	6323.3	6059.9	5383
Non-Current Capital Leases	0	0	0	0	0	0	0	0
Other Long-Term Liabilities	3164.2	3060.1	3128.8	3148.8	3097.3	2414.6	1011.6	1016.8
Minority Interest (liabilities)	0	0	0	0	0	0	0	0
Total Liabilities	**14417.6**	**14651.3**	**14430.9**	**14612.3**	**15303.4**	**14427**	**13805.3**	**13122.5**
Preferred Stock	0	0	0	0	0	0	0	0
Common Stock, Net	2.8	2.8	2.8	2.7	2.7	2.7	2.7	2.7
Capital Surplus	4057.6	4043.2	4032.7	4023	4020.3	4017.8	4015.4	4013.2
Retained Earnings	865.5	776.3	855.1	923.3	901.1	739.1	782.2	1047.5
Treasury Stock	25.9	24.2	24.2	24.1	23.3	23.5	23.4	23.3
Other Equity	-45.9	-58.3	-74	-187.2	-172	-65.3	34	24.1
Total Shareholders' Equity	**4854.1**	**4739.8**	**4792.4**	**4737.7**	**4728.8**	**4670.8**	**4810.9**	**5064.2**
Total Liabilites & Shareholders Equity	**19271.7**	**19391.1**	**19223.3**	**19350**	**20032.2**	**19097.8**	**18616.2**	**18186.7**

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ValuEngine™ DETAILED RESEARCH REPORT

NISOURCE INC(NI)

QUARTERLY FINANCIALS (All items in Millions)

INCOME STATEMENT	200912	200909	200906	200903	200812	200809	200806	200803
Net Sales or Revenues	1684.7	884.8	1009.2	2722.3	2385.5	1409.1	1792.1	1041.2
Cost of Goods Sold	1552.2	584.2	701.9	2133.1	2610.4	1105.8	1121.8	2248.5
Gross Profit	483	300.6	307.3	587.1	-227.1	303.3	670.3	1041.2
Research & Development Expense	0	0	0	0	0	0	0	0
Selling, General & Admin. Expense	91	58.1	52.6	101.4	666.3	58.6	408.5	514.3
Income Before Depr., Depl., Amort.	392	242.5	254.7	485.7	439.2	244.7	261.8	526.9
Depreciation, Depletion, Amort.	148.3	148.7	148.2	143.8	142.9	141	147.7	135.6
Non-Operating Income	0.4	8.1	-3.8	5.4	-0.1	24.2	3.8	2
Interest Expense	98.4	104.8	105.3	90.5	100.7	100.2	87.4	91.8
Pretax Income	145.7	-2.9	-2.6	256.8	194.7	28.5	30.5	301.5
Provision for Income Taxes	55.4	6.8	6.1	97.5	67.9	4.1	9.5	112.1
Minority Interest	0	0	0	0	0	0	0	0
Investment Gains (Losses)	0	0	0	0	0	0	0	0
Other Income	0	0	0	0	0	0	0	0
Income Before Extraordinaries & Disc	88.5	-9.7	-8.7	159.3	127	32.6	21	189.4
Extraordinary Items & Discontinued	1	-5.7	3.9	-10.9	35	-12.6	-223.3	-90.1
Net Income	89.5	-15.4	-4.8	148.4	162	20	-202.3	99.3
Average Shares used for Diluted EPS	276.8	275.4	274.7	276.7	275.5	275.5	275.4	275.4
Average Shares used for Basic EPS	276	275.4	274.7	274.2	274	274	274	273.9
Income Before Non-Recurring Items	98.9	-6.8	6.2	170.2	126	7.9	24.3	189.4
Income From Non-Recurring Items	-10.4	-2.9	-14.9	-10.9	1	24.7	-3.3	0
EPS - Basic, net	0.3	-0.1	-0	0.5	0.6	0.1	-0.7	0.4
EPS - Diluted, net	0.3	-0.1	-0	0.5	0.6	0.1	-0.7	0.4
EPS - Diluted, before non-recurring	0.3	-0	0	0.6	0.5	0	0.1	0.7
Preferred Dividends - Acc & Pd	–	–	–	–	–	–	–	–
Dividends (common)	63.4	63.3	63.2	63.1	63.1	63.1	63.1	63.1
Dividend per share (common)	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2

CASH FLOW STATEMENT								
Net Income (Cash Flow)	217.7	128.2	143.6	148.4	79	-83	-103	99.3
Depreciation, Depletion, Amortization-CF	602	450	298.1	145.9	574.9	430	287	137.4
Net Increase(decrease) in	692.2	410.8	821.9	798.6	-457.4	-452.6	118.5	523.9
Cash from(used in) Discontinued Oper.	-241	-223.9	-70	-51	288.6	312.3	311.5	88
Other Adjustments - Net	395.3	355.1	46.6	16	100.2	43.6	24.4	-2.6
Net Cash from (used by) Operating Act.	1666.2	1120.2	1240.2	1057.9	585.3	250.3	638.4	846
Increase/Decrease in Prop, Plant, & Equ.	-771.5	-583.3	-383.5	-204.8	-1251.8	-967.1	-422.8	-190.7
Acquisition/Disposition of Subsidiaires	0	0	0	0	0	203.2	-328.8	2.9
Increase (decrease) in Investments	39.2	61.4	54.6	52	7.5	0	0	0
Other Cash inflow from Investment Act.	77.5	19	9	-43.6	130	-205	364	83.2
Net Cash from (used by) Invesment Act.	-654.8	-502.9	-319.9	-196.4	-1114.3	-968.9	-387.6	-104.6
Issuance (purchase) of Equity Shares	8	-0.3	-0.5	-0.6	1.3	0.9	0.6	0.6
Issuance (repayment) of Debt Securities	290.2	599.2	598.6	480.3	664.7	668.2	440	-199.1
Increase (decrease) in Bank & Other	-1060.5	-963.4	-1163.5	-1163.5	102.5	202	-555	-436.3
Payment of Dividends & Other Cash	-253.3	-189.6	-126.2	-63.1	-252.4	-189.2	-126.1	-63.1
Other Cash from (used by) Financing	0	0	-0.4	0	-1.1	0	1	-0.7
Net Cash from (used by) Financing Act.	-1015.6	-554.1	-692	-746.9	515	681.9	-239.5	-698.6
Net Change in Cash & Cash Equivalents	-4.2	63.2	228.3	114.6	-14	-9.5	11.3	42.8

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ValuEngine™ DETAILED RESEARCH REPORT

NISOURCE INC(NI)

VALUENGINE SERVICE DESCRIPTIONS

Thank you for your interest in ValuEngine!

ValuEngine Detailed Valuation Report:
Advanced academic research that brings you superior investment strategies in an actionable format. The most comprehensive and useful report available. ValuEngine's three models: Valuation Model, Forecast Model and Ratings Model are incorporated to give you a well-rounded analysis from three different perspectives. Consensus EPS trend and Earnings Surprise statistics provide additional insights. Also, detailed Company Profile, ValuEngine Fair Valuation; 1-3-6 month and 1-2-3 yr forecasts, ValuEngine 1-5 Engine Rating, Multi-stock comparison, Financials, Earnings Estimates, Risk Assessment, Data Summary and much more. More report information: http://www.valuengine.com/rep/mainrep

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VEI is a software package designed to meet the demanding requirements of Finance Professionals. VEI deploys the power of ValuEngine's quant-based valuation, forecast, portfolio creation/optimization, customization, and database capabilities to your desktop. The software provides access to our proprietary market neutral portfolio strategies and the ability to extract the entire universe database of ValuEngine model outputs each day. Full access to more than 4,000 individual stock reports--like this one--is included with every VEI subscription. VEI provides the finance professional with a fast, objective, accurate, and consistent computerized research department whenever and wherever needed.

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ValuEngine™ DETAILED RESEARCH REPORT

NISOURCE INC(NI)

VALUENGINE'S METHODOLOGY

ValuEngine's research combines the most advanced academic concepts with real world Wall Street practice. The result is state-of-the-art fair market valuation and price forecasting technologies.

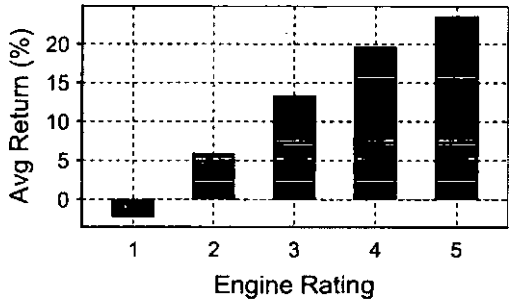
ValuEngine's stock valuation employs a sophisticated, three-factor approach. Fundamental variables, such as a company's trailing 12-month Earnings-Per-Share (EPS), the analyst consensus estimate of the company's future 12-month EPS, and the 30-year Treasury yield, are all used to create a more accurate reflection of a company's fair value. Together with eleven additional variables, ValuEngine paints a detailed picture of a company's fair value, represented by the model price.

ValuEngine's stock forecasts examine, among other things, short-term price reversals, intermediate-term momentum continuation, and long-term price reversals over six time horizons for every industry to ensure forecasts are established relative to a stock's proper peer groups. Advanced statistical/econometric techniques are used to run thousands of simulations estimating the probability of a double in stock price, as well as the probability of meeting and exceeding any given portfolio or stock investment target.

The stock's engine rating is an assessment of its overall attractiveness. It combines valuation, risk-return trade-off, momentum, market capitalization and forecasted future returns. Only two percent of the stock universe receives the highest 5-engine rating. The lowest rating is a single engine.

For more information on ValuEngine, its models and performance, go to www.ValuEngine.com

Engine Rating and Average Annual Return
(Jan 1990 - Apr 2010)



DISCLOSURES

ValuEngine offers equity recommendations and related return estimates to investors and their advisors. It uses a three-class Buy-Hold-Sell rating system. This is a consolidated version of the firm's five class rating system: most favorable and favorable ratings are buys; neutral ratings are holds and the categories unfavorable and most unfavorable are sells.

STOCK RATINGS: The terms below are used to rate a stock's 12-month performance:

1. Buy: Expected to outperform the SP500 producing above average returns.
2. Hold: Expected to perform in line with the SP500 with average returns.
3. Sell: Expected to underperform the SP500 producing below-average returns.

ValuEngine does not offer brokerage or investment banking services. ValuEngine adheres to professional standards and abides by formal codes of ethics that put the interests of clients ahead of their own. The following are specific disclosures made by ValuEngine with regards to this research report:

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ValuEngine™ DETAILED RESEARCH REPORT

NISOURCE INC(NI)

May. 19, 2010

VALUENGINE RECOMMENDATION & BASIC INFORMATION

RECOMMENDATION

NEGATIVE (underperform) | NEUTRAL (match) | POSITIVE (outperform)

VALUENGINE RATING

VVVV

RECOMMENDATION FACTORS

	Value	Rank
Overall Rank		top 15%
Fair Value	$12.68	btm 16%
1Yr Target Price	$15.58	top 13%
P/E Ratio	13.42	top 25%
Last 1-Y Return	56.34%	top 28%
Market Cap(bil)	$4.34	top 13%

BASIC INFORMATION

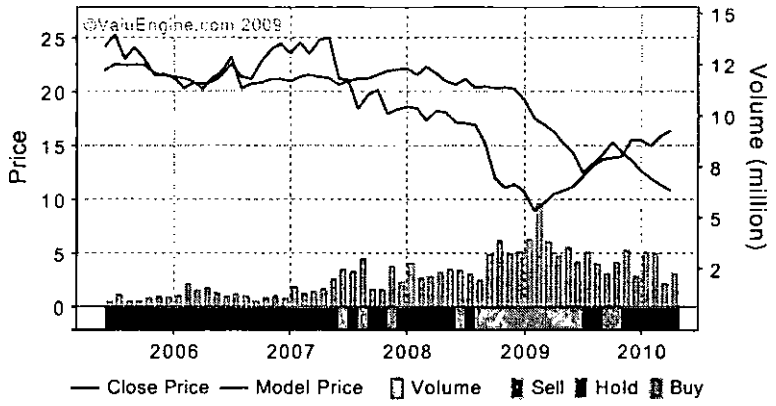
Last Trade	$15.65
Trade Date	05/18/10
Market Cap(bil)	$4.34197
Trailing P/E	13.42
Forward P/E	18.65
PEG Ratio	n/a
P/S Ratio	0.73
M/B Ratio	1,550.7
Sharpe Ratio	-0.37
5-Y Avg Ann Return	-8.63%
Volatility	23.66%
EPS Growth	-28.02%
Annual Dividend	$0.92
Dividend Yield	5.88%
LT Debt/Equity	2,129.96
Beta	0.85

VALUATION ANALYSIS

NI	Today's Fair value: $12.68 23.38% overvalued
Industry	Electrical Utilities 3.80% undervalued
Sector	Public Utilities 1.25% undervalued

FORECAST ANALYSIS

	Target Price	Exp. Return
1-Month	$15.66	0.04%
3-Month	$15.50	-0.94%
6-Month	$15.47	-1.15%
1-Year	$15.58	-0.43%
2-Year	$16.90	7.99%
3-Year	$19.08	21.91%



VALUENGINE RECOMMENDATION

ValuEngine has issued a BUY recommendation for NISOURCE INC on May. 19, 2010. Based on the information we have gathered and our resulting research, we feel that NISOURCE INC has the probability to OUTPERFORM average market performance for the next year. The company exhibits ATTRACTIVE volatility, company size and P/E ratio.

RATING OVERVIEW

The ValuEngine Rating is an overall assessment of a stock's attractiveness. It combines the following five factors:

1. Fair market valuation
2. 1 year forecasted returns
3. Price/Earnings ratio
4. Momentum
5. Market capitalization

Only two percent of the over 4,000 stocks that we cover receive the highest 5 rating. The ratings are the result of the cumulative of the above factors. As such, stocks with relatively poor results for any one of the five variables can still be attractive if the other four factors are strong enough. Top 5 rated stocks can be expected to outperform the overall market by 15% or more, with average annualized returns from Jan. 2000 through Jan. 2006 of over 30% per year.

FAIR MARKET VALUATION PRICE

Based on available data as of May. 19, 2010, we believe that NI should be trading at $12.68. This makes NI 23.38% overvalued. Fair Value indicates what we believe the stock should be trading at today if the stock market were perfectly efficient and everything traded at its true worth. For NI, we base this on actual earnings per share (EPS) for the previous four quarters of $1.17, forecasted EPS for the next four quarters of $0.84, and correlations to the 30-year Treasury bond yield of 4.25%. There are an additional 10 firm specific and interest rate related parameters, each playing a role in the valuation analysis.

FORECASTED TARGET PRICES

The predictive variables used in Valuengine's forecast target price models include both proprietary and well-established forecasting variables derived from credible financial research studies and publications. Our forecasting models capture, among other things, several important tendencies that stock prices consistently exhibit: Short-term price reversals, Intermediate-term momentum continuation, and Long-term price reversals. We use a distinct forecasting model for each time horizon and for every industry. We then apply the most advanced statistical/econometric techniques to ensure that our stock return forecasts are as reliable as possible.

Contact ValuEngine:

ValuEngine, Inc.
41 University Drive, Suite 400
Newtown, PA 18940, U.S.A.
(800) 381-5576 (T)
support@ValuEngine.com
www.ValuEngine.com

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ValuEngine™ DETAILED RESEARCH REPORT

NISOURCE INC(NI)

BUSINESS SUMMARY, DATA SUMMARY & MARKET RATIO BASED VALUATION

BUSINESS SUMMARY

NiSource Inc., formerly NIPSCO Industries, Inc., is an energy and utility-based holding company headquartered in Merrillville, Indiana, that provides natural gas, electricity and water to the public for residential, commercial and industrial uses. NiSource operating companies deliver energy to millions of customers located within the high-demand energy corridor stretching from the Gulf Coast through the Midwest to New England.

OPTIMAL BUY-SELL

Based solely on the Historical Mispricing of NI, the best time to buy would be below $11.42 (or valuation below -10.00%). The best time to sell would be above $15.22 (or valuation above 20.00%).

EVALUATION & RANKINGS

	Value	Rank
Valuation	23.38%	16
12-Month Return	56.34%	73
5-Y Avg Ann Rtn	-8.63%	39
Volatility	23.66%	95
EPS Growth	-28.02%	7
Market Cap(bill)	4.34	88
Sharpe Ratio	-0.37	23
P/S Ratio	0.73	69
M/B Ratio	1,550.7	28
P/E Ratio	13.42	76

EVALUATION & RANKINGS SUMMARY

Just as important as the percentages shown for our ten predictive variables for each stock is the way they are ranked against the 7000 plus stocks in our database. This is sometimes confusing to newcomers to ValuEngine. Each of these quantitative measurements is ranked on a scale of 1 to 100. Generally the higher the ranking, the more positive the influence each measurement has on the overall attractiveness of the stock. In other words a high rank is always better. Let's take them one by one:

- Valuation rank 16: 84% of stocks are more undervalued
- Momentum rank 73: 27% of stocks have higher momentum
- Sharpe Ratio rank 23: 77% of stocks have a higher Sharpe Ratio
- 5-Year Average Annual Return 39: 61% of stocks have higher average annual return
- Volatility rank 95: 5% of stocks have less volatility
- EPS growth rank 7: 93% of stocks have greater projected EPS growth
- Size rank 88: 12% of companies have higher market capitalization
- P/E rank 76: 24% of stocks have lower P/E ratios
- Price/Sales rank 69: 31% of stocks have lower price/sales ratios
- Market/Book rank 28: 72% of stocks have lower market/book value ratios

MARKET RATIO BASED VALUATION

Portfolio managers and professionals traditionally rely on market ratios to gauge whether a stock is fair valued or overvalued. On this page, we present such a valuation based on one of three market ratios: PEG (price to trailing 4 quarter earnings ratio, divided by the consensus analyst forecasted next year EPS growth), P/E (price to forward 4 quarter earnings ratio), and P/S ratio (price to trailing 4 quarter sales). Among the three, PEG is the most informative as it reflects both the price/earnings ratio and expected future EPS growth, while P/E is better than P/S. For each given stock, we apply the PEG to give a fair value assessment if both its trailing 4 quarter EPS and forecasted EPS growth rate are positive. If its forecasted EPS growth is negative but its forward 4 quarter EPS is positive, we apply the P/E to give a fair value for the stock as of today. Otherwise, we resort to the P/S to assess its fair value.

To establish a valuation standard, we use both (i) the average historical market ratio of the stock over the past 10 years (or however long there is data available for the stock), and (ii) the average market ratio today of five comparable stocks in the same sector and from companies of similar size. These two alternative perspectives should give you a good idea about where this stock's valuation stands today.

1. Valuation Based on NI's Past PE

Over the past 10 years, NI's average PE is 13.25. NI earned $1.17 per share in its recent 4 quarters. The analyst consensus estimate is $0.84 for its 4 quarter forward EPS. NI's current price sales ratio is 0.73. The following assessment is based on multiplying the historical PE with next 4 quarter EPS for NI.

Fair Value	
Historical Average PE	13.25
PE-Based Fair Value	$11.12

2. Valuation Based on Comparables' PE

NI's comparables are NST, NU, PNW, SCG and TAC. The current PE average of these comparables is 13.61. NI earned $1.17 per share in its recent 4 quarters. The analyst consensus estimate is $0.84 for its 4-quarter-forward EPS. NI's current price sales ratio is 0.73. The following assessment is based on multiplying comparable stocks' average PE today with NI's next 4 quarter EPS.

Comparables' PE

Comparables	Current PE
NST	14.1
NU	13.03
PNW	12.16
SCG	12.38
TAC	16.4

Fair Value	
Comparable Stocks' Avg PE	13.61
Comparable PE-Based Fair Value	$11.43

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ValuEngine™ DETAILED RESEARCH REPORT

NISOURCE INC(NI)

VALUENGINE RANKINGS

Just as important as the percentages shown for our ten predictive variables for each stock is the way they are ranked against the 7000 plus stocks in our database. Each of these quantitative measurements is ranked on a scale of 1 to 100. Generally the higher the ranking, the more positive the influence each measurement has on the overall attractiveness of the stock. In other words a high rank is always better. The below data points show how the rank for each data point for NI relates to the overall industry, sector, and S&P 500 averages.

Valuation		Rank
NI	23.38%	16
Industry	-3.80%	50
Sector	-1.25%	48
S&P 500	-4.39%	48

The ValuEngine Valuation Rank measures the relationship between a company's stock price and its Fair Value. The higher the Valuation rank, the more undervalued the stock. With a Valuation Rank of 16, NI is substantially lower than the average of its industry group, which carries a Valuation Rank of 50.

12-Month Return		Rank
NI	56.34%	73
Industry	24.24%	46
Sector	25.76%	45
S&P 500	23.20%	44

The ValuEngine 12-Month Return Rank reflects the relative stock performance of a stock over the recent 12 months. On a scale of 1 to 100, a higher 12-Month Return rank indicates a stronger performance. With a 12-Month Return Rank of 73, NI is moderately higher than the industry's rank score of 46.

5-Y Avg Ann Rtn		Rank
NI	-8.63%	39
Industry	-1.22%	57
Sector	-2.24%	56
S&P 500	-1.12%	55

The ValuEngine 5-Years Average Return Rank reflects a stock's average annual return over the last 5 years, in comparison with the coverage universe. A higher rank indicates a better return performance. With a rank of 39, NI is slightly lower than the industry, which has a rank of 57.

Volatility		Rank
NI	23.66%	95
Industry	36.45%	80
Sector	47.70%	72
S&P 500	19.69%	98

The ValuEngine Volatility Rank reflects the volatility associated with the stock. A higher Volatility Rank indicates a lower volatile percentile of stocks. NI has a Volatility Rank of 95, which is slightly higher than the industry Rank of 80.

EPS Growth		Rank
NI	-28.02%	7
Industry	18.43%	32
Sector	15.22%	33
S&P 500	28.85%	54

The ValuEngine EPS Growth Rank indicates a stock's expected EPS growth rate. A high rank indicates a high growth rate expectation. NI has an EPS Growth Rank of 7.This is moderately lower than the industry rank of 32.

Market Cap(bill)		Rank
NI	4.34	88
Industry	6.56	78
Sector	8.4	74
S&P 500	n/a	n/a

The ValuEngine Size rank signifies the company's size in terms of market capitalization. A higher rank denotes a larger market capitalization within ValuEngine's stock universe. With a Size rank of 88, NI is in line with the industry, which has a rank of 78.

Sharpe Ratio		Rank
NI	-0.37	23
Industry	-0.01	57
Sector	-0.03	56
S&P 500	-0.06	52

The ValuEngine Sharpe Ratio Rank measures the risk return tradeoff offered by a stock. Sharpe ratio is the stock's average annual return (over the last five years) divided by its annualized volatility over the same 5 years. With a rank of 23, NI is substantially lower than the industry, which has a rank of 57.

P/S Ratio		Rank
NI	0.73	69
Industry	2.92	55
Sector	2.34	55
S&P 500	n/a	n/a

The ValuEngine Price/Sales rank signifies the relative position of the company based on its P/S ratio. Stocks with the lowest P/S ratio are assigned a rank of 100 while stocks with the highest P/S ratio are ranked 1. At a Price/Sales rank of 69, NI is slightly higher than the industry rank of 55.

M/B Ratio		Rank
NI	1,550.7	28
Industry	9.81	66
Sector	13.72	65
S&P 500	n/a	n/a

The Market/Book Rank is a measure of a stock's market to book ratio relative to the stock universe. A higher rank corresponds to a lower market book value. NI has a Market/Book rank of 28, which is substantially lower than the industry rank of 66.

P/E Ratio		Rank
NI	13.42	76
Industry	14.75	69
Sector	16.45	66
S&P 500	16.74	66

The ValuEngine P/E Rank signifies the relative standing of a company on its P/E ratio, relative to the universe. Stocks in the top P/E percentile are each assigned a rank of 1(highest P/E stocks) while those in the bottom P/E percentile are assigned a rank of 100 (traditional value stocks). With a P/E rank of 76, NI is in line with the industry P/E rank of 69.

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ValuEngine™ DETAILED RESEARCH REPORT

NISOURCE INC(NI)

COMPARISON OF SIMILAR STOCKS & RISK ASSESSMENT

Valuation		Rank
NI	23.38%	16
TAC	-16.36%	66
SCG	-3.40%	47
NU	-11.72%	60
PNW	-5.00%	49

12-Month Return		Rank
NI	56.34%	73
TAC	21.42%	42
SCG	36.22%	59
NU	33.86%	57
PNW	46.85%	68

5-Y Avg Ann Rtn		Rank
NI	-8.63%	39
TAC	0.97%	61
SCG	-1.93%	53
NU	6.28%	76
PNW	-3.44%	49

Volatility		Rank
NI	23.66%	95
TAC	27.19%	91
SCG	19.79%	98
NU	23.13%	96
PNW	19.68%	98

EPS Growth		Rank
NI	-0.28	7
TAC	0.16	41
SCG	0.03	22
NU	0.13	36
PNW	0.11	34

Market Cap(bill)		Rank
NI	4.34	88
TAC	4.35	88
SCG	4.64	88
NU	4.66	88
PNW	3.94	87

Sharpe Ratio		Rank
NI	-0.37	23
TAC	0.04	63
SCG	-0.1	47
NU	0.27	86
PNW	-0.17	39

P/S Ratio		Rank
NI	0.73	69
TAC	1.68	43
SCG	1.07	57
NU	0.9	63
PNW	1.19	54

M/B Ratio		Rank
NI	1,550.7	28
TAC	2.08	87
SCG	1.33	91
NU	4.77	80
PNW	1.83	88

P/E Ratio		Rank
NI	13.42	76
TAC	18.99	60
SCG	12.8	78
NU	14.72	71
PNW	13.55	76

FORECAST COMPARISONS

RETURN FORECAST: EXPECTED RETURN

	NI	NU	PNW	SCG	TAC
One-Month	0.04%	-0.30%	-0.21%	-0.02%	-0.61%
Three-Month	-0.94%	-1.26%	-0.97%	-0.73%	-2.26%
Six-Month	-1.15%	-1.04%	-0.61%	-0.29%	-2.30%
One-Year	-0.43%	0.64%	1.88%	2.11%	-2.48%
Two-Year	7.99%	6.96%	10.61%	10.95%	-0.20%
Three-Year	21.91%	19.05%	24.75%	24.21%	8.21%

RISK ASSESSMENT: CHANCE OF GAIN

	NI	NU	PNW	SCG	TAC
One-Month	50.26%	48.21%	48.54%	49.88%	46.93%
Three-Month	46.85%	45.66%	46.09%	47.04%	43.40%
Six-Month	47.26%	47.48%	48.25%	49.18%	45.24%
One-Year	49.28%	51.10%	53.81%	54.24%	46.36%
Two-Year	59.43%	58.42%	64.85%	65.22%	49.79%
Three-Year	70.36%	68.28%	76.61%	76.00%	56.92%

RISK ASSESSMENT: CHANCE OF LOSS

	NI	NU	PNW	SCG	TAC
One-Month	49.74%	51.79%	51.46%	50.12%	53.07%
Three-Month	53.15%	54.34%	53.91%	52.96%	56.60%
Six-Month	52.74%	52.52%	51.75%	50.82%	54.76%
One-Year	50.72%	48.90%	46.19%	45.76%	53.64%
Two-Year	40.57%	41.58%	35.15%	34.78%	50.21%
Three-Year	29.64%	31.72%	23.39%	24.00%	43.08%

*** Comparables are companies in the same Sector and Industry and of approximately similar market capitalization value.**

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ValuEngine™ DETAILED RESEARCH REPORT

NISOURCE INC(NI)

ANNUAL FINANCIALS (All items in Millions)

BALANCE SHEET	200912	200812	200712	200612	200512	200412	200312	200212
Cash	191.1	307.2	95.4	175.6	103.3	86.4	50.1	56.2
Marketable Securities	0	0	0	0	0	0	0	0
Receivables	833.5	1142.5	1159.9	1118.6	1254.6	536.7	814.3	885.3
Inventory	547	670.7	604.7	703.4	1045.6	846.7	529.9	510.1
Raw Materials	547	670.7	--	--	--	--	--	--
Work In Progress	--	--	--	--	--	--	--	--
Finished Goods	--	--	--	--	--	--	--	--
Notes Receivable	0	0	0	0	0	0	0	0
Other Current Assets	652	1290.4	594.9	785.3	657.2	815.8	668.6	416.9
Total Current Assets	**2223.6**	**3410.8**	**2454.9**	**2782.9**	**3060.7**	**2285.6**	**2062.9**	**1868.5**
Property, Plant & Equipment	19037.6	18468.9	17543.5	17194.9	16684.4	16632.3	16400.8	18188.9
Accumulated Depreciation	8353.7	8080.8	7850.5	7850	7556.8	7247.6	7095.9	8120.9
Net Property, Plant & Equipment	10683.9	10388.1	9693	9344.9	9127.6	9384.7	9304.9	10068
Investment & Advances	129.2	117.9	456	465.7	540.9	204	187.1	274.8
Other non-current Assets	422.1	333.3	41.2	43	34.6	0	0	0
Deferred Charges	1796.2	1763.9	1004.7	1297.5	753.7	189.5	147.8	195
Intangibles	3996.9	4007.9	4099.3	4113	4173.1	4207.5	4231.2	3764.9
Deposits & other assets	19.8	10.3	255.7	109.5	267.9	716.7	689.9	725.7
TOTAL ASSETS	19271.7	20032.2	18004.8	18156.5	17958.5	16988	16623.8	16896.9
Notes Payable	0	0	1061	1193	898	307.6	685.5	913.1
Accounts Payable	724.3	1248.8	1161.5	713.1	866.7	648.4	496.6	521.6
Current Portion of Long-term Debt	822.3	1632.8	33.9	93.3	440.7	1299.9	118.3	1232.6
Current Portion of Capital Leases	0	0	0	0	0	0	0	0
Accrued Expenses	459.3	613.9	802.7	834.1	913.9	808.9	557.2	601.6
Income Taxes Payable	212.9	206.5	0	0	0	0	210.8	242.1
Other Current Liabilities	930.8	881.4	333.5	987.7	723.9	537.4	540.6	666.4
Total Current Liabilities	**3149.6**	**4583.4**	**3392.6**	**3821.2**	**3843.2**	**3602.2**	**2609**	**4177.4**
Mortgages	0	0	0	0	0	0	0	0
Deferred Charges (taxes/income)	2138.7	1678.8	3068.4	3010.2	1803.3	1889.7	1868.9	2408.4
Convertible Debt	0	0	0	0	0	0	0	0
Long Term Debt	5965.1	5943.9	5594.4	5146.2	5271.2	4835.9	5993.4	5018
Non-Current Capital Leases	0	0	0	0	0	0	0	0
Other Long-Term Liabilities	3164.2	3097.3	872.8	1165.3	2026.7	1792	1655.5	688.3
Minority Interest (liabilities)	0	0	0	0	0	0	0	345
Total Liabilities	**14417.6**	**15303.4**	**12928.2**	**13142.9**	**12944.4**	**12119.8**	**12126.8**	**12637.1**
Preferred Stock	0	0	0	0	81.1	81.1	81.1	84.9
Common Stock, Net	2.8	2.7	2.7	2.7	2.7	2.7	0	0
Capital Surplus	4057.6	4020.3	4011	3998.3	3969.4	3924	0	0
Retained Earnings	865.5	901.1	1074.5	1012.9	981.6	925.4	0	0
Treasury Stock	25.9	23.3	23.3	21.2	0	0	0	0
Other Equity	-45.9	-172	11.7	20.9	-20.7	-65	0	0
Total Shareholders' Equity	**4854.1**	**4728.8**	**5076.6**	**5013.6**	**5014.1**	**4868.2**	**4497**	**4259.8**
Total Liabilites & Shareholders Equity	**19271.7**	**20032.2**	**18004.8**	**18156.5**	**17958.5**	**16988**	**16623.8**	**16896.9**

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ValuEngine™ DETAILED RESEARCH REPORT

NISOURCE INC(NI)

ANNUAL FINANCIALS (All items in Millions)

INCOME STATEMENT	200912	200812	200712	200612	200512	200412	200312	200212
Net Sales or Revenues	6649.4	8874.2	7939.8	7490	7899.1	6666.2	6246.6	6492.3
Cost of Goods Sold	4971.4	7086.5	4676.1	4365.4	4749.3	3610.5	3186.3	3163.3
Gross Profit	1678	1787.7	3263.7	3124.6	3149.8	3055.7	3060.3	3329
Research & Development Expense	0	0	0	0	0	0	0	0
Selling, General & Admin. Expense	303.1	315.1	1771.2	1679	1629.6	1477.1	1471.9	1579.5
Income Before Depr., Depl., Amort.	1374.9	1472.6	1492.5	1445.6	1520.2	1578.6	1588.4	1749.5
Depreciation, Depletion, Amort.	589	567.2	559.2	549.2	545.2	509.7	497	574
Non-Operating Income	10.1	29.9	-48.5	-24.7	-121	6.1	33.2	10.2
Interest Expense	399	380.1	400.7	387.4	421	403.9	464.7	526.1
Pretax Income	397	555.2	484.1	484.3	433	671.1	659.9	659.6
Provision for Income Taxes	165.8	185.4	172.1	170.8	149.4	240.9	234.2	233.9
Minority Interest	0	0	0	0	0	0	0	0
Investment Gains (Losses)	0	0	0	0	0	0	0	0
Other Income	0	0	0	0	0	0	0	0
Income Before Extraordinaries & Disc	231.2	369.8	312	313.5	283.6	430.2	425.7	425.7
Extraordinary Items & Discontinued	-13.5	-290.8	9.4	-31.3	22.9	6.1	-340.5	-53.2
Net Income	217.7	79	321.4	282.2	306.5	436.3	85.2	372.5
Average Shares used for Diluted EPS	275.8	275.4	273.8	272.6	271.3	265.5	261.6	212.8
Average Shares used for Basic EPS	275.1	274	273.8	272.6	271.3	263.7	259.6	211
Income Before Non-Recurring Items	295.3	348.5	375.8	388.5	375.4	430.2	425.7	425.7
Income From Non-Recurring Items	-64.1	21.3	-53.8	0	-91.8	0	0	0
EPS - Basic, net	0.8	0.3	1.2	1.4	1	1.7	0.3	1.8
EPS - Diluted, net	0.8	0.3	1.2	1.4	1	1.6	0.3	1.8
EPS - Diluted, before non-recurring	1.1	1.3	1.4	1.4	1.4	1.6	1.6	2
Preferred Dividends - Acc & Pd	--	--	--	--	24.4	-1.4	-0.5	1.1
Dividends (common)	253.7	252.3	252.2	251.2	250.8	242.5	288.7	282.8
Dividend per share (common)	0.9	0.9	0.9	0.9	0.9	0.9	1.1	1.2

CASH FLOW STATEMENT								
Net Income (Cash Flow)	217.7	79	321.4	282.2	306.5	436.3	85.2	372.5
Depreciation, Depletion, Amortization-CF	602	574.9	566.5	556.9	562.7	531.3	515.9	574
Net Increase(decrease) in	692.2	-457.4	-133.6	410.3	-223	-34.1	-387.8	165.6
Cash from(used in) Discontinued Oper.	-241	288.6	-9.1	36.1	68.3	-3.9	199	-16.2
Other Adjustments - Net	395.3	100.2	12	-129.3	-2.2	93.2	60.6	76.5
Net Cash from (used by) Operating Act.	1666.2	585.3	757.2	1156.2	712.3	1022.8	472.9	1172.4
Increase/Decrease in Prop, Plant, & Equ.	-771.5	-1251.8	-788.3	-637.4	-590.4	-517	-574.6	-202.7
Acquisition/Disposition of Subsidiaires	0	0	0	0	-0.1	0	0	0
Increase (decrease) in Investments	39.2	7.5	0	0	0	0	0	0
Other Cash inflow from Investment Act.	77.5	130	106.9	-95.1	18.4	-2.1	568.9	0
Net Cash from (used by) Invesment Act.	-654.8	-1114.3	-681.4	-732.5	-572.1	-519.1	-5.7	-202.7
Issuance (purchase) of Equity Shares	8	1.3	6.1	-65.8	38.4	156.7	6	681.3
Issuance (repayment) of Debt Securities	290.2	664.7	345.7	-438.7	-464.6	-414.5	34.6	-532.1
Increase (decrease) in Bank & Other	-1060.5	102.5	-132	296.4	576.2	0	-227.6	-941.2
Payment of Dividends & Other Cash	-253.3	-252.4	-252.1	-251.9	-250.3	-243.1	-284	-241.5
Other Cash from (used by) Financing	0	-1.1	-40.6	0	0	0	0	0
Net Cash from (used by) Financing Act.	-1015.6	515	-72.9	-460	-100.3	-500.9	-471	-1033.5
Net Change in Cash & Cash Equivalents	-4.2	-14	2.9	-36.3	39.9	2.8	-3.8	-63.8

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ValuEngine™ DETAILED RESEARCH REPORT

NISOURCE INC(NI)

QUARTERLY FINANCIALS (All items in Millions)

BALANCE SHEET	200912	200909	200906	200903	200812	200809	200806	200803
Cash	191.1	148.3	313.1	452	307.2	269	47.2	81.2
Marketable Securities	0	0	0	0	0	0	0	0
Receivables	833.5	738	544.7	910.7	1142.5	586.8	1201.2	1475.3
Inventory	547	691.8	426.6	259.3	670.7	838	400.5	213.3
Raw Materials	547	691.8	426.6	259.3	670.7	838	–	–
Work in Progress	–	–	–	–	–	–	–	–
Finished Goods	–	–	–	–	–	–	–	–
Notes Receivable	0	0	0	0	0	0	0	0
Other Current Assets	652	985.1	1152.3	1010.4	1290.4	1432.2	1031.5	751.7
Total Current Assets	**2223.6**	**2563.2**	**2436.7**	**2632.4**	**3410.8**	**3126**	**2680.4**	**2521.5**
Property, Plant & Equipment	19037.6	18868.4	18776	18610.8	18468.9	18227.7	18040.9	17428
Accumulated Depreciation	8353.7	8286.3	8232.9	8134.1	8080.8	8078	7982.5	7819.1
Net Property, Plant & Equipment	10683.9	10582.1	10543.1	10476.7	10388.1	10261.8	10058.4	9608.9
Investment & Advances	129.2	128.2	111.6	115.7	117.9	119.8	178.5	180.5
Other non-current Assets	422.1	402.8	397.4	364.9	333.3	242.4	299.2	536.3
Deferred Charges	1796.2	1704.6	1722.9	1745.6	1763.9	940.4	999.7	995.2
Intangibles	3996.9	3999.7	4002.4	4005.1	4007.9	4010.7	4013.4	4016.1
Deposits & other assets	19.8	10.5	9.2	9.6	10.3	188.2	386.6	328.2
TOTAL ASSETS	19271.7	19391.1	19223.3	19350	20032.2	19097.8	18616.2	18186.7
Notes Payable	0	0	0	0	0	0	506	624.7
Accounts Payable	724.3	454.1	560.3	870.6	1248.8	1147.7	1352.2	1327.2
Current Portion of Long-term Debt	822.3	633.8	424	436	1632.8	1282.9	43.1	89.3
Current Portion of Capital Leases	0	0	0	0	0	0	0	0
Accrued Expenses	459.3	450.2	381.7	392.4	613.9	488.4	642.5	852
Income Taxes Payable	212.9	148	209.1	259.4	206.5	145.1	0	0
Other Current Liabilities	930.8	1223.6	1367.3	1319.6	881.4	955.1	1105	860.1
Total Current Liabilities	**3149.6**	**2909.7**	**2942.4**	**3278**	**4583.4**	**4019.2**	**3648.8**	**3753.3**
Mortgages	0	0	0	0	0	0	0	0
Deferred Charges (taxes/income)	2138.7	2120.8	1795.3	1733.6	1678.8	1669.9	3085	2969.4
Convertible Debt	0	0	0	0	0	0	0	0
Long Term Debt	5965.1	6560.7	6564.4	6451.9	5943.9	6323.3	6059.9	5383
Non-Current Capital Leases	0	0	0	0	0	0	0	0
Other Long-Term Liabilities	3164.2	3060.1	3128.8	3148.8	3097.3	2414.6	1011.6	1016.8
Minority Interest (liabilities)	0	0	0	0	0	0	0	0
Total Liabilities	**14417.6**	**14651.3**	**14430.9**	**14612.3**	**15303.4**	**14427**	**13805.3**	**13122.5**
Preferred Stock	0	0	0	0	0	0	0	0
Common Stock, Net	2.8	2.8	2.8	2.7	2.7	2.7	2.7	2.7
Capital Surplus	4057.6	4043.2	4032.7	4023	4020.3	4017.8	4015.4	4013.2
Retained Earnings	865.5	776.3	855.1	923.3	901.1	739.1	782.2	1047.5
Treasury Stock	25.9	24.2	24.2	24.1	23.3	23.5	23.4	23.3
Other Equity	-45.9	-58.3	-74	-187.2	-172	-65.3	34	24.1
Total Shareholders' Equity	**4854.1**	**4739.8**	**4792.4**	**4737.7**	**4728.8**	**4670.8**	**4810.9**	**5064.2**
Total Liabilites & Shareholders Equity	**19271.7**	**19391.1**	**19223.3**	**19350**	**20032.2**	**19097.8**	**18616.2**	**18186.7**

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ValuEngine™ DETAILED RESEARCH REPORT

NISOURCE INC(NI)

QUARTERLY FINANCIALS (All items in Millions)

INCOME STATEMENT	200912	200909	200906	200903	200812	200809	200806	200803
Net Sales or Revenues	1684.7	884.8	1009.2	2722.3	2385.5	1409.1	1792.1	1041.2
Cost of Goods Sold	1552.2	584.2	701.9	2133.1	2610.4	1105.8	1121.8	2248.5
Gross Profit	483	300.6	307.3	587.1	-227.1	303.3	670.3	1041.2
Research & Development Expense	0	0	0	0	0	0	0	0
Selling, General & Admin. Expense	91	58.1	52.6	101.4	-666.3	58.6	408.5	514.3
Income Before Depr., Depl., Amort.	392	242.5	254.7	485.7	439.2	244.7	261.8	526.9
Depreciation, Depletion, Amort.	148.3	148.7	148.2	143.8	142.9	141	147.7	135.6
Non-Operating Income	0.4	8.1	-3.8	5.4	-0.1	24.2	3.8	2
Interest Expense	98.4	104.8	105.3	90.5	100.7	100.2	87.4	91.8
Pretax Income	145.7	-2.9	-2.6	256.8	194.7	28.5	30.5	301.5
Provision for Income Taxes	55.4	6.8	6.1	97.5	67.9	-4.1	9.5	112.1
Minority Interest	0	0	0	0	0	0	0	0
Investment Gains (Losses)	0	0	0	0	0	0	0	0
Other Income	0	0	0	0	0	0	0	0
Income Before Extraordinaries & Disc	88.5	-9.7	-8.7	159.3	127	32.6	21	189.4
Extraordinary Items & Discontinued	1	-5.7	3.9	-10.9	35	-12.6	-223.3	-90.1
Net Income	89.5	-15.4	-4.8	148.4	162	20	-202.3	99.3
Average Shares used for Diluted EPS	276.8	275.4	274.7	276.7	275.5	275.5	275.4	275.4
Average Shares used for Basic EPS	276	275.4	274.7	274.2	274	274	274	273.9
Income Before Non-Recurring Items	98.9	-6.8	6.2	170.2	126	7.9	24.3	189.4
Income From Non-Recurring Items	-10.4	-2.9	-14.9	-10.9	1	24.7	-3.3	0
EPS - Basic, net	0.3	-0.1	-0	0.5	0.6	0.1	-0.7	0.4
EPS - Diluted, net	0.3	-0.1	-0	0.5	0.6	0.1	-0.7	0.4
EPS - Diluted, before non-recurring	0.3	-0	0	0.6	0.5	0	0.1	0.7
Preferred Dividends - Acc & Pd								
Dividends (common)	63.4	63.3	63.2	63.1	63.1	63.1	63.1	63.1
Dividend per share (common)	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2

CASH FLOW STATEMENT								
Net Income (Cash Flow)	217.7	128.2	143.6	148.4	79	-83	103	99.3
Depreciation, Depletion, Amortization-CF	602	450	298.1	145.9	574.9	430	287	137.4
Net Increase(decrease) in	692.2	410.8	821.9	798.6	-457.4	-452.6	118.5	523.9
Cash from(used in) Discontinued Oper.	-241	-223.9	-70	-51	288.6	312.3	311.5	88
Other Adjustments - Net	395.3	355.1	46.6	16	100.2	43.6	24.4	-2.6
Net Cash from (used by) Operating Act.	1666.2	1120.2	1240.2	1057.9	585.3	250.3	638.4	846
Increase/Decrease in Prop, Plant, & Equ.	-771.5	-583.3	-383.5	-204.8	-1251.8	-967.1	-422.8	-190.7
Acquisition/Disposition of Subsidiaires	0	0	0	0	0	203.2	-328.8	2.9
Increase (decrease) in Investments	39.2	61.4	54.6	52	7.5	0	0	0
Other Cash inflow from Investment Act.	77.5	19	9	-43.6	130	-205	364	83.2
Net Cash from (used by) Invesment Act.	-654.8	-502.9	-319.9	-196.4	-1114.3	-968.9	-387.6	-104.6
Issuance (purchase) of Equity Shares	8	-0.3	-0.5	-0.6	1.3	0.9	0.6	0.6
Issuance (repayment) of Debt Securities	290.2	599.2	598.6	480.3	664.7	668.2	440	-199.1
Increase (decrease) in Bank & Other	-1060.5	-963.4	-1163.5	-1163.5	102.5	202	-555	-436.3
Payment of Dividends & Other Cash	-253.3	-189.6	-126.2	-63.1	-252.4	-189.2	-126.1	-63.1
Other Cash from (used by) Financing	0	0	-0.4	0	-1.1	0	1	-0.7
Net Cash from (used by) Financing Act.	-1015.6	-554.1	-692	-746.9	515	681.9	-239.5	-698.6
Net Change in Cash & Cash Equivalents	-4.2	63.2	228.3	114.6	-14	-9.5	11.3	42.8

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ValuEngine™ DETAILED RESEARCH REPORT

NISOURCE INC(NI)

VALUENGINE SERVICE DESCRIPTIONS

Thank you for your interest in ValuEngine!

ValuEngine Detailed Valuation Report:
Advanced academic research that brings you superior investment strategies in an actionable format. The most comprehensive and useful report available. ValuEngine's three models: Valuation Model, Forecast Model and Ratings Model are incorporated to give you a well-rounded analysis from three different perspectives. Consensus EPS trend and Earnings Surprise statistics provide additional insights. Also, detailed Company Profile, ValuEngine Fair Valuation; 1-3-6 month and 1-2-3 yr forecasts, ValuEngine 1-5 Engine Rating, Multi-stock comparison, Financials, Earnings Estimates, Risk Assessment, Data Summary and much more. More report information: http://www.valuengine.com/rep/mainrep

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ValuEngine™ DETAILED RESEARCH REPORT

NISOURCE INC(NI)

VALUENGINE'S METHODOLOGY

ValuEngine's research combines the most advanced academic concepts with real world Wall Street practice. The result is state-of-the-art fair market valuation and price forecasting technologies.

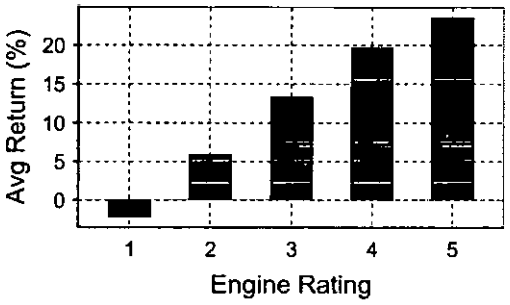
ValuEngine's stock valuation employs a sophisticated, three-factor approach. Fundamental variables, such as a company's trailing 12-month Earnings-Per-Share (EPS), the analyst consensus estimate of the company's future 12-month EPS, and the 30-year Treasury yield, are all used to create a more accurate reflection of a company's fair value. Together with eleven additional variables, ValuEngine paints a detailed picture of a company's fair value, represented by the model price.

ValuEngine's stock forecasts examine, among other things, short-term price reversals, intermediate-term momentum continuation, and long-term price reversals over six time horizons for every industry to ensure forecasts are established relative to a stock's proper peer groups. Advanced statistical/econometric techniques are used to run thousands of simulations estimating the probability of a double in stock price, as well as the probability of meeting and exceeding any given portfolio or stock investment target.

The stock's engine rating is an assessment of its overall attractiveness. It combines valuation, risk-return trade-off, momentum, market capitalization and forecasted future returns. Only two percent of the stock universe receives the highest 5-engine rating. The lowest rating is a single engine.

For more information on ValuEngine, its models and performance, go to www.ValuEngine.com

Engine Rating and Average Annual Return
(Jan 1990 - Apr 2010)



DISCLOSURES

ValuEngine offers equity recommendations and related return estimates to investors and their advisors. It uses a three-class Buy-Hold-Sell rating system. This is a consolidated version of the firm's five class rating system: most favorable and favorable ratings are buys; neutral ratings are holds and the categories unfavorable and most unfavorable are sells.

STOCK RATINGS: The terms below are used to rate a stock's 12-month performance:

1. Buy: Expected to outperform the SP500 producing above average returns.
2. Hold: Expected to perform in line with the SP500 with average returns.
3. Sell: Expected to underperform the SP500 producing below-average returns.

ValuEngine does not offer brokerage or investment banking services. ValuEngine adheres to professional standards and abides by formal codes of ethics that put the interests of clients ahead of their own. The following are specific disclosures made by ValuEngine with regards to this research report:

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2. ValuEngine, Inc. has not received compensation from the companies discussed above in the last 12 months.
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ValuEngine™ DETAILED RESEARCH REPORT

NISOURCE INC(NI)

Jul. 23, 2010

VALUENGINE RECOMMENDATION & BASIC INFORMATION

RECOMMENDATION

NEGATIVE	NEUTRAL	POSITIVE
underperform	match	outperform

VALUENGINE RATING

VVV

RECOMMENDATION FACTORS

	Value	Rank
Overall Rank		top 20%
Fair Value	$14.58	btm 17%
1Yr Target Price	$17.11	top 20%
P/E Ratio	13.85	top 28%
Last 1-Y Return	36.45%	top 29%
Market Cap(bil)	$4.52	top 13%

BASIC INFORMATION

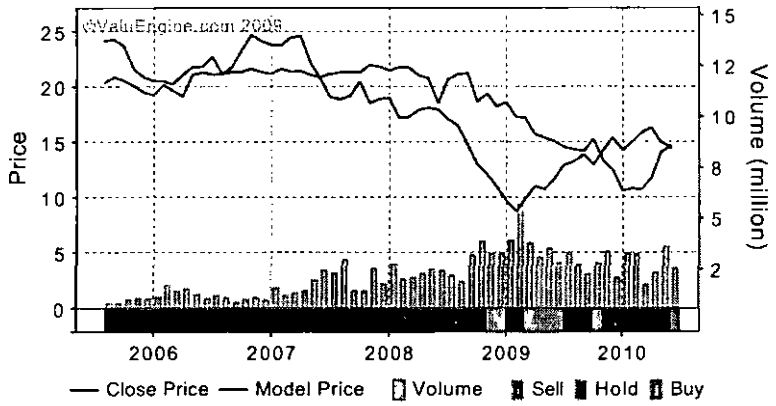
Last Trade	$16.32
Trade Date	07/22/10
Market Cap(bil)	$4.5227
Trailing P/E	13.85
Forward P/E	13.51
PEG Ratio	5.44
P/S Ratio	0.76
M/B Ratio	4.84
Sharpe Ratio	-0.35
5-Y Avg Ann Return	-7.95%
Volatility	22.62%
EPS Growth	2.55%
Annual Dividend	$0.92
Dividend Yield	5.64%
LT Debt/Equity	6.38
Beta	0.91

VALUATION ANALYSIS

NI	Today's Fair value: $14.58 11.92% overvalued
Industry	Electrical Utilities 6.99% undervalued
Sector	Public Utilities 5.95% undervalued

FORECAST ANALYSIS

	Target Price	Exp. Return
1-Month	$16.48	0.97%
3-Month	$16.56	1.48%
6-Month	$16.85	3.25%
1-Year	$17.11	4.86%
2-Year	$18.09	10.83%
3-Year	$22.77	39.52%



VALUENGINE RECOMMENDATION

ValuEngine has issued a HOLD recommendation for NISOURCE INC on Jul. 23, 2010. Based on the information we have gathered and our resulting research, we feel that NISOURCE INC has the probability to ROUGHLY MATCH average market performance for the next year. The company exhibits ATTRACTIVE volatility and company size, but UNATTRACTIVE market valuation and market/book ratio.

RATING OVERVIEW

ValuEngine's stock recommendations are based on the proprietary ValuEngine one-year forecast return (1YFR) model output for each individual equity. A stock is rated Strong Buy, Buy, Hold, Sell, Strong Sell based on the Forecast One Year Return. The breakdown for each rating is as follows:

- Strong Buy: More than +12% 1YFR
- Buy: Between +5% and +12% 1YFR
- Hold: Between -5% and +5% 1YFR
- Sell: Between -12% and -5% 1YFR
- Strong Sell: Less than -12% 1YFR

ValuEngine's Strong Buy-rated stocks have averaged annual returns of 25% or greater since 1991. For more details on the ValuEngine One Year Forecast Target price and its components, please go HERE.

FAIR MARKET VALUATION PRICE

Based on available data as of Jul. 23, 2010, we believe that NI should be trading at $14.58. This makes NI 11.92% overvalued. Fair Value indicates what we believe the stock should be trading at today if the stock market were perfectly efficient and everything traded at its true worth. For NI, we base this on actual earnings per share (EPS) for the previous four quarters of $1.18, forecasted EPS for the next four quarters of $1.21, and correlations to the 30-year Treasury bond yield of 3.95%. There are an additional 10 firm specific and interest rate related parameters, each playing a role in the valuation analysis. For more details on ValuEngine's Fair Value Model, please go HERE.

FORECASTED TARGET PRICES

The predictive variables used in Valuengine's forecast target price models include both proprietary and well-established forecasting variables derived from credible financial research studies and publications. Our forecasting models capture, among other things, several important tendencies that stock prices consistently exhibit: Short-term price reversals, Intermediate-term momentum continuation, and Long-term price reversals. We use a distinct forecasting model for each time horizon and for every industry. We then apply the most advanced statistical/econometric techniques to ensure that our stock return forecasts are as reliable as possible. For more details on ValuEngine's Fair Value Model, please go HERE.

Contact ValuEngine:

ValuEngine, Inc.
41 University Drive, Suite 400
Newtown, PA 18940, U.S.A.
(800) 381-5576 (T)
support@ValuEngine.com
www.ValuEngine.com

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ValuEngine™ DETAILED RESEARCH REPORT

NISOURCE INC(NI)

BUSINESS SUMMARY, DATA SUMMARY & MARKET RATIO BASED VALUATION

BUSINESS SUMMARY

NiSource Inc., formerly NIPSCO Industries, Inc., is an energy and utility-based holding company headquartered in Merrillville, Indiana, that provides natural gas, electricity and water to the public for residential, commercial and industrial uses. NiSource operating companies deliver energy to millions of customers located within the high-demand energy corridor stretching from the Gulf Coast through the Midwest to New England.

OPTIMAL BUY-SELL

Based solely on the Historical Mispricing of NI, the best time to buy would be below $10.06 (or valuation below -31.00%). The best time to sell would be above $13.56 (or valuation above -7.00%).

EVALUATION & RANKINGS

	Value	Rank
Valuation	11.92%	17
12-Month Return	36.45%	72
5-Y Avg Ann Rtn	-7.95%	46
Volatility	22.62%	95
EPS Growth	2.55%	21
Market Cap(bill)	4.52	88
Sharpe Ratio	-0.35	29
P/S Ratio	0.76	66
M/B Ratio	4.84	20
P/E Ratio	13.85	73

EVALUATION & RANKINGS SUMMARY

Just as important as the percentages shown for our ten predictive variables for each stock is the way they are ranked against the 7000 plus stocks in our database. This is sometimes confusing to newcomers to ValuEngine. Each of these quantitative measurements is ranked on a scale of 1 to 100. Generally the higher the ranking, the more positive the influence each measurement has on the overall attractiveness of the stock. In other words a high rank is always better. Let's take them one by one:

- Valuation rank 17: 83% of stocks are more undervalued
- Momentum rank 72: 28% of stocks have higher momentum
- Sharpe Ratio rank 29: 71% of stocks have a higher Sharpe Ratio
- 5-Year Average Annual Return 46: 54% of stocks have higher average annual return
- Volatility rank 95: 5% of stocks have less volatility
- EPS growth rank 21: 79% of stocks have greater projected EPS growth
- Size rank 88: 12% of companies have higher market capitalization
- P/E rank 73: 27% of stocks have lower P/E ratios
- Price/Sales rank 66: 34% of stocks have lower price/sales ratios
- Market/Book rank 20: 80% of stocks have lower market/book value ratios

MARKET RATIO BASED VALUATION

Portfolio managers and professionals traditionally rely on market ratios to gauge whether a stock is fair valued or overvalued. On this page, we present such a valuation based on one of three market ratios: PEG (price to trailing 4 quarter earnings ratio, divided by the consensus analyst forecasted next year EPS growth), P/E (price to forward 4 quarter earnings ratio), and P/S ratio (price to trailing 4 quarter sales). Among the three, PEG is the most informative as it reflects both the price/earnings ratio and expected future EPS growth, while P/E is better than P/S. For each given stock, we apply the PEG to give a fair value assessment if both its trailing 4 quarter EPS and forecasted EPS growth rate are positive. If its forecasted EPS growth is negative but its forward 4 quarter EPS is positive, we apply the P/E to give a fair value for the stock as of today. Otherwise, we resort to the P/S to assess its fair value.

To establish a valuation standard, we use both (i) the average historical market ratio of the stock over the past 10 years (or however long there is data available for the stock), and (ii) the average market ratio today of five comparable stocks in the same sector and from companies of similar size. These two alternative perspectives should give you a good idea about where this stock's valuation stands today.

1. Valuation Based on NI's Past PEG

Over the past 10 years, NI's average PEG is 3.57. NI earned $1.18 per share in its recent 4 quarters. The analyst consensus estimate is $1.21 for its 4 quarter forward EPS. NI's current price sales ratio is 0.76. The following assessment is based on multiplying the historical PEG with recent 4 quarter EPS and the forecasted EPS growth rate over the next 4 quarters for NI.

Fair Value	
Historical Average PEG	3.57
PEG-Based Fair Value	$10.72

2. Valuation Based on Comparables' PEG

NI's comparables are ATE, NU, PNW, SCG and TAC. The current PEG average of these comparables is 1.75. NI earned $1.18 per share in its recent 4 quarters. The analyst consensus estimate is $1.21 for its 4-quarter-forward EPS. NI's current price sales ratio is 0.76. The following assessment is based on multiplying comparable stocks' average PEG today with NI's recent 4 quarter EPS and the forecasted EPS growth rate over the next 4 quarters .

Comparables' PEG

Comparables	Current PEG
ATE	1.21
NU	0.93
PNW	3.75
SCG	2.18
TAC	0.69

Fair Value	
Comparable Stocks' Avg PEG	1.75
Comparable PEG-Based Fair Value	$5.25

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ValuEngine™ DETAILED RESEARCH REPORT

NISOURCE INC(NI)

VALUENGINE RANKINGS

Just as important as the percentages shown for our ten predictive variables for each stock is the way they are ranked against the 7000 plus stocks in our database. Each of these quantitative measurements is ranked on a scale of 1 to 100. Generally the higher the ranking, the more positive the influence each measurement has on the overall attractiveness of the stock. In other words a high rank is always better. The below data points show how the rank for each data point for NI relates to the overall industry, sector, and S&P 500 averages.

Valuation		Rank
NI	11.92%	17
Industry	-6.99%	43
Sector	-5.95%	44
S&P 500	-10.38%	50

The ValuEngine Valuation Rank measures the relationship between a company's stock price and its Fair Value. The higher the Valuation rank, the more undervalued the stock. With a Valuation Rank of 17, NI is moderately lower than the average of its industry group, which carries a Valuation Rank of 43.

12-Month Return		Rank
NI	36.45%	72
Industry	15.04%	48
Sector	16.16%	48
S&P 500	14.63%	46

The ValuEngine 12-Month Return Rank reflects the relative stock performance of a stock over the recent 12 months. On a scale of 1 to 100, a higher 12-Month Return rank indicates a stronger performance. With a 12-Month Return Rank of 72, NI is moderately higher than the industry's rank score of 48.

5-Y Avg Ann Rtn		Rank
NI	-7.95%	46
Industry	-4.48%	59
Sector	-3.63%	60
S&P 500	-2.42%	59

The ValuEngine 5-Years Average Return Rank reflects a stock's average annual return over the last 5 years, in comparison with the coverage universe. A higher rank indicates a better return performance. With a rank of 46, NI is slightly lower than the industry, which has a rank of 59.

Volatility		Rank
NI	22.62%	95
Industry	32.52%	81
Sector	42.85%	73
S&P 500	17.46%	99

The ValuEngine Volatility Rank reflects the volatility associated with the stock. A higher Volatility Rank indicates a lower volatile percentile of stocks. NI has a Volatility Rank of 95, which is slightly higher than the industry Rank of 81.

EPS Growth		Rank
NI	2.55%	21
Industry	23.77%	40
Sector	20.44%	37
S&P 500	29.50%	56

The ValuEngine EPS Growth Rank indicates a stock's expected EPS growth rate. A high rank indicates a high growth rate expectation. NI has an EPS Growth Rank of 21.This is slightly lower than the industry rank of 40.

Market Cap(bill)		Rank
NI	4.52	88
Industry	6.69	78
Sector	8.43	74
S&P 500	n/a	n/a

The ValuEngine Size rank signifies the company's size in terms of market capitalization. A higher rank denotes a larger market capitalization within ValuEngine's stock universe. With a Size rank of 88, NI is in line with the industry, which has a rank of 78.

Sharpe Ratio		Rank
NI	-0.35	29
Industry	-0.06	57
Sector	-0.05	58
S&P 500	-0.14	50

The ValuEngine Sharpe Ratio Rank measures the risk return tradeoff offered by a stock. Sharpe ratio is the stock's average annual return (over the last five years) divided by its annualized volatility over the same 5 years. With a rank of 29, NI is moderately lower than the industry, which has a rank of 57.

P/S Ratio		Rank
NI	0.76	66
Industry	2.87	53
Sector	2.51	53
S&P 500	n/a	n/a

The ValuEngine Price/Sales rank signifies the relative position of the company based on its P/S ratio. Stocks with the lowest P/S ratio are assigned a rank of 100 while stocks with the highest P/S ratio are ranked 1. At a Price/Sales rank of 66, NI is slightly higher than the industry rank of 53.

M/B Ratio		Rank
NI	4.84	20
Industry	2.8	58
Sector	3.36	51
S&P 500	n/a	n/a

The Market/Book Rank is a measure of a stock's market to book ratio relative to the stock universe. A higher rank corresponds to a lower market book value. NI has a Market/Book rank of 20, which is substantially lower than the industry rank of 58.

P/E Ratio		Rank
NI	13.85	73
Industry	18.33	65
Sector	17.87	62
S&P 500	16.07	65

The ValuEngine P/E Rank signifies the relative standing of a company on its P/E ratio, relative to the universe. Stocks in the top P/E percentile are each assigned a rank of 1(highest P/E stocks) while those in the bottom P/E percentile are assigned a rank of 100 (traditional value stocks). With a P/E rank of 73, NI is in line with the industry P/E rank of 65.

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ValuEngine™ DETAILED RESEARCH REPORT

NISOURCE INC(NI)

COMPARISON OF SIMILAR STOCKS* & RISK ASSESSMENT

Valuation		Rank
NI	11.92%	17
ATE	n/a	n/a
TAC	-16.48%	61
SCG	-2.61%	36
PNW	-4.05%	39

12-Month Return		Rank
NI	36.45%	72
ATE	13.81%	45
TAC	10.45%	41
SCG	17.56%	50
PNW	33.93%	69

5-Y Avg Ann Rtn		Rank
NI	-7.95%	46
ATE	n/a	n/a
TAC	2.83%	73
SCG	-1.72%	61
PNW	-3.34%	56

Volatility		Rank
NI	22.62%	95
ATE	24.54%	93
TAC	34.31%	78
SCG	17.96%	99
PNW	20.82%	97

EPS Growth		Rank
NI	0.03	21
ATE	0.13	36
TAC	0.27	53
SCG	0.06	25
PNW	0.04	22

Market Cap(bill)		Rank
NI	4.52	88
ATE	4.36	88
TAC	4.35	88
SCG	4.8	88
PNW	4.2	87

Sharpe Ratio		Rank
NI	-0.35	29
ATE	n/a	n/a
TAC	0.08	74
SCG	-0.1	55
PNW	-0.16	47

P/S Ratio		Rank
NI	0.76	66
ATE	7.6	14
TAC	1.67	42
SCG	1.11	54
PNW	1.27	50

M/B Ratio		Rank
NI	4.84	20
ATE	2.69	35
TAC	1.65	54
SCG	1.37	62
PNW	1.26	65

P/E Ratio		Rank
NI	13.85	73
ATE	15.41	67
TAC	18.27	59
SCG	13.39	74
PNW	13.88	73

FORECAST COMPARISONS

RETURN FORECAST: EXPECTED RETURN

	ATE	NI	PNW	SCG	TAC
One-Month	1.51%	0.97%	1.30%	1.31%	1.43%
Three-Month	1.70%	1.48%	2.06%	1.87%	1.53%
Six-Month	4.32%	3.25%	4.37%	3.75%	3.75%
One-Year	6.21%	4.86%	7.18%	6.50%	5.57%
Two-Year	10.20%	10.83%	13.50%	11.99%	8.89%
Three-Year	36.67%	39.52%	39.78%	37.03%	32.02%

RISK ASSESSMENT: CHANCE OF GAIN

	ATE	NI	PNW	SCG	TAC
One-Month	58.44%	55.88%	58.57%	59.96%	55.74%
Three-Month	55.50%	55.21%	57.83%	58.27%	53.54%
Six-Month	59.84%	58.05%	61.68%	61.62%	56.15%
One-Year	59.99%	58.50%	63.48%	64.13%	56.45%
Two-Year	61.56%	63.26%	67.68%	68.15%	57.27%
Three-Year	80.59%	84.34%	86.50%	88.31%	70.50%

RISK ASSESSMENT: CHANCE OF LOSS

	ATE	NI	PNW	SCG	TAC
One-Month	41.56%	44.12%	41.43%	40.04%	44.26%
Three-Month	44.50%	44.79%	42.17%	41.73%	46.46%
Six-Month	40.16%	41.95%	38.32%	38.38%	43.85%
One-Year	40.01%	41.50%	36.52%	35.87%	43.55%
Two-Year	38.44%	36.74%	32.32%	31.85%	42.73%
Three-Year	19.41%	15.66%	13.50%	11.69%	29.50%

*** Comparables are companies in the same Sector and Industry and of approximately similar market capitalization value.**

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ValuEngine™ DETAILED RESEARCH REPORT

NISOURCE INC(NI)

ANNUAL FINANCIALS (All items in Millions)

BALANCE SHEET	200912	200812	200712	200612	200512	200412	200312	200212
Cash	191.1	307.2	95.4	175.6	103.3	86.4	50.1	56.2
Marketable Securities	0	0	0	0	0	0	0	0
Receivables	833.5	1142.5	1159.9	1118.6	1254.6	536.7	814.3	885.3
Inventory	547	670.7	604.7	703.4	1045.6	846.7	529.9	510.1
Raw Materials	547	670.7	--	--	--	--	--	--
Work in Progress	--	--	--	--	--	--	--	--
Finished Goods	--	--	--	--	--	--	--	--
Notes Receivable	0	0	0	0	0	0	0	0
Other Current Assets	652	1290.4	594.9	785.3	657.2	815.8	668.6	416.9
Total Current Assets	**2223.6**	**3410.8**	**2454.9**	**2782.9**	**3060.7**	**2285.6**	**2062.9**	**1868.5**
Property, Plant & Equipment	19037.6	18468.9	17543.5	17194.9	16684.4	16632.3	16400.8	18188.9
Accumulated Depreciation	8353.7	8080.8	7850.5	7850	7556.8	7247.6	7095.9	8120.9
Net Property, Plant & Equipment	10683.9	10388.1	9693	9344.9	9127.6	9384.7	9304.9	10068
Investment & Advances	129.2	117.9	456	465.7	540.9	204	187.1	274.8
Other non-current Assets	422.1	333.3	41.2	43	34.6	0	0	0
Deferred Charges	1796.2	1763.9	1004.7	1297.5	753.7	189.5	147.8	195
Intangibles	3996.9	4007.9	4099.3	4113	4173.1	4207.5	4231.2	3764.9
Deposits & other assets	19.8	10.3	255.7	109.5	267.9	716.7	689.9	725.7
TOTAL ASSETS	19271.7	20032.2	18004.8	18156.5	17958.5	16988	16623.8	16896.9
Notes Payable	0	0	1061	1193	898	307.6	685.5	913.1
Accounts Payable	724.3	1248.8	1161.5	713.1	866.7	648.4	496.6	521.6
Current Portion of Long-term Debt	822.3	1632.8	33.9	93.3	440.7	1299.9	118.3	1232.6
Current Portion of Capital Leases	0	0	0	0	0	0	0	0
Accrued Expenses	459.3	613.9	802.7	834.1	913.9	808.9	557.2	601.6
Income Taxes Payable	212.9	206.5	0	0	0	0	210.8	242.1
Other Current Liabilities	930.8	881.4	333.5	987.7	723.9	537.4	540.6	666.4
Total Current Liabilities	**3149.6**	**4583.4**	**3392.6**	**3821.2**	**3843.2**	**3602.2**	**2609**	**4177.4**
Mortgages	0	0	0	0	0	0	0	0
Deferred Charges (taxes/income)	2138.7	1678.8	3068.4	3010.2	1803.3	1889.7	1868.9	2408.4
Convertible Debt	0	0	0	0	0	0	0	0
Long Term Debt	5965.1	5943.9	5594.4	5146.2	5271.2	4835.9	5993.4	5018
Non-Current Capital Leases	0	0	0	0	0	0	0	0
Other Long-Term Liabilities	3164.2	3097.3	872.8	1165.3	2026.7	1792	1655.5	688.3
Minority Interest (liabilities)	0	0	0	0	0	0	0	345
Total Liabilities	**14417.6**	**15303.4**	**12928.2**	**13142.9**	**12944.4**	**12119.8**	**12126.8**	**12637.1**
Preferred Stock	0	0	0	0	81.1	81.1	81.1	84.9
Common Stock, Net	2.8	2.7	2.7	2.7	2.7	2.7	0	0
Capital Surplus	4057.6	4020.3	4011	3998.3	3969.4	3924	0	0
Retained Earnings	865.5	901.1	1074.5	1012.9	981.6	925.4	0	0
Treasury Stock	25.9	23.3	23.3	21.2	0	0	0	0
Other Equity	-45.9	-172	11.7	20.9	-20.7	-65	0	0
Total Shareholders' Equity	**4854.1**	**4728.8**	**5076.6**	**5013.6**	**5014.1**	**4868.2**	**4497**	**4259.8**
Total Liabilites & Shareholders Equity	**19271.7**	**20032.2**	**18004.8**	**18156.5**	**17958.5**	**16988**	**16623.8**	**16896.9**

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ValuEngine™ DETAILED RESEARCH REPORT

NISOURCE INC(NI)

ANNUAL FINANCIALS (All items in Millions)

INCOME STATEMENT	200912	200812	200712	200612	200512	200412	200312	200212
Net Sales or Revenues	6649.4	8874.2	7939.8	7490	7899.1	6666.2	6246.6	6492.3
Cost of Goods Sold	4971.4	7086.5	4676.1	4365.4	4749.3	3610.5	3186.3	3163.3
Gross Profit	1678	1787.7	3263.7	3124.6	3149.8	3055.7	3060.3	3329
Research & Development Expense	0	0	0	0	0	0	0	0
Selling, General & Admin. Expense	303.1	315.1	1771.2	1679	1629.6	1477.1	1471.9	1579.5
Income Before Depr., Depl., Amort.	1374.9	1472.6	1492.5	1445.6	1520.2	1578.6	1588.4	1749.5
Depreciation, Depletion, Amort.	589	567.2	559.2	549.2	545.2	509.7	497	574
Non-Operating Income	10.1	29.9	-48.5	-24.7	-121	6.1	33.2	10.2
Interest Expense	399	380.1	400.7	387.4	421	403.9	464.7	526.1
Pretax Income	397	555.2	484.1	484.3	433	671.1	659.9	659.6
Provision for Income Taxes	165.8	185.4	172.1	170.8	149.4	240.9	234.2	233.9
Minority Interest	0	0	0	0	0	0	0	0
Investment Gains (Losses)	0	0	0	0	0	0	0	0
Other Income	0	0	0	0	0	0	0	0
Income Before Extraordinaries & Disc	231.2	369.8	312	313.5	283.6	430.2	425.7	425.7
Extraordinary Items & Discontinued	-13.5	-290.8	9.4	-31.3	22.9	6.1	-340.5	-53.2
Net Income	217.7	79	321.4	282.2	306.5	436.3	85.2	372.5
Average Shares used for Diluted EPS	275.8	275.4	273.8	272.6	271.3	265.5	261.6	212.8
Average Shares used for Basic EPS	275.1	274	273.8	272.6	271.3	263.7	259.6	211
Income Before Non-Recurring Items	295.3	348.5	375.8	388.5	375.4	430.2	425.7	425.7
Income From Non-Recurring Items	-64.1	21.3	-53.8	0	-91.8	0	0	0
EPS - Basic, net	0.8	0.3	1.2	1.4	1	1.7	0.3	1.8
EPS - Diluted, net	0.8	0.3	1.2	1.4	1	1.6	0.3	1.8
EPS - Diluted, before non-recurring	1.1	1.3	1.4	1.4	1.4	1.6	1.6	2
Preferred Dividends - Acc & Pd.					24.4	-1.4	-0.5	1.1
Dividends (common)	253.7	252.3	252.2	251.2	250.8	242.5	288.7	282.8
Dividend per share (common)	0.9	0.9	0.9	0.9	0.9	0.9	1.1	1.2

CASH FLOW STATEMENT								
Net Income (Cash Flow)	217.7	79	321.4	282.2	306.5	436.3	85.2	372.5
Depreciation, Depletion, Amortization-CF	602	574.9	566.5	556.9	562.7	531.3	515.9	574
Net Increase(decrease) in	692.2	-457.4	-133.6	410.3	-223	-34.1	-387.8	165.6
Cash from(used in) Discontinued Oper.	-241	288.6	-9.1	36.1	68.3	-3.9	199	-16.2
Other Adjustments - Net	395.3	100.2	12	-129.3	-2.2	93.2	60.6	76.5
Net Cash from (used by) Operating Act.	1666.2	585.3	757.2	1156.2	712.3	1022.8	472.9	1172.4
Increase/Decrease in Prop, Plant, & Equ.	-771.5	-1251.8	-788.3	-637.4	-590.4	-517	-574.6	-202.7
Acquisition/Disposition of Subsidiaires	0	0	0	0	-0.1	0	0	0
Increase (decrease) in Investments	39.2	7.5	0	0	0	0	0	0
Other Cash inflow from Investment Act.	77.5	130	106.9	-95.1	18.4	-2.1	568.9	0
Net Cash from (used by) Invesment Act.	-654.8	-1114.3	-681.4	-732.5	-572.1	-519.1	-5.7	-202.7
Issuance (purchase) of Equity Shares	8	1.3	6.1	-65.8	38.4	156.7	6	681.3
Issuance (repayment) of Debt Securities	290.2	664.7	345.7	-438.7	-464.6	-414.5	34.6	-532.1
Increase (decrease) in Bank & Other	-1060.5	102.5	-132	296.4	576.2	0	-227.6	-941.2
Payment of Dividends & Other Cash	-253.3	-252.4	-252.1	-251.9	-250.3	-243.1	-284	-241.5
Other Cash from (used by) Financing	0	-1.1	-40.6	0	0	0	0	0
Net Cash from (used by) Financing Act.	-1015.6	515	-72.9	-460	-100.3	-500.9	-471	-1033.5
Net Change in Cash & Cash Equivalents	-4.2	-14	2.9	-36.3	39.9	2.8	-3.8	-63.8

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ValuEngine™ DETAILED RESEARCH REPORT

NISOURCE INC(NI)

QUARTERLY FINANCIALS (All items in Millions)

BALANCE SHEET	201003	200912	200909	200906	200903	200812	200809	200806
Cash	331.4	191.1	148.3	313.1	452	307.2	269	47.2
Marketable Securities	0	0	0	0	0	0	0	0
Receivables	952.8	833.5	738	544.7	910.7	1142.5	586.8	1201.2
Inventory	229.9	547	691.8	426.6	259.3	670.7	838	400.5
Raw Materials	229.9	547	691.8	426.6	259.3	670.7	838	–
Work in Progress	–	–	–	–	–	–	–	–
Finished Goods	–	–	–	–	–	–	–	–
Notes Receivable	0	0	0	0	0	0	0	0
Other Current Assets	683.1	652	985.1	1152.3	1010.4	1290.4	1432.2	1031.5
Total Current Assets	**2197.2**	**2223.6**	**2563.2**	**2436.7**	**2632.4**	**3410.8**	**3126**	**2680.4**
Property, Plant & Equipment	19140.7	19037.6	18868.4	18776	18610.8	18468.9	18339.8	18040.9
Accumulated Depreciation	8443.5	8353.7	8286.3	8232.9	8134.1	8080.8	8078	7982.5
Net Property, Plant & Equipment	10697.2	10683.9	10582.1	10543.1	10476.7	10388.1	10261.8	10058.4
Investment & Advances	129.1	129.2	128.2	111.6	115.7	117.9	119.8	178.5
Other non-current Assets	451	422.1	402.8	397.4	364.9	333.3	450.9	299.2
Deferred Charges	1860.2	1796.2	1704.6	1722.9	1745.6	1763.9	940.4	999.7
Intangibles	3994.1	3996.9	3999.7	4002.4	4005.1	4007.9	4010.7	4013.4
Deposits & other assets	22.8	19.8	10.5	9.2	9.6	10.3	188.2	386.6
TOTAL ASSETS	19351.6	19271.7	19391.1	19223.3	19350	20032.2	19097.8	18616.2
Notes Payable	0	0	0	0	0	0	0	506
Accounts Payable	558.5	724.3	454.1	560.3	870.6	1248.8	1147.7	1352.2
Current Portion of Long-term Debt	1093.8	822.3	633.8	424	436	1632.8	1282.9	43.1
Current Portion of Capital Leases	0	0	0	0	0	0	0	0
Accrued Expenses	349.2	459.3	450.2	381.7	392.4	613.9	488.4	642.5
Income Taxes Payable	296.8	212.9	148	209.1	259.4	206.5	145.1	0
Other Current Liabilities	698.9	930.8	1223.6	1367.3	1319.6	881.4	955.1	1105
Total Current Liabilities	**2997.2**	**3149.6**	**2909.7**	**2942.4**	**3278**	**4583.4**	**4019.2**	**3648.8**
Mortgages	0	0	0	0	0	0	0	0
Deferred Charges (taxes/income)	2172.3	2138.7	2120.8	1795.3	1733.6	1678.8	1669.9	3085
Convertible Debt	0	0	0	0	0	0	0	0
Long Term Debt	5963.9	5965.1	6560.7	6564.4	6451.9	5943.9	6323.3	6059.9
Non-Current Capital Leases	0	0	0	0	0	0	0	0
Other Long-Term Liabilities	3289.4	3164.2	3060.1	3128.8	3148.8	3097.3	2414.6	1011.6
Minority Interest (liabilities)	0	0	0	0	0	0	0	0
Total Liabilities	**14422.8**	**14417.6**	**14651.3**	**14430.9**	**14612.3**	**15303.4**	**14427**	**13805.3**
Preferred Stock	0	0	0	0	0	0	0	0
Common Stock, Net	2.8	2.8	2.8	2.8	2.7	2.7	2.7	2.7
Capital Surplus	4068.5	4057.6	4043.2	4032.7	4023	4020.3	4017.8	4015.4
Retained Earnings	935.3	865.5	776.3	855.1	923.3	901.1	739.1	782.2
Treasury Stock	27.4	25.9	24.2	24.2	24.1	23.3	23.5	23.4
Other Equity	-50.4	-45.9	-58.3	-74	-187.2	-172	-65.3	34
Total Shareholders' Equity	**4928.8**	**4854.1**	**4739.8**	**4792.4**	**4737.7**	**4728.8**	**4670.8**	**4810.9**
Total Liabilites & Shareholders Equity	**19351.6**	**19271.7**	**19391.1**	**19223.3**	**19350**	**20032.2**	**19097.8**	**18616.2**

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ValuEngine™ DETAILED RESEARCH REPORT

NISOURCE INC(NI)

QUARTERLY FINANCIALS (All items in Millions)

INCOME STATEMENT	201003	200912	200909	200906	200903	200812	200809	200806
Net Sales or Revenues	2358.3	1684.7	884.8	1009.2	2722.3	2385.5	1409.1	1792.1
Cost of Goods Sold	1725.7	1552.2	584.2	701.9	2133.1	2610.4	1105.8	1121.8
Gross Profit	632.6	483	300.6	307.3	587.1	-227.1	303.3	670.3
Research & Development Expense	0	0	0	0	0	0	0	0
Selling, General & Admin. Expense	87	91	58.1	52.6	101.4	-665.5	57.8	408.5
Income Before Depr., Depl., Amort.	545.6	392	242.5	254.7	485.7	438.4	245.5	261.8
Depreciation, Depletion, Amort.	149.8	148.3	148.7	148.2	143.8	142.9	141	147.7
Non-Operating Income	10	0.4	8.1	-3.8	5.4	-0.1	24.2	3.8
Interest Expense	98.7	98.4	104.8	105.3	90.5	100.7	100.2	87.4
Pretax Income	307.1	145.7	-2.9	-2.6	256.8	194.7	28.5	30.5
Provision for Income Taxes	109.8	55.4	6.8	6.1	97.5	67.9	-4.1	9.5
Minority Interest	0	0	0	0	0	0	0	0
Investment Gains (Losses)	0	0	0	0	0	0	0	0
Other Income	0	0	0	0	0	0	0	0
Income Before Extraordinaries & Disc	197.3	88.5	-9.7	-8.7	159.3	127	32.6	21
Extraordinary Items & Discontinued	0	1	-5.7	3.9	-10.9	35	-12.6	-223.3
Net Income	197.3	89.5	-15.4	-4.8	148.4	162	20	-202.3
Average Shares used for Diluted EPS	277.5	276.8	275.4	274.7	276.7	275.5	275.5	275.4
Average Shares used for Basic EPS	276.9	276	275.4	274.7	274.2	274	274	274
Income Before Non-Recurring Items	198.3	98.9	-6.8	6.2	170.2	126	7.9	24.3
Income From Non-Recurring Items	-1	-10.4	-2.9	-14.9	-10.9	1	-24.7	-3.3
EPS - Basic, net	0.7	0.3	-0.1	-0	0.5	0.6	0.1	-0.7
EPS - Diluted, net	0.7	0.3	-0.1	-0	0.5	0.6	0.1	-0.7
EPS - Diluted, before non-recurring	0.7	0.3	-0	0	0.6	0.5	0	0.1
Preferred Dividends - Acc & Pd.	–	–	–	–	–	–	–	–
Dividends (common)	63.7	63.4	63.3	63.2	63.1	63.1	63.1	63.1
Dividend per share (common)	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2

CASH FLOW STATEMENT								
Net Income (Cash Flow)	197.3	217.7	128.2	143.6	148.4	79	-83	-103
Depreciation, Depletion, Amortization-CF	152.5	602	450	298.1	145.9	574.9	430	287
Net Increase(decrease) in	-240.1	692.2	410.8	821.9	798.6	-457.4	-452.6	118.5
Cash from(used in) Discontinued Oper.	-31.1	-241	-223.9	-70	-51	288.6	312.3	311.5
Other Adjustments - Net	4.7	395.3	355.1	46.6	16	100.2	43.6	24.4
Net Cash from (used by) Operating Act.	83.3	1666.2	1120.2	1240.2	1057.9	585.3	250.3	638.4
Increase/Decrease in Prop, Plant, & Equ.	-138.6	-771.5	-583.3	-383.5	-204.8	-1251.8	-967.1	-422.8
Acquisition/Disposition of Subsidiaires	0	0	0	0	0	0	203.2	-328.8
Increase (decrease) in Investments	0.5	39.2	61.4	54.6	52	7.5	0	0
Other Cash inflow from Investment Act.	-56.3	77.5	19	9	-43.6	130	-205	364
Net Cash from (used by) Invesment Act.	-194.4	-654.8	-502.9	-319.9	-196.4	-1114.3	-968.9	-387.6
Issuance (purchase) of Equity Shares	2.2	8	-0.3	-0.5	-0.6	1.3	0.9	0.6
Issuance (repayment) of Debt Securities	-0.9	290.2	599.2	598.6	480.3	664.7	668.2	440
Increase (decrease) in Bank & Other	267.7	-1060.5	-963.4	-1163.5	-1163.5	102.5	202	-555
Payment of Dividends & Other Cash	-63.7	-253.3	-189.6	-126.2	-63.1	-252.4	-189.2	-126.1
Other Cash from (used by) Financing	0	0	0	-0.4	0	-1.1	0	1
Net Cash from (used by) Financing Act.	205.3	-1015.6	-554.1	-692	-746.9	515	681.9	-239.5
Net Change in Cash & Cash Equivalents	63.5	-4.2	63.2	228.3	114.6	-14	-9.5	11.3

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ValuEngine™ DETAILED RESEARCH REPORT

NISOURCE INC(NI)

VALUENGINE SERVICE DESCRIPTIONS

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ValuEngine™ DETAILED RESEARCH REPORT

NISOURCE INC(NI)

VALUENGINE'S METHODOLOGY

ValuEngine's research combines the most advanced academic concepts with real world Wall Street practice. The result is state-of-the-art fair market valuation and price forecasting technologies.

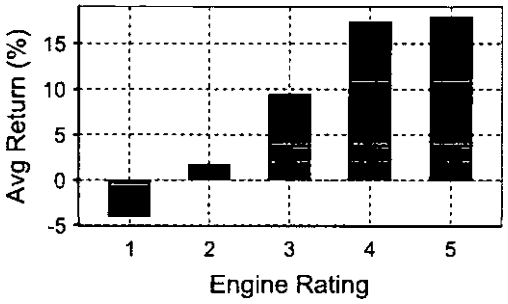
ValuEngine's stock valuation employs a sophisticated, three-factor approach. Fundamental variables, such as a company's trailing 12-month Earnings-Per-Share (EPS), the analyst consensus estimate of the company's future 12-month EPS, and the 30-year Treasury yield, are all used to create a more accurate reflection of a company's fair value. Together with eleven additional variables, ValuEngine paints a detailed picture of a company's fair value, represented by the model price.

ValuEngine's stock forecasts examine, among other things, short-term price reversals, intermediate-term momentum continuation, and long-term price reversals over six time horizons for every industry to ensure forecasts are established relative to a stock's proper peer groups. Advanced statistical/econometric techniques are used to run thousands of simulations estimating the probability of a double in stock price, as well as the probability of meeting and exceeding any given portfolio or stock investment target.

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Engine Rating and Average Annual Return
(Jan 2001 - Jul 2010)



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ValuEngine™ DETAILED RESEARCH REPORT

NISOURCE INC(NI)

Aug. 10, 2010

VALUENGINE RECOMMENDATION & BASIC INFORMATION

RECOMMENDATION

NEGATIVE underperform | NEUTRAL match | POSITIVE outperform

VALUENGINE RATING

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RECOMMENDATION FACTORS

	Value	Rank
Overall Rank		top 15%
Fair Value	$15.11	btm 19%
1Yr Target Price	$17.95	top 15%
P/E Ratio	14.24	top 29%
Last 1-Y Return	37.99%	top 24%
Market Cap(bil)	$4.71	top 13%

BASIC INFORMATION

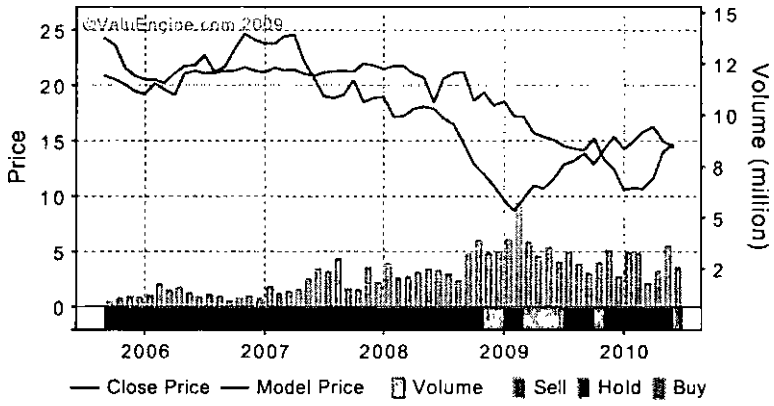
Last Trade	$17.0
Trade Date	08/09/10
Market Cap(bil)	$4.71114
Trailing P/E	14.24
Forward P/E	13.48
PEG Ratio	2.52
P/S Ratio	0.79
M/B Ratio	5.04
Sharpe Ratio	-0.31
5-Y Avg Ann Return	-7.01%
Volatility	22.81%
EPS Growth	5.65%
Annual Dividend	$0.92
Dividend Yield	5.41%
LT Debt/Equity	6.38
Beta	0.92

VALUATION ANALYSIS

NI	Today's Fair value: $15.11 12.48% overvalued
Industry	Electrical Utilities 5.12% undervalued
Sector	Public Utilities 3.49% undervalued

FORECAST ANALYSIS

	Target Price	Exp. Return
1-Month	$17.22	1.27%
3-Month	$17.26	1.51%
6-Month	$17.40	2.37%
1-Year	$17.95	5.58%
2-Year	$18.72	10.14%
3-Year	$23.97	40.98%



VALUENGINE RECOMMENDATION

ValuEngine has issued a BUY recommendation for NISOURCE INC on Aug. 10, 2010. Based on the information we have gathered and our resulting research, we feel that NISOURCE INC has the probability to OUTPERFORM average market performance for the next year. The company exhibits ATTRACTIVE volatility, company size and momentum.

RECOMMENDATION OVERVIEW

ValuEngine's stock recommendations are based on the proprietary ValuEngine one-year forecast return (1YFR) model output for each individual equity. A stock is rated Strong Buy, Buy, Hold, Sell, Strong Sell based on the Forecast One Year Return. The breakdown for each rating is as follows:

- Strong Buy: More than +12% 1YFR
- Buy: Between +5% and +12% 1YFR
- Hold: Between -5% and +5% 1YFR
- Sell: Between -12% and -5% 1YFR
- Strong Sell: Less than -12% 1YFR

ValuEngine's Strong Buy-rated stocks have an averaged annual return of 19% since 2001. For more details on the ValuEngine One Year Forecast Target price and its components, please go HERE.

FAIR MARKET VALUATION PRICE

Based on available data as of Aug. 10, 2010, we believe that NI should be trading at $15.11. This makes NI 12.48% overvalued. Fair Value indicates what we believe the stock should be trading at today if the stock market were perfectly efficient and everything traded at its true worth. For NI, we base this on actual earnings per share (EPS) for the previous four quarters of $1.19, forecasted EPS for the next four quarters of $1.26, and correlations to the 30-year Treasury bond yield of 4.01%. There are an additional 10 firm specific and interest rate related parameters, each playing a role in the valuation analysis. For more details on ValuEngine's Fair Value Model, please go HERE.

FORECASTED TARGET PRICES

The predictive variables used in Valuengine's forecast target price models include both proprietary and well-established forecasting variables derived from credible financial research studies and publications. Our forecasting models capture, among other things, several important tendencies that stock prices consistently exhibit: Short-term price reversals, Intermediate-term momentum continuation, and Long-term price reversals. We use a distinct forecasting model for each time horizon and for every industry. We then apply the most advanced statistical/econometric techniques to ensure that our stock return forecasts are as reliable as possible. For more details on ValuEngine's Fair Value Model, please go HERE.

Contact ValuEngine:

ValuEngine, Inc.
41 University Drive, Suite 400
Newtown, PA 18940, U.S.A.
(800) 381-5576 (T)
support@ValuEngine.com
www.ValuEngine.com

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ValuEngine™ DETAILED RESEARCH REPORT

NISOURCE INC(NI)

BUSINESS SUMMARY: DATA SUMMARY & MARKET RATIO BASED VALUATION

BUSINESS SUMMARY

NiSource Inc., formerly NIPSCO Industries, Inc., is an energy and utility-based holding company headquartered in Merrillville, Indiana, that provides natural gas, electricity and water to the public for residential, commercial and industrial uses. NiSource operating companies deliver energy to millions of customers located within the high-demand energy corridor stretching from the Gulf Coast through the Midwest to New England.

OPTIMAL BUY-SELL

Based solely on the Historical Mispricing of NI, the best time to buy would be below $10.43 (or valuation below -31.00%). The best time to sell would be above $14.06 (or valuation above -7.00%).

EVALUATION & RANKINGS

	Value	Rank
Valuation	12.48%	19
12-Month Return	37.99%	77
5-Y Avg Ann Rtn	-7.01%	46
Volatility	22.81%	95
EPS Growth	5.65%	25
Market Cap(bil)	4.71	88
Sharpe Ratio	-0.31	30
P/S Ratio	0.79	66
M/B Ratio	5.04	19
P/E Ratio	14.24	72

EVALUATION & RANKINGS SUMMARY

Just as important as the percentages shown for our ten predictive variables for each stock is the way they are ranked against the 7000 plus stocks in our database. This is sometimes confusing to newcomers to ValuEngine. Each of these quantitative measurements is ranked on a scale of 1 to 100. Generally the higher the ranking, the more positive the influence each measurement has on the overall attractiveness of the stock. In other words a high rank is always better. Let's take them one by one:

- Valuation rank 19: 81% of stocks are more undervalued
- Momentum rank 77: 23% of stocks have higher momentum
- Sharpe Ratio rank 30: 70% of stocks have a higher Sharpe Ratio
- 5-Year Average Annual Return 46: 54% of stocks have higher average annual return
- Volatility rank 95: 5% of stocks have less volatility
- EPS growth rank 25: 75% of stocks have greater projected EPS growth
- Size rank 88: 12% of companies have higher market capitalization
- P/E rank 72: 28% of stocks have lower P/E ratios
- Price/Sales rank 66: 34% of stocks have lower price/sales ratios
- Market/Book rank 19: 81% of stocks have lower market/book value ratios

MARKET RATIO BASED VALUATION

Portfolio managers and professionals traditionally rely on market ratios to gauge whether a stock is fair valued or overvalued. On this page, we present such a valuation based on one of three market ratios: PEG (price to trailing 4 quarter earnings ratio, divided by the consensus analyst forecasted next year EPS growth), P/E (price to forward 4 quarter earnings ratio), and P/S ratio (price to trailing 4 quarter sales). Among the three, PEG is the most informative as it reflects both the price/earnings ratio and expected future EPS growth, while P/E is better than P/S. For each given stock, we apply the PEG to give a fair value assessment if both its trailing 4 quarter EPS and forecasted EPS growth rate are positive. If its forecasted EPS growth is negative but its forward 4 quarter EPS is positive, we apply the P/E to give a fair value for the stock as of today. Otherwise, we resort to the P/S to assess its fair value.

To establish a valuation standard, we use both (i) the average historical market ratio of the stock over the past 10 years (or however long there is data available for the stock), and (ii) the average market ratio today of five comparable stocks in the same sector and from companies of similar size. These two alternative perspectives should give you a good idea about where this stock's valuation stands today.

1. Valuation Based on NI's Past PEG

Over the past 10 years, NI's average PEG is 3.57. NI earned $1.19 per share in its recent 4 quarters. The analyst consensus estimate is $1.26 for its 4 quarter forward EPS. NI's current price sales ratio is 0.79. The following assessment is based on multiplying the historical PEG with recent 4 quarter EPS and the forecasted EPS growth rate over the next 4 quarters for NI.

Fair Value	
Historical Average PEG	3.57
PEG-Based Fair Value	$24.10

2. Valuation Based on Comparables' PEG

NI's comparables are ATE, NU, PNW, SCG and TAC. The current PEG average of these comparables is 1.36. NI earned $1.19 per share in its recent 4 quarters. The analyst consensus estimate is $1.26 for its 4-quarter-forward EPS. NI's current price sales ratio is 0.79. The following assessment is based on multiplying comparable stocks' average PEG today with NI's recent 4 quarter EPS and the forecasted EPS growth rate over the next 4 quarters .

Comparables' PEG

Comparables	Current PEG
ATE	1.2
NU	1.07
PNW	1.34
SCG	2.44
TAC	0.73

Fair Value	
Comparable Stocks' Avg PEG	1.36
Comparable PEG-Based Fair Value	$9.15

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ValuEngine™ DETAILED RESEARCH REPORT

NISOURCE INC(NI)

VALUENGINE RANKINGS

Just as important as the percentages shown for our ten predictive variables for each stock is the way they are ranked against the 7000 plus stocks in our database. Each of these quantitative measurements is ranked on a scale of 1 to 100. Generally the higher the ranking, the more positive the influence each measurement has on the overall attractiveness of the stock. In other words a high rank is always better. The below data points show how the rank for each data point for NI relates to the overall industry, sector, and S&P 500 averages.

Valuation		Rank
NI	12.48%	19
Industry	-5.12%	44
Sector	-3.49%	44
S&P 500	-7.18%	50

The ValuEngine Valuation Rank measures the relationship between a company's stock price and its Fair Value. The higher the Valuation rank, the more undervalued the stock. With a Valuation Rank of 19, NI is moderately lower than the average of its industry group, which carries a Valuation Rank of 44.

12-Month Return		Rank
NI	37.99%	77
Industry	12.72%	50
Sector	16.93%	51
S&P 500	11.61%	46

The ValuEngine 12-Month Return Rank reflects the relative stock performance of a stock over the recent 12 months. On a scale of 1 to 100, a higher 12-Month Return rank indicates a stronger performance. With a 12-Month Return Rank of 77, NI is moderately higher than the industry's rank score of 50.

5-Y Avg Ann Rtn		Rank
NI	-7.01%	46
Industry	-3.76%	59
Sector	-3.23%	59
S&P 500	-1.58%	59

The ValuEngine 5-Years Average Return Rank reflects a stock's average annual return over the last 5 years, in comparison with the coverage universe. A higher rank indicates a better return performance. With a rank of 46, NI is slightly lower than the industry, which has a rank of 59.

Volatility		Rank
NI	22.81%	95
Industry	33.18%	80
Sector	42.78%	73
S&P 500	17.54%	99

The ValuEngine Volatility Rank reflects the volatility associated with the stock. A higher Volatility Rank indicates a lower volatile percentile of stocks. NI has a Volatility Rank of 95, which is slightly higher than the industry Rank of 80.

EPS Growth		Rank
NI	5.65%	25
Industry	26.02%	40
Sector	21.09%	37
S&P 500	29.50%	57

The ValuEngine EPS Growth Rank indicates a stock's expected EPS growth rate. A high rank indicates a high growth rate expectation. NI has an EPS Growth Rank of 25.This is slightly lower than the industry rank of 40.

Market Cap(bill)		Rank
NI	4.71	88
Industry	6.64	77
Sector	8.93	73
S&P 500	n/a	n/a

The ValuEngine Size rank signifies the company's size in terms of market capitalization. A higher rank denotes a larger market capitalization within ValuEngine's stock universe. With a Size rank of 88, NI is slightly higher than the industry, which has a rank of 77.

Sharpe Ratio		Rank
NI	-0.31	30
Industry	-0.03	58
Sector	-0.03	58
S&P 500	-0.09	53

The ValuEngine Sharpe Ratio Rank measures the risk return tradeoff offered by a stock. Sharpe ratio is the stock's average annual return (over the last five years) divided by its annualized volatility over the same 5 years. With a rank of 30, NI is moderately lower than the industry, which has a rank of 58.

P/S Ratio		Rank
NI	0.79	66
Industry	2.67	53
Sector	2.47	53
S&P 500	n/a	n/a

The ValuEngine Price/Sales rank signifies the relative position of the company based on its P/S ratio. Stocks with the lowest P/S ratio are assigned a rank of 100 while stocks with the highest P/S ratio are ranked 1. At a Price/Sales rank of 66, NI is slightly higher than the industry rank of 53.

M/B Ratio		Rank
NI	5.04	19
Industry	3.16	57
Sector	3.63	51
S&P 500	n/a	n/a

The Market/Book Rank is a measure of a stock's market to book ratio relative to the stock universe. A higher rank corresponds to a lower market book value. NI has a Market/Book rank of 19, which is substantially lower than the industry rank of 57.

P/E Ratio		Rank
NI	14.24	72
Industry	18.8	64
Sector	18.56	62
S&P 500	16.57	64

The ValuEngine P/E Rank signifies the relative standing of a company on its P/E ratio, relative to the universe. Stocks in the top P/E percentile are each assigned a rank of 1(highest P/E stocks) while those in the bottom P/E percentile are assigned a rank of 100 (traditional value stocks). With a P/E rank of 72, NI is in line with the industry P/E rank of 64.

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ValuEngine™ DETAILED RESEARCH REPORT

NISOURCE INC(NI)

COMPARISON OF SIMILAR STOCKS* & RISK ASSESSMENT

Valuation		Rank
NI	12.48%	19
TAC	-11.88%	59
SCG	1.25%	35
ATE	n/a	n/a
NU	-7.75%	51

12-Month Return		Rank
NI	37.99%	77
TAC	11.32%	46
SCG	23.45%	63
ATE	-8.00%	27
NU	29.14%	70

5-Y Avg Ann Rtn		Rank
NI	-7.01%	46
TAC	2.91%	71
SCG	-1.29%	59
ATE	n/a	n/a
NU	7.53%	82

Volatility		Rank
NI	22.81%	95
TAC	34.39%	78
SCG	17.98%	99
ATE	24.54%	93
NU	18.59%	98

EPS Growth		Rank
NI	0.06	25
TAC	0.26	54
SCG	0.06	25
ATE	0.13	37
NU	0.15	41

Market Cap(bill)		Rank
NI	4.71	88
TAC	4.56	87
SCG	4.95	88
ATE	4.32	87
NU	5.11	88

Sharpe Ratio		Rank
NI	-0.31	30
TAC	0.08	72
SCG	-0.07	55
ATE	n/a	n/a
NU	0.41	93

P/S Ratio		Rank
NI	0.79	66
TAC	1.76	42
SCG	1.14	55
ATE	7.53	14
NU	0.99	60

M/B Ratio		Rank
NI	5.04	19
TAC	1.73	54
SCG	1.42	63
ATE	2.66	37
NU	1.53	59

P/E Ratio		Rank
NI	14.24	72
TAC	18.93	58
SCG	13.62	75
ATE	15.26	68
NU	16.07	66

FORECAST COMPARISONS

RETURN FORECAST: EXPECTED RETURN

	ATE	NI	NU	SCG	TAC
One-Month	1.45%	1.27%	1.37%	1.39%	1.40%
Three-Month	1.23%	1.51%	1.67%	1.72%	1.33%
Six-Month	2.00%	2.37%	2.94%	2.62%	2.44%
One-Year	4.24%	5.58%	5.95%	5.99%	4.87%
Two-Year	5.12%	10.14%	9.73%	10.18%	6.53%
Three-Year	31.58%	40.98%	37.90%	39.20%	32.65%

RISK ASSESSMENT: CHANCE OF GAIN

	ATE	NI	NU	SCG	TAC
One-Month	58.10%	57.66%	60.08%	60.55%	55.60%
Three-Month	53.98%	55.28%	57.14%	57.60%	53.07%
Six-Month	54.58%	55.83%	58.85%	58.15%	53.99%
One-Year	56.86%	59.67%	62.55%	63.05%	55.63%
Two-Year	55.87%	62.34%	64.44%	65.55%	55.34%
Three-Year	77.13%	85.02%	88.04%	89.59%	70.82%

RISK ASSESSMENT: CHANCE OF LOSS

	ATE	NI	NU	SCG	TAC
One-Month	41.90%	42.34%	39.92%	39.45%	44.40%
Three-Month	46.02%	44.72%	42.86%	42.40%	46.93%
Six-Month	45.42%	44.17%	41.15%	41.85%	46.01%
One-Year	43.14%	40.33%	37.45%	36.95%	44.37%
Two-Year	44.13%	37.66%	35.56%	34.45%	44.66%
Three-Year	22.87%	14.98%	11.96%	10.41%	29.18%

*** Comparables are companies in the same Sector and Industry and of approximately similar market capitalization value.**

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ValuEngine™ DETAILED RESEARCH REPORT

NISOURCE INC(NI)

ANNUAL FINANCIALS (All items in Millions)

BALANCE SHEET	200912	200812	200712	200612	200512	200412	200312	200212
Cash	191.1	307.2	95.4	175.6	103.3	86.4	50.1	56.2
Marketable Securities	0	0	0	0	0	0	0	0
Receivables	833.5	1142.5	1159.9	1118.6	1254.6	536.7	814.3	885.3
Inventory	547	670.7	604.7	703.4	1045.6	846.7	529.9	510.1
Raw Materials	547	670.7	--	--	--	--	--	--
Work in Progress	--	--	--	--	--	--	--	--
Finished Goods	--	--	--	--	--	--	--	--
Notes Receivable	0	0	0	0	0	0	0	0
Other Current Assets	652	1290.4	594.9	785.3	657.2	815.8	668.6	416.9
Total Current Assets	**2223.6**	**3410.8**	**2454.9**	**2782.9**	**3060.7**	**2285.6**	**2062.9**	**1868.5**
Property, Plant & Equipment	19037.6	18468.9	17543.5	17194.9	16684.4	16632.3	16400.8	18188.9
Accumulated Depreciation	8353.7	8080.8	7850.5	7850	7556.8	7247.6	7095.9	8120.9
Net Property, Plant & Equipment	10683.9	10388.1	9693	9344.9	9127.6	9384.7	9304.9	10068
Investment & Advances	129.2	117.9	456	465.7	540.9	204	187.1	274.8
Other non-current Assets	422.1	333.3	41.2	43	34.6	0	0	0
Deferred Charges	1796.2	1763.9	1004.7	1297.5	753.7	189.5	147.8	195
Intangibles	3996.9	4007.9	4099.3	4113	4173.1	4207.5	4231.2	3764.9
Deposits & other assets	19.8	10.3	255.7	109.5	267.9	716.7	689.9	725.7
TOTAL ASSETS	19271.7	20032.2	18004.8	18156.5	17958.5	16988	16623.8	16896.9
Notes Payable	0	0	1061	1193	898	307.6	685.5	913.1
Accounts Payable	724.3	1248.8	1161.5	713.1	866.7	648.4	496.6	521.6
Current Portion of Long-term Debt	822.3	1632.8	33.9	93.3	440.7	1299.9	118.3	1232.6
Current Portion of Capital Leases	0	0	0	0	0	0	0	0
Accrued Expenses	459.3	613.9	802.7	834.1	913.9	808.9	557.2	601.6
Income Taxes Payable	212.9	206.5	0	0	0	0	210.8	242.1
Other Current Liabilities	930.8	881.4	333.5	987.7	723.9	537.4	540.6	666.4
Total Current Liabilities	**3149.6**	**4583.4**	**3392.6**	**3821.2**	**3843.2**	**3602.2**	**2609**	**4177.4**
Mortgages	0	0	0	0	0	0	0	0
Deferred Charges (taxes/income)	2138.7	1678.8	3068.4	3010.2	1803.3	1889.7	1868.9	2408.4
Convertible Debt	0	0	0	0	0	0	0	0
Long Term Debt	5965.1	5943.9	5594.4	5146.2	5271.2	4835.9	5993.4	5018
Non-Current Capital Leases	0	0	0	0	0	0	0	0
Other Long-Term Liabilities	3164.2	3097.3	872.8	1165.3	2026.7	1792	1655.5	688.3
Minority Interest (liabilities)	0	0	0	0	0	0	0	345
Total Liabilities	**14417.6**	**15303.4**	**12928.2**	**13142.9**	**12944.4**	**12119.8**	**12126.8**	**12637.1**
Preferred Stock	0	0	0	0	81.1	81.1	81.1	84.9
Common Stock, Net	2.8	2.7	2.7	2.7	2.7	2.7	0	0
Capital Surplus	4057.6	4020.3	4011	3998.3	3969.4	3924	0	0
Retained Earnings	865.5	901.1	1074.5	1012.9	981.6	925.4	0	0
Treasury Stock	25.9	23.3	23.3	21.2	0	0	0	0
Other Equity	-45.9	-172	11.7	20.9	-20.7	-65	0	0
Total Shareholders' Equity	**4854.1**	**4728.8**	**5076.6**	**5013.6**	**5014.1**	**4868.2**	**4497**	**4259.8**
Total Liabilites & Shareholders Equity	**19271.7**	**20032.2**	**18004.8**	**18156.5**	**17958.5**	**16988**	**16623.8**	**16896.9**

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ValuEngine™ DETAILED RESEARCH REPORT

NISOURCE INC(NI)

ANNUAL FINANCIALS (All items in Millions)

INCOME STATEMENT	200912	200812	200712	200612	200512	200412	200312	200212
Net Sales or Revenues	6649.4	8874.2	7939.8	7490	7899.1	6666.2	6246.6	6492.3
Cost of Goods Sold	4971.4	7086.5	4676.1	4365.4	4749.3	3610.5	3186.3	3163.3
Gross Profit	1678	1787.7	3263.7	3124.6	3149.8	3055.7	3060.3	3329
Research & Development Expense	0	0	0	0	0	0	0	0
Selling, General & Admin. Expense	303.1	315.1	1771.2	1679	1629.6	1477.1	1471.9	1579.5
Income Before Depr., Depl., Amort.	1374.9	1472.6	1492.5	1445.6	1520.2	1578.6	1588.4	1749.5
Depreciation, Depletion, Amort.	589	567.2	559.2	549.2	545.2	509.7	497	574
Non-Operating Income	10.1	29.9	-48.5	-24.7	-121	6.1	33.2	10.2
Interest Expense	399	380.1	400.7	387.4	421	403.9	464.7	526.1
Pretax Income	397	555.2	484.1	484.3	433	671.1	659.9	659.6
Provision for Income Taxes	165.8	185.4	172.1	170.8	149.4	240.9	234.2	233.9
Minority Interest	0	0	0	0	0	0	0	0
Investment Gains (Losses)	0	0	0	0	0	0	0	0
Other Income	0	0	0	0	0	0	0	0
Income Before Extraordinaries & Disc	231.2	369.8	312	313.5	283.6	430.2	425.7	425.7
Extraordinary Items & Discontinued	-13.5	-290.8	9.4	-31.3	22.9	6.1	-340.5	-53.2
Net Income	217.7	79	321.4	282.2	306.5	436.3	85.2	372.5
Average Shares used for Diluted EPS	275.8	275.4	273.8	272.6	271.3	265.5	261.6	212.8
Average Shares used for Basic EPS	275.1	274	273.8	272.6	271.3	263.7	259.6	211
Income Before Non-Recurring Items	295.3	348.5	375.8	388.5	375.4	430.2	425.7	425.7
Income From Non-Recurring Items	-64.1	21.3	-53.8	0	-91.8	0	0	0
EPS - Basic, net	0.8	0.3	1.2	1.4	1	1.7	0.3	1.8
EPS - Diluted, net	0.8	0.3	1.2	1.4	1	1.6	0.3	1.8
EPS - Diluted, before non-recurring	1.1	1.3	1.4	1.4	1.4	1.6	1.6	2
Preferred Dividends - Acc & Pd	–	–	–	–	24.4	-1.4	-0.5	1.1
Dividends (common)	253.7	252.3	252.2	251.2	250.8	242.5	288.7	282.8
Dividend per share (common)	0.9	0.9	0.9	0.9	0.9	0.9	1.1	1.2

CASH FLOW STATEMENT								
Net Income (Cash Flow)	217.7	79	321.4	282.2	306.5	436.3	85.2	372.5
Depreciation, Depletion, Amortization-CF	602	574.9	566.5	556.9	562.7	531.3	515.9	574
Net Increase(decrease) in	692.2	-457.4	-133.6	410.3	-223	-34.1	-387.8	165.6
Cash from(used in) Discontinued Oper.	-241	288.6	-9.1	36.1	68.3	-3.9	199	-16.2
Other Adjustments - Net	395.3	100.2	12	-129.3	-2.2	93.2	60.6	76.5
Net Cash from (used by) Operating Act.	1666.2	585.3	757.2	1156.2	712.3	1022.8	472.9	1172.4
Increase/Decrease in Prop, Plant, & Equ.	-771.5	-1251.8	-788.3	-637.4	-590.4	-517	-574.6	-202.7
Acquisition/Disposition of Subsidiaires	0	0	0	0	-0.1	0	0	0
Increase (decrease) in Investments	39.2	7.5	0	0	-0	0	0	0
Other Cash inflow from Investment Act.	77.5	130	106.9	-95.1	18.4	-2.1	568.9	0
Net Cash from (used by) Invesment Act.	-654.8	-1114.3	-681.4	-732.5	-572.1	-519.1	-5.7	-202.7
Issuance (purchase) of Equity Shares	8	1.3	6.1	-65.8	38.4	156.7	6	681.3
Issuance (repayment) of Debt Securities	290.2	664.7	345.7	-438.7	-464.6	-414.5	34.6	-532.1
Increase (decrease) in Bank & Other	-1060.5	102.5	-132	296.4	576.2	0	-227.6	-941.2
Payment of Dividends & Other Cash	-253.3	-252.4	-252.1	-251.9	-250.3	-243.1	-284	-241.5
Other Cash from (used by) Financing	0	-1.1	-40.6	0	0	0	0	0
Net Cash from (used by) Financing Act.	-1015.6	515	-72.9	-460	-100.3	-500.9	-471	-1033.5
Net Change in Cash & Cash Equivalents	-4.2	-14	2.9	-36.3	39.9	2.8	-3.8	-63.8

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ValuEngine™ DETAILED RESEARCH REPORT

NISOURCE INC(NI)

QUARTERLY FINANCIALS (All items in Millions)

BALANCE SHEET	201003	200912	200909	200906	200903	200812	200809	200806
Cash	331.4	191.1	148.3	313.1	452	307.2	269	47.2
Marketable Securities	0	0	0	0	0	0	0	0
Receivables	952.8	833.5	738	544.7	910.7	1142.5	586.8	1201.2
Inventory	229.9	547	691.8	426.6	259.3	670.7	838	400.5
Raw Materials	229.9	547	691.8	426.6	259.3	670.7	838	--
Work in Progress	--	--	--	--	--	--	--	--
Finished Goods	--	--	--	--	--	--	--	--
Notes Receivable	0	0	0	0	0	0	0	0
Other Current Assets	683.1	652	985.1	1152.3	1010.4	1290.4	1432.2	1031.5
Total Current Assets	**2197.2**	**2223.6**	**2563.2**	**2436.7**	**2632.4**	**3410.8**	**3126**	**2680.4**
Property, Plant & Equipment	19140.7	19037.6	18868.4	18776	18610.8	18468.9	18339.8	18040.9
Accumulated Depreciation	8443.5	8353.7	8286.3	8232.9	8134.1	8080.8	8078	7982.5
Net Property, Plant & Equipment	10697.2	10683.9	10582.1	10543.1	10476.7	10388.1	10261.8	10058.4
Investment & Advances	129.1	129.2	128.2	111.6	115.7	117.9	119.8	178.5
Other non-current Assets	451	422.1	402.8	397.4	364.9	333.3	450.9	299.2
Deferred Charges	1860.2	1796.2	1704.6	1722.9	1745.6	1763.9	940.4	999.7
Intangibles	3994.1	3996.9	3999.7	4002.4	4005.1	4007.9	4010.7	4013.4
Deposits & other assets	22.8	19.8	10.5	9.2	9.6	10.3	188.2	386.6
TOTAL ASSETS	19351.6	19271.7	19391.1	19223.3	19350	20032.2	19097.8	18616.2
Notes Payable	0	0	0	0	0	0	0	506
Accounts Payable	558.5	724.3	454.1	560.3	870.6	1248.8	1147.7	1352.2
Current Portion of Long-term Debt	1093.8	822.3	633.8	424	436	1632.8	1282.9	43.1
Current Portion of Capital Leases	0	0	0	0	0	0	0	0
Accrued Expenses	349.2	459.3	450.2	381.7	392.4	613.9	488.4	642.5
Income Taxes Payable	296.8	212.9	148	209.1	259.4	206.5	145.1	0
Other Current Liabilities	698.9	930.8	1223.6	1367.3	1319.6	881.4	955.1	1105
Total Current Liabilities	**2997.2**	**3149.6**	**2909.7**	**2942.4**	**3278**	**4583.4**	**4019.2**	**3648.8**
Mortgages	0	0	0	0	0	0	0	0
Deferred Charges (taxes/income)	2172.3	2138.7	2120.8	1795.3	1733.6	1678.8	1669.9	3085
Convertible Debt	0	0	0	0	0	0	0	0
Long Term Debt	5963.9	5965.1	6560.7	6564.4	6451.9	5943.9	6323.3	6059.9
Non-Current Capital Leases	0	0	0	0	0	0	0	0
Other Long-Term Liabilities	3289.4	3164.2	3060.1	3128.8	3148.8	3097.3	2414.6	1011.6
Minority Interest (liabilities)	0	0	0	0	0	0	0	0
Total Liabilities	**14422.8**	**14417.6**	**14651.3**	**14430.9**	**14612.3**	**15303.4**	**14427**	**13805.3**
Preferred Stock	0	0	0	0	0	0	0	0
Common Stock, Net	2.8	2.8	2.8	2.8	2.7	2.7	2.7	2.7
Capital Surplus	4068.5	4057.6	4043.2	4032.7	4023	4020.3	4017.8	4015.4
Retained Earnings	935.3	865.5	776.3	855.1	923.3	901.1	739.1	782.2
Treasury Stock	27.4	25.9	24.2	24.2	24.1	23.3	23.5	23.4
Other Equity	-50.4	-45.9	-58.3	-74	-187.2	-172	-65.3	34
Total Shareholders' Equity	**4928.8**	**4854.1**	**4739.8**	**4792.4**	**4737.7**	**4728.8**	**4670.8**	**4810.9**
Total Liabilites & Shareholders Equity	**19351.6**	**19271.7**	**19391.1**	**19223.3**	**19350**	**20032.2**	**19097.8**	**18616.2**

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NISOURCE INC(NI)

QUARTERLY FINANCIALS (All items in Millions)

INCOME STATEMENT	201003	200912	200909	200906	200903	200812	200809	200806
Net Sales or Revenues	2358.3	1684.7	884.8	1009.2	2722.3	2385.5	1409.1	1792.1
Cost of Goods Sold	1725.7	1552.2	584.2	701.9	2133.1	2610.4	1105.8	1121.8
Gross Profit	632.6	483	300.6	307.3	587.1	-227.1	303.3	670.3
Research & Development Expense	0	0	0	0	0	0	0	0
Selling, General & Admin. Expense	87	91	58.1	52.6	101.4	-665.5	57.8	408.5
Income Before Depr., Depl., Amort.	545.6	392	242.5	254.7	485.7	438.4	245.5	261.8
Depreciation, Depletion, Amort.	149.8	148.3	148.7	148.2	143.8	142.9	141	147.7
Non-Operating Income	10	0.4	8.1	-3.8	5.4	-0.1	24.2	3.8
Interest Expense	98.7	98.4	104.8	105.3	90.5	100.7	100.2	87.4
Pretax Income	307.1	145.7	-2.9	-2.6	256.8	194.7	28.5	30.5
Provision for Income Taxes	109.8	55.4	6.8	6.1	97.5	67.9	-4.1	9.5
Minority Interest	0	0	0	0	0	0	0	0
Investment Gains (Losses)	0	0	0	0	0	0	0	0
Other Income	0	0	0	0	0	0	0	0
Income Before Extraordinaries & Disc	197.3	88.5	-9.7	-8.7	159.3	127	32.6	21
Extraordinary Items & Discontinued	0	1	-5.7	3.9	-10.9	35	-12.6	-223.3
Net Income	197.3	89.5	-15.4	-4.8	148.4	162	20	-202.3
Average Shares used for Diluted EPS	277.5	276.8	275.4	274.7	276.7	275.5	275.5	275.4
Average Shares used for Basic EPS	276.9	276	275.4	274.7	274.2	274	274	274
Income Before Non-Recurring Items	198.3	98.9	-6.8	6.2	170.2	126	7.9	24.3
Income From Non-Recurring Items	-1	-10.4	-2.9	-14.9	-10.9	1	24.7	-3.3
EPS - Basic, net	0.7	0.3	-0.1	-0	0.5	0.6	0.1	-0.7
EPS - Diluted, net	0.7	0.3	-0.1	-0	0.5	0.6	0.1	-0.7
EPS - Diluted, before non-recurring	0.7	0.3	-0	0	0.6	0.5	0	0.1
Preferred Dividends - Acc & Pd	–	–	–	–	–	–	–	–
Dividends (common)	63.7	63.4	63.3	63.2	63.1	63.1	63.1	63.1
Dividend per share (common)	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2

CASH FLOW STATEMENT								
Net Income (Cash Flow)	197.3	217.7	128.2	143.6	148.4	79	-83	-103
Depreciation, Depletion, Amortization-CF	152.5	602	450	298.1	145.9	574.9	430	287
Net Increase(decrease) in	-240.1	692.2	410.8	821.9	798.6	-457.4	-452.6	118.5
Cash from(used in) Discontinued Oper.	-31.1	-241	-223.9	-70	-51	288.6	312.3	311.5
Other Adjustments - Net	4.7	395.3	355.1	-46.6	16	100.2	43.6	24.4
Net Cash from (used by) Operating Act.	83.3	1666.2	1120.2	1240.2	1057.9	585.3	250.3	638.4
Increase/Decrease in Prop, Plant, & Equ.	-138.6	-771.5	-583.3	-383.5	-204.8	-1251.8	-967.1	-422.8
Acquisition/Disposition of Subsidiaires	0	0	0	0	0	0	203.2	-328.8
Increase (decrease) in Investments	0.5	39.2	61.4	54.6	52	7.5	0	0
Other Cash inflow from Investment Act.	-56.3	77.5	19	9	-43.6	130	-205	364
Net Cash from (used by) Invesment Act.	-194.4	-654.8	-502.9	-319.9	-196.4	-1114.3	-968.9	-387.6
Issuance (purchase) of Equity Shares	2.2	8	-0.3	-0.5	-0.6	1.3	0.9	0.6
Issuance (repayment) of Debt Securities	-0.9	290.2	599.2	598.6	480.3	664.7	668.2	440
Increase (decrease) in Bank & Other	267.7	-1060.5	-963.4	-1163.5	-1163.5	102.5	202	-555
Payment of Dividends & Other Cash	-63.7	-253.3	-189.6	-126.2	-63.1	-252.4	-189.2	-126.1
Other Cash from (used by) Financing	0	0	0	-0.4	0	-1.1	0	1
Net Cash from (used by) Financing Act.	205.3	-1015.6	-554.1	-692	-746.9	515	681.9	-239.5
Net Change in Cash & Cash Equivalents	63.5	-4.2	63.2	228.3	114.6	-14	-9.5	11.3

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ValuEngine™ DETAILED RESEARCH REPORT
NISOURCE INC(NI)

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ValuEngine™ DETAILED RESEARCH REPORT

NISOURCE INC(NI)

VALUENGINE'S METHODOLOGY

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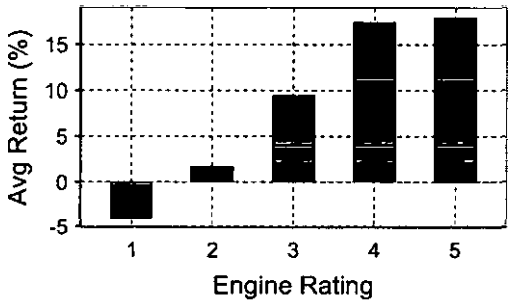
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BARCLAYS CAPITAL

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Daniel Ford, CFA	+1 212 526 0836	dan.ford@barcap.com
Noah Hauser	+1 212 526 6203	noah.hauser@barcap.com

NI reported Q1'11 EPS of $0.72, in-line with the consensus estimate, and roughly flat with Q1'10 results. The company reaffirmed its 2011 EPS guidance range of $1.25-$1.35. The largest earnings drivers for the quarter were benefits from newly in-service growth projects at GT&S, solid recovery in demand trends at NIPSCO electric, lower depreciation rates at NIPSCO Gas, and lower interest expense. Slightly higher O&M and the absence of one-time gains a year ago were headwinds for the quarter. It is important to note that the shifting rate design at NIPSCO Gas (a larger component of revenues coming from the fixed monthly charge rather than the usage tied volumetric charges) has the effect of shifting earnings out of traditionally seasonally strong quarters, and into quarters that are usually weaker for gas businesses. As such, much of the benefits from last year's NIPSCO Gas settlement will be recognized in Q2/Q3.

Regulatory Updates

The company expects to receive relief from the NIPSCO Electric rate case in late '11 or early '12 as the procedural schedule was slightly pushed out (1-2 months) due to a technicality during the filing process. The company is still actively pursuing a settlement in the case. While having the case being fully litigated vs. settled likely has minimal economic impact to NI, we see greater significance in if the company is able to successfully settle, and the signal this could send to the market. Our estimates reflect relief of $37.5M effective 1/1/2012.

Columbia Gulf placed interim rates into effect on May 1st in their pipeline rate case. The company is actively pursuing a settlement in the case that asks for revenue increases of $50M. Our estimates incorporate $20M of relief.

The standard annual rate case filing by Columbia Gas of PA ($38M company ask) is expected to have rates effective in Q4'11. NI has successfully settled the last several of the cases filed in PA and we see no reason to expect much different this time around.

Development Pipeline at GT&S

The results of an open season at the Millennium Pipeline (NI is a 47.5% owner) are currently being evaluated although it appears to us that the response has been very positive so far.

Some new potential opportunities are showing up in the mid-Atlantic on the pipeline side. While the project has the potential to be very meaningful from an economic standpoint, a projected in-service date of 2014 or beyond and the need for several more milestones to be reached has the project being a nice option, although not a likely near-term driver.

Our '11-'13 EPS estimates of $1.34/$1.45/$1.50 are unchanged.

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Mentioned Stocks (Ticker, Date, Price)
NiSource, Inc. (NI, 02-May-2011, USD 19.52), 2-Equal Weight/1-Positive, A/C/D/E/J/K/L/M/O
Valuation Methodology: Our $18 price target is premised upon our '12E EPS of $1.41 and the '12 PE multiple of 12.8x.
Risks which May Impede the Achievement of the Price Target: Risks to the outlook include the outcome of regulatory proceedings, rating agency actions, interest rates, and access to the capital markets.

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May 4, 2011

NiSource

(NI-NYSE)

Stock Rating: **Market Perform**
Industry Rating: **Market Perform**

North American Pipelines

Carl Kirst, CFA
BMO Capital Markets Corp.
713-546-9756
carl.kirst@bmo.com

Danilo Juvane, CFA
713-546-9741
danilo.juvane@bmo.com

Leah Jordan
713-546-9707
leah.jordan@bmo.com

Slight 1Q11 Miss; Guidance Reaffirmed for 2011

Event

NI reported clean 1Q11 diluted EPS of $0.71, slightly below our $0.73 estimate and $0.72 consensus. Deltas to our estimate were approximately -$0.02 in LDC, -$0.01 in Pipes, and +$0.01 in Electric. Key takeaways: 1) the NIPSCO Indiana electric rate case continues to advance, with a decision expected by early 2012. NI also indicated settlement discussions were active, and sounded optimistic that one is still achievable; 2) the Millennium pipeline has completed a binding open with two anchor shippers, and we expect an expansion project to be complete in 12-24 months (depending on settled size and ultimate demand). This in turn should also make more attractive NI's proposed Pennstar pipeline project, which interconnects with Millennium, which had been delayed to 2014 owing to slower drilling activity as a result of low gas prices; and 3) NI continues to leverage its Marcellus presence through primarily small growth projects with targeted spending of ~$200 mn/yr, but has also set its sights longer term on more demand-driven projects. Near term, this is a $40 mn generation project—and NI sees further opportunities on this front—while over the much longer 3-5 yr term, NI is exploring a new $1B mid-Atlantic pipeline project dubbed 'Kennesaw' to feed expected generation growth.

Impact

Neutral.

Forecasts

We are lowering our 2011 EPS estimate to $1.30 due mainly to 1Q results, and note guidance of $1.25-$1.35 was reaffirmed as was its 3%-5% growth rate. Looking forward, we are also slightly tempering our 2012 estimate to $1.38, more in line with the NI's growth expectation off our reduced 2011 base.

Valuation

Reiterate $19 target based on sum-of-the-parts blend using P/E and EV/EBITDA.

Recommendation

Maintain **MARKET PERFORM**, although we recognize NI's attractive 4.7% yield.

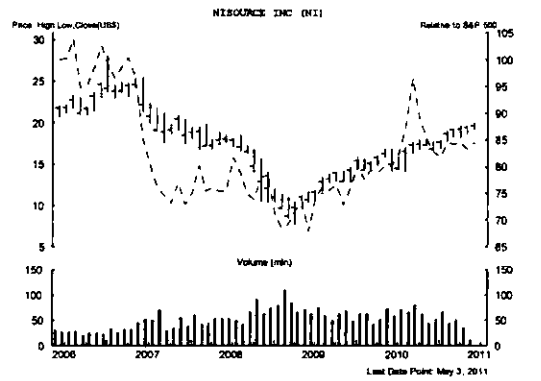
Securities Info

Price (4-May)	**$19.82**	**Target Price**	**$19**
52-Wk High/Low	$20/$14	Dividend	$0.92
Mkt Cap (mm)	$5,551	Yield	4.6%
Shs O/S (mm, BASIC)	280.1	Float O/S (mm)	277.7
Options O/S (mm)	na	ADVol (30-day, 000s)	1,724

Selected Bond Iss	Ind Prc	Rat'g Mdys/S&P	YTW	Spread
NiSource 6.8% '19	115	Baa3 / BBB-	4.49%	184bp
NiSource 6.4% '18	113	Baa3 / BBB-	4.20%	155bp

Bond data from Bloomberg.

Price Performance



Valuation/Financial Data

(FY-Dec.)	2009A	2010A	2011E	2012E
EPS Pro Forma	$1.01	$1.22	$1.30↓	$1.38↓
P/E			15.2x	14.4x
First Call Cons.			*$1.33*	*$1.44*
EPS GAAP	$0.79	$1.05	$1.31	$1.38
OCF	$4.45	$4.27	$3.72↑	$3.51↓
P/OCF			5.3x	5.6x
EBITDA ($mm)	$1,383	$1,514	$1,504	$1,612
EV/EBITDA			8.2x	7.6x
Rev. ($mm)	$6,299	$6,335	$6,061	$6,321
EV/Rev			2.0x	1.9x

Quarterly EPS	1Q	2Q	3Q	4Q
2010A	$0.72	$0.13	$0.04	$0.33
2011E	$0.71A	$0.13	$0.13	$0.35

Balance Sheet Data (31-Dec)			
Net Debt ($mm)	$6,740	TotalDebt/EBITDA	4.6x
Total Debt ($mm)	$6,988	EBITDA/IntExp	3.6x
Net Debt/Cap.	55.2%	Price/Book	1.1x

Notes: All values in US$.

Source: BMO Capital Markets estimates, Bloomberg, FactSet, Global Insight, Reuters, and Thomson Financial.

Changes

Annual EPS		Annual OCF	
2011E $1.33 to $1.30	2012E $1.45 to $1.38	2011E $3.49 to $3.72	2012E $3.63 to $3.51

Please refer to pages 6 to 8 for Important Disclosures, including the Analyst's Certification.

Exhibit 1: NiSource Sum-of-the-Parts Valuation

NiSource Inc.

Sum-of-the-Parts Valuation Analysis

	2012E	Valuation Multiple		Notes:
EBITDA by Segment				
Gas Distribution	$591	8.0x	$4,729	
Gas Pipelines	$575	9.0x	$5,176	
Electric	$480	7.0x	$3,357	
Other	($12)	5.0x	($60)	- Plus pension expense (analogous to interest) risked at 50% (net of NIPSCO recovery)
Value of Operations			$13,203	
Net Debt (year-end 2011E)			($7,265)	
Preferred & Minority Interests			—	
Pension/OPEB Underfunded Obligation	($1,165)	50%	($583)	- Projected 2010 Obligation; assumes partial recovery in rates
Net Equity Value			$5,355	
Diluted Shares Outstanding			296	
$/sh			**$18.10**	
P/E by Segment*				
Gas Distribution	$0.54	14.0x	$7.60	Reduced from LDC average given lower depreciation rates
Gas Pipelines	$0.58	15.0x	$8.65	
Electric	$0.33	12.5x	$4.14	
Other	($0.07)	10.0x	($0.66)	
Consolidated EPS	$1.38	14.2x	**$19.73**	

*based on EBIT % as proxy

Average Target Price (rounded):	**$19.00**

Valuation Summary:	
Current Price	$19.63
Current Dividend	$0.92
Appreciation Potential	-3.2%
Current Yield	4.7%
Total Return Potential	**1.5%**

Source: BMO Capital Markets estimates, company data.

Exhibit 2: NiSource Income Statement

Consolidated Earnings ($ Millions Except Per Share Data)	2009A	2010A	Q1	Q2	Q3	Q4	2011E	2012E	2013E
Operating Revenues:									
Gas Distribution	$3,303	$3,096	$1,372	$673	$258	$1,050	$3,353	$3,707	$3,754
Pipelines & Storage	1,241	1,261	403	224	230	273	1,130	1,016	1,040
Electric	1,213	1,375	347	314	375	328	1,363	1,442	1,474
Other	542	603	110	58	93	(46)	215	156	159
Revenues	6,299	6,335	2,232	1,268	956	1,605	6,061	6,321	6,427
Operating Expenses:									
Cost of Sales	2,978	2,898	1,171	529	217	670	2,586	2,666	2,670
Operation & Maintenance	1,650	1,654	433	393	399	471	1,696	1,761	1,792
DD&A	589	596	139	136	136	137	548	562	574
Loss (gain) on asset sales	16	1	0	0	0	0	0	0	0
Taxes and Other	283	287	94	64	65	76	298	304	310
Total Operating Expenses	5,516	5,436	1,836	1,121	818	1,354	5,128	5,293	5,345
Operating Income	783	899	396	147	138	252	933	1,028	1,081
Other:									
Equity in Earnings	16	15	3	6	6	6	20	22	22
Minority Interests	0	0	0	0	0	0	0	0	0
Other	(6)	4	3	0	0	0	3	0	0
Total Other Income	10	19	6	6	6	6	23	22	22
Reported EBIT	**$793**	**$918**	**$403**	**$152**	**$143**	**$257**	**$956**	**$1,050**	**$1,103**
EBITDA	**$1,383**	**$1,514**	**$541**	**$288**	**$280**	**$394**	**$1,504**	**$1,612**	**$1,677**
EBIT Composition									
Gas Distribution	328	324	237	45	(6)	125	401	412	428
Pipelines & Storage	389	377	119	84	88	117	407	437	465
Electric	117	234	42	38	75	31	186	251	260
Corporate & Other	(40)	(18)	5	(15)	(15)	(15)	(39)	(50)	(50)
Total EBIT	**$793**	**$918**	**$403**	**$152**	**$143**	**$257**	**$956**	**$1,050**	**$1,103**
Interest Expense	399	392	90	95	95	95	374	384	389
Preferred Distributions of Subsidiaries	0	0	0	0	0	0	0	0	0
Financing Expense	399	392	90	95	95	95	374	384	389
Income Before Taxes	394	526	313	58	49	163	582	665	714
Income Taxes									
Current	(214)	118	70	13	11	38	133	162	174
Deferred	378	55	38	7	6	20	72	87	94
Total Income Taxes	165	173	108	21	18	59	205	250	268
Effective Inc. Tax Rate (%)	42%	33%	35%	36%	36%	36%	35%	38%	38%
Net Income From Continuing Operations	229	353	205	37	31	104	377	416	446
Discontinued Operations, net	(12)	(0)	0	0	0	0	0	0	0
Change in Accounting	(0)	(58)	0	0	0	0	0	0	0
GAAP Net Income to Common	**$218**	**$294**	**$205**	**$37**	**$31**	**$104**	**$377**	**$416**	**$446**
Adjustments to Core									
Asset Impairment	0	0	0	0	0	0	0	0	0
Gain (Loss) From Disposal	(8)	0	0	0	0	0	0	0	0
Other Non-Recurring Gains (Loss)	(40)	11	3	0	0	0	3	0	0
Total Adjustments	(49)	11	3	0	0	0	3	0	0
Non-GAAP Core Earnings	**$278**	**$342**	**$202**	**$37**	**$31**	**$104**	**$375**	**$416**	**$446**
Shares Outstanding (mm)									
Avg. Diluted Shares Out	276	280	285	284	290	296	289	300	308
Avg. Basic Shares Out	275	278	279	279	285	291	283	295	303
Period-end basic Shares Out	276	279	279	279	291	291	291	303	303
Earnings Per Share (Diluted)									
GAAP EPS	**$0.79**	**$1.05**	**$0.72**	**$0.13**	**$0.11**	**$0.35**	**$1.31**	**$1.38**	**$1.45**
Core EPS	**$1.01**	**$1.22**	**$0.71**	**$0.13**	**$0.11**	**$0.35**	**$1.30**	**$1.38**	**$1.45**
EPS Growth (core)	-19.4%	21.0%	-1.7%	-2.3%	192.3%	5.8%	6.4%	6.7%	4.6%
Dividends									
Cash per share	$0.92	$0.92	$0.23	$0.23	$0.23	$0.23	$0.92	$0.92	$0.92
Payout Ratio (%)	116.6%	87.5%					70.4%	66.5%	63.5%

Source: BMO Capital Markets estimates, company data.

Exhibit 3: NiSource Cash Flow Statement

Cash Flow Statement ($ Millions Except Per Share Data)	2009A	2010A	Q1	Q2	Q3	Q4	2011E	2012E	2013E
Operating Activities									
GAAP Net Income from Cont. Ops	218	292	205	37	31	104	377	416	446
DD&A	589	596	139	136	136	137	548	562	574
Deferred income tax benefit	378	200	99	7	6	20	133	87	94
Deferred Revenues	4	(20)	1	0	0	0	1	0	0
Amortization of premium on debt	13	10	2	0	0	0	2	0	0
Less Gain or Loss on assets	(4)	(0)	(0)	0	0	0	(0)	0	0
Less Equity Earnings plus Cash Distributions	(15)	7	(3)	(3)	(3)	(3)	(11)	(11)	(11)
Other non-cash income items	36	112	23	0	0	0	23	0	0
OCF (pre-working capital)	**$1,219**	**$1,197**	**$466**	**$177**	**$171**	**$259**	**$1,073**	**$1,054**	**$1,103**
OCF per share	**$4.42**	**$4.27**	**$1.64**	**$0.62**	**$0.59**	**$0.88**	**$3.72**	**$3.51**	**$3.58**
							1,023	1,064	1,064
Working Capital:									
Accounts and notes receivable	259	(244)	16				16	0	0
Inventory	129	103	209				209	0	0
Less Change of Price Risk Management Activities	0	0	0				0	0	0
Accounts payable	(192)	38	(120)				(120)	0	0
Customer deposit, net	25	(25)	(137)				(137)	0	0
Other assets	83	(206)	17				17	0	0
Other Liabilities	382	(86)	(14)	35	35	35	91	0	0
Changes in Working Capital	686	(420)	(29)	35	35	35	76	0	0
Discontinued Operations	(255)	(57)	(15)	0	0	0	(15)	0	0
Cash Flow From Operations	1,651	720	422	212	206	294	1,134	1,054	1,103
Investing Activities									
Capital Spending (to PP&E)	(777)	(804)	(209)	(275)	(275)	(275)	(1,034)	(1,000)	(1,000)
Purchases of equity investments	0	0	0	0	0	0	0	0	0
Acquisitions	0	0	0	0	0	0	0	0	0
Proceeds from asset sales	6	1	6	0	0	0	6	0	0
Other	109	(140)	29	0	0	0	29	0	0
Cash Used in Investing	(662)	(944)	(175)	(275)	(275)	(275)	(1,000)	(1,000)	(1,000)
Discontinued Operations	8	0	0	0	0	0	0	0	0
Investing Cash Flow	(655)	(943)	(175)	(275)	(275)	(275)	(1,000)	(1,000)	(1,000)
Financing Activities									
Sale of Common Stock	26	14	4	0	200	0	204	200	0
Sale of Preferred Stock	0	0	0	0	0	0	0	0	0
Sale of L.T. Debt	1,460	250	0	0	0	0	0	500	0
Redemption of Common Stock	(3)	(2)	(3)	0	0	0	(3)	0	0
Redemption of Preferred Stock	0	0	0	0	0	0	0	0	0
Redemption of L.T. Debt	(1,170)	(1,071)	(11)	0	0	0	(11)	(315)	0
Change in Notes Payable, LC, ST Debt	(1,061)	1,280	(120)	100	(50)	0	(70)	(150)	170
Payments to Minority Interests	0	0	0	0	0	0	0	0	0
Dividends	(253)	(256)	(64)	(59)	(61)	(62)	(246)	(252)	(259)
Other	0	0	0	0	(6)	0	(6)	(6)	0
Cash From (For) Financing	(1,000)	216	(194)	41	83	(62)	(131)	(23)	(89)
Discontinued Operations	0	0	0	0	0	0	0	0	0
Financing Cash Flow	(1,000)	216	(194)	41	83	(62)	(131)	(23)	(89)
Change in Cash	($4)	($7)	$53	($22)	$15	($43)	$3	$32	$14
Cash & Temp. Inv. Beginning of Yr.	$21	$16	$9	$63	$40	$55	$9	$12	$44
Cash & Temp. Inv. End of Yr.	$16	$9	$63	$40	$55	$12	$12	$44	$58

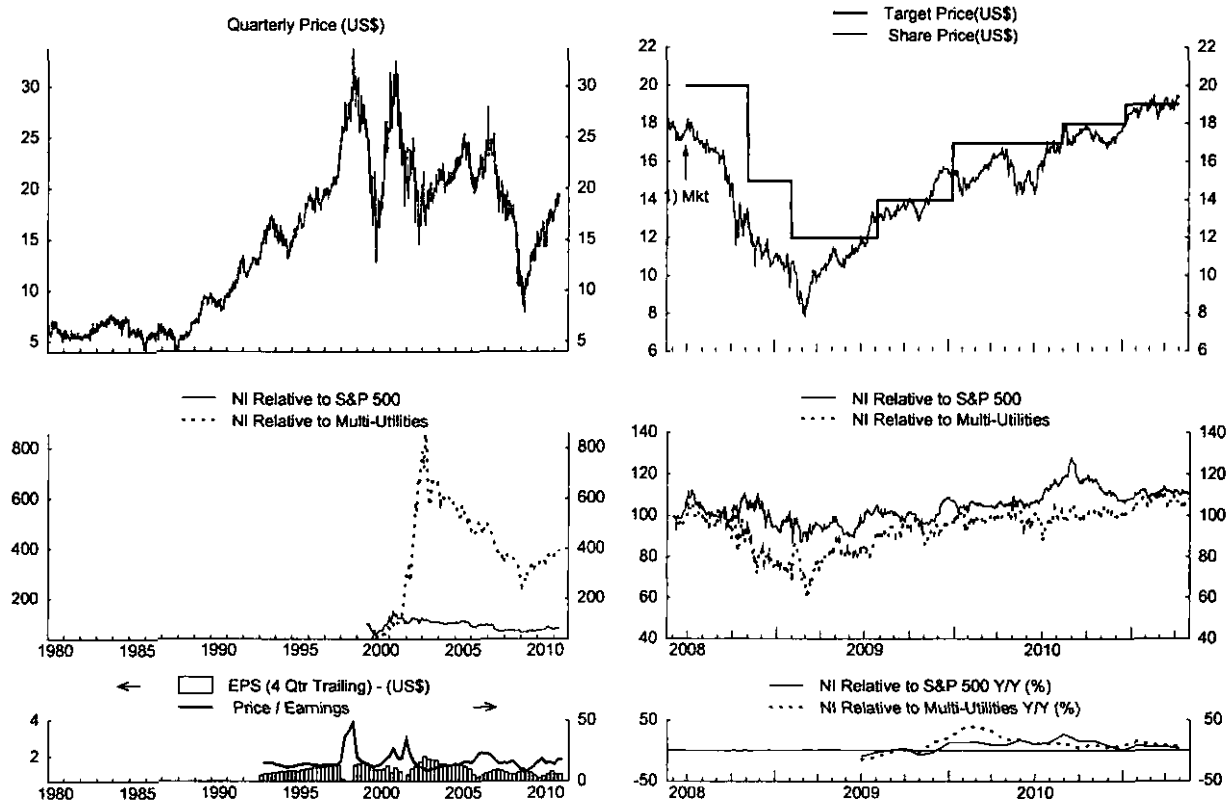
Source: BMO Capital Markets estimates, company data.

Exhibit 4: NiSource Balance Sheet

Balance Sheet ($ Millions Except Per Share Data)	2009A	2010A	Q1	Q2	Q3	Q4	2011E	2012E	2013E
Assets:									
Cash & Equivalent	16	9	63	40	55	12	12	44	58
Restricted Cash	175	203	165	165	165	165	165	165	165
Receivables	848	1,121	1,119	1,119	1,119	1,119	1,119	1,119	1,119
Allowance for Uncollectable Acts.	(40)	(41)	(55)	(55)	(55)	(55)	(55)	(55)	(55)
Unbilled Revenues	0	0	0	0	0	0	0	0	0
Underrecovered gas & fuel costs	40	136	25	25	25	25	25	25	25
Inventories	385	428	217	217	217	217	217	217	217
ST Assets Price Risk Management	173	160	134	134	134	134	134	134	134
Regulatory Assets	238	152	113	113	113	113	113	113	113
Other Current Assets	387	283	206	206	206	206	206	206	206
Total Current Assets	2,224	2,449	1,985	1,963	1,978	1,935	1,935	1,966	1,980
Plant & Equipment (Gross)	19,038	19,590	19,669	19,944	20,219	20,494	20,494	21,494	22,494
Accumulated DD&A	(8,354)	(8,493)	(8,528)	(8,664)	(8,800)	(8,937)	(8,937)	(9,499)	(10,073)
Plant & Equipment, Net	10,684	11,097	11,141	11,280	11,419	11,556	11,556	11,994	12,420
Investments	295	349	341	341	341	341	341	341	341
LT Assets Price Risk Management	238	240	188	188	188	188	188	188	188
Regulatory Assets	1,644	1,650	1,661	1,661	1,661	1,661	1,661	1,661	1,661
Goodwill	3,677	3,677	3,677	3,677	3,677	3,677	3,677	3,677	3,677
Intangible Assets	320	309	306	306	306	306	306	306	306
Other Long Term Assets (& flywheel)	53	168	179	147	121	88	88	105	116
Total Assets	19,134	19,939	19,479	19,564	19,691	19,753	19,753	20,240	20,691
Liabilities & Equity:									
Short Term Debt	800	1,417	1,299	1,399	1,349	1,349	1,349	1,199	1,369
Accounts Payables	502	582	430	430	430	430	430	430	430
ST Liabilities Price Risk Management	190	174	146	146	146	146	146	146	146
Regulatory Liabilities	44	93	87	87	87	87	87	87	87
Other	1,575	1,384	1,134	1,134	1,134	1,134	1,134	1,134	1,134
Total Current Liab	3,111	3,649	3,096	3,196	3,146	3,146	3,146	2,996	3,166
Long Term Debt	5,988	5,936	5,928	5,928	5,928	5,928	5,928	6,113	6,113
LT Liabilities Price Risk Management	170	182	136	136	136	136	136	136	136
Accumlated Deferred Taxes	2,018	2,243	2,340	2,347	2,354	2,374	2,374	2,461	2,555
Regulatory Liabilities	1,559	1,596	1,612	1,612	1,612	1,612	1,612	1,612	1,612
Other Liabilities	1,572	1,409	1,353	1,353	1,353	1,353	1,353	1,353	1,353
Total Liabilities	14,418	15,016	14,465	14,572	14,528	14,548	14,548	14,671	14,934
Preferred Equity/Securities of Consolidated Subsidiaries	0	0	0	0	0	0	0	0	0
Common Equity	4,717	4,923	5,014	4,992	5,163	5,205	5,205	5,569	5,756
Other	0	0	0	0	0	0	0	0	0
Total Liab & Equity	19,134	19,939	19,479	19,564	19,691	19,753	19,753	20,240	20,691

Source: BMO Capital Markets estimates, company data.

NISOURCE INC (NI)



NI - Rating as of 20-May-08 = NR

	Date	Rating Change	Share Price
1	26-Jun-08	NR to Mkt	$17.57

Last Daily Data Point: April 29, 2011

mportant Disclosures

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Methodology and Risks to Our 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, 2011)

Rating Category	BMO Rating	BMOCM US Universe*	BMOCM US IB Clients**	BMOCM US IB Clients***	BMOCM Universe****	BMOCM IB Clients*****	Starmine Universe
Buy	Outperform	34.2%	15.2%	38.6%	39.2%	48.5%	53.1%
Hold	Market Perform	62.9%	12.5%	58.6%	56.8%	49.0%	41.3%
Sell	Underperform	2.9%	13.3%	2.9%	4.1%	2.5%	5.5%

* Reflects rating distribution of all companies covered by BMO Capital Markets Corp. equity research analysts.

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3 May 2011 | 9 pages

NiSource Inc (NI)

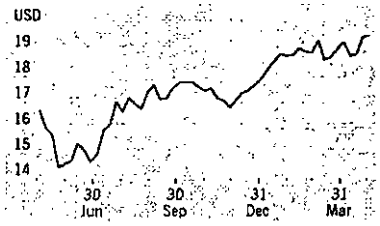
Operating Income In-line; Rate Cases & Pipelines = EPS Growth

■ Company Update

- **EPS Beat** – NI reported adjusted EPS of $0.72, which was in-line with consensus of $0.72 and above our estimate of $0.67. Overall EBIT of $395 million was essentially in-line with our estimate of $396 million. Better pipeline and storage results were offset by lower gas and electric utility EBIT. NI beat our EPS estimate on lower interest expense and lower taxes. NI reiterated FY 2011 EPS guidance of $1.25 to $1.35. We are currently at $1.40.
- **Gas Utilities** – 1Q EBIT was $237 mm , below our expectations of $248mm. We believe much of this difference has to do with the recent change in rate design at NIPSCO's natural gas distribution operations (more fixed rates versus variable).
- **Electric Ahead** – 1Q EBIT was $42mm, below our estimate of $45mm. Results were lower despite electric usage being 8% higher than our estimate. Industrial usage was 14% higher sequentially and margins were also up on rebounding industrial demand ($9mm). This was offset by higher operating expenses ($13mm) on depreciation and labor costs. A rate case resolution at NIPSCO electric is expected by the end of 2011. We currently estimate a $50 mm rate increase starting in 2012.
- **Transmission & Storage** – 1Q EBIT was $119 mm, ahead of our estimate of $113 mm. Higher volumes from new projects contributed to the upside with more capacity coming on-line at Columbia Gas and Columbia Gulf as a result of the regional build-out in the Marcellus. New rates are now in effect at Columbia Gulf. Equity earnings were down $4mm at the Millennium Pipeline on higher interest costs but this is not expected to be recurring.
- **Recommendation** – We maintain our Hold rating and $21 price target giving us modest upside to our target price.

Hold/Medium Risk	*2M*
Price (03 May 11)	US$19.63
Target price	US$21.00
Expected share price return	7.0%
Expected dividend yield	4.7%
Expected total return	**11.7%**
Market Cap	US$5,488M

Price Performance
(RIC: NI.N, BB: NI US)



EPS	Q1	Q2	Q3	Q4	FY	FC Cons
2010A	0.72A	0.10A	0.06A	0.32A	1.19A	1.22A
2011E	**0.67E**	**0.16E**	**0.11E**	**0.47E**	**1.40E**	1.33E
Previous	0.67E	0.16E	0.11E	0.47E	1.40E	na
2012E	**0.71E**	**0.20E**	**0.15E**	**0.49E**	**1.54E**	**1.44E**
Previous	0.71E	0.20E	0.15E	0.49E	1.54E	na
2013E	**na**	**na**	**na**	**na**	**1.58E**	**1.52E**
Previous	na	na	na	na	1.58E	na

Source: Company Reports and dataCentral, CIR. FC Cons: First Call Consensus.

Faisel Khan, CFA
+1-212-816-2825
faisel.khan@citi.com

Amit Marwaha
amit.marwaha@citi.com

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Fiscal year end 31-Dec	2009	2010	2011E	2012E	2013E
Valuation Ratios					
P/E adjusted (x)	19.6	16.5	14.0	12.7	12.4
EV/EBITDA adjusted (x)	10.4	9.9	9.4	8.8	8.4
P/BV (x)	1.1	1.1	1.1	1.0	1.0
Dividend yield (%)	4.7	4.7	4.7	4.7	4.7
Per Share Data (US$)					
EPS adjusted	1.00	1.19	1.40	1.54	1.58
EPS reported	0.79	1.21	1.40	1.54	1.58
BVPS	17.57	17.58	18.14	18.71	18.92
DPS	0.92	0.92	0.92	0.92	0.92
Profit & Loss (US$M)					
Net sales	6,297	5,816	5,616	6,155	6,279
Operating expenses	-5,457	-4,921	-4,603	-5,043	-5,130
EBIT	**840**	**895**	**1,013**	**1,112**	**1,149**
Net interest expense	-399	-392	-387	-387	-387
Non-operating/exceptionals	19	19	8	6	0
Pre-tax profit	**459**	**522**	**635**	**731**	**762**
Tax	-183	-188	-228	-263	-274
Extraord./Min.Int./Pref.div.	-59	3	0	0	0
Reported net income	**218**	**337**	**406**	**468**	**487**
Adjusted earnings	277	334	406	468	487
Adjusted EBITDA	1,429	1,491	1,627	1,757	1,824
Growth Rates (%)					
Sales	-29.1	-7.6	-3.4	9.6	2.0
EBIT adjusted	-8.6	6.5	13.2	9.7	3.3
EBITDA adjusted	-3.8	4.4	9.1	8.0	3.8
EPS adjusted	-22.8	19.0	17.1	10.3	2.6
Cash Flow (US$M)					
Operating cash flow	**1,905**	**828**	**760**	**1,154**	**1,143**
Depreciation/amortization	589	596	614	645	675
Net working capital	686	-414	-260	42	-19
Investing cash flow	**-655**	**-943**	**-1,067**	**-1,067**	**-1,067**
Capital expenditure	-777	-804	-1,067	-1,067	-1,067
Acquisitions/disposals	6	1	0	0	0
Financing cash flow	**-1,000**	**211**	**-50**	**-62**	**-284**
Borrowings	-770	453	0	0	0
Dividends paid	-253	-256	-267	-279	-284
Change in cash	**-4**	**38**	**-357**	**26**	**-208**
Balance Sheet (US$M)					
Total assets	**19,272**	**19,939**	**20,234**	**20,813**	**20,571**
Cash & cash equivalent	191	212	203	203	203
Accounts receivable	809	1,178	1,077	1,183	998
Net fixed assets	10,684	11,097	11,551	11,973	12,074
Total liabilities	**14,418**	**15,016**	**14,954**	**15,127**	**14,739**
Accounts payable	502	582	394	485	353
Total Debt	6,787	7,353	7,701	7,675	7,516
Shareholders' funds	**4,854**	**4,923**	**5,280**	**5,686**	**5,831**
Profitability/Solvency Ratios (%)					
EBITDA margin adjusted	22.7	25.6	29.0	28.5	29.0
ROE adjusted	5.8	6.8	8.0	8.5	8.5
ROIC adjusted	4.0	4.2	4.5	4.7	4.8
Net debt to equity	135.9	145.0	142.0	131.4	125.4
Total debt to capital	58.3	59.9	59.3	57.4	56.3

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1Q 2011 Quarterly Comparison

Figure 1. Actual vs. Estimates

Operating Income	Actual	Estimate	Variance	EPS Impact	Reason for Material Variance
Gas Distribution	237.1	247.6	-4%	($0.02)	Lower margins across board due to new volumetric based rate design at NIPSCO
Gas Transmission & Storage	118.5	112.9	5%	$0.01	Margin from growth projects into service
Electric	41.9	45.3	-7%	($0.01)	Rebounding industrial usage
Corporate/Other	(4.1)	(9.8)	-58%	$0.01	N/A

Other	Actual	Estimate	Variance	EPS Impact	Reason for Variance
Interest Expense & Other	(86.5)	(96.7)	-11%	$0.02	Debt refinancing
Effective Tax Rate	34.4%	36.0%	-4%	$0.02	N/A
Share Count	285.0	285.0	0%	$0.00	In-line

Electric Sales (Gwh)	Actual	Estimate	Variance (Total)	Variance (%)	Reason for Variance
Residential	855.8	848.1	7	1%	Weather
Commercial	924.8	937.6	(13)	-1%	N/A
Industrial	2442.4	2035.8	407	20%	Industrial recovery continues
Wholesale	87.1	133.4	(66)	-50%	N/A
Other	44.5	41.4	3	7%	N/A

Source: Citi Investment Research and Analysis, Company data

NiSource Inc

Company description

NiSource Inc (NI) is, primarily, a regulated utility with an integrated network of gas distribution, transportation, and storage assets in the Northeast, Mid-Atlantic, and Midwest. NiSource also operates an electric utility in Northern Indiana.

The company operates four business units, including Gas Distribution, which delivers natural gas in several states; Gas Transmission and Storage Operations, which provide interstate natural gas transmission and storage services from the Gulf of Mexico to the Northeast; Electric Operations, which consist of NiSource's regulated electric utility, Northern Indiana Public Service Company (NIPSCo); and Other Operations, which include energy-related services and a co-generation facility.

Investment strategy

We rate the shares of NiSource Hold/Medium Risk (2M).

NI provides long-term earnings power of $1.40 per share, including growth from expected rate increases at Nisource's utilities. Our estimates do not include substantial industrial load growth at the utility or the potential for a build out of NI's pipeline and storage assets, which have a favorable footprint in the Marcellus Shale.

Valuation

We average multiple valuation methodologies to derive our $21 target.

Our NAV yields a value of $23.70. We value regulated assets at a multiple of rate base. These values are partially offset by the company's net debt. Based on regulatory uncertainty at NIPSCo, we apply a 15% discount to our typical utility multiple at the company's utility.

Our DDM, which incorporates our rate base growth assumptions, values the company at $17.84.

Our P/E and EV/EBITDA multiples (2012 estimates) are based on our proprietary analyses, which utilize current equity risk premiums, current betas and projected risk-free yields. For our P/E analysis, we use multiples of 14.5X and 14.5x for the company's utility and pipeline assets. For our EV/EBITDA analysis, we use multiples of 7.5x and 8.0x for the company's utility and pipeline assets. Our P/E and EV/EBITDA analyses yield values of $22.35 and $18.84.

Risks

We rate NI Medium Risk as stability surrounding the company's highly regulated asset base is offset by uncertainty surrounding major rate cases at the utilities and potential upside from pipeline and storage asset growth into productive shale plays.

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.

Weather – Changes in weather impact the stability of earnings.

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.

Pipeline Capacity Contracts — The risk of re-contracting pipeline capacity at lower rates, upon contract expiration, could have a material impact on earnings.

Uplift from an MLP – Currently, we do not include any uplift from NiSource pursuing an MLP strategy. However, significant upside may exist if the Company is able to successfully implement this strategy.

If the impact on the company from any of these factors proves to be greater/less than we anticipate, it may prevent the stock from achieving our target price or could cause the stock price to materially under/outperform our target.

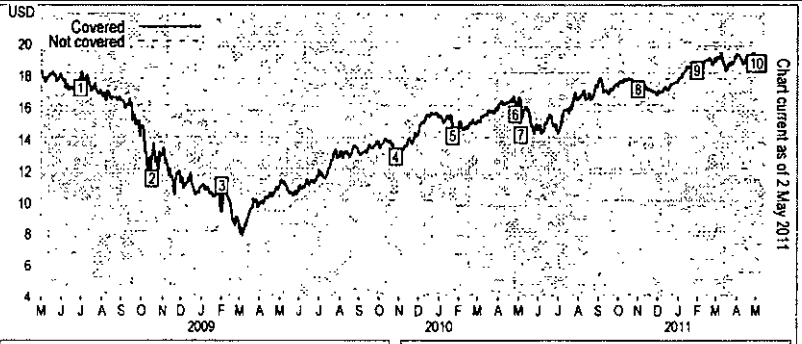
Appendix A-1

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NiSource Inc (NI)
Ratings and Target Price History
Fundamental Research
Analyst: Faisel Khan, CFA

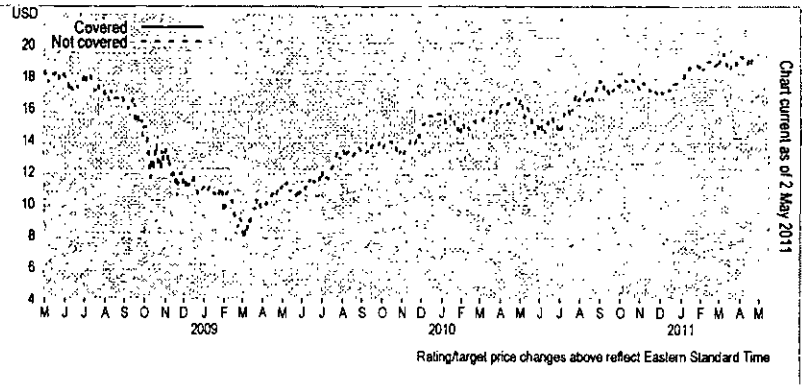


	Date	Rating	Target Price	Closing Price
1	30-Jun-08	2H	*20.00	17.92
2	16-Oct-08	*1H	*15.00	12.81
3	2-Feb-09	1H	*14.00	9.38
4	27-Oct-09	1H	*15.00	13.47
5	21-Jan-10	*2M	*16.00	14.87
6	27-Apr-10	2M	*16.50	16.27
7	5-May-10	2M	*17.00	16.20
8	1-Nov-10	2M	*18.00	17.17
9	31-Jan-11	2M	*20.00	18.82
10	2-May-11	2M	*21.00	19.45

* 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



* Indicates change

Rating/target price changes above reflect Eastern Standard Time

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	12 Month Rating			*Relative Rating*		
Data current as of 31 Mar 2011	**Buy**	**Hold**	**Sell**	**Buy**	**Hold**	**Sell**
Citi Investment Research & Analysis Global Fundamental Coverage	52%	37%	11%	9%	82%	9%
% of companies in each rating category that are investment banking clients	43%	41%	41%	51%	41%	45%

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06 May 2011
Americas/United States
Equity Research
Natural Gas

CREDIT SUISSE

NiSource Inc (NI)

Rating	**NEUTRAL***
Price (05 May 11, US$)	19.55
Target price (US$)	(from 19.00) 20.00[1]
52-week price range	19.82 - 14.35
Market cap. (US$ m)	5,475.63
Enterprise value (US$ m)	12,800.55

*Stock ratings are relative to the relevant country benchmark.
[1]Target price is for 12 months.

EARNINGS

Good Start to the Year

- **Bottom Line:** NI reported solid results in 1Q11 and affirmed its full year 2011 EPS guidance of $1.25 – 1.35. We believe 1Q results place NI firmly on track to achieve its 2011 guidance. In addition, NI continues to execute on its plan to drive long-term growth through investments in infrastructure.
- **Marcellus continues to drive growth in Gas Transmission & Storage.** Marcellus-related growth projects remain on track with estimated capex of ~$150MM in 2011. In addition, NI is evaluating the results of a binding open season for an expansion on the Millennium Pipeline (47.5% owned by NI) to provide Marcellus gas producers additional transport capacity to Northeast markets. NI also highlighted a potential ~$40MM expansion project to transport 250,000 Dth/day of Marcellus gas to a Mid-Atlantic power generation plant (targeted in service date of 2014).
- **NI remains focused on settling the NIPSCO electric rate case:** From a financial standpoint, we believe whether settled or fully litigated, the outcome should be similar. Case should be resolved late 2011/early 2012.
- **Tweaking estimates, no change to our full year EPS estimate:** NI's 1Q11 recurring basic EPS of $0.72 was in line with consensus but below our est. of $0.77. We under-estimated the impact of the shift in timing of earnings due to a change in rate structure in Gas Distribution. We are updating our quarterly ests to better reflect the impact of the new rate design. We now forecast 2Q EPS of $0.14 (was $0.17), 3Q EPS of $0.09 (was $0.06) and 4Q EPS of $0.40 (was $0.35). See pg 3 for changes to our model.
- **Maintain Neutral; raising PT to $20 from $19:** We derive our PT through a combination of P/E and sum of the parts. Our PT implies a P/E multiple of 14.2x our NTM EPS est. of $1.37 and 13.9x our 2012 EPS est. of $1.44.

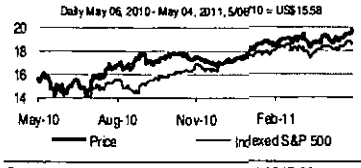
Research Analysts

Elvira Scotto, CFA
212 538 7097
elvira.scotto@credit-suisse.com

Yves Siegel, CFA
212 325 8462
yves.siegel@credit-suisse.com

Joseph A. Siano, CFA
212 538 2585
joseph.siano@credit-suisse.com

Share price performance



On 05/04/11 the S&P 500 index closed at 1347.32

Quarterly EPS	Q1	Q2	Q3	Q4
2010A	0.71	0.13	0.04	0.33
2011E	0.71	0.14	0.09	0.40
2012E	0.74	0.16	0.12	0.42

Financial and valuation metrics

Year	12/10A	12/11E	12/12E	12/13E
EPS (CS adj.) (US$)	1.21	1.33	1.44	1.50
Prev. EPS (US$)	—	—	—	—
P/E (x)	16.1	14.7	13.6	13.0
P/E rel. (%)	103.4	108.3	113.1	—
Revenue (US$ m)	5,817.9	6,607.6	7,003.2	7,280.5
EBITDA (US$ m)	1,513.6	1,543.8	1,677.6	1,755.8
OCFPS (US$)	2.59	3.89	3.24	3.48
P/OCF (x)	6.8	5.0	6.0	5.6
EV/EBITDA (current)	8.5	8.3	7.7	7.4
Net debt (US$ m)	7,344	7,325	7,411	7,602
ROIC (%)	4.80	5.07	5.38	5.46
Number of shares (m)	280.08	IC (current, US$ m)		12,266.80
BV/share (current, US$)	18.2	EV/IC (x)		1.0
Net debt (current, US$ m)	7,145.7	Dividend (current, US$)		0.92
Net debt/tot. cap. (current, %)	130.5	Dividend yield (%)		4.7

Source: Company data, Credit Suisse estimates.

DISCLOSURE APPENDIX CONTAINS IMPORTANT DISCLOSURES, ANALYST CERTIFICATIONS, INFORMATION ON TRADE ALERTS, ANALYST MODEL PORTFOLIOS AND THE STATUS OF NON-U.S ANALYSTS. U.S. Disclosure: Credit Suisse does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the Firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

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 3.3 million customers across seven states. NI's gas transmission and storage operations comprise 15,500 miles of pipe and 640 billion cubic feet of storage capacity. The electric operations consist of its Northern Indiana utility, Northern Indiana Public Service Company (NIPSCO), which serves approximately 450,000 customers.

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. In addition to expansion projects within the growing Marcellus Shale, NI also has a $4.35 billion, 20-plus year infrastructure replacement program at its gas utilities that should drive stable growth over the next several years. Through its recent forward equity sale, we believe NI has the liquidity in place to pursue an average annual capex program of approximately $1 billion starting in 2011 (note that 2011 capex is targeted at up to $1.1 billion).

Exhibit 1: NI Quarterly Variance Table

	1Q11 Actual	1Q11 CS Estimate	Diff.	Diff. (%)	1Q010 Actual
Segment EBITDA					
Gas Distribution	280	335	(55)	-16%	297
NIPSCO Electric	101	102	(1)	-1%	99
Gas Transmission & Storage	151	153	(2)	-1%	157
Other	2	(1)	3	-227%	2
Total EBITDA (recurring)	**534**	**589**	**(55)**	**-9%**	**555**
Segment EBIT					
Gas Distribution	237	270	(33)	-12%	235
NIPSCO Electric	42	48	(6)	-12%	46
Gas Transmission & Storage	118	120	(1)	-1%	126
Other	(3)	(5)	3	-51%	(2)
Total EBIT (recurring)	**395**	**432**	**(37)**	**-9%**	**405**
Interest Expense	90	98	(8)	-8%	99
Other Expenses	(3)	0	(3)	NM	(3)
Taxes	106	120	(14)	-12%	111
Recurring Net Income	**202**	**214**	**(12)**	**-5%**	**198**
Diluted Wtd Avg shares outstanding	285	283	2	1%	278
Recurring EPS - Diluted	**$0.71**	**$0.76**	**($0.05)**	**(6%)**	**$0.71**
Dividend per share	**$0.23**	**$0.23**	**$0.00**	**0%**	**$0.23**

Source: Company data, Credit Suisse estimates

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Exhibit 2: Changes to Model

	Old estimates								New estimates							
	2Q11E	3Q11E	4Q11E	2011E	2012E	2013E	2014E	2015E	2Q11E	3Q11E	4Q11E	2011E	2012E	2013E	2014E	2015E
Segment EBITDA																
Gas Distribution	100	28	179	642	671	700	730	762	65	19	190	555	579	612	643	674
NIPSCO Electric	105	134	98	439	504	520	537	552	112	140	100	452	517	527	544	560
Gas Transmission & Storage	123	126	149	551	583	618	660	705	121	122	148	541	582	616	658	703
Other	4	1	(7)	(3)	(3)	(2)	(2)	(2)	(0)	1	(7)	(5)	(0)	(0)	(1)	(0)
Total EBITDA (recurring)	333	289	419	1,629	1,755	1,835	1,925	2,017	298	282	431	1,544	1,678	1,756	1,845	1,937
Segment EBIT																
Gas Distribution	34	(40)	110	375	391	408	426	446	21	(26)	144	377	387	408	427	446
NIPSCO Electric	50	79	42	219	276	286	297	306	55	83	43	223	286	289	300	309
Gas Transmission & Storage	89	92	115	416	438	463	496	531	87	88	113	407	436	463	495	530
Other	0	(3)	(11)	(19)	(19)	(19)	(19)	(20)	(4)	(4)	(11)	(22)	(18)	(19)	(19)	(20)
Total EBIT (recurring)	174	128	256	990	1,086	1,138	1,199	1,263	160	142	289	985	1,092	1,142	1,203	1,266
Interest Expense	98	98	95	388	402	405	424	457	98	100	100	388	405	404	421	454
Other Expenses	0	0	0	0	0	(0)	0	0	(0)	0	0	(3)	0	0	0	0
Taxes	27	11	58	217	248	264	279	290	23	15	69	213	248	266	281	292
Recurring Net Income	49	19	103	385	438	469	496	516	39	26	120	387	440	472	500	519
Diluted Wtd Avg shares outstanding	284	296	297	290	304	312	314	316	285	298	299	292	306	314	316	318
Recurring EPS - Basic																
Recurring EPS - Diluted	$0.17	$0.06	$0.35	$1.33	$1.44	$1.50	$1.58	$1.63	$0.14	$0.09	$0.40	$1.33	$1.44	$1.50	$1.58	$1.63
Dividend per share	$0.23	$0.23	$0.23	$0.92	$0.92	$0.92	$0.92	$0.92	$0.23	$0.23	$0.23	$0.92	$0.92	$0.92	$0.92	$0.92

Source: Company data, Credit Suisse estimates

Exhibit 3: NI Abbreviated Financial Statements 2007 – 2015E

NiSource Inc. (NYSE: NI)
Abbreviated Financial Statements

Credit Suisse - Master Limited Partnerships and Natural Gas
Elvira Scotto, CFA (212) 538-7097
Yves Siegel, CFA (212) 325-8462
Joseph Siano, CFA (212) 538-2585

Year ending December 31
($ millions, except per share data)

Abbreviated Income Statement	2007	2008	2009	2010	1Q11	2Q11E	3Q11E	4Q11E	2011E	2012E	2013E	2014E	2015E
Segment EBITDA													
Gas Distribution	584.7	556.0	577.4	582.2	280.1	65.4	19.2	190.1	554.8	578.7	612.2	643.1	673.9
NIPSCO Electric	480.7	429.8	368.0	429.2	100.9	111.7	139.8	99.8	452.2	517.5	527.4	544.3	560.0
Gas Transmission & Storage	488.9	494.3	530.3	507.8	151.2	120.5	121.9	147.8	541.3	581.8	616.4	658.2	703.1
Other	2.8	5.0	(7.1)	(5.6)	1.6	(0.1)	0.7	(6.7)	(4.5)	(0.4)	(0.3)	(0.5)	(0.1)
Total EBITDA (recurring)	1,557.1	1,485.1	1,468.6	1,513.6	533.8	297.5	281.5	430.9	1,543.8	1,677.5	1,755.8	1,845.1	1,936.9
Segment EBIT													
Gas Distribution	350.2	327.3	329.3	342.9	237.1	21.4	(25.9)	144.0	376.6	386.8	408.3	427.2	446.0
NIPSCO Electric	288.8	220.2	162.4	218.3	41.9	55.4	83.1	42.8	223.3	285.7	289.3	299.9	309.4
Gas Transmission & Storage	371.8	376.7	408.8	377.2	118.5	87.3	88.0	113.3	407.0	437.9	462.8	494.8	530.1
Other	(12.9)	(6.3)	(21.3)	(21.1)	(2.6)	(4.3)	(3.6)	(11.1)	(21.6)	(18.0)	(18.5)	(19.3)	(19.5)
Total EBIT (recurring)	997.9	917.9	879.2	917.3	394.9	159.7	141.7	289.0	985.3	1,092.3	1,142.0	1,202.7	1,265.9
Interest Expense	400.7	375.3	399.2	392.2	89.8	98.0	100.3	99.9	388.0	404.6	404.0	420.7	454.4
Other Expenses	6.5	(0.9)	1.6	(3.8)	(3.3)	(0.0)	0.0	0.0	(3.3)	0.0	0.0	0.0	0.0
Earnings Before Taxes	590.7	543.5	478.4	528.9	308.4	61.6	41.4	189.1	600.6	687.7	738.0	781.9	811.5
Taxes	214.9	194.6	184.3	189.3	106.1	22.6	15.2	69.4	213.3	247.6	265.7	281.5	292.2
Recurring Net Income	375.8	348.9	294.1	339.6	202.3	39.0	26.2	119.7	387.3	440.2	472.3	500.4	519.4
Recurring EPS													
Basic	$1.37	$1.27	$1.07	$1.22	$0.72	$0.14	$0.09	$0.41	$1.35	$1.47	$1.53	$1.61	$1.68
Diluted	$1.37	$1.27	$1.07	$1.22	$0.71	$0.14	$0.09	$0.40	$1.33	$1.44	$1.50	$1.58	$1.63
YoY %Change		*-7.4%*	*-15.9%*	*14.0%*					*9.2%*	*8.4%*	*4.6%*	*5.3%*	*3.2%*
Weighted Average Shares Outstanding													
Basic	273.8	274.0	275.1	277.8	279.3	279.8	292.4	292.9	286.1	300.2	308.2	310.1	312.1
Diluted	274.8	275.4	275.9	279.6	285.0	285.5	298.1	298.6	291.8	305.9	313.9	315.8	317.8
Dividend/Share	$0.92	$0.92	$0.92	$0.92	$0.23	$0.23	$0.23	$0.23	$0.92	$0.92	$0.92	$0.92	$0.92
Payout Ratio	*67.1%*	*72.3%*	*86.1%*	*75.3%*					*68.0%*	*62.7%*	*60.0%*	*57.0%*	*55.3%*
Abbreviated Balance Sheet													
Cash and Equivalents	50.0	20.6	16.4	9.2	62.5	129.8	113.3	88.1	88.1	0.9	4.2	1.4	39.8
Restricted Cash	59.4	286.6	174.7	202.9	164.9	164.9	164.9	164.9	164.9	164.9	164.9	164.9	164.9
Accounts Receivables	977.6	1,143.2	808.6	1,079.3	1,063.2	697.3	658.1	1,183.1	1,183.1	1,247.6	1,196.5	1,075.6	986.6
Inventories	458.2	511.8	384.8	298.2	81.5	155.5	318.1	171.2	171.2	181.2	188.9	187.4	181.0
Other Current Assets	950.0	1,448.3	839.1	859.3	613.1	671.9	727.3	783.6	783.6	868.9	992.3	1,171.0	1,430.5
Current Assets	2,495.2	3,410.5	2,223.6	2,448.9	1,985.2	1,819.3	1,981.7	2,390.8	2,390.8	2,463.6	2,546.8	2,600.2	2,782.8
Net PP&E	9,693.0	10,276.0	10,654.0	11,002.3	11,047.8	11,206.8	11,363.8	11,518.8	11,518.8	11,933.6	12,319.7	12,677.4	13,006.4
Other Assets	5,856.9	6,345.7	6,394.1	6,487.6	6,445.8	6,445.8	6,445.8	6,445.8	6,445.8	6,445.8	6,445.8	6,445.8	6,445.8
Total Assets	18,045.1	20,032.2	19,271.7	19,938.8	19,478.8	19,471.9	19,791.2	20,355.4	20,355.4	20,842.9	21,312.3	21,723.3	22,235.0
Accounts Payable	743.3	693.9	502.3	581.8	429.6	341.8	308.7	711.7	711.7	779.8	811.2	843.6	942.8
Current Portion of LT Debt	33.9	469.3	719.7	34.2	36.4	36.4	36.4	36.4	36.4	36.4	36.4	36.4	36.4
Other Short Term Borrowings	1,061.0	1,163.5	103.0	1,382.5	1,263.0	1,263.0	1,263.0	1,263.0	1,263.0	1,263.0	1,463.0	1,613.0	1,688.0
Other Current Liabilities	1,584.6	2,256.7	1,824.6	1,650.9	1,367.1	1,416.8	1,445.6	1,573.5	1,573.5	1,629.6	1,685.1	1,702.1	1,807.3
Current Liabilities	3,422.8	4,583.4	3,149.6	3,649.4	3,096.1	3,058.1	3,053.7	3,584.5	3,584.5	3,708.7	3,995.7	4,195.1	4,474.5
Long Term Debt	5,594.4	5,943.9	5,969.1	5,936.1	5,927.6	5,976.1	6,140.6	6,113.6	6,113.6	6,112.7	6,106.4	6,102.9	6,102.9
Other Liabilities	3,941.2	4,776.1	5,298.9	5,430.1	5,440.8	5,440.8	5,440.8	5,440.8	5,440.8	5,440.8	5,440.8	5,440.8	5,440.8
Total Liabilities	12,958.4	15,303.4	14,417.6	15,015.6	14,464.5	14,475.0	14,635.1	15,138.9	15,138.9	15,262.2	15,542.9	15,738.8	16,018.2
Shareholders Equity	5,086.7	4,728.8	4,854.1	4,923.2	5,014.3	4,997.0	5,156.1	5,216.5	5,216.5	5,580.7	5,769.4	5,984.6	6,216.8
Total Liabilities and Equity	18,045.1	20,032.2	19,271.7	19,938.8	19,478.8	19,471.9	19,791.2	20,355.4	20,355.4	20,842.9	21,312.3	21,723.3	22,235.0
Total Capital Expenditures	763.9	1,306.6	798.6	911.6	209.4	296.9	296.9	296.9	1,100.0	1,000.0	1,000.0	1,000.0	1,000.0
Financial Metrics													
Total Debt / Total Cap	56.8%	61.6%	58.3%	59.9%	59.0%	59.3%	59.1%	58.7%	58.7%	57.0%	56.9%	56.4%	55.7%
Net Debt / Total Cap	56.6%	61.5%	58.3%	59.9%	58.8%	58.8%	58.7%	58.4%	58.4%	57.0%	56.9%	56.4%	55.6%
Net Debt / Equity	130.5%	159.8%	139.6%	149.2%	142.9%	143.0%	142.1%	140.4%	140.4%	132.8%	131.8%	129.5%	125.3%
Book Value Per Share	$18.51	$17.17	$17.59	$17.61	$17.59	$17.50	$17.30	$17.47	$17.88	$18.25	$18.38	$18.95	$19.56
Net Debt / TTM EBITDA	4.3x	5.1x	4.6x	4.9x	4.8x	4.8x	4.9x	4.7x	4.7x	4.4x	4.3x	4.2x	4.0x

Source: Company data, Credit Suisse estimates

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Companies Mentioned *(Price as of 05 May 11)*
NiSource Inc (NI, $19.82, NEUTRAL, TP $20)

Disclosure Appendix

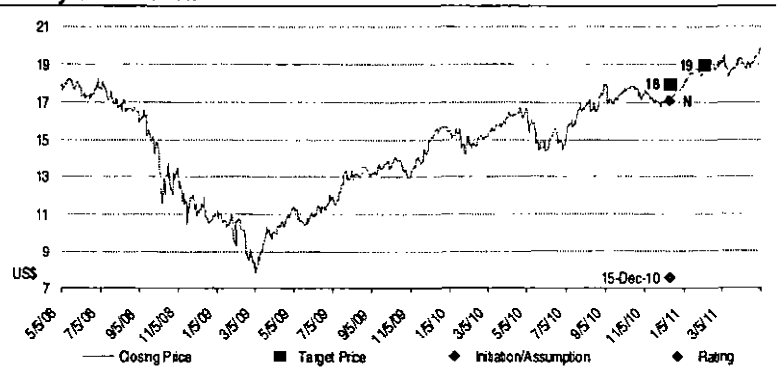
Important Global Disclosures

I, Elvira Scotto, CFA, certify that (1) the views expressed in this report accurately reflect my personal views about all of the subject companies and securities and (2) no part of my compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report.

See the Companies Mentioned section for full company names.

3-Year Price, Target Price and Rating Change History Chart for NI

NI Date	Closing Price (US$)	Target Price (US$)	Rating	Initiation/ Assumption
12/15/10	17.09	18	N	X
2/6/11	18.66	19		



O=Outperform; N=Neutral; U=Underperform; R=Restricted; NR=Not Rated; NC=Not Covered

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.

Analysts' stock ratings are defined as follows:

Outperform (O): The stock's total return is expected to outperform the relevant benchmark* by at least 10-15% (or more, depending on perceived risk) over the next 12 months.

Neutral (N): The stock's total return is expected to be in line with the relevant benchmark* (range of ±10-15%) over the next 12 months.

Underperform (U): The stock's total return is expected to underperform the relevant benchmark* by 10-15% or more over the next 12 months.

Relevant benchmark by region: As of 29th May 2009, Australia, New Zealand, U.S. and Canadian ratings are 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, with Outperforms representing the most attractive, Neutrals the less attractive, and Underperforms the least attractive investment opportunities. Some U.S. and Canadian ratings may fall outside the absolute total return ranges defined above, depending on market conditions and industry factors. For Latin American, Japanese, 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; for European stocks, ratings are based on a stock's total return relative to the analyst's coverage universe**. For Australian and New Zealand stocks a 22% and a 12% threshold replace the 10-15% level in the Outperform and Underperform stock rating definitions, respectively, subject to analysts' perceived risk. The 22% and 12% thresholds replace the +10-15% and -10-15% levels in the Neutral stock rating definition, respectively, subject to analysts' perceived risk.*

***An analyst's coverage universe consists of all companies covered by the analyst within the relevant sector.*

Restricted (R): In certain circumstances, Credit Suisse policy and/or applicable law and regulations preclude certain types of communications, including an investment recommendation, during the course of Credit Suisse's engagement in an investment banking transaction and in certain other circumstances.

Volatility Indicator [V]: A stock is defined as volatile if the stock price has moved up or down by 20% or more in a month in at least 8 of the past 24 months or the analyst expects significant volatility going forward.

Analysts' coverage universe weightings are distinct from analysts' stock ratings and are based on the expected performance of an analyst's coverage universe* versus the relevant broad market benchmark:**

Overweight: Industry expected to outperform the relevant broad market benchmark over the next 12 months.

Market Weight: Industry expected to perform in-line with the relevant broad market benchmark over the next 12 months.

Underweight: Industry expected to underperform the relevant broad market benchmark over the next 12 months.

**An analyst's coverage universe consists of all companies covered by the analyst within the relevant sector.*

***The broad market benchmark is based on the expected return of the local market index (e.g., the S&P 500 in the U.S.) over the next 12 months.*

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	Global Ratings Distribution	
Outperform/Buy*	47%	(62% banking clients)
Neutral/Hold*	40%	(57% banking clients)
Underperform/Sell*	10%	(51% banking clients)
Restricted	2%	

**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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See the Companies Mentioned section for full company names.

Price Target: (12 months) for (NI)

Method: We derive our 12-month price target of $20 for NiSource through a combination of P/E and sum of the parts valuation. Our price is based on a P/E multiple of 14.2x our next twelve months EPS estimate of $1.37, which is at the upper end of NI's historic trading range. We believe this to be appropriate as NI has resolved several key regulatory issues and is well positioned for growth. Our price target is also consistent with our sum of the parts valuation.

Risks: Main risks to our 12-month price target of $20 for NiSource include a less favorable outcome to its second electric rate case, pipeline re-contracting risk and economic risk as NI's electric utility is levered to the economy.

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CREDIT SUISSE SECURITIES (USA) LLC
United States of America: +1 (212) 325-2000

HILLIARD LYONS

Electric Utilities
David Burks
J.J.B. Hilliard, W.L. Lyons, LLC
502.588.8648 / DBurks@hilliard.com
May 4, 2011

COMPANY UPDATE / ESTIMATE CHANGE

NiSource Inc.

NI – NYSE – Neutral – 3

Company reports flat first quarter results and reaffirms 2011 earnings guidance

Key Metrics

NI - NYSE (Price as of 5/3/11)		$19.63
Price Target		NA
52-Week Range		$19.87 - $14.12
Shares Outstanding (mm)		278.9
Market Cap. ($mm)		$5,474
3-Mo. Average Daily Volume		2,036,000
Institutional Ownership		82.0%
Debt/Total Capital		59.9%
ROE (ttm)		6.5%
Book Value/Share		$17.66
Price/Book Value		1.11x
Indicated Dividend / Yield	$0.92	4.7%
Dividend Cycle		Feb., May, Aug., Nov.

EPS FY 12/31

	2010	Prior 2011E	2011E	Prior 2012E	Curr. 2012E
1Q		--		--	--
2Q		--		--	--
3Q		--		--	--
4Q		--		--	--
Year	$1.22	$1.30	$1.33		$1.45
P/E	16.1x		14.8x		13.5x
Payout	75%		69%		63%

Note: Figures exclude non-recurring items

Revenue ($mm)

	2010	Prior 2011E	2011E	Prior 2012E	Curr. 2012E
1Q		--		--	--
2Q		--		--	--
3Q		--		--	--
4Q		--		--	--
Year	$6,422		$6,475	--	$6,580

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%.*

Investment Highlights

- **NiSource reported first quarter net operating earnings of $0.72 per share, flat with the $0.72 per share the company earned in the first quarter a year ago.** Earnings were in line with expectations. First quarter results benefitted from a modest increase in the earnings contribution from NI's natural gas distribution business. Both the company's electric and gas transmission and storage businesses experienced modest declines in earnings during the first quarter. In sum, we believe it was a solid first quarter for NiSource and are encouraged by the ongoing rebound in the company's industrial sales.
- **Management reaffirmed its previous 2011 earnings guidance of $1.25 to $1.35 per share.** We are increasing our 2011 estimate by $0.03 to $1.33 per share to reflect the solid first quarter results. This would represent a 9% increase in earnings from last year. In addition, NiSource believes that its balanced business strategy combined with its growth opportunities will enable the company to grow its long-term earnings in the range of 3% to 5% annually.
- **We maintain our Neutral rating on NiSource as we believe the stock is fairly valued.** The stock is trading at 14.8x projected 2011 earnings and a modest premium to the group. However, we believe the company's fundamentals continue to improve. NiSource has significantly strengthened its financial profile and is now in a position to expand its capital spending to drive future growth. The company expects to spend $1.1 billion on capital expenditures in 2011. Earnings could also be positively impacted by a reasonable outcome of an electric rate case in Indiana. With a 4.7% dividend yield and an improving fundamental outlook, we would maintain positions.

Note Important Disclosures on Pages 2 and 3.
Note Analyst Certification on Page 2.

Outlook

We are maintaining our Neutral rating on NiSource as we believe the stock is fairly valued, trading at a modest premium to its peer group, which is trading at approximately 13.7x estimated 2011 earnings. However, we believe the company has a solid long-term fundamental outlook. NI believes that a combination of rate relief and continued investment in its gas infrastructure business can drive future earnings growth at NiSource. The company expects to spend up to $1.1 billion in capital investments in 2011 on system modernization, growth projects and environmental investments. In addition, the company has filed for a rate increase at Northern Indiana Public Service and NI indicated that the various parties are in potential settlement discussions. Management continues to believe the company can achieve long-term growth near the upper end of its 3% to 5% target range. We are increasing our 2011 earnings estimate by $0.03 to $1.33 per share for 2011 and believe earnings could reach $1.45 per share in 2012. Moreover, the company remains committed to both its dividend and an investment grade credit rating. With an above average dividend yield of 4.7% and seemingly improving growth prospects, we remain comfortable holding NiSource shares.

Additional information is available upon request.

Analyst Certification

I, David B. Burks, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject company(ies) and its (their) securities. I also certify that I have not been, am not, and will not be receiving direct or indirect compensation in exchange for expressing the specific recommendation(s) in this report.

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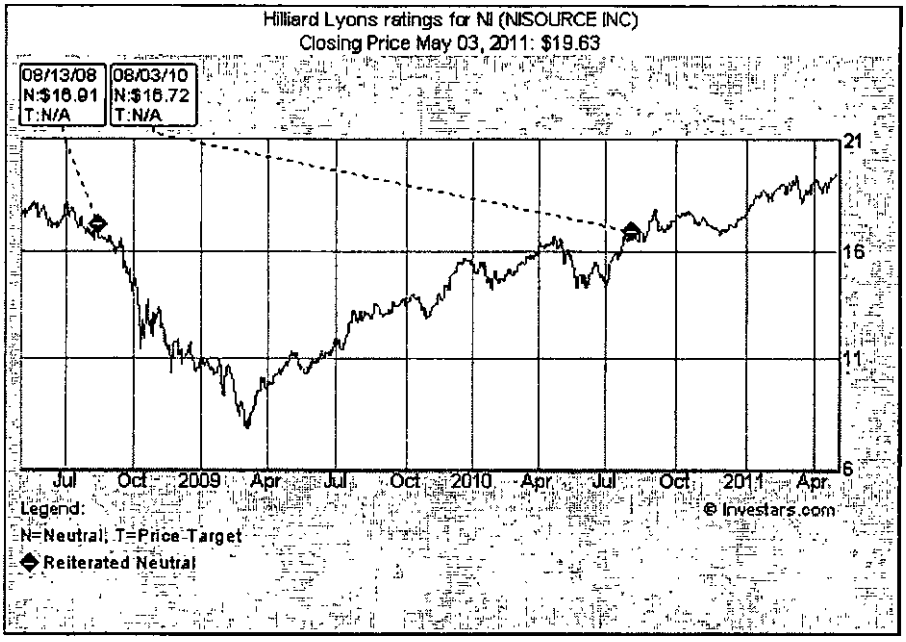
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Investment Ratings

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	38	23%	0%	100%
Long-term Buy	35	21%	6%	94%
Neutral	90	54%	1%	99%
Underperform	3	2%	0%	100%
Restricted	1	1%	100%	0%

As of 3 May 2011

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J.P.Morgan

North America Equity Research
05 May 2011

NiSource, Inc.

1Q11 Slight Miss; Guidance Reaffirmed

Neutral

NI, NI US
Price: $19.82

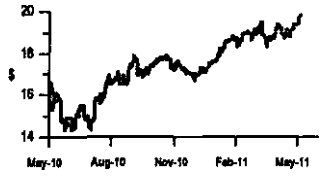
▲ **Price Target: $19.00**
Previous: $18.00

NI's 1Q11 EPS of $0.71 (on diluted share count) came in lower than our estimate of $0.77 on lower-than-expected results at each segment. The company reaffirmed 2011 EPS guidance of $1.25-$1.35. The company is still in settlement discussions in its electric rate case with an expected resolution by YE11-early 2012.

- **Rate design impacting Gas Distribution revenues.** 1Q11 Gas Distribution operating income of $237 mm came in below our forecast of $261 mm primarily due to the rate design change implemented under last year's gas settlement (NI estimated revenue reduction impact of ~$20 mm in 1Q11). On the regulatory front, the company expects resolution of its Columbia Gas of Pennsylvania rate case by YE11 (rate increase request of $38 mm) and has already received approval from PUCO for a ~$24 mm rate increase pertaining to their infrastructure replacement and energy efficiency programs (effective May 1).
- **Gas T&S results lower than expected.** 1Q11 Gas T&S operating income of $119 mm missed our estimate of $127 mm on lower-than-expected throughput and lower earnings from Millennium (due to higher interest expense). Management also noted that its optimization and park and loan businesses continue to be flat or down yoy. The company remains focused on leveraging their Marcellus footprint, expecting to spend ~$150 mm on growth projects in the Marcellus region in 2011 and ~$200mm/year in the next couple of years.
- **Miss at Electric operations.** 1Q11 Electric segment's operating income of $42 mm was below our assumption of $48 mm primarily on higher-than-expected D&A. While the segment saw a significant increase in industrial demand yoy (~20.3%), driven by steel manufacturers, management articulated that it expects a more flattish growth over the course of the year, and generally expect a slow recovery. The company expects a resolution in their electric rate case by YE11–early 2012 and is currently still active in settlement discussions.
- **Adjusting estimates and PT.** We adjust our EPS estimates post 1Q11 results and increase our December 2011 price target to $19 (previous PT of $18). We use an average of P/E multiple and EV/EBITDA multiple approaches to arrive at our valuation.

Energy MLPs
Xin Liu, CFA[AC]
(1-212) 622-4915
xin.liu@jpmorgan.com
J.P. Morgan Securities LLC

Price Performance



	YTD	1m	3m	12m
Abs	11.2%	2.4%	7.7%	19.4%

NiSource, Inc. (NI;NI US)

	2009A	2010A	2011E (Old)	2011E (New)	2012E
EPS ($)					
Q1 (Mar)	0.62	0.71	0.77	0.71A	0.70
Q2 (Jun)	0.02	0.13	0.15	0.21	0.24
Q3 (Sep)	0.07	0.04	0.05	0.06	0.10
Q4 (Dec)	0.36	0.34	0.34	0.35	0.39
FY	1.07	1.22	1.31	1.34	1.43
P/E FY	18.6	16.2	15.1	14.8	13.8

Source: Company data, Bloomberg, and J.P. Morgan estimates.

Company Data	
Price ($)	19.82
Date Of Price	04 May 11
52-week Range ($)	19.98 - 14.12
Mkt Cap ($ bn)	5.65
Fiscal Year End	Dec
Shares O/S (mn)	285
Div. Yield	4.6%
Dividend ($)	0.92
Price Target ($)	19.00
Price Target End Date	31 Dec 11

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Xin Liu, CFA
(1-212) 622-4915
xin.liu@jpmorgan.com

Table 1: 1Q11 NI Actuals vs. Estimates
$ in millions (except per unit data)

	1Q11A	1Q11E	Diff.
Operating Income			
Gas Distribution	237	261	(24)
Gas Transmission & Storage	119	127	(9)
Electric Operations	42	48	(6)
Other	(3)	(5)	3
Total Operating Income	**395**	**431**	**(36)**
Net operating earnings per shar	**$0.71**	**$0.77**	**($0.06)**

Source: Company reports and J.P. Morgan estimates. Note: we use diluted share count in Net Operating EPS calculation.

Valuation

We adjust our 2011 estimate to $1.34 from $1.31 after the 1Q11 results and after updating the model for expected rate increases. We adjust our December 2011 price target to $19 (previous PT of $18), which provides for a potential 3.8% total return (including dividend).

We use two methodologies to arrive at NI's price target: a Sum-of-parts analysis and a P/E multiple.

1. Sum-of-Parts Analysis
In our sum-of-the parts analysis, we separately value each of NI's three business units: Distribution, NGT&S and Electric. We calculate value for each segment using EV/2011E EBITDA multiples; we apply 8.0x to 9.0x for the Distribution segment, 8.5x to 9.0x for NGT&S and 7.5x to 8.5x for Electric. All of these multiples are based on trading peers' comps, discounted due to lack of growth and/or risks associated with regulatory uncertainty. Using this method, we arrive at NI's implied stock price of $17.91.

Table 2: Sum-of-Parts Valuation
$ in millions (except per share data)

	2011E EBITDA	Bear Case Multiple	Bear Case EV	Bull Case Multiple	Bull Case EV
Distribution	584	8.0x	4,670	9.0x	5,253
Transmission	526	8.5x	4,470	9.0x	4,733
Electric	432	7.5x	3,237	8.5x	3,669
Corp and other	(22)	8.0x	(174)	7.5x	(164)
Net Debt (current)			(7,165)		(7,165)
Underfunded Pension Liabilities			(578)		(578)
Equity Value			**4,460**		**5,749**
Share Count (MM)			285		285
Equity Value per Share			**$ 15.65**		**$ 20.17**
Target Share Price					**$ 17.91**

Source: Company reports and J.P. Morgan estimates.

Xin Liu, CFA
(1-212) 622-4915
xin.liu@jpmorgan.com

2. P/E Multiple Approach

The natural gas utilities peer group currently trades at 16.2x P/2011E EPS. To derive NI's target price, we apply a 5% discount to this multiple due to our view of lack of growth and/or risk associated with regulatory uncertainty and apply this number to NI's expected 2011 EPS. Using this method, we arrive at NI's implied stock price of $20.55.

Table 3: Implied Stock Price by P/E Multiple Approach

Group Median P/2011 E Multiple		16.2x
Premium (Discount)		-5%
NI 2011E EPS	$	1.34
Implied Stock Price	$	20.55

Source: Company reports and J.P. Morgan estimates.

Blended Price Target Calculation

We derived NI's blended price target as an average of the price targets derived by the two methodologies, assigning equal weights to each. We arrive at a December 2011 price target of $19. We believe investing in NI at current prices provides for a total return potential (including dividend) of 3.8%

Table 4: Blended Price Target Calculation

Valuation Method		Price	Weight
P/E Approach	$	20.55	50%
Sum-of-the-parts	$	17.91	50%
Blended Price Target	$	19	

Source: Company reports and J.P. Morgan estimates

Risks to Our Rating and Price Target

We have assumed continued improvement in the profitability of the company's storage and pipeline assets as a result of progress on multiple expansion projects. If the company reports materially better results, it would likely impact the relative valuation of the company's pipeline system. Longer term, the company is pursuing a number of regulatory initiatives at its gas and electric utilities businesses. If NiSource were to receive a materially different regulatory treatment than anticipated in the next couple of years, the stock could either outperform or underperform based on the direction of the change in regulatory outlook. Lastly, NIPSCO has exposure to industry and commercial user demand. In a recessionary environment, significantly lower electric demand and higher bad-debt expense could reduce NIPSCO's earnings, thus causing share underperformance.

Xin Liu, CFA
(1-212) 622-4915
xin.liu@jpmorgan.com

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Appendix I: NI Income Statement

$ in MM (except per share data)

Income Statement	2009A	1Q10A	2Q10A	3Q10A	4Q10A	2010A	1Q11A	2Q11E	3Q11E	4Q11E	2011E	1Q12E	2Q12E	3Q12E	4Q12E	2012E
Segment EBITDA																
Gas Distribution	577	297	99	23	163	582	280	106	25	173	584	294	111	26	182	613
Gas Transmission & Storage	530	157	106	108	136	508	151	124	111	140	526	161	132	118	149	560
Electric Operations	368	99	101	134	96	429	101	101	134	96	432	111	112	148	106	476
Other	(19)	(2)	(5)	(6)	(8)	(21)	(3)	(5)	(6)	(8)	(22)	(3)	(5)	(6)	(8)	(22)
Total Sgmt EBITDA	**1,457**	**551**	**302**	**259**	**386**	**1,498**	**530**	**325**	**264**	**400**	**1,519**	**564**	**349**	**286**	**428**	**1,627**
Depreciation and amortization	(578)	(146)	(148)	(149)	(137)	(581)	(135)	(136)	(138)	(140)	(549)	(141)	(142)	(143)	(144)	(570)
Interest expense	(399)	(99)	(98)	(98)	(98)	(392)	(90)	(97)	(97)	(97)	(381)	(97)	(97)	(97)	(96)	(388)
Other net	(2)	3	3	2	(4)	4	3	-	-	-	3	-	-	-	-	-
Income before tax	478	309	58	14	148	529	308	92	29	164	593	326	110	46	188	670
Income tax expense	(184)	(111)	(21)	(4)	(54)	(189)	(106)	(33)	(10)	(58)	(207)	(115)	(39)	(16)	(66)	(237)
Income before other items (non - GAA	**294**	**198**	**37**	**10**	**94**	**340**	**202**	**60**	**19**	**106**	**387**	**211**	**71**	**30**	**121**	**433**
Income before other items (GAAP)	229	197	28	33	36	295	205	60	19	106	389	211	71	30	121	433
Other	(12)	-	0	(0)	-	(0)	-	-	-	-	-	-	-	-	-	-
Net Income	**218**	**197**	**28**	**33**	**36**	**294**	**205**	**60**	**19**	**106**	**389**	**211**	**71**	**30**	**121**	**433**
Number of shares diluted	276	278	278	280	280	279	285	286	292	298	290	299	299	305	311	304
Basic EPS	**$1.07**	**$0.72**	**$0.13**	**$0.04**	**$0.34**	**$1.22**	**$0.72**	**$0.21**	**$0.07**	**$0.36**	**$1.36**	**$0.72**	**$0.24**	**$0.10**	**$0.40**	**$1.46**
Diluted EPS	**$1.07**	**$0.71**	**$0.13**	**$0.04**	**$0.34**	**$1.22**	**$0.71**	**$0.21**	**$0.06**	**$0.35**	**$1.34**	**$0.70**	**$0.24**	**$0.10**	**$0.39**	**$1.43**
Earnings Growth(Diluted)	*-15.4%*					*14.4%*					*9.7%*					*7.0%*

Source: Company reports and J.P. Morgan estimates

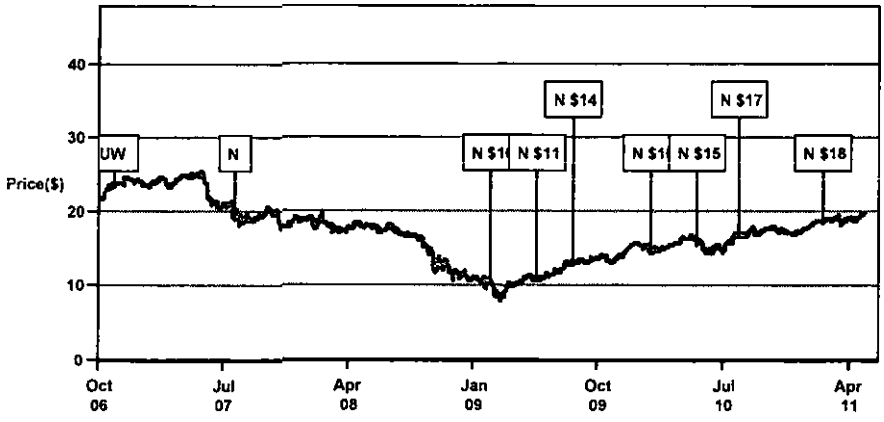
Xin Liu, CFA
(1-212) 622-4915
xin.liu@jpmorgan.com

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NiSource, Inc. (NI) Price Chart



Date	Rating	Share Price ($)	Price Target ($)
06-Nov-06	UW	23.37	-
30-Jul-07	N	19.48	-
09-Feb-09	N	10.77	10.00
22-May-09	N	10.48	11.00
05-Aug-09	N	12.97	14.00
25-Jan-10	N	14.58	16.00
05-May-10	N	16.20	15.00
04-Aug-10	N	16.72	17.00
02-Feb-11	N	18.73	18.00

Source: Bloomberg and J.P. Morgan; price data adjusted for stock splits and dividends.
Break in coverage Oct 12, 2005 - Jun 30, 2006. This chart shows J.P. Morgan's continuing coverage of this stock; the current analyst may or may not have covered it over the entire period.
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Xin Liu, CFA
(1-212) 622-4915
xin.liu@jpmorgan.com

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IB clients*	50%	45%	33%
JPMS Equity Research Coverage	43%	49%	8%
IB clients*	70%	62%	56%

*Percentage of investment banking clients in each rating category.
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Xin Liu, CFA
(1-212) 622-4915
xin.liu@jpmorgan.com

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Xin Liu, CFA
(1-212) 622-4915
xin.liu@jpmorgan.com

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May 3, 2011
Quick Alert

KeyBanc
Capital Markets

NiSource, Inc. (HOLD)

NI - Quick Alert: 1Q11; Results Basically in Line, Industrial Sales Improve

KeyBanc Capital Markets Inc.,
Member NYSE/FINRA/SIPC

Paul T. Ridzon: (216) 689-0270 — pridzon@keybanccm.com
Timothy Yee: (216) 689-0385 — tyee@keybanccm.com

May 2, 2011 Close: $19.52
1Q11 KBCM EPS Estimate: $0.71 (Consensus: $0.72)
2011 KBCM EPS Estimate: $1.30 (Consensus: $1.33)

1Q11 Actual Results (vs. 1Q10):

- 1Q11 ongoing EPS of $0.73 vs. $0.72; GAAP EPS of $0.73 vs. $0.71.
- Results were modestly above our estimate of $0.71 and consensus of $0.72 per share.
- We include the impact of weather in our estimates. NI reports ongoing results on a weather-normalized basis, so the release indicates results of $0.72, excluding $0.01 of positive weather for the 1Q.

Guidance: Maintained 2011 guidance of $1.25-$1.35 per share. Management reaffirmed its long-term growth target of 3-5%.

Highlights:

- Gas Distribution segment (operating earnings of $237 million vs. $235 million) results were higher as lower revenues related to moving to less volumetric rates to higher fixed charge shifted earnings out of high usage periods (1Q and 4Q) into the 2Q and 3Q. This was more than offset by lower depreciation rates following NI's Indiana gas rate case last year.
- Gas Transmission and Storage declined (operating earnings of $119 million vs. $126 million) as the roll-off of a 1Q10 gain was partly offset by by higher demand margin and mineral rights royalties.
- Electric operations earnings declined (operating earnings of $42 million vs. $46 million) on higher industrial load and margins were partly offset by higher depreciation and SG&A. Retail load increased 10.8% (Res. +1.0%, Comm. -1.1% and Ind. +20.3%).
- The release indicates settlement discussions around NI's Indiana electric rate case are ongoing. Positive language on the call could ease some concerns we have heard around a lack of progress on this front.

Initial Take: We expect a modestly positive reaction to earnings and the robust industrial recovery.

9:00 AM EDT Conference Call #: (800) 299-0148; ID#: 34742952
We will be focused on:

- Northern Indiana economy and sales trends
- Electric rate case update in Indiana; any language around settlement prospects
- Other regulatory updates
- Commentary on M&A after NI has been subject of takeout speculation
- Marcellus shale growth initiatives
- Views on EPA regulations

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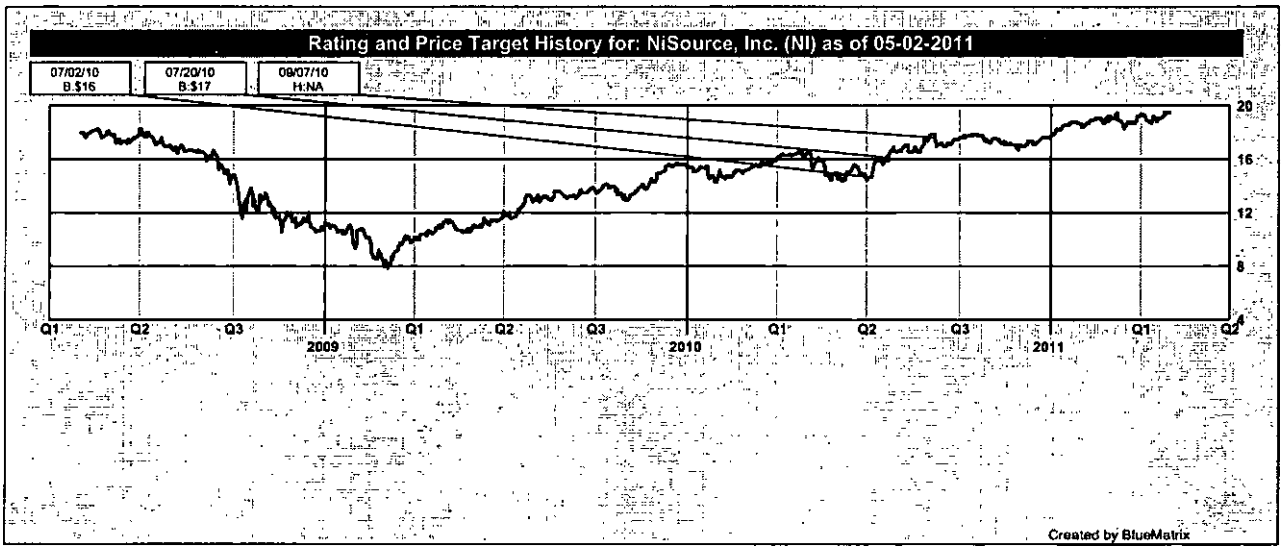
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Three-Year Rating and Price Target History



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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]	210	47.30	51	24.29	BUY [BUY]	27	45.00	15	55.56
HOLD [HOLD]	229	51.60	48	20.96	HOLD [HOLD]	32	53.30	18	56.25
SELL [UND]	5	1.10	0	0.00	SELL [UND]	1	1.70	0	0.00

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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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Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Morningstar Credit Rating	Industry Group
19.52 USD	17.00 USD	11.90 USD	23.80 USD	Medium	Narrow	Stable	C	BBB	Utilities - Regulated

NiSource Reports In-Line 1Q, Reaffirms 2011 Outlook

See Page 2 for the full Analyst Note from 03 May 2011

Patrick Goff
Credit Analyst
patrick.goff@morningstar.com
+1 (312) 244-7269

The primary analyst covering this company does not own its stock.

Research as of 03 May 2011
Estimates as of 03 May 2011
Pricing data through 02 May 2011
Rating updated as of 02 May 2011

Currency amounts expressed with "$" are in U.S. dollars (USD) unless otherwise denoted.

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Analyst's Perspective 03 Feb 2011

NiSource recently reported 2010 year-end results that were in line with our expectations and management's updated guidance provided in the third-quarter earnings release. In addition, management provided 2011 operating earnings guidance of $1.25 to $1.35 per share premised on a relatively modest and gradual economic recovery across the markets served by its utilities. We are updating our 2011 earnings estimate to $1.33 per share from our previous estimate of $1.30 per share. Potential upside to our 2011 earnings estimate includes the successful settlement of NiSource's 2010 electric rate case and improvement in demand as a result of a faster than expected economic recovery. We anticipate earnings growth to average 5-6% annually driven by the company's $1.0-$1.1 billion of planned annual capital investments in the business and the expectation of favorable regulatory outcomes.

Key Investment Considerations

- With the stock trading at about 14 times our 2011 earnings estimate and over 8 times 2010 EBITDA, we think NiSource is overvalued.
- A diverse set of investment opportunities across several states provides earnings and regulatory diversification.
- Substantial investment in the gas transmission and storage segment will be a key driver of earnings growth during the next five years.

Vital Statistics

Market Cap (USD Mil)	5,452
52-Week High (USD)	19.61
52-Week Low (USD)	14.12
52-Week Total Return %	25.4
YTD Total Return %	13.4
Last Fiscal Year End	31 Dec 2010
5-Yr Forward Revenue CAGR %	4.3
5-Yr Forward EPS CAGR %	9.4
Price/Fair Value	1.15

Valuation Summary and Forecasts

Fiscal Year:	2009	2010	2011(E)	2012(E)
Price/Earnings	17.5	16.6	*14.7*	*13.7*
EV/EBITDA	7.8	8.1	*7.9*	*7.6*
EV/EBIT	13.4	13.3	*12.6*	*12.0*
Free Cash Flow Yield %	21.1	-1.7	*8.5*	*0.9*
Dividend Yield %	6.0	5.2	*4.8*	*4.8*

Financial Summary and Forecasts (USD Mil)

Fiscal Year:	2009	2010	2011(E)	2012(E)
Revenue	6,649	6,422	*6,695*	*6,982*
Revenue YoY %	-25.1	-3.4	*4.3*	*4.3*
EBIT	821	923	*1,010*	*1,064*
EBIT YoY %	-11.3	12.5	*9.4*	*5.3*
Net Income, Adjusted	242	296	*375*	*400*
Net Income YoY %	-35.3	22.1	*26.7*	*6.8*
Diluted EPS	0.88	1.06	*1.33*	*1.42*
Diluted EPS YoY %	-35.4	20.2	*26.2*	*6.3*
Free Cash Flow	898	-84	*461*	*48*
Free Cash Flow YoY %	-333.5	-109.3	*-650.1*	*-89.6*

Source for forecasts in the data tables above: Morningstar Estimates
Analyst Note

Profile

NiSource is an energy holding company with subsidiaries that provide natural gas and electricity to 3.8 million customers in a corridor that runs from the Gulf Coast through the Midwest to New England. As measured by customers, NiSource is one of the nation's largest natural gas distribution companies. It also serves electric customers in Indiana. NiSource operates in three primary business segments: gas distribution operations, gas transmission and storage operations, and electric operations.

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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
19.52 USD	17.00 USD	11.90 USD	23.80 USD	Medium	Narrow	Stable	C	BBB	Utilities - Regulated

Morningstar Analysis

We anticipate that the gas transmission and storage segment will be the key driver of earnings growth.

NiSource Reports In-Line 1Q, Reaffirms 2011 Outlook 03 May 2011

On Tuesday, NiSource NI announced first-quarter net earnings from continuing operations of $0.72 per share, flat with last year's first quarter. Management said NiSource remains on track to deliver net operating earnings in line with its full-year outlook of $1.25-$1.35. This is in line with our expectations, and we are reiterating our fair value estimate of $17 per share.

The gas distribution operations segment reported operating earnings of $237.1 million compared with $234.7 million in the first quarter of 2010. Net revenue, including the impact of trackers, decreased by $8.3 million primarily because of decreased residential, commercial, and industrial margins due to NIPSCO's change from a volumetric-based rate design to one with a higher fixed charge. The revenue variance experienced in the first quarter from NIPSCO's rate design change will be offset throughout the balance of the year. Excluding weather, sales and transportation volume increased 6.8%. Operating expenses, excluding trackers, were $10.7 million lower than the comparable period, reflecting lower depreciation costs due primarily to new approved depreciation rates at NIPSCO and decreased uncollectible costs. On the regulatory front, Columbia Gas of Pennsylvania continues to advance a base rate case filed in January with the Pennsylvania Public Utility Commission. The case seeks increased revenue of about $38 million and is expected to become effective in the fourth quarter.

Gas transmission and storage operations reported operating earnings of $118.5 million compared with $125.9 million in the year-ago quarter. Net revenue, excluding the impact of trackers, decreased by $0.1 million. Operating expenses, excluding the impact of trackers, increased $2.9 million from the comparable 2010 period because of increased outside service costs, employee and administration expenses, and depreciation. Equity earnings decreased $4.4 million, primarily from the Millennium Pipeline incurring higher interest costs associated with its August 2010 debt refinancing. In connection with its November 2010 general rate case filing with the Federal Energy Regulatory Commission, Columbia Gulf Transmission placed new rates into effect, subject to refund, on May 1. Columbia Gulf and the parties to the case are engaged in settlement discussions to resolve the case.

Electric operations reported operation earnings of $41.9 million compared with $46.3 million in the first quarter of 2010. Net revenue, excluding the impact of trackers, increased by $9.0 million primarily because of increased industrial usage and margins as a result of improved economic conditions. Operating expenses, excluding trackers, increased by $13.4 million primarily because of higher depreciation costs. On the regulatory front, NIPSCO remains on track to establish new electric base rates by late 2011 or early 2012.

Thesis 03 Feb 2011

Management has done a commendable job of getting NiSource's regulatory house in order during the last few years. However, we believe the company's equity is slightly overvalued and that there are better opportunities elsewhere for dividend-seeking investors.

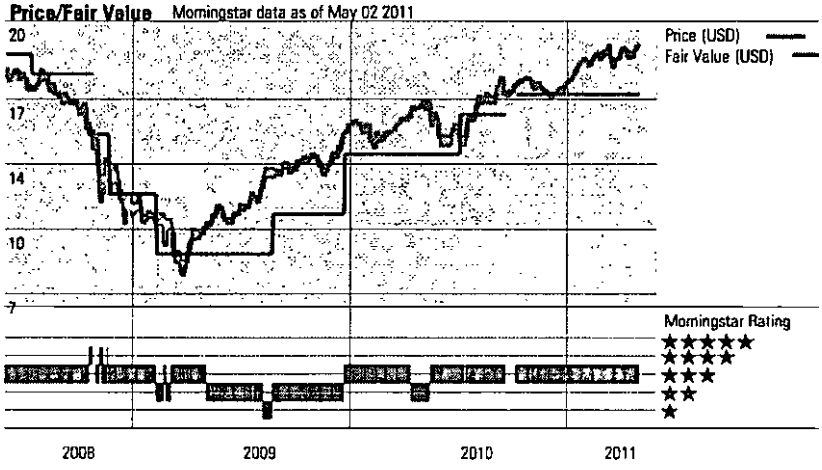
NiSource's strategy is to improve the consistency of earnings from its state-regulated segments, expand its footprint in the Marcellus Shale, and manage the company's cost structure and balance sheet. NiSource's gas distribution segment has historically contributed about 35-40% of consolidated operating earnings. The strategy in this segment is to drive growth through long-term, low-risk infrastructure investments synched with regulatory recovery mechanisms.

Management has been successful in delivering an ambitious regulatory agenda in this segment, having filed base rate cases in 2010 in four states as well as an

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application to adjust rates associated with riders in Ohio. The combined impact of these cases should increase net revenue and earnings in 2011, highlighting management's commitment to recovering the costs of infrastructure investments in a timely manner. In the aggregate, NiSource management has identified an investment opportunity of $4.0-$4.5 billion during the next 20 to 25 years to advance replacement and upgrades of its infrastructure, which will increase earnings growth in this segment above the rate of inflation.

In the Federal Energy Regulatory Commission-regulated gas transmission and storage segment, which historically has contributed about 40-45% of operating income, management is committed to driving growth through further investment in the Marcellus Shale. During 2010, NiSource completed more than $150 million in strategic growth projects serving the Marcellus Shale production area and capable of providing access to more than 500,000 dekatherms per day of natural gas. The company has developed a significant existing footprint in the Marcellus and plans to invest $2 billion in this business during the next five to seven years. Given this investment program, we anticipate that the gas transmission and storage segment will be the key driver of earnings growth, with operating income growing at a 7% compounded rate from 2011 through 2014.

The company's smallest segment, electric operations, has historically contributed 15%-20% of consolidated operating income. In 2010, NiSource generated improved industrial margins and industrial usage increased 10% in its electric business, which helped boost operating earnings by over $50 million year over year. Nonetheless this segment remains a challenge. Management is trying to restore the earnings power in this segment by executing its regulatory agenda with a new rate case that was filed in November 2010. Management expects to have this case completed by the end of 2011, with rates effective in January 2012. In addition, NIPSCO has begun the first phase of a series of new environmental investments in Indiana totaling about $600 million during the next six to eight years.

We commend management for shoring up its balance sheet through the recent issuance of about $400 million of equity. Ultimately, we see NiSource increasing earnings in the 5%-6% range long term, which combined with the dividend yield provides a reasonable total shareholder return of 10%-11%. We see potential for additional upside if management decides to boost the payout ratio, particularly balance sheet is in better shape.

Valuation, Growth and Profitability 03 Feb 2011
We are reaffirming our $17 fair value estimate. NiSource's profitability is a function of gaining favorable regulatory outcomes in its gas distribution operations and electric segments as well as increased volume and pricing at its gas transmission and storage operations segment. We estimate that NiSource will invest nearly $5 billion in capital expenditures through 2015, including almost $2 billion in the gas transmission and storage segment. We anticipate that this segment will be the largest driver of earnings

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growth for NiSource. As evidence, we note that during the last four years, about $450 million of growth capital expenditures invested in this segment resulted in $75 million of operating income. As a result of investments in this segment and the gas distribution segment, we expect long-term earnings growth around 5%-6%. To arrive at our fair value estimate, we use an 11.0% cost of equity assumption along with current credit spreads to discount cash flows at an 7.9% cost of capital.

Scenario Analysis

The largest source of uncertainty in our fair value estimate is the assumed growth in capacity in the gas transmission and storage operations segment. Holding all other variables constant and assuming no change in throughput volume for the gas transmission and storage segment in 2012-15 decreases earnings per share by $0.11 in 2012, $0.22 in 2013, $0.25 in 2014, and $0.47 in 2015 and would also reduce our fair value estimate by $5 per share. In addition, our fair value estimate is sensitive to our cost of capital assumption. A 50-basis-point change in our cost of equity assumption changes our fair value estimate by $2 per share.

Economic Moat

We think the regulated nature of its operations gives NiSource a narrow moat. In exchange for NiSource's monopoly position in its regulated gas and electric utilities, returns are set by regulators at a level that aims to keep customer costs low while providing adequate returns for capital providers. This implicit contract between regulators and the utilities should, in the long run, allow NiSource to earn its cost of capital. As with all regulated utilities, we think regulatory caps on revenues and returns preclude NiSource from establishing a wide economic moat.

Moat Trend

We believe NiSource's moat trend is stable. We do not foresee long-term changes to the firm's role as a monopoly provider of natural gas and electricity, nor do we see changes to its compact with regulators.

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Bulls Say/Bears Say

Bulls Say

- With regulated utility operations spread across seven states, NiSource has a natural hedge against the negative earnings impact of an unfavorable regulatory decision in any one jurisdiction.
- NiSource has made significant progress addressing regulatory lag in its gas distribution segment.
- NiSource is pursuing expansion projects in its gas transmission and storage segment, an area with solid growth prospects and the potential for healthy returns.
- Management is committed to maintaining its dividend and recently took steps to shore up its balance sheet.

Bears Say

- NiSource's electric and gas rate structures do not allow for efficient cost recovery, creating an unhealthy amount of regulatory lag when weather or usage differs materially from forecasts.
- The company's electric utility, NIPSCO, has above-average exposure to industrial usage, which could depress earnings in the event of another economic slowdown.
- NiSource continues to face a challenging regulatory environment in Indiana.

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NiSource, Inc. NI (NYSE) | ★★★

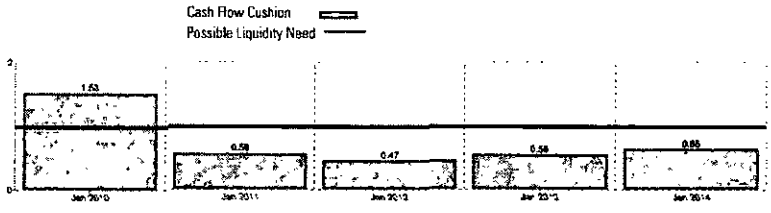
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Credit Analysis

Five Year Adjusted Cash Flow Forecast (USD Mil)

	2011(E)	2012(E)	2013(E)	2014(E)	2015(E)
Cash and Equivalents (beginning of period)	409	438	445	482	552
Adjusted Free Cash Flow	479	75	125	175	227
Total Cash Available before Debt Service	888	513	570	657	779
Principal Payments	-34	-320	-619	-552	-552
Interest Payments	-425	-450	-475	-500	-525
Other Cash Obligations and Commitments	120	119	119	120	120
Total Cash Obligations and Commitments	-579	-889	-1,213	-1,171	-1,197

Cumulative Annual Cash Flow Cushion



Adjusted Cash Flow Summary

	USD Millions	% of Commitments
Beginning Cash Balance	409	8.1
Sum of 5-Year Adjusted Free Cash Flow	1,081	21.4
Sum of Cash and 5-Year Cash Generation	1,490	29.5
Revolver Availability	1,397	27.7
Asset Adjusted Borrowings (Repayment)	0	0.0
Sum of Cash, 5-Year Cash Generation, Revolver and Adjustments	2,887	57.2
Sum of 5-Year Cash Commitments	-5,049	—

Credit Rating Pillars—Peer Group Comparison

	NI	Sector	Universe
Business Risk	5	5.2	5.5
Cash Flow Cushion	9	8.5	5.8
Solvency Score	6	5.7	4.6
Distance to Default	3	2.9	3.8
Credit Rating	BBB	BBB+	BBB+

Source: Morningstar Estimates

Note: Scoring is on a scale 1-10, 1 being Best, 10 being Worst

Financial Health

As a result of its recent equity raise, NiSource has improved its credit metrics. However, total debt to capitalization of 60% is still on the higher end of the utility universe. Interest coverage and total debt to EBITDA remain manageable at 3.9 times and 4.9 times, respectively.

Capital Structure

With approximately $5.0 billion of capital spending planned between 2011 and 2015, we expect NiSource to be a frequent debt issuer. NiSource has modest refinancing needs in 2011 and 2012; we anticipate NiSource refinancing its debt as it comes due and issuing about $200 million of additional debt each year to fund its growth capital expenditures. Given NiSource's cash from operations and improved balance sheet as a result of the recent equity raise, we do not expect the firm to tap the equity markets in the foreseeable future. As such, we expect total debt/EBITDA to remain in the 4.25-4.75 times range and interest coverage to remain in the 3.50-4.00 times range.

Enterprise Risk

Regulatory risk remains the key uncertainty in our fair value estimate, as nearly all of NiSource's operating income is derived from rate-regulated businesses. NiSource operates in several different jurisdictions, particularly in the gas distribution segment (about 40% of operating income), which helps mitigate and diversify its regulatory risk profile. However, in the electric segment (about 15% of operating income), NiSource is solely dependent on the decisions of the Indiana Utility Regulatory Commission, which historically has been a challenging regulatory body. Achieving satisfactory returns on the aggressive growth agenda in the gas transmission and storage segment is an additional key risk for NiSource.

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Management & Ownership

Management Activity

Name	Position	Shares Held	Report Date*	InsiderActivity
ROBERT C. SKAGGS,JR	CEO/President/Director,Director	815,324	28 Jan 2011	—
CHRISTOPHER A. HELMS	Executive VP/CEO, Divisional	257,426	28 Jan 2011	—
JIMMY D. STATON	CEO, Divisional/Executive VP	209,336	28 Jan 2011	—
STEPHEN P. SMITH	Executive VP/CFO	196,608	28 Jan 2011	—
CARRIE J. HIGHTMAN	Executive VP/Other Executive Officer	161,546	28 Jan 2011	—
ROBERT D. CAMPBELL	Senior VP, Divisional	112,819	28 Jan 2011	—
GLEN L. KETTERING	Senior VP, Divisional	104,579	28 Jan 2011	—
W. LEE NUTTER	Director	60,000	05 Nov 2010	—

*Report date represents the date on which the owner's common shares held was audited.

Fund Ownership

Top Owners	Morningstar Rating	% of Shares Held	% of Fund Assets	Change (k)	Portfolio Date
T. Rowe Price Equity Income	★★★★	3.66	0.87	-30	31 Mar 2011
T. Rowe Price Mid-Cap Value	★★★★	1.91	1.11	0	31 Mar 2011
Prudential Jennison Utility B	★★	1.11	2.04	0	28 Feb 2011
Utilities Select Sector SPDR	★★★	1.11	1.37	-46	29 Apr 2011
T. Rowe Price Value	★★★	1.09	0.45	-132	31 Mar 2011
Concentrated Holders					
First Trust The Dow Target Dividend	★	0.02	5.25	-29	30 Sep 2010
Global Public interest Infra Equity MF		0.04	4.96	0	12 Jan 2010
Fidelity Advisor Utilities A	★★★	0.11	4.20	21	31 Mar 2011
JNL/Mellon Cap Mgmt Dow Dividend A	★	0.23	4.20	25	31 Dec 2010

Institutional Transactions

Top 5 Buyers	Morningstar Rating	% of Shares Held	% of Fund Assets	Shares Bought/ Sold (k)	Portfolio Date
Munder Mid-Cap Core Growth Y	★★★★	1.06	1.18	963	28 Feb 2011
Kayne Anderson Energy Total Return	★★★	0.12	0.59	324	30 Nov 2010
Federated Muni and Stock Advantage A	★	0.07	0.68	188	31 Dec 2010
Vanguard Mid Cap Index Ins	★★★★	1.16	0.22	153	31 Dec 2010
Legg Mason Batterymarch US Lg Cap Eq I		0.04	0.40	121	31 Mar 2011
Top 5 Sellers					
AXA Rosenberg US Equity Alpha E EUR Hdg	★	0.01	0.06	-267	31 Dec 2010
T. Rowe Price Value	★★★	1.09	0.45	-132	31 Mar 2011
MainStay Balanced I	★★★★	0.02	0.13	-130	31 Jan 2011
BlackRock Large Cap Value Inv A	★★★	0.43	1.07	-120	31 Mar 2011

Stewardship: C 14 Sep 2010

Robert Skaggs replaced Gary Neale as president and CEO in 2005. Skaggs took the reins under difficult circumstances--a debt-heavy capital structure and a struggling dividend. To NiSource's credit, the chairman and CEO positions were separated when Skaggs replaced Neale. Skaggs' annual compensation consists of a base salary, an annual incentive plan, long-term incentive opportunities, and post-termination benefits. In 2009, Skaggs earned a total compensation package of $4.1 million, which we consider fair. We are pleased that all board members except Skaggs are independent and elected annually, and that a supermajority is no longer necessary for the election of directors. The company would earn a higher Stewardship Grade if it terminated its change-in-control agreements, which provide for very generous compensation for senior management if NiSource is acquired.

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Morningstar Analyst Forecasts

Financial Summary and Forecasts

Growth (% YoY)	3-Year Hist. CAGR	Dec 2008	Dec 2009	Dec 2010	Forecast Dec 2011	Forecast Dec 2012	5-Year Proj. CAGR
Revenue	-6.8	11.8	-25.1	-3.4	4.3	4.3	4.3
EBIT	-0.7	-1.9	-11.3	12.5	9.4	5.3	6.2
EBITDA	0.4	-0.6	-5.5	7.8	6.2	4.3	4.7
Net Income	-2.5	17.5	-35.3	22.1	26.7	6.8	9.8
Diluted EPS	-3.1	17.2	-35.4	20.2	26.2	6.3	9.4
Earnings Before Interest, after Tax	6.2	14.7	-41.7	79.2	-15.0	4.0	0.3
Free Cash Flow to the Firm	-26.5	-179.7	-228.3	-61.1	48.8	-42.5	4.8

Profitability	3-Year Hist. Avg	Dec 2008	Dec 2009	Dec 2010	Dec 2011	Dec 2012	5-Year Proj. Avg
Operating margin %	12.4	10.4	12.4	14.4	15.1	15.2	15.4
EBITDA margin %	20.6	16.8	21.2	23.7	24.1	24.1	24.1
Net margin %	4.2	4.2	3.7	4.6	5.6	5.7	5.8
Free Cash Flow to the Firm margin %	4.1	-8.7	14.9	6.0	8.5	4.7	6.1
ROIC with Goodwill %	5.1	6.0	3.4	6.0	4.9	5.0	5.1
ROIC w/out Goodwill %	6.8	8.0	4.5	7.9	6.4	6.5	6.6
Return on Assets, pretax %	4.5	4.8	4.1	4.7	5.0	5.2	5.4
Return on Equity %	6.1	7.5	4.8	6.0	7.5	7.8	7.9

Leverage	3-Year Hist. Avg	Dec 2008	Dec 2009	Dec 2010	Dec 2011	Dec 2012	5-Year Proj Avg
Debt/Capital	0.60	0.62	0.58	0.60	0.60	0.60	0.60
Total Debt/EBITDA	4.91	5.08	4.81	4.84	4.68	4.61	4.53
EBITDA/Interest Expense	3.78	3.93	3.53	3.87	3.80	3.74	3.70

Valuation Summary and Forecasts

	2009	2010	2011(E)	2012(E)
Price/Fair Value	1.10	1.04	—	—
Price/Earnings	17.5	16.6	14.7	13.7
EV/EBITDA	7.8	8.1	7.9	7.6
EV/EBIT	13.4	13.3	12.6	12.0
Free Cash Flow Yield %	21.1	-1.7	8.5	0.9
Dividend Yield %	6.0	5.2	4.8	4.8

Key Valuation Drivers

Cost of Equity %	11.0
Credit Spread for Debt %	3.0
Weighted Average Cost of Capital %	7.9
Long-Run Tax Rate %	36.0
Stage II EBI Growth Rate %	3.0
Stage II Investment Rate %	12.5
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	1,766	14.7	6.28
Present Value Stage II	10,228	85.3	36.37
Present Value of the Perpetuity	—	—	—
Total Firm Value	**11,994**	**100.0**	**—**
Cash and Equivalents	9	—	0.03
Debt	7,553	—	-26.15
Net balance sheet impact	-7,344	—	-26.11
Other Adjustments	15	—	0.05
Equity Value	**4,665**	**—**	**16.89**
Projected Diluted Shares	281		
Fair Value per Share (USD)	**17.00**		

The data in the table above represent base-case forecasts. When probability-weighted scenario analysis is performed, the sum of per share values may differ from the Fair Value Estimate.

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Morningstar Analyst Forecasts

Pro Forma Income Statement (USD Mil)

				Forecast	
	Dec 2008	Dec 2009	Dec 2010	Dec 2011	Dec 2012
Organic Revenue	8,874	6,649	6,422	*6,695*	*6,982*
Acquired (Divested) Revenue	0	0	0	*0*	*0*
Total Revenue	**8,874**	**6,649**	**6,422**	**6,695**	**6,982**
Cost of Goods Sold	5,632	3,318	2,974	*3,121*	*3,277*
Gross Profit	**3,243**	**3,331**	**3,448**	**3,574**	**3,705**
Selling, General & Administrative Expenses	1,455	1,653	1,656	*1,705*	*1,756*
Research & Development Expenses	0	0	0	*0*	*0*
Other Operating Expenses (Income)	295	268	272	*255*	*266*
Restructuring & Other Charges (Gains)	8	19	2	*0*	*0*
Depreciation Expense (if reported separately)	567	589	596	*604*	*618*
Amortization of Other Intangibles (if reported seperately)	0	0	0	*0*	*0*
Amortization/Impairment of Goodwill	0	0	0	*0*	*0*
Total Expenses	**7,957**	**5,848**	**5,501**	**5,684**	**5,818**
Operating Income (EBIT)	**918**	**802**	**921**	**1,010**	**1,064**
Interest Expense	380	399	392	*425*	*450*
Interest & Other Income (Expense)	18	-6	-93	*0*	*11*
Pre-Tax Income	**555**	**397**	**436**	**586**	**625**
Income Tax Expense (Benefit)	185	166	142	*211*	*225*
Income After Taxes	**370**	**231**	**295**	**375**	**400**
Minority Interest & Other After-Tax Operating Additions to (Subtractions from) Earnings Before Interest	0	0	0	*0*	*0*
(Preferred Dividends)	0	0	0	*0*	*0*
After-Tax Non-Operating Income, Extraordinary Items (Losses), Discontinued Operations, Accounting Changes	-291	-14	-3	*0*	*0*
Net Income (Loss)	**79**	**218**	**292**	**375**	**400**
Net Income (Loss) Excluding Charges	375	242	296	*375*	*400*
Diluted Shares Outstanding (Mil)	275	276	280	*281*	*282*
Diluted EPS Including Charges (USD)	0.29	0.79	1.04	*1.33*	*1.42*
Diluted EPS Excluding Charges (USD)	1.36	0.88	1.06	*1.33*	*1.42*
Dividends Per Common Share (USD)	0.92	0.92	0.91	*0.92*	*0.92*
EBITDA	**1,485**	**1,391**	**1,518**	**1,614**	**1,683**
EBITDA without restructuring	**1,493**	**1,410**	**1,520**	**1,614**	**1,683**

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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
19.52 USD	17.00 USD	11.90 USD	23.80 USD	Medium	Narrow	Stable	C	BBB	Utilities - Regulated

Morningstar Analyst Forecasts

Pro Forma Balance Sheet (USD Mil)

Assets	Dec 2008	Dec 2009	Dec 2010	Forecast Dec 2011	Forecast Dec 2012
Excess Cash & Investments	0	0	0	*263*	*270*
Operating Cash & Equivalents	21	16	9	*175*	*175*
Accounts Receivable	1,143	809	1,079	*825*	*861*
Inventory	671	547	428	*470*	*494*
Other Short Term Operating Assets	1,577	852	932	*677*	*677*
Total Current Assets	**3,411**	**2,224**	**2,449**	**2,411**	**2,477**
Property Plant & Equipment, Net	10,388	10,684	11,097	*11,543*	*11,975*
Property Plant & Equipment, Gross	18,469	19,038	19,590	*20,640*	*21,690*
(Accumulated Depreciation)	-8,081	-8,354	-8,493	*-9,096*	*-9,715*
Goodwill, Net	3,677	3,677	3,677	*3,677*	*3,677*
Other Intangibles	331	320	309	*309*	*309*
Other Long-Term Operating Assets	1,727	1,810	1,851	*1,695*	*1,580*
Deferred Tax Assets	0	0	0	*0*	*0*
Long-Term Non-Operating Assets, including Pension items	498	557	556	*556*	*556*
Total Assets	**20,032**	**19,272**	**19,939**	**20,191**	**20,573**
Liabilities					
Accounts Payable	693	502	582	*451*	*470*
Short-Term Debt	1,633	822	1,417	*1,417*	*1,417*
Other Current Liabilities	2,257	1,826	1,651	*1,725*	*1,725*
Total Current Liabilities	**4,583**	**3,150**	**3,649**	**3,593**	**3,612**
Long-Term Debt	5,944	5,965	5,936	*6,136*	*6,336*
Incremental Debt Requirements	—	—	—	*0*	*0*
Total Long-Term Debt	**5,944**	**5,965**	**5,936**	**6,136**	**6,336**
Long-Term Operating Liabilities	1,386	1,559	1,596	*1,444*	*1,329*
Deferred Tax Liabilities	1,550	2,018	2,210	*2,332*	*2,451*
Long-Term Non-Operating Liabilities	1,840	1,726	1,625	*1,625*	*1,625*
Total Liabilities	**15,303**	**14,418**	**15,016**	**15,130**	**15,353**
Preferred Stock	**0**	**0**	**0**	**0**	**0**
Minority Interest	**0**	**0**	**0**	**0**	**0**
Shareholders' Equity					
Common Stock	4,729	4,853	4,923	*4,923*	*4,923*
Additional Paid in Capital	0	0	0	*22*	*42*
Retained Earnings (Deficit)	0	0	0	*116*	*255*
(Treasury Stock)	0	0	0	*0*	*0*
Other Equity	0	0	0	*0*	*0*
Total Shareholders' Equity	**4,729**	**4,853**	**4,923**	**5,061**	**5,220**
Total Liabilities + Shareholders' Equity	**20,032**	**19,272**	**19,938**	**20,191**	**20,573**
Difference, from analyst adjustments and restatements	0	0	1	*0*	*0*

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NiSource, Inc. NI (NYSE) | ★★★

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19.52 USD	17.00 USD	11.90 USD	23.80 USD	Medium	Narrow	Stable	C	BBB	Utilities - Regulated

Morningstar Analyst Forecasts

Pro Forma Cash Flow (USD Mil)

	Dec 2008	Dec 2009	Dec 2010	*Forecast* Dec 2011	*Forecast* Dec 2012
Net Income from Continuing Operations	79	218	292	*375*	*400*
Depreciation Expense	567	589	596	*604*	*618*
Amortization of Other Intangibles	0	0	0	*0*	*0*
Impairment of Goodwill	0	0	0	*0*	*0*
Other Non-Cash Adjustments to Operating Income	9	-236	45	*0*	*0*
Deferred Income Taxes & Other Adjustments to Net Income	413	403	207	*123*	*119*
Changes in Operating Assets and Liabilities					
(Increase) Decrease in Accounts Receivable	-202	259	-244	*254*	*-35*
(Increase) Decrease in Inventory	-82	129	103	*-42*	*-24*
(Increase) Decrease in Prepayments, other Current Assets	-13	25	42	*255*	*0*
Increase (Decrease) in Accounts Payable	-30	-192	38	*-131*	*20*
Increase (Decrease) in Other Current Liabilities	-156	481	-359	*74*	*0*
Cash from Operations	**585**	**1,675**	**720**	**1,511**	**1,098**
(Capital Expenditures)	-970	-777	-804	*-1,050*	*-1,050*
(Acquisitions)	-330	0	0	*0*	*0*
Asset Sales & Dispositions of Discontinued Operations	48	6	1	*0*	*0*
Other Investing Cash Flows (Outlays)	-259	117	-140	*5*	*0*
Cash from Investing	**-1,511**	**-655**	**-944**	**-1,045**	**-1,050**
Common Stock (Purchase) or Sale	1	8	13	*23*	*20*
Common Stock (Dividends)	-252	-253	-256	*-259*	*-261*
Preferred Stock Issue/(Purchase)/(Dividends)	0	0	0	*0*	*0*
Short Term Debt Issuance and (Retirement)	103	-1,061	1,280	*0*	*0*
Long Term Debt Issuance and (Retirement)	665	290	-821	*200*	*200*
Minority Interest Addback of Income (Loss) Distribution	0	0	0	*0*	*0*
Other Financing Cash Flows (Outlays)	0	0	0	*0*	*0*
Cash From Financing	**516**	**-1,016**	**216**	**-36**	**-41**
Benefit (Loss) from Exchange Rates/Discontinued Operations, etc.	0	0	0	*0*	*0*
Net Change in Cash	**-410**	**5**	**-8**	**430**	**7**
Change in Cash on Balance Sheet	-15	-4	-7	*429*	*7*
Difference, from analyst adjustments and restatements	-394	9	0	*1*	*0*

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19.52 USD	17.00 USD	11.90 USD	23.80 USD	Medium	Narrow	Stable	C	BBB	Utilities - Regulated

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	2010	2011(E)	2012(E)	2010	2011(E)	2012(E)	2010	2011(E)	2012(E)	2010	2011(E)	2012(E)	2010	2011(E)	2012(E)
Kinder Morgan Energy Partners, L.P.	1.15	NA	47.4	48.0	NA	8.9	8.1	NA	15.5	15.1	NA	2.4	2.4	NA	1.8	1.7
Sempra Energy SRE US	1.02	12.4	16.2	13.3	8.3	9.4	8.5	NM	NM	NM	1.4	1.4	1.3	1.6	1.5	1.4
Atmos Energy Corporation ATO US	1.12	13.5	15.5	15.3	7.1	7.7	7.4	6.4	17.1	NM	1.2	1.4	1.4	0.5	0.7	0.6
Nicor Inc. GAS US	1.13	16.5	19.4	18.8	6.8	7.4	7.1	17.8	NM	45.8	2.1	2.2	2.1	0.8	0.9	0.8
Average		14.1	24.6	23.9	7.4	8.4	7.8	12.1	16.3	30.5	1.6	1.9	1.8	1.0	1.2	1.1
NiSource, Inc. NI US	**1.15**	**16.6**	**14.7**	**13.7**	**8.1**	**7.9**	**7.6**	**NM**	**11.8**	**113.8**	**1.0**	**1.1**	**1.0**	**0.8**	**0.8**	**0.8**

Returns Analysis

		ROIC with Goodwill %			ROIC without Goodwill %			Return on Equity %			Return on Assets, Pretax %			Dividend Yield %		
Company/Ticker	Last Historical Year Total Assets (Mil)	2010	2011(E)	2012(E)	2010	2011(E)	2012(E)	2010	2011(E)	2012(E)	2010	2011(E)	2012(E)	2010	2011(E)	2012(E)
Kinder Morgan Energy Partners, L.P.	22,074 USD	9.7	11.2	12.1	10.3	11.9	12.8	20.5	25.6	26.5	8.6	10.2	11.0	NA	6.3	6.8
Sempra Energy SRE US	28,512 USD	7.1	5.2	5.5	7.3	5.4	5.6	12.4	7.1	13.2	6.0	4.4	7.2	2.7	2.9	3.1
Atmos Energy Corporation ATO US	6,344 USD	9.1	9.7	6.2	10.5	11.2	7.0	9.0	9.5	9.3	7.0	7.5	7.0	4.7	4.0	4.0
Nicor Inc. GAS US	4,497 USD	6.9	6.8	6.4	6.9	6.8	6.4	12.9	11.6	11.4	5.3	5.0	4.9	3.7	3.4	3.5
Average		8.2	8.2	7.6	8.8	8.8	8.0	13.7	13.5	15.1	6.7	6.8	7.5	3.7	4.2	4.4
NiSource, Inc. NI US	**19,939 USD**	**6.0**	**4.9**	**5.0**	**7.9**	**6.4**	**6.5**	**6.0**	**7.5**	**7.8**	**4.7**	**5.0**	**5.2**	**5.2**	**4.8**	**4.8**

Growth Analysis

		Revenue Growth %			EBIT Growth %			EPS Growth %			Free Cash Flow Growth %			Dividend/Share Growth %		
Company/Ticker	Last Historical Year Revenue (Mil)	2010	2011(E)	2012(E)	2010	2011(E)	2012(E)	2010	2011(E)	2012(E)	2010	2011(E)	2012(E)	2010	2011(E)	2012(E)
Kinder Morgan Energy Partners, L.P.	8,081 USD	15.4	13.5	8.8	7.2	25.4	11.7	21.8	11.7	-1.8	-70.6	-389.2	3.1	2.9	6.0	4.1
Sempra Energy SRE US	8,106 USD	-24.7	9.1	6.2	9.8	-17.7	15.0	9.8	-24.4	21.2	-95.8	NM	25.1	2.1	13.2	6.9
Atmos Energy Corporation ATO US	4,969 USD	-31.2	-3.6	5.1	5.8	8.1	-1.3	4.0	6.9	1.7	-504.3	-55.1	-150.9	1.7	1.4	2.1
Nicor Inc. GAS US	2,710 USD	2.2	4.4	7.2	7.0	-3.6	1.4	1.7	-6.0	3.2	-63.5	-119.2	-323.6	-0.1	0.5	3.3
Average		-9.6	5.9	6.8	-7.5	3.1	6.7	9.3	-3.0	6.1	-183.6	-187.8	-111.6	1.7	5.3	4.1
NiSource, Inc. NI US	**6,422 USD**	**-3.4**	**4.3**	**4.3**	**12.5**	**9.4**	**5.3**	**20.2**	**26.2**	**6.3**	**-109.3**	**-650.1**	**-89.6**	**-0.6**	**0.8**	**0.5**

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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.

Profitability Analysis

Company/Ticker	Last Historical Year Net Income (Mil)	Gross Margin %			EBITDA Margin %			Operating Margin %			Net Margin %			Free Cash Flow Margin %		
		2010	2011(E)	2012(E)	2010	2011(E)	2012(E)	2010	2011(E)	2012(E)	2010	2011(E)	2012(E)	2010	2011(E)	2012(E)
Kinder Morgan Energy Partners, L.P.	449 USD	100.0	100.0	100.0	33.9	35.7	36.1	22.6	25.0	25.7	5.6	5.7	5.2	-4.6	11.7	11.1
Sempra Energy SRE US	1,117 USD	59.8	59.2	58.6	31.4	26.2	27.3	21.8	16.5	17.8	13.8	9.6	10.7	-0.5	-14.0	-16.5
Atmos Energy Corporation ATO US	191 USD	27.1	28.5	28.2	13.5	14.8	14.6	9.1	10.2	9.6	3.8	4.3	4.1	8.3	3.8	-1.9
Nicor Inc. GAS US	138 USD	51.5	50.7	48.7	16.2	15.5	15.1	8.7	8.0	7.6	5.1	4.6	4.5	4.7	-0.9	1.8
Average		59.6	59.6	58.9	23.8	23.1	23.3	15.6	14.9	15.2	7.1	6.1	6.1	2.0	0.1	-1.4
NiSource, Inc. NI US	**296 USD**	**53.7**	**53.4**	**53.1**	**23.7**	**24.1**	**24.1**	**14.4**	**15.1**	**15.2**	**4.6**	**5.6**	**5.7**	**-1.3**	**6.9**	**0.7**

Leverage Analysis

Company/Ticker	Last Historical Year Total Debt (Mil)	Debt/Equity %			Debt/Total Cap %			EBITDA/Interest Exp.			Total Debt/EBITDA			Assets/Equity		
		2010	2011(E)	2012(E)	2010	2011(E)	2012(E)	2010	2011(E)	2012(E)	2010	2011(E)	2012(E)	2010	2011(E)	2012(E)
Kinder Morgan Energy Partners, L.P.	12,545 USD	187.7	190.1	194.8	65.0	65.3	65.9	5.6	5.9	5.0	4.6	4.0	3.8	3.3	3.3	3.4
Sempra Energy SRE US	8,651 USD	96.1	94.3	96.8	48.5	48.0	48.1	6.9	4.8	5.0	3.4	3.8	3.8	3.2	3.1	3.1
Atmos Energy Corporation ATO US	2,242 USD	103.0	105.4	105.2	50.7	51.3	51.3	4.4	4.6	5.0	3.3	3.2	3.3	2.9	3.1	3.1
Nicor Inc. GAS US	923 USD	83.7	86.8	82.6	45.6	46.5	45.2	11.5	11.8	10.1	2.1	2.3	2.2	4.1	4.0	4.0
Average		117.6	119.2	119.9	52.5	52.8	52.6	7.1	6.8	6.3	3.4	3.3	3.3	3.4	3.4	3.4
NiSource, Inc. NI US	**7,353 USD**	**149.4**	**149.2**	**148.5**	**59.9**	**59.9**	**59.8**	**3.9**	**3.8**	**3.7**	**4.8**	**4.7**	**4.6**	**4.1**	**4.0**	**3.9**

Liquidity Analysis

Company/Ticker	Market Cap (Mil)	Cash per Share			Net Cash per Share			CFO per Share			Free Cash Flow per Share			Payout Ratio %		
		2010	2011(E)	2012(E)	2010	2011(E)	2012(E)	2010	2011(E)	2012(E)	2010	2011(E)	2012(E)	2010	2011(E)	2012(E)
Kinder Morgan Energy Partners, L.P.	16,608 USD	0.48	0.58	0.54	-35.06	-40.63	-41.25	7.48	8.46	8.75	-1.20	3.38	3.38	208.9	198.5	220.0
Sempra Energy SRE US	13,276 USD	0.59	2.00	3.66	-34.38	-33.23	-36.62	7.58	8.12	7.90	-0.15	-4.99	-6.35	30.5	60.8	29.9
Atmos Energy Corporation ATO US	3,137 USD	1.21	1.43	0.71	-23.26	-23.41	-25.64	10.03	7.86	5.28	4.47	1.99	-1.02	63.6	60.4	60.7
Nicor Inc. GAS US	2,512 USD	0.69	1.78	1.75	-19.52	-20.06	-20.06	7.76	7.30	8.47	2.80	-0.53	1.19	61.5	65.7	65.8
Average		0.7	1.4	1.7	-28.1	-29.3	-30.9	8.2	7.9	7.6	1.5	0.0	-0.7	91.1	96.3	94.1
NiSource, Inc. NI US	**5,452 USD**	**0.03**	**1.56**	**1.58**	**-26.22**	**-25.30**	**-25.88**	**2.57**	**5.37**	**3.89**	**-0.30**	**1.64**	**0.17**	**87.5**	**69.0**	**65.2**

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Research Methodology for Valuing Companies

Components of Our Methodology

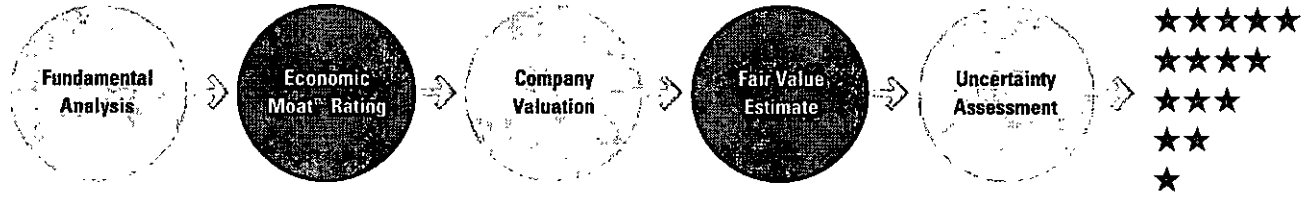
- Economic Moat™ Rating
- Moat Trend™ Rating
- Moat Valuation
- Three-Stage Discounted Cash Flow
- Weighted Average Cost of Capital
- Fair Value Estimate
- Scenario Analysis
- Uncertainty Ratings
- Margin of Safety
- Consider Buying/Selling
- Stewardship Grades
- Financial Health Grades

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 con-

Morningstar Research Methodology for Valuing Companies



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)

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 Star Rating.

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.

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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 Grade Methodology
- Stock Grade Methodology for Financial Health

* Please contact a sales representative for more information.

tinuing value using a standard 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.

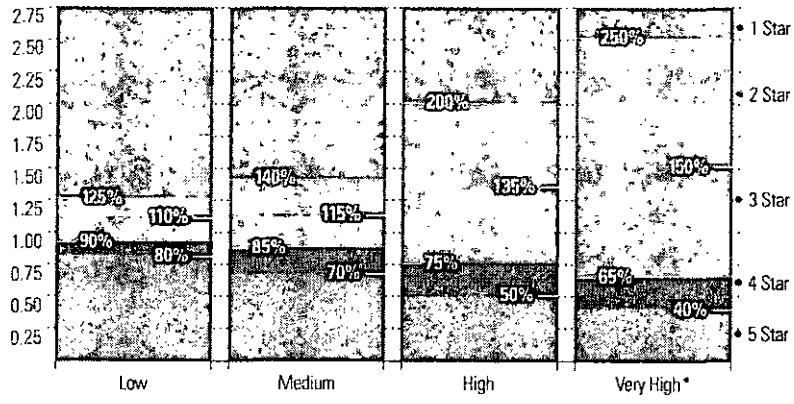
We also employ a number of other tools to augment our valuation process, including scenario analysis, where we assess the likelihood and performance of a business under different economic and firm-specific conditions. Our analysts typically model three to five scenarios for each company we cover, stress-testing 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 Stewardship Grades show our assessment of a management's commitment to shareholders, and include an analysis of a firm's transparency, incentives and ownership. We also provide Financial Health Grades, which are quantitative measures based on firms' distance to default scores. Distance to default measures the distance between the market value of a company's assets and the book value of its liabilities (expressed in standard deviations of asset value). For our grades, A is equivalent to "Excellent," while F is "Very Poor."

Morningstar Margin of Safety and Star Rating Bands

Price/Fair Value



* Occasionally a stock's uncertainty will be too high for us to estimate, in which case we label it 'Extreme'

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Morningstar's Approach to Rating Corporate Credit

- Offers a new 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

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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 com-pany's ability to meet short term cash outflows), profita-bility (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

The Distance to Default rating is a quantitative, market-based measure of a company's current financial health. (Distance to Default serves as the basis for Morningstar's Financial Health Grade.) The underlying model treats the equity of a firm as a call option on that firm's assets. Based on estimates of asset volatility and the Black-Scholes option-pricing model, we can estimate the likelihood that the value of the company's assets falls below the value of its liabilities, implying likely default.

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, as are the four underlying ratings. 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.

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UBS

Global Equity Research

Americas

Electric Utilities

UBS Investment Research

NiSource Inc.

12-month rating	Neutral *Unchanged*
12m price target	US$19.00 *Prior: US$18.00*
Price	US$19.55

RIC: NI.N BBG: NI US

6 May 2011

Advancing on All Fronts

■ **O&M costs crimp segment results, below the line items drive in-line EPS**

NI realized adjusted 1Q EPS of $0.72, inline with our $0.72 estimate and the $0.72 Street mean estimate. While below-forecast NGT&S and Electric results, driven by higher than anticipated O&M expenses, led to weaker y/y operational performance, lower than expected interest and tax expense offset these headwinds to produce in-line EPS. Gas Distribution results were roughly in-line as rate case settlements and colder y/y weather offset increased administrative expenses. Fig. 1 has more detail.

■ **Progress continues on regulatory initiatives, infrastructure projects**

Following an active 2010, NI continues advancing its slate of regulatory initiatives and infrastructure expansion projects. Active settlement discussions are underway with NIPSCO's electric rate case and mgmt is confident that new base rates will be established by late 2011/early 2012. Meanwhile, environmental enhancements are underway at NIPSCO's coal power stations and NI plans to spend $600mm by the end of 2018 on these upgrades. Marcellus related projects also continue to advance.

■ **Mgmt affirms 2011 EPS guidance and LT growth rate; Maintaining ests.**

Along with 1Q results, mgmt affirmed its 2011 EPS guidance range (non-GAAP) of $1.25-$1.35 and 3-5% long-term annual EPS growth target. However, pending regulatory initiatives may drive near-term earnings growth above this range. We maintain our 2011-2013 EPS estimates of $1.33, $1.47, and $1.47, respectively.

■ **Valuation: Lifting price target to $19**

Incorporating updated net debt and pension liabilities, we are lifting our DDM and SOP-derived price target to $19, from $18. We maintain our Neutral rating.

Trading data	
52-wk range	US$19.82-14.35
Market cap.	US$5.46bn
Shares o/s	279m (COM)
Free float	99%
Avg. daily volume ('000)	643
Avg. daily value (m)	US$12.2

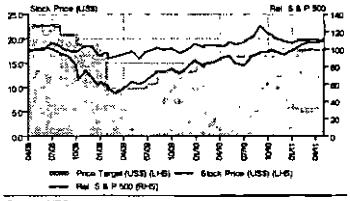
Balance sheet data 12/11E	
Shareholders' equity	US$5.21bn
P/BV (UBS)	1.1x
Net Cash (debt)	(US$7.32bn)

Forecast returns	
Forecast price appreciation	-2.8%
Forecast dividend yield	4.7%
Forecast stock return	+1.9%
Market return assumption	5.6%
Forecast excess return	-3.7%

EPS (UBS, US$)

	12/11E			12/10
	From	To	Cons.	Actual
Q1	0.72	0.72	0.72	0.71
Q2E	0.15	0.14	0.13	0.10
Q3E	0.11	0.10	0.08	0.06
Q4E	0.36	0.37	0.40	0.35
12/11E	1.33	1.33	*1.33*	
12/12E	1.47	1.47	*1.44*	

Performance (US$)



Source: UBS

www.ubs.com/investmentresearch

Highlights (US$m)	12/09	12/10	12/11E	12/12E	12/13E
Revenues	6,371.00	6,034.80	6,221.19	6,478.00	6,628.26
EBIT (UBS)	844.90	921.60	979.27	1,059.95	1,080.21
Net Income (UBS)	259.67	339.99	389.06	430.41	431.55
EPS (UBS, US$)	0.94	1.22	1.33	1.47	1.47
Net DPS (UBS, US$)	0.92	0.92	0.92	0.92	0.92
Profitability & Valuation	**5-yr hist av.**	**12/10**	**12/11E**	**12/12E**	**12/13E**
EBIT margin %	12.0	15.3	15.7	16.4	16.3
ROIC (EBIT) %	8.6	8.5	8.7	9.1	9.1
EV/EBITDA (core) x	8.5	8.4	9.0	8.5	7.0
PE (UBS) x	15.1	13.3	14.6	13.3	13.3
Net dividend yield %	5.2	5.7	4.7	4.7	4.7

Source: Company accounts, Thomson Reuters, UBS estimates. (UBS) valuations are stated before goodwill-related charges and other adjustments for abnormal and economic items at the analysts' judgement.
Valuations based on an average share price that year. (E) based on a share price of US$19.55 on 05 May 2011 19:39 EDT

Ronald J. Barone
Analyst
ronald.barone@ubs.com
+1-212-713 3848

Christopher P. Sighinolfi, CFA
Analyst
christopher.sighinolfi@ubs.com
+1-212-713 2239

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Figure 1: NI 1Q Results Review

Recurring Operating Income by Division	Actual 1Q11A	UBSe 1Q11E		Year-over-Year 1Q10A	
Gas Distribution	$241.6	$244.4	-1.1%	$235.5	2.6%
Transmission & Storage	$118.5	$126.0	-5.9%	$125.9	-5.9%
Electric Operations	$43.2	$47.6	-9.2%	$45.8	-5.7%
Corporate, Other, and Eliminations	($3.5)	($3.5)	0.0%	($2.9)	NM
Total Operating Income	**$399.8**	**$414.4**	**-3.5%**	**$404.3**	**-1.1%**
Depreciation	($134.7)	($139.3)	-3.3%	($148.2)	-9.1%
Other Income / (Expenses)	$3.3	$0.5	NM	$2.6	NM
Interest Expense	($89.8)	($96.6)	-7.1%	($98.7)	-9.0%
Income Tax Benefit (Expense)	($107.6)	($113.5)	-5.1%	($110.3)	-2.4%
Recurring Net Income	**$205.7**	**$204.8**	**0.4%**	**$197.9**	**3.9%**
Avg Diluted Shares Outstanding	285.0	282.9	0.8%	276.9	2.9%
Earnings Per Diluted Share	**$0.72**	**$0.72**	**-0.4%**	**$0.71**	**1.0%**

Source: UBS estimates and NI reports
Note: Adjusted results exclude the impact of non-recurring items, but include certain items (such as actual weather) that are an unpredictable fact of life which the company chooses to exclude in its reported results.

■ NiSource Inc.

NiSource is an energy holding company whose subsidiaries are engaged in natural gas transmission, storage, and distribution, as well as electric generation, transmission, and distribution. NiSource operating companies deliver energy products and services to approximately 3.8 million customers located within a corridor that runs from the Gulf Coast through the Midwest to New England.

■ Statement of Risk

Risks to our NI earnings estimates and price target include: 1) lower customer usage; 2) customer attrition; 3) non-normal weather; 4) higher bad debt expense; 5) unfavorable regulatory/legislative decisions; 6) rising interest rates; and 7) unfavorable pension asset performance.

■ Analyst Certification

Each research analyst primarily responsible for the content of this research report, in whole or in part, certifies that with respect to each security or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about those securities or issuers and were prepared in an independent manner, including with respect to UBS, 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 by that research analyst in the research report.

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UBS Investment Research: Global Equity Rating Allocations

UBS 12-Month Rating	Rating Category	Coverage[1]	IB Services[2]
Buy	Buy	52%	41%
Neutral	Hold/Neutral	40%	37%
Sell	Sell	8%	20%
UBS Short-Term Rating	**Rating Category**	**Coverage[3]**	**IB Services[4]**
Buy	Buy	less than 1%	30%
Sell	Sell	less than 1%	17%

1:Percentage of companies under coverage globally within the 12-month rating category.
2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.
3:Percentage of companies under coverage globally within the Short-Term rating category.
4:Percentage of companies within the Short-Term rating category for which investment banking (IB) services were provided within the past 12 months.

Source: UBS. Rating allocations are as of 31 March 2011.

UBS Investment Research: Global Equity Rating Definitions

UBS 12-Month Rating	Definition
Buy	FSR is > 6% above the MRA.
Neutral	FSR is between -6% and 6% of the MRA.
Sell	FSR is > 6% below the MRA.
UBS Short-Term Rating	**Definition**
Buy	Buy: Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.
Sell	Sell: Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.

KEY DEFINITIONS

Forecast Stock Return (FSR) is defined as expected percentage price appreciation plus gross dividend yield over the next 12 months.

Market Return Assumption (MRA) is defined as the one-year local market interest rate plus 5% (a proxy for, and not a forecast of, the equity risk premium).

Under Review (UR) Stocks may be flagged as UR by the analyst, indicating that the stock's price target and/or rating are subject to possible change in the near term, usually in response to an event that may affect the investment case or valuation.

Short-Term Ratings reflect the expected near-term (up to three months) performance of the stock and do not reflect any change in the fundamental view or investment case.

Equity Price Targets have an investment horizon of 12 months.

EXCEPTIONS AND SPECIAL CASES

UK and European Investment Fund ratings and definitions are: Buy: Positive on factors such as structure, management, performance record, discount; Neutral: Neutral on factors such as structure, management, performance record, discount; Sell: Negative on factors such as structure, management, performance record, discount.

Core Banding Exceptions (CBE): Exceptions to the standard +/-6% bands may be granted by the Investment Review Committee (IRC). Factors considered by the IRC include the stock's volatility and the credit spread of the respective company's debt. As a result, stocks deemed to be very high or low risk may be subject to higher or lower bands as they relate to the rating. When such exceptions apply, they will be identified in the Company Disclosures table in the relevant research piece.

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UBS Securities LLC: Ronald J. Barone; Christopher P. Sighinolfi, CFA.

Company Disclosures

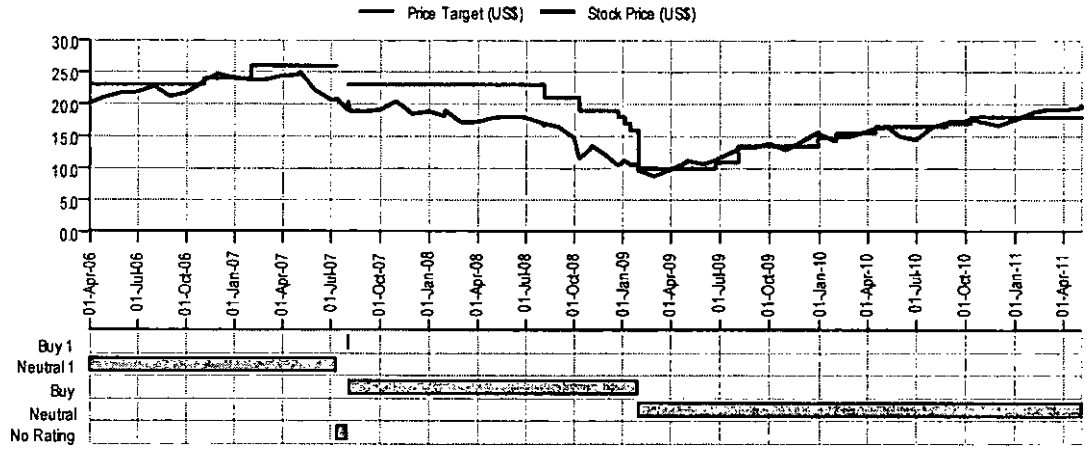
Company Name	Reuters	12-mo rating	Short-term rating	Price	Price date
NiSource Inc.[4, 6a, 6b, 7, 16, 18]	NI.N	Neutral	N/A	US$19.55	05 May 2011

Source: UBS. All prices as of local market close.
Ratings in this table are the most current published ratings prior to this report. They may be more recent than the stock pricing date

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6b. This company/entity is, or within the past 12 months has been, a client of UBS Securities LLC, and non-investment banking securities-related services are being, or have been, provided.
7. Within the past 12 months, UBS Securities LLC has received compensation for products and services other than investment banking services from this company/entity.
16. UBS Securities LLC makes a market in the securities and/or ADRs of this company.
18. The U.S. equity strategist, a member of his team, or one of their household members has a long common stock position in NiSource, Inc.

Unless otherwise indicated, please refer to the Valuation and Risk sections within the body of this report.

NiSource Inc. (US$)



Source: UBS; as of 05 May 2011

Note: On August 4, 2007 UBS revised its rating system. (See 'UBS Investment Research: Global Equity Rating Definitions' table for details). From September 9, 2006 through August 3, 2007 the UBS ratings and their definitions were: Buy 1 = FSR is > 6% above the MRA, higher degree of predictability; Buy 2 = FSR is > 6% above the MRA, lower degree of predictability; Neutral 1 = FSR is between -6% and 6% of the MRA, higher degree of predictability; Neutral 2 = FSR is between -6% and 6% of the MRA, lower degree of predictability; Reduce 1 = FSR is > 6% below the MRA, higher degree of predictability; Reduce 2 = FSR is > 6% below the MRA, lower degree of predictability. The predictability level indicates an analyst's conviction in the FSR. A predictability level of '1' means that the analyst's estimate of FSR is in the middle of a narrower, or smaller, range of possibilities. A predictability level of '2' means that the analyst's estimate of FSR is in the middle of a broader, or larger, range of possibilities. From October 13, 2003 through September 8, 2006 the percentage band criteria used in the rating system was 10%.

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WUNDERLICH SECURITIES

Energy: Utilities/Power

NISOURCE INC. (NI: 19.63)

May 4, 2011

Raising Price Target
Rating: Hold
Price Target: Old - $18.00; New - $19.00

Market Data	
12-18 Month Price Target	$19.00
52-Week Range	19.87 - 14.13
ADTV - 90Day (MM)	2,000.7
Market Cap ($MM)	5,498.0
Shares Out (MM)	278.9
Public Market Float (MM)	277.7
Dividend	0.92
Dividend/Yield	4.69%

EPS ($)

FY DEC	2010	2011		2012	
	Actual	Previous	Current	Previous	Current
Q1	$0.72A	$0.71	$0.72A	–	–
Q2	$0.13A	–	$0.11E	–	–
Q3	$0.04A	–	$0.09E	–	–
Q4	$0.33A	–	$0.40E	–	–
YEAR	$1.22A	–	$1.32E	–	$1.42E

2009 and 2010 actuals are non-GAAP, operating earnings. GAAP EPS for '09 and '10 were $0.84 and $1.06, respectively.

Valuation Ratio			
	FY10	FY11	FY12
P/E	16.1x	14.9x	13.8x
PEG	4.0x	3.7x	3.5x
EV/S	2.0x	2.0x	1.9x
EV/EBITDA	8.4x	8.5x	8.1x
Leverage Ratio	4.8x	4.9x	4.7x
EV/FCF	NM	141.7x	105.2x
FCF Yield	NM	1.6%	2.2%
P/FCF	(65.6)x	60.7x	45.0x

Financial Data			
	FY10	FY11	FY12
Revenue	6,422.0A	6,490.7E	6,612.3E
EBIT	$925.1A	$956.2E	$1,014.1E
EBITDA	1,521.4A	1,508.9E	1,578.4E
FCF(Mil)	$(83.8)A	$90.6E	$122.1E
Debt/Capital	59.9%A	58.4%E	56.9%E
BV/Share	$17.66A	$18.05E	$18.54E
CapEx	803.8A	1,050.0E	1,000.0E

Balance Sheet			
	FY10	FY11	FY12
PPE	$11,097.0A	$11,594.3E	$12,030.0E
Total Assets	$19,938.8A	$20,545.4E	$21,111.9E
Total Debt	$7,352.8A	$7,352.8E	$7,352.8E
Long Term Debt	5,936.1A	11,163.9E	11,503.4E
Total SOE and Liab.	$19,938.8A	$20,545.4E	$21,111.9E

1Q EPS in Line; Indiana Rate Case Key Focus; Maintain Hold

Summary

NiSource (NI) reported first quarter adjusted EPS of $0.72 versus $0.72 a year ago and our estimate of $0.71. As expected, the results were positively impacted by higher sales and higher revenues, but negatively impacted by rate design for NIPSCO gas, which shifted some revenues from 1Q to 2Q and 3Q. The results were as expected, and the company indicated that it remains focused on the Indiana electric rate case. The company is attempting to settle the case, but should have new rates effective for 2012. We are maintaining our EPS estimates of $1.32, $1.42 and $1.49 for 2011, 2012 and 2013, respectively. We also maintain our Hold rating, but are increasing our target price to $19 from $18.

Key Points

- **Disciplined execution drives 1Q EPS results.** Though flat versus EPS a year ago, NI's earnings for the quarter show solid execution of the company's strategic plan. The company continues to focus on efficient operations and infrastructure investment with regulatory support across its electric and gas footprint. The company reiterated 2011 EPS guidance of $1.25-$1.30. The outcome of the pending Indiana electric rate case will drive 2012 EPS.
- **Indiana rate case will be focus for next several months.** In November 2010, NI filed another electric rate case in Indiana, requesting a rate increase of $75.7 million based on an 11.75% allowed ROE. NI confirmed that settlement discussions are under way with all parties, and the company is seeking common ground. Intervenor testimony is due in August, so that would be the practical deadline for any settlement. In the absence of a settlement, Indiana regulators should make a decision in late 2011 or early 2012.
- **Gas and electric infrastructure investment continues to drive growth.** NI has a capital budget of $1.1 billion for 2011. This compares with depreciation of about $550 million. The growth in infrastructure investment is expected to drive earnings growth. NI's gas transmission and distribution business is attractively located near the new shale gas resources in the Marcellus. This should provide NI with gas gathering and transportation development opportunities over the next several years.
- **Maintaining our 2011, 2012 and 2013 EPS estimates.** Our estimates are $1.32, $1.42 and $1.49 for 2011, 2012 and 2013, respectively. The company's pending rate cases at FERC and in Indiana and Pennsylvania should drive 2012 EPS. Ongoing environmental spending for NI's electric business in Indiana has the benefit of an environmental cost tracker for cost recovery. Similar trackers exist for some of NI's gas distribution replacement programs.
- **Increase target price to $19, but maintain Hold rating.** NI currently trades at 13.9 and 13.3 times our 2012 and 2013 EPS estimates, respectively. This compares with 14.1x and 13.3x for comparable electric peers, but closer to 17x and 15x for gas peers. We allow a modest premium to electric comparables, given NI's gas business. This coupled with our DCF supports an increase in our target price to $19 from $18. We continue to have a Hold rating on NI.

James L. Dobson, CFA • 212.402.2059 • jdobson@wundernet.com
Erica Piserchia • 212.402.2061 • episerchia@wundernet.com

Wunderlich Securities, Inc.
60 East 42nd Street, Suite 1007
New York, NY 10165

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Valuation/Risks

- NI faces regulatory risk, operational risk in its gas and electric business, adequate access to capital markets, and financial risk as a result of its leverage.
- We value utilities based on a comparable company analysis and a discounted cash flow analysis.

General disclosures:

Prices are as of the close of 05/03/11.

Ratings Distribution (in Percentages) & Investment Banking Disclosure Chart Information

Ratings Distribution & Investment Banking Disclosure

Rating	Count	Ratings Distribution*	Count	Investment Banking**
Buy -rated	106	63.50	13	12.26
Hold -rated	55	32.90	4	7.27
Sell -rated	6	3.60	0	0.00

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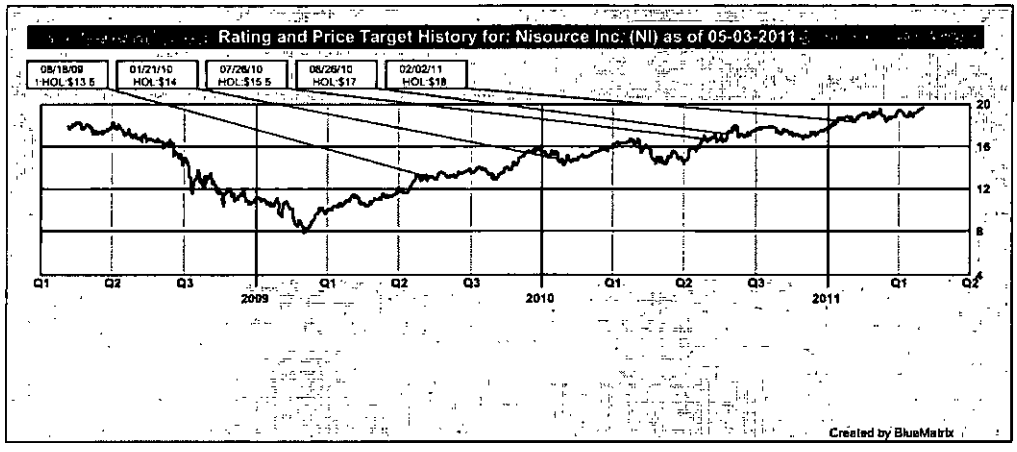
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Baltimore
400 E. Pratt Street
Suite 710
Baltimore, MD 21202
866.297.8259

Boston
260 Franklin Street
5th Floor
Boston, MA 02110
617.892.7150

Chicago
200 W. Madison Street
Suite 2950
Chicago, IL 60606
800.388.3851

Denver
1099 18th Street
Suite 2015
Denver, CO 80202
866.493.6588

Houston
10370 Richmond Avenue
Suite 950
Houston, TX 77042
888.385.6928

Memphis
6000 Poplar Avenue
Suite 150
Memphis, TN 38119
800.726.0557

New York
60 East 42nd Street
Suite 1007
New York, NY 10165
866.575.2223

St. Louis
7711 Bonhomme St.
Suite 600
St. Louis, MO 63105
888.432.5671

Director of Equity Capital Markets		
J. Jeffery Fowlds	303.965.7964	jfowlds@wundernet.com
Brooke Hrimnak	410.369.2609	bhrimnak@wundernet.com
Equity Research		
Director of Research		
Michael E. Hoffman	410.369.2620	mehoffman@wundernet.com
Accounting and Tax Policy		
Forensic Accounting		
Mike Gyure, CPA	440.364.7473	mgyure@wundernet.com
Diversified Industrials		
Environmental Services		
Michael E. Hoffman	410.369.2620	mehoffman@wundernet.com
Brian J. Butler, CFA	410.369.2614	bbutler@wundernet.com
Energy		
Alternative Energy		
Theodore O'Neill	212.402.2054	toneill@wundernet.com
Exploration & Production		
Irene O. Haas	713.403.3980	ihaas@wundernet.com
Master Limited Partnerships		
John R. Cusick, CFA	212.402.2057	jcusick@wundernet.com
Utilities/Power		
James L. Dobson, CFA	212.402.2059	jdobson@wundernet.com
Erica Piserchia	212.402.2061	episerchia@wundernet.com
Financial Services		
Insurance		
Elizabeth C. Malone, CFA	410.369.2615	bmalone@wundernet.com
Jacob Hughes	410.369.2616	jhughes@wundernet.com
Real Estate		
Merrill Ross	703.307.9409	mross@wundernet.com
Ian P. Fleischer, CFA	410.369.2618	ifleischer@wundernet.com
Regional Banks		
Kevin Reynolds, CFA	901.251.2229	kreynolds@wundernet.com
Jeremy Lucas	901.251.1362	jlucas@wundernet.com
Media		
Cable/Satellite		
Matthew Harrigan	303.965.7966	mharrigan@wundernet.com
Entertainment		
Matthew Harrigan	303.965.7966	mharrigan@wundernet.com
Technology		
Communications & Networking Equipment		
Matthew S. Robison	415.661.0470	mrobison@wundernet.com
Information Infrastructure		
Brian S. Freed, CFA	901.251.1353	bfreed@wundernet.com
Medical Devices & Technology		
Gregory J. Simpson, CFA	314.719.3467	gsimpson@wundernet.com
Institutional Equity Sales		
Director of Institutional Sales		
Thomas S. Stephens	410.369.2602	tstephens@wundernet.com
Beth Adams	972.772.5066	badams@wundernet.com
Greg Brown	303.260.7902	gbrown@wundernet.com
James Donovan	617.892.7222	jdonovan@wundernet.com
Paul Gillespie	901.259.9407	pgillespie@wundernet.com
Thomas Hadley	303.260.7905	thadley@wundernet.com
John Hohweiler	410.369.2610	jhohweiler@wundernet.com
Ethel McGlynn	303.260.7904	ethel@wundernet.com
Michael Negron	617.892.7223	mnegron@wundernet.com
Kyle Norton	212.402.2060	knorton@wundernet.com
Robert Oram	212.402.2056	boram@wundernet.com
Kristi Papanikolaw	212.402.2058	kpapanikolaw@wundernet.com
Beth Rosenberry	312.368.0478	brosenberry@wundernet.com
Christina Rosso	212.402.2055	crosso@wundernet.com
Ned Sinnott	804.263.5240	nsinnott@wundernet.com
Institutional Equity Trading		
Director of Institutional Equity Trading		
Stephen C. Iskalis	303.260.7901	siskalis@wundernet.com
John Belgrade	888.257.4152	jbelgrade@wundernet.com
Chuck Berry	303.965.7961	cberry@wundernet.com
Trip Carey	617.892.7220	tcarey@wundernet.com
Jeffrey England	303.965.7960	jengland@wundernet.com

WUNDERLICH SECURITIES

Energy: Utilities/Power

NISOURCE INC. (NI: 18.91)

April 19, 2011

Estimate Changes
Rating: Hold
Price Target: $18.00

Market Data	
12-18 Month Price Target	$18.00
52-Week Range	19.61 - 14.13
ADTV - 90Day (MM)	2,124.5
Market Cap ($MM)	5,281.5
Shares Out (MM)	278.9
Public Market Float (MM)	276.9
Dividend	0.92
Dividend/Yield	4.87%

EPS ($)					
FY DEC	2010	2011		2012	
	Actual	Previous	Current	Previous	Current
Q1	$0.72A	$0.75	$0.71E	–	–
Q2	$0.13A	$0.09	$0.11E	–	–
Q3	$0.04A	$0.08	$0.09E	–	–
Q4	$0.33A	–	$0.40E	–	–
YEAR	$1.22A	–	$1.32E	–	$1.42E

2009 and 2010 actuals are non-GAAP, operating earnings. GAAP EPS for '09 and '10 were $0.84 and $1.06, respectively.

Valuation Ratio			
	FY10	FY11	FY12
P/E	15.5x	14.3x	13.3x
PEG	3.9x	3.6x	3.3x
EV/EBITDA	8.3x	8.4x	8.0x
Leverage Ratio	4.8x	4.9x	4.7x
EV/FCF	NM	139.3x	103.4x
FCF Yield	NM	1.7%	2.3%
P/FCF	(63.0)x	58.3x	43.3x
EV/S	2.0x	1.9x	1.9x

Financial Data			
	FY10	FY11	FY12
Revenue	6,422.0A	6,490.7E	6,612.3E
EBIT	$925.1A	$956.2E	$1,014.1E
EBITDA	1,521.4A	1,508.9E	1,578.4E
FCF(Mil)	$(83.8)A	$90.6E	$122.1E
Debt/Capital	59.9%A	58.4%E	56.9%E
BV/Share	$17.66A	$18.05E	$18.54E
CapEx	803.8A	1,050.0E	1,000.0E

Balance Sheet			
	FY10	FY11	FY12
PPE	$11,097.0A	$11,594.3E	$12,030.0E
Total Assets	$19,938.8A	$20,545.4E	$21,111.9E
Total Debt	$7,352.8A	$7,352.8E	$7,352.8E
Long Term Debt	5,936.1A	11,163.9E	11,503.4E
Total SOE and Liab.	$19,938.8A	$20,545.4E	$21,111.9E

First Quarter Earnings Expected May 3; Maintain Hold Rating

Summary

NiSource (NI) is scheduled to report its 1Q11 earnings on Tuesday, May 3. We are slightly reducing our first quarter earnings estimate to reflect the Indiana gas rate case. Though the case allows lower depreciation, the decision also increased monthly fixed charges. This will likely shift earnings from the first quarter to the second and third quarters of 2011. We now expect first quarter earnings of $0.71 versus $0.72 a year ago. We maintain our full-year 2011 EPS estimate of $1.32 and our Hold rating on NI shares.

Key Points

- **Reduce 1Q estimate, but maintain full year 2011.** We are reducing our 1Q EPS estimate to $0.71 from $0.75 previously. However, we are maintaining our full year 2011 EPS estimate of $1.32. Our full year EPS estimates for 2012 and 2013 are unchanged as well at $1.42 and $1.52, respectively.
- **Maintain target price of $18 and Hold rating.** Based on our DCF as well as a comparables analysis, our $18 target implies a 12.2 times P/E based on our 2013 estimate, and compares with 12.4x for the sector. Based on a 6.8% discount rate and an 8.0 times exit multiple, our DCF supports a valuation of $18 per share. We believe NI's valuation is also supported by its current 4.9% dividend yield.
- **Earnings preview.** Please see our first quarter earnings preview dated April 19, 2011, for additional information on first quarter expectations and trends.

James L. Dobson, CFA • 212.402.2059 • jdobson@wundernet.com
Erica Piserchia • 212.402.2061 • episerchia@wundernet.com

Wunderlich Securities, Inc.
60 East 42nd Street, Suite 1007
New York, NY 10165

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- NI faces regulatory risk, operational risk in its gas and electric business, adequate access to capital markets, and financial risk as a result of its leverage.
- We value utilities based on a comparable company analysis and a discounted cash flow analysis.

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Ratings Distribution (in Percentages) & Investment Banking Disclosure Chart Information

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Rating	Count	Ratings Distribution*	Count	Investment Banking**
Buy -rated	109	65.70	13	11.93
Hold -rated	53	31.90	4	7.55
Sell -rated	4	2.40	0	0.00

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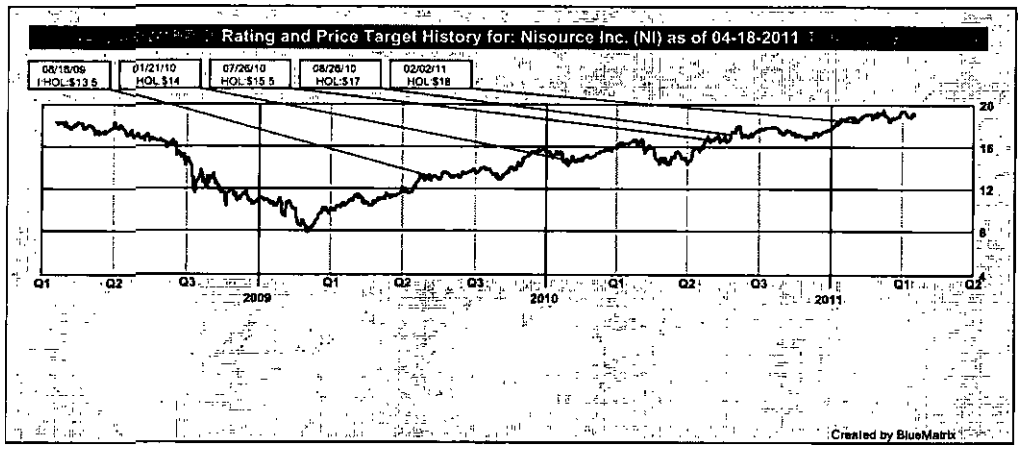
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Baltimore
400 E. Pratt Street
Suite 710
Baltimore, MD 21202
866.297.8259

Boston
260 Franklin Street
5th Floor
Boston, MA 02110
617.892.7150

Chicago
200 W. Madison Street
Suite 2950
Chicago, IL 60606
800.388.3851

Denver
1099 18th Street
Suite 2015
Denver, CO 80202
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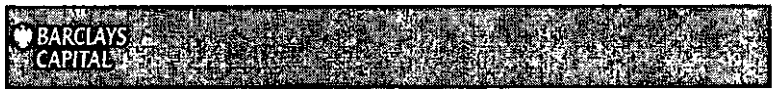
Houston
10370 Richmond Avenue
Suite 950
Houston, TX 77042
888.385.6928

Memphis
6000 Poplar Avenue
Suite 150
Memphis, TN 38119
800.726.0557

New York
60 East 42nd Street
Suite 1007
New York, NY 10165
866.575.2223

St. Louis
7711 Bonhomme St.
Suite 600
St. Louis, MO 63105
888.432.5671

Director of Equity Capital Markets		
J. Jeffery Fowlds	303.965.7964	jfowlds@wundernet.com
Brooke Hrimnak	410.369.2609	bhrimnak@wundernet.com
Equity Research		
Director of Research		
Michael E. Hoffman	410.369.2620	mehoffman@wundernet.com
Accounting and Tax Policy		
Forensic Accounting		
Mike Gyure, CPA	440.364.7473	mgyure@wundernet.com
Diversified Industrials		
Environmental Services		
Michael E. Hoffman	410.369.2620	mehoffman@wundernet.com
Brian J. Butler, CFA	410.369.2614	bbutler@wundernet.com
Energy		
Alternative Energy		
Theodore O'Neill	212.402.2054	toneill@wundernet.com
Exploration & Production		
Irene O. Haas	713.403.3980	ihaas@wundernet.com
Master Limited Partnerships		
John R. Cusick, CFA	212.402.2057	jcusick@wundernet.com
Utilities/Power		
James L. Dobson, CFA	212.402.2059	jdobson@wundernet.com
Erica Piserchia	212.402.2061	episerchia@wundernet.com
Financial Services		
Insurance		
Elizabeth C. Malone, CFA	410.369.2615	bmalone@wundernet.com
Jacob Hughes	410.369.2616	jhughes@wundernet.com
Real Estate		
Merrill Ross	703.307.9409	mross@wundernet.com
Ian P. Fleischer, CFA	410.369.2618	ifleischer@wundernet.com
Regional Banks		
Kevin Reynolds, CFA	901.251.2229	kreynolds@wundernet.com
Jeremy Lucas	901.251.1362	jlucas@wundernet.com
Media		
Cable/Satellite		
Matthew Harrigan	303.965.7966	mharrigan@wundernet.com
Entertainment		
Matthew Harrigan	303.965.7966	mharrigan@wundernet.com
Technology		
Communications & Networking Equipment		
Matthew S. Robison	415.661.0470	mrobison@wundernet.com
Information Infrastructure		
Brian S. Freed, CFA	901.251.1353	bfreed@wundernet.com
Medical Devices & Technology		
Gregory J. Simpson, CFA	314.719.3467	gsimpson@wundernet.com
Institutional Equity Sales		
Director of Institutional Sales		
Thomas S. Stephens	410.369.2602	tstephens@wundernet.com
Beth Adams	972.772.5066	badams@wundernet.com
Greg Brown	303.260.7902	gbrown@wundernet.com
James Donovan	617.892.7222	jdonovan@wundernet.com
Paul Gillespie	901.259.9407	pgillespie@wundernet.com
Thomas Hadley	303.260.7905	thadley@wundernet.com
John Hohweiler	410.369.2610	jhohweiler@wundernet.com
Ethel McGlynn	303.260.7904	ethel@wundernet.com
Michael Negron	617.892.7223	mnegron@wundernet.com
Kyle Norton	212.402.2060	knorton@wundernet.com
Robert Oram	212.402.2056	boram@wundernet.com
Kristi Papanikolaw	212.402.2058	kpapanikolaw@wundernet.com
Beth Rosenberry	312.368.0478	brosenberry@wundernet.com
Christina Rosso	212.402.2055	crosso@wundernet.com
Ned Sinnott	804.263.5240	nsinnott@wundernet.com
Institutional Equity Trading		
Director of Institutional Equity Trading		
Stephen C. Iskalis	303.260.7901	siskalis@wundernet.com
John Belgrade	888.257.4152	jbelgrade@wundernet.com
Chuck Berry	303.965.7961	cberry@wundernet.com
Trip Carey	617.892.7220	tcarey@wundernet.com
Jeffrey England	303.965.7960	jengland@wundernet.com



EQUITY RESEARCH | INSTANT INSIGHTS 2 August 2011

Daniel Ford +1 212 526 0836 daniel.ford@barclayscapital.com BCI, New York
Noah Hauser +1 212 526 6203 noah.hauser@barclayscapital.com BCI, New York

NI reported solid Q2'11 EPS of $0.17 vs. $0.13 in Q2'10. The company reaffirmed their 2011 guidance range of $1.25-$1.35. Driving the growth in earnings Y/Y were improvements at the Gas LDCs, which benefited primarily from rate design changes at NIPSCO-Gas, growth projects placed in-service and new rates at Columbia Gulf in the midstream segment, while the partial offset was higher costs at NIPSCO electric.

The biggest incremental pieces of information from the call were:

- The company is deciding, in light of their flush cash position, whether they could delay drawing down the 2010 equity forward ($400M) until 2H'12. Our estimates reflect a $200M drawdown in Q4 '11/'12.
- While the current structure of the GT&S segment doesn't naturally lend itself to an alternative structure such as a MLP, it is an option that the company continues to monitor and has not taken off the table.
- The level of the dividend is likely to be addressed over the next few months, although the company is still deciding whether the appropriate policy is a stated payout ratio, or a stated growth rate.
- The company spoke to potential opportunities in the emerging Utica shale play, although it is still a bit early to size how robust the development pipeline could be.

As previously noted, NI's electric subsidiary, NIPSCO, filed a settlement with the major intervening parties in the case on July 18th. While the settlement still must be approved by the IURC, removing this overhang was meaningful for NI, and provides a runway for increased flexibility going forward. The settlement asks that the IURC take action by 12/31/11 for new rates to become effective early in 2012. In addition, a partial settlement was filed in PA that calls for a revenue increase of $17M. Remaining issues to be decided are around residential rate design as NI continues to try and shift customer rates to a more heavy fixed monthly charge, and therefore removing much of the seasonal volatility seen in the business.

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Mentioned Stocks (Ticker, Date, Price)
NiSource, Inc. (NI, 01-Aug-2011, USD 20.12), 2-Equal Weight/1-Positive, A/C/D/E/F/J/K/L/M/O
Valuation Methodology: Our $21 price target is premised upon our '13E EPS of $1.53 and the '13 group

PE multiple of 13.0x, adjusted upwards by 5% for NI's gas heavy business mix.
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BMO Capital Markets

August 2, 2011

NiSource

(NI-NYSE)

Stock Rating: **Market Perform**
Industry Rating: **Market Perform**

North American Pipelines

Carl Kirst, CFA
BMO Capital Markets Corp.
713-546-9756
carl.kirst@bmo.com

Danilo Juvane, CFA
713-546-9741
danilo.juvane@bmo.com

Leah Jordan
713-546-9707
leah.jordan@bmo.com

2Q11 on Target; Utica Provides Free Option

Event

NI reported 2Q11 diluted EPS of $0.16, in line with our estimate and consensus. While our estimate was on point, deltas included -$0.01 in electric due to higher O&M offset by +$0.01 in corporate. Key takeaways: 1) the quarter was solid with no major operating surprises; 2) while difficult to quantify at this point, potential from the Utica Shale came in to sharper focus given NI's "significant" acreage in eastern Ohio and western Pennsylvania (in the context of Chesapeake's recent indications of the play's premium economics). Although leasing to producers is possible (such as NI's 132,000 acres leased in the Marcellus), we think more tangible will be the upside from leveraging its acreage and pipeline position into additional midstream investment. We have not included any such potential in our model and see this as a free option to accelerate midstream and improve earnings growth; 3) NI indicated no plans to alter its corporate structure (e.g., MLP, asset sales); and 4) management reaffirmed a sustainable EPS CAGR of 5%, which we think will support a 4% boost in the dividend potentially as early as 1Q12. Such a return to growth would mark a noteworthy inflection and achievement given its flat dividend since 2003.

Impact

Positive.

Forecasts

2011 remains unchanged at $1.33 in context of reaffirmed guidance ($1.25-$1.35). Our 2012 EPS tweaks up a penny to $1.45 owing to a delayed equity issuance.

Valuation

We're raising our target to $21 from $20 based mainly on the expansion of gas and electric utility multiples on our comparable SOP analysis. The valuation reflects a new range of $20-$22 dependent on metric used, EV/EBITDA or P/E (Exhibit 1).

Recommendation

Reiterate **MARKET PERFORM** with NI in fair value range, with Utica upside.

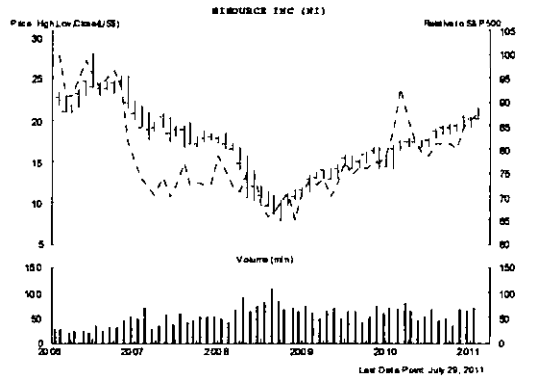
Securities Info

Price (2-Aug)	**$20.40**	**Target Price**	**$21↑**
52-Wk High/Low	$21/$16	Dividend	$0.92
Mkt Cap (mm)	$5,714	Yield	4.5%
Shs O/S (mm, BASIC)	280.1	Float O/S (mm)	277.7
Options O/S (mm)	na	ADVol (30-day, 000s)	3,253

Selected Bond Iss	Ind Prc	Rat'g Mdys/S&P	YTW	Spread
NiSource 6.8% '19	117	Baa3 / BBB-	4.18%	218bp
NiSource 6.4% '18	116	Baa3 / BBB-	3.73%	246bp

Bond data from Bloomberg.

Price Performance



Valuation/Financial Data

(FY-Dec.)	2009A	2010A	2011E	2012E
EPS Pro Forma	$1.01	$1.22	$1.33	$1.45↑
P/E			15.3x	14.1x
First Call Cons.			*$1.34*	*$1.45*
EPS GAAP	$0.79	$1.05	$1.32	$1.45
OCF	$4.45	$4.27	$3.90↑	$3.62↑
P/OCF			5.2x	5.6x
EBITDA ($mm)	$1,383	$1,514	$1,519	$1,611
EV/EBITDA			8.2x	7.7x
Rev. ($mm)	$6,299	$6,335	$6,018	$6,327
EV/Rev			2.1x	2.0x

Quarterly EPS	1Q	2Q	3Q	4Q
2010A	$0.72	$0.13	$0.04	$0.33
2011E	$0.71A	$0.16A	$0.11	$0.36

Balance Sheet Data (31-Mar)			
Net Debt ($mm)	$6,740	Total Debt/EBITDA	4.6x
Total Debt ($mm)	$6,988	EBITDA/IntExp	3.7x
Net Debt/Cap.	55.1%	Price/Book	1.2x

Notes: All values in US$.
Source: BMO Capital Markets estimates, Bloomberg, FactSet, Global Insight, Reuters, and Thomson Financial.

Changes	Annual EPS	Annual OCF	Target
	2012E $1.44 to $1.45	2011E $3.75 to $3.90 2012E $3.56 to $3.62	$20.00 to $21.00

Please refer to pages 6 to 8 for Important Disclosures, including the Analyst's Certification.

Exhibit 1: NiSource Valuation

Sum-of-the-Parts Valuation Analysis

	2012E	Valuation Multiple		Notes:
EBITDA by Segment				
Gas Distribution	$588	8.0x	$4,708	
Gas Pipelines	$558	9.0x	$5,021	
Electric	$493	8.0x	$3,943	
Other	($23)	5.0x	($113)	- Plus pension expense (analogous to interest) risked at 50% (net of NIPSCO recovery)
Value of Operations	$1,617	8.4x	$13,559	
Net Debt (year-end 2011E)			($7,124)	- Adjusted for committed $400mm equity issuance
Preferred & Minority Interests			---	
Pension/OPEB Underfunded Obligation	($1,008)	25%	($252)	- 2010 Obligation; risk adjusted at 25% (rest assumes recovery in rates)
Net Equity Value			$6,183	
Diluted Shares Outstanding			305	- Adjusted for committed $400mm equity issuance
$/sh			**$20.30**	
P/E by Segment*				
Gas Distribution	$0.56	15.0x	$8.46	Reduced slightly from LDC average given lower depreciation rates
Gas Pipelines	$0.58	16.0x	$9.31	
Electric	$0.37	13.5x	$4.93	
Other	($0.06)	10.0x	($0.65)	
Consolidated EPS	**$1.45**	**15.2x**	**$22.05**	

*based on EBIT % as proxy

Average Target Price (rounded):	**$21.00**
Valuation Summary:	
Current Price	$20.40
Current Dividend	$0.92
Appreciation Potential	2.9%
Current Yield	4.5%
Total Return Potential	**7.5%**

Source: BMO Capital Markets estimates, company data.

Exhibit 2: NiSource Income Statement

Consolidated Earnings ($ Millions Except Per Share Data)	2009A	2010A	Q1	Q2	Q3	Q4	2011E	2012E	2013E
Operating Revenues:									
Gas Distribution	$3,303	$3,096	$1,372	$500	$253	$1,052	$3,177	$3,734	$3,781
Pipelines & Storage	1,241	1,261	403	307	230	273	1,213	1,017	1,056
Electric	1,213	1,375	347	349	375	328	1,399	1,465	1,505
Other	542	603	110	71	93	(46)	228	111	113
Revenues	6,299	6,335	2,232	1,228	951	1,607	6,018	6,327	6,455
Operating Expenses:									
Cost of Sales	2,978	2,898	1,171	463	207	665	2,506	2,648	2,651
Operation & Maintenance	1,650	1,654	433	403	399	471	1,705	1,769	1,808
DD&A	589	596	139	135	137	138	549	565	582
Loss (gain) on asset sales	16	1	0	0	0	0	0	0	0
Taxes and Other	283	287	94	68	68	79	309	321	327
Total Operating Expenses	5,516	5,436	1,836	1,067	811	1,353	5,068	5,303	5,369
Operating Income	783	899	396	161	140	253	950	1,024	1,087
Other:									
Equity in Earnings	16	15	3	2	6	6	16	22	22
Minority Interests	0	0	0	0	0	0	0	0	0
Other	(6)	4	3	1	0	0	4	0	0
Total Other Income	10	19	6	3	6	6	20	22	22
Reported EBIT	**$793**	**$918**	**$403**	**$164**	**$145**	**$259**	**$971**	**$1,046**	**$1,109**
EBITDA	**$1,383**	**$1,514**	**$541**	**$298**	**$283**	**$397**	**$1,519**	**$1,611**	**$1,691**
EBIT Composition									
Gas Distribution	328	324	237	49	(10)	114	390	408	425
Pipelines & Storage	389	377	119	85	84	112	399	421	450
Electric	117	234	42	37	85	47	211	264	281
Corporate & Other	(40)	(18)	5	(7)	(14)	(14)	(29)	(47)	(47)
Total EBIT	**$793**	**$918**	**$403**	**$164**	**$145**	**$259**	**$971**	**$1,046**	**$1,109**
Interest Expense	399	392	90	94	96	98	378	384	384
Preferred Distributions of Subsidiaries	0	0	0	0	0	0	0	0	0
Financing Expense	399	392	90	94	96	98	378	384	384
Income Before Taxes	394	526	313	70	49	161	592	662	724
Income Taxes									
Current	(214)	118	9	(3)	11	38	55	155	170
Deferred	378	55	99	33	6	20	159	83	91
Total Income Taxes	165	173	108	30	18	58	214	238	261
Effective Inc. Tax Rate (%)	42%	33%	35%	43%	36%	36%	36%	36%	36%
Net Income From Continuing Operations	229	353	205	40	31	103	379	424	464
Discontinued Operations, net	(12)	(0)	0	(1)	0	0	(0)	0	0
Change in Accounting	(0)	(58)	0	0	0	0	0	0	0
GAAP Net Income to Common	**$218**	**$294**	**$205**	**$39**	**$31**	**$103**	**$379**	**$424**	**$464**
Adjustments to Core									
Asset Impairment	0	0	0	0	0	0	0	0	0
Gain (Loss) From Disposal	(8)	0	0	0	0	0	0	0	0
Other Non-Recurring Gains (Loss)	(40)	11	3	(6)	0	0	(4)	0	0
Total Adjustments	(49)	11	3	(6)	0	0	(4)	0	0
Non-GAAP Core Earnings	**$278**	**$342**	**$202**	**$46**	**$31**	**$103**	**$382**	**$424**	**$464**
Shares Outstanding (mm)									
Avg. Diluted Shares Out	276	280	285	287	287	287	287	293	306
Avg. Basic Shares Out	275	278	279	280	280	280	280	288	305
Period-end basic Shares Out	276	279	280	280	280	280	280	305	305
Earnings Per Share (Diluted)									
GAAP EPS	**$0.79**	**$1.05**	**$0.72**	**$0.14**	**$0.11**	**$0.36**	**$1.32**	**$1.45**	**$1.52**
Core EPS	$1.01	$1.22	$0.71	$0.16	$0.11	$0.36	$1.33	$1.45	$1.52
EPS Growth (core)	-19.4%	21.0%	-1.7%	19.5%	195.8%	7.8%	9.4%	8.5%	4.9%
Dividends									
Cash per share	$0.92	$0.92	$0.23	$0.23	$0.23	$0.23	$0.92	$0.96	$1.00
Payout Ratio (%)	116.6%	87.5%					69.7%	66.4%	65.9%

Source: BMO Capital Markets estimates, company data.

Exhibit 3: NiSource Cash Flow Statement

Cash Flow Statement ($ Millions Except Per Share Data)	2009A	2010A	Q1	Q2	Q3	Q4	2011E	2012E	2013E
Operating Activities									
GAAP Net Income from Cont. Ops	218	292	205	39	31	103	379	424	464
DD&A	589	596	139	135	137	138	549	565	582
Deferred income tax benefit	378	200	99	33	6	20	159	83	91
Deferred Revenues	4	(20)	1	(3)	0	0	(3)	0	0
Amortization of premium on debt	13	10	2	2	0	0	4	0	0
Less Gain or Loss on assets	(4)	(0)	(0)	0	0	0	0	0	0
Less Equity Earnings plus Cash Distributions	(15)	7	(3)	9	(3)	(3)	0	(11)	(11)
Other non-cash income items	36	112	23	8	0	0	32	0	0
OCF (pre-working capital)	**$1,219**	**$1,197**	**$466**	**$222**	**$172**	**$259**	**$1,119**	**$1,061**	**$1,126**
OCF per share	**$4.42**	**$4.27**	**$1.64**	**$0.77**	**$0.60**	**$0.90**	**$3.90**	**$3.62**	**$3.68**
							1,023	1,064	1,064
Working Capital:									
Accounts and notes receivable	259	(244)	16	516			532	0	0
Inventory	129	103	209	(195)			14	0	0
Less Change of Price Risk Management Activities	0	0	0	0			0	0	0
Accounts payable	(192)	38	(120)	(131)			(250)	0	0
Customer deposit, net	25	(25)	(137)	2			(135)	0	0
Other assets	83	(206)	17	(14)			3	0	0
Other Liabilities	382	(86)	(14)	(58)			(72)	0	0
Changes in Working Capital	686	(420)	(29)	121	0	0	92	0	0
Discontinued Operations	(255)	(57)	(15)	(29)	0	0	(44)	0	0
Cash Flow From Operations	1,651	720	422	314	172	259	1,167	1,061	1,126
Investing Activities									
Capital Spending (to PP&E)	(777)	(804)	(209)	(236)	(275)	(380)	(1,100)	(1,095)	(1,095)
Purchases of equity investments	0	0	0	0	0	0	0	0	0
Acquisitions	0	0	0	0	0	0	0	0	0
Proceeds from asset sales	6	1	6	4	0	0	9	0	0
Other	109	(140)	29	(17)	0	0	12	0	0
Cash Used in Investing	(662)	(944)	(175)	(248)	(275)	(380)	(1,078)	(1,095)	(1,095)
Discontinued Operations	8	0	0	0	0	0	0	0	0
Investing Cash Flow	(655)	(943)	(175)	(248)	(275)	(380)	(1,078)	(1,095)	(1,095)
Financing Activities									
Sale of Common Stock	26	14	4	4	0	0	8	400	0
Sale of Preferred Stock	0	0	0	0	0	0	0	0	0
Sale of L.T. Debt	1,460	250	0	395	0	0	395	0	0
Redemption of Common Stock	(3)	(2)	(3)	(0)	0	0	(3)	0	0
Redemption of Preferred Stock	0	0	0	0	0	0	0	0	0
Redemption of L.T. Debt	(1,170)	(1,071)	(11)	(2)	0	0	(13)	(315)	0
Change in Notes Payable, LC, ST Debt	(1,061)	1,280	(120)	(393)	200	200	(112)	150	225
Payments to Minority Interests	0	0	0	0	0	0	0	0	0
Dividends	(253)	(256)	(64)	(65)	(59)	(59)	(248)	(257)	(285)
Other	0	0	0	(8)	0	0	(8)	(12)	0
Cash From (For) Financing	(1,000)	216	(194)	(68)	141	141	19	(34)	(60)
Discontinued Operations	0	0	0	0	0	0	0	0	0
Financing Cash Flow	(1,000)	216	(194)	(68)	141	141	19	(34)	(60)
Change in Cash	($4)	($7)	$53	($3)	$38	$19	$107	($68)	($29)
Cash & Temp. Inv. Beginning of Yr.	$21	$16	$9	$63	$60	$97	$9	$116	$49
Cash & Temp. Inv. End of Yr.	$16	$9	$63	$60	$97	$116	$116	$49	$20

Source: BMO Capital Markets estimates, company data.

Exhibit 4: NiSource Balance Sheet

Balance Sheet ($ Millions Except Per Share Data)	2009A	2010A	Q1	Q2	Q3	Q4	2011E	2012E	2013E
Assets:									
Cash & Equivalent	16	9	63	60	97	116	116	49	20
Restricted Cash	175	203	165	155	155	155	155	155	155
Receivables	848	1,121	1,119	800	800	800	800	800	800
Allowance for Uncollectable Acts.	(40)	(41)	(55)	(42)	(42)	(42)	(42)	(42)	(42)
Unbilled Revenues	0	0	0	0	0	0	0	0	0
Underrecovered gas & fuel costs	40	136	25	25	25	25	25	25	25
Inventories	385	428	217	410	410	410	410	410	410
ST Assets Price Risk Management	173	160	134	116	116	116	116	116	116
Regulatory Assets	238	152	113	122	122	122	122	122	122
Other Current Assets	387	283	206	100	100	100	100	100	100
Total Current Assets	2,224	2,449	1,985	1,745	1,783	1,802	1,802	1,734	1,706
Plant & Equipment (Gross)	19,038	19,590	19,669	19,898	20,173	20,553	20,553	21,648	22,743
Accumulated DD&A	(8,354)	(8,493)	(8,528)	(8,603)	(8,740)	(8,878)	(8,878)	(9,443)	(10,025)
Plant & Equipment, Net	10,684	11,097	11,141	11,295	11,433	11,675	11,675	12,205	12,718
Investments	295	349	341	350	350	350	350	350	350
LT Assets Price Risk Management	238	240	188	191	191	191	191	191	191
Regulatory Assets	1,644	1,650	1,661	1,622	1,622	1,622	1,622	1,622	1,622
Goodwill	3,677	3,677	3,677	3,677	3,677	3,677	3,677	3,677	3,677
Intangible Assets	320	309	306	303	303	303	303	303	303
Other Long Term Assets (& flywheel)	53	168	179	163	165	168	168	191	202
Total Assets	19,134	19,939	19,479	19,346	19,524	19,788	19,788	20,273	20,769
Liabilities & Equity:									
Short Term Debt	800	1,417	1,299	900	1,100	1,300	1,300	1,450	1,675
Accounts Payables	502	582	430	316	316	316	316	316	316
ST Liabilities Price Risk Management	190	174	146	135	135	135	135	135	135
Regulatory Liabilities	44	93	87	84	84	84	84	84	84
Other	1,575	1,384	1,134	1,123	1,123	1,123	1,123	1,123	1,123
Total Current Liab	3,111	3,649	3,096	2,558	2,758	2,958	2,958	3,108	3,333
Long Term Debt	5,988	5,936	5,928	6,340	6,340	6,340	6,340	6,025	6,025
LT Liabilities Price Risk Management	170	182	136	128	128	128	128	128	128
Accumlated Deferred Taxes	2,018	2,243	2,340	2,369	2,375	2,396	2,396	2,479	2,570
Regulatory Liabilities	1,559	1,596	1,612	1,625	1,625	1,625	1,625	1,625	1,625
Other Liabilities	1,572	1,409	1,353	1,323	1,323	1,323	1,323	1,323	1,323
Total Liabilities	14,418	15,016	14,465	14,343	14,549	14,769	14,769	14,688	15,004
Preferred Equity/Securities of Consolidated Subsidiaries	0	0	0	0	0	0	0	0	0
Common Equity	4,717	4,923	5,014	5,003	4,975	5,019	5,019	5,586	5,765
Other	0	0	0	0	0	0	0	0	0
Total Liab & Equity	19,134	19,939	19,479	19,346	19,524	19,788	19,788	20,273	20,769

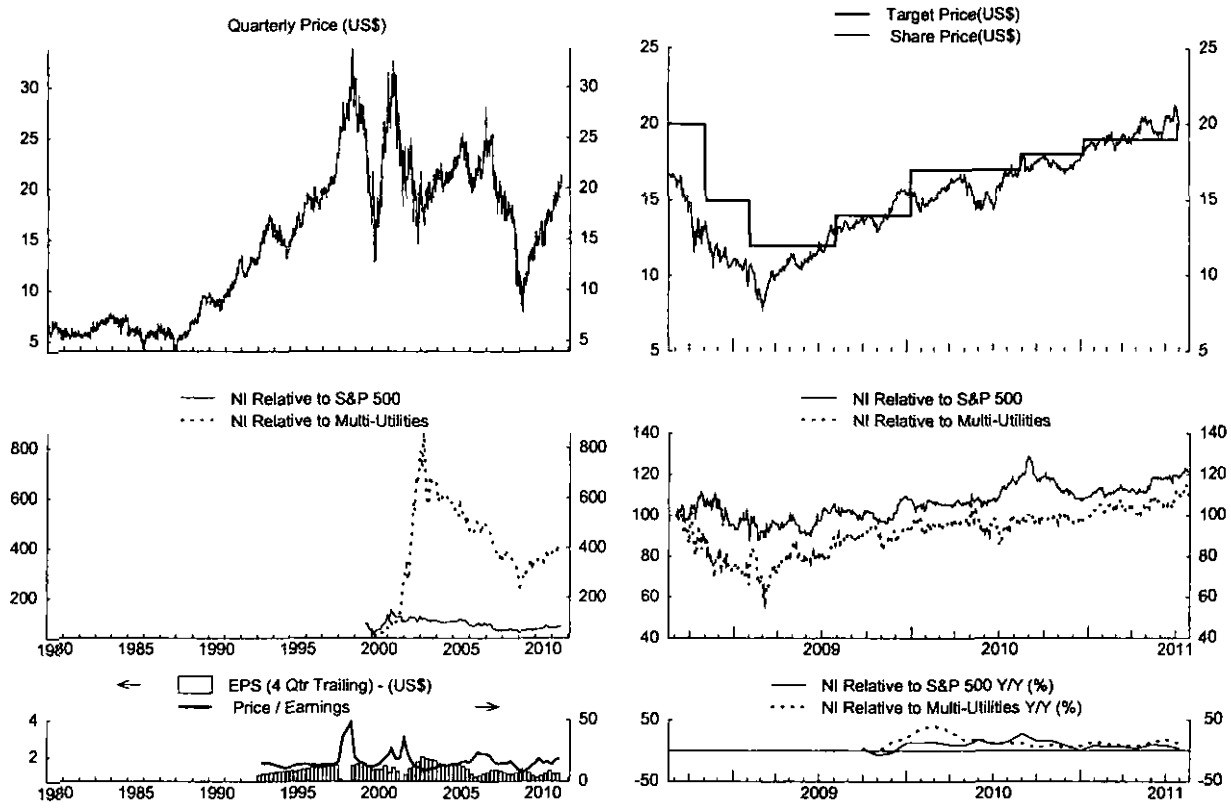
Source: BMO Capital Markets estimates, company data.

Other companies mentioned (priced as of the close on August 1, 2011):

Chesapeake Energy Corp. (CHK, $34.35, MKT*)

*Covered by Dan McSpirit

NISOURCE INC (NI)



NI - Rating as of 26-Jun-08 = Mkt

Last Daily Data Point: July 29, 2011

nportant Disclosures

lyst's Certification

arl Kirst, CFA, hereby certify that the views expressed in this report accurately reflect my personal views about the subject securities or issuers. 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 report.

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Company Specific Disclosure

Disclosure 5: BMO Capital Markets or an affiliate received compensation for products or services other than investment banking services within the past 12 months.

Disclosure 6: This issuer is a client (or was a client) of BMO Nesbitt Burns Inc., BMO Capital Markets Corp., BMO CM Ltd. or an affiliate within the past 12 months: Non-Securities Related Services.

Methodology and Risks to Our 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, 2011)

Rating Category	BMO Rating	BMOCM US Universe*	BMOCM US IB Clients**	BMOCM US IB Clients***	BMOCM Universe****	BMOCM IB Clients*****	Starmine Universe
Buy	Outperform	35.8%	11.9%	31.8%	40.7%	44.2%	55.9%
Hold	Market Perform	62.2%	14.7%	68.2%	56.2%	54.6%	39.3%
Sell	Underperform	2.0%	0.0%	0.0%	3.0%	1.3%	4.8%

* Reflects rating distribution of all companies covered by BMO Capital Markets Corp. equity research analysts.

** Reflects rating distribution of all companies from which BMO Capital Markets Corp. has received compensation for Investment Banking services as percentage within ratings category.

*** Reflects rating distribution of all companies from which BMO Capital Markets Corp. has received compensation for Investment Banking services as percentage of Investment Banking clients.

**** Reflects rating distribution of all companies covered by BMO Capital Markets equity research analysts.

***** Reflects rating distribution of all companies from which BMO Capital Markets has received compensation for Investment Banking services as percentage of Investment Banking clients.

Ratings and Sector Key

We use the following ratings system definitions:
OP = Outperform - Forecast to outperform the market;
Mkt = Market Perform - Forecast to perform roughly in line with the market;
Und = Underperform - Forecast to underperform the market;
(S) = speculative investment;
NR = No rating at this time;
R = Restricted – Dissemination of research is currently restricted.

Market performance is measured by a benchmark index such as the S&P/TSX Composite Index, S&P 500, Nasdaq Composite, as appropriate for each company. BMO Capital Markets eight Top 15 lists guide investors to our best ideas according to different objectives (Canadian large, small, growth, value, income, quantitative; and US large, US small) have replaced the Top Pick rating.

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North America | United States
Integrated Natural Gas & Gas Utilities (Citi)

Equities

1 August 2011 | 21 pages

Gas Pipelines & Utilities

Adjusting Forward Estimates for AGL, ATO, NI, TEG and VVC

Faisel Khan, CFA
+1-212-816-2825
faisel.khan@citi.com

Amit Marwaha
amit.marwaha@citi.com

- **Q2 Update** – We are adjusting quarterly EPS estimates for AGL, ATO, NI, TEG, and VVC. Overall, our target prices remain unchanged; however, we have made changes to our models for recent results, rate cases and the outlook for specific business lines of these companies.
- **AGL Resources** – Our FY 2011 estimate is being lowered to $3.03 from $3.08. The main reason for the change is slightly lower-than-expected results within the Retail Energy Services during the first quarter but our view on Sequent is less negative than before. Although we don't see fundamentals deteriorating significantly from here, we still view the wholesale segment as a potential drag to earnings potential for the company in the next few quarters.
- **Atmos Energy** – Our outlook for earnings has not materially changed and we expect the non-regulated segment (Marketing) to present no material upside to the last couple quarter of results. We have adjusted our estimates for the latest quarterly results and revised our estimates for 2011-2013 to $2.42/$2.48/$2.50 from $2.38/$2.56/$2.59.
- **Integrys Group** – Our FY 2011 earnings estimate has been lowered by 3% to $3.38, down from $3.48 on a slightly lower outlook for the Utility segment and performance in Q1/11, however, we are offsetting some of that decline with our increasingly constructive view of the Energy Services segment which we expect to generate close to $30 mm in EBIT in 2011.
- **NiSource** – We are adjusting our earnings estimates for the years 2011-2013 from $1.40/$1.54/$1.58 to $1.41/$1.49/$1.53. Our estimates include the recent rate case decision in Indiana. See our previous note (NiSource Inc (NI) - NIPSCO Rate Case Settlement Constructive). We maintain our Hold rating and $21 target price.
- **Vectren** – Our new estimates reflect the most recent quarterly results. Our new EPS estimates for 2011-2013 are now $1.52/$1.82/$1.87, down from $1.58/$1.87/$1.92. The model has been adjusted to reflect the recent rate case decision at Vectren South Electric.

	Rating		Target Price		Current Year Earnings Estimates		Next Year Earnings Estimates	
Ticker	Old	New	Old	New	Old	New	Old	New
AGL	1L	1L	US$44.00	US$44.00	US$3.08	US$3.03	US$3.28	US$3.32
ATO	2L	2L	US$35.00	US$35.00	US$2.38	US$2.42	US$2.56	US$2.48
NI	2M	2M	US$21.00	US$21.00	US$1.40	US$1.41	US$1.54	US$1.49
TEG	2M	2M	US$51.00	US$51.00	US$3.48	US$3.38	US$3.81	US$3.84
VVC	2M	2M	US$26.00	US$26.00	US$1.58	US$1.52	US$1.87	US$1.82

See Appendix A-1 for Analyst Certification, Important Disclosures and non-US research analyst disclosures.

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Earnings Calendar & Conference Call Data

Figure 1. Q2/2011 Earnings Calendar

Ticker	Company	CQ2 '11 CIRA Est.	CQ2 '11 Consensus*	Delta	FY 2011 CIRA Est.	FY 2011 Consensus*	Delta	Conference Call Info. Date	Time	Number	Conference ID
AGL	AGL Resources	$0.27	$0.26	$0.01	$3.03	$3.14	($0.11)	8/3	9:00 AM	800-638-4830	88594155
ATO	Atmos Energy**	$0.14	$0.10	$0.04	$2.42	$2.30	$0.12	8/4	10:00 AM	(877) 485-3107	60175156
CNP	Centerpoint Energy	$0.24	$0.23	$0.01	$1.14	$1.10	$0.04	8/4	11:30 AM	(800) 653-1761	75341557
LNG	Cheniere Energy	($0.75)	($0.75)	$0.00	($2.84)	($2.84)	$0.00	TBD	TBD	TBD	TBD
NI	Nisource	$0.15	$0.16	($0.01)	$1.40	$1.34	$0.06	8/2	9:00 AM	(866) 299-8538	17448878
SRE	Sempra Energy	$0.98	$0.99	($0.01)	$4.23	$4.20	$0.04	8/9	1:00 PM	(800) 500-3792	7671494
SWX	Southwest Gas	($0.14)	$0.01	($0.15)	$2.13	$2.28	($0.14)	8/8	9:30 AM	TBD	TBD
TEG	Integrys Energy	$0.50	$0.48	$0.02	$3.38	$3.39	($0.01)	8/4	9:00 AM	(888) 788-9425	EARNINGS
VVC	Vectren Corporation	$0.10	$0.12	($0.02)	$1.52	$1.72	($0.20)	8/4	3:00 PM	(866) 821-5457	NA

*Thompson FirstCall ** Sept Year End

Source: Citi Investment Research and Analysis

Company Focus

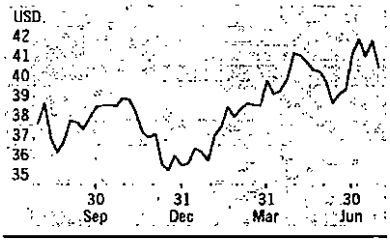
AGL Resources Inc (AGL)

- Company Update
- Estimate Change

- **AGL Resources** – Our FY 2011 estimate is being lowered to $3.03 from $3.08. The main reason for the change is slightly lower-than-expected results within the Retail Energy Services during the first quarter but our view on Sequent is less negative than before. Although we don't see fundamentals deteriorating significantly from here, we still view the wholesale segment as a potential drag to earnings potential for the company in the next few quarters.

Buy/Low Risk	1L
Price (29 Jul 11)	US$40.80
Target price	US$44.00
Expected share price return	7.8%
Expected dividend yield	4.3%
Expected total return	**12.2%**
Market Cap	US$3,193M

Price Performance
(RIC: AGL.N, BB: AGL US)



EPS	Q1	Q2	Q3	Q4	FY	FC Cons
2010A	1.58A	0.20A	0.07A	0.91A	2.77A	3.05A
2011E	**1.58A**	**0.27E**	**0.21E**	**0.97E**	**3.03E**	**3.14E**
Previous	1.67E	0.20E	0.19E	1.02E	3.08E	na
2012E	**1.76E**	**0.32E**	**0.22E**	**1.01E**	**3.32E**	**3.28E**
Previous	1.76E	0.25E	0.21E	1.06E	3.28E	na
2013E	**1.81E**	**0.33E**	**0.23E**	**1.05E**	**3.42E**	**3.39E**
Previous	na	na	na	na	3.38E	na

Source: Company Reports and dataCentral, CIR. FC Cons: First Call Consensus.

Company Focus

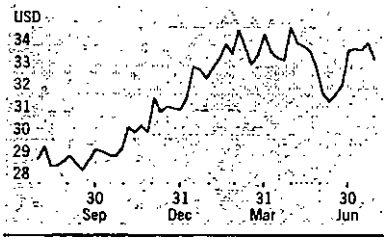
Atmos Energy Corp (ATO)

- Company Update
- Estimate Change

- **Atmos Energy** – Our outlook for earnings has not materially changed and we expect the non-regulated segment (Marketing) to present no material upside to the last couple quarter of results, while modeling a slight increase in expenses next year in the Regulated segment. We have adjusted our estimates for the latest quarterly results and revised our estimates for 2011-2013 to $2.42/$2.48/$2.50 from $2.38/$2.56/$2.59.

Hold/Low Risk	2L
Price (29 Jul 11)	US$33.43
Target price	US$35.00
Expected share price return	4.7%
Expected dividend yield	4.1%
Expected total return	**8.8%**
Market Cap	US$3,020M

Price Performance
(RIC: ATO.N, BB: ATO US)



EPS	Q1	Q2	Q3	Q4	FY	FC Cons
2010A	0.71A	1.45A	0.07A	0.03A	2.27A	2.25A
2011E	**0.82A**	**1.44A**	**0.14E**	**0.02E**	**2.42E**	**2.30E**
Previous	0.82A	1.40E	0.15E	0.02E	2.38E	na
2012E	**0.85E**	**1.40E**	**0.19E**	**0.04E**	**2.48E**	**2.46E**
Previous	0.86E	1.45E	0.19E	0.04E	2.56E	na
2013E	**0.85E**	**1.42E**	**0.20E**	**0.04E**	**2.50E**	**2.57E**
Previous	na	na	na	na	2.59E	na

Source: Company Reports and dataCentral, CIR. FC Cons: First Call Consensus.

Company Focus

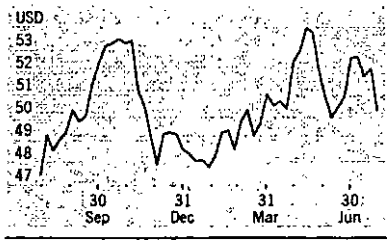
Integrys Energy Group, Inc. (TEG)

- Company Update
- Estimate Change

- **Integrys Group** – Our FY 2011 earnings estimate has been lowered by 3% to $3.38, down from $3.48 on a slightly lower outlook for the Utility segment and performance in Q1/11; however, we are offsetting some of that decline with our increasingly constructive view of the Energy Services segment which we expect to generate close to $30 mm in EBIT in 2011.

Hold/Medium Risk	**2M**
Price (29 Jul 11)	US$50.21
Target price	US$51.00
Expected share price return	1.6%
Expected dividend yield	5.4%
Expected total return	**7.0%**
Market Cap	US$3,931M

Price Performance
(RIC: TEG.N, BB: TEG US)



EPS	Q1	Q2	Q3	Q4	FY	FC Cons
2010A	1.49A	0.24A	0.08A	0.84A	2.64A	3.13A
2011E	**1.56A**	**0.50E**	**0.20E**	**1.12E**	**3.38E**	**3.39E**
Previous	1.75E	0.49E	0.17E	1.07E	3.48E	na
2012E	**1.88E**	**0.53E**	**0.23E**	**1.20E**	**3.84E**	**3.62E**
Previous	1.92E	0.54E	0.20E	1.16E	3.81E	na
2013E	**na**	**na**	**na**	**na**	**3.90E**	**3.76E**
Previous	na	na	na	na	3.88E	na

Source: Company Reports and dataCentral, CIR. FC Cons: First Call Consensus.

Company Focus

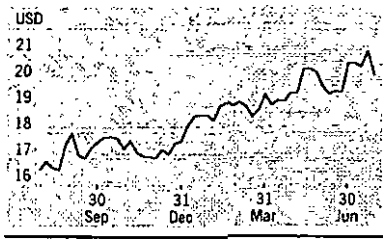
NiSource Inc (NI)

- Company Update
- Estimate Change

- **NiSource** – We are adjusting our earnings estimates for the years 2011-2013 from $1.40/$1.54/$1.58 to $1.41/$1.49/$1.53. Our estimates include the recent rate case decision in Indiana. See our previous note (NiSource Inc (NI) - NIPSCO Rate Case Settlement Constructive). We maintain our Hold rating and $21 target price.

Hold/Medium Risk	2M
Price (29 Jul 11)	US$20.13
Target price	US$21.00
Expected share price return	4.3%
Expected dividend yield	4.6%
Expected total return	**8.9%**
Market Cap	US$5,638M

Price Performance
(RIC: NI.N, BB: NI US)



EPS	Q1	Q2	Q3	Q4	FY	FC Cons
2010A	0.72A	0.10A	0.06A	0.32A	1.19A	1.22A
2011E	**0.72A**	**0.15E**	**0.10E**	**0.46E**	**1.41E**	**1.34E**
Previous	0.67E	0.16E	0.11E	0.47E	1.40E	na
2012E	**0.75E**	**0.17E**	**0.11E**	**0.46E**	**1.49E**	**1.45E**
Previous	0.71E	0.20E	0.15E	0.49E	1.54E	na
2013E	**0.75E**	**0.18E**	**0.13E**	**0.47E**	**1.53E**	**1.51E**
Previous	0.70E	0.22E	0.16E	0.50E	1.58E	na

Source: Company Reports and dataCentral, CIR. FC Cons: First Call Consensus.

Company Focus

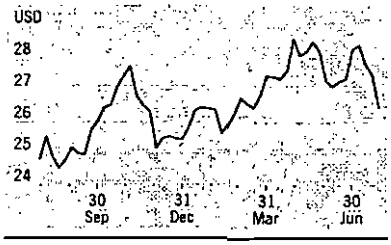
Vectren Corp (VVC)

- Company Update
- Estimate Change

- **Vectren** – Our new estimates reflect the most recent quarterly results. Our new EPS estimates for 2011-2013 are now $1.52/$1.82/$1.87, down from $1.58/$1.87/$1.92. The model has been adjusted to reflect the recent rate case decision at Vectren South Electric.

Hold/Medium Risk	2M
Price (29 Jul 11)	US$26.41
Target price	US$26.00
Expected share price return	-1.6%
Expected dividend yield	5.1%
Expected total return	**3.6%**
Market Cap	US$2,158M

Price Performance
(RIC: VVC.N, BB: VVC US)



EPS	Q1	Q2	Q3	Q4	FY	FC Cons
2010A	0.78A	0.11A	0.20A	0.56A	1.64A	1.64A
2011E	**0.55A**	**0.10E**	**0.25E**	**0.62E**	**1.52E**	**1.72E**
Previous	0.73E	0.11E	0.19E	0.55E	1.58E	na
2012E	**0.71E**	**0.13E**	**0.32E**	**0.66E**	**1.82E**	**1.90E**
Previous	0.81E	0.19E	0.26E	0.61E	1.87E	na
2013E	**0.73E**	**0.13E**	**0.32E**	**0.68E**	**1.87E**	**1.97E**
Previous	na	na	na	na	1.92E	na

Source: Company Reports and dataCentral, CIR. FC Cons: First Call Consensus.

AGL Resources Inc

Company description

AGL Resources (AGL) is a natural gas distribution company serving over 2.3 million customers in six eastern U.S. states through its regulated gas delivery businesses. AGL also operates three subsidiaries, Sequent Energy Management, Southstar Energy Services and Pivotal Energy Development, which provide merchant energy services, retail energy supply and storage capacity.

Investment strategy

We rate the shares of AGL Buy/Low Risk (1L). AGL has created shareholder value through a focus on operational efficiency at its legacy operations and by capital discipline through investments in under-managed assets. AGL will be able to grow earnings through a combination of rate relief and capital growth at its utilities and construction of storage fields at its Energy Services segment. Earnings at the wholesale gas business could be volatile as margins are highly dependent on seasonal price differentials and basis spreads, however this is now a relatively small part of earnings.

On December 7, 2010, AGL announced the acquisition of Nicor for $3.1 billion. While the deal appears expensive, we believe the deal can be a accretive through a combination of balance sheet optimization and synergies at the wholesale business.

Valuation

We apply four valuation methods to derive a $44 target.

Our NAV yields a value of $51. We value regulated assets at a multiple of rate base (1.5x for utilities, 1.5x for pipelines/storage). We value the Energy Investments unit, which includes storage assets and a propane facility at 8x 2011 EBITDA (in-line with the pipeline/storage multiple), given the stable cash flows. AGL's wholesale and retail segments at slightly lower multiples, considering their less stable earnings and cash flow profiles. These segments are valued at 6x and 7.5x 2011 EBITDA, in-line with midstream and marketing multiples. These values are partially offset by AGL's net debt.

Atlanta Gas Light includes regulatory assets associated with the pipeline replacement program, which we treat as rate base as the program's costs earns a return on capital invested. Environmental Recovery Costs are not included in rate base, as no return is associated with this program.

Our DDM values the company at $42. We calculate a hypothetical dividend, based on AGL's regulated capital growth, authorized returns and cost of equity to arrive at our DDM valuation.

Our P/E and EV/EBITDA multiples are based on our proprietary analyses, which utilizes current ERPs, current betas and projected risk-free yields. For our P/E analysis, we use multiples of 14.5x for the company's regulated and retail marketing assets and 10.0x for the wholesale assets. For our EV/EBITDA analysis, we use multiples of 7.5x for the company's regulated and retail marketing assets and 6.5x for the wholesale business. Our P/E and EV/EBITDA analyses (2012 earnings) yield values of $47 and $36.

Risks

We rate AGL Low Risk. Our Risk rating is based on a stable stream of earnings from the utility, constructive relationships with regulators and relatively high debt rating (A- by S&P). We also now believe the retail business is low risk. Over the years, the retail business has proven to be a stable generator cash flow. We still believe the wholesale gas business will be volatile; however, this is now a small component of AGL's earnings.

Regulatory: AGL has a constructive relationship with its regulators in Georgia, Virginia and New Jersey. We believe these states have generally been constructive when it comes to rate setting for gas utilities.

Market and Counterparty Risk: AGL's wholesale segment is exposed to counterparty risk since it deals with over 270 counterparties and re-contracting risk related to its asset management activities and adverse movements in commodity prices. However, as earnings from the utilities have grown over time, Wholesale is now only 4% of the business.

Customer growth: An unexpected increase or decrease in population could affect earnings and cash flows (favorably or unfavorably).

Capital Markets: AGL is a relatively small utility in terms of market cap and trading volumes, impacting AGL's ability to access capital markets while this type of liquidity may make it difficult for institutional. We believe the recent announced merger with Nicor will alleviate some of this risk.

Integration risk: AGL has a history of M&A. The integration of the Nicor (GAS) deal could face challenges given AGL's entrance into a new regional territory and scrutiny from regulators in arriving at cost cuts to generate value from the deal.

If the impact on the company from any of these factors proves to be less or more than we anticipate, the stock could materially outperform or underperform our target.

Atmos Energy Corp

Company description

Atmos Energy is an integrated natural gas company headquartered in Texas. The company distributes natural gas to over 3 million customers in 12 states, operates pipeline systems and storage facilities and provides natural gas marketing services through its subsidiary Atmos Energy Marketing.

We estimate ATO will grow utility rate base by over 4% annually over the next five years. 94% of utility margins are weather normalized. Furthermore, 86% of rates are adjusted annually (without the need for rate cases) or are decoupling from demand. Only Colorado, Illinois and Iowa (~5% of rate base) do not have mechanisms in place for either decoupling or weather normalization

Investment strategy

We rate Atmos Energy Hold / Low Risk (2L). Our Hold rating on ATO is premised on the company's limited growth profile and lack of near-term catalysts. Atmos generates stable earnings from a mostly regulated utility asset base with low single-digit EPS growth and a stable dividend over the next five years.

We expect ATO will continue to grow earnings by investing in its regulated asset base, which we estimate will grow by 4% annually over the next five years. 86% of rates are adjusted annually without the need to enter costly and risky rate cases.

Valuation

We average multiple valuation methodologies to derive our $35 target.

Our NAV yields a value of $37. We value regulated assets at a multiple of rate base (1.5x for utilities). We value the pipeline assets at 8x '11 EBITDA and the marketing business at 5x '10 EBITDA. These values are partially offset by the company's net debt.

Our DDM values the company at $34. We calculate a hypothetical dividend, based on ATO's regulated capital growth, authorized returns and cost of equity to arrive at our DDM valuation.

Our P/E and EV/EBITDA multiples are based on our proprietary analyses, which utilizes current ERPs, current betas and projected risk-free yields. For our P/E analysis, we use multiples of 14.5X, 14.5x and 10.0x for the company's utility, pipeline/storage and marketing assets. For our EV/EBITDA analysis, we use multiples of 7.5x, 8.0x and 6.5x for the company's utility, pipeline/storage and marketing assets. Our P/E and EV/EBITDA analyses (2012 earnings) yield values of $36 and $35.

Risks

Our Low Risk rating is based on stable regulated earnings (80%+ earnings), offset by earnings volatility at the company's marketing unit.

If the impact on the company from any of the following factors proves to be greater or less than we anticipate, the company could fail to achieve/exceed our target price.

Capital Investment Recovery – ATO, relying on future rates, spends capital to maintain and expand pipeline and utility systems. A politicized commission could delay or put at risk this recovery.

Customer Growth – An unexpected increase or decrease in population could affect earnings substantially, either favorably or unfavorably.

Capital Markets – ATO is a relatively small utility in terms of market cap and trading volumes, impacting ATO's ability to access capital markets while this type of liquidity may make it difficult for institutional investors to trade in and out of the stock.

ATO operates a gas marketing business. Our research shows that ATO hedges their physical delivery of gas using its access to storage and pipeline transportation capacity. If the financial hedges and local markets become dislocated, ATO could incur a liability.

Integrys Energy Group, Inc.

Company description

Integrys Energy Group (TEG) operates as a natural gas and electric utility with over 2 million customers in Minnesota, Wisconsin, Michigan, and Illinois. Integrys also

offers retail and wholesale energy services. Wisconsin Public Service Corporation (WPSC) merged with People's Energy Corporation (PEC) in February 2007 to form Integrys Energy Group.

During 2009, TEG announced plans to scale back or sell its Energy Services segment. We expect removal of these assets by end of 2010.

Investment strategy

We rate TEG Hold/Medium (2M).

Our Hold rating on Integrys Energy Group (TEG) takes into account the company's recent outperformance, related to a move by investor's towards higher yielding stocks.

The company has undergone tremendous change over the last couple years through multiple acquisitions and divestitures.

As TEG exits its energy services business and provides better visibility on its earnings growth platform based on its remaining businesses, we feel the stock could justify a premium, but at its current level, the premium is too high.

Valuation

We use the average of multiple valuation methodologies to derive our $51 target.

Our NAV yields a value of $59.41. We value regulated assets at a multiple of rate base (1.5x for utilities). A 10% discount is applied to Peoples Gas, which earns below its authorized return level. We value TEG's retail operations at 5x EBITDA. The company's ownership in FERC regulated transmission is valued at 14.4x earnings, which is derived from our dividend discount analysis for that unit. These values are partially offset by the company's net debt.

Our DDM values the company at $47. Through this analysis, we value each utility by determining earnings and cash flow potential based on regulated asset base and authorized returns.

Our P/E and EV/EBITDA multiples are based on our proprietary analyses, which utilize current equity risk premiums, current betas and projected risk-free yields. For our P/E analysis, we use a multiple of 14.5x for the company's utility assets. For our EV/EBITDA analysis, we use a multiple of 7.5x for the company's utility assets. For the company's FERC regulated transmission, we derive a multiple of 13.5X earnings from our dividend discount model for the unit. We value the retail operations in line with trading businesses at 8x earnings and 5x EBITDA. Our P/E and EV/EBITDA analyses (based on 2012 estimates) yield values of $45 and $53.

Risks

Our Medium Risk rating is based on improving visibility on the direction of the Energy Services business, less volatility and larger percentage contribution of earnings from the regulated operations.

Capital Investment – TEG spends capital in excess of depreciation to maintain and expand its utility, relying on adequate base rates to earn its cost of capital. We assume regular, fair rate relief.

Concentration in the Midwest – Changes in the economy in TEG's service areas could increase or decrease the need for gas and power.

Weather Fluctuations – Without weather normalization or decoupling rate mechanisms at all its gas and electric utilities, TEG is exposed to fluctuations in temperatures and conservation.

Higher Gas and Purchased Power Costs – TEG may encounter energy costs, which are generally passed on to customers, but lead to near term working capital requirements.

Marketing Business – TEG's energy marketing business continually enters into forwards and options which may create unanticipated gains and losses depending on any changes in contract values. Uncertainty surrounding the future of this business and collateral requirements may also impact the value of the stock.

Short Interest - A significant short interest in the stock could lead to near-term volatility.

If the impact on the company from any of these factors is more or less than we expect, the stock could outperform or underperform our target.

NiSource Inc

Company description

NiSource Inc (NI) is, primarily, a regulated utility with an integrated network of gas distribution, transportation, and storage assets in the Northeast, Mid-Atlantic, and Midwest. NiSource also operates an electric utility in Northern Indiana.

The company operates four business units, including Gas Distribution, which delivers natural gas in several states; Gas Transmission and Storage Operations, which provide interstate natural gas transmission and storage services from the Gulf of Mexico to the Northeast; Electric Operations, which consist of NiSource's regulated electric utility, Northern Indiana Public Service Company (NIPSCo); and Other Operations, which include energy-related services and a co-generation facility.

Investment strategy

We rate the shares of NiSource Hold/Medium Risk (2M).

NI provides long-term earnings power of $1.40 per share, including growth from expected rate increases at Nisource's utilities. Our estimates do not include substantial industrial load growth at the utility or the potential for a build out of NI's pipeline and storage assets, which have a favorable footprint in the Marcellus Shale.

Valuation

We average multiple valuation methodologies to derive our $21 target.

Our NAV yields a value of $23.70. We value regulated assets at a multiple of rate base. These values are partially offset by the company's net debt. Based on regulatory uncertainty at NIPSCo, we apply a 15% discount to our typical utility multiple at the company's utility.

Our DDM, which incorporates our rate base growth assumptions, values the company at $17.84.

Our P/E and EV/EBITDA multiples (2012 estimates) are based on our proprietary analyses, which utilize current equity risk premiums, current betas and projected risk-free yields. For our P/E analysis, we use multiples of 14.5X and 14.5x for the company's utility and pipeline assets. For our EV/EBITDA analysis, we use multiples of 7.5x and 8.0x for the company's utility and pipeline assets. Our P/E and EV/EBITDA analyses yield values of $22.35 and $18.84.

Risks

We rate NI Medium Risk as stability surrounding the company's highly regulated asset base is offset by uncertainty surrounding major rate cases at the utilities and potential upside from pipeline and storage asset growth into productive shale plays.

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.

Weather – Changes in weather impact the stability of earnings.

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.

Pipeline Capacity Contracts — The risk of re-contracting pipeline capacity at lower rates, upon contract expiration, could have a material impact on earnings.

Uplift from an MLP – Currently, we do not include any uplift from NiSource pursuing an MLP strategy. However, significant upside may exist if the Company is able to successfully implement this strategy.

If the impact on the company from any of these factors proves to be greater/less than we anticipate, it may prevent the stock from achieving our target price or could cause the stock price to materially under/outperform our target.

Vectren Corp

Company description

Vectren operates regulated electric and gas utilities in Indiana and Ohio, distributing natural gas to about 1 million customers and serving about 140,000 electric customers. The utilities represent over 80% of VVC's earnings. Vectren also operates non-regulated businesses, including coal mining, pipeline construction, and gas marketing.

Investment strategy

We rate Vectren shares Hold/Medium Risk. We believe the stock is fairly valued as a constructive regulatory environment is offset by concerns over the impact of flat basis spreads on the gas marketing operations and light demand for the coal mining unit.

Over 80% of earnings at VVC are derived from operations at the gas and electric utilities. In late 2009, the company's sole electric utility filed for rate relief. We expect resolution of this matter by year-end. In addition to rate relief, we expect growth at the utility will be arise from infrastructure riders, which allow timely returns on capital spending and customer growth.

The non-regulated operations include coal mining, gas marketing, pipeline construction and energy services. Coal mining and gas marketing operations have been hampered as of late due to reduced coal demand and thinning basis spreads.

Valuation

We average multiple valuation methodologies to derive our $26 target.

Our NAV yields a value of $28. We value regulated assets at a multiple of rate base (1.5x for gas utilities). We value ProLiance at 8x earnings, in-line with our estimated marketing multiple. The company's coal mining and energy services segments are valued at 6x and 5x 2011 EBITDA, based on midstream and marketing multiples. These values are partially offset by the company's net debt.

Our DDM values the company at $23. We calculate a hypothetical dividend, based on VVC's regulated capital growth, authorized returns and cost of equity to arrive at our DDM valuation.

Our P/E and EV/EBITDA multiples are based on our proprietary analyses, which utilize current equity risk premiums, current betas and projected risk-free yields. For our P/E analysis, we use 2012 multiples of 14.5x and 10x for the company's utility and unregulated assets. For our EV/EBITDA analysis, we use multiples of 7.5x and 5.5x for the company's utility and unregulated assets. Our P/E and EV/EBITDA analyses yield values of $29 and $23.

Risks

Our Medium Risk rating is based on stable regulated earnings from the utilities and regulated coal deliveries to its utility affiliate, offset by uncertainties surrounding marketing, coal mining and energy services earnings. The following are risks to our target price:

Capital Investment Growth — VVC spends capital to maintain and expand its utility systems. VVC relies on adequate base rates to earn its cost of capital.

Concentration in the Midwest — Changes in the service area's economy could reduce demand for power.

Gas and Purchased Power Costs — Higher costs can lead to higher working capital requirements and interest expense.

Coal Margins — Key drivers behind the performance of the coal mining unit include coal prices, volumes and costs, which are all volatile.

Non-Regulated Business — VVC's unregulated business continually enters into forwards and options that may create unanticipated losses.

Capital Markets — VVC is a relatively small utility in terms of market cap and volume compared with other utilities. This may affect its ability to access the capital markets.

Customer Growth — An unexpected increase or decrease in population could affect earnings substantially.

Events that would present upside risk to our target price include: 1) an improving economy in Vectren's service areas; 2) increased natural gas price volatility, including wider summer/winter differentials; and 3) improvements in coal production volumes and per unit margins.

Appendix A-1

Analyst Certification

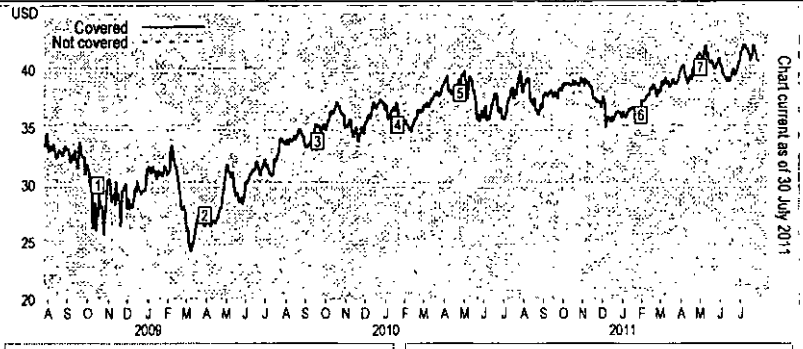
The research analyst(s) primarily responsible for the preparation and content of this research report are named in bold text in the author block at the front of the product except for those sections where an analyst's name appears in bold alongside content which is attributable to that analyst. Each of these analyst(s) certify, with respect to the section(s) of the report for which they are responsible, that the views expressed therein accurately reflect their personal views about each issuer and security referenced and were prepared in an independent manner, including with respect to Citigroup Global Markets Inc and its affiliates. No part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) expressed by that research analyst in this report.

IMPORTANT DISCLOSURES

AGL Resources Inc (AGL)

Ratings and Target Price History
Fundamental Research

Analyst: Faisel Khan, CFA



	Date	Rating	Target Price	Closing Price
1	16-Oct-08	2M	*29.00	28.14
2	29-Mar-09	2M	*27.00	26.89
3	18-Sep-09	2M	*34.00	35.11
4	20-Jan-10	2M	*36.00	36.75
5	26-Apr-10	2M	*38.00	39.18
6	30-Jan-11	*1M	*41.00	36.09
7	2-May-11	*1L	*44.00	41.45

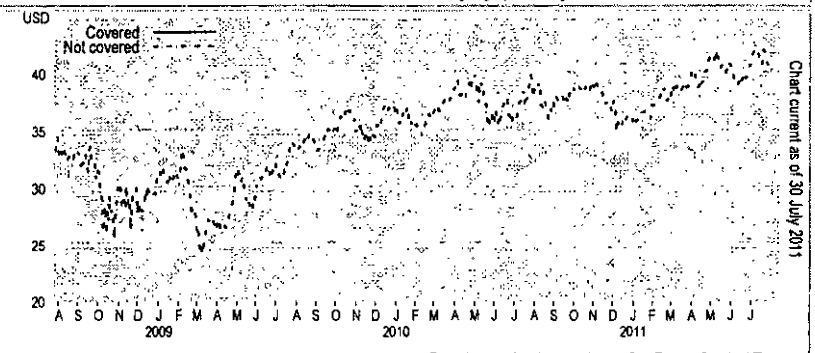
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

AGL Resources Inc (AGL)

Ratings and Target Price History
Best Ideas Research
Relative Call (3 Month)

Analyst: Faisel Khan, CFA



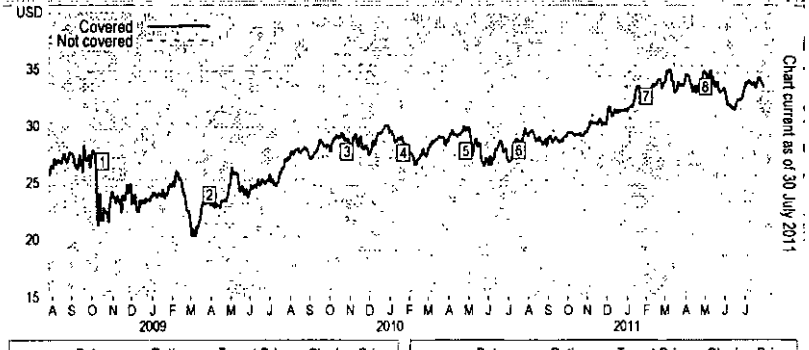
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Atmos Energy Corp (ATO)

Ratings and Target Price History
Fundamental Research

Analyst: Faisel Khan, CFA



	Date	Rating	Target Price	Closing Price
1	16-Oct-08	2M	*22.50	21.95
2	29-Mar-09	2M	*24.50	23.62
3	27-Oct-09	*2L	*28.00	28.84
4	21-Jan-10	2L	*30.00	28.55
5	27-Apr-10	2L	*31.00	29.46
6	16-Jul-10	*2M	*30.00	28.02
7	31-Jan-11	2M	*32.00	32.60
8	2-May-11	*2L	*35.00	34.61

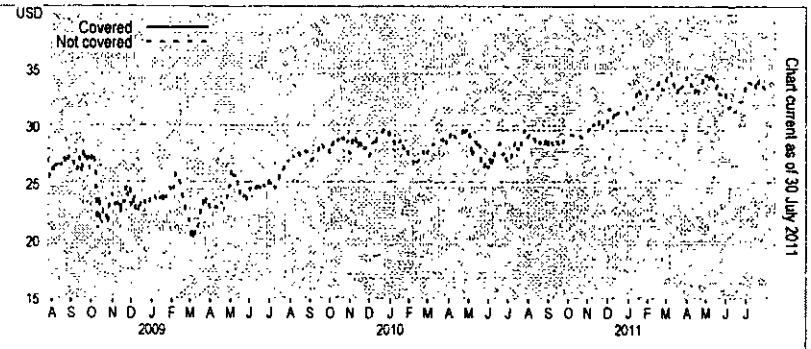
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Rating/target price changes above reflect Eastern Standard Time

Atmos Energy Corp (ATO)

Ratings and Target Price History
Best Ideas Research
Relative Call (3 Month)

Analyst: Faisel Khan, CFA



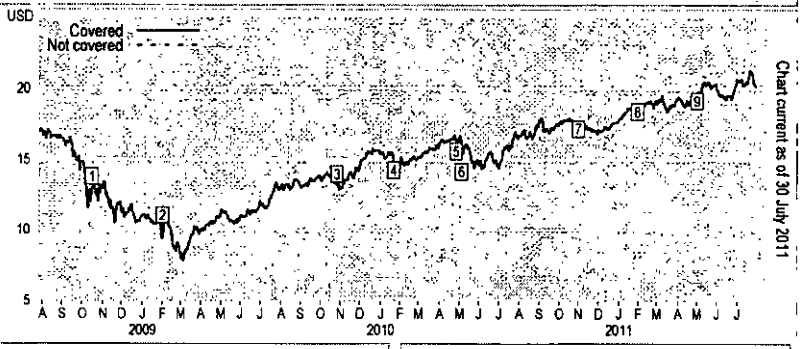
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

NiSource Inc (NI)

Ratings and Target Price History
Fundamental Research

Analyst: Faisel Khan, CFA



	Date	Rating	Target Price	Closing Price
1	16-Oct-08	*1H	*15.00	12.91
2	2-Feb-09	1H	*14.00	9.38
3	27-Oct-09	1H	*15.00	13.47
4	21-Jan-10	*2M	*16.00	14.87
5	27-Apr-10	2M	*16.50	16.27
6	5-May-10	2M	*17.00	16.20
7	1-Nov-10	2M	*18.00	17.17
8	31-Jan-11	2M	*20.00	18.62
9	2-May-11	2M	*21.00	19.52

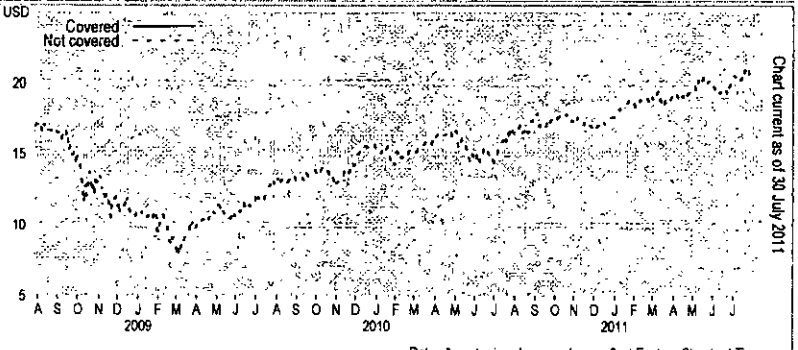
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Rating/target price changes above reflect Eastern Standard Time

NiSource Inc (NI)

Ratings and Target Price History
Best Ideas Research
Relative Call (3 Month)

Analyst: Faisel Khan, CFA



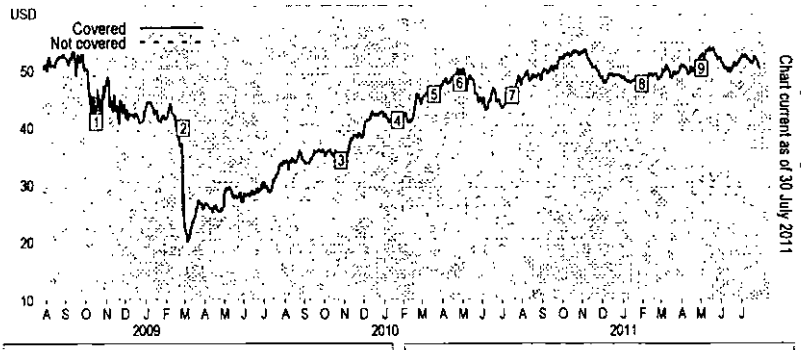
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Rating/target price changes above reflect Eastern Standard Time

Integrys Energy Group, Inc. (TEG)

Ratings and Target Price History
Fundamental Research

Analyst: Faisel Khan, CFA



	Date	Rating	Target Price	Closing Price
1	16-Oct-08	2H	*49.00	43.05
2	26-Feb-09	*2S	*27.00	26.85
3	27-Oct-09	*2H	*35.00	34.59
4	21-Jan-10	2H	*40.00	42.79
5	18-Mar-10	*3H	*42.00	46.89
6	27-Apr-10	3H	*43.00	49.19
7	16-Jul-10	3H	*44.00	45.60
8	31-Jan-11	*2H	*46.00	47.59
9	2-May-11	*2M	*51.00	52.48

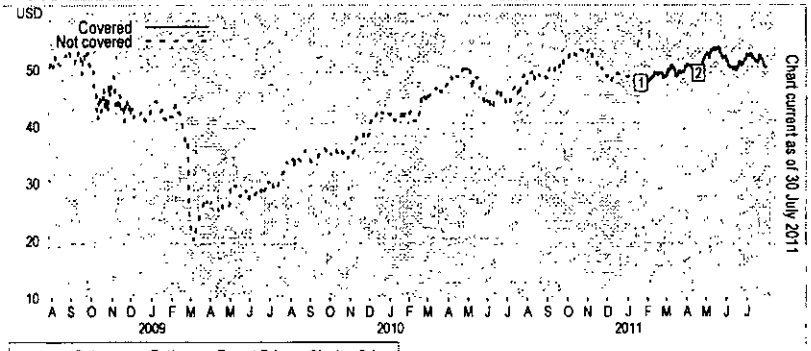
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Rating/target price changes above reflect Eastern Standard Time

Integrys Energy Group, Inc. (TEG)

Ratings and Target Price History
Best Ideas Research
Relative Call (3 Month)

Analyst: Faisel Khan, CFA



	Date	Rating	Target Price	Closing Price
1	20-Jan-11	*ADD LP	-	48.32
2	19-Apr-11	*REM LP	-	49.68

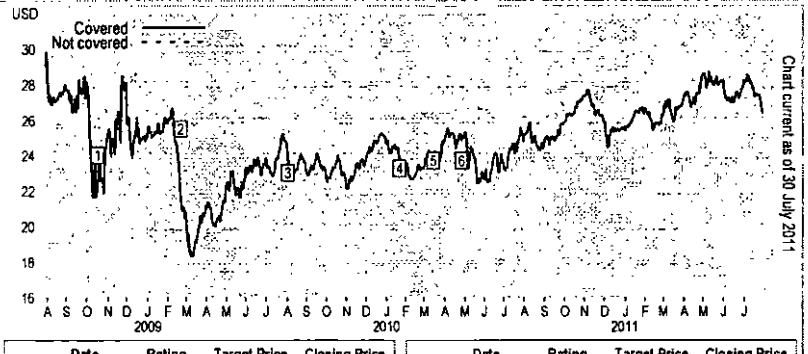
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Vectren Corp (VVC)

Ratings and Target Price History
Fundamental Research

Analyst: Faisel Khan, CFA

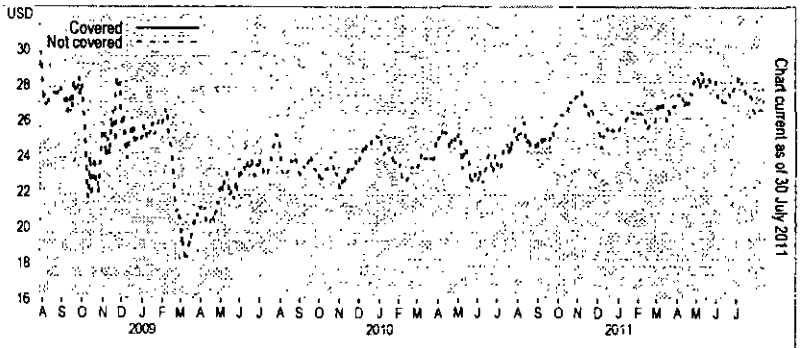


	Date	Rating	Target Price	Closing Price
1	16-Oct-08	1M	*28.00	22.14
2	19-Feb-09	1M	*25.00	21.99
3	2-Aug-09	*2M	25.00	24.58
4	21-Jan-10	2M	*26.00	23.80
5	15-Mar-10	2M	*25.00	23.92
6	27-Apr-10	2M	*26.00	24.83

* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Vectren Corp (VVC)
Ratings and Target Price History
Best Ideas Research
Relative Call (3 Month)
Analyst: Faisel Khan, CFA



* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Within the past 12 months, Citigroup Global Markets Inc. or its affiliates has acted as manager or co-manager of an offering of securities of NiSource Inc, Integrys Energy Group, Inc..

Citigroup Global Markets Inc. or its affiliates has received compensation for investment banking services provided within the past 12 months from NiSource Inc, Integrys Energy Group, Inc..

Citigroup Global Markets Inc. or its affiliates expects to receive or intends to seek, within the next three months, compensation for investment banking services from NiSource Inc.

Citigroup Global Markets Inc. or an affiliate received compensation for products and services other than investment banking services from AGL Resources Inc, Atmos Energy Corp, NiSource Inc, Integrys Energy Group, Inc., Vectren Corp in the past 12 months.

Citigroup Global Markets Inc. currently has, or had within the past 12 months, the following as investment banking client(s): NiSource Inc, Integrys Energy Group, Inc..

Citigroup Global Markets Inc. currently has, or had within the past 12 months, the following as clients, and the services provided were non-investment-banking, securities-related: AGL Resources Inc, Atmos Energy Corp, NiSource Inc, Integrys Energy Group, Inc., Vectren Corp.

Citigroup Global Markets Inc. currently has, or had within the past 12 months, the following as clients, and the services provided were non-investment-banking, non-securities-related: Atmos Energy Corp, NiSource Inc, Integrys Energy Group, Inc..

Analysts' compensation is determined based upon activities and services intended to benefit the investor clients of Citigroup Global Markets Inc. and its affiliates ("the Firm"). Like all Firm employees, analysts receive compensation that is impacted by overall firm profitability which includes investment banking revenues.

The Firm is a market maker in the publicly traded equity securities of Integrys Energy Group, Inc..

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Citi Investment Research & Analysis Ratings Distribution

	12 Month Rating			*Relative Rating*		
Data current as of 30 Jun 2011	**Buy**	**Hold**	**Sell**	**Buy**	**Hold**	**Sell**
Citi Investment Research & Analysis Global Fundamental Coverage	54%	36%	11%	10%	81%	10%
% of companies in each rating category that are investment banking clients	45%	41%	42%	50%	42%	44%

Guide to Citi Investment Research & Analysis (CIRA) Fundamental Research Investment Ratings:
CIRA's stock recommendations include a risk rating and an investment rating.
Risk ratings, which take into account both price volatility and fundamental criteria, are: Low (L), Medium (M), High (H), and Speculative (S).
Investment ratings are a function of CIRA's expectation of total return (forecast price appreciation and dividend yield within the next 12 months) and risk rating.
Analysts may place covered stocks "Under Review" in response to exceptional circumstances (e.g. lack of information critical to the analyst's thesis) affecting the company and/or trading in the company's securities (e.g. trading suspension). Stocks placed "Under Review" will be monitored daily by management. As soon as practically possible, the analyst will publish a note re-establishing a rating and investment thesis.
To satisfy regulatory requirements, we correspond Under Review to Hold in our ratings distribution table for our 12-month fundamental rating system. However, we reiterate that we do not consider Under Review to be a recommendation.
Relative three-month ratings: CIRA may also assign a three-month relative call (or rating) to a stock to highlight expected out-performance (most preferred) or under-performance (least preferred) versus the analyst's coverage universe over a 3 month period. The relative call may highlight a specific near-term catalyst or event impacting the company or the market that is anticipated to have a short-term price impact on the equity securities of the company. Absent any specific catalyst the analyst(s) will indicate the most and least preferred stocks in his coverage universe, explaining the basis for this short-term view. This three-month view may be different from and does not affect a stock's fundamental equity rating, which reflects a longer-term total

absolute return expectation. For purposes of NASD/NYSE ratings-distribution-disclosure rules, most preferred calls correspond to a buy recommendation and least preferred calls correspond to a sell recommendation. Any stock not assigned to a most preferred or least preferred call is considered non-relative-rated (NRR). For purposes of NASD/NYSE ratings-distribution-disclosure rules we correspond NRR to Hold in our ratings distribution table for our 3-month relative rating system. However, we reiterate that we do not consider NRR to be a recommendation.

For securities in developed markets (US, UK, Europe, Japan, and Australia/New Zealand), investment ratings are:Buy (1) (expected total return of 10% or more for Low-Risk stocks, 15% or more for Medium-Risk stocks, 20% or more for High-Risk stocks, and 35% or more for Speculative stocks); Hold (2) (0%-10% for Low-Risk stocks, 0%-15% for Medium-Risk stocks, 0%-20% for High-Risk stocks, and 0%-35% for Speculative stocks); and Sell (3) (negative total return).

Investment ratings are determined by the ranges described above at the time of initiation of coverage, a change in investment and/or risk rating, or a change in target price (subject to limited management discretion). At other times, the expected total returns may fall outside of these ranges because of market price movements and/or other short-term volatility or trading patterns. Such interim deviations from specified ranges will be permitted but will become subject to review by Research Management. Your decision to buy or sell a security should be based upon your personal investment objectives and should be made only after evaluating the stock's expected performance and risk.

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Citigroup Global Markets Inc	Faisel Khan, CFA; Amit Marwaha

OTHER DISCLOSURES

The subject company's share price set out on the front page of this Product is quoted as at 29 July 2011 04:00 PM on the issuer's primary market.

Citigroup Global Markets Inc. and/or its affiliates has a significant financial interest in relation to Atmos Energy Corp, NiSource Inc, Integrys Energy Group, Inc.. (For an explanation of the determination of significant financial interest, please refer to the policy for managing conflicts of interest which can be found at www.citigroupgeo.com.)

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Equities

2 August 2011 | 10 pages

NiSource Inc (NI)

2Q In-line; Utica Potential Unknown; EPS Growth Moving Along

■ Company Update

- **EPS** – NI reported adjusted EPS of $0.14 per share, a cent lower than our estimate. Total operating income was $162 mm, slightly higher than our estimate of $160 mm. Compared to our estimates, the LDC results were higher than anticipated but lower than we expected on Electric & GT&S segments, primarily on higher costs.

- **Gas Utility** – 2Q EBIT was $49 mm ($46 mm adjusted for weather), compared to our estimate of $33 mm on lower depreciation and higher margins partially offset by higher operating expenses. New rates with a higher fixed billing component at the LDC are impacting seasonal variations in our estimates.

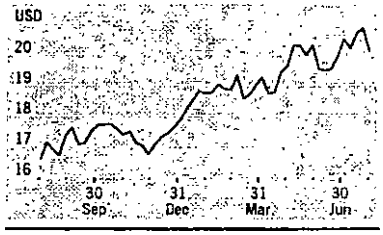
- **Electric** – 2Q EBIT was $37 mm, lower than our estimate of $42 mm. Margins were flat over last year and in-line with our estimates, but O&M costs were ~$10 mm higher than we anticipated on higher planned generation costs. Industrial volumes were 10% higher than our estimates. Management explained the results as transitory as economic recovery in the region was selective, but overall constructive. A settlement was also reached on a rate case. Please see our (note) for details.

- **Transmission & Storage** – 2Q EBIT was $85 mm vs. our estimate of $95 mm on the quarter. Expenses were more than 6% higher than our estimate on higher labor and administrative related costs. This accounted for the bulk of the difference to our estimate. Throughput volumes on Columbia Gas Transmission were 15% lower than we estimated primarily a result of our timing assumptions of new projects coming on-line. Three transmission projects are planned to come on-line later this year, providing access to the interstate pipeline grid within the Marcellus footprint.

- **Recommendation** – We continue to rate NI Hold pending additional analysis on how much mineral rights NI controls in and around their storage facilities in Ohio (Utica). NI controls 775K acreage mostly associated with its storage fields (see maps in note) across multiple states including PA and OH.

Hold/Medium Risk	2M
Price (02 Aug 11)	US$20.40
Target price	US$21.00
Expected share price return	2.9%
Expected dividend yield	4.5%
Expected total return	**7.5%**
Market Cap	US$5,714M

Price Performance
(RIC: NI.N, BB: NI US)



EPS	Q1	Q2	Q3	Q4	FY	FC Cons
2010A	0.72A	0.10A	0.06A	0.32A	1.19A	1.22A
2011E	**0.72A**	**0.15E**	**0.10E**	**0.46E**	**1.41E**	**1.34E**
Previous	0.72A	0.15E	0.10E	0.46E	1.41E	na
2012E	**0.75E**	**0.17E**	**0.11E**	**0.46E**	**1.49E**	**1.45E**
Previous	0.75E	0.17E	0.11E	0.46E	1.49E	na
2013E	**0.75E**	**0.18E**	**0.13E**	**0.47E**	**1.53E**	**1.50E**
Previous	0.75E	0.18E	0.13E	0.47E	1.53E	na

Source: Company Reports and dataCentral, CIR. FC Cons: First Call Consensus.

Faisel Khan, CFA
+1-212-816-2825
faisel.khan@citi.com

Amit Marwaha
amit.marwaha@citi.com

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Fiscal year end 31-Dec	2009	2010	2011E	2012E	2013E
Valuation Ratios					
P/E adjusted (x)	20.3	17.1	14.4	13.7	13.3
EV/EBITDA adjusted (x)	10.6	10.1	9.5	8.8	8.5
P/BV (x)	1.2	1.2	1.1	1.1	1.1
Dividend yield (%)	4.5	4.5	5.6	4.5	4.5
Per Share Data (US$)					
EPS adjusted	1.00	1.19	1.41	1.49	1.53
EPS reported	0.79	1.21	1.41	1.49	1.53
BVPS	17.57	17.58	17.85	18.38	18.64
DPS	0.92	0.92	1.15	0.92	0.92
Profit & Loss (US$M)					
Net sales	6,297	5,816	5,872	6,158	6,283
Operating expenses	-5,457	-4,921	-4,877	-5,083	-5,171
EBIT	**840**	**895**	**995**	**1,075**	**1,113**
Net interest expense	-399	-392	-375	-380	-380
Non-operating/exceptionals	19	19	13	8	2
Pre-tax profit	**459**	**522**	**633**	**703**	**734**
Tax	-183	-188	-223	-253	-264
Extraord./Min.Int./Pref.div.	-59	3	0	0	0
Reported net income	**218**	**337**	**410**	**450**	**470**
Adjusted earnings	277	334	410	450	470
Adjusted EBITDA	1,429	1,491	1,616	1,744	1,811
Growth Rates (%)					
Sales	-29.1	-7.6	1.0	4.9	2.0
EBIT adjusted	-8.6	6.5	11.2	8.0	3.5
EBITDA adjusted	-3.8	4.4	8.3	7.9	3.8
EPS adjusted	-22.8	19.0	18.5	5.1	2.8
Cash Flow (US$M)					
Operating cash flow	**1,905**	**828**	**937**	**1,172**	**1,149**
Depreciation/amortization	589	596	621	669	698
Net working capital	686	-414	-216	53	-19
Investing cash flow	**-655**	**-943**	**-976**	**-1,067**	**-1,067**
Capital expenditure	-777	-804	-1,010	-1,067	-1,067
Acquisitions/disposals	6	1	0	0	0
Financing cash flow	**-1,000**	**211**	**-232**	**-61**	**-283**
Borrowings	-770	453	-131	0	0
Dividends paid	-253	-256	-265	-278	-283
Change in cash	**-4**	**38**	**-285**	**44**	**-201**
Balance Sheet (US$M)					
Total assets	**19,272**	**19,939**	**19,894**	**20,437**	**20,230**
Cash & cash equivalent	191	212	165	165	165
Accounts receivable	809	1,178	1,077	1,175	1,064
Net fixed assets	10,684	11,097	11,459	11,858	11,953
Total liabilities	**14,418**	**15,016**	**14,712**	**14,867**	**14,500**
Accounts payable	502	582	394	485	326
Total Debt	6,787	7,353	7,503	7,459	7,478
Shareholders' funds	**4,854**	**4,923**	**5,181**	**5,570**	**5,729**
Profitability/Solvency Ratios (%)					
EBITDA margin adjusted	22.7	25.6	27.5	28.3	28.8
ROE adjusted	5.8	6.8	8.1	8.4	8.3
ROIC adjusted	4.0	4.2	4.4	4.6	4.7
Net debt to equity	135.9	145.0	141.6	131.0	127.6
Total debt to capital	58.3	59.9	59.2	57.2	56.6

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NiSource Q2 Quarterly Results Comparison

Figure 1. Actual vs. Estimates

Q2 2011 Expectations

Operating Income	Actual	Estimate	Variance	EPS Impact	Reason for Material Variance
Gas Distribution	48.7	33.2	47%	$0.03	Lower D&A expenses
Gas Transmission & Storage	84.7	95.3	-11%	($0.02)	Higher generation costs
Electric	37.3	42.2	-12%	($0.01)	Cost overruns on O&M
Corporate/Other	(8.5)	(9.8)	-13%	$0.00	N/A

Other	Actual	Estimate	Variance	EPS Impact	Reason for Variance
Interest Expense	(94.4)	(95.0)	-1%	($0.00)	In-line, $400 mm 30 yr notes issued in Q2
Effective Tax Rate	33.3%	36.0%	-7%	$0.00	Lower than expected
Share Count	280.2	288.2	-3%	$0.00	Lower than expected

Electric Sales (Gwh)	Actual	Estimate	Variance (Total)	Variance (%)	Reason for Variance
Residential	784.4	812.5	(28)	-3%	Expected to be flat over last year
Commercial	946.6	954.4	(8)	-1%	Same as residential
Industrial	2,325.7	2116.3	209	10%	Economic growth in selective areas
Wholesale	200.2	172.3	28	16%	N/A
Other	37.1	39.8	(3)	-7%	N/A

Transmission Volumes (Dkths) - FTS	Actual	Estimate	(Total)	(%)	Reason for Variance
Columbia Transmission	204.9	235.3	(30)	-13%	S. Appalachian & Clendenin Projects completed
Columbia Gulf	263.1	196.8	66	34%	N/A

Source: Citi Investment Research and Analysis

Utica Speculative Potential

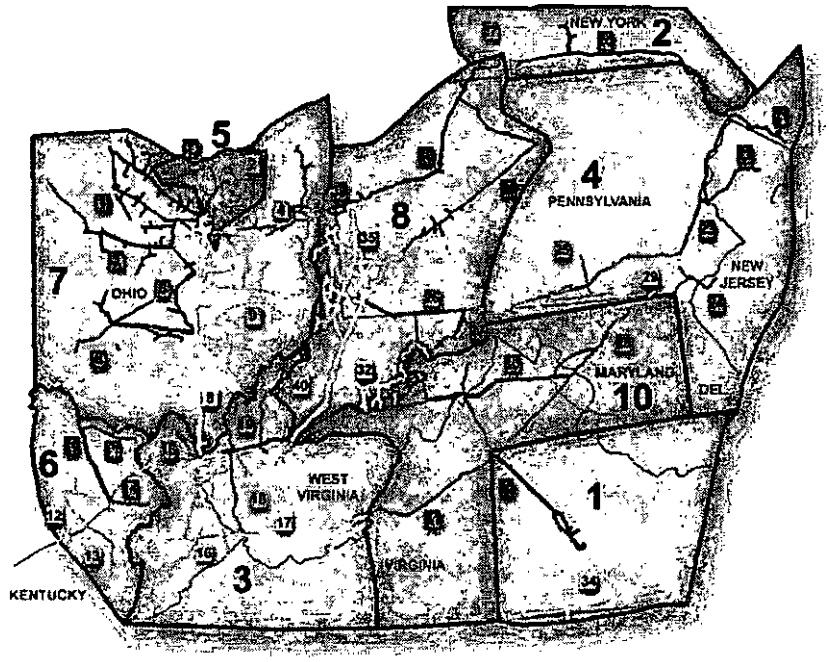
There was discussion on the earnings call surrounding the potential exposure NI has within the Utica shale. The CEO suggested the company has a "significant" acreage position within the region although no specific data point was revealed.

NI's latest 10-K reveals that the GT&S division, Columbia Transmission owns & leases ~775 k acres of underground storage, 3,518 storage wells, 11,193 miles of interest in state pipelines that span across Delaware, Kentucky, Maryland, New Jersey, New York, North Carolina, Ohio, Pennsylvania, Virginia and West Virginia.

We approximate that a third of the 775k acreage is located in Ohio given NI's storage assets in the state. Chesapeake Energy (CHK) recently announced a potentially oil-rich find within the region (Chesapeake Energy Corp (CHK) - Q2'11 Wrap-Up: Capex Up Again; Ohio Utica Shale Play Touted). It is possible that NI's gas storage fields may sit adjacent to this basin and allow NI to monetize their mineral rights in the region. However, we are in the early stages of this discovery and without more detail it is speculation at this point to estimate any valuation uplift.

See maps below.

Figure 2. Columbia Gas Transmission Delivery Points



Source: Columbia Gas Transmission

Figure 3. Utica Shale



Source: Chesapeake Energy

NiSource Inc

Company description

NiSource Inc (NI) is, primarily, a regulated utility with an integrated network of gas distribution, transportation, and storage assets in the Northeast, Mid-Atlantic, and Midwest. NiSource also operates an electric utility in Northern Indiana.

The company operates four business units, including Gas Distribution, which delivers natural gas in several states; Gas Transmission and Storage Operations, which provide interstate natural gas transmission and storage services from the Gulf of Mexico to the Northeast; Electric Operations, which consist of NiSource's regulated electric utility, Northern Indiana Public Service Company (NIPSCo); and Other Operations, which include energy-related services and a co-generation facility.

Investment strategy

We rate the shares of NiSource Hold/Medium Risk (2M).

NI provides long-term earnings power of $1.40 per share, including growth from expected rate increases at Nisource's utilities. Our estimates do not include substantial industrial load growth at the utility or the potential for a build out of NI's pipeline and storage assets, which have a favorable footprint in the Marcellus Shale.

Valuation

We average multiple valuation methodologies to derive our $21 target.

Our NAV yields a value of $23.70. We value regulated assets at a multiple of rate base. These values are partially offset by the company's net debt. Based on regulatory uncertainty at NIPSCo, we apply a 15% discount to our typical utility multiple at the company's utility.

Our DDM, which incorporates our rate base growth assumptions, values the company at $17.84.

Our P/E and EV/EBITDA multiples (2012 estimates) are based on our proprietary analyses, which utilize current equity risk premiums, current betas and projected risk-free yields. For our P/E analysis, we use multiples of 14.5X and 14.5x for the company's utility and pipeline assets. For our EV/EBITDA analysis, we use multiples of 7.5x and 8.0x for the company's utility and pipeline assets. Our P/E and EV/EBITDA analyses yield values of $22.35 and $18.84.

Risks

We rate NI Medium Risk as stability surrounding the company's highly regulated asset base is offset by uncertainty surrounding major rate cases at the utilities and potential upside from pipeline and storage asset growth into productive shale plays.

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.

Weather – Changes in weather impact the stability of earnings.

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.

Pipeline Capacity Contracts — The risk of re-contracting pipeline capacity at lower rates, upon contract expiration, could have a material impact on earnings.

Uplift from an MLP – Currently, we do not include any uplift from NiSource pursuing an MLP strategy. However, significant upside may exist if the Company is able to successfully implement this strategy.

If the impact on the company from any of these factors proves to be greater/less than we anticipate, it may prevent the stock from achieving our target price or could cause the stock price to materially under/outperform our target.

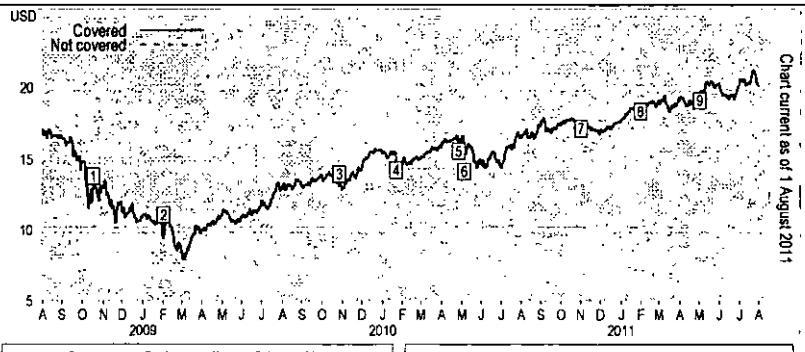
Appendix A-1

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NiSource Inc (NI)
Ratings and Target Price History
Fundamental Research
Analyst: Faisel Khan, CFA

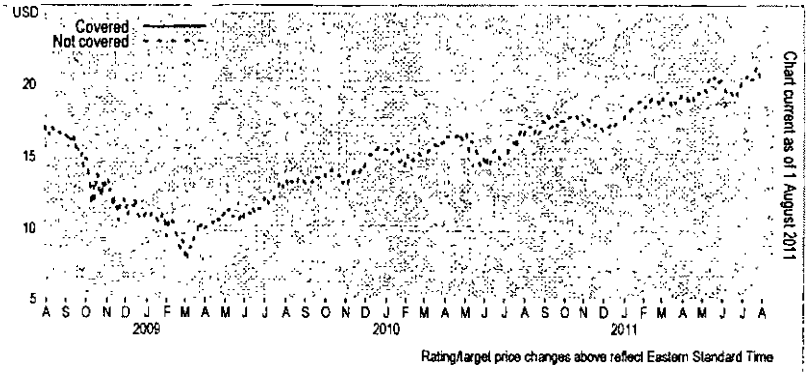


	Date	Rating	Target Price	Closing Price
1	16-Oct-08	*1H	*15.00	12.91
2	2-Feb-09	1H	*14.00	9.38
3	27-Oct-09	1H	*15.00	13.47
4	21-Jan-10	*2M	*16.00	14.87
5	27-Apr-10	2M	*16.50	16.27
6	5-May-10	2M	*17.00	16.20
7	1-Nov-10	2M	*18.00	17.17
8	31-Jan-11	2M	*20.00	18.82
9	2-May-11	2M	*21.00	19.52

* 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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Data current as of 30 Jun 2011	**Buy**	**Hold**	**Sell**	**Buy**	**Hold**	**Sell**
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ADDITIONAL INFORMATION IS AVAILABLE UPON REQUEST

CREDIT SUISSE

02 August 2011
Americas/United States
Equity Research
Natural Gas

NiSource Inc (NI)

Rating	**NEUTRAL***
Price (02 Aug 11, US$)	20.40
Target price (US$)	(from 20.00) 21.00[1]
52-week price range	21.26 - 16.50
Market cap. (US$ m)	5,713.70
Enterprise value (US$ m)	12,726.03

*Stock ratings are relative to the relevant country benchmark.
[1]Target price is for 12 months.

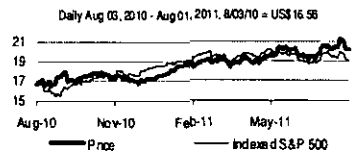
INCREASE TARGET PRICE

2011 Remains on Track; NGTS Growth Story Continues to Develop

- **2Q11 Results Slightly Ahead of Estimates:** NI reported 2Q11 EBIT of $162mm slightly ahead of our estimate of $160mm driven by better than expected Gas Distribution results. Net income of $46mm also exceeded our estimate of $39mm aided by lower interest expense. NI reaffirmed its FY2011 EPS guidance of $1.25–1.35.
- **NIPSCO Rate Case Resolution an Incremental Positive:** While still waiting for final approval from IURC, NIPSCO's new rates are likely to be implemented at the beginning of 2012 and are expected to add about $40mm per year to earnings.
- **MLP Not on the Table at the Moment:** NI noted that it is currently not pursuing the creation of an MLP for its gas transmission and storage assets. However, NI remains focused on growing this business and management did note that it is open to revisiting the potential for an MLP at a later date.
- **What's New:** NI is sitting on Utica shale acreage, though leasable acreage has not been disclosed. Similar to how the company exploited its Marcellus acreage, we suspect the company will lease up the acreage to third parties and focus on building infrastructure around the play. This infrastructure may include gathering & processing assets if structured in a fee-based arrangement. To note, our model does not yet ascribe any value for Utica potential.
- **Maintain Neutral; raising TP to $21 (from $20):** While maintaining our Neutral rating, we increase our TP to $21 (from $20), which is derived through a combination of P/E and sum-of-the-parts (see exhibit 2). Our TP implies a P/E multiple of 14.5x our NTM EPS est. of $1.44.

Research Analysts
Yves Siegel, CFA
212 325 8462
yves.siegel@credit-suisse.com

Share price performance



On 08/01/11 the S&P 500 index closed at 1286.94

Quarterly EPS	Q1	Q2	Q3	Q4
2010A	0.71	0.13	0.04	0.33
2011E	0.72	0.16	0.09	0.40
2012E	0.74	0.20	0.11	0.41

Financial and valuation metrics

Year	12/10A	12/11E	12/12E	12/13E
EPS (CS adj.) (US$)	1.21	1.36	1.45	1.52
Prev. EPS (US$)	—	1.33	1.44	1.50
P/E (x)	16.8	15.0	14.0	13.4
P/E rel. (%)	127.6	129.5	134.2	144.4
Revenue (US$ m)	5,817.9	6,044.4	5,936.1	6,166.2
EBITDA (US$ m)	1,513.6	1,547.2	1,683.1	1,762.9
OCFPS (US$)	2.59	4.76	3.28	3.52
P/OCF (x)	6.8	4.3	6.2	5.8
EV/EBITDA (current)	8.6	8.2	7.6	7.4
Net debt (US$ m)	7,344	7,012	7,085	7,264
ROIC (%)	4.80	5.25	5.54	5.64
Number of shares (m)	280.08	IC (current, US$ m)		12,266.80
BV/share (current, US$)	17.9	EV/IC (x)		1.0
Net debt (current, US$ m)	7,031.8	Dividend (current, US$)		0.92
Net debt/tot. cap. (current, %)	123.1	Dividend yield (%)		4.5

Source: Company data, Credit Suisse estimates.

DISCLOSURE APPENDIX CONTAINS IMPORTANT DISCLOSURES, ANALYST CERTIFICATIONS, INFORMATION ON TRADE ALERTS, ANALYST MODEL PORTFOLIOS AND THE STATUS OF NON-U.S ANALYSTS. U.S. Disclosure: Credit Suisse does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the Firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

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 3.3 million customers across seven states. NI's gas transmission and storage operations comprise 15,500 miles of pipe and 640 billion cubic feet of storage capacity. The electric operations consist of its Northern Indiana utility, Northern Indiana Public Service Company (NIPSCO), which serves approximately 450,000 customers.

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 holds substantial acreage. NI also has a $4.35 billion, 20-plus year infrastructure replacement program at its gas utilities that should drive stable growth over the next several years. Through its recent forward equity sale, we believe NI has the liquidity in place to pursue an average annual capex program of approximately $1 billion starting in 2011 (note that 2011 capex is targeted at up to $1.1 billion).

Additional Color

- Details from NIPSCO rate settlement: NI agreed to a 6.98% rate of return based upon a 10.20% return on equity and a rate base of $2.7b capitalized with 46.53% of equity.
- *Decision on Columbia Gas of Pennsylvania rate case is expected during 4Q11 and is* expected to add $17mm to revenue annually.
- NI appears likely to push out the draw down on its forward equity sale until September 2012. While we have not yet modeled this assumption, we estimate the impact of pushing out the forward equity draw down to be $0.03 per share additive to our 2012 estimate.
- NI expects to at least maintain, if not grow, its 2011 capex program of $1.1b in the years ahead.
- Dividend growth is likely to resume in 2012, in our view. Based on our 2012 EPS estimate of $1.45, we believe a 5% increase in the current $0.92 dividend is attainable.

Exhibit 1: NI Quarterly Variance Table

Quarterly Variance

	2Q11 Actual	2Q11 CS Estimate	Diff.	Diff. (%)	EPS Impact Actual vs Est.	2Q10 Actual
Segment EBITDA						
Gas Distribution	92	65	27	41%	$0.09	99
NIPSCO Electric	91	112	(21)	-19%	($0.07)	101
Gas Transmission & Storage	118	121	(3)	-3%	($0.01)	106
Other	(4)	(0)	(4)	NM	($0.01)	(1)
Total EBITDA (recurring)	**297**	**298**	**(1)**	**0%**	**($0.00)**	**306**
Segment EBIT						
Gas Distribution	49	21	27	127%	$0.10	36
NIPSCO Electric	37	55	(18)	-33%	($0.06)	48
Gas Transmission & Storage	85	87	(3)	-3%	($0.01)	75
Other	(9)	(4)	(4)	96%	($0.01)	(5)
Total EBIT (recurring)	**162**	**160**	**3**	**2%**	**$0.01**	**154**
Interest Expense	94	98	(4)	-4%	($0.01)	98
Other Expenses	(1)	(0)	(1)	NM	($0.00)	(3)
Taxes	23	23	0	1%	$0.00	21
Recurring Net Income	**46**	**39**	**7**	**17%**	**$0.02**	**37**
Diluted Wtd Avg shares outstanding	285	285	0	0%		278
Recurring EPS - Basic	**$0.16**					
Recurring EPS - Diluted	**$0.16**	**$0.14**	**$0.02**	**16%**		**$0.13**
Dividend per share	**$0.23**	**$0.23**	**$0.00**	**0%**		**$0.23**

Source: Company data, Credit Suisse estimates

Exhibit 2: Sum-of-the-Parts Valuation

	2011E EBIT	D&A	2011E 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	203.2	229.3	98.8	P/E	13.5x	14.0x	14.5x	1,333.3	1,382.7	1,432.1
Natural Gas Utilities	408.6	177.5	586.1	EV/EBITDA	8.5x	9.0x	9.5x	4,981.6	5,274.7	5,567.7
Transmission and Storage	404.0	134.3	538.4	EV/EBITDA	9.5x	10.0x	10.5x	5,114.3	5,383.5	5,652.7
Total Enterprise / Equity Value	**812.6**	**311.8**						**11,429.3**	**12,040.8**	**12,652.4**
Cash & Equivalents								520.2	520.2	520.2
Short-term Debt								900.4	900.4	900.4
Long-term Debt								5,437.5	5,437.5	5,437.5
Less Net Debt								5,817.7	5,817.7	5,817.7
Total Equity Value								**5,611.5**	**6,223.1**	**6,834.7**
Shares Outstanding								300	300	300
Per Share								**$18.73**	**$20.77**	**$22.82**
Current Share Price								$19.63	$19.63	$19.63
Return								(5%)	6%	16%
Dividend per share								$0.92	$0.92	$0.92
Dividend Yield								*5%*	*5%*	*5%*
Total Return								*0%*	*11%*	*21%*
2011E EPS								$1.44	$1.44	$1.44
Implied P/E								13.1x	14.5x	15.9x

Source: Company data, Credit Suisse estimates

Exhibit 3: Changes to Model

	Old estimates							New estimates						
	3Q11E	4Q11E	2011E	2012E	2013E	2014E	2015E	3Q11E	4Q11E	2011E	2012E	2013E	2014E	2015E
Segment EBITDA														
Gas Distribution	19	190	559	583	617	648	679	19	190	586	582	616	646	677
NIPSCO Electric	140	100	454	519	529	546	562	140	100	433	519	529	546	561
Gas Transmission & Storage	122	148	541	582	616	658	703	122	148	538	584	617	658	702
Other	1	(7)	(6)	(1)	(4)	(4)	(4)	1	(7)	(10)	(2)	1	0	1
Total EBITDA (recurring)	**282**	**431**	**1,548**	**1,683**	**1,758**	**1,847**	**1,939**	**282**	**431**	**1,547**	**1,683**	**1,763**	**1,851**	**1,941**
Segment EBIT														
Gas Distribution	(26)	144	381	392	413	432	451	(26)	144	409	391	412	431	450
NIPSCO Electric	83	43	224	287	291	301	311	83	43	203	287	290	301	310
Gas Transmission & Storage	88	113	407	438	463	495	530	88	113	404	440	464	495	529
Other	(4)	(11)	(23)	(18)	(22)	(23)	(23)	(4)	(11)	(24)	(19)	(17)	(19)	(19)
Total EBIT (recurring)	**142**	**289**	**989**	**1,098**	**1,144**	**1,205**	**1,268**	**142**	**289**	**992**	**1,098**	**1,149**	**1,208**	**1,270**
Interest Expense	100	100	388	405	404	421	454	100	99	383	403	402	419	452
Other Expenses	0	0	(3)	0	0	0	0	0	0	(4)	0	(0)	0	0
Taxes	15	69	215	249	266	282	293	15	70	216	250	269	284	295
Recurring Net Income	**26**	**120**	**390**	**444**	**474**	**502**	**521**	**27**	**120**	**397**	**445**	**478**	**505**	**524**
Diluted Wtd Avg shares outstanding	298	299	292	306	314	316	318	298	299	292	306	314	316	318
Recurring EPS - Basic														
Recurring EPS - Diluted	**$0.09**	**$0.40**	**$1.34**	**$1.45**	**$1.51**	**$1.59**	**$1.64**	**$0.09**	**$0.40**	**$1.36**	**$1.45**	**$1.52**	**$1.60**	**$1.65**
Dividend per share	**$0.23**	**$0.23**	**$0.92**	**$0.92**	**$0.92**	**$0.92**	**$0.92**	**$0.23**	**$0.23**	**$0.92**	**$0.92**	**$0.92**	**$0.92**	**$0.92**

Source: Company data, Credit Suisse estimates

CREDIT SUISSE

02 August 2011

Exhibit 4: NI Abbreviated Financial Statements 2007 – 2015E

NiSource Inc. (NYSE: NI)
Abbreviated Financial Statements

Credit Suisse - Master Limited Partnerships and Natural Gas
Yves Siegel, CFA (212) 325-8462

Year ending December 31
($ millions, except per share data)

Abbreviated Income Statement	2007	2008	2009	2010	1Q11	2Q11	3Q11E	4Q11E	2011E	2012E	2013E	2014E	2015E
Segment EBITDA													
Gas Distribution	584.7	558.0	577.4	582.2	284.5	92.3	19.2	190.1	586.1	582.3	615.5	646.4	677.2
NIPSCO Electric	480.7	429.8	368.0	429.2	102.3	90.7	139.8	99.8	432.6	518.7	528.7	545.7	561.5
Gas Transmission & Storage	488.9	494.3	530.3	507.8	151.2	117.5	121.9	147.8	538.4	583.6	617.5	656.3	702.1
Other	2.8	5.0	(7.1)	(5.6)	0.0	(3.8)	0.7	(6.8)	(9.9)	(1.5)	1.2	0.2	0.6
Total EBITDA (recurring)	1,557.1	1,487.1	1,468.6	1,513.6	538.0	296.7	281.5	430.6	1,547.1	1,683.1	1,762.9	1,850.6	1,941.4
Segment EBIT													
Gas Distribution	350.2	327.3	329.3	342.9	241.6	48.7	(25.8)	144.1	408.6	390.8	412.0	430.9	449.7
NIPSCO Electric	288.8	220.2	162.4	218.3	43.2	37.3	83.0	42.7	203.2	286.6	290.2	300.9	310.4
Gas Transmission & Storage	371.8	376.7	408.8	377.2	116.5	84.7	88.0	113.3	404.0	439.7	463.9	494.9	529.1
Other	(12.9)	(6.3)	(21.3)	(21.1)	(4.2)	(8.5)	(3.6)	(11.1)	(23.9)	(19.2)	(17.0)	(18.6)	(18.8)
Total EBIT (recurring)	997.9	917.9	879.2	917.3	399.1	162.2	141.7	289.0	992.0	1,097.9	1,149.1	1,206.2	1,270.5
Interest Expense	400.7	375.3	399.2	392.2	89.8	94.4	99.8	99.4	383.4	402.7	402.1	418.8	452.4
Other Expenses	6.5	(0.9)	1.6	(3.8)	(3.4)	(0.6)	0.0	0.0	(4.0)	0.0	(0.0)	0.0	0.0
Earnings Before Taxes	590.7	543.5	478.4	528.9	312.7	68.4	41.9	189.6	612.6	695.2	747.0	789.3	818.1
Taxes	214.9	194.6	184.3	189.3	107.9	22.8	15.4	69.6	215.7	250.3	268.9	284.2	294.5
Recurring Net Income	375.8	348.9	294.1	339.6	204.8	45.6	26.5	120.0	396.9	444.9	478.1	505.2	523.6
Recurring EPS													
Basic	$1.37	$1.27	$1.07	$1.22	$0.73	$0.16	$0.09	$0.41	$1.39	$1.48	$1.55	$1.63	$1.68
Diluted	$1.37	$1.27	$1.07	$1.22	$0.72	$0.16	$0.09	$0.40	$1.36	$1.45	$1.52	$1.60	$1.65
YoY %Change		*-7.4%*	*-15.9%*	*14.0%*					*11.9%*	*6.9%*	*4.7%*	*5.0%*	*3.0%*
Weighted Average Shares Outstanding													
Basic	273.8	274.0	275.1	277.8	279.3	280.2	292.8	293.3	286.4	300.6	308.6	310.5	312.5
Diluted	274.8	275.4	275.9	279.6	285.0	285.5	298.1	298.6	291.8	305.9	313.9	315.8	317.8
Dividend/Share	$0.92	$0.92	$0.92	$0.92	$0.23	$0.23	$0.23	$0.23	$0.92	$0.92	$0.92	$0.92	$0.92
Payout Ratio	*67.1%*	*72.3%*	*86.1%*	*75.3%*					*66.4%*	*62.2%*	*59.4%*	*56.6%*	*54.9%*
Abbreviated Balance Sheet													
Cash and Equivalents	50.0	20.6	16.4	9.2	62.5	59.9	373.1	365.6	365.6	282.1	306.5	328.1	399.9
Restricted Cash	59.4	286.6	174.7	202.9	164.9	154.6	154.6	154.6	154.6	154.6	154.6	154.6	154.6
Accounts Receivables	977.6	1,143.2	808.6	1,079.3	1,063.2	757.7	570.7	975.4	975.4	1,022.4	980.7	882.1	809.6
Inventories	458.2	511.8	384.8	298.2	81.5	347.6	318.1	171.2	171.2	179.7	187.3	185.9	159.7
Other Current Assets	950.0	1,448.3	839.1	859.3	613.1	425.3	560.5	608.9	608.9	676.3	769.2	897.2	1,074.4
Current Assets	2,495.2	3,410.5	2,223.6	2,448.9	1,985.2	1,745.1	1,977.0	2,275.7	2,275.7	2,325.2	2,398.3	2,447.8	2,598.2
Net PP&E	9,693.0	10,276.0	10,654.0	11,002.3	11,047.8	11,180.9	11,337.9	11,492.9	11,492.9	11,907.7	12,293.9	12,651.5	12,980.5
Other Assets	5,856.9	6,345.7	6,394.1	6,487.6	6,445.8	6,420.3	6,420.3	6,420.3	6,420.3	6,420.3	6,420.3	6,420.3	6,420.3
Total Assets	18,045.1	20,032.2	19,271.7	19,938.8	19,478.8	19,346.3	19,735.2	20,188.9	20,188.9	20,653.2	21,112.5	21,519.6	21,999.0
Accounts Payable	743.3	693.9	502.3	581.8	429.6	316.2	267.7	586.8	586.8	639.0	664.9	691.9	773.6
Current Portion of LT Debt	33.9	469.3	719.7	34.2	36.4	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0
Other Short Term Borrowings	1,061.0	1,163.5	103.0	1,382.5	1,263.0	870.4	870.4	870.4	870.4	870.4	1,070.4	1,220.4	1,295.4
Other Current Liabilities	1,584.6	2,256.7	1,824.6	1,650.9	1,367.1	1,341.5	1,455.0	1,556.1	1,556.1	1,600.5	1,646.1	1,660.2	1,746.8
Current Liabilities	3,422.8	4,583.4	3,149.6	3,649.4	3,096.1	2,558.1	2,623.1	3,043.3	3,043.3	3,139.9	3,411.4	3,602.5	3,845.8
Long Term Debt	5,594.4	5,943.9	5,969.1	5,936.1	5,927.6	6,340.0	6,504.5	6,477.5	6,477.5	6,476.6	6,470.3	6,466.8	6,466.8
Other Liabilities	3,941.2	4,776.1	5,298.9	5,430.1	5,440.8	5,444.8	5,444.8	5,444.8	5,444.8	5,444.8	5,444.8	5,444.8	5,444.8
Total Liabilities	12,958.4	15,303.4	14,417.6	15,015.6	14,464.5	14,342.9	14,572.4	14,965.6	14,965.6	15,061.3	15,326.5	15,514.1	15,757.4
Shareholders Equity	5,086.7	4,728.8	4,854.1	4,923.2	5,014.3	5,003.4	5,162.8	5,223.3	5,223.3	5,591.9	5,786.0	6,005.5	6,241.6
Total Liabilities and Equity	18,045.1	20,032.2	19,271.7	19,938.8	19,478.8	19,346.3	19,735.2	20,188.9	20,188.9	20,653.2	21,112.5	21,519.6	21,999.0
Total Capital Expenditures	763.9	1,306.6	798.6	911.6	209.4	296.9	296.9	296.9	1,100.0	1,000.0	1,000.0	1,000.0	1,000.0
Financial Metrics													
Total Debt / Total Cap	56.8%	61.6%	58.3%	58.9%	59.0%	59.1%	58.9%	58.5%	58.5%	56.9%	56.7%	56.2%	55.5%
Net Debt / Total Cap	56.6%	61.5%	58.3%	58.9%	58.8%	58.9%	57.7%	57.3%	57.3%	55.9%	55.7%	55.2%	54.2%
Net Debt / Equity	130.5%	159.8%	139.6%	149.2%	142.9%	143.5%	136.2%	134.3%	134.3%	126.7%	125.5%	123.0%	118.4%
Book Value Per Share	$18.51	$17.17	$17.59	$17.61	$17.59	$17.53	$17.32	$17.49	$17.90	$18.28	$18.43	$19.02	$19.64
Net Debt / TTM EBITDA	4.3x	5.1x	4.6x	4.9x	4.8x	4.8x	4.7x	4.5x	4.5x	4.2x	4.1x	4.0x	3.8x

Source: Company data, Credit Suisse estimates

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Companies Mentioned *(Price as of 02 Aug 11)*
NiSource Inc (NI, $20.40, NEUTRAL, TP $21.00)

Disclosure Appendix

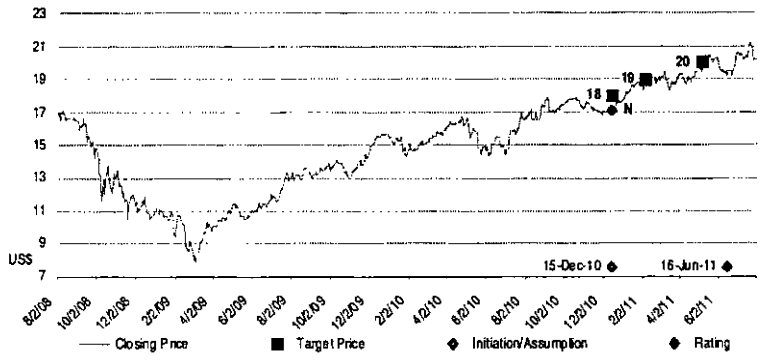
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3-Year Price, Target Price and Rating Change History Chart for NI

NI	Closing Price	Target Price		Initiation/
Date	(US$)	(US$)	Rating	Assumption
12/15/10	17.09	18	N	X
2/6/11	18.66	19		
5/6/11	19.44	20		
6/16/11				X



O=Outperform; N=Neutral; U=Underperform; R=Restricted; NR=Not Rated; NC=Not Covered

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Restricted	2%	

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Price Target: (12 months) for (NI)
Method: We derive our 12-month price target of $21 for NiSource through a combination of P/E and sum of the parts valuation. Our price is based on a P/E multiple of 14.2x our next twelve months EPS estimate of $1.37, which is at the upper end of NI's historic trading range. We believe this to be appropriate as NI has resolved several key regulatory issues and is well positioned for growth. Our price target is also consistent with our sum of the parts valuation.
Risks: Main risks to our 12-month price target of $21 for NiSource include a less favorable outcome to its second electric rate case, pipeline re-contracting risk and economic risk as NI's electric utility is levered to the economy.

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June 22, 2011
ENERGY: Multi-Utilities
Company Update

KeyBanc
Capital Markets

NiSource, Inc.:

NI: Investor Meeting Takeaways

KeyBanc Capital Markets Inc.
Member NYSE/FINRA/SIPC

Paul T. Ridzon: (216) 689-0270 — pridzon@keybanccm.com
Timothy Yee: (216) 689-0385 — tyee@keybanccm.com

Rating	HOLD
Price	$19.53
12-Mo. Price Target	NA
Dividend	$0.92
Yield	4.7%
52-Wk. Range	$14 - $21
Trading Volume	2,292
Market Cap. (mm)	$5,519.2
Shares Out. (mm)	282.60
Book Value/Share	$17.66

EPS (Net) Summary

FY Dec	2010A	2011E	2012E
1Q	$0.72	$0.73A	--
2Q	$0.11	$0.14	--
3Q	$0.06	--	--
4Q	$0.35	--	--
YEAR	$1.24	$1.30	$1.45
First Call	--	$1.34E	$1.45E
P/E	15.8x	15.0x	13.5x

Note 1: 2010 Q3: We include $0.02 favorable weather impact to $0.04 reported net operating earnings per share from continuing operations.

Note 2: 2011 Q1: We include $0.01 favorable weather impact to $0.72 reported net operating earnings per share from continuing operations.

Note 3: 2010 Q4: We include $0.02 favorable weather impact to $0.33 reported net operating earnings per share from continuing operations.

Note 4: 2010 Q2: We include $0.02 unfavorable weather impact to $0.13 reported net operating earnings per share from continuing operations.

ACTION STATEMENT

After meeting with NiSource, Inc. (NI-NYSE) management, we feel incrementally better about the longer-term growth story. In the near term, we have become less optimistic about settling the electric rate case, though we are not overly concerned about this. We believe management is looking toward addressing some of the issues that have concerned investors around transparency.

KEY INVESTMENT POINTS

We met with NI's senior management team during an investor visit to the Company's headquarters. We came away feeling better about NI's long-term outlook.

In the near term, we feel incrementally less optimistic about the prospects for a settlement in the Nipsco Electric rate case, although this does not concern us greatly, given the balanced backdrop of the previous case and other recent Indiana regulatory activity.

We continue to expect a measured roll-out of Marcellus investment as near-term opportunities for NI to invest appear to be smaller projects that are driven by the pace of developer demand.

NI has not tapped its $400 million forward equity sale, and expects these proceeds and internal funds to finance its investment for the Company's planning horizon. We believe the Company's improved financial position could lead to a reassessment of the $0.92 annual dividend (frozen since 2003).

We suspect that once the Indiana electric case is finalized (likely by early February), NI may refocus its efforts to increase transparency by providing greater granularity around project detail.

VALUATION

Based upon our 2012 estimate, shares of NI's stock trade at the average P/E of our electric group (13.5x). Given investment opportunities, we believe shares are modestly attractive at current levels, and expect we could be more constructive if shares were to weaken on a relative basis.

RISKS

We believe the greatest risk for NI would be deterioration of regulation in NI's various jurisdictions, which would make investment opportunities incrementally less attractive, and any event that might make prospect for Marcellus investment less likely.

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DISCUSSION

On June 20, we met with the management team of NI. We felt incrementally better about the story following our meeting. Key takeaways from the meeting are highlighted below:

Nipsco Rate Case

In our view, the prospects to settle the Indiana electric rate case have diminished. The allocation of costs from residential customers to industrial users appears to make for difficult discussions. Intervenor testimony is due July 12; after parties have formally laid out their positions, we believe settlement grows incrementally more challenging. We believe industrial customers have little incentive to settle given it could accelerate the implementation of higher rates. While we believe investors could be slightly disappointed if a settlement is not achieved, we are less concerned. In our view, the last rate case set a balanced to constructive tone for regulation, and we are further encouraged by a recent Vectren (VVC-NYSE) rate case, which authorized a 10.4% ROE. Vectren received a $29 million rate increase after filing for $34 million. A final order in NI's case is expected by February 10, 2012.

Marcellus Shale Investment

We have heard investor concerns about a perceived lack of detail around Marcellus infrastructure investment and the pace of development. NI indicated that opportunities were driven by the pace of development and that it felt the pace was in line with plan. Additionally, management indicated that bidding for projects was driven more by geography than outright competition, and that the Company was fairly successful in winning projects on which it bid. The Company still plans $150 million-$250 million of annual investment in the Marcellus region, although management indicated it could accelerate spending to build out the Utica shale.

Liquidity and Financing

Management indicated that its 2010 $400 million forward equity sale had not yet been tapped. NI looks to use these funds in two drawdowns in the 3Q of both 2011 and 2012. Management indicated that it felt no need for additional equity raises during the planning horizon. NI does have smaller equity programs for dividend reinvestment and employee programs. NI has grown its earnings-to-typical utility payout ratio, based on the current $0.92 annual dividend. We expect that with the Company now on firm financial footing, the board may be in a position to reassess the dividend level. The dividend has remained unchanged at $0.92 per years since 2003, when it was cut from $1.16 per share.

Increased Transparency

We got the sense that management has become aware that investors would like to see more transparency and detail around the Company's targeted $1.1 billion-$1.3 billion annual capital program. In particular, the Marcellus appears to be of particular interest to investors, given the view that early movers will gain a competitive advantage through scale. We also expect additional information around investment in the other segments, including Nipsco Electric. In our view, once management has negotiated the Indiana electric rate case, it will focus on providing greater transparency, including greater segment detail, which management believes may improve valuation.

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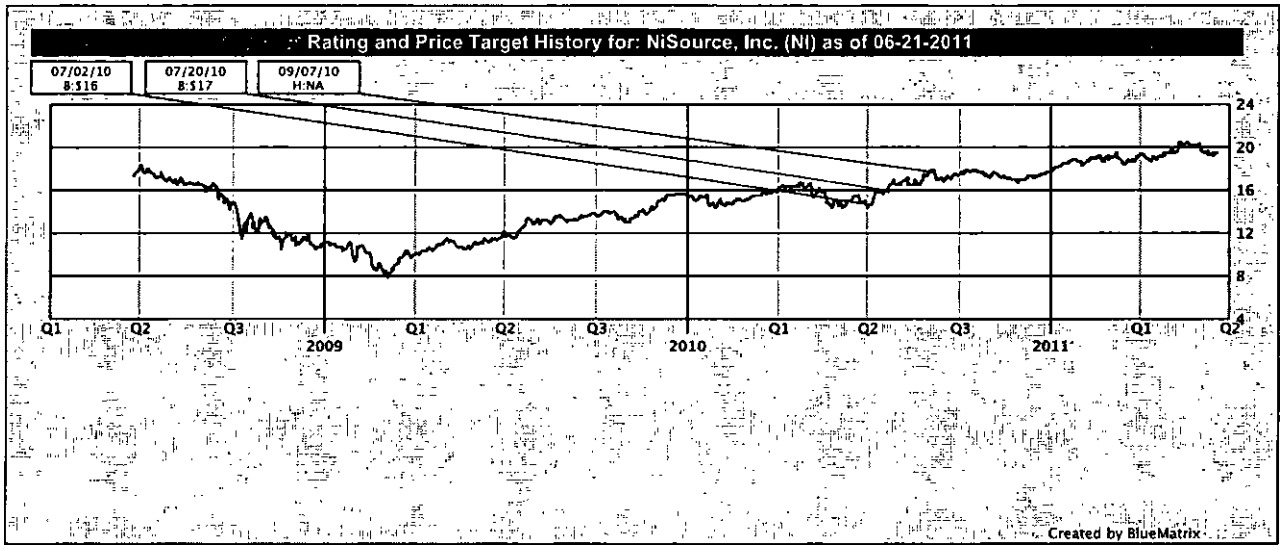
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HOLD [HOLD]	225	50.60	43	19.11	HOLD [HOLD]	34	55.70	17	50.00
SELL [UND]	4	0.90	0	0.00	SELL [UND]	0	0.00	0	0.00

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August 2, 2011
ENERGY: Multi- Utilities
Quick Alert

KeyBanc
Capital Markets

NiSource, Inc. (HOLD)

NI - Quick Alert: 2Q11 Solid Results

KeyBanc Capital Markets Inc.
Member NYSE/FINRA/SIPC

Paul T. Ridzon: (216) 689- 0270 — pridzon@keybanccm.com
Timothy Yee: (216) 689- 0385 — tyee@keybanccm.com

KEY INVESTMENT POINTS

August 1, 2011 Close: $20.12
2Q11 KBCM EPS Estimate: $0.17 (Consensus: $0.14)
2011 KBCM EPS Estimate: $1.30 (Consensus: $1.34)
2012 KBCM EPS Estimate: $1.45 (Consensus: $1.46)

2Q11 Actual Results (vs. 2Q10):

- 2Q11 ongoing EPS of $0.17 vs. $0.11; GAAP EPS of $0.14 vs. $0.10.
- Results were equal to our upside surprise estimate of $0.17 and above consensus of $0.14 per share.
- The difference between GAAP and ongoing earnings in the quarter is primarily attributable to a one- time state tax item.

Guidance: Maintained 2011 guidance of $1.25- $1.35 per share

Highlights:

- Gas Distribution segment (operating earnings of $48.7 million vs. $35.9 million) were higher as higher revenues related to moving to less volumetric rates to higher fixed charge shifted earnings out of high usage periods (1Q and 4Q) into the 2Q and 3Q. The quarter also benefited from lower depreciation rates per the 2010 Indiana settlement.
- Gas Transmission and Storage improved (operating earnings of $84.7 million vs. $74.9 million) driven by demand revenues on growth projects NI has put in service, partly offset by higher employee costs.
- Electric operations earnings declined (operating earnings of $37.3 million vs. $48.3 million) as slightly higher revenues on increased industrial loads were offset by outage costs and employee expenses. Retail load increased 5.1% (Res. - 3.2%, Comm. - 0.6% and Ind. +10.%). Cooling degree days fell 7%.

Initial Take: We expect a positive reaction to earnings and continued industrial recovery.

9:00 AM EDT Conference Call #: (800) 299- 8538; ID#: 17448878
We will be focused on:

- Northern Indiana economy and sales trends
- Prospect for approval of the Indiana electric settlement (which we view as likely).
- Other regulatory updates
- Marcellus shale growth initiatives and timing
- Views on industry M&A

FOR IMPORTANT DISCLOSURES AND CERTIFICATIONS, PLEASE REFER TO PAGES 2 - 3 OF THIS NOTE.

KeyBanc Capital Markets Inc. Disclosures and Certifications

NiSource, Inc. - NI

NiSource, Inc. is an investment banking client of ours.

We have received compensation for investment banking services from NiSource, Inc. during the past 12 months

We expect to receive or intend to seek compensation for investment banking services from NiSource, Inc. within the next three months.

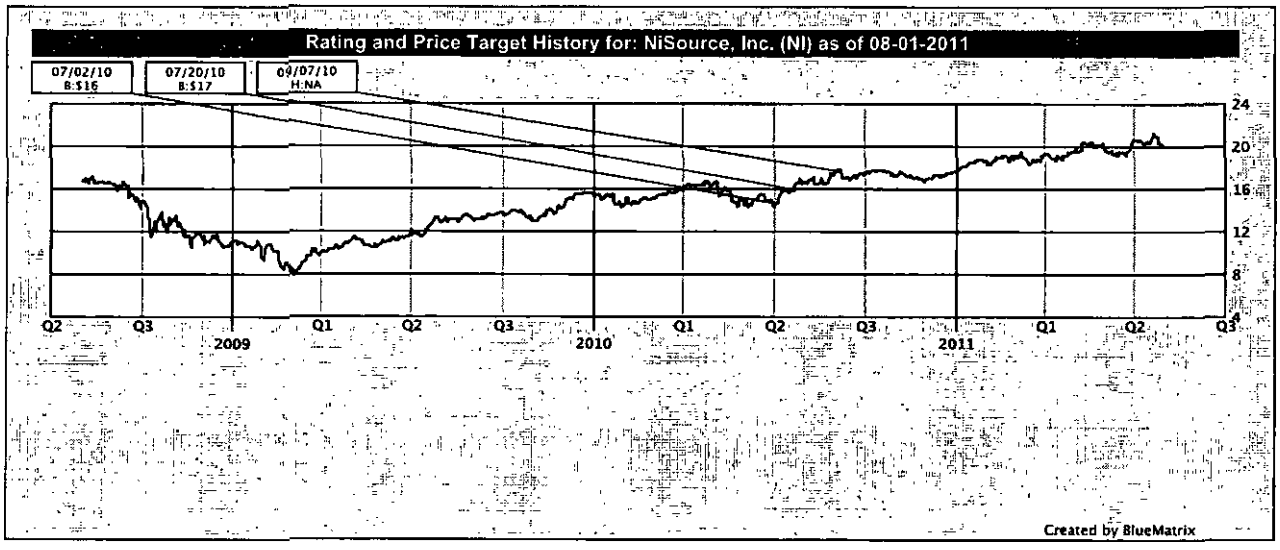
During the past 12 months, NiSource, Inc. has been a client of the firm or its affiliates for non- securities related services.

We have managed or co- managed a public offering of equity securities for NiSource, Inc. within the past 12 months.

Reg A/C Certification

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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]	211	48.20	50	23.70	BUY [BUY]	30	44.10	14	46.67
HOLD [HOLD]	225	51.40	48	21.33	HOLD [HOLD]	38	55.90	19	50.00
SELL [UND]	2	0.50	0	0.00	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

August 2, 2011

Stock Rating
Equal-weight

Industry View
Attractive

NiSource, Inc.

Marcellus / Utica Could Provide Uplift

2Q11 results: NI reported operating earnings of $0.17, above MS and Consensus estimates of $0.12. Operating results exclude, among other things, ~$6.1m in adjustments related to weather impact, related taxes and others. We maintain our Equal-weight rating on NI stock; however, **we have increased our price target to $23 (from $21)** and expect recent positive news flow related to Utica acreage valuations, NI's renewed Midstream focus (Marcellus) and Indiana settlement filing to be positive catalysts for the stock in 2H11.

Mixed quarter. *The Electric Operations EBIT* declined to $37.3m from $48.3m y/y; excluding the impact of trackers, increases in industrial usage and margins were offset by decreased residential and commercial margins. Moreover, increases in outage durations and higher G&A expenses weighed on Opex this quarter. *Gas Distribution Operations EBIT* increased to $48.7m from $35.9m y/y; excluding the impact of trackers the segment saw an increase of ~$0.4m in revenue given higher residential and commercial margins as a result of new rate design. Opex came in lower due to lower depreciation rates. *Gas Transmission and Storage Operations EBIT* came in higher at $84.7m from $74.9m y/y due to increased demand margin resulting from growth projected placed into service in the second half of 2010 and the impact of new Columbia Gulf rates.

What's Next: Execution of $1+b capex plan and possibly more information on Utica and Marcellus further growth opportunities. NI capital expenditures will focus on a broad array of projects including infrastructure modernization within its gas distribution business, environmental investments and trackers, and infrastructure expansions in the Marcellus. **We are particularly encouraged by NI's Midstream focus (especially in the Marcellus and now possibly the Utica)** as the company executes on such projects and bolsters its commercial management ranks in the process. We see NI as capable of achieving the higher end of its goal of sustainable long-term earnings growth of 3-5% annually.

MORGAN STANLEY RESEARCH
NORTH AMERICA

Morgan Stanley & Co. LLC

Stephen J. Maresca, CFA
Stephen.Maresca@morganstanley.com
+1 212 761 8343

Abdiel Santiago
Abdiel.Santiago@morganstanley.com

Robert S. Kad
Robert.Kad@morganstanley.com

Shaan Sheikh
Shaan.Sheikh@morganstanley.com

Brian Lasky
Brian.Lasky@morganstanley.com

Key Ratios and Statistics

Reuters: NI.N Bloomberg: NI US
Diversified Natural Gas / United States of America

Price target	$23.00
Shr price, close (Aug 1, 2011)	$20.12
Mkt cap, curr (mm)	$5,590
52-Week Range	$21.36-16.31

Fiscal Year ending	12/10	12/11e	12/12e	12/13e
ModelWare EPS ($)	1.20	1.35	1.45	1.52
Prior ModelWare EPS ($)	-	1.36	1.51	1.56
P/E	14.7	15.0	13.9	13.2
Consensus EPS ($)§	1.22	1.34	1.45	1.51
Div yld (%)	5.2	4.6	4.7	4.9
Div per shr ($)	0.92	0.92	0.95	0.98
EBITDA ($mm)**	1,514	1,501	1,587	1,657
EV/EBITDA**	8.1	8.8	8.5	8.3
Net debt (company defined) ($mm)	7,001	7,313	7,600	7,872
Net debt/EBITDA*	4.7	5.0	4.9	4.8
Shrs out, diluted, avg (mm)	283	286	292	292

Unless otherwise noted, all metrics are based on Morgan Stanley ModelWare framework (please see explanation later in this note).
§ = Consensus data is provided by FactSet Estimates.
** = Based on consensus methodology
e = Morgan Stanley Research estimates

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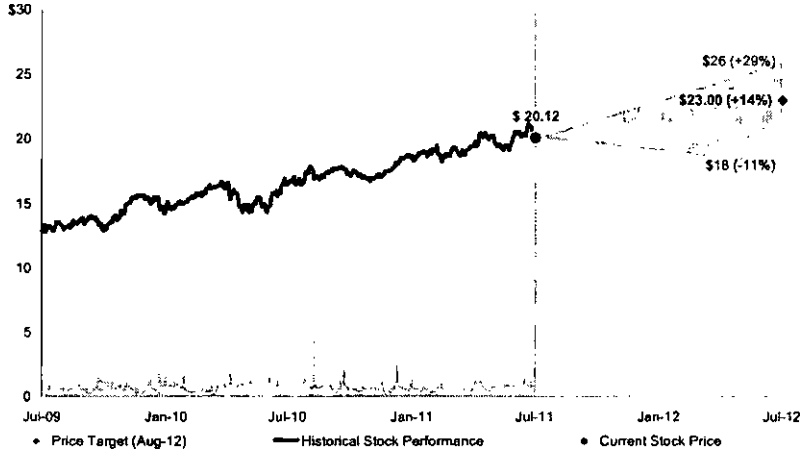
Morgan Stanley

MORGAN STANLEY RESEARCH

August 2, 2011
NiSource, Inc.

NiSource (NI, Equal-weight)

Risk-Reward View: Solid Appalachia Midstream Potential



Source: FactSet; Morgan Stanley Research

Price Target $23		Derived from base case average of four valuation methodologies
Bull Case $26	8.0x GT&S '12e EBITDA, 7.0x Electric EBITDA	**Increasing Marcellus/Utica market share and utilities outperform.** NI gains larger Appalachian market share than anticipated from new production, fostering additional capital spend in the GT&S segment. Regulated utilities restore earnings power sooner than expected and earn ROEs at allowable rates.
Base Case $23	7.5x GT&S '12e EBITDA, 6.5x Electric EBITDA	**Executing on Marcellus opportunities with a modest recovery in utility segments.** NI places Marcellus growth projects on budget and on-time. Industrial electric generation deliveries continue to stabilize/slightly recover, coupled with fair rate case outcomes.
Bear Case $18	7.0x GT&S '12e EBITDA, 5.0x Electric EBITDA	**Marcellus opportunities fail to materialize.** Marcellus regulation issues persist, prolonging development. The required infrastructure projects are delayed causing NI to push back expansions. Utility rate case outcomes prove unfavorable.

Sum-of-the-Parts Breakdown (one part of price target methodology)

NiSource Inc.	Value ($ m)	$/Share
Gas Distribution	$6,013	$21
Gas Transmission & Storage	5,295	19
Electric Utility	3,457	12
Value per Share	**$14,765**	**$53**
Net Debt	(7,374)	(26)
Net Equity Value	**$7,391**	**$26**
Shares Outstanding (in mm)		280

Source: Morgan Stanley Research

Why Equal-weight?

- Getting closer to restoring earnings power at regulated utilities segments (e.g. possible successful rate case outcomes).
- Numerous midstream opportunities surrounding its existing pipeline systems in the Marcellus provide exceptional long-term value, but also come with it increased capex and possibly heated competition.
- Stock trades closer to fair value on multiples basis (excluding potential uplift from Utica acreage).

Key Value Drivers

- Executing Marcellus midstream projects on time and below budget (targeting $200m of projects per year over the next 3-4 years, but could be more).
- Execution on its regulatory agenda (e.g., filing rate cases, implementing trackers / cost recovery mechanisms).
- Stable dividend with potential growth in early 2012.

Potential Catalysts

- Updates related to rate case settlements approval by regulatory bodies.
- Announcement of additional Marcellus or Utica project or acquisition beyond those included in guidance (e.g., Renovo to Corning expansion).
- Further disclosure of any potential Utica acreage.

Where We Could Be Wrong

- Regulatory risks associated with Marcellus drilling puts a hold on midstream project expansions.
- Economic recovery remains prolonged, negatively affecting electric deliveries (especially to industrial customers).
- Rate cases return with unfavorable outcomes.

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August 2, 2011
NiSource, Inc.

Exhibit 1

2Q11 Earnings Results and 3Q11E Preview

NiSource Inc.

(amounts in 000s, except per unit)

	Actual 2Q10	Actual 2Q11	A / A % chg	MS 2Q11E	A / E % chg	MS 3Q11E
Operating Revenues						
Gas Distribution	471,700	502,700	6.6%	620,683	-19.0%	602,904
Gas Transportation and Storage	264,300	307,300	16.3%	244,811	25.5%	251,793
Electric	339,300	346,600	2.2%	349,821	-0.9%	440,392
Other	19,800	24,400		-		(35,453)
Total operating revenues	**1,095,100**	**1,181,000**	7.8%	**1,215,316**	-2.8%	**1,259,636**
Operating Expenses						
Cost of Sales	349,800	417,700	19.4%	395,368	5.6%	343,816
Operation and maintenance	376,100	401,400	6.7%	474,202	-15.4%	577,223
Depreciation and amortization	151,600	134,500	-11.3%	131,957	1.9%	126,932
Other taxes	64,000	67,500	5.5%	66,566	1.4%	82,207
Total operating expenses	**941,500**	**1,021,100**	8.5%	**1,068,092**	-4.4%	**1,130,178**
Equity Earnings (Loss) in Uncon. Affiliates	**400**	**2,300**	475.0%	**3,015**	-23.7%	**2,312**
EBIT	**154,000**	**162,200**	5.3%	**150,239**	8.0%	**131,769**
EBITDA	**305,600**	**296,700**	-2.9%	**282,195**	5.1%	**258,701**
Interest expense, net	(98,400)	(94,400)	-4.1%	(95,423)	-1.1%	(98,239)
Other income	2,600	600		3,300		600
Total other income and expenses	**(95,800)**	**(93,800)**	-2.1%	**(92,123)**	1.8%	**(97,639)**
Earnings From Cont. Oper. Bef. Inc. Taxes	**58,200**	**68,400**	17.5%	**58,116**	17.7%	**34,130**
Income tax (provision)	21,200	22,800	7.5%	23,557	-3.2%	11,835
Net Income (Operating)	**37,000**	**45,600**	23.2%	**34,559**	31.9%	**22,295**
Average # of Shares Outstanding	278,400	280,200	0.6%	291,061	-3.7%	283,230
Net Income per Share (Operating)	**$ 0.13**	**$ 0.17**		**$ 0.12**		**$ 0.08**
Net Income per Share (GAAP)	**$ 0.10**	**$ 0.14**		**$ 0.12**		**$ 0.08**
Segment Data						
Gas Distribution (MMDth)						
Residential	25.9	33.6	29.7%	27.2	23.6%	15.8
Commercial	23.2	26.7	15.1%	24.8	7.6%	20.4
Industrial	85.1	100.8	18.4%	91.1	10.7%	105.2
Off System	27.2	20.4	-25.0%	28.8	-29.2%	14.5
Other	0.2	0.2	na	0.3	na	0.2
Gas Transmission & Storage (MMDth)						
Columbia Transmission	171.5	204.9	19.5%	180.1	13.8%	200.7
Columbia Gulf	197.1	263.1	33.5%	207.0	27.1%	236.3
Crossroads Gas Pipeline	5.6	5.6	0.0%	5.9	-4.8%	6.8
Intrasegment eliminations	(142.6)	(147.7)	3.6%	(137.5)	7.4%	(133.1)
Electric Operations (Gigawatt Hours)						
Residential	810.5	784.4	-3.2%	826.7	-5.1%	1,199.2
Commercial	952.0	946.6	-0.6%	971.0	-2.5%	1,125.9
Industrial	2,111.0	2,325.7	10.2%	2,153.2	8.0%	2,223.6
Wholesale	172.3	200.2	16.2%	175.7	13.9%	336.6
Other	39.8	37.1	-6.8%	40.6	-8.6%	47.9

NI's regulatory progress continues and construction of Schahfer FGD unit is under way; Indiana utility settlement filing is a positive.

entered new $1.5 billion, four-year revolving credit facility

Operating results exclude net revenue items that were impacted by weather. Also, results have been adjusted by other one-off items.

Projects that we see adding to the segment's earnings: (1) Columbia Gulf Rate Case on May 1 (~$50m/yr) (2) Warren County Electric Generation Infrastructure (~250,000 Dthm/day) (3) Marcellus infrastructure.

Source: Company data, Morgan Stanley Research

Exhibit 2

NI Income Statement

(amounts in thousands, except per unit data)	2010	2011E	2012E	2013E	2014E
Net Revenues					
Gas Distribution	3,103,100	3,591,419	4,790,861	5,289,894	5,699,167
Gas Transportation and Storage	1,261,300	1,161,146	1,086,245	1,125,456	1,163,298
Electric	1,374,900	1,508,235	1,674,125	1,741,804	1,812,218
Other	78,600	19,747	(114,706)	(128,524)	(144,008)
Total Net Revenues	**5,817,900**	**6,280,547**	**7,436,526**	**8,028,629**	**8,530,676**
Operating Costs					
Cost of Sales	2,379,200	2,681,729	3,247,351	3,545,655	3,803,884
Operation and maintenance	1,655,700	1,799,606	2,253,548	2,444,532	2,615,152
Depreciation and amortization	596,300	527,898	519,245	532,344	545,773
Other taxes	284,400	308,338	357,883	391,091	412,009
Total Operating Costs	**4,915,600**	**5,317,571**	**6,378,027**	**6,913,621**	**7,376,818**
Equity Earnings (Loss) in Uncon. Affillates	**15,000**	**9,935**	**9,456**	**9,694**	**9,939**
EBIT	**917,300**	**972,911**	**1,067,955**	**1,124,702**	**1,163,797**
EBITDA	**1,513,600**	**1,500,808**	**1,587,200**	**1,657,046**	**1,709,569**
Other income					
Interest expense, net	(392,200)	(383,318)	(413,671)	(434,572)	(446,365)
Other income	3,800	5,100	2,400	2,400	2,400
Inc. from continuing operations bef inc. taxes	**528,900**	**594,692**	**656,683**	**692,530**	**719,832**
Income tax (provision)	189,300	209,589	234,247	246,839	257,424
Operating Net income (Loss)	**339,600**	**385,103**	**422,436**	**445,690**	**462,407**
Net Income per Share (Operating)	**$1.20**	**$1.35**	**$1.45**	**$1.52**	**$1.58**
Net Income per Share (GAAP)	**$1.04**	**$1.32**	**$1.45**	**$1.52**	**$1.58**
Weighted Avg Diluted Units Outstanding	282,600	286,261	292,321	292,321	292,321
Dividends per share	0.92	0.92	0.95	0.98	1.01

Source: Company data, Morgan Stanley Research

Morgan Stanley

MORGAN STANLEY RESEARCH

August 2, 2011
NiSource, Inc.

Exhibit 3
NI Operating Data

	2010	2011E	2012E	2013E	2014E
GAS DISTRIBUTION					
Sales and Transportation (MMDth):					
Residential	258.1	271.7	286.9	298.4	304.4
Commercial	166.8	176.4	185.8	188.6	191.4
Industrial	386.0	426.6	435.1	441.6	448.3
Off System	71.9	67.5	68.9	69.9	71.0
Other	0.9	0.9	0.8	0.8	0.8
Total Sales and Transports	**883.7**	**943.1**	**977.5**	**999.3**	**1,015.8**
Weather Adjustment	5.2	(0.4)	9.2	9.2	9.2
Sales and Transport Vols — Excluding Weather	**888.9**	**942.7**	**986.7**	**1,008.5**	**1,025.0**
y/y change	*6.8%*	*6.1%*	*4.7%*	*2.2%*	*1.6%*
Sales Price ($ / Dth)	$4.14	$4.17	$4.86	$5.25	$5.56
y/y change	*-11.7%*	*0.9%*	*16.3%*	*8.0%*	*6.0%*
COGS Price ($ / Dth)	$2.32	$2.33	$2.66	$2.87	$3.04
y/y change	*-15.6%*	*0.4%*	*13.9%*	*7.8%*	*6.1%*
Gross Margin ($ / Dth)	$1.81	$1.84	$2.20	$2.38	$2.52
y/y change	*-6.1%*	*1.5%*	*19.4%*	*8.3%*	*5.9%*
GAS TRANSMISSION & STORAGE					
Throughput (MMDth):					
Columbia Transmission	1,092.4	1,174.5	1,264.1	1,289.4	1,315.2
Columbia Gulf	848.4	966.8	1,015.1	1,035.4	1,056.1
Crossroads Gas Pipeline	25.4	22.7	23.9	24.3	24.8
Total throughput	**1,966.2**	**2,163.9**	**2,303.1**	**2,349.2**	**2,396.1**
Intrasegment eliminations	(568.7)	(580.0)	(654.1)	(660.8)	(665.6)
Total third-party throughput	**1,397.5**	**1,583.9**	**1,649.0**	**1,688.3**	**1,730.5**
y/y change	*0.4%*	*13.3%*	*4.1%*	*2.4%*	*2.5%*
Tariff ($ / Dth)	$0.52	$0.48	$0.50	$0.51	$0.51
y/y change	*0.1%*	*-8.0%*	*4.5%*	*1.0%*	*1.1%*
ELECTRIC OPERATIONS					
Sales (Gigawatt Hours):					
Residential	3,625.6	3,651.6	3,974.0	4,073.3	4,175.2
Commercial	3,919.9	3,972.6	4,417.2	4,527.6	4,640.8
Industrial	8,459.0	9,182.3	10,107.3	10,360.0	10,619.0
Wholesale	817.1	821.6	862.7	884.2	906.3
Other	186.4	193.6	199.4	205.3	211.5
Total sales	**17,008.0**	**17,821.7**	**19,560.5**	**20,050.6**	**20,552.8**
Weather Adjustment	(500.2)	(51.0)	-	-	-
Total sales volumes — Adj. for weather impacts	**16,507.8**	**17,770.7**	**19,560.5**	**20,050.6**	**20,552.8**
y/y change	*4.0%*	*7.7%*	*10.1%*	*2.5%*	*2.5%*
Revenue ($ / Gigawatt hour)	$83.78	$81.87	$85.59	$86.87	$88.17
y/y change	*6.1%*	*-2.3%*	*4.5%*	*1.5%*	*1.5%*
COGS ($ / Gigawatt hour)	$30.80	$31.52	$31.86	$32.58	$33.28
y/y change	*7.1%*	*2.4%*	*1.1%*	*2.3%*	*2.1%*
Gross Margin ($ / Gigawatt hour)	$52.99	$50.35	$53.73	$54.29	$54.89
y/y change	*5.6%*	*-5.0%*	*6.7%*	*1.0%*	*1.1%*

Source: Company data, Morgan Stanley Research

Morgan Stanley

MORGAN STANLEY RESEARCH

August 2, 2011
NiSource, Inc.

Exhibit 4

NI Balance Sheet

(amounts in thousands, except per unit data)	2010	2011E	2012E	2013E	2014E
ASSETS					
Cash and cash equivalents	9,200	21,445	247,865	176,487	234,844
Restricted cash	202,900	154,600	154,600	154,600	154,600
Accounts receivable	1,079,300	941,059	1,161,091	1,288,328	1,331,172
Income tax receivable	99,000	1,200	1,200	1,200	1,200
Gas inventory	298,200	388,832	492,838	491,947	549,888
Regulatory assets	151,800	121,900	121,900	121,900	121,900
Other	120,800	100,400	100,400	100,400	100,400
Total Current Assets	**2,448,900**	**2,120,236**	**2,670,694**	**2,725,662**	**2,884,804**
Net Property, Plant and Equipment	**11,097,000**	**11,690,502**	**12,071,257**	**12,429,913**	**12,748,410**
Unconsolidated affiliates	200,900	197,200	197,200	197,200	197,200
Other investments	139,700	150,800	150,800	150,800	150,800
Price risk management assets	240,300	190,600	190,600	190,600	190,600
Regulatory assets	1,650,400	1,622,200	1,622,200	1,622,200	1,622,200
Goodwill	3,677,300	3,677,300	3,677,300	3,677,300	3,677,300
Intangible assets	308,600	303,100	303,100	303,100	303,100
Deferred charges, Postretiremen, other	167,800	162,700	162,700	162,700	162,700
TOTAL ASSETS	**19,938,800**	**20,116,938**	**21,048,151**	**21,461,775**	**21,939,414**
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current portion of long-term debt	34,200	30,000	30,000	30,000	30,000
Short-term borrowings	1,382,500	1,270,213	1,782,966	1,983,690	2,244,554
Accounts payable	581,800	583,306	755,614	808,138	856,379
Dividends payable	100	64,600	64,600	64,600	64,600
Customer deposits and credits	318,100	183,100	183,100	183,100	183,100
Taxes accrued	221,100	179,500	179,500	179,500	179,500
Interest accrued	114,400	114,400	114,400	114,400	114,400
Price risk management liabilities	173,900	135,000	135,000	135,000	135,000
Exchange gas payable	266,100	155,400	155,400	155,400	155,400
Deferred revenue	6,800	5,000	5,000	5,000	5,000
Regulatory liabilities	92,900	83,500	83,500	83,500	83,500
Acc liab for post-retirement / -employment benefits	23,300	23,300	23,300	23,300	23,300
Other accruals	336,400	230,000	230,000	230,000	230,000
Total Current Liabilities	**3,649,400**	**3,225,018**	**3,910,080**	**4,163,328**	**4,472,433**
Long-term debt, excl amounts due within one year	5,936,100	6,340,000	6,340,000	6,340,000	6,340,000
Price risk management liabilities	181,600	127,800	127,800	127,800	127,800
Deferred income taxes	2,209,700	2,369,100	2,369,100	2,369,100	2,369,100
Deferred inc. taxes, credits, other	102,600	106,800	106,800	106,800	106,800
Acc liability for post-retirement/-employment benefits	1,039,600	919,600	919,600	919,600	919,600
Regulatory liabilities and other removal costs	1,595,800	1,624,800	1,624,800	1,624,800	1,624,800
Asset retirement obligations	138,800	138,900	138,900	138,900	138,900
Other noncurrent liabilities	162,000	157,800	157,800	157,800	157,800
Total Other Liabilities and Deferred Credits	**11,366,200**	**11,784,800**	**11,784,800**	**11,784,800**	**11,784,800**
Common stock	2,800	2,800	2,800	2,800	2,800
Additional paid-in capital	4,103,900	4,232,900	4,332,900	4,332,900	4,332,900
Retained earnings	901,800	956,320	1,102,470	1,262,847	1,431,381
Treasury stock	(57,900)	(30,400)	(30,400)	(30,400)	(30,400)
Accumulated other comprehensive loss	(27,400)	(54,500)	(54,500)	(54,500)	(54,500)
Total Common Stockholders' Equity	**4,923,200**	**5,107,120**	**5,353,270**	**5,513,647**	**5,682,181**
TOTAL CAPITALIZATION & LIABILITIES	**19,938,800**	**20,116,938**	**21,048,151**	**21,461,775**	**21,939,414**
CONSOLIDATED DEBT METRICS					
Average Total Debt	7,070,100	7,496,506	7,896,589	8,253,328	8,484,122
Average Net Debt	7,057,300	7,481,184	7,761,934	8,041,152	8,278,457
Net Debt/ Total Book Capitalization	59.1%	59.9%	59.7%	59.7%	59.7%
Average Debt/ EBITDA	4.7x	5.0x	5.0x	5.0x	5.0x
Average Interest Rate	5.5%	5.1%	5.2%	5.3%	5.3%

Source: Company data, Morgan Stanley Research

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August 2, 2011
NiSource, Inc.

Exhibit 5
NI Cash Flow Statement

(amounts in thousands, except per unit data)	2010	2011E	2012E	2013E	2014E
Cash from Operating Activities					
Net Income	292,000	379,403	422,436	445,690	462,407
Debt: Gain Early Extinguishment / Amort Disc.+Premium	107,000	-	-	-	-
Depreciation and Amortization	596,300	527,898	519,245	532,344	545,773
Net Changes in Price Risk Mgmt A / L	(5,500)	11,300	-	-	-
Deferred: Inc. Tax/Credits; Revenues	179,700	129,000	-	-	-
Stock Compensation Expense	30,900	7,800	-	-	-
Loss/(Gain) on Asset Sales / Impairments / Disc Opts	2,000	700	-	-	-
Income from Unconsolidated Affiliates	(14,800)	(3,100)	-	-	-
Disc. Operations: Loss/(Gain) on Disposition	2,600	(15,100)	-	-	-
AFUDC Equity	(6,100)	(1,400)	-	-	-
Dist. of Earnings Received from Equity Investee	12,900	1,800	-	-	-
Other	(55,000)	-	-	-	-
Changes in Assets and Liabilities:	**(419,800)**	**(17,685)**	**(151,729)**	**(73,823)**	**(52,544)**
Net cash from operating activities	**722,200**	**1,020,615**	**789,953**	**904,211**	**955,636**
Cash from Investing Activities					
Capital Expenditures	(803,800)	(1,095,000)	(900,000)	(891,000)	(864,270)
Insurance Recoveries	5,000	-	-	-	-
Proceeds from Disposition of Assets	500	5,500	-	-	-
Restricted Cash Deposits (Borrowings)	(28,200)	38,000	-	-	-
Contributions to Equity Investments	(64,100)	-	-	-	-
Other Investing Activities	(53,100)	(36,000)	-	-	-
Net cash from investing activities	**(943,700)**	**(1,087,500)**	**(900,000)**	**(891,000)**	**(864,270)**
Cash from Financing Activities					
Issuance of Long-Term Debt	250,000	395,300	-	-	-
Retirement/Repurchase of Long-Term Debt	(977,700)	(8,200)	-	-	-
Change in Short-Term Borrowings, Net	1,279,500	(112,387)	512,754	200,724	260,864
Issuance of Common Stock	14,400	107,900	100,000	-	-
Acquisition of Treasury Stock	(1,400)	(2,700)	-	-	-
Dividends Paid - Common Stock	(255,600)	(259,683)	(276,286)	(285,314)	(293,873)
Other	(94,900)	(41,100)	-	-	-
Net cash from financing activities	**214,300**	**79,130**	**336,468**	**(84,589)**	**(33,009)**
Net change in cash	**(7,200)**	**12,245**	**226,420**	**(71,378)**	**58,357**
Cash at beginning of period	**16,400**	**9,200**	**21,445**	**247,865**	**176,487**
Cash at end of period	**9,200**	**21,445**	**247,865**	**176,487**	**234,844**

Source: Company data, Morgan Stanley Research

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Exhibit 6
NI Sum of the Parts Valuation

NiSource Inc.	Value ($m)	$/Share
Gas Distribution	$6,013	**$21**
Gas Transmission & Storage	5295	**$19**
Electric Utility	3457	**$12**
Value	**$14,765**	**$53**
Net Debt	**(7,374)**	**(26)**
Net Equity Value	**$7,391**	**$26**
Shares Outstanding (in m)		280

GAS DISTRIBUTION	
Forward EBITDA (2012E)	$752
Forward multiple	8.0x
Enterprise value	**$6,013**

GAS TRANSMISSION & STORAGE	
Forward EBITDA (2012E)	$588
Forward multiple	9.0x
Enterprise value	**$5,295**

ELECTRIC UTILITY	
Forward EBITDA (2012E)	$494
Forward multiple	7.0x
Enterprise value	**$3,457**

Source: Company data, Morgan Stanley Research.

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NiSource, Inc.

MORGAN STANLEY ModelWare

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(as of July 31, 2011)

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August 2, 2011
NiSource, Inc.

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Equal-weight/Hold	**1136**	**41%**	**372**	**40%**	**33%**
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Underweight/Sell	**384**	**14%**	**97**	**10%**	**25%**
Total	**2,741**		**940**		

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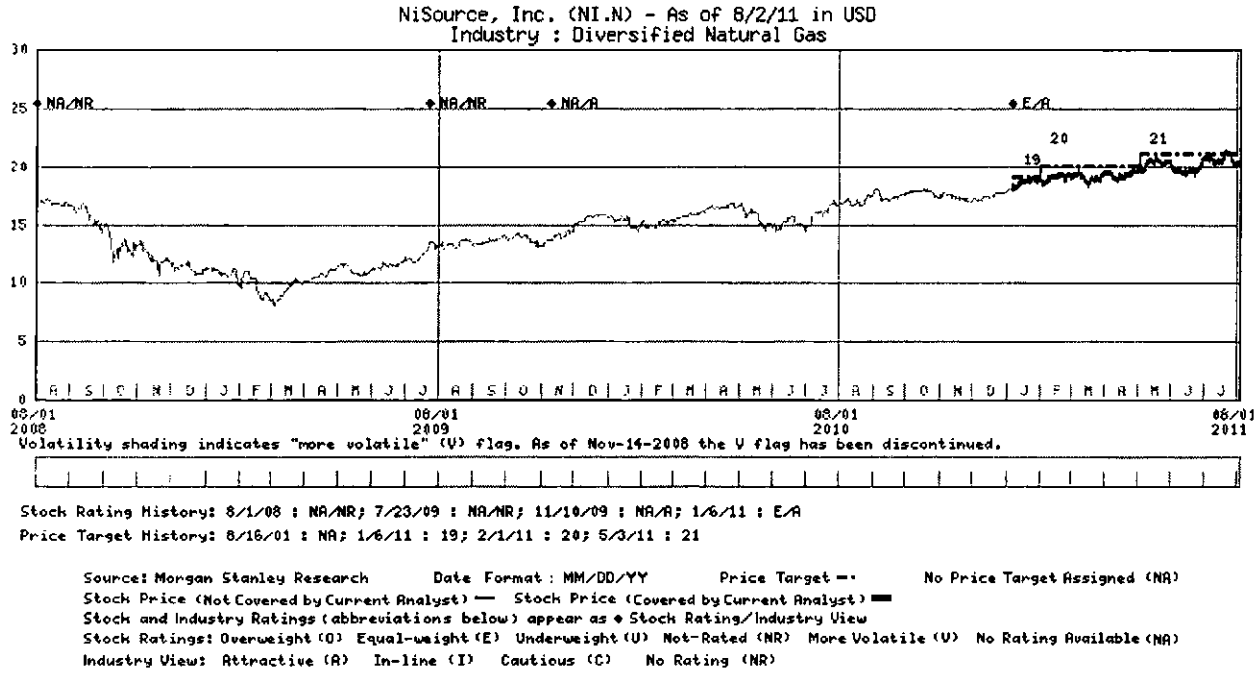
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Stock Price, Price Target and Rating History (See Rating Definitions)



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New York, NY 10036-8293	London E14 4AD	Tokyo 150-6008	Kowloon
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Industry Coverage:Diversified Natural Gas

Company (Ticker)	Rating (as of)	Price* (08/01/2011)
Stephen J. Maresca, CFA		
El Paso Corp. (EP.N)	O (05/10/2010)	$20.54
MDU Resources Group, Inc. (MDU.N)	E (01/06/2011)	$21.56
National Fuel Gas Co (NFG.N)	O (01/06/2011)	$72.33
NiSource, Inc. (NI.N)	E (01/06/2011)	$20.12
Oneok Inc. (OKE.N)	E (10/29/2010)	$72.75
Questar Corp. (STR.N)	U (10/29/2010)	$18.6
Southern Union Company (SUG.N)	E (11/10/2009)	$43.28
Spectra Energy Corp. (SE.N)	E (11/10/2009)	$27.13
Williams Companies, Inc (WMB.N)	O (11/10/2009)	$31.61

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NiSource Inc.

12-month rating	Neutral *Unchanged*
12m price target	US$20.00 *Unchanged*
Price	US$20.12

RIC: NI.N BBG: NI US

2 August 2011

Steady Progress

■ **Gas Distribution, NGT&S support 2Q EPS**

NI realized adjusted 2Q EPS of $0.16, excluding an income tax adjustment, in-line with our $0.16 estimate and the Street's $0.16 mean estimate. Better than expected results at Gas Distribution and Transmission & Storage, along with below-forecast depreciation and taxes, helped offset weaker than anticipated Electric performance, higher interest expense, and modest share creep to produce in-line EPS. We note that NGT&S throughput was up 41% y/y, reflecting ongoing growth of Marcellus-related infrastructure. Fig. 1 on the following page offers greater detail on results.

■ **Regulatory advances continue**

In July, NIPSCO filed a settlement agreement with the IURC and Columbia Gas of PA filed a partial settlement with the PUC with new electric and gas rates expected in 4Q-1Q. Subject to refund, Columbia Gulf placed new rates into effect in May.

■ **Maintaining EPS estimates; Mgmt affirms 2011 adjusted EPS guidance**

Including 2Q results, we maintain our 2011-13 EPS estimates of $1.35, $1.42, and $1.43, respectively. Mgmt affirmed its 2011 EPS guidance (non-GAAP) of $1.25-$1.35 and, with strong YTD cash flows, discussed a potential plan to not draw any of its equity forward sale until 2H12 (initial plans called for a 50% draw in 3Q11).

■ **Valuation: Maintain Neutral Rating**

We maintain our $20 DCF and SOP-derived price target. While we recognize the regulatory accomplishments NI has recently made, its continued Marcellus-related growth opportunities, and the prospect for ongoing earnings and dividend growth, we believe the shares are appropriately valued and maintain our Neutral rating.

Trading data	
52-wk range	US$21.26-16.50
Market cap.	US$5.62bn
Shares o/s	279m (COM)
Free float	99%
Avg. daily volume ('000)	821
Avg. daily value (m)	US$16.5

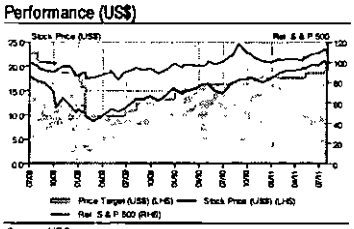
Balance sheet data 12/11E	
Shareholders' equity	US$5.22bn
P/BV (UBS)	1.1x
Net Cash (debt)	(US$7.38bn)

Forecast returns	
Forecast price appreciation	-0.6%
Forecast dividend yield	4.6%
Forecast stock return	+4.0%
Market return assumption	5.4%
Forecast excess return	-1.4%

EPS (UBS, US$)

	12/11E			12/10
	From	To	Cons.	Actual
Q1	0.72	0.72	0.71	0.71
Q2	0.16	0.16	0.16	0.10
Q3E	0.11	0.10	0.09	0.06
Q4E	0.38	0.38	0.40	0.35
12/11E	1.35	1.35	*1.34*	
12/12E	1.42	1.42	*1.45*	

Performance (US$)



Source: UBS

www.ubs.com/investmentresearch

Highlights (US$m)	12/09	12/10	12/11E	12/12E	12/13E
Revenues	6,371.00	6,034.80	6,208.62	6,440.40	6,593.71
EBIT (UBS)	844.90	921.60	983.33	1,035.69	1,063.37
Net income (UBS)	259.67	339.99	395.60	417.36	422.82
EPS (UBS, US$)	0.94	1.22	1.35	1.42	1.43
Net DPS (UBS, US$)	0.92	0.92	0.92	0.92	0.92

Profitability & Valuation	5-yr hist av.	12/10	12/11E	12/12E	12/13E
EBIT margin %	12.5	15.3	15.8	16.1	16.1
ROIC (EBIT) %	8.3	8.5	8.6	8.8	8.8
EV/EBITDA (core) x	8.5	8.4	9.3	8.9	7.4
PE (UBS) x	14.4	13.3	14.9	14.2	14.0
Net dividend yield %	5.5	5.7	4.6	4.6	4.6

Source: Company accounts, Thomson Reuters, UBS estimates. (UBS) valuations are stated before goodwill-related charges and other adjustments for abnormal and economic items at the analysts' judgement.

Valuations based on an average share price that year. (E): based on a share price of US$20.12 on 01 Aug 2011 19:43 EDT

Ronald J. Barone
Analyst
ronald.barone@ubs.com
+1-212-713 3848

Christopher P. Sighinolfi, CFA
Analyst
christopher.sighinolfi@ubs.com
+1-212-713 2239

Corey Goldman
Associate Analyst
corey.goldman@ubs.com
+1-212-713 4913

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Figure 1: NI 2Q Recurring Results

Recurring Operating Income by Division	Actual 2Q11A	UBS Estimates 2Q11E		Year-over-Year 2Q10A	
Gas Distribution	$46.4	$43.1	7.6%	$18.5	150.8%
Transmission & Storage	$84.7	$73.6	15.0%	$74.9	13.1%
Electric Operations	$39.8	$51.1	-22.1%	$49.6	-19.8%
Corporate, Other, and Eliminations	($7.6)	($4.5)	-68.9%	($3.8)	NM
Total Operating Income	**$163.3**	**$163.3**	**0.0%**	**$139.2**	**17.3%**
Depreciation	($134.5)	($137.0)	-1.8%	($152.9)	-12.0%
Other Income / (Expenses)	$0.6	$0.5	NM	$2.6	NM
Interest Expense	($94.4)	($92.3)	2.2%	($98.4)	-4.1%
Income Tax Benefit (Expense)	($23.2)	($26.8)	-13.5%	($15.8)	46.9%
Recurring Net Income	**$46.3**	**$44.7**	**3.6%**	**$27.6**	**67.7%**
Avg Diluted Shares Outstanding	287.1	285.2	0.7%	278.4	3.1%
Earnings Per Diluted Share	**$0.16**	**$0.16**	**3.0%**	**$0.10**	**62.7%**

Source: NI reports and UBS estimates

Note: Recurring results exclude items deemed to be one-time in nature; hence, the $6.8mm income tax adjustment resulting from Indiana House Bill 1004 have been excluded from 2Q results. Additionally, we note that we forecast and report results on a diluted share basis while the company reports results based on basic shares outstanding.

■ NiSource Inc.

NiSource is an energy holding company whose subsidiaries are engaged in natural gas transmission, storage, and distribution, as well as electric generation, transmission, and distribution. NiSource operating companies deliver energy products and services to approximately 3.8 million customers located within a corridor that runs from the Gulf Coast through the Midwest to New England.

■ Statement of Risk

Risks to our NI earnings estimates and price target include: 1) lower customer usage; 2) customer attrition; 3) non-normal weather; 4) higher bad debt expense; 5) unfavorable regulatory/legislative decisions; 6) rising interest rates; and 7) unfavorable pension asset performance.

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UBS 12-Month Rating	Rating Category	Coverage[1]	IB Services[2]
Buy	Buy	54%	39%
Neutral	Hold/Neutral	39%	35%
Sell	Sell	7%	14%
UBS Short-Term Rating	**Rating Category**	**Coverage[3]**	**IB Services[4]**
Buy	Buy	less than 1%	33%
Sell	Sell	less than 1%	25%

1:Percentage of companies under coverage globally within the 12-month rating category.
2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.
3:Percentage of companies under coverage globally within the Short-Term rating category.
4:Percentage of companies within the Short-Term rating category for which investment banking (IB) services were provided within the past 12 months.

Source: UBS. Rating allocations are as of 30 June 2011.

UBS Investment Research: Global Equity Rating Definitions

UBS 12-Month Rating	Definition
Buy	FSR is > 6% above the MRA.
Neutral	FSR is between -6% and 6% of the MRA.
Sell	FSR is > 6% below the MRA.
UBS Short-Term Rating	**Definition**
Buy	Buy: Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.
Sell	Sell: Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.

KEY DEFINITIONS

Forecast Stock Return (FSR) is defined as expected percentage price appreciation plus gross dividend yield over the next 12 months.

Market Return Assumption (MRA) is defined as the one-year local market interest rate plus 5% (a proxy for, and not a forecast of, the equity risk premium).

Under Review (UR) Stocks may be flagged as UR by the analyst, indicating that the stock's price target and/or rating are subject to possible change in the near term, usually in response to an event that may affect the investment case or valuation.

Short-Term Ratings reflect the expected near-term (up to three months) performance of the stock and do not reflect any change in the fundamental view or investment case.

Equity Price Targets have an investment horizon of 12 months.

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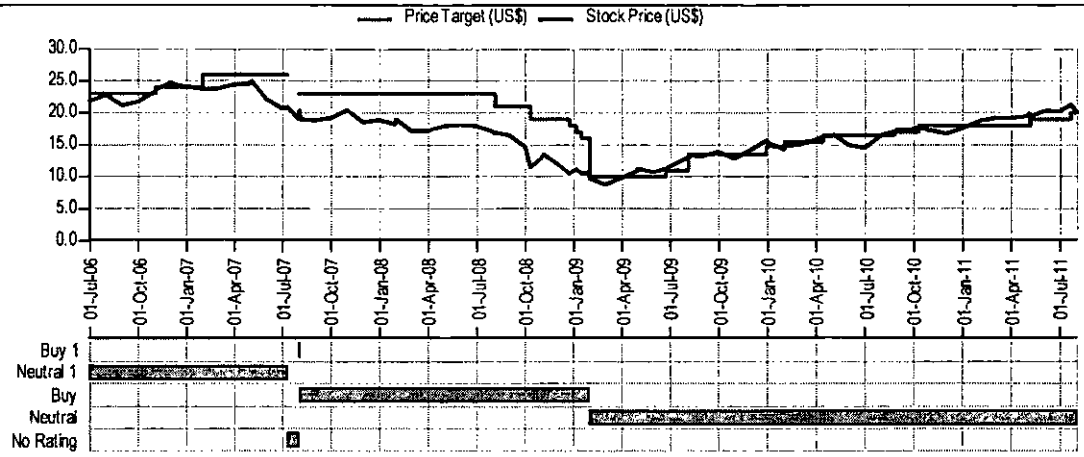
Company Name	Reuters	12-mo rating	Short-term rating	Price	Price date
NiSource Inc.[4, 6a, 6b, 7, 16, 18]	NI.N	Neutral	N/A	US$20.12	01 Aug 2011

Source: UBS. All prices as of local market close.
Ratings in this table are the most current published ratings prior to this report. They may be more recent than the stock pricing date

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18. The U.S. equity strategist, a member of his team, or one of their household members has a long common stock position in NiSource, Inc.

Unless otherwise indicated, please refer to the Valuation and Risk sections within the body of this report.

NiSource Inc. (US$)



Source: UBS; as of 01 Aug 2011

Note: On August 4, 2007 UBS revised its rating system. (See 'UBS Investment Research: Global Equity Rating Definitions' table for details). From September 9, 2006 through August 3, 2007 the UBS ratings and their definitions were: Buy 1 = FSR is > 6% above the MRA, higher degree of predictability; Buy 2 = FSR is > 6% above the MRA, lower degree of predictability; Neutral 1 = FSR is between -6% and 6% of the MRA, higher degree of predictability; Neutral 2 = FSR is between -6% and 6% of the MRA, lower degree of predictability; Reduce 1 = FSR is > 6% below the MRA, higher degree of predictability; Reduce 2 = FSR is > 6% below the MRA, lower degree of predictability. The predictability level indicates an analyst's conviction in the FSR. A predictability level of '1' means that the analyst's estimate of FSR is in the middle of a narrower, or smaller, range of possibilities. A predictability level of '2' means that the analyst's estimate of FSR is in the middle of a broader, or larger, range of possibilities. From October 13, 2003 through September 8, 2006 the percentage band criteria used in the rating system was 10%.

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UBS

WUNDERLICH SECURITIES

Energy: Utilities/Power

NISOURCE INC. (NI: 20.40)

August 3, 2011

Raising Price Target
Rating: Hold
Price Target: Old - $19.00; New - $21.00

Market Data	
12-18 Month Price Target	$21.00
52-Week Range	21.37 - 16.32
ADTV - 90Day (MM)	3,070.4
Market Cap ($MM)	5,724.5
Shares Out (MM)	278.9
Public Market Float (MM)	278.2
Dividend	0.92
Dividend/Yield	4.51%

EPS ($)					
FY DEC	2010	2011		2012	
	Actual	Previous	Current	Previous	Current
Q1	$0.72A	–	$0.72A	–	–
Q2	$0.13A	$0.16	$0.17A	–	–
Q3	$0.04A	–	$0.09E	–	–
Q4	$0.33A	–	$0.35E	–	–
YEAR	$1.22A	$1.32	$1.33E	–	$1.42E

2009 and 2010 actuals are non-GAAP, operating earnings. GAAP EPS for '09 and '10 were $0.84 and $1.06, respectively.

Valuation Ratio			
	FY10	FY11	FY12
P/E	16.7x	15.3x	14.4x
PEG	4.2x	3.8x	3.6x
EV/EBITDA	8.5x	8.6x	8.2x
Leverage Ratio	4.8x	4.9x	4.7x
EV/FCF	NM	142.4x	105.7x
FCF Yield	NM	1.6%	2.1%
P/FCF	(68.3)x	63.2x	46.9x
EV/S	2.0x	2.0x	2.0x

Financial Data			
	FY10	FY11	FY12
Revenue	6,422.0A	6,490.7E	6,612.3E
EBIT	$925.1A	$956.2E	$1,014.1E
EBITDA	1,521.4A	1,508.9E	1,578.4E
FCF(Mil)	$(83.8)A	$90.6E	$122.1E
Debt/Capital	59.9%A	58.4%E	56.9%E
BV/Share	$17.66A	$18.05E	$18.54E
CapEx	803.8A	1,050.0E	1,000.0E

Balance Sheet			
	FY10	FY11	FY12
PPE	$11,097.0A	$11,594.3E	$12,030.0E
Total Assets	$19,938.8A	$20,545.4E	$21,111.9E
Total Debt	$7,352.8A	$7,352.8E	$7,352.8E
Long Term Debt	5,936.1A	11,163.9E	11,503.4E
Total SOE and Liab.	$19,938.8A	$20,545.4E	$21,111.9E

2Q Results as Expected; Raising Target Price; Maintain Hold Rating

Summary

NiSource (NI) reported 2Q adjusted (non-GAAP) EPS of $0.17 versus $0.13 a year ago (our/consensus estimate was $0.16/$0.13). As expected, the results were driven higher by better gas distribution (higher revenues and lower depreciation) and improved gas pipeline results, offset partially by lower electric results. Based on the results, we are increasing our 2011 EPS estimate to $1.33 (up $0.01), but maintaining our 2012/2013 EPS estimates of $1.42/$1.49. NI has settlements pending in its Indiana electric rate case and Pennsylvania gas case, which should be decided by year end. Based on our earnings expectations, we expect NI to consider a dividend increase in 2H12.

Key Points

- **2Q results helped by rate design and new projects.** As expected, NI's 2Q results were positively impacted at gas distribution by lower depreciation and a shift in billing to more year-round fixed charges (has the effect of moving gas earnings from 4Q/1Q to 2Q/3Q). In the gas transmission and storage business, the results were bolstered by new projects added over the last nine months (Majorsville, Clendin, Southern Appalachian). NI remains well positioned for growth in gas infrastructure in the Midwest.
- **Maintaining our 2012 and 2013 EPS estimates.** Our EPS estimates are $1.42/$1.49 for 2012/2013. Based on the 2Q results, we are increasing our 2011 EPS estimate $0.01 to $1.33. The company's pending rate cases should drive 2012 EPS. Ongoing environmental spending for NI's electric business in Indiana has the benefit of an environmental cost tracker for cost recovery. Similar trackers exist for some of NI's gas distribution replacement programs. We expect the company's equity forward to be settled by September of 2012.
- **Gas and electric infrastructure investment continues to drive growth.** NI has a capital budget of $1.1 billion for 2011. This compares with depreciation of about $550 million. The growth in infrastructure investment is expected to drive earnings growth. NI's gas transmission and distribution business is attractively located near the new shale gas resources in the Marcellus and Utica formations. This should provide NI with gas gathering and transportation development opportunities over the next several years.
- **More equity and dividends likely in 2012.** NI has an equity forward contract that expires in September 2012. We expect NI will settle the contract for 24 million shares shortly before expiration, leaving a full-year impact of the equity dilution in 2013. Separately, as earnings continue to grow and NI exploits more attractive opportunities for gas infrastructure expansion in the Midwest shale gas regions, we expect the company to consider a dividend increase in the second half of 2012.
- **Increase price target to $21.** NI currently trades at 14.4 and 13.7 times our 2012 and 2013 EPS estimates, respectively. This compares with 13.6x and 12.9x for comparable electric peers, but closer to 17x and 15x for gas peers. Given NI's gas business, we expect the stock will trade at a premium to its electric peers, but may not fully reflect the sum-of-the-parts valuation. This coupled with our DCF supports our target price of $21. We continue to have a Hold rating on NI.

James L. Dobson, CFA • 212.402.2059 • jdobson@wundernet.com
Erica Piserchia • 212.402.2061 • episerchia@wundernet.com

Wunderlich Securities, Inc.
60 East 42nd Street, Suite 1007
New York, NY 10165

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Analyst Certification

I James L. Dobson, CFA and Erica Piserchia, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject companies and their underlying securities. I further certify that I have not and will not be receiving direct or indirect compensation in exchange for expressing the specific recommendation(s) in this research report.

Valuation/Risks

- NI faces regulatory risk, operational risk in its gas and electric business, adequate access to capital markets, and financial risk as a result of its leverage.
- We value utilities based on a comparable company analysis and a discounted cash flow analysis.

General disclosures:

Prices are as of the close of 08/02/11.

Ratings Distribution (in Percentages) & Investment Banking Disclosure Chart Information

Ratings Distribution & Investment Banking Disclosure

Rating	Count	Ratings Distribution*	Count	Investment Banking**
Buy -rated	115	64.20	17	14.78
Hold -rated	60	33.50	3	5.00
Sell -rated	4	2.20	0	0.00

** Percentage of all Wunderlich-covered stocks assigned an equivalent Buy, Hold, or Sell rating.*

*** Percentage of companies within Wunderlich-rated Buy, Hold, and Sell categories for which Wunderlich or an associated firm provided investment banking services within the past 12 months.*

Rating System:

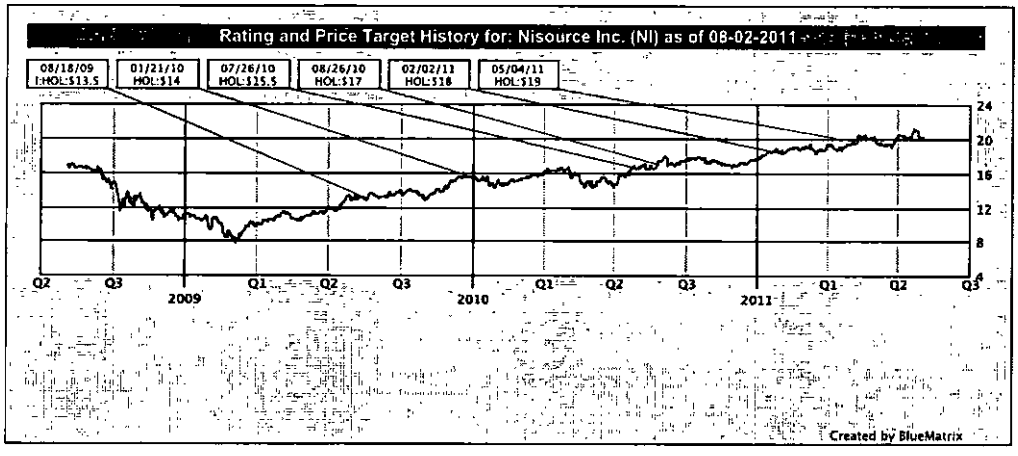
There are three rating categories within the Wunderlich Securities Investment Rating System: Buy, Hold, and Sell. The rating assigned to each company is based on the following criteria.

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WUNDERLICH SECURITIES

Baltimore
400 E. Pratt Street
Suite 710
Baltimore, MD 21202
866.297.8259

Boston
260 Franklin Street
5th Floor
Boston, MA 02110
617.892.7150

Chicago
200 W. Madison Street
Suite 2950
Chicago, IL 60606
800.388.3851

Denver
1099 18th Street
Suite 2015
Denver, CO 80202
866.493.6588

Houston
10370 Richmond Avenue
Suite 950
Houston, TX 77042
888.385.6928

Memphis
6000 Poplar Avenue
Suite 150
Memphis, TN 38119
800.726.0557

New York
60 East 42nd Street
Suite 1007
New York, NY 10165
866.575.2223

St. Louis
7711 Bonhomme St.
Suite 600
St. Louis, MO 63105
888.432.5671

Director of Equity Capital Markets		
J. Jeffery Fowlds	303.965.7964	jfowlds@wundernet.com
Brooke Hrimnak	410.369.2609	bhrimnak@wundernet.com
Equity Research		
Director of Research		
Michael E. Hoffman	410.369.2620	mehoffman@wundernet.com
Accounting and Tax Policy		
Forensic Accounting		
Mike Gyure, CPA	440.364.7473	mgyure@wundernet.com
Diversified Industrials		
Environmental Services		
Michael E. Hoffman	410.369.2620	mehoffman@wundernet.com
Brian J. Butler, CFA	410.369.2614	bbutler@wundernet.com
Energy		
Alternative Energy		
Theodore O'Neill	212.402.2054	toneill@wundernet.com
Exploration & Production/Oilfield Services		
Irene O. Haas	713.403.3980	ihaas@wundernet.com
Master Limited Partnerships		
John R. Cusick, CFA	212.402.2057	jcusick@wundernet.com
Utilities/Power		
James L. Dobson, CFA	212.402.2059	jdobson@wundernet.com
Erica Piserchia	212.402.2061	episerchia@wundernet.com
Financial Services		
Insurance		
Elizabeth C. Malone, CFA	410.369.2615	bmalone@wundernet.com
Jacob Hughes	410.369.2616	jhughes@wundernet.com
Real Estate		
Merrill Ross	703.307.9409	mross@wundernet.com
Ian P. Fleischer, CFA	410.369.2618	ifleischer@wundernet.com
Regional Banks		
Kevin Reynolds, CFA	901.251.2229	kreynolds@wundernet.com
Jeremy Lucas	901.251.1362	jlucas@wundernet.com
Media		
Cable/Satellite		
Matthew Harrigan	303.965.7966	mharrigan@wundernet.com
Entertainment		
Matthew Harrigan	303.965.7966	mharrigan@wundernet.com
Technology		
Communications & Networking Equipment		
Matthew S. Robison	415.572.0936	mrobison@wundernet.com
Information Infrastructure		
Brian S. Freed, CFA	901.251.1353	bfreed@wundernet.com
Medical Devices & Technology		
Gregory J. Simpson, CFA	314.719.3467	gsimpson@wundernet.com
Institutional Equity Sales		
Director of Institutional Sales		
Thomas S. Stephens	410.369.2602	tstephens@wundernet.com
Beth Adams	972.772.5066	badams@wundernet.com
Greg Brown	303.260.7902	gbrown@wundernet.com
James Donovan	617.892.7222	jdonovan@wundernet.com
Paul Gillespie	901.259.9407	pgillespie@wundernet.com
Thomas Hadley	303.260.7905	thadley@wundernet.com
John Hohweiler	410.369.2610	jhohweiler@wundernet.com
Ethel McGlynn	303.260.7904	ethel@wundernet.com
Michael Negron	617.892.7223	mnegron@wundernet.com
Kyle Norton	212.402.2060	knorton@wundernet.com
Robert Oram	212.402.2056	boram@wundernet.com
Kristi Papanikolaw	212.402.2058	kpapanikolaw@wundernet.com
Beth Rosenberry	312.368.0478	brosenberry@wundernet.com
Christina Rosso	212.402.2055	crosso@wundernet.com
Ned Sinnott	804.263.5240	nsinnott@wundernet.com
Institutional Equity Trading		
Director of Institutional Equity Trading		
Stephen C. Iskalis	303.260.7901	siskalis@wundernet.com
John Belgrade	888.257.4152	jbelgrade@wundernet.com
Chuck Berry	303.965.7961	cberry@wundernet.com
Trip Carey	617.892.7220	tcarey@wundernet.com
Jeffrey England	303.965.7960	jengland@wundernet.com

BARCLAYS CAPITAL

EQUITY RESEARCH

Power & Utilities | U.S. Utilities | 31 October 2011

NISOURCE, INC.

Digging into NI's Utica Potential

In light of NI management's disclosure of 100-200K acres of Utica lease holdings, we thought it would be worthwhile to review some of the work we've done most recently on the potential value to NI as the play develops.

Our spot estimate is 163K, concentrated in Ashland (60K) and Hocking (51K) counties. Our gross range of potential subleasing opportunities for NI runs from 163-239K acres. The items that could bias our estimate lower would be that if NI has already previously subleased acreage (we've seen anecdotal news reports of ~40K acres already subleased in early 2009), or if regulations don't allow for drilling near gas infrastructure assets. Another consideration is that since the acreage is around storage assets, drilling could potentially be more challenging. Primary items that would bias our estimate higher are leases not necessarily associated with storage assets and right of ways with pipes which we haven't captured in our analysis.

While we don't think valuing NI's potential Utica position on a per share basis is appropriate, our analysis points to $1-$2/sh in potential value in a full monetization scenario. NI management seems intent on waiting for the Utica play to develop more fully before considering any type of monetization. As such, we don't think that NI's objective here is to simply sublease as early as possible, instead, this acreage could be a source of funds for future infrastructure growth in the region as the play develops.

The most important datapoints going forward from here are 1) Pricing of potential JV announcements and 2) Well results from the western part of the play.

It is important to note that our methodology, especially when considering how early the Utica is in its development, carries some risks; however, we think there is value in presenting a framework with which to think of NI's holdings in the play.

NI: Quarterly and Annual EPS (USD)

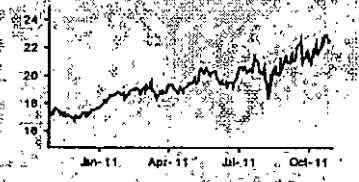
	2010	2011			2012			Change y/y	
FY Dec	Actual	Old	New	Cons	Old	New	Cons	2011	2012
Q1	0.72A	0.71A	0.71A	0.71A	N/A	N/A	0.77E	-1%	N/A
Q2	0.13A	0.17A	0.17A	0.17A	N/A	N/A	0.11E	31%	N/A
Q3	0.04A	0.11A	0.11A	0.10E	N/A	N/A	0.09E	175%	N/A
Q4	0.33A	N/A	N/A	0.38E	N/A	N/A	0.49E	N/A	N/A
Year	1.22A	1.34E	1.34E	1.35E	1.45E	1.45E	1.45E	10%	8%
P/E	18.5		16.8			15.5			

Source: Barclays Capital
Consensus numbers are from Thomson Reuters

Stock Rating	2-EQUAL WEIGHT Unchanged
Sector View	1-POSITIVE Unchanged
Price Target	USD 22.00 Unchanged
Price (28-Oct-2011)	USD 22.52
Potential Upside/Downside	-2%
Tickers	NI
Market Cap (USD mn)	6319
Shares Outstanding (mn)	280.61
Free Float (%)	99.23
52 Wk Avg Daily Volume (mn)	2.9
Dividend Yield (%)	4.1
Return on Equity TTM (%)	6.33
Current BVPS (USD)	17.84

Source: FactSet Fundamentals

Price Performance — Exchange-NYSE
52 Week range — USD 23.00-16.65



Link to Barclays Capital Live for interactive charting

U.S. Utilities
Daniel Ford, CFA
1.212.526.0836
dan.ford@barcap.com
BCI, New York

Noah Hauser
1.212.526.6203
noah.hauser@barcap.com
BCI, New York

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COMPANY SNAPSHOT

NiSource Inc. — U.S. Utilities

Income statement ($mn)	2010A	2011E	2012E	2013E	CAGR
EBITDA	1,514	1,593	1,696	1,761	5.2%
EBIT	918	984	1,073	1,127	7.1%
Pre-tax income	529	600	680	745	12.1%
Net income	340	383	434	475	11.8%
EPS (reported) ($)	$1.21	1.34	1.45	1.53	8.2%
Diluted shares (m)	280	286	299	309	3.3%
Dividend per share ($)	0.92	0.92	0.92	0.92	0.0%

Margin and return data (%)					Average
EBITDA margin	26.0	26.8	27.9	28.4	27.3
EBIT margin	15.8	16.6	17.6	18.2	17.0
Pre-tax margin	9.1	10.1	11.2	12.0	10.6
Net margin	5.8	6.5	7.1	7.6	6.8
ROIC	7.6	8.0	8.5	8.7	8.2
ROA	1.7	1.9	2.1	2.2	2.0
ROE	6.9	7.5	8.0	8.3	7.7

Balance sheet and cash flow (€mn)					CAGR
Net PP&E	11,097	11,588	12,066	12,531	4.1%
Total net assets	19,939	20,433	20,915	21,395	2.4%
Capital employed	12,064	12,405	12,732	13,198	3.0%
Shareholders' equity	4,923	5,262	5,639	5,844	5.9%
Net debt/(funds)	7,141	7,143	7,094	7,354	1.0%
Operating cash flow	725	993	1,056	1,109	15.2%
Capital expenditure	(804)	(1,100)	(1,100)	(1,100)	NA
Free cash flow	(334)	(370)	(319)	(275)	NA
Pre-dividend FCF	(78)	(107)	(44)	9	NA

Valuation and leverage metrics					Average
P/E (x)	18.5	16.7	15.4	14.6	16.3
EV/EBITDA (x)	8.9	8.5	8.1	8.1	8.4
EV/EBIT (x)	14.6	13.8	12.8	12.7	13.5
Price/BV (x)	1.3	1.2	1.2	1.2	1.2
Dividend yield (%)	4.1	4.1	4.1	4.1	4.1
Total debt/capital (%)	59.2	57.6	55.7	55.7	57.1
Net debt/EBITDA (x)	4.7	4.5	4.2	4.2	4.4

Selected operating metrics				
Payout ratio (%)	75.9	68.6	63.4	59.9
Interest cover	3.9	4.1	4.3	4.6
% Regulated	100.0	100.0	100.0	100.0
Main Jurisdiction	IN/OH	IN/OH	IN/OH	IN/OH

Source: Company data, Barclays Capital

Stock Rating	2-EQUAL WEIGHT
Sector View	1-POSITIVE
Price (27-Oct-2011)	$22.40
Price Target	$22
Ticker	NI

Investment case

Why a 2-EW? We rate NI as 2-EW because while the company has taken large steps recently to alleviate regulatory concerns, we see limited upside potential for the base business, which we value at a 5% premium to NI's regulated peers.

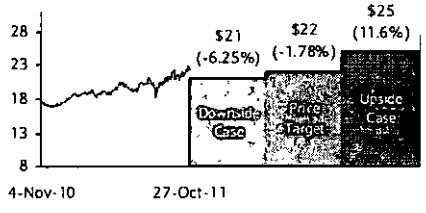
Upside case — **$25**

Our upside case on NI's base business embeds a 10% premium to the regulated group's multiple while additional upside may exist through the company's position around shale acreage that we assign $2/sh of value to.

Downside case — **$21**

Our downside case assumes NI trades in line with its regulated peers on '13 EPS.

Upside/downside scenarios



Source: DataStream

Our methodology

Our methodology for determining NI's potential Utica holdings came from historical storage well data from Ohio's Department of Natural Resources well database. Using these historical leases associated with Columbia Gas Transmission storage wells, we aggregated the leases by township, and then took a further step back to see on a county by county basis where NI's leases lie. Many of these leases specified acreage connected to the original agreement (many of which dated back to the 1940s and 1950s).

Without being privy to each specific contract negotiation, there is likely no good way to determine if NI holds the rights to subsequently sub-lease acreage, although the older the original lease agreement, the more likely NI is to hold, more broadly, the mineral rights deep enough to interest producers developing the Utica.

As we stated, earlier, we don't think that valuing NI's acreage on a value/share basis is the correct approach; however, we tried to provide a framework for investors to at least think about what this could be worth to NI under a full monetization scenario.

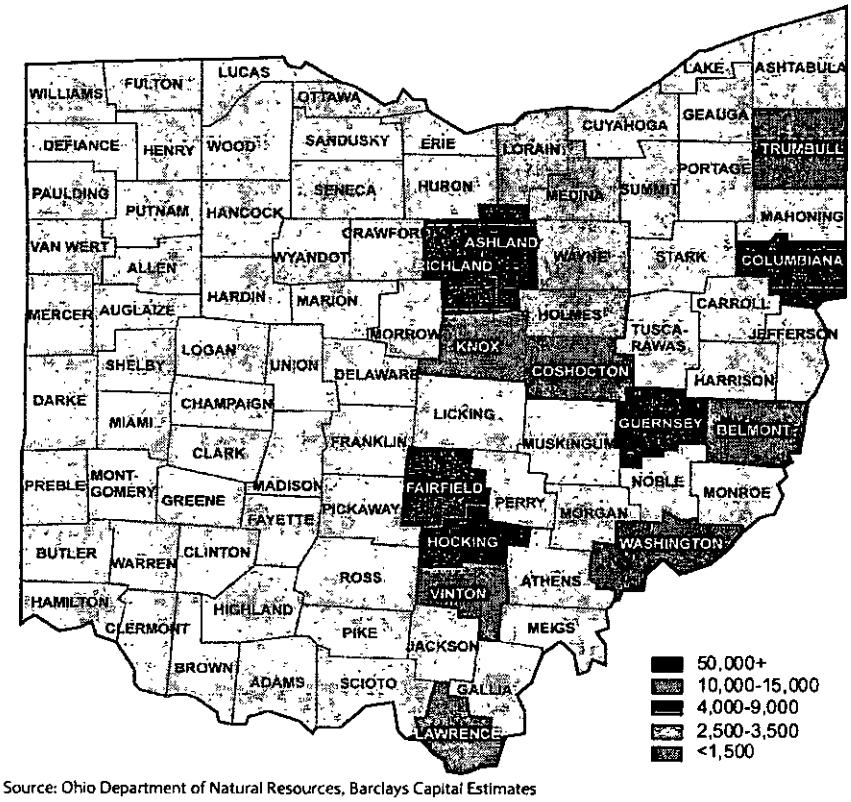
Our breakdown by county of gross potential acres and our first look at potential valuation is below.

Figure 1: Base Case Acreage by County and Valuation

County	Potential Acres	% of Total	Conservative Case ($/Acre)	Aggressive Case ($/Acre)	Conservative Value ($MM)	Aggressive Value ($MM)
ASHLAND	60,339	37%	$2,500.0	$5,000.0	$150.8	$301.7
HOCKING	51,123	31%	$1,000.0	$2,500.0	$51.1	$127.8
HOLMES	12,555	8%	$5,000.0	$7,500.0	$62.8	$94.2
COLUMBIANA	8,981	6%	$7,500.0	$10,000.0	$67.4	$89.8
RICHLAND	7,710	5%	$1,000.0	$2,500.0	$7.7	$19.3
FAIRFIELD	6,101	4%	$1,000.0	$2,500.0	$6.1	$15.3
GUERNSEY	4,057	2%	$7,500.0	$10,000.0	$30.4	$40.6
LORAIN	3,509	2%	$2,500.0	$5,000.0	$8.8	$17.5
WAYNE	2,917	2%	$5,000.0	$7,500.0	$14.6	$21.9
MEDINA	2,491	2%	$5,000.0	$7,500.0	$12.5	$18.7
COSHOCTON	1,459	1%	$5,000.0	$7,500.0	$7.3	$10.9
VINTON	1,159	1%	$1,000.0	$2,500.0	$1.2	$2.9
BELMONT	175	0%	$7,500.0	$10,000.0	$1.3	$1.8
TRUMBULL	160	0%	$7,500.0	$10,000.0	$1.2	$1.6
KNOX	96	0%	$2,500.0	$5,000.0	$0.2	$0.5
LAWRENCE	1	0%	$1,000.0	$1,000.0	$0.0	$0.0
Total	**162,833**	**100%**			**$423.4**	**$764.3**
Assumed Tax Rate					**35.0%**	**35.0%**
After-Tax Bonus Payments					**$275.2**	**$496.8**
2013 S/O					**310**	**310**
Value/Share					**$0.89**	**$1.60**

Source: Ohio Department of Natural Resources, Barclays Capital Estimates

Figure 2: NI's estimated Utica Acreage by County (Base Case)



Source: Ohio Department of Natural Resources, Barclays Capital Estimates

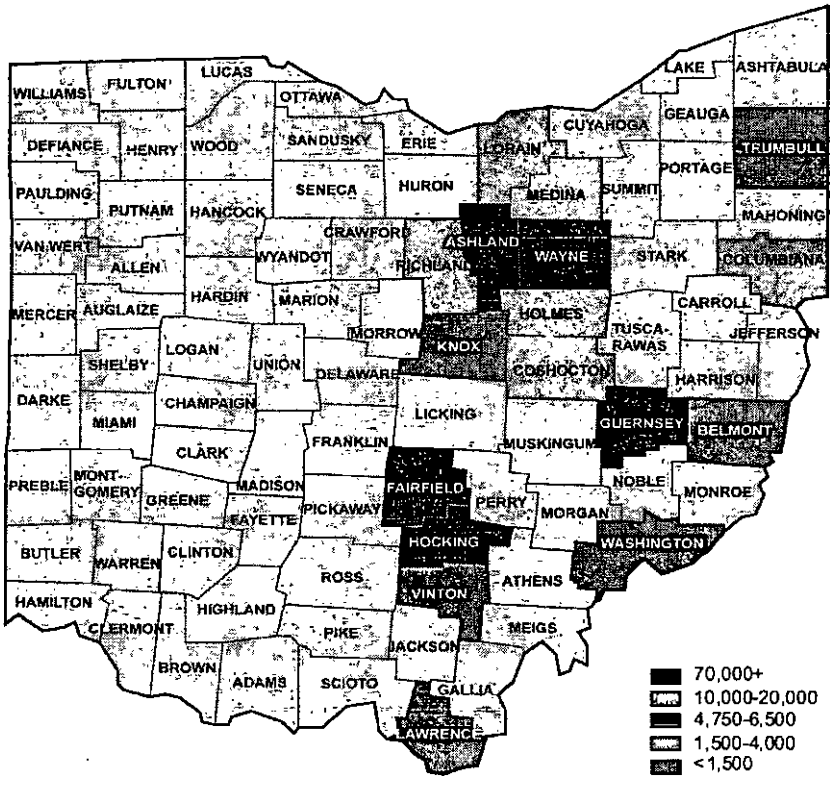
Some of the older leases had no acreage specifically called out in documents we accessed. In order to try to avoid missing a source of potential upside, we also ran a scenario where we took the average size of leases in a particular township where we did have acreage data, and then assumed that these unmarked leases were "average." The results of this more aggressive analysis are below.

Figure 3: More Aggressive Case Acreage by County and Valuation

County	Potential Acres	% of Total	Conservative Case ($/Acre)	Aggressive Case ($/Acre)	Conservative Value ($MM)	Aggressive Value ($MM)
HOCKING	85,478	36%	$1,000.0	$2,500.0	$85.5	$213.7
ASHLAND	73,735	31%	$2,500.0	$5,000.0	$184.3	$368.7
RICHLAND	19,157	8%	$1,000.0	$2,500.0	$19.2	$47.9
HOLMES	14,342	6%	$5,000.0	$7,500.0	$71.7	$107.6
LORAIN	11,694	5%	$2,500.0	$5,000.0	$29.2	$58.5
COLUMBIANA	10,940	5%	$7,500.0	$10,000.0	$82.0	$109.4
FAIRFIELD	6,555	3%	$1,000.0	$2,500.0	$6.6	$16.4
GUERNSEY	4,977	2%	$7,500.0	$10,000.0	$37.3	$49.8
WAYNE	4,825	2%	$5,000.0	$7,500.0	$24.1	$36.2
MEDINA	3,889	2%	$5,000.0	$7,500.0	$19.4	$29.2
COSHOCTON	1,583	1%	$5,000.0	$7,500.0	$7.9	$11.9
VINTON	1,426	1%	$1,000.0	$2,500.0	$1.4	$3.6
BELMONT	175	0%	$7,500.0	$10,000.0	$1.3	$1.8
TRUMBULL	160	0%	$7,500.0	$10,000.0	$1.2	$1.6
KNOX	96	0%	$2,500.0	$5,000.0	$0.2	$0.5
Total	239,033				$571.5	$1,056.5
Assumed Tax Rate					35.0%	35.0%
After-Tax Bonus Payments					$371.5	$686.7
2013 S/O					310	310
Value/Share					$1.20	$2.22

Source: Ohio Department of Natural Resources, Barclays Capital Estimates

Figure 4: NI's estimated Utica Acreage by County (Aggressive Case)



Source: Ohio Department of Natural Resources, Barclays Capital Estimates

ANALYST(S) CERTIFICATION(S)

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Primary Stocks (Ticker, Date, Price)

NiSource, Inc. (NI, 28-Oct-2011, USD 22.52), 2-Equal Weight/1-Positive

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In addition to the stock rating, we provide sector views which rate the outlook for the sector coverage universe as 1-Positive, 2-Neutral or 3-Negative (see definitions below). A rating system using terms such as buy, hold and sell is not the equivalent of our rating system. Investors should carefully read the entire research report including the definitions of all ratings and not infer its contents from ratings alone.

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Sector View

1-Positive - sector coverage universe fundamentals/valuations are improving.

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Aqua America (WTR)	CenterPoint Energy Inc. (CNP)	CMS Energy (CMS)
Consolidated Edison (ED)	Dominion Resources (D)	DPL Inc. (DPL)
DTE Energy (DTE)	Duke Energy (DUK)	Edison International (EIX)
Great Plains Energy Inc. (GXP)	Hawaiian Electric Inds (HE)	ITC Holdings (ITC)
National Grid Plc (NGG)	NiSource, Inc. (NI)	Northeast Utilities (NU)
NSTAR (NST)	NV Energy, Inc. (NVE)	OGE Energy Corp. (OGE)
Pepco Holdings (POM)	PG&E Corp. (PCG)	Pinnacle West Capital (PNW)
PNM Resources (PNM)	Portland General Electric Co. (POR)	Progress Energy (PGN)
SCANA Corp. (SCG)	Sempra Energy (SRE)	Southern Co. (SO)
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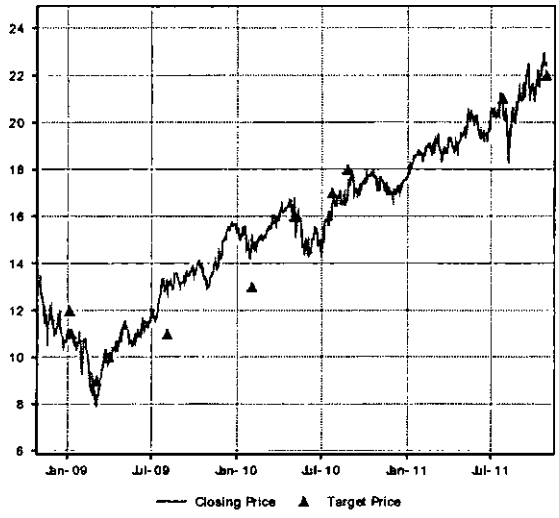
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NiSource, Inc. (NI)

USD 22.52 (28-Oct-2011)

Stock Rating	Sector View
2-EQUAL WEIGHT	**1-POSITIVE**

Rating and Price Target Chart - USD (as of 28-Oct-2011) **Currency-USD**



Date	Closing Price	Rating	Price Target
28-Oct-2011	22.52		22.00
26-Jul-2011	20.85		21.00
25-Aug-2010	16.90		18.00
23-Jul-2010	16.49		17.00
04-May-2010	16.60		16.00
02-Feb-2010	15.17		13.00
05-Aug-2009	12.97		11.00
01-Apr-2009	9.99		10.00
05-Mar-2009	7.86		9.00
09-Jan-2009	11.08		11.00
05-Jan-2009	11.17		12.00

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Valuation Methodology: Our $22 price target is premised upon our '13E EPS of $1.53 and the '13 group PE multiple of 13.5x, adjusted upwards by 5% for NI's gas heavy business mix.

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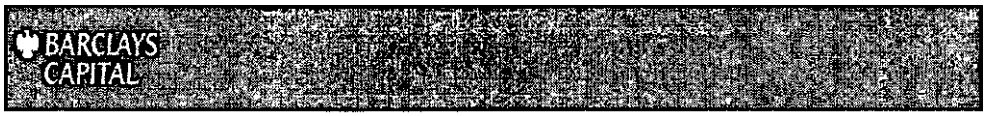
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Here you go sir

From: Ford, Dan: Research (BOS)
To: Hauser, Noah: Research (NYK)
Sent: Thu Nov 03 20:15:05 2011
Subject: Good Utica Datapoint with CHK JV a Positive for NI



EQUITY RESEARCH | INSTANT INSIGHTS 3 November 2011

Daniel Ford, CFA	+1 212 526 0836	dan.ford@barcap.com	BCI, New York
Noah Hauser	+1 212 526 6203	noah.hauser@barcap.com	BCI, New York

Good Utica Datapoint with CHK JV a Positive for NI

Stock Rating/Sector View: 2-EW/1-Pos
Price Target: $22
Price (03-11-2011): $22.15
Potential Upside/Downside: -1%
Ticker: NI

After the close, CHK announced a JV associated with their Utica shale position. The transaction values CHK's position in the wet gas window of the play at $15,000/acre. After running the numbers on potential implications on NI's position, we see an increase in the potential value of their position of $0.40-$0.60/sh.

While without knowing specifically where NI's acreage lies, and the likelihood, in our view, that much of the position is more west in the oil window rather than the wet gas window just marked by the CHK transaction, we expect NI shares to respond favorably tomorrow.

Please refer to our note earlier this week "Digging Into NI's Utica Potential" (10/31/11) for more detail on where we think NI's acreage lies.

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Mentioned Stocks (Ticker, Date, Price)
Chesapeake Energy (CHK, 03-Nov-2011, USD 29.03), 1-Overweight/1-Positive, A/C/D/E/J/K/L/M
Valuation Methodology: Our target price is based on a multiple of 7.5x our hedge-adjusted 2012 pre-interest cash flow of $4,598 million less estimated net debt at year-end 2011 of $11,809 million plus an estimated after-tax mark-to-market derivative gain of $577 million for the company's derivatives in 2012 and beyond plus a value of $1,298 million for the company's stake in CHKM plus a book value of $1,749 million for CHK's investments in Chaparral Energy, Frac Tech, and other midstream assets.
Risks which May Impede the Achievement of the Price Target: Our NYMEX price deck is $91.25/bbl for oil and $4.10/MMBtu for gas in 2011 and $80/bbl for oil and $4.25/MMBtu for gas in 2012. Should commodity prices, production levels, or leverage differ materially from our estimates, our price target would likely be affected. Production levels may be impacted by a variety of factors including drilling success, reservoir performance, and future acquisitions.

NiSource, Inc. (NI, 03-Nov-2011, USD 22.15), 2-Equal Weight/1-Positive, C/D/E/J/K/L/M/O
Valuation Methodology: Our $22 price target is premised upon our '13E EPS of $1.53 and the '13 group PE multiple of 13.5x, adjusted upwards by 5% for NI's gas heavy business mix.
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In addition to the stock rating, we provide sector views which rate the outlook for the sector coverage universe as 1-Positive, 2-Neutral or 3-Negative (see definitions below). A rating system using terms such as buy, hold and sell is not the equivalent of our rating system. Investors should carefully read the entire research report including the definitions of all ratings and not infer its contents from ratings alone.

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1-Overweight - The stock is expected to outperform the unweighted expected total return of the sector coverage universe over a 12-month investment horizon.
2-Equal Weight - The stock is expected to perform in line with the unweighted expected total return of the sector coverage universe over a 12-month investment horizon.
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1-Positive - sector coverage universe fundamentals/valuations are improving.
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BMO Capital Markets

October 30, 2011

NiSource

(NI-NYSE)

Stock Rating: **Market Perform**
Industry Rating: **Market Perform**

North American Pipelines

Carl Kirst, CFA
BMO Capital Markets Corp.
713-546-9756
carl.kirst@bmo.com

Danilo Juvane, CFA
713-546-9741
danilo.juvane@bmo.com

Leah Jordan
713-546-9707
leah.jordan@bmo.com

3Q11 on Target; Utica Remains the Focus

Event

NI reported 3Q11 EPS of $0.11 in line with our estimate and a penny above consensus. Most notably, management unveiled the preliminary extent of its Utica exposure as being in the 100k-200k acre range, subject to ongoing geotechnical and legal analysis; greater definition is expected in 1Q12. While it was indicated these are typically mineral (higher value) leases, this position spans from midwest to east Ohio—covering acreage that is prospective for oil to dry gas and is not solely in the high-valued liquids-rich window that has captured investor attention. We absolutely see the Utica as a value-add opportunity, but more so as a long-term resource to stimulate infrastructure investment (fee based midstream and pipeline) rather than through a singularly large monetization event. Sales/JVs are possible, just not without downstream business capture, we think. Other key takeaways: 1) NI narrowed its 2011 EPS guidance to $1.30-$1.35 (consensus is $1.35); 2) it reiterated its EPS CAGR goal of 5% driven by $1B in annual spend; 3) in context of recent sector M&A, management indicated that it saw its current structure as the most appropriate; and 4) the company has nicely beefed up its midstream team to help develop and execute a comprehensive strategy to leverage its shale footprint.

Impact

Positive.

Forecasts

Our 2011 and 2012 EPS estimates remain unchanged.

Valuation

We're raising our price target to $23 from $21 and now incorporate a larger value for Utica; more upside is possible as NI's Utica exposure becomes better defined, and additional sector drilling helps prove up economics outside the NGL window.

Recommendation

Maintain **MARKET PERFORM** with balanced risk/reward.

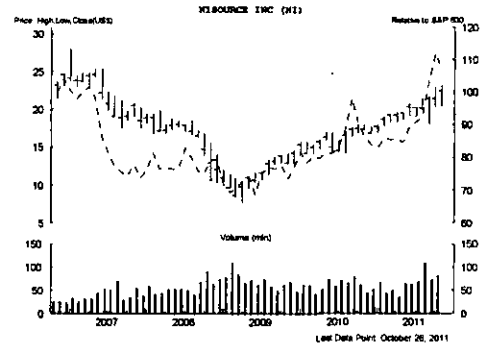
Securities Info

Price (28-Oct)	$22.52	Target Price	$23 ↑
52-Wk High/Low	$23/$17	Dividend	$0.92
Mkt Cap (mm)	$6,319	Yield	4.1%
Shs O/S (mm, BASIC)	280.6	Float O/S (mm)	278.4
Options O/S (mm)	na	ADVol (30-day, 000s)	4,222

Selected Bond Iss	Ind Prc	Rat'g Mdys/S&P	YTW	Spread
NiSource 6.8% '19	118	Baa3 / BBB-	3.93%	234bp
NiSource 6.4% '18	116	Baa3 / BBB-	3.63%	262bp

Bond data from Bloomberg.

Price Performance



Valuation/Financial Data

(FY-Dec.)	2009A	2010A	2011E	2012E
EPS Pro Forma	$1.01	$1.22	$1.33	$1.45
P/E			16.9x	15.5x
First Call Cons.			*$1.35*	*$1.45*
EPS GAAP	$0.79	$1.05	$1.32	$1.45
OCF	$4.45	$4.27	$4.02↑	$3 62
P/OCF			5.6x	6.2x
EBITDA ($mm)	$1,383	$1,514	$1,517	$1,615
EV/EBITDA			8.6x	8.1x
Rev. ($mm)	$6,299	$6,335	$6,136	$6,329
EV/Rev			2.1x	2.1x

Quarterly EPS	1Q	2Q	3Q	4Q
2010A	$0.72	$0.13	$0.04	$0.33
2011E	$0.71A	$0.16A	$0.11A	$0.36

Balance Sheet Data (30-Jun)			
Net Debt ($mm)	$6,740	TotalDebt/EBITDA	4.6x
Total Debt ($mm)	$6,988	EBITDA/IntExp	3.7x
Net Debt/Cap.	55.0%	Price/Book	1.3x

Notes: All values in US$.

Source: BMO Capital Markets estimates, Bloomberg, FactSet, Global Insight, Reuters, and Thomson Financial.

Changes	Annual OCF	Target
	2011E $3.90 to $4.02	$21.00 to $23.00

Please refer to pages 7 to 9 for Important Disclosures, including the Analyst's Certification.

3Q11 Deltas at a Glance

NI reported 3Q11 EPS of $0.11 in line with our estimate and a penny above consensus. Business segment summaries and primary deltas to our estimate were as follow:

- **-$0.04 Pipes.** EBIT of $68 million was lower than our $84 million expectation, primarily owing to higher O&M expense, with $11 million tied to a one-time environmental charge related to PCB remediation efforts. Positively, 3Q throughput was higher than we expected, mainly on Columbia Gulf.
- **+$0.04 LDC.** EBIT of $8 million was higher than our ($10 million) expectation primarily owing to lower O&M expense in addition to higher volumes, slightly offset by lower tariffs.
- **-$0.03 Electric.** EBIT of $73 million was lower than our $85 million expectation mainly owing to lower growth in customers, lower volumes and lower tariffs (commercial and residential margins).
- **+$0.03 Corporate.** EBIT of $0 million was higher than our ($14 million) expectation, primarily owing to lower operating expenses.

Exhibit 1: NiSource Valuation

Sum-of-the-Parts Valuation Analysis

			2012E	Valuation Multiple		Notes:
EBITDA by Segment						
Gas Distribution			$611	8.0x	$4,891	
Gas Pipelines			$561	9.0x	$5,049	
Electric			$469	8.0x	$3,752	
Other			($21)	5.0x	($105)	- Plus pension expense (analogous to interest) risked at 50% (net of NIPSCO recovery)
Value of Operations			$1,621	8.4x	$13,588	
Net Debt (year-end 2011E)					($7,342)	- Adjusted for committed $400mm equity issuance
Preferred & Minority Interests					---	
Pension/OPEB Underfunded Obligation			($1,008)	25%	($252)	- 2010 Obligation; risk adjusted at 25% (rest assumes recovery in rates)
	Gross	**Risked**	**Net**	**Value**		
Utica Acreage (Gross / Risk Adj)	200,000	50%	100,000	$10,000	$1,000	- Management indicated 100-200k preliminary; further legal and geotechnical dependent
Net Equity Value					$6,994	
Diluted Shares Outstanding					305	- Adjusted for committed $400mm equity issuance
$/sh					**$22.93**	
Average Target Price (rounded):					**$23.00**	
Valuation Summary:						
Current Price					$22.52	
Current Dividend					$0.92	
Appreciation Potential					2.1%	
Current Yield					4.1%	
Total Return Potential					**6.2%**	

Source: BMO Capital Markets estimates, company data.

Exhibit 2: NiSource Income Statement

Consolidated Earnings ($ Millions Except Per Share Data)	2009A	2010A	Q1	Q2	Q3	Q4	2011E	2012E	2013E
Operating Revenues:									
Gas Distribution	$3,303	$3,096	$1,372	$500	$327	$1,052	$3,251	$3,818	$3,863
Pipelines & Storage	1,241	1,261	403	307	283	273	1,266	1,020	1,059
Electric	1,213	1,375	347	349	405	328	1,429	1,460	1,500
Other	542	603	110	71	54	(46)	190	33	34
Revenues	6,299	6,335	2,232	1,228	1,069	1,607	6,136	6,329	6,456
Operating Expenses:									
Cost of Sales	2,978	2,898	1,171	463	323	670	2,626	2,652	2,654
Operation & Maintenance	1,650	1,654	433	403	407	472	1,714	1,772	1,818
DD&A	589	596	139	135	135	137	546	563	580
Loss (gain) on asset sales	16	1	0	0	0	0	0	0	0
Taxes and Other	283	287	94	68	59	77	298	312	318
Total Operating Expenses	5,516	5,436	1,836	1,067	925	1,356	5,184	5,299	5,368
Operating Income	783	899	396	161	144	250	952	1,030	1,088
Other:									
Equity in Earnings	15	15	3	2	4	6	14	22	22
Minority Interests	0	0	0	0	0	0	0	0	0
Other	(5)	4	3	1	2	0	6	0	0
Total Other Income	10	19	6	3	5	6	20	22	22
Reported EBIT	**$793**	**$918**	**$403**	**$164**	**$149**	**$256**	**$971**	**$1,052**	**$1,110**
EBITDA	**$1,383**	**$1,514**	**$541**	**$298**	**$284**	**$393**	**$1,517**	**$1,615**	**$1,690**
EBIT Composition									
Gas Distribution	328	324	237	49	8	114	408	432	449
Pipelines & Storage	389	377	119	85	68	114	385	426	455
Electric	117	234	42	37	73	42	194	240	252
Corporate & Other	(40)	(16)	5	(7)	(0)	(14)	(15)	(46)	(46)
Total EBIT	**$793**	**$918**	**$403**	**$164**	**$149**	**$256**	**$971**	**$1,052**	**$1,110**
Interest Expense	399	392	90	94	96	97	377	387	384
Preferred Distributions of Subsidiaries	0	0	0	0	0	0	0	0	0
Financing Expense	399	392	90	94	96	97	377	387	384
Income Before Taxes	394	526	313	70	53	159	594	665	725
Income Taxes									
Current	(214)	118	9	(3)	11	37	54	156	170
Deferred	378	55	99	33	6	20	158	84	91
Total Income Taxes	165	173	108	30	17	57	212	239	261
Effective Inc. Tax Rate (%)	42%	33%	35%	43%	32%	36%	36%	36%	36%
Net Income From Continuing Operations	229	353	205	40	36	102	382	426	464
Discontinued Operations, net	(12)	(0)	0	(1)	(2)	0	(2)	0	0
Change in Accounting	(0)	(58)	0	0	0	0	0	0	0
GAAP Net Income to Common	**$218**	**$294**	**$205**	**$39**	**$35**	**$102**	**$380**	**$426**	**$464**
Adjustments to Core									
Asset Impairment	0	0	0	0	0	0	0	0	0
Gain (Loss) From Disposal	(5)	0	0	0	0	0	0	0	0
Other Non-Recurring Gains (Loss)	(40)	11	3	(6)	3	0	(0)	0	0
Total Adjustments	(49)	11	3	(6)	3	0	(0)	0	0
Non-GAAP Core Earnings	**$278**	**$342**	**$202**	**$46**	**$33**	**$102**	**$383**	**$426**	**$464**
Shares Outstanding (mm)									
Avg. Diluted Shares Out	276	280	285	287	289	286	287	293	306
Avg. Basic Shares Out	275	278	279	280	281	281	280	289	305
Period-end basic Shares Out	276	279	280	280	281	281	281	305	305
Earnings Per Share (Diluted)									
GAAP EPS	**$0.79**	**$1.05**	**$0.72**	**$0.14**	**$0.12**	**$0.36**	**$1.33**	**$1.45**	**$1.52**
Core EPS	**$1.01**	**$1.22**	**$0.71**	**$0.16**	**$0.11**	**$0.36**	**$1.33**	**$1.45**	**$1.52**
EPS Growth (core)	-19.4%	21.0%	-1.7%	19.5%	210.4%	6.9%	9.4%	8.7%	4.6%
Dividends									
Cash per share	$0.92	$0.92	$0.23	$0.23	$0.23	$0.23	$0.92	$0.96	$1.00
Payout Ratio (%)	116.6%	87.5%					69.3%	66.2%	65.9%

Source: BMO Capital Markets estimates, company data.

Exhibit 3: NiSource Cash Flow Statement

Cash Flow Statement ($ Millions Except Per Share Data)	2009A	2010A	Q1	Q2	Q3	Q4	2011E	2012E	2013E
Operating Activities									
GAAP Net Income from Cont. Ops	218	292	205	39	35	102	380	426	464
DD&A	589	596	139	135	135	137	546	563	580
Deferred income tax benefit	378	200	99	33	33	20	185	84	91
Deferred Revenues	4	(20)	1	(3)	(2)	0	(4)	0	0
Amortization of premium on debt	13	10	2	2	2	0	7	0	0
Less Gain or Loss on assets	(4)	(0)	(0)	0	(0)	0	(0)	0	0
Less Equity Earnings plus Cash Distributions	(15)	7	(3)	9	(6)	(3)	(3)	(11)	(11)
Other non-cash income items	36	112	23	6	13	(2)	42	0	0
OCF (pre-working capital)	**$1,219**	**$1,197**	**$466**	**$222**	**$211**	**$254**	**$1,153**	**$1,061**	**$1,125**
OCF per share	**$4.42**	**$4.27**	**$1.64**	**$0.77**	**$0.73**	**$0.89**	**$4.02**	**$3.62**	**$3.68**
							1,023	1,064	1,064
Working Capital:									
Accounts and notes receivable	259	(244)	18	516	127		659	0	0
Inventory	129	103	209	(195)	(185)		(171)	0	0
Less Change of Price Risk Management Activities	0	0	0	0	0		0	0	0
Accounts payable	(192)	38	(120)	(131)	(193)		(443)	0	0
Customer deposit, net	25	(25)	(137)	2	98		(37)	0	0
Other assets	83	(206)	17	(14)	27		30	0	0
Other Liabilities	382	(66)	(14)	(58)	(22)		(94)	0	0
Changes in Working Capital	686	(420)	(29)	121	(148)	0	(56)	0	0
Discontinued Operations	(255)	(57)	(15)	(29)	(5)	0	(49)	0	0
Cash Flow From Operations	1,651	720	422	314	58	254	1,048	1,061	1,125
Investing Activities									
Capital Spending (to PP&E)	(777)	(804)	(209)	(236)	(329)	(376)	(1,150)	(1,095)	(1,095)
Purchases of equity investments	0	0	0	0	0	0	0	0	0
Acquisitions	0	0	0	0	0	0	0	0	0
Proceeds from asset sales	6	1	6	4	0	0	9	0	0
Other	109	(140)	29	(17)	(49)	0	(37)	0	0
Cash Used in Investing	(662)	(944)	(175)	(248)	(379)	(376)	(1,178)	(1,095)	(1,095)
Discontinued Operations	8	0	0	0	0	0	0	0	0
Investing Cash Flow	(655)	(943)	(175)	(248)	(379)	(376)	(1,178)	(1,095)	(1,095)
Financing Activities									
Sale of Common Stock	26	14	4	4	7	0	15	400	0
Sale of Preferred Stock	0	0	0	0	0	0	0	0	0
Sale of L.T. Debt	1,460	250	0	395	0	0	395	0	0
Redemption of Common Stock	(3)	(2)	(3)	(0)	(0)	0	(3)	0	0
Redemption of Preferred Stock	0	0	0	0	0	0	0	0	0
Redemption of L.T. Debt	(1,170)	(1,071)	(11)	(2)	(24)	0	(37)	(315)	0
Change in Notes Payable, LC, ST Debt	(1,061)	1,280	(120)	(393)	384	250	102	150	250
Payments to Minority Interests	0	0	0	0	0	0	0	0	0
Dividends	(253)	(256)	(64)	(65)	(65)	(65)	(256)	(257)	(285)
Other	0	0	0	(8)	0	0	(8)	(12)	0
Cash From (For) Financing	(1,000)	216	(194)	(68)	283	185	206	(34)	(35)
Discontinued Operations	0	0	0	0	0	0	0	0	0
Financing Cash Flow	(1,000)	216	(194)	(68)	283	185	206	(34)	(35)
Change in Cash	($4)	($7)	$53	($3)	($38)	$64	$77	($68)	($5)
Cash & Temp Inv. Beginning of Yr.	$21	$16	$9	$63	$60	$22	$9	$86	$18
Cash & Temp. Inv. End of Yr.	$16	$9	$63	$60	$22	$86	$86	$18	$12

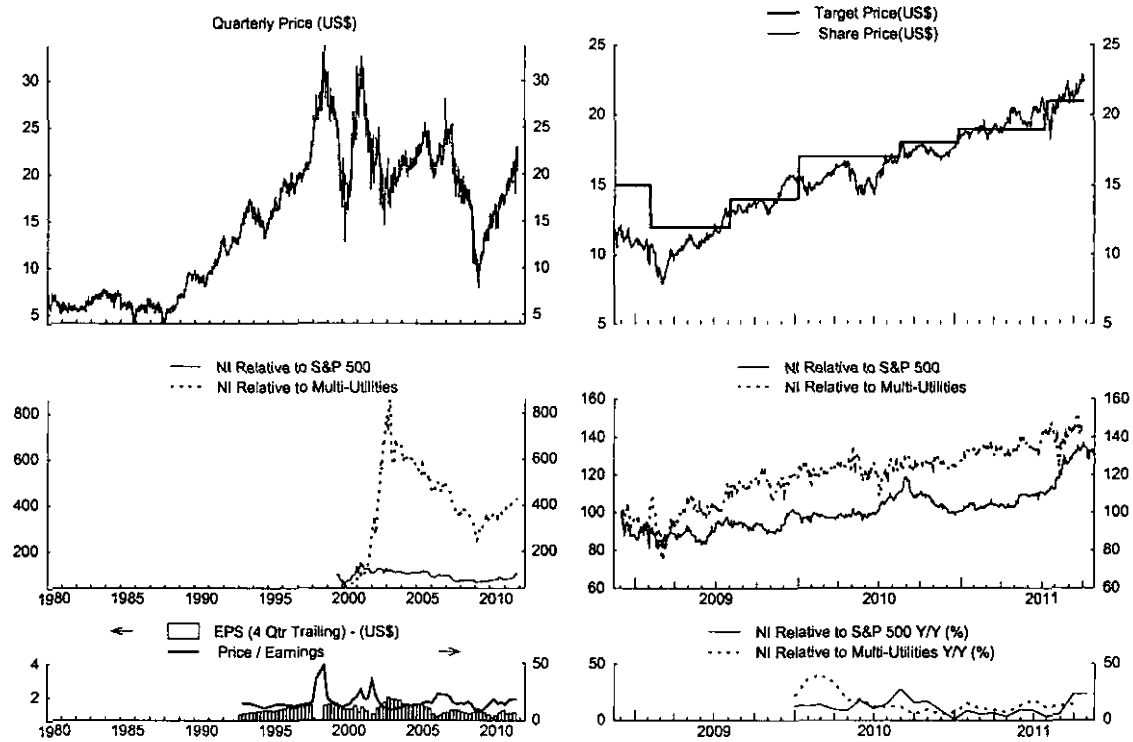
Source: BMO Capital Markets estimates, company data.

Exhibit 4: NiSource Balance Sheet

Balance Sheet ($ Millions Except Per Share Data)	2009A	2010A	Q1	Q2	Q3	Q4	2011E	2012E	2013E
Assets:									
Cash & Equivalent	16	9	83	60	22	86	86	18	12
Restricted Cash	175	203	165	155	180	180	180	180	180
Receivables	848	1,121	1,119	800	636	636	636	636	636
Allowance for Uncollectable Acts.	(40)	(41)	(55)	(42)	(30)	(30)	(30)	(30)	(30)
Unbilled Revenues	0	0	0	0	0	0	0	0	0
Underrecovered gas & fuel costs	40	136	25	25	58	58	58	58	58
Inventories	385	428	217	410	595	595	595	595	595
ST Assets Price Risk Management	173	160	134	118	137	137	137	137	137
Regulatory Assets	238	152	113	122	142	142	142	142	142
Other Current Assets	387	283	206	100	120	120	120	120	120
Total Current Assets	2,224	2,449	1,985	1,745	1,861	1,924	1,924	1,856	1,851
Plant & Equipment (Gross)	19,038	19,590	19,669	19,898	20,221	20,597	20,597	21,692	22,787
Accumulated DD&A	(8,354)	(8,493)	(8,526)	(8,603)	(8,672)	(8,810)	(8,810)	(9,373)	(9,953)
Plant & Equipment, Net	10,684	11,097	11,141	11,295	11,549	11,787	11,787	12,319	12,834
Investments	295	349	341	350	367	367	367	367	367
LT Assets Price Risk Management	238	240	188	191	191	191	191	191	191
Regulatory Assets	1,644	1,650	1,661	1,622	1,619	1,619	1,619	1,619	1,619
Goodwill	3,677	3,677	3,677	3,677	3,677	3,677	3,677	3,677	3,677
Intangible Assets	320	309	306	303	300	300	300	300	300
Other Long Term Assets (& flywheel)	53	168	179	163	178	183	183	206	217
Total Assets	19,134	19,939	19,479	19,346	19,742	20,048	20,048	20,535	21,056
Liabilities & Equity:									
Short Term Debt	800	1,417	1,299	900	1,242	1,492	1,492	1,642	1,892
Accounts Payables	502	582	430	316	244	244	244	244	244
ST Liabilities Price Risk Management	190	174	148	135	172	172	172	172	172
Regulatory Liabilities	44	93	87	84	89	89	89	89	89
Other	1,575	1,384	1,134	1,123	1,140	1,140	1,140	1,140	1,140
Total Current Liab	3,111	3,649	3,096	2,558	2,887	3,137	3,137	3,287	3,537
Long Term Debt	5,988	5,936	5,928	6,340	6,337	6,337	6,337	6,022	6,022
LT Liabilities Price Risk Management	170	182	136	128	136	136	136	136	136
Accumulated Deferred Taxes	2,018	2,243	2,340	2,369	2,460	2,480	2,480	2,564	2,655
Regulatory Liabilities	1,559	1,596	1,612	1,625	1,644	1,644	1,644	1,644	1,644
Other Liabilities	1,572	1,409	1,353	1,323	1,287	1,287	1,287	1,287	1,287
Total Liabilities	14,418	15,016	14,465	14,343	14,752	15,022	15,022	14,941	15,282
Preferred Equity/Securities of Consolidated Subsidiaries	0	0	0	0	0	0	0	0	0
Common Equity	4,717	4,923	5,014	5,003	4,990	5,027	5,027	5,595	5,774
Other	0	0	0	0	0	0	0	0	0
Total Liab & Equity	19,134	19,939	19,479	19,346	19,742	20,048	20,048	20,535	21,056

Source: BMO Capital Markets estimates, company data.

NISOURCE INC (NI)



NI - Rating as of 26-Jun-08 = Mkt

Last Daily Data Point: October 26, 2011

Important Disclosures

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Methodology and Risks to Our 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 (September 30, 2011)

Rating Category	BMO Rating	BMOCM US Universe*	BMOCM US IB Clients**	BMOCM US IB Clients***	BMOCM Universe****	BMOCM IB Clients*****	Starmine Universe
Buy	Outperform	39.2%	12.6%	38.8%	42.5%	48.1%	57.2%
Hold	Market Perform	58.9%	13.2%	61.2%	54.6%	50.9%	38.5%
Sell	Underperform	1.9%	0.0%	0.0%	2.9%	0.9%	4.3%

* Reflects rating distribution of all companies covered by BMO Capital Markets Corp. equity research analysts.

** Reflects rating distribution of all companies from which BMO Capital Markets Corp. has received compensation for Investment Banking services as percentage within ratings category.

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(S) = speculative investment;
NR = No rating at this time;
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BARCLAYS CAPITAL

EQUITY RESEARCH

Power & Utilities | U.S. Utilities | 28 October 2011

NISOURCE, INC.

Good Q3, Utica Potential Disclosed

NI reported good Q3'11 results and guided to the upper half of current '11 guidance: NI reported Q3'11 EPS of $0.11 vs. $0.04 Q3'10 and guided to the upper half of its $1.25-$1.35 2011 guidance range. The primary reason for the Y/Y improvement was improved rate design at the gas LDCs (primarily NIPSCO-Gas).

Biggest data point was disclosure of Utica acreage in the 100K-200K range: This is in-line with our view that potential acreage was in the ~150K range. While details around location of this potential acreage are still light, the work that we've done makes us think that larger portions of this potential acreage could lie in the most western portions of the play, although, in our view, it is still very early to be making firm conclusions at this point. Management will give more details around location as we head into 2012.

Regulatory proceedings appear on track: Most significantly, the NIPSCO-Electric proposed settlement appears ripe for final commission approval within the next several weeks, allowing for rates to become effective late this year or early next. Considering that all major stakeholders have signed on to the proposed settlement, we don't foresee meaningful challenges. It is worth noting the recent approval of the settlement in the Columbia PA LDC rate case and that the Columbia Gulf rate case settlement should be approved by year end.

Adjusting PT: Our PT goes to $22 from $21 based on multiple expansion in the comp group. Methodology is below.

NI: Quarterly and Annual EPS (USD)

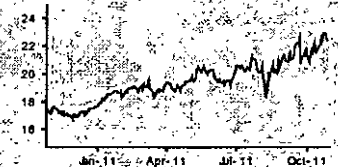
	2010	2011			2012			Change y/y	
FY Dec	Actual	Old	New	Cons	Old	New	Cons	2011	2012
Q1	0.72A	0.71A	0.71A	0.71A	N/A	N/A	0.77E	-1%	N/A
Q2	0.13A	0.17E	0.17A	0.17A	N/A	N/A	0.11E	31%	N/A
Q3	0.04A	0.11E	0.11A	0.10E	N/A	N/A	0.09E	175%	N/A
Q4	0.33A	N/A	N/A	0.38E	N/A	N/A	0.49E	N/A	N/A
Year	1.22A	1.34E	1.34E	1.35E	1.45E	1.45E	1.45E	10%	8%
P/E	18.4		16.7			15.4			

Source: Barclays Capital
Consensus numbers are from Thomson Reuters

Stock Rating	2-EQUAL WEIGHT Unchanged
Sector View	1-POSITIVE Unchanged
Price Target	USD 22.00 raised 5% from USD 21.00
Price (27-Oct-2011)	USD 22.40
Potential Upside/Downside	-2%
Tickers	NI
Market Cap (USD mn)	6286
Shares Outstanding (mn)	280.61
Free Float (%)	99.23
52 Wk Avg Daily Volume (mn)	2.9
Dividend Yield (%)	4.1
Return on Equity TTM (%)	6.33
Current BVPS (USD)	17.84

Source: FactSet Fundamentals

Price Performance — Exchange-NYSE
52 Week range — USD 23.00-16.65



Link to Barclays Capital Live for interactive charting

U.S. Utilities
Daniel Ford, CFA
1.212.526.0836
dan.ford@barcap.com
BCI, New York

Noah Hauser
1.212.526.6203
noah.hauser@barcap.com
BCI, New York

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COMPANY SNAPSHOT

NiSource Inc. — U.S. Utilities

Income statement ($mn)	2010A	2011E	2012E	2013E	CAGR
EBITDA	1,514	1,593	1,696	1,761	5.2%
EBIT	918	984	1,073	1,127	7.1%
Pre-tax income	529	600	680	745	12.1%
Net income	340	383	434	475	11.8%
EPS (reported) ($)	$1.21	1.34	1.45	1.53	8.2%
Diluted shares (m)	280	286	299	309	3.3%
Dividend per share ($)	0.92	0.92	0.92	0.92	0.0%

Margin and return data (%)					Average
EBITDA margin	26.0	26.8	27.9	28.4	27.3
EBIT margin	15.8	16.6	17.6	18.2	17.0
Pre-tax margin	9.1	10.1	11.2	12.0	10.6
Net margin	5.8	6.5	7.1	7.6	6.8
ROIC	7.6	8.0	8.5	8.7	8.2
ROA	1.7	1.9	2.1	2.2	2.0
ROE	6.9	7.5	8.0	8.3	7.7

Balance sheet and cash flow (€mn)					CAGR
Net PP&E	11,097	11,588	12,066	12,531	4.1%
Total net assets	19,939	20,433	20,915	21,395	2.4%
Capital employed	12,064	12,405	12,732	13,198	3.0%
Shareholders' equity	4,923	5,262	5,639	5,844	5.9%
Net debt/(funds)	7,141	7,143	7,094	7,354	1.0%
Operating cash flow	725	993	1,056	1,109	15.2%
Capital expenditure	(804)	(1,100)	(1,100)	(1,100)	NA
Free cash flow	(334)	(370)	(319)	(275)	NA
Pre-dividend FCF	(78)	(107)	(44)	9	NA

Valuation and leverage metrics					Average
P/E (x)	18.5	16.7	15.4	14.6	16.3
EV/EBITDA (x)	8.9	8.5	8.1	8.1	8.4
EV/EBIT (x)	14.6	13.8	12.8	12.7	13.5
Price/BV (x)	1.3	1.2	1.2	1.2	1.2
Dividend yield (%)	4.1	4.1	4.1	4.1	4.1
Total debt/capital (%)	59.2	57.6	55.7	55.7	57.1
Net debt/EBITDA (x)	4.7	4.5	4.2	4.2	4.4

Selected operating metrics				
Payout ratio (%)	75.9	68.6	63.4	59.9
Interest cover	3.9	4.1	4.3	4.6
% Regulated	100.0	100.0	100.0	100.0
Main Jurisdiction	IN/OH	IN/OH	IN/OH	IN/OH

Source: Company data, Barclays Capital

Stock Rating	2-EQUAL WEIGHT
Sector View	1-POSITIVE
Price (27-Oct-2011)	$22.40
Price Target	$22
Ticker	NI

Investment case

Why a 2-EW? We rate NI as 2-EW because while the company has taken large steps recently to alleviate regulatory concerns, we see limited upside potential for the base business, which we value at a 5% premium to NI's regulated peers.

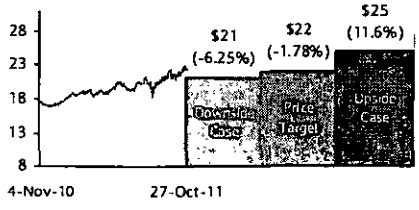
Upside case — $25

Our upside case on NI's base business embeds a 10% premium to the regulated group's multiple while additional upside may exist through the company's position around shale acreage that we assign $2/sh of value to.

Downside case — $21

Our downside case assumes NI trades in line with its regulated peers on '13 EPS.

Upside/downside scenarios



Source: DataStream

Price target methodology

Our $22 price target is premised upon our '13E EPS of $1.53 and the '13 group PE multiple of 13.5x, adjusted upwards by 5% for NI's gas heavy business mix.

Our prior $21 price target was premised upon our '13E EPS of $1.53 and the '13 group PE multiple of 13.0x, adjusted upwards by 5% for NI's gas heavy business mix.

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Primary Stocks (Ticker, Date, Price)

NiSource, Inc. (NI, 27-Oct-2011, USD 22.40), 2-Equal Weight/1-Positive

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In addition to the stock rating, we provide sector views which rate the outlook for the sector coverage universe as 1-Positive, 2-Neutral or 3-Negative (see definitions below). A rating system using terms such as buy, hold and sell is not the equivalent of our rating system. Investors should carefully read the entire research report including the definitions of all ratings and not infer its contents from ratings alone.

Stock Rating

1-Overweight - The stock is expected to outperform the unweighted expected total return of the sector coverage universe over a 12-month investment horizon.

2-Equal Weight - The stock is expected to perform in line with the unweighted expected total return of the sector coverage universe over a 12-month investment horizon.

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1-Positive - sector coverage universe fundamentals/valuations are improving.

2-Neutral - sector coverage universe fundamentals/valuations are steady, neither improving nor deteriorating.

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DTE Energy (DTE)	Duke Energy (DUK)	Edison International (EIX)
Great Plains Energy Inc. (GXP)	Hawaiian Electric Inds (HE)	ITC Holdings (ITC)
National Grid Plc (NGG)	NiSource, Inc. (NI)	Northeast Utilities (NU)
NSTAR (NST)	NV Energy, Inc. (NVE)	OGE Energy Corp. (OGE)
Pepco Holdings (POM)	PG&E Corp. (PCG)	Pinnacle West Capital (PNW)
PNM Resources (PNM)	Portland General Electric Co. (POR)	Progress Energy (PGN)
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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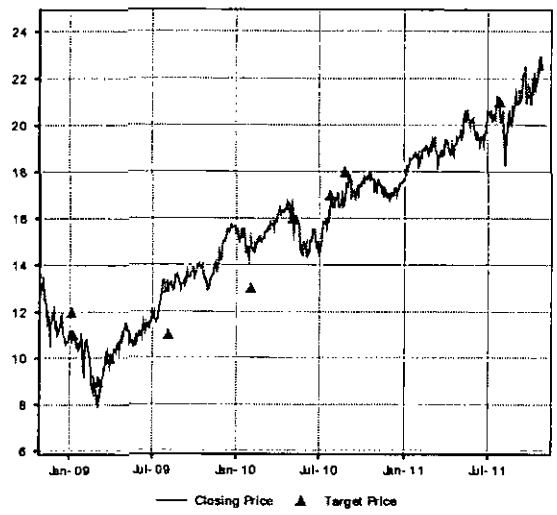
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NiSource, Inc. (NI)

USD 22.40 (27-Oct-2011)

Stock Rating	Sector View
2-EQUAL WEIGHT	**1-POSITIVE**

Rating and Price Target Chart - USD (as of 27-Oct-2011) — **Currency=USD**



Date	Closing Price	Rating	Price Target
26-Jul-2011	20.85		21.00
25-Aug-2010	16.90		18.00
23-Jul-2010	16.49		17.00
04-May-2010	16.60		16.00
02-Feb-2010	15.17		13.00
05-Aug-2009	12.97		11.00
01-Apr-2009	9.99		10.00
05-Mar-2009	7.86		9.00
09-Jan-2009	11.08		11.00
05-Jan-2009	11.17		12.00

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Valuation Methodology: Our $22 price target is premised upon our '13E EPS of $1.53 and the '13 group PE multiple of 13.5x, adjusted upwards by 5% for NI's gas heavy business mix.

Risks which May Impede the Achievement of the Price Target: Risks to the outlook include the outcome of regulatory proceedings, rating agency actions, interest rates, and access to the capital markets.

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North America | United States
Multi-Utilities (GICS) | Integrated Natural Gas & Gas Utilities (Citi)
Equities

1 November 2011 | 12 pages

NiSource Inc (NI)

Raising Target; Information on Utica a Tailwind

- Company Update
- Target Price Change
- Estimate Change

- **Recommendation** – We are raising our target price to $22 from $21 but maintaining our Neutral rating. Management has stated that it has 100-200k acres across the Utica shale in Ohio through its natural gas storage operation at Columbia Gas Transmission. We have analyzed what we believe is NI's acreage position across the Utica and have cross-referenced it against other producers in the region (see analysis in note).

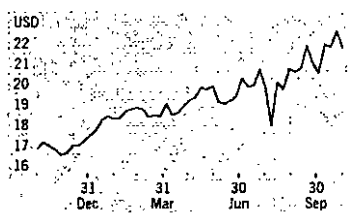
- **Utica Value** – Our research shows that a significant portion of NI's storage facilities are located in the central corridor of Ohio. The data suggests that a minority of NI's overall acreage is located within the counties where recent announcements have taken place amongst E&P companies (i.e. CHK, HESS), going for $6,000-$9,000 per acre. Using these recent data points along with NI's acreage position within Ohio, we estimate the company could get up to $440 mm from leasing out its acreage to producers ($1.50 per share) in the near term. However, should the value of its acreage farther west of where we have seen deals get done become more prolific, then there is more upside.

- **Infrastructure Value** – Should the Utica actually pan out, we believe there is room for further earnings upside at the gas transmission business. The Columbia Gas Transmission network has far more delivery points in Ohio than any other pipeline that traverses the region. This would give NI a competitive advantage in the region. At this point, we believe it is too early for us to ascribe any earnings power to this development, but we believe it offers current investors a free option.

- **Estimates** – We are adjusting our estimates slightly for 2012-2014 for the forward equity sale next year, new tariffs at Col. Gulf and rate case decisions expected to roll out in the next few months. Our new EPS estimates are $1.46/$1.47/$1.54. Our assumptions surrounding the future dividend payout ratio remains conservative, at the lower end of the 60-70% range provided by management.

Neutral	**2**
Price (01 Nov 11)	US$21.32
Target price	US$22.00
from US$21.00	
Expected share price return	3.2%
Expected dividend yield	4.3%
Expected total return	**7.5%**
Market Cap	US$5,993M

Price Performance
(RIC: NI.N, BB: NI US)



EPS	Q1	Q2	Q3	Q4	FY	FC Cons
2010A	0.72A	0.10A	0.06A	0.32A	1.19A	1.22A
2011E	**0.72A**	**0.14A**	**0.12A**	**0.43E**	**1.41E**	**1.35E**
Previous	0.72A	0.14A	0.11E	0.43E	1.39E	na
2012E	**0.73E**	**0.18E**	**0.14E**	**0.43E**	**1.46E**	**1.45E**
Previous	0.72E	0.18E	0.14E	0.44E	1.47E	na
2013E	**0.69E**	**0.19E**	**0.16E**	**0.44E**	**1.47E**	**1.52E**
Previous	0.71E	0.19E	0.15E	0.45E	1.51E	na

Source: Company Reports and dataCentral, CIR. FC Cons First Call Consensus.

Faisel Khan, CFA
+1-212-816-2825
faisel.khan@citi.com

Amit Marwaha
amit.marwaha@citi.com

See Appendix A-1 for Analyst Certification, Important Disclosures and non-US research analyst disclosures.

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NiSource Inc (NI)
1 November 2011

Fiscal year end 31-Dec	2009	2010	2011E	2012E	2013E
Valuation Ratios					
P/E adjusted (x)	21.3	17.9	15.1	14.6	14.5
EV/EBITDA adjusted (x)	10.8	10.3	10.1	9.2	8.8
P/BV (x)	1.2	1.2	1.2	1.1	1.2
Dividend yield (%)	4.3	4.3	4.3	4.3	4.3
Per Share Data (US$)					
EPS adjusted	1.00	1.19	1.41	1.46	1.47
EPS reported	0.79	1.21	1.40	1.46	1.47
BVPS	17.57	17.58	17.54	18.57	18.17
DPS	0.92	0.92	0.92	0.92	0.92
Profit & Loss (US$M)					
Net sales	6,297	5,816	5,980	6,154	6,280
Operating expenses	-5,457	-4,921	-4,987	-5,070	-5,160
EBIT	**840**	**895**	**993**	**1,084**	**1,120**
Net interest expense	-399	-392	-380	-399	-399
Non-operating/exceptionals	19	19	18	10	14
Pre-tax profit	**459**	**522**	**631**	**694**	**734**
Tax	-183	-188	-226	-250	-264
Extraord./Min.Int./Pref.div.	-59	3	-2	0	0
Reported net income	**218**	**337**	**404**	**444**	**470**
Adjusted earnings	277	334	406	444	470
Adjusted EBITDA	1,429	1,491	1,554	1,715	1,782
Growth Rates (%)					
Sales	-29.1	-7.6	2.8	2.9	2.0
EBIT adjusted	-8.6	6.5	11.0	9.2	3.3
EBITDA adjusted	-3.8	4.4	4.2	10.3	3.9
EPS adjusted	-22.8	19.0	18.2	3.8	0.3
Cash Flow (US$M)					
Operating cash flow	**1,905**	**828**	**982**	**1,122**	**1,113**
Depreciation/amortization	589	596	561	631	662
Net working capital	686	-414	-194	46	-19
Investing cash flow	**-655**	**-943**	**-1,069**	**-1,067**	**-1,091**
Capital expenditure	-777	-804	-1,041	-1,067	-1,091
Acquisitions/disposals	6	1	0	0	0
Financing cash flow	**-1,000**	**211**	**-41**	**141**	**-214**
Borrowings	-770	453	202	0	0
Dividends paid	-253	-256	-260	-279	-294
Change in cash	**-4**	**38**	**-177**	**196**	**-192**
Balance Sheet (US$M)					
Total assets	**19,272**	**19,939**	**20,124**	**20,740**	**20,528**
Cash & cash equivalent	191	212	180	208	186
Accounts receivable	809	1,178	1,061	1,163	1,054
Net fixed assets	10,684	11,097	11,663	12,099	12,209
Total liabilities	**14,418**	**15,016**	**15,071**	**15,101**	**14,724**
Accounts payable	502	582	393	483	328
Total Debt	6,787	7,353	7,747	7,580	7,580
Shareholders' funds	**4,854**	**4,923**	**5,053**	**5,639**	**5,804**
Profitability/Solvency Ratios (%)					
EBITDA margin adjusted	22.7	25.6	26.0	27.9	28.4
ROE adjusted	5.8	6.8	8.1	8.3	8.2
ROIC adjusted	4.0	4.2	4.4	4.6	4.7
Net debt to equity	135.9	145.0	149.7	130.7	127.4
Total debt to capital	58.3	59.9	60.5	57.3	56.6

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NISource Inc (NI)
1 November 2011

NI Q3 Performance Comparison & Recap

Figure 1. Actual vs. Estimates

Q3 2011 Expectations

Operating Income	Actual	Estimate	Variance	EPS Impact	Reason for Material Variance
Gas Distribution	7.9	(26.3)	-130%	$0.07	Fixed-pricing, Lower Opex (D&A)
Gas Transmission & Storage	68.0	100.1	-32%	($0.07)	Higher than expected costs
Electric	72.9	79.3	-8%	($0.01)	Usage marginally weaker than expected
Corporate/Other	(7.1)	(9.8)	-27%	$0.01	N/A

Other	Actual	Estimate	Variance	EPS Impact	Reason for Variance
Interest Expense	(95.7)	(95.2)	0%	$0.00	In-line; Refinancing opportunities being examined
Effective Tax Rate	34%	36.0%	-4%	$0.01	Lower than expected
Share Count	289.0	290.3	0%	$0.00	In-line

Electric Sales (Gwh)	Actual	Estimate	Variance (Total)	Variance (%)	Reason for Variance
Residential	1,121	1178.8	(58)	-5%	N/A
Commercial	1,084	1106.6	(23)	-2%	N/A
Industrial	2,242	2185.5	57	3%	Economic growth remains steady
Wholesale	240	330.0	(90)	-27%	N/A
Other	40	47.0	(7)	-16%	N/A

Source: Company reports, Citi Investment Research and Analysis

- **Q3/11 EPS** – NI reported adjusted EPS of $0.11, in-line with our estimate. Total operating income was $141 mm, vs. our estimate of $143 mm. Higher EBIT at the LDC was offset by lower than anticipated results at GTS. The focus on the call remains the potential of the Utica mineral rights. An MLP appears off the table for now.

- **LDC** - Adjusted EBIT was $8 mm, better than our estimate -$26 mm. Gross margins were better than we expected ($60 mm) as a result of the move towards higher fixed billing charges compared to the volumetric pricing used historically, which resulted in the seasonal differential to our estimate. Sales & Transport volumes were flat over last year. Operating costs were nearly $15 mm lower than last year on lower depreciation costs. A settlement in the Col. Gas of Penn. rate case is expected in the final quarter of 2011 & could raise revenues by $17 mm. Our current estimate on the rate case is $10 mm.

- **Electric** – 3Q EBIT was $73 mm, 8% lower than our estimate of $79 mm. Margins were 2% ($5 mm) lower than our estimates. Revenues, ex. trackers, fell on environmental cost recovery efforts and lower margins from off-system sales. Higher opex from rate cases and labor costs accounted for the balance of the shortfall to our estimate. Industrial usage was 2% higher than our forecast but overall volumes were 3% lower compared to our forecast.

- **Transmission & Storage** – 3Q EBIT was $ 68 mm compared to our estimate of $ 100 mm. The variance to our estimates was attributed to higher operating costs and an O&M tracker we did not include in our model. Y/Y, EBIT was down 11%. Environment and labor costs increased over last year by $19 mm. Additional personnel at the senior level were added. We view this is a positive indicator on plans to monetize the 100-200k in acreage with potential mineral rights. A formal announcement on NI's Utica plans will be announced at the Q4 earnings call in Q1/12. Management remains patient on their plans to announce any MLP structure at GTS and we don't think investors should expect an announcement in the next couple quarters at the minimum.

NiSource Inc (NI)
1 November 2011

Utica Shale Estimates

Below, we show a series of maps that detail the counties in Ohio that have been outlined as prospective acreage for the Utica shale. Recent transactions by Hess (HES), acreage held by Chesapeake (CHK) and NiSource's storage position are outlined below.

Figure 2. Utica Shale – Counties of Interest



Light Blue – Potentially Liquids Rich Counties

Blue – Chesapeake acreage

Green – Hess acreage

Black – Majority of NiSource's total field capacity in OH

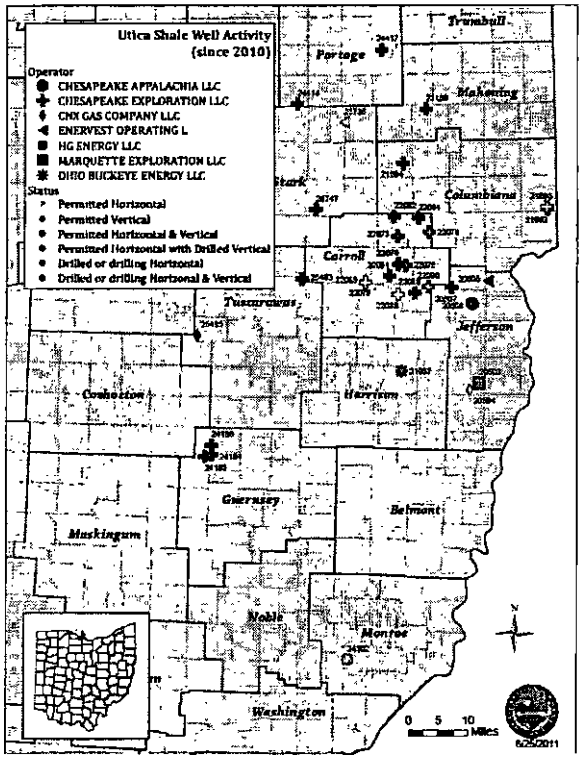
Source: Ohio Dept of Natural Resources, Company data & presentations, Citi Investment Research and Analysis

Below is a map detailing recent drilling activity in Ohio along with the legacy oil and gas fields in the state. Ohio use to be one of the largest oil producing states in the Union. According to the State of Ohio Department of Natural Resources (SODNR), the first commercial discoveries of oil and gas in the state were made in 1884. Ohio was the leading oil-producing state in the country from 1895 to 1903.

According to the SODNR, there have been 220,000 oil and gas wells drilled in the state with 60,000 still producing. Ohio has produced over one billion barrel oil and 9 Tcf of gas since the 19th century. Therefore, there exists some base level of infrastructure that can be upgraded or expanded to transport new oil and gas from a developing Utica play.

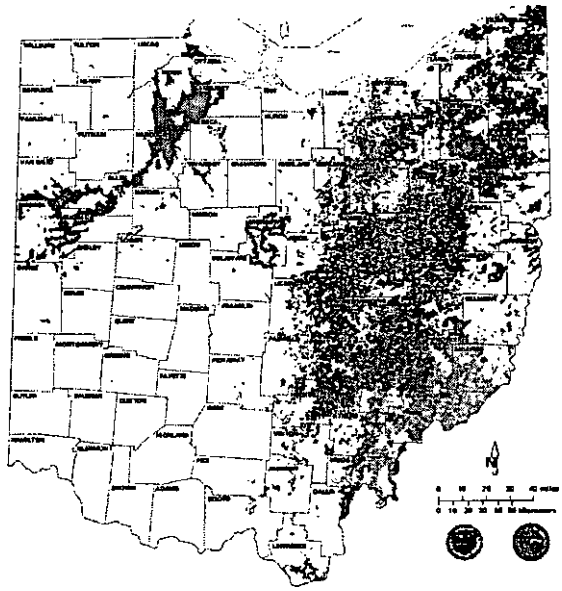
NiSource Inc (NI)
1 November 2011

Figure 3. Recent Drilling Activity in Ohio



Source: State of Ohio Department of Natural Resources Division of Geological Survey

Figure 4. Legacy Oil and Gas Fields in Ohio



Source: State of Ohio Department of Natural Resources Division of Geological Survey

Figure 5. NI Estimated Acreage Position

Field Name	Field Type	County Name	Total Field Capacity (Mcf)	% of Total Field Capacity	Assuming 100K Acreage Mineral Rights	Value of NI Acreage ($ mm)	Assuming 200K Acreage Mineral Rights	Value of NI Acreage ($ mm)	
GUERNSEY	Depleted Field	Guernsey	7,300,000	2%	1.8	12.9	3.7	26.7	Acreage located in counties recently acquired by E&P companies
BRINKER	Depleted Field	Columbiana	7,650,000	2%	1.9	13.5	3.9	27.0	
MEDINA	Depleted Field	Medina	10,400,000	3%	2.6	5.2	5.2	10.5	
LORAIN	Depleted Field	Lorain	10,700,000	3%	2.7	5.4	5.4	10.8	
MCARTHUR	Depleted Field	Vinton	10,900,000	3%	2.7	5.5	5.5	11.0	
WAYNE	Depleted Field	Ashland	17,400,000	4%	4.4	8.8	8.8	17.5	
HOLMES	Depleted Field	Holmes	21,700,000	5%	5.5	10.9	10.9	21.9	
WELLINGTON	Depleted Field	Lorain	23,099,850	6%	5.8	11.6	11.6	23.3	
LAUREL	Depleted Field	Hocking	22,900,000	6%	5.8	11.7	11.7	23.5	Acreage located primarily in the center of Ohio
BENTON	Depleted Field	Hocking	25,100,000	6%	6.3	12.6	12.6	25.2	
PAVONIA	Depleted Field	Ashland	49,500,000	12%	12.5	24.8	24.8	49.5	
WEAVER	Depleted Field	Ashland	50,800,000	13%	12.7	25.4	25.4	50.9	
LUCAS	Depleted Field	Ashland	60,400,000	15%	15.2	30.4	30.4	60.9	
CRAWFORD	Depleted Field	Hocking	79,103,000	20%	19.9	39.8	39.8	79.7	
Value of Core Acreage ($/acre)	$	7,000		Value of Acreage to NI ($mm)		$218.8		$437.7	
Speculative Acreage	$	2,000		Value of Acreage to NI per share		$0.75		$1.51	

Source: Company reports, Citi Investment Research and Analysis

In the table above, we assign an acreage value of $7,000 per acre for the areas we have observed transactions take place. For areas where we have no information, we have assumed $2,000 an acre. In the table above, we assume that the 100,000 to 200,000 acres that NI talked about on the call is allocated proportionally across their storage position. We believe larger storage fields will have larger acreage positions. Based on this analysis, **we estimate NI's acreage position has current market value of between $0.75 and $1.50 per share.** If we applied the same high value acreage number across all of NI's acreage, then the value could be between $2.50 and $5.00 per share. Should the prospective area of the Utica move farther west and acreage values go up; then there is upside to our estimate.

The yellow shaded area in the table above are counties were recent transactions have taken place and where NiSource maintains storage facilities.

The grey shaded area is where NiSource's has storage located in counties throughout central Ohio. These fields account for over three-quarters of NGTS total storage capacity in OH but are located in areas that Chesapeake has identified as the potential liquids rich area of the Utica shale.

NiSource Inc

Company description

NiSource Inc (NI) is, primarily, a regulated utility with an integrated network of gas distribution, transportation, and storage assets in the Northeast, Mid-Atlantic, and Midwest. NiSource also operates an electric utility in Northern Indiana.

The company operates four business units, including Gas Distribution, which delivers natural gas in several states; Gas Transmission and Storage Operations, which provide interstate natural gas transmission and storage services from the Gulf of Mexico to the Northeast; Electric Operations, which consist of NiSource's regulated electric utility, Northern Indiana Public Service Company (NIPSCo); and Other Operations, which include energy-related services and a co-generation facility.

Investment strategy

We rate the shares of NiSource (NI) Neutral (2). NI provides long-term earnings power of $1.40 per share, including growth from expected rate increases at NiSource's utilities. Our estimates do not include substantial industrial load growth at the utility or the potential for a build out of NI's pipeline and storage assets, which have a favorable footprint in the Marcellus Shale.

Valuation

We average multiple valuation methodologies to derive our $22 target.

Our NAV yields a value of $27. 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 $19.

Our P/E and EV/EBITDA multiples (2013 estimates) are based on our proprietary analyses, which utilize current equity risk premiums, current betas and projected risk-free yields. For our P/E analysis, we use multiples of 14.5x and 14.5x for the company's utility and pipeline assets. For our EV/EBITDA analysis, we use multiples of 7.5x and 8.0x for the company's utility and pipeline assets. Our P/E and EV/EBITDA analyses yield values of $22 and $21.

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 do not include any uplift from NiSource pursuing an MLP strategy. However, significant upside may exist if the Company is able to successfully implement this strategy.

If the impact on the company from any of these factors proves to be greater/less than we anticipate, it may prevent the stock from achieving our target price or could cause the stock price to materially under/outperform our target.

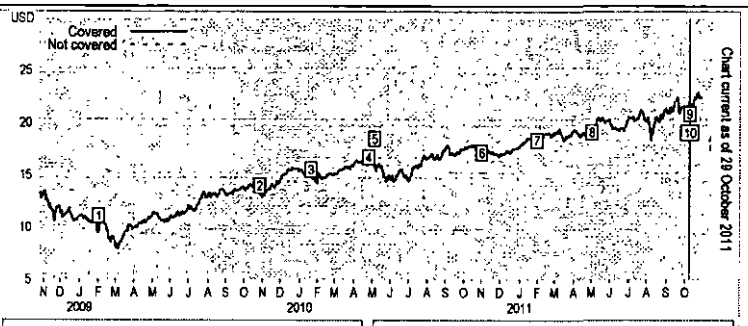
Appendix A-1

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IMPORTANT DISCLOSURES

NiSource Inc (NI)
Ratings and Target Price History
Fundamental Research
Analyst: Faisel Khan, CFA

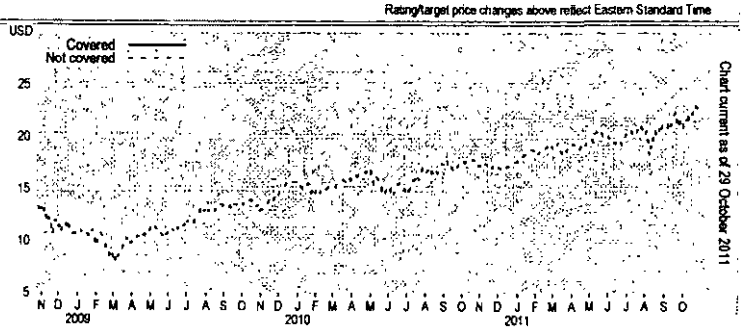


	Date	Rating	Target Price	Closing Price
1	2-Feb-09	1H	*14.00	9.38
2	27-Oct-09	1H	*15.00	13.47
3	20-Jan-10	*2M	*16.00	15.46
4	26-Apr-10	2M	*16.50	16.60
5	5-May-10	2M	*17.00	16.20
6	1-Nov-10	2M	*18.00	17.17
7	30-Jan-11	2M	*20.00	18.61
8	2-May-11	2M	*21.00	19.52
9	8-Oct-11	Stock rating system changed		
10	8-Oct-11	*2	21.00	21.55

* 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



* Indicates change

Rating/target price changes above reflect Eastern Standard Time

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Data current as of 10 Oct 2011	**Buy**	**Hold**	**Sell**	**Buy**	**Hold**	**Sell**
Citi Investment Research & Analysis Global Fundamental Coverage	59%	34%	7%	10%	79%	10%
% of companies in each rating category that are investment banking clients	45%	42%	37%	50%	43%	46%

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ADDITIONAL INFORMATION IS AVAILABLE UPON REQUEST

CREDIT SUISSE

28 October 2011
Americas/United States
Equity Research
Natural Gas

NiSource Inc (NI)

Rating	**NEUTRAL***
Price (27 Oct 11, US$)	22.40
Target price (US$)	(from 21.00) 24.00[1]
52-week price range	22.92 - 16.73
Market cap. (US$ m)	6,285.75
Enterprise value (US$ m)	13,740.49

*Stock ratings are relative to the relevant country benchmark.
[1]Target price is for 12 months.

Research Analysts

Yves Siegel, CFA
212 325 8462
yves.siegel@credit-suisse.com

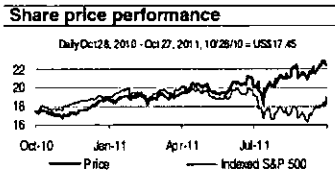
Brett Reilly, CFA
212 538 3749
brett.reilly@credit-suisse.com

INCREASE TARGET PRICE

Moving to a New Zip Code; Raising TP

- **3Q11 Results Exceed Expectations:** NI reported 3Q11 net income of $33.1mm which exceeded our estimate of $26.5mm but was in-line with consensus estimates. The variance to our model was due to the shift in revenue in the 'Gas Distribution' segment from 4Q11 to 3Q11. Note that we have made no change to our 2011 full year estimates. Management expects FY2011 EPS to be in the upper half of its guidance of $1.25 – 1.35.
- **More Color on Utica shale acreage:** For the first time, management shared with us details of their mineral rights in the Utica region. Management estimates that it has between 100,000 and 200,000 acres of mineral rights in the Utica shale region in Ohio. However, management cautioned that they are still in the middle of legal and geo-technical analyses to determine how much acreage is viable for drilling activity.
- **Dividend Increase on the Horizon:** NI has executed very well on its business plan and we believe is in a position to begin growing its dividends by 5% annually beginning in 2012. Management reiterated its growth target in the 5% zip code.
- **Maintain Neutral; Raising TP to $24 (from $21):** We have updated our SOTP valuation and raised our TP to $24 (from $21). Our TP is derived through a combination of P/E and sum-of-the-parts (see exhibit 2). Our TP implies a P/E multiple of 16.4x our NTM EPS est. of $1.46.

Share price performance



On 10/27/11 the S&P 500 index closed at 1284.59

Quarterly EPS	Q1	Q2	Q3	Q4
2010A	0.71	0.13	0.04	0.33
2011E	0.72	0.16	0.11	0.36
2012E	0.75	0.19	0.19	0.36

Financial and valuation metrics

Year	12/10A	12/11E	12/12E	12/13E
EPS (CS adj.) (US$)	1.21	1.35	1.46	1.52
Prev. EPS (US$)	—	1.36	1.45	—
P/E (x)	18.4	16.6	15.3	14.8
P/E rel. (%)	141.0	143.9	147.2	160.0
Revenue (US$ m)	5,817.9	5,726.9	5,204.6	5,434.7
EBITDA (US$ m)	1,513.6	1,519.0	1,664.8	1,762.7
OCFPS (US$)	2.59	4.23	3.37	3.56
P/OCF (x)	6.8	5.3	6.6	6.3
EV/EBITDA (current)	9.0	9.0	8.2	7.8
Net debt (US$ m)	7,344	7,455	7,316	7,497
ROIC (%)	4.80	5.06	5.34	5.54
Number of shares (m)	280.61	IC (current, US$ m)		12,266.80
BV/share (current, US$)	18.1	EV/IC (x)		1.1
Net debt (current, US$ m)	7,557.3	Dividend (current, US$)		0.92
Net debt/tot cap (current, %)	120.2	Dividend yield (%)		4.1

Source: Company data, Credit Suisse estimates.

DISCLOSURE APPENDIX CONTAINS IMPORTANT DISCLOSURES, ANALYST CERTIFICATIONS, INFORMATION ON TRADE ALERTS, ANALYST MODEL PORTFOLIOS AND THE STATUS OF NON-U.S ANALYSTS. U.S. Disclosure: Credit Suisse does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the Firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

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 3.3 million customers across seven states. NI's gas transmission and storage operations comprise 15,500 miles of pipe and 640 billion cubic feet of storage capacity. The electric operations consist of its Northern Indiana utility, Northern Indiana Public Service Company (NIPSCO), which serves approximately 450,000 customers.

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 holds substantial acreage. NI also has a $4.35 billion, 20-plus year infrastructure replacement program at its gas utilities that should drive stable growth over the next several years. Importantly, we believe NI has the liquidity in place to pursue an average annual capex program of approximately $1 billion starting in 2011 (note that 2011 capex is targeted at up to $1.1 billion).

Additional Color

- NI leased about 135,000 acres of its Marcellus acreage and is generating $10mm of pre-tax royalty income from the same. Similarly, we suspect the company may lease their Utica shale acreage to third parties and focus on building infrastructure around the play. This infrastructure may include gathering & processing assets if structured in a fee-based arrangement. To note, our model does not yet ascribe any value for Utica potential.
- NI reported a net available liquidity of over $460mm at the end of 3Q11.
- Columbia Gulf Transmission filed a settlement with FERC to resolve its 2010 base rate case. The settlement is pending approval.
- NI guided that they pushed its forward equity draw to the 2nd half of 2012. We now assume the equity will be drawn down in 3Q12. To recap, NI entered into a forward equity agreement in September 2010 that will result in the issuance of 24.3mm shares by September 2012. We expect the equity issuance will provide about $360mm in proceeds to NI.
- NI revised its 2011 Capex program of $1.1b to $1.15b, with majority of incremental Capex going to the Gas Distribution segment.

Exhibit 1: NI Quarterly Variance Table

Earnings Variance	3Q11 Actual	3Q11 CS Estimate	Diff.	Diff. (%)	3Q10 Actual	Comments
Segment EBITDA						
Gas Distribution	52	19	32	169%	23	Shift of revenue from 4Q to 3Q
NIPSCO Electric	127	140	(13)	-9%	134	
Gas Transmission & Storage	101	122	(21)	-17%	108	Includes $11.2mm of one-time environmental expenses
Other	(2)	1	(3)	NM	(2)	
Total EBITDA (recurring)	277	282	(5)	-2%	263	
Segment EBIT						
Gas Distribution	8	(26)	34	-131%	(41)	
NIPSCO Electric	73	83	(10)	-12%	80	
Gas Transmission & Storage	68	88	(20)	-23%	76	
Other	(7)	(4)	(3)	96%	(6)	
Total EBIT (recurring)	142	142	0	0%	110	
Interest Expense	96	100	(4)	-4%	98	
Other Expenses	(2)	0	(2)	NM	(2)	
Taxes	15	15	(1)	-4%	4	
Recurring Net Income	33	27	7	25%	10	
Diluted Wtd Avg shares outstanding	289	298	(9)	-3%	280	Forward equity sales pushed until 3Q12
Recurring EPS - Diluted	$0.11	$0.09	$0.02	28%	$0.04	
Dividend per share	$0.23	$0.23	$0.00	0%	$0.23	
Financing & Credit Metrics						
Total Debt / Total Cap	60.3%	58.9%	1.4%	2.3%	60.3%	
Net Debt / Total Cap	60.2%	57.7%	2.6%	4.5%	60.3%	
Net Debt / Equity	151.4%	136.2%	15.2%	11.2%	151.8%	
Book Value Per Share	$17.27	$17.32	($0.05)	($0.00)	$17.43	
Net Debt / TTM EBITDA	5.0x	4.7x	0.4x	0.1x	4.8x	

Source: Company data, Credit Suisse estimates

Exhibit 2: Sum-of-the-Parts Valuation

	2012E EBIT	D&A	2012E 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	227.1	232.4	151.7	P/E	14.5x	15.0x	15.5x	2,200.0	2,275.9	2,351.7
Natural Gas Utilities	425.0	192.8	617.8	EV/EBITDA	8.5x	9.0x	9.5x	5,251.3	5,560.2	5,869.0
Transmission and Storage	443.8	143.9	587.6	EV/EBITDA	10.5x	11.0x	11.5x	6,170.3	6,464.1	6,758.0
Total Enterprise / Equity Value	**868.8**	**336.6**						**13,621.6**	**14,300.2**	**14,978.7**
Cash & Equivalents								202.3	202.3	202.3
Short-term Debt								879.2	879.2	879.2
Long-term Debt								6,337.3	6,337.3	6,337.3
Less Net Debt								7,014.2	7,014.2	7,014.2
Total Equity Value								**6,607.4**	**7,286.0**	**7,964.5**
Shares Outstanding								305	305	305
Per Share								**$21.66**	**$23.88**	**$26.11**
Current Share Price								$22.40	$22.40	$22.40
Return								(3%)	7%	17%
Dividend per share								$0.96	$0.96	$0.96
Dividend Yield								*4%*	*4%*	*4%*
Total Return								*1%*	*11%*	*21%*
2012E EPS								$0.95	$0.95	$0.95
Implied P/E								**22.8x**	**25.1x**	**27.5x**

Source: Company data, Credit Suisse estimates

Exhibit 3: Changes to Model

	Old estimates 4Q11E	2011E	2012E	2013E	2014E	2015E	New estimates 4Q11E	2011E	2012E	2013E	2014E	2015E
Total EBITDA (recurring)	**431**	**1,547**	**1,583**	**1,763**	**1,851**	**1,941**	**407**	**1,519**	**1,665**	**1,763**	**1,857**	**1,955**
Segment EBIT												
Gas Distribution	144	409	391	412	431	450	120	418	425	458	478	498
NIPSCO Electric	43	203	287	290	301	310	43	190	227	238	255	272
Gas Transmission & Storage	113	404	440	464	495	529	113	383	444	467	497	530
Other	(11)	(24)	(19)	(17)	(19)	(19)	(11)	(23)	(18)	(16)	(17)	(17)
Total EBIT (recurring)	**289**	**992**	**1,098**	**1,149**	**1,208**	**1,270**	**265**	**968**	**1,078**	**1,148**	**1,213**	**1,283**
Interest Expense	99	383	403	402	419	452	98	378	385	396	416	442
Other Expenses	0	(4)	0	(0)	0	0	0	(6)	0	0	0	0
Taxes	70	216	250	269	284	295	61	207	250	271	287	302
Recurring Net Income	**120**	**397**	**445**	**479**	**505**	**524**	**106**	**389**	**444**	**481**	**510**	**538**
Diluted Wtd Avg shares outstanding	299	292	306	314	316	318	289	288	303	317	319	321
Recurring EPS - Diluted	**$0.40**	**$1.36**	**$1.45**	**$1.52**	**$1.60**	**$1.65**	**$0.36**	**$1.35**	**$1.46**	**$1.52**	**$1.60**	**$1.68**
Dividend per share	**$0.23**	**$0.92**	**$0.92**	**$0.92**	**$0.92**	**$0.92**	**$0.23**	**$0.92**	**$0.96**	**$1.00**	**$1.04**	**$1.08**

Source: Company data, Credit Suisse estimates

CREDIT SUISSE

28 October 2011

Exhibit 4: NI Abbreviated Financial Statements 2007 – 2015E

NiSource Inc. (NYSE: NI)
Abbreviated Financial Statements

Credit Suisse - Master Limited Partnerships and Natural Gas
Yves Siegel, CFA (212) 325-8462

Year ending December 31
($ millions, except per share data)

Abbreviated Income Statement	2007	2008	2009	2010	1Q11	2Q11	3Q11	4Q11E	2011E	2012E	2013E	2014E	2015E
Segment EBITDA													
Gas Distribution	584.7	556.0	577.4	582.2	284.5	92.3	51.7	166.5	595.0	617.8	662.4	694.5	726.8
NIPSCO Electric	480.7	429.8	368.0	429.2	102.3	90.7	126.6	99.8	419.4	459.5	477.0	500.3	522.9
Gas Transmission & Storage	488.9	494.3	530.3	507.6	151.2	117.5	100.8	147.8	517.3	567.6	620.8	660.6	703.4
Other	2.8	5.0	(7.1)	(5.6)	0.0	(3.8)	(2.2)	(6.7)	(12.7)	(0.1)	2.6	1.6	1.9
Total EBITDA (recurring)	1,557.1	1,485.3	1,468.6	1,513.6	538.0	296.7	276.9	407.3	1,519.0	1,644.8	1,762.7	1,857.0	1,954.9
Segment EBIT													
Gas Distribution	350.2	327.3	329.3	342.9	241.6	46.7	6.0	120.2	418.5	425.0	457.6	477.7	497.9
NIPSCO Electric	288.8	220.2	162.4	218.3	43.2	37.3	72.9	42.7	190.0	227.1	238.3	255.3	271.6
Gas Transmission & Storage	371.8	376.7	408.8	377.2	118.5	84.7	68.2	113.3	383.0	443.6	467.2	497.3	530.4
Other	(12.9)	(6.3)	(21.3)	(21.1)	(4.2)	(8.5)	(7.1)	(11.1)	(23.0)	(17.7)	(15.6)	(17.2)	(17.4)
Total EBIT (recurring)	997.9	917.9	879.2	917.3	399.1	160.2	140.0	265.1	968.4	1,078.2	1,147.5	1,213.2	1,282.5
Interest Expense	400.7	375.3	399.2	392.2	89.8	94.4	95.7	98.2	378.1	385.1	395.9	416.4	442.3
Other Expenses	6.5	(0.9)	1.6	(3.6)	(3.4)	(0.6)	(1.6)	0.0	(5.6)	0.0	0.0	0.0	0.0
Earnings Before Taxes	590.7	543.5	478.4	528.9	312.7	66.4	47.9	166.9	595.9	693.1	751.7	796.8	840.2
Taxes	214.9	194.6	184.3	189.3	107.9	22.6	14.8	61.2	206.7	249.5	270.6	286.9	302.5
Recurring Net Income	375.8	348.9	294.1	339.6	204.8	45.8	33.1	105.6	389.1	443.6	481.1	510.0	537.8
Recurring EPS													
Basic	$1.37	$1.27	$1.07	$1.22	$0.73	$0.16	$0.12	$0.38	$1.39	$1.51	$1.56	$1.64	$1.72
Diluted	$1.37	$1.27	$1.07	$1.22	$0.72	$0.16	$0.11	$0.36	$1.35	$1.46	$1.52	$1.60	$1.68
YoY % Change		*-7.4%*	*-15.9%*	*14.0%*					*11.3%*	*8.3%*	*3.6%*	*5.4%*	*4.8%*
Weighted Average Shares Outstanding													
Basic	273.8	274.0	275.1	277.8	279.3	280.2	280.8	281.3	280.4	294.6	308.7	310.7	312.6
Diluted	274.8	275.4	275.9	279.6	285.0	287.1	289.0	289.5	287.6	302.8	316.9	318.9	320.8
Dividend/Share	$0.92	$0.92	$0.92	$0.92	$0.23	$0.23	$0.23	$0.23	$0.92	$0.95	$1.00	$1.04	$1.08
Payout Ratio	*67.1%*	*72.3%*	*86.1%*	*75.3%*					*66.3%*	*63.8%*	*64.2%*	*63.4%*	*62.8%*
Abbreviated Balance Sheet													
Cash and Equivalents	50.0	20.6	16.4	9.2	62.5	59.9	22.2	97.8	97.8	235.2	248.1	273.8	360.0
Restricted Cash	59.4	286.6	174.7	202.9	164.9	154.6	180.1	180.1	180.1	180.1	180.1	180.1	180.1
Accounts Receivables	977.6	1,143.2	808.6	1,079.3	1,063.2	757.7	512.5	825.5	825.5	864.8	834.3	752.6	692.7
Inventories	458.2	511.8	364.8	296.2	81.5	347.6	467.0	165.6	165.6	173.5	181.7	180.6	155.5
Other Current Assets	950.0	1,448.3	839.1	859.3	613.1	425.3	678.7	788.8	788.8	832.4	888.3	960.1	1,052.9
Current Assets	2,495.2	3,410.5	2,223.6	2,446.9	1,985.2	1,745.1	1,860.5	2,057.8	2,057.8	2,286.0	2,332.6	2,347.3	2,441.2
Net PP&E	9,693.0	10,276.0	10,654.0	11,002.3	11,047.8	11,180.9	11,423.2	11,594.5	11,594.5	12,007.9	12,392.8	12,749.0	13,076.7
Other Assets	5,856.9	6,345.7	6,394.1	6,487.6	6,445.8	6,420.3	6,458.4	6,458.4	6,458.4	6,458.4	6,458.4	6,458.4	6,458.4
Total Assets	18,045.1	20,032.2	19,271.7	19,936.8	19,478.8	19,346.3	19,742.1	20,110.7	20,110.7	20,752.3	21,183.7	21,554.7	21,976.4
Accounts Payable	743.3	693.9	502.3	581.8	429.6	316.2	244.4	496.6	496.6	540.5	565.6	590.3	661.9
Current Portion of LT Debt	39.9	469.3	719.7	34.2	36.4	30.0	8.2	8.2	8.2	8.2	8.2	8.2	8.2
Other Short Term Borrowings	1,061.0	1,163.5	103.0	1,382.5	1,263.0	870.4	1,234.0	1,234.0	1,234.0	1,234.0	1,434.0	1,584.0	1,659.0
Other Current Liabilities	1,584.6	2,256.7	1,824.6	1,650.9	1,367.1	1,341.5	1,400.6	1,498.9	1,498.9	1,536.3	1,576.6	1,589.5	1,664.4
Current Liabilities	3,422.8	4,583.4	3,149.6	3,649.4	3,096.1	2,558.1	2,887.2	3,237.7	3,237.7	3,319.1	3,584.4	3,772.0	3,993.5
Long Term Debt	5,594.4	5,943.9	5,969.1	5,936.1	5,927.6	6,340.0	6,337.3	6,310.3	6,310.3	6,309.4	6,303.1	6,299.6	6,298.6
Other Liabilities	3,941.2	4,776.1	5,298.9	5,430.1	5,440.8	5,444.8	5,527.6	5,527.6	5,527.6	5,527.6	5,527.6	5,527.6	5,527.6
Total Liabilities	12,958.4	15,303.4	14,417.6	15,015.6	14,464.5	14,342.9	14,752.1	15,075.6	15,075.6	15,156.1	15,415.1	15,599.2	15,820.7
Shareholders Equity	5,086.7	4,728.8	4,854.1	4,923.2	5,014.3	5,003.4	4,990.0	5,035.1	5,035.1	5,596.3	5,768.6	5,955.5	6,155.6
Total Liabilities and Equity	18,045.1	20,032.2	19,271.7	19,938.8	19,478.8	19,346.3	19,742.1	20,110.7	20,110.7	20,752.3	21,183.7	21,554.7	21,976.4
Total Capital Expenditures	763.9	1,306.6	798.6	911.6	209.4	313.5	313.5	313.5	1,150.0	1,000.0	1,000.0	1,000.0	1,000.0
Financial Metrics													
Total Debt / Total Cap	56.8%	61.6%	58.3%	59.9%	59.0%	59.1%	60.3%	60.0%	60.0%	57.4%	57.3%	57.0%	56.4%
Net Debt / Total Cap	56.6%	61.5%	58.3%	59.9%	58.8%	58.9%	60.2%	59.7%	59.7%	56.7%	56.5%	56.1%	55.3%
Net Debt / Equity	130.5%	159.8%	139.6%	149.2%	142.9%	143.5%	151.4%	148.1%	148.1%	130.7%	130.0%	127.9%	123.6%
Book Value Per Share	$18.51	$17.17	$17.59	$17.61	$17.59	$17.43	$17.27	$17.39	$17.51	$18.48	$18.20	$18.68	$19.19
Net Debt / TTM EBITDA	4.3x	5.1x	4.6x	4.9x	4.8x	4.6x	5.0x	4.9x	4.9x	4.4x	4.3x	4.1x	3.9x

Source: Company data, Credit Suisse estimates

CREDIT SUISSE

28 October 2011

Companies Mentioned *(Price as of 27 Oct 11)*
NiSource Inc (NI, $22.40, NEUTRAL, TP $21.00)

Disclosure Appendix

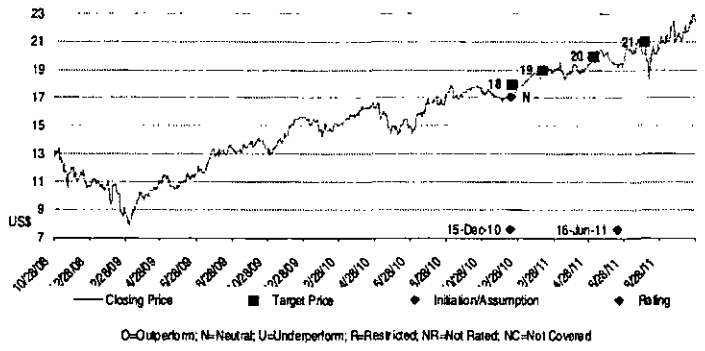
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See the Companies Mentioned section for full company names.

3-Year Price, Target Price and Rating Change History Chart for NI

NI	Closing	Target		
	Price	Price		Initiation/
Date	(US$)	(US$)	Rating	Assumption
12/15/10	17.09	18	N	X
2/6/11	18.66	19		
5/6/11	19.44	20		
6/16/11				X
8/2/11	20.12	21		



O=Outperform; N=Neutral; U=Underperform; R=Restricted; NR=Not Rated; NC=Not Covered

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***An analyst's coverage universe consists of all companies covered by the analyst within the relevant sector.*
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Underperform/Sell*	9%	(54% banking clients)
Restricted	2%	

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Price Target: (12 months) for (NI)
Method: We derive our 12-month price target of $21 for NiSource through a combination of P/E and sum of the parts valuation. Our price is based on a P/E multiple of 14.2x our next twelve months EPS estimate of $1.37, which is at the upper end of NI's historic trading range. We believe this to be appropriate as NI has resolved several key regulatory issues and is well positioned for growth. Our price target is also consistent with our sum of the parts valuation.
Risks: Main risks to our 12-month price target of $21 for NiSource include a less favorable outcome to its second electric rate case, pipeline re-contracting risk and economic risk as NI's electric utility is levered to the economy.

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28 October 2011
Americas/United States
Equity Research

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CREDIT SUISSE SECURITIES (USA) LLC
United States of America: +1 (212) 325-2000

HILLIARD LYONS

Electric Utilities
David Burks
J.J.B. Hilliard, W.L. Lyons, LLC
502.588.8648 / DBurks@hilliard.com
November 1, 2011

COMPANY UPDATE / ESTIMATE CHANGE

NiSource Inc.

NI -- NYSE -- Neutral – 3

Company reports higher third quarter earnings and reaffirms 2011 guidance

Key Metrics

NI - NYSE (Price as of 10/31/11)	$22.09
Price Target	NA
52-Week Range	$23.00 - $16.65
Shares Outstanding (mm)	280.8
Market Cap. ($mm)	$6,202
3-Mo. Average Daily Volume	4,268,000
Institutional Ownership	82.0%
Debt/Total Capital	59.9%
ROE (ttm)	6.6%
Book Value/Share	$17.66
Price/Book Value	1.25x
Indicated Dividend / Yield	$0.92 4.2%
Dividend Cycle	Feb., May, Aug., Nov.

EPS FY 12/31

	2010	Prior 2011E	2011E	Prior 2012E	Curr. 2012E
1Q		--		--	--
2Q		--		--	--
3Q		--		--	--
4Q		--		--	--
Year	$1.22	$1.33	$1.35		$1.45
P/E	18.1x		16.4x		15.2x
Payout	75%		68%		63%

Note: Figures exclude non-recurring items

Revenue ($mm)

	2010	Prior 2011E	2011E	Prior 2012E	Curr. 2012E
1Q		--		--	--
2Q		--		--	--
3Q		--		--	--
4Q		--		--	--
Year	$6,422		$6,475	--	$6,580

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%.*

Investment Highlights

- **NiSource reported third quarter net operating earnings of $0.11 per share versus $0.04 per share earned in the third quarter a year ago.** Earnings were slightly ahead of expectations. Third quarter results were aided by a better than expected performance at the company's natural gas distribution business. This segment benefitted from a switch to a new rate design that incorporates a higher fixed charge. Both NI's natural gas transmission and storage business and NiSource Electric posted modest declines in earnings during the third quarter. In sum, we believe the third quarter was yet another solid one for NiSource.
- **Management reaffirmed its 2011 earnings guidance of $1.25 to $1.35 per share.** However, it expects earnings to be in the upper half of this range. We are bumping up our 2011 estimate by $0.02 to $1.35 per share. Our 2012 estimate remains $1.45 per share. Longer term, NI continues to believe it can generate up to 5% annual earnings growth.
- **Rate settlement reached in Indiana.** In mid-July, the company's regulated utility, NIPSCO, announced a settlement with all the major parties in its electric rate case in the state. We view this development positively as it potentially removes a regulatory overhang. The settlement still requires final approval from the Indiana Utility Regulatory Commission, however.
- **We maintain our Neutral rating on NiSource as we believe the stock is fairly valued.** The stock is trading at a modest premium to the group. Yet we believe the company's fundamentals continue to improve. We expect the company to begin to modestly grow its dividend and would maintain positions in the stock.

Note Important Disclosures on Pages 2 and 3.
Note Analyst Certification on Page 2.

Outlook

We are maintaining our Neutral rating on NiSource as we believe the stock is fairly valued, trading at a modest premium to its peer group. However, we have been encouraged by recent results and believe the company has a solid long-term fundamental outlook. NI feels a combination of rate relief and continued investment in its gas infrastructure business can drive future earnings growth. NI expects to spend up to $1.1 billion in capital investments in 2011 on system modernization, growth projects and environmental investments. Future capital spending is expected to remain at a comparable level. The company also revealed it has between 100,000 and 200,000 acres of mineral rights in the Utica shale formation in Ohio. Management indicated it is currently evaluating the potential for drilling in this acreage. This holding does have the potential, in our view, to enhance the company's long-term prospects. In addition, the company has reached a settlement in its rate case in Indiana that would raise rates, pending final regulatory approval. Management continues to believe the company can achieve long-term growth near the upper end of its 3% to 5% target range. We are raising our 2011 earnings estimate by $0.02 to $1.35 per share. We are maintaining our 2012 estimate of $1.45 per share. Moreover, the company's financial situation has improved to the point where it may begin to modestly grow its dividend going forward. We note NI's dividend payout ratio is just 63% of next year's estimated earnings. With a solid 4.2% dividend yield and seemingly improving growth prospects, we remain comfortable holding NiSource shares.

Additional information is available upon request.

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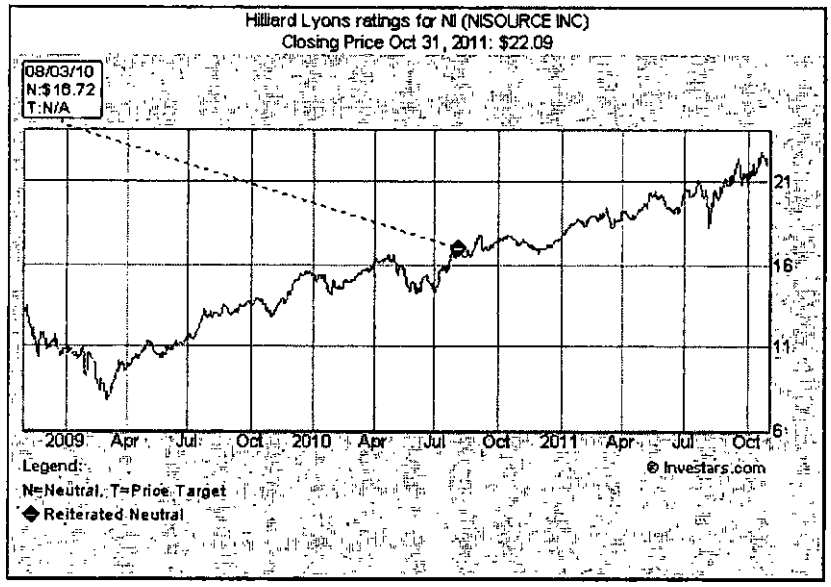
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Investment Ratings

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.

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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	55	29%	2%	98%
Long-term Buy	43	23%	7%	93%
Neutral	90	47%	0%	100%
Underperform	1	1%	0%	100%
Restricted	1	1%	100%	0%

As of 3 October 2011

Other Disclosures

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October 28, 2011
ENERGY: Multi- Utilities
Quick Alert

KeyBanc
Capital Markets

NiSource, Inc. (HOLD)

NI – Quick Alert: 3Q11 Another Solid Quarter Reported

KeyBanc Capital Markets Inc.
Member NYSE/FINRA/SIPC

Paul T. Ridzon: (216) 689- 0270 — pridzon@keybanccm.com
Timothy Yee: (216) 689- 0385 — tyee@keybanccm.com

KEY INVESTMENT POINTS
October 27, 2011 Close: $22.40
3Q11 KBCM EPS Estimate: $0.12 (Consensus: $0.10)
2011 KBCM EPS Estimate: $1.35 (Consensus: $1.35)
2012 KBCM EPS Estimate: $1.45 (Consensus: $1.45)

3Q11 Actual Results (vs. 3Q10):
- 3Q11 ongoing EPS $0.13 vs. $0.06; GAAP EPS $0.13 vs. $0.12. We note NI reports ongoing earnings of $0.11, the Company's number being on a weather normalized basis.
- Results were ahead of our estimate of $0.12 and consensus of $0.10 per share.

Guidance: Maintained 2011 guidance of $1.25- $1.35 per share. However, management has now endorsed the upper half of this range.

Highlights:
- Gas Distribution segment (operating earnings of $8 million vs. $40.7 million loss) were higher as higher revenues related to moving from volumetric rates to higher fixed charge shifted earnings out of high usage periods (1Q and 4Q) into 2Q and 3Q. The quarter also benefited from lower depreciation rates per the 2010 Indiana settlement, as well as new rates tied to infrastructure integrity programs.
- Gas Transmission and Storage declined (operating earnings of $68.2 million vs. $76.4 million) driven by $10.8 million higher demand revenues on growth projects NI has put in service and new rates, more than offset by higher employee costs and remediation costs that are not recoverable.
- Electric operations earnings declined (operating earnings of $72.9 million vs. $80.0 million) as residential and commercial margins declined, partly offset by industrial growth Expenses ticked up slightly on rate case and administrative costs. Retail load increased 5.1% (Res. - 4.7%, Comm. - 1.8% and Ind. +2.8%). Cooling degree days fell 7% to 12% above normal.
- Corporate costs increased slightly while interest expense fell modestly.

Initial Take: We expect a positive reaction to the earnings report but believe conference call commentary around Utica acreage will be watched closely.

9:00 AM ET Conference Call #: (800) 320- 2978 ID#: 70865884
We will be focused on:
- **Any commentary on leasable Utica acreage.**
- **Northern Indiana economy.**
- **Potential for further remediation costs, which hit 3Q11 by an estimated $0.03.**
- **Growth initiatives.**

FOR IMPORTANT DISCLOSURES AND CERTIFICATIONS, PLEASE REFER TO PAGES 2 - 3 OF THIS NOTE.

KeyBanc Capital Markets Inc. Disclosures and Certifications

NiSource, Inc. - NI

NiSource, Inc. is an investment banking client of ours.

We have received compensation for investment banking services from NiSource, Inc. during the past 12 months

We expect to receive or intend to seek compensation for investment banking services from NiSource, Inc. within the next three months.

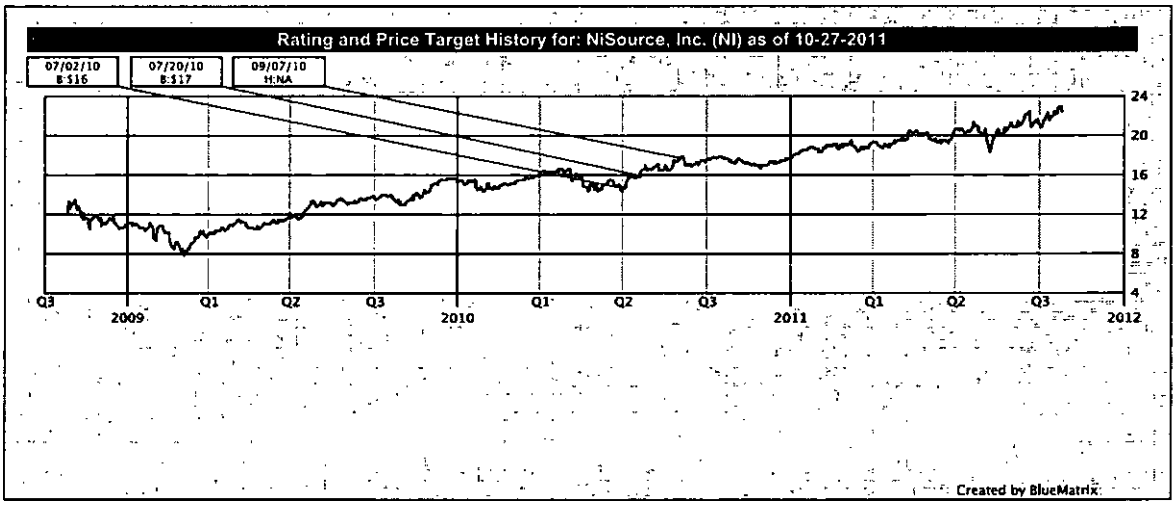
During the past 12 months, NiSource, Inc. has been a client of the firm or its affiliates for non- securities related services.

We have managed or co- managed a public offering of equity securities for NiSource, Inc. within the past 12 months.

Reg A/C Certification

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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]	222	47.10	48	21.62	BUY [BUY]	33	44.60	15	45.45
HOLD [HOLD]	246	52.20	55	22.36	HOLD [HOLD]	41	55.40	20	48.78
SELL [UND]	3	0.60	0	0.00	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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Investors should assume that we are seeking or will seek investment banking or other business relationships with the company described in this report.

Morgan Stanley

October 28, 2011

Stock Rating
Equal-weight

Industry View
Attractive

NiSource, Inc.

Utica Pot'l a Bit Clearer; So Is Midstream Growth Focus

NI 3Q results exceeded our estimates due to strong results from its Transmission &Storage segment. Going forward, we look for clarity on how NI will maximize the value of its midstream + storage assets that overlay the Marcellus and Utica in addition to its 100-200k prospective Utica acreage.

3Q11 results: NI reported operating earnings of $0.11, above MS / Consensus estimates of $0.08 / $0.10. While we maintain our Equal-weight rating on NI (in the context of our Attractive view on the Diversified Gas sector); we **have increased our price target to $25 (from $23)** based on earnings growth expectation of 11% 2012 and 5% in 2013 and risked Utica potential value of ($1 – 2/share). Near-term drivers for the stock will be Utica acreage valuations (NI has a midstream footprint) and an Indiana electric rate settlement that could boost EPS $0.08 – 0.10 per share. Longer term, additions of veterans to the midstream and pipeline staff suggest more low-risk, higher return infrastructure build out potential in the Marcellus and Utica for NI.

Gas business gives 3Q a boost. *Electric Operations EBIT* declined to $72.9m from $80.0m y/y; revenue was down 4.3m reflecting lower environmental spend, while operating costs increased $2.8m. *Gas Distribution Operations EBIT* increased to $8.0m from a loss of $40.7m. Revenues increased $24m while operating expenses were $24.7m less than last year due to lower depreciation costs. *Gas Transmission and Storage Operations EBIT* decreased to $68.2m from $76.4m y/y as increased operating expense offset increased revs.

What's Next: More information on Utica and Marcellus future growth opportunities. New rates at NIPSCO should take effect by early 2012 adding to EPS. NI has significantly increased its midstream team to capitalize on infrastructure opportunities in the Marcellus and Utica Shales. NI is in the process of evaluating its prospective acreage in the Utica Shale (management stated 100 – 200k net acres). Further details and 2012 guidance are expected in January.

MORGAN STANLEY RESEARCH
NORTH AMERICA

Morgan Stanley & Co. LLC

Stephen J. Maresca, CFA
Stephen.Maresca@morganstanley.com
+1 212 761 6343

Abdiel Santiago
Abdiel.Santiago@morganstanley.com

Robert S Kad
Robert.Kad@morganstanley.com

Shaan Sheikh
Shaan.Sheikh@morganstanley.com

Brian Lasky
Brian.Lasky@morganstanley.com

Key Ratios and Statistics

Reuters: NI.N Bloomberg: NI US
Diversified Natural Gas / United States of America

Price target	$25.00
Shr price, close (Oct 27, 2011)	$22.40
Mkt cap, curr (mm)	$6,223
52-Week Range	$22.99-16.65

Fiscal Year ending	12/10	12/11e	12/12e	12/13e
ModelWare EPS ($)	1.20	1.35	1.50	1.58
Prior ModelWare EPS ($)	-	1.35	1.46	1.54
P/E	14.7	16.6	14.9	14.1
Consensus EPS ($)§	1.22	1.35	1.45	1.51
Div yld (%)	5.2	4.1	4.2	4.4
EBITDA ($mm)**	1,514	1,517	1,636	1,707
EV/EBITDA**	8.1	9.1	8.8	8.7
Div per shr ($)	0.92	0.92	0.95	0.98
Shrs out, diluted, avg (mm)	283	292	304	304

Unless otherwise noted, all metrics are based on Morgan Stanley ModelWare framework (please see explanation later in this note).
§ = Consensus data is provided by FactSet Estimates.
** = Based on consensus methodology
e = Morgan Stanley Research estimates

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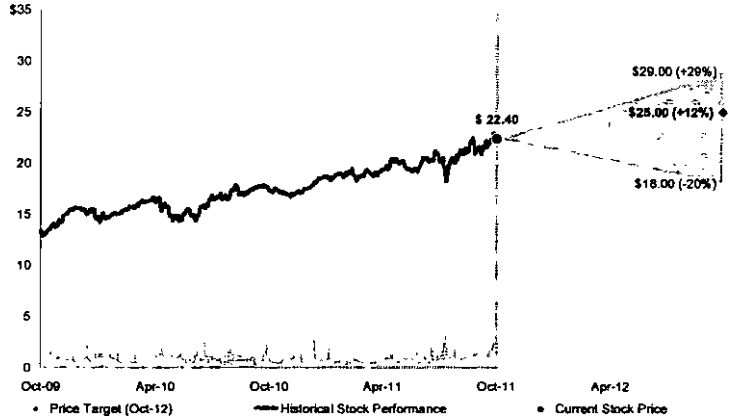
Morgan Stanley

MORGAN STANLEY RESEARCH

October 28, 2011
NiSource, Inc.

NiSource (NI, Equal-weight)

Risk-Reward View: Solid Appalachia Midstream Potential



Source: FactSet; Morgan Stanley Research

Price Target $25		Derived from base case average of four valuation methodologies
Bull Case $29	11x GT&S '12e EBITDA, 9x Electric EBITDA	**Increasing Marcellus/Utica market share and utilities outperform.** NI gains larger Appalachian market share than anticipated from new production, fostering additional capital spend in the GT&S segment. Regulated utilities restore earnings power sooner than expected and earn ROEs at allowable rates.
Base Case $25	10.x GT&S '12e EBITDA, 8.5x Electric EBITDA	**Executing on Marcellus opportunities with a modest recovery in utility segments.** NI places Marcellus growth projects on budget and on time. Industrial electric generation deliveries continue to stabilize/slightly recover, coupled with fair rate case outcomes.
Bear Case $18	8x GT&S '12e EBITDA, 7x Electric EBITDA	**Marcellus opportunities fail to materialize.** Marcellus regulation issues persist, prolonging development. The required infrastructure projects are delayed causing NI to push back expansions. Utility rate case outcomes prove unfavorable.

Sum-of-the-Parts Breakdown (one part of price target methodology)

NiSource Inc.	Value ($ m)	$/Share
Gas Distribution	$5,165	$18
Gas Transmission & Storage	5,550	20
Electric Utility	3,889	14
Value per Share	$14,604	$52
Net Debt	(7,374)	(26)
Net Equity Value	$7,229	$26
Shares Outstanding (in mm)		280

Source: Morgan Stanley Research

Why Equal-weight?

- Getting closer to restoring earnings power at regulated utilities segments (e.g. possible successful rate case outcomes).
- Numerous midstream opportunities surrounding its existing pipeline systems in the Marcellus provide exceptional long-term value, but also come with it increased capex and possibly heated competition.
- Stock trades closer to fair value on multiples basis (excluding potential uplift from Utica acreage).

Key Value Drivers

- Executing Marcellus midstream projects on time and below budget (targeting $200m of projects per year over the next 3-4 years, but could be more).
- Execution on its regulatory agenda (e.g., filing rate cases, implementing trackers / cost recovery mechanisms).
- Stable dividend with potential growth in early 2012.

Potential Catalysts

- Updates related to rate case settlements approval by regulatory bodies.
- Announcement of additional Marcellus or Utica project or acquisition beyond those included in guidance
- Further disclosure of potential Utica acreage.

Where We Could Be Wrong

- Regulatory risks associated with Marcellus drilling puts a hold on midstream project expansions.
- Economic recovery remains prolonged, negatively affecting electric deliveries (especially to industrial customers).
- Rate cases return with unfavorable outcomes.

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MORGAN STANLEY RESEARCH

October 28, 2011
NiSource, Inc.

Exhibit 1
3Q11 Earnings Results and 4Q11E Preview
NiSource Inc.
(amounts in 000s, except per unit)

	Actual 3Q10	Actual 3Q11	A / A % chg	MS 3Q11E	A / E % chg	MS 4Q11E
Operating Revenues						
Gas Distribution	317,500	326,500	2.8%	602,904	-45.8%	1,106,117
Gas Transportation and Storage	270,700	283,300	4.7%	251,793	12.5%	256,253
Electric	398,500	398,700	0.1%	440,392	-9.5%	318,343
Other	17,800	15,300		(35,453)		-
Total operating revenues	1,004,500	1,023,800	1.9%	1,259,636	-18.7%	1,680,713
Operating Expenses						
Cost of Sales	296,100	285,000	-3.7%	343,816	-17.1%	824,191
Operation and maintenance	387,300	406,300	4.9%	577,223	-29.6%	387,645
Depreciation and amortization	153,200	134,900	-11.9%	126,932	6.3%	126,731
Other Taxes	61,500	59,100	-3.9%	82,207	-28.1%	65,698
Total operating expenses	898,100	885,300	-1.4%	1,130,178	-21.7%	1,404,264
Equity Earnings (Loss) in Uncon. Affiliates	3,500	3,500	0.0%	2,312	51.4%	3,518
EBIT	109,900	142,000	29.2%	131,769	7.8%	279,966
EBITDA	263,100	276,900	5.2%	258,701	7.0%	406,697
Interest expense, net	(97,600)	(95,700)	-1.9%	(97,091)	-1.4%	(99,538)
Other income	2,100	1,600		600		1,600
Total other income and expenses	(95,500)	(94,100)	-1.5%	(96,491)	-2.5%	(97,938)
Earnings From Cont. Oper. Bef. Inc. Taxes	14,400	47,900	232.6%	35,278	35.8%	182,029
Income tax (provision)	4,100	14,800	261.0%	12,233	21.0%	68,013
Net Income (Operating)	10,300	33,100	221.4%	23,045	43.6%	114,016
Average # of Shares Outstanding	279,900	289,000	3.3%	283,230	2.0%	292,030
Net Income per Share (Operating)	$ 0.04	$ 0.11		$ 0.08		$ 0.39
Net Income per Share (GAAP)	$ 0.12	$ 0.13		$ 0.08		$ 0.39
Segment Data						
Gas Distribution (MMDth)						
Residential	15.0	13.8	-8.0%	15.8	-12.4%	87.8
Commercial	19.1	17.6	-7.9%	20.4	-13.9%	51.7
Industrial	98.3	102.5	4.3%	105.2	-2.5%	101.7
Off System	13.7	14.4	5.1%	14.5	-0.8%	15.1
Other	0.1	-	na	0.2	na	-
Gas Transmission & Storage (MMDth)						
Columbia Transmission	191.1	184.6	-3.4%	200.7	-8.0%	342.3
Columbia Gulf	225.0	270.3	20.1%	236.3	14.4%	223.4
Crossroads Gas Pipeline	6.5	4.0	-38.5%	6.8	-41.4%	5.2
Intrasegment eliminations	(141.6)	(124.2)	-12.3%	(133.1)	-6.7%	(146.6)
Electric Operations (Gigawatt Hours)						
Residential	1,175.7	1,120.7	-4.7%	1,199.2	-6.5%	812.2
Commercial	1,103.8	1,083.7	-1.8%	1,125.9	-3.7%	975.2
Industrial	2,180.0	2,242.0	2.8%	2,223.6	0.8%	2,190.6
Wholesale	330.0	239.9	-27.3%	336.6	-28.7%	217.7
Other	47.0	39.7	-15.5%	47.9	-17.2%	64.0

NIPSO electric rate case settlement is expected before year end. NI's regulatory progress continues and construction of Schahfer FGD unit is under way.

Interest expense decreases y/y due to a debt maturity in Nov 2010 and debt buy backs in Dec 2010

Projects that we see adding to the segment's earnings: (1) Columbia Gulf Rate Case on May 1 (~$50m/yr) (2) Warren County Electric Generation Infrastructure (~250,000 Dth/day) (3) Marcellus infrastructure. (4) NIPSCO electric rate case.

Source: Company data, Morgan Stanley Research

Morgan Stanley

MORGAN STANLEY RESEARCH

October 28, 2011
NiSource, Inc.

Exhibit 2
NI Income Statement

(amounts in thousands, except per unit data)	2010	2011E	2012E	2013E	2014E
Net Revenues					
Gas Distribution	3,103,100	3,240,717	3,765,635	3,894,725	4,028,295
Gas Transportation and Storage	1,261,300	1,189,422	1,023,241	1,073,403	1,128,703
Electric	1,374,900	1,454,453	1,590,845	1,654,912	1,721,561
Other	78,600	70,500	-	-	-
Total Net Revenues	**5,817,900**	**5,955,092**	**6,379,721**	**6,623,041**	**6,878,559**
Operating Costs					
Cost of Sales	2,379,200	2,487,756	2,701,502	2,780,242	2,897,086
Operation and maintenance	1,655,700	1,673,138	1,761,842	1,840,185	1,912,614
Depreciation and amortization	596,300	538,950	531,798	545,213	558,966
Other taxes	284,400	290,014	294,603	310,600	318,436
Total Operating Costs	**4,915,600**	**4,989,857**	**5,289,745**	**5,476,240**	**5,687,102**
Equity Earnings (Loss) in Uncon. Affiliates	**15,000**	**12,318**	**14,318**	**14,679**	**15,049**
EBIT	**917,300**	**977,553**	**1,104,294**	**1,161,480**	**1,206,506**
EBITDA	**1,513,600**	**1,516,503**	**1,636,092**	**1,706,693**	**1,765,473**
Other income					
Interest expense, net	(392,200)	(379,349)	(409,241)	(430,168)	(452,680)
Other income	3,800	7,100	6,400	6,400	6,400
Inc. from continuing operations bef inc. taxes	**528,900**	**605,304**	**701,453**	**737,712**	**760,227**
Income tax (provision)	189,300	211,374	244,871	256,611	265,216
Operating Net income (Loss)	**339,600**	**393,930**	**456,582**	**481,101**	**495,010**
Net Income per Share (Operating)	**$1.20**	**$1.35**	**$1.50**	**$1.58**	**$1.63**
Net Income per Share (GAAP)	**$1.04**	**$1.33**	**$1.50**	**$1.58**	**$1.63**
Weighted Avg Diluted Units Outstanding	282,600	292,030	304,152	304,152	304,152
Dividends per share	0.92	0.92	0.95	0.98	1.01

Source: Company data, Morgan Stanley Research

Morgan Stanley

MORGAN STANLEY RESEARCH

October 28, 2011
NiSource, Inc.

Exhibit 3
NI Operating Data

	2010	2011E	2012E	2013E	2014E
GAS DISTRIBUTION					
Sales and Transportation (MMDth):					
Residential	258.1	269.7	275.1	279.2	283.4
Commercial	166.8	173.6	177.1	179.7	182.4
Industrial	386.0	428.0	436.5	443.1	449.7
Off System	71.9	68.2	68.2	68.2	68.2
Other	0.9	0.5	-	-	-
Total Sales and Transports	883.7	939.9	956.8	970.2	983.7
Weather Adjustment	5.2	(5.6)	(1.2)	(1.2)	(1.2)
Sales and Transport Vols – Excluding Weather	888.9	934.3	955.6	969.0	982.5
y/y change	*6.8%*	*5.1%*	*2.3%*	*1.4%*	*1.4%*
Sales Price ($ / Dth)	$4.14	$3.93	$3.94	$4.02	$4.10
y/y change	*-11.7%*	*-4.9%*	*0.2%*	*2.0%*	*2.0%*
COGS Price ($ / Dth)	$2.32	$2.19	$2.20	$2.22	$2.28
y/y change	*-15.6%*	*-5.7%*	*0.5%*	*0.9%*	*2.6%*
Gross Margin ($ / Dth)	$1.81	$1.74	$1.74	$1.80	$1.82
y/y change	*-6.1%*	*-3.9%*	*-0.3%*	*3.4%*	*1.3%*
GAS TRANSMISSION & STORAGE					
Throughput (MMDth):					
Columbia Transmission	1,092.4	1,158.4	1,216.3	1,277.1	1,341.0
Columbia Gulf	848.4	1,000.8	1,100.9	1,122.9	1,145.4
Crossroads Gas Pipeline	25.4	19.9	19.9	20.3	20.7
Total throughput	1,966.2	2,179.1	2,337.1	2,420.3	2,507.1
Intrasegment eliminations	(568.7)	(571.1)	(660.1)	(675.0)	(687.8)
Total third-party throughput	1,397.5	1,608.0	1,677.0	1,745.3	1,819.3
y/y change	*0.4%*	*15.1%*	*4.3%*	*4.1%*	*4.2%*
Tariff ($ / Dth)	$0.52	$0.47	$0.47	$0.48	$0.49
y/y change	*0.1%*	*-10.6%*	*0.8%*	*2.0%*	*2.1%*
ELECTRIC OPERATIONS					
Sales (Gigawatt Hours):					
Residential	3,625.6	3,553.3	3,624.4	3,715.0	3,807.8
Commercial	3,919.9	3,884.0	3,961.7	4,060.7	4,162.2
Industrial	8,459.0	9,147.3	9,376.0	9,610.4	9,850.6
Wholesale	817.1	688.6	702.4	719.9	737.9
Other	186.4	179.5	182.2	184.9	187.7
Total sales	17,008.0	17,452.7	17,846.6	18,290.9	18,746.4
Weather Adjustment	(500.2)	(132.2)	-	-	-
Total sales volumes – Adj. for weather impacts	16,507.8	17,320.5	17,846.6	18,290.9	18,746.4
y/y change	*4.0%*	*4.9%*	*3.0%*	*2.5%*	*2.5%*
Revenue ($ / Gigawatt hour)	$83.78	$81.01	$89.14	$90.48	$91.83
y/y change	*6.1%*	*-3.3%*	*10.0%*	*1.5%*	*1.5%*
COGS ($ / Gigawatt hour)	$30.80	$31.69	$33.38	$34.18	$35.00
y/y change	*7.1%*	*2.9%*	*5.3%*	*2.4%*	*2.4%*
Gross Margin ($ / Gigawatt hour)	$52.99	$49.33	$55.76	$56.30	$56.84
y/y change	*5.6%*	*-6.9%*	*13.1%*	*1.0%*	*1.0%*

Source: Company data, Morgan Stanley Research

Morgan Stanley

MORGAN STANLEY RESEARCH

October 28, 2011
NiSource, Inc.

Exhibit 4
NI Balance Sheet

(amounts in thousands, except per unit data)	2010	2011E	2012E	2013E	2014E
ASSETS					
Cash and cash equivalents	9,200	10,000	82,889	34,382	11,699
Restricted cash	202,900	180,100	180,100	180,100	180,100
Accounts receivable	1,079,300	891,238	973,958	1,034,936	1,042,362
Income tax receivable	99,000	1,200	1,200	1,200	1,200
Gas inventory	298,200	325,653	376,578	345,097	378,023
Regulatory assets	151,800	142,400	142,400	142,400	142,400
Other	120,800	119,700	119,700	119,700	119,700
Total Current Assets	**2,448,900**	**2,085,691**	**2,292,226**	**2,273,214**	**2,290,885**
Net Property, Plant and Equipment	**11,097,000**	**11,743,050**	**12,411,252**	**13,054,039**	**13,647,433**
Unconsolidated affiliates	200,900	200,200	200,200	200,200	200,200
Other investments	139,700	164,300	164,300	164,300	164,300
Price risk management assets	240,300	191,400	191,400	191,400	191,400
Regulatory assets	1,650,400	1,618,800	1,618,800	1,618,800	1,618,800
Goodwill	3,677,300	3,677,300	3,677,300	3,677,300	3,677,300
Intangible assets	308,600	300,400	300,400	300,400	300,400
Deferred charges, Postretiremen, other	167,800	178,200	178,200	178,200	178,200
TOTAL ASSETS	19,938,800	20,161,641	21,036,378	21,660,153	22,271,218
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current portion of long-term debt	34,200	8,200	8,200	8,200	8,200
Short-term borrowings	1,382,500	1,316,151	1,726,502	1,726,502	1,726,502
Accounts payable	581,800	488,527	577,366	566,901	588,722
Dividends payable	100	64,700	64,700	64,700	64,700
Customer deposits and credits	318,100	281,300	281,300	281,300	281,300
Taxes accrued	221,100	157,800	157,800	157,800	157,800
Interest accrued	114,400	67,700	67,700	67,700	67,700
Price risk management liabilities	173,900	171,600	171,600	171,600	171,600
Exchange gas payable	266,100	178,300	178,300	178,300	178,300
Deferred revenue	6,800	3,500	3,500	3,500	3,500
Regulatory liabilities	92,900	88,800	88,800	88,800	88,800
Acc liab for post-retirement / -employment benefits	23,300	23,300	23,300	23,300	23,300
Other accruals	336,400	254,500	254,500	254,500	254,500
Total Current Liabilities	**3,649,400**	**3,213,478**	**3,712,668**	**3,702,203**	**3,724,024**
Long-term debt, excl amounts due within one year	5,936,100	6,337,300	6,337,300	6,787,300	7,187,300
Price risk management liabilities	181,600	136,600	136,600	136,600	136,600
Deferred income taxes	2,209,700	2,430,200	2,430,200	2,430,200	2,430,200
Deferred inc. taxes, credits, other	102,600	109,100	109,100	109,100	109,100
Acc liability for post-retirement/-employment benefits	1,039,600	874,400	874,400	874,400	874,400
Regulatory liabilities and other removal costs	1,595,800	1,643,700	1,643,700	1,643,700	1,643,700
Asset retirement obligations	138,800	140,500	140,500	140,500	140,500
Other noncurrent liabilities	162,000	193,100	193,100	193,100	193,100
Total Other Liabilities and Deferred Credits	**11,366,200**	**11,864,900**	**11,864,900**	**12,314,900**	**12,714,900**
Common stock	2,800	2,800	2,800	2,800	2,800
Additional paid-in capital	4,103,900	4,199,400	4,399,400	4,399,400	4,399,400
Retained earnings	901,800	965,863	1,141,410	1,325,650	1,514,894
Treasury stock	(57,900)	(54,400)	(54,400)	(54,400)	(54,400)
Accumulated other comprehensive loss	(27,400)	(30,400)	(30,400)	(30,400)	(30,400)
Total Common Stockholders' Equity	**4,923,200**	**5,083,263**	**5,458,810**	**5,643,050**	**5,832,294**
TOTAL CAPITALIZATION & LIABILITIES	19,938,800	20,161,641	21,036,378	21,660,153	22,271,218
CONSOLIDATED DEBT METRICS					
Average Total Debt	7,070,100	7,507,226	7,866,826	8,297,002	8,722,002
Average Net Debt	7,057,300	7,497,626	7,820,382	8,238,366	8,698,961
Net Debt / Total Book Capitalization	59.1%	60.0%	59.7%	59.7%	60.3%
Average Debt / EBITDA	4.7x	5.0x	4.8x	4.9x	4.9x
Average Interest Rate	5.5%	5.1%	5.2%	5.2%	5.2%

Source: Company data, Morgan Stanley Research

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October 28, 2011
NiSource, Inc.

Exhibit 5
NI Cash Flow Statement

(amounts in thousands, except per unit data)	2010	2011E	2012E	2013E	2014E
Cash from Operating Activities					
Net Income	292,000	390,830	456,582	481,101	495,010
Debt: Gain Early Extinguishment / Amort Disc.+Premium	107,000	-	-	-	-
Depreciation and Amortization	596,300	538,950	531,798	545,213	558,966
Net Changes in Price Risk Mgmt A / L	(5,500)	39,200	-	-	-
Deferred: Inc. Tax/Credits; Revenues	179,700	193,200	-	-	-
Stock Compensation Expense	30,900	17,200	-	-	-
Loss/(Gain) on Asset Sales / Impairments / Disc Opts	2,000	700	-	-	-
Income from Unconsolidated Affiliates	(14,800)	(4,400)	-	-	-
Disc. Operations: Loss/(Gain) on Disposition	2,600	(43,900)	-	-	-
AFUDC Equity	(6,100)	(1,900)	-	-	-
Dist. of Earnings Received from Equity Investee	12,900	9,900	-	-	-
Other	(55,000)	1,600	-	-	-
Changes in Assets and Liabilities:	**(419,800)**	**(23,264)**	**(44,806)**	**(39,961)**	**(18,533)**
Net cash from operating activities	**722,200**	**1,118,116**	**943,574**	**986,353**	**1,035,444**
Cash from Investing Activities					
Capital Expenditures	(803,800)	(1,095,000)	(1,200,000)	(1,188,000)	(1,152,360)
Insurance Recoveries	5,000	-	-	-	-
Proceeds from Disposition of Assets	500	9,400	-	-	-
Restricted Cash Deposits (Borrowings)	(28,200)	48,300	-	-	-
Contributions to Equity Investments	(64,100)	(100)	-	-	-
Other Investing Activities	(53,100)	(33,300)	-	-	-
Net cash from investing activities	**(943,700)**	**(1,070,700)**	**(1,200,000)**	**(1,188,000)**	**(1,152,360)**
Cash from Financing Activities					
Issuance of Long-Term Debt	250,000	395,300	-	450,000	400,000
Retirement/Repurchase of Long-Term Debt	(977,700)	(13,000)	-	-	-
Change in Short-Term Borrowings, Net	1,279,500	(263,279)	410,351	-	-
Issuance of Common Stock	14,400	107,900	200,000	-	-
Acquisition of Treasury Stock	(1,400)	(3,000)	-	-	-
Dividends Paid - Common Stock	(255,600)	(262,337)	(281,035)	(296,860)	(305,766)
Other	(94,900)	(8,200)	-	-	-
Net cash from financing activities	**214,300**	**(46,616)**	**329,315**	**153,140**	**94,234**
Net change in cash	**(7,200)**	**800**	**72,889**	**(48,508)**	**(22,683)**
Cash at beginning of period	**16,400**	**9,200**	**10,000**	**82,889**	**34,382**
Cash at end of period	**9,200**	**10,000**	**82,889**	**34,382**	**11,699**

Source: Company data, Morgan Stanley Research

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NiSource, Inc.

Exhibit 6
NI Sum of the Parts Valuation

NiSource Inc.	Value ($m)	$/Share
Gas Distribution	$5,165	$18
Gas Transmission & Storage	5550	$20
Electric Utility	3889	$14
Value	$14,604	$52
Net Debt	(7,374)	(26)
Net Equity Value	$7,229	$26
Shares Outstanding (in m)		280

GAS DISTRIBUTION	
Forward EBITDA (2012E)	$608
Forward multiple	8.5x
Enterprise value	$5,165

GAS TRANSMISSION & STORAGE	
Forward EBITDA (2012E)	$555
Forward multiple	10.0x
Enterprise value	$5,550

ELECTRIC UTILITY	
Forward EBITDA (2012E)	$458
Forward multiple	8.5x
Enterprise value	$3,889

Source: Company data, Morgan Stanley Research.

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MORGAN STANLEY ModelWare

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(as of September 30, 2011)

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NiSource, Inc.

	Coverage Universe		Investment Banking Clients (IBC)		
Stock Rating Category	Count	% of Total	Count	% of Total IBC	% of Rating Category
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Equal-weight/Hold	**1168**	**42%**	**419**	**42%**	**36%**
Not-Rated/Hold	**112**	**4%**	**23**	**2%**	**21%**
Underweight/Sell	**400**	**14%**	**104**	**10%**	**26%**
Total	**2,810**		**1003**		

Data include common stock and ADRs currently assigned ratings. An investor's decision to buy or sell a stock should depend on individual circumstances (such as the investor's existing holdings) and other considerations. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months.

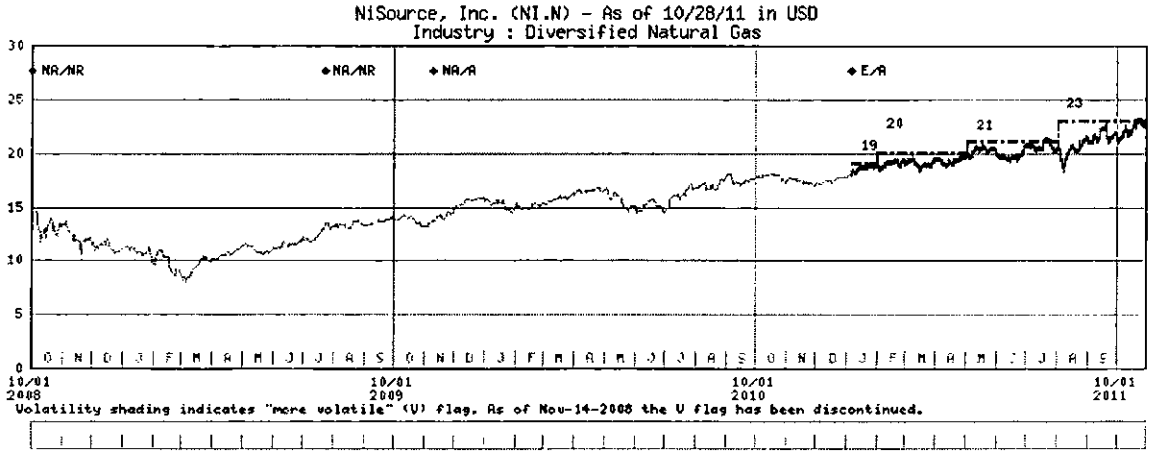
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Stock Price, Price Target and Rating History (See Rating Definitions)



Stock Rating History: 10/1/08 : NA/NR; 7/23/09 : NA/NR; 11/10/09 : NA/A; 1/6/11 : E/A
Price Target History: 8/16/01 : NA; 1/6/11 : 19; 2/1/11 : 20; 5/3/11 : 21; 8/2/11 : 23

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) More Volatile (V) No Rating Available (NA)
Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

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NiSource, Inc.

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NiSource, Inc.

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United States	United Kingdom	Japan	Hong Kong
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Industry Coverage:Diversified Natural Gas

Company (Ticker)	Rating (as of)	Price* (10/27/2011)
Stephen J. Maresca, CFA		
El Paso Corp. (EP.N)	++	$25.61
MDU Resources Group, Inc. (MDU.N)	E (01/06/2011)	$21.4
National Fuel Gas Co (NFG.N)	O (01/06/2011)	$63.58
NiSource, Inc. (NI.N)	E (01/06/2011)	$22.4
Oneok Inc. (OKE.N)	E (10/29/2010)	$76.75
Questar Corp. (STR.N)	U (10/29/2010)	$19.65
Southern Union Company (SUG.N)	E (11/10/2009)	$42.46
Spectra Energy Corp. (SE.N)	E (11/10/2009)	$29.46
Williams Companies, Inc (WMB.N)	O (11/10/2009)	$31.13

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* Historical prices are not split adjusted.

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ITG INVESTMENT TECHNOLOGY GROUP

INDUSTRY REPORT

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OCTOBER 14, 2011

Utica Shale Update
Where Is NiSource's Utica?

FOCUS

Where is NI's potential Utica acreage?

METHODOLOGY

- Reviewed company disclosures.
- Pulled storage well locations and US Geological Survey (USGS) mapping of facilities.

KEY POINTS

- NI disclosed that it may have extensive Utica Shale exposure in Ohio and Pennsylvania associated with its storage fields. The company is still determining how many of those acres are leasable.

- ITG IR reviewed the location of NI's storage operations and estimates that ~45,000 of the several hundred thousand acres owned in Ohio may offer high-prospectivity Utica potential.

- Although the Utica is still present, and NI may disclose several hundred thousand acres in central Ohio as having Utica exposure, the majority of the storage facilities appear too far west for high-prospectively shale potential.

- If NI owns the minerals on these ~45,000 acres, they would be much more valuable on a $/acre value than just a regular lease because of the potential 18% royalty stream and no risk of land expirations. The best course of action would be to JV the acreage versus leasing, giving NI more control around the pace and terms of drilling.

- Our analysis needs to be used with caution because we do not know exactly where NI owns the minerals rights and the acreage count for each area.

GENERAL

We have been getting several questions on NI and the potential exposure it might have to the Utica. According to a transcript of the company's Q2 '11 conference call on Aug. 2, CEO Bob Skaggs stated NI owned mineral rights in Ohio and Pennsylvania.

"We do have extensive acreage in Ohio and Pennsylvania. The acreage tends to be associated with storage fields," he told analysts. "And the strata cover tends to be relatively extensive. In the past, we've had three arrangements where we have leased acreage.

Analyst Certifications and Important Disclosures can be found on the last page of this report.

ITG INVESTMENT RESEARCH, INC.

ANALYST

Manuj Nikhanj, CFA, FRM
Managing Director
Head of Energy Research
403 294 6494
manuj.nikhanj@itg.com

Samir Kayande, P.Eng.
Vice President, Energy Research
Analyst
403 294 6491
samir.kayande@itg.com

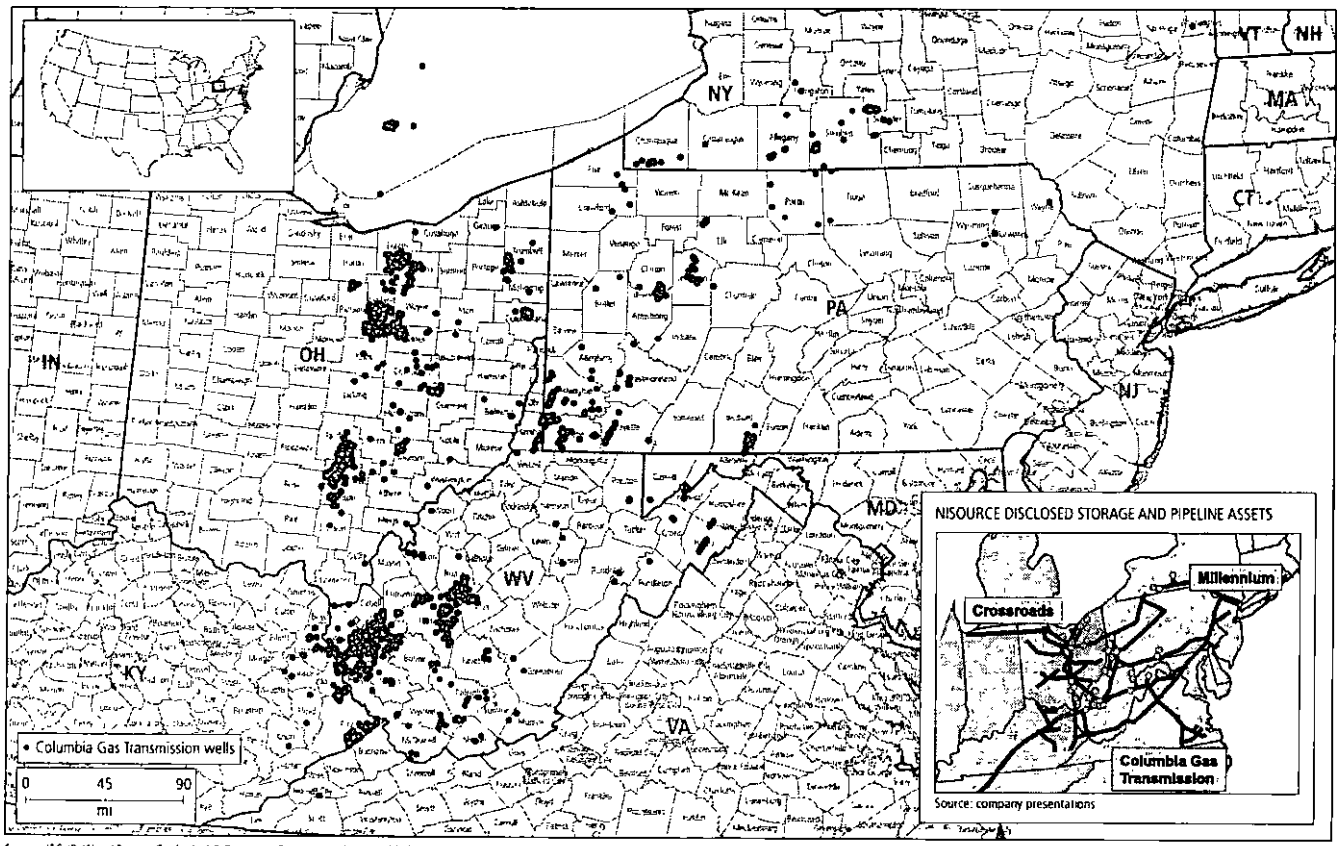
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"It's been Marcellus acreage as opposed to any other strata or rights. So we retained a fairly significant footprint in Ohio and Pennsylvania that would have Utica opportunities. We've not yet defined with precision how many of those acres are in fact leasable. But I would suggest that they're significant."

In a 10-K filing with the SEC, NI said its gas transmission and storage subsidiaries own and operate 14,772 miles of jurisdictional interstate natural gas transmission pipeline. Columbia Transmission owns and leases approximately 775,000 acres of underground storage, 3,518 storage wells, 11,193 miles of interstate pipeline and 91 compressor stations with 624,179 horsepower of installed capacity. Columbia Transmission's operations are located in Delaware, Kentucky, Maryland, New Jersey, New York, North Carolina, Ohio, Pennsylvania, Virginia, and West Virginia.

We mapped all of Columbia Gas Transmission wells and reached a total of 3,462 locations. The wells spots line up with the company's corporate presentation that shows the general location of its 37 storage facilities in the US Northeast, shown in **Figure 1**.

FIGURE 1:
COLOMBIA GAS TRANSMISSION'S ESTIMATED WELL SPOTS



Source: ITG IR, West Virginia Geological & Economic Survey, raw data provided by HPDI

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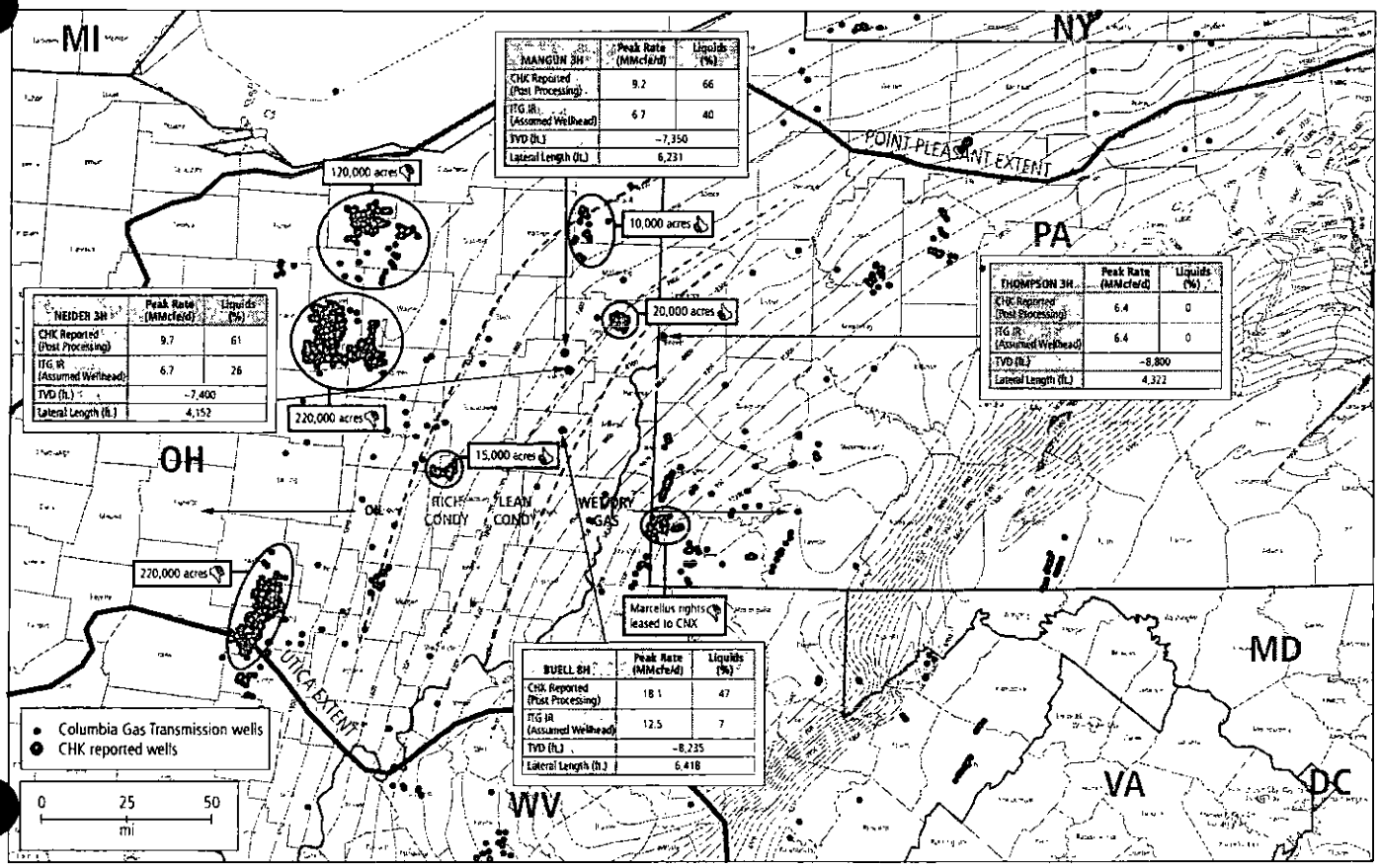
INDUSTRY REPORT

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Figure 2 overlays the well spots with our most recent Utica map. The data need to be used with caution because we do not know where NI owns the mineral rights and the exact acreage count for each area. By roughly estimating the area around each cluster of wells, the best-case scenario indicates NI may have exposure to ~45,000 high-quality, liquids-rich Utica acres. Although the Utica is still present, and NI may disclose several hundred thousand acres in central Ohio as having Utica exposure, the majority of the storage facilities appear too far west for high-prospectively shale potential.

If NI owns the minerals on these ~45,000 acres, they would be much more valuable on a $/acre value than just a regular lease because of the potential 18% royalty stream and no risk of land expirations. The best course of action would be to JV the acreage versus leasing, giving NI more control around the pace and terms of drilling.

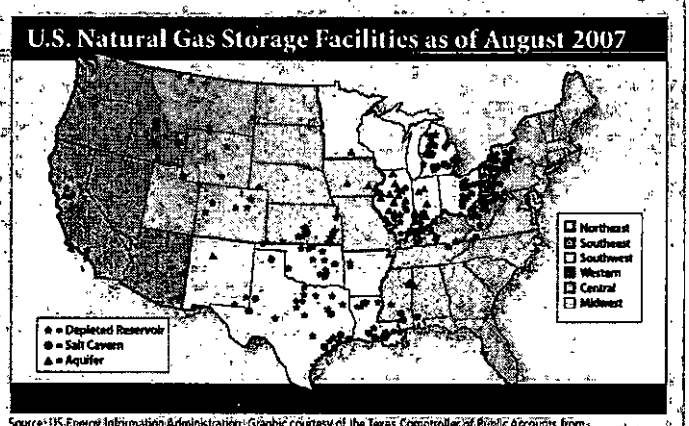
FIGURE 2:
NI'S WELLS AND ITG IR'S ESTIMATED ACREAGE POSITIONS AND UTICA MAPPING



Source: ITG IR, USGS, West Virginia Geological & Economic Survey, company reports, raw data provided by HPDI

NI does have some Marcellus and dry gas Utica exposure in Pennsylvania. In 2009, the company leased 20,000 acres acres in Greene and Washington to CNX.

NEED TO KNOW
This map from the USGS shows storage facilities across the US. Most of the facilities in Ohio are found in the western part of the state, likely too shallow for commercial Utica development, in our opinion.



Source: US Energy Information Administration. Graphic courtesy of the Texas Comptroller of Public Accounts from "The Energy Report" http://www.window.state.tx.us/specialrpt/energy/

ADDITIONAL COMPANIES MENTIONED IN THIS REPORT		
Consol Energy (CNX)	NYSE	$40.65
NiSource (NI)	NYSE	$22.03

Note: Prices as of 12:45 p.m. ET on Oct. 14
Source: ITG IR, Google Finance

ITG INVESTMENT RESEARCH, INC.

Main Office
1270 Avenue of the Americas
Suite 1900
New York, NY 10020
212 375 2529

Canadian Office
407 8th Avenue SW
Suite 400
Calgary, Alberta, Canada
T2P 1E5
403 294 9111

ITG INVESTMENT RESEARCH ANALYSTS

John Aiken
Managing Director
Head of Equity Research
646 442 6973
john.aiken@itg.com

Robert Bedin, P.Eng.
Director, Energy Research,
Analyst
403 294 6887
robert.bedin@itg.com

Tony Berkman
CEO
Senior Consumer Technology Analyst
ITG Investment Research
646 442 6961
tony.berkman@itg.com

Steve Blitz
Director, Senior Economist
646 442 6503
steve.blitz@itg.com

Judith Dwarkin, PhD
Director, Energy Research,
Chief Energy Economist
403 294 6480
judith.dwarkin@itg.com

Lisa Fancy
Vice President, Energy Research,
Analyst
403 294 6483
lisa.fancy@itg.com

Demir Gjokaj
Vice President
Senior Homebuilding/
Real Estate Analyst
646 442 6504
demir.gjokaj@itg.com

Matthew Goodman, CFA
Vice President,
Sr. Telecom Analyst
646 442 6304
matthew.goodman@itg.com

David Howard, P.Eng.
Director, Energy Research,
Analyst
403 213 6551
david.howard@itg.com

Matthew Jacob, CFA
Director, Senior Leisure,
Lodging & Airlines Analyst
646 442 6993
matthew.jacob@itg.com

Salim Jamal, CFA
Vice President, Energy Research,
Analyst
403 213 3196
salim.jamal@itg.com

James Jarrell , P. Eng.
Managing Director
Head of Energy Research
403 294 6487
james.jarrell@itg.com

Glenna Jones, P.Eng.
Director, Energy Research,
Analyst
403 294 6485
glenna.jones@itg.com

Samir Kayande, P. Eng.
Vice President, Energy Research,
Analyst
403 294 6491
samir.kayande@itg.com

Manuj Nikhanj, CFA, FRM
Managing Director
Head of Energy Research
403 294 6494
manuj.nikhanj@itg.com

Ross Runciman, P.Eng., MBA
Vice President, Energy Research,
Analyst
403 213 6554
ross.runciman@itg.com

Gibson Scott, CFA
Director, Energy Research,
Analyst
403 294 6891
gibson.scott@itg.com

Dale Shivnarain
Director, Senior Medical Devices
Analyst
646 998 6663
dale.shivnarain@itg.com

Trevor Sloan
Director, Energy Research,
Analyst
403 294 6498
trevor.sloan@itg.com

John Tomlinson, CFA/CPA
Director, Senior Hardline,
Retail Analyst
646 442 6994
john.tomlinson@itg.com

Linda Tsai
Vice President, Senior Softline Retail
Analyst
646 998 6664
linda.tsai@itg.com

ITG INVESTMENT RESEARCH, INC.

Main Office
1270 Avenue of the Americas
Suite 1900
New York, NY 10020
212 375 2529

Canadian Office
407 8th Avenue SW
Suite 400
Calgary, Alberta, Canada
T2P 1E5
403 294 9111

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continued on next page

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ITG INVESTMENT RESEARCH, INC.

Main Office
1270 Avenue of the Americas
Suite 1900
New York, NY 10020
212 375 2529

Canadian Office
407 8th Avenue SW
Suite 400
Calgary, Alberta, Canada
T2P 1E5
403 294 9111

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ITG INVESTMENT RESEARCH, INC.

Main Office
1270 Avenue of the Americas
Suite 1900
New York, NY 10020
212 375 2529

Canadian Office
407 8th Avenue SW
Suite 400
Calgary, Alberta, Canada
T2P 1E5
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NiSource Inc.

12-month rating	**Neutral** *Unchanged*
12m price target	US$22.00 *Unchanged*
Price	US$22.40

RIC: NI.N BBG: NI US

28 October 2011

Utica! Utica! Utica!

■ **Gas Distribution drives slight EPS beat**

NI realized adjusted 3Q EPS of $0.13, excluding asset sale losses, slightly ahead of our $0.12 estimate and the $0.10 Street mean estimate. Sharply better y/y results at Gas Distribution, the result of margin benefits stemming from the 2010 NIPSCO rate decision, overcame weaker than expected results at the other segments to drive the EPS beat. Higher NGT&S environmental costs, which are not recoverable from customers under a prior rate settlement, crimped segment performance. See Fig. 1.

■ **Investor focus centers on one word: Utica**

On the call, mgmt provided additional color on its potential Utica exposure. While NI's primary opportunity entails the construction and operation of infrastructure, mgmt noted a possible 100-200k acre mineral right exposure in the Ohio portion of the play. As this acreage is related to storage leases, extensive geotechnical & legal work remains to clarify the position. Mgmt noted that more detail is likely in 1H12.

■ **Maintaining EPS estimates; Mgmt affirms 2011 adjusted EPS guidance**

Including 3Q results, we maintain our 2011-13 EPS estimates of $1.34, $1.41, and $1.47, respectively. Mgmt affirmed its 2011 EPS guidance (non-GAAP) of $1.25-$1.35, noting an expectation to perform in the 'upper half' of its stated range.

■ **Valuation: Maintain $22 price target and Neutral rating**

We maintain our $22 DCF and SOP-derived price target. While we recognize NI's regulatory accomplishments, its potential exposure to the red-hot Utica, continued infrastructure-related growth opportunities, and the prospect for ongoing earnings and dividend growth, we believe these attributes are already reflected in the shares.

Trading data	
52-wk range	US$22.92-16.73
Market cap.	US$6.28bn
Shares o/s	280m (COM)
Free float	99%
Avg. daily volume ('000)	1,195
Avg. daily value (m)	US$25.0

Balance sheet data 12/11E	
Shareholders' equity	US$5.03bn
P/BV (UBS)	1.3x
Net Cash (debt)	(US$7.67bn)

Forecast returns	
Forecast price appreciation	-1.8%
Forecast dividend yield	4.1%
Forecast stock return	+2.3%
Market return assumption	5.3%
Forecast excess return	-3.0%

EPS (UBS, US$)

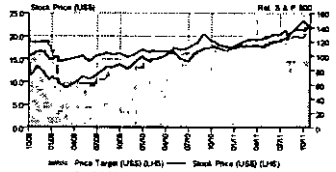
	12/11E			12/10
	From	To	Cons.	Actual
Q1	0.72	0.72	0.71	0.71
Q2	0.16	0.16	0.17	0.10
Q3	0.12	0.13	0.10	0.06
Q4E	0.34	0.33	0.38	0.35
12/11E	1.34	1.34	*1.35*	
12/12E	1.41	1.41	*1.45*	

Highlights (US$m)	12/09	12/10	12/11E	12/12E	12/13E
Revenues	6,371.00	6,034.80	6,139.37	6,389.12	6,559.18
EBIT (UBS)	844.90	921.60	966.95	1,055.50	1,090.34
Net Income (UBS)	259.67	339.99	385.09	431.29	450.76
EPS (UBS, US$)	0.94	1.22	1.34	1.41	1.47
Net DPS (UBS, US$)	0.92	0.92	0.92	0.92	0.92
Profitability & Valuation	**5-yr hist av.**	**12/10**	**12/11E**	**12/12E**	**12/13E**
EBIT margin %	12.5	15.3	15.7	16.5	16.6
ROIC (EBIT) %	8.3	8.5	8.5	8.9	8.9
EV/EBITDA (core) x	8.5	8.4	9.8	9.2	7.5
PE (UBS) x	14.4	13.3	16.7	15.9	15.3
Net dividend yield %	5.5	5.7	4.1	4.1	4.1

Source: Company accounts, Thomson Reuters, UBS estimates. (UBS) valuations are stated before goodwill-related charges and other adjustments for abnormal and economic items at the analysts' judgement.

Valuations based on an average share price that year, (E) based on a share price of US$22.40 on 27 Oct 2011 19:42 EDT

Performance (US$)



Source: UBS

www.ubs.com/investmentresearch

Ronald J. Barone
Analyst
ronald.barone@ubs.com
+1-212-713 3848

Christopher P. Sighinolfi, CFA
Analyst
christopher.sighinolfi@ubs.com
+1-212-713 2239

Corey Goldman
Associate Analyst
corey.goldman@ubs.com
+1-212-713 4913

This report has been prepared by UBS Securities LLC
ANALYST CERTIFICATION AND REQUIRED DISCLOSURES BEGIN ON PAGE 3.
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Figure 1: NI 3Q Results Review

Recurring Operating Income by Divisior	Actual 3Q11A	UBS Estimates 3Q11E		Year-over-Year 3Q10A	
Gas Distribution	$8.2	($28.2)	NA	($41.8)	NA
Transmission & Storage	$68.2	$77.8	-12.4%	$76.4	-10.7%
Electric Operations	$79.0	$97.1	-18.6%	$89.9	-12.1%
Corporate, Other, and Eliminations	($7.4)	($4.5)	-64.4%	($6.2)	-19.4%
Total Operating Income	**$148.0**	**$142.2**	**4.1%**	**$118.3**	**25.1%**
Depreciation	($134.9)	($137.0)	-1.5%	($153.2)	-11.9%
Other Income / (Expenses)	$1.6	$0.5	NM	$2.1	NM
Interest Expense	($95.7)	($94.0)	1.8%	($87.6)	-1.9%
Income Tax Benefit (Expense)	($17.2)	($15.8)	8.6%	($7.1)	141.4%
Recurring Net Income	**$36.7**	**$32.9**	**11.6%**	**$15.7**	**134.1%**
Avg Diluted Shares Outstanding	289.0	286.0	1.0%	279.9	3.3%
Earnings Per Diluted Share	**$0.13**	**$0.12**	**10.4%**	**$0.06**	**126.7%**

Source: NI reports and UBS estimates

Note: Adjusted results may exclude non-recurring items. In addition, though NI reports results which exclude the impact of actual weather, we view weather as a recurring (though unpredictable) factor and therefore include actual weather in adjusted results.

■ NiSource Inc.

NiSource is an energy holding company whose subsidiaries are engaged in natural gas transmission, storage, and distribution, as well as electric generation, transmission, and distribution. NiSource operating companies deliver energy products and services to approximately 3.8 million customers located within a corridor that runs from the Gulf Coast through the Midwest to New England.

■ Statement of Risk

Risks to our NI earnings estimates and price target include: 1) lower customer usage; 2) customer attrition; 3) non-normal weather; 4) higher bad debt expense; 5) unfavorable regulatory/legislative decisions; 6) rising interest rates; and 7) unfavorable pension asset performance.

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UBS 12-Month Rating	Rating Category	Coverage[1]	IB Services[2]
Buy	Buy	59%	35%
Neutral	Hold/Neutral	35%	33%
Sell	Sell	6%	14%
UBS Short-Term Rating	**Rating Category**	**Coverage[3]**	**IB Services[4]**
Buy	Buy	less than 1%	0%
Sell	Sell	less than 1%	20%

1:Percentage of companies under coverage globally within the 12-month rating category.
2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.
3:Percentage of companies under coverage globally within the Short-Term rating category.
4:Percentage of companies within the Short-Term rating category for which investment banking (IB) services were provided within the past 12 months.

Source: UBS. Rating allocations are as of 30 September 2011.

UBS Investment Research: Global Equity Rating Definitions

UBS 12-Month Rating	Definition
Buy	FSR is > 6% above the MRA.
Neutral	FSR is between -6% and 6% of the MRA.
Sell	FSR is > 6% below the MRA.
UBS Short-Term Rating	**Definition**
Buy	Buy: Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.
Sell	Sell: Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.

KEY DEFINITIONS

Forecast Stock Return (FSR) is defined as expected percentage price appreciation plus gross dividend yield over the next 12 months.
Market Return Assumption (MRA) is defined as the one-year local market interest rate plus 5% (a proxy for, and not a forecast of, the equity risk premium).
Under Review (UR) Stocks may be flagged as UR by the analyst, indicating that the stock's price target and/or rating are subject to possible change in the near term, usually in response to an event that may affect the investment case or valuation.
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Equity Price Targets have an investment horizon of 12 months.

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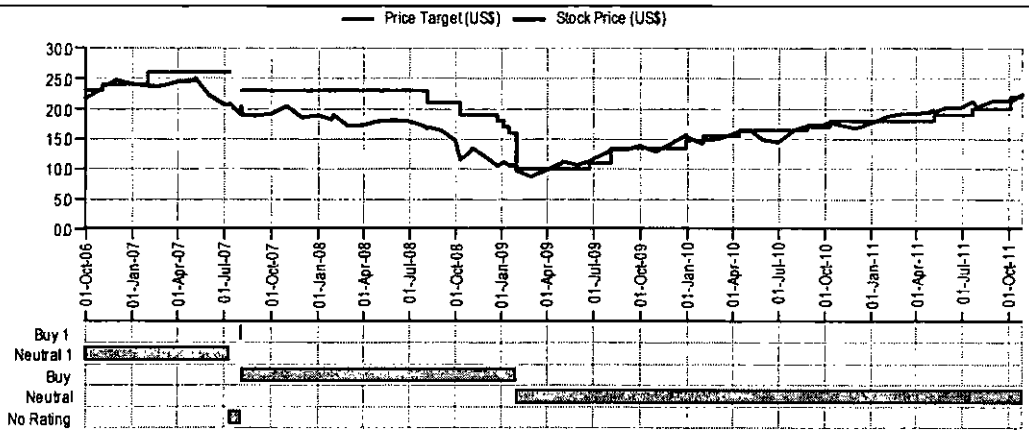
Company Name	Reuters	12-mo rating	Short-term rating	Price	Price date
NiSource Inc.[4, 6a, 6b, 7, 16, 18]	NI.N	Neutral	N/A	US$22.40	27 Oct 2011

Source: UBS. All prices as of local market close.
Ratings in this table are the most current published ratings prior to this report. They may be more recent than the stock pricing date

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Unless otherwise indicated, please refer to the Valuation and Risk sections within the body of this report.

NiSource Inc. (US$)



Source: UBS; as of 27 Oct 2011

Note: On August 4, 2007 UBS revised its rating system. (See 'UBS Investment Research: Global Equity Rating Definitions' table for details). From September 9, 2006 through August 3, 2007 the UBS ratings and their definitions were: Buy 1 = FSR is > 6% above the MRA, higher degree of predictability; Buy 2 = FSR is > 6% above the MRA, lower degree of predictability; Neutral 1 = FSR is between -6% and 6% of the MRA, higher degree of predictability; Neutral 2 = FSR is between -6% and 6% of the MRA, lower degree of predictability; Reduce 1 = FSR is > 6% below the MRA, higher degree of predictability; Reduce 2 = FSR is > 6% below the MRA, lower degree of predictability. The predictability level indicates an analyst's conviction in the FSR. A predictability level of '1' means that the analyst's estimate of FSR is in the middle of a narrower, or smaller, range of possibilities. A predictability level of '2' means that the analyst's estimate of FSR is in the middle of a broader, or larger, range of possibilities. From October 13, 2003 through September 8, 2006 the percentage band criteria used in the rating system was 10%.

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UBS

WUNDERLICH SECURITIES

Energy: Utilities/Power

NISOURCE INC. (NI: 22.52)

October 31, 2011

Raising Price Target
Rating: Hold
Price Target: Old - $21.00; New - $23.00

Market Data	
12-18 Month Price Target	$23.00
52-Week Range	23.00 - 16.65
ADTV - 90Day (000s)	4,193.3
Market Cap ($MM)	6,330.6
Shares Out (MM)	278.9
Public Market Float (MM)	278.9
Dividend	0.92
Dividend/Yield	4.09%

EPS ($)					
FY DEC	2010	2011		2012	
	Actual	Previous	Current	Previous	Current
Q1	$0.72A	–	$0.72A	–	–
Q2	$0.13A	–	$0.17A	–	–
Q3	$0.04A	$0.09	$0.11A	–	–
Q4	$0.33A	–	$0.35E	–	–
YEAR	$1.22A	$1.33	$1.35E	$1.42	$1.43E

2009 and 2010 actuals are non-GAAP, operating earnings. GAAP EPS for '09 and '10 were $0.84 and $1.06, respectively.

Valuation Ratio			
	FY10	FY11	FY12
P/E	18.5x	16.7x	15.7x
PEG	4.6x	4.2x	3.9x
EV/EBITDA	9.1x	9.2x	8.8x
Leverage Ratio	4.8x	4.8x	4.7x
EV/FCF	NM	140.4x	111.8x
FCF Yield	NM	1.6%	2.0%
P/FCF	(75.5)x	64.0x	51.0x
EV/S	2.2x	2.1x	2.1x

Financial Data			
	FY10	FY11	FY12
Revenue	$6,422.0A	$6,495.7E	$6,614.3E
EBIT	$925.1A	$964.5E	$1,016.2E
EBITDA	$1,521.4A	$1,517.2E	$1,580.5E
FCF(Mil)	$(83.8)A	$98.9E	$124.2E
Debt/Capital	59.9%A	58.4%E	56.9%E
BV/Share	$17.66A	$18.07E	$18.57E
CapEx	$803.8A	$1,050.0E	$1,000.0E

Balance Sheet			
	FY10	FY11	FY12
PPE	$11,097.0A	$11,594.3E	$12,030.0E
Total Assets	$19,938.8A	$20,553.7E	$21,122.2E
Total Debt	$7,352.8A	$7,352.8E	$7,352.8E
Long Term Debt	$5,936.1A	$5,936.1E	$5,936.1E
Total SOE and Liab.	$19,938.8A	$20,553.7E	$21,122.2E

3Q Better Than Expected; 100-200K Acres of Utica; Increase EPS Estimates
Maintain Hold, But Well Positioned Long Term

Summary

NiSource (NI) reported 3Q EPS of $0.11 vs. $0.04 a year ago (consensus/our forecast was $0.10/$0.09). Results were driven by slightly better-than-expected gas distribution results. NI also disclosed it has 100,000-200,000 acres in the Utica shale formation. This results primarily from leasehold positions NI has for its gas storage assets. Assuming a value of $6,000 per Utica acre, that could imply over $3.00 per share of pre-tax value for NI. The company stressed that it continues to evaluate this position. Based on 3Q results, we are slightly raising our 2011/2012/2013 EPS estimates, which imply 5% annual growth. We maintain our Hold rating on NI and are increasing our price target to $23.

Key Points

- **Utica position is the 3Q story.** In light of NI's geographic position, owning gas pipeline and storage assets that overlay the Marcellus and Utica shale, the company has hinted that it could have mineral rights to some of the acreage. NI confirmed on the 3Q call that the company has definitive mineral rights to between 100,000 and 200,000 acres in the Utica formation. The company is evaluating the balance of its assets and land holdings for additional mineral rights. Assuming a zero tax basis, the after-tax value could be over $2.00 per share.
- **3Q results were slightly better than expected.** NI's 3Q earnings of $0.11 per share were $0.02 better than we forecasted. The beat was primarily driven by slightly better gas distribution results. NI's management maintained its 2011 EPS guidance of $1.25-$1.35, but indicated it should be at the high end of that range. Sensitivities suggest the company could actually exceed the high end of the range, but the company is likely to pursue some additional financing in 4Q. The company also confirmed a 5% forward earnings growth rate.
- **With few regulatory items, dividend increases and gas are the focus.** NI has successfully completed a number of rate cases. With the Indiana electric settlement likely to be approved by year end and the settlement for Columbia Gulf Transmission pending approval at FERC, NI will be shifting its focus away from the rate case arena in 2012. This should allow NI to increase its common dividend for the first time since the dividend cut in 2004. It should also allow the company to accelerate capital spending for gas infrastructure in the Northeast.
- **Increasing our EPS estimates, based on the 3Q results.** We are increasing our 2011/2012/2013 EPS estimates to $1.35/$1.43/$1.50 from $1.33/$1.42/$1.49 previously. The estimates reflect our assumption that the Indiana and FERC settlements are approved by year end. Further, we expect the company to maintain annual capital spending at over $1.0B annually. Lastly, we expect the company's equity forward will be closed in the second half of 2012.
- **Increase price target to $23.** NI currently trades at 15.7 our 2012E EPS and 15.0 times our 2013E EPS. This compares with 14.6x and 13.8x for comparable electric peers, but 18.1x and 16.6x for gas peers, respectively. Given NI's gas business, we expect the stock will trade at a premium to its electric peers, but may not fully reflect the sum-of-the-parts valuation. This coupled with our DCF supports our target price of $23. Full value for its shale gas position could suggest value closer to $25. We continue to have a Hold rating on NI.

James L. Dobson, CFA • 212.402.2059 • jdobson@wundernet.com
Erica Piserchia • 212.402.2061 • episerchia@wundernet.com

Wunderlich Securities, Inc.
60 East 42nd Street, Suite 1007
New York, NY 10165

For Required Disclosures and Reg AC, please see page 6 of report

FINRA SIPC

Figure 1 - NiSource (NI) - Income Statement, 2008-2013E

(all data in millions of dollars, except per share figures)

	2008	2009	2010	2011E	2012E	2013E
Net Revenues						
Gas Distribution	$5,171.3	$3,296.2	$3,094.0	$3,123.9	$3,170.2	$3,236.8
Gas Trans/Storage	1,132.4	1,239.5	1,261.4	1,291.3	1,319.7	1,349.4
Electric	1,357.0	1,213.2	1,386.7	1,400.6	1,444.6	1,464.8
Other	1,213.5	900.5	679.9	679.9	679.9	679.9
Sub-TOTAL	8,874.2	6,649.4	6,422.0	6,495.7	6,614.3	6,730.8
Cost of Goods Sold	5,631.6	3,318.0	2,974.1	3,011.3	3,044.4	3,077.9
TOTAL Net Revenues	3,242.6	3,331.4	3,447.9	3,484.5	3,569.9	3,652.9
Operating Expenses						
Oper & Maint	1,454.9	1,574.3	1,655.9	1,694.0	1,714.3	1,731.5
DD&A	567.2	589.0	596.3	552.7	564.3	578.4
Asset Sale Impair.	7.6	19.2	2.0	-	-	-
Taxes, OTI	307.5	283.9	287.4	290.3	293.2	296.1
TOTAL	2,337.2	2,466.4	2,541.6	2,537.0	2,571.8	2,606.0
Equity in Earnings, Affils	12.3	16.0	15.0	15.0	15.0	15.0
Other Income	17.6	(1.4)	3.8	2.0	3.0	5.0
Other Loss	-	-	-	-	-	-
EBIT	935.3	879.6	925.1	964.5	1,016.2	1,067.0
EBITDA	**$1,502.5**	**$1,468.6**	**$1,521.4**	**$1,517.2**	**$1,580.5**	**$1,645.4**
Interest Expense	(380.1)	(403.5)	(489.0)	(388.3)	(388.3)	(393.3)
Income Taxes	(185.4)	(165.8)	(141.5)	(197.0)	(210.0)	(220.0)
Tax Rate	16.5%	15.6%	13.7%	17.5%	17.6%	17.6%
Income from Cont Ops	369.8	310.3	294.6	379.2	417.9	453.7
Disc Ops - Income	(182.6)	(10.7)	(2.7)	-	-	-
Disc Ops - Net Proceeds	(108.2)	(2.8)	0.1	-	-	-
Accounting Change	-	-	-	-	-	-
NET INCOME	$79.0	$296.8	$292.0	$379.2	$417.9	$453.7
EPS Cont Ops, Diluted	1.27	0.84	1.05	1.35	1.43	1.50
EPS, Diluted	0.29	1.08	1.04	1.35	1.43	1.50
Non-GAAP Op EPS	**$1.28**	**$1.07**	**$1.22**	**$1.35**	**$1.43**	**$1.50**
Shares Out, Basic	274.0	275.1	277.8	279.6	281.6	283.6
Shares Out, Diluted	275.4	275.8	280.1	281.9	293.1	302.8

Source: Wunderlich Securities, Inc., NiSource, Inc.

Figure 2 - NiSource (NI) - Cash Flow Statement, 2008-2013E

(all data in millions of dollars, except per share figures)

	2008	2009	2010	2011E	2012E	2013E
Operating Activities						
Net Income	$79.0	$217.7	$292.0	$379.2	$417.9	$453.7
DD&A	567.2	589.0	596.3	552.7	564.3	578.4
Loss on Debt/PS	-	4.5	96.7	-	-	-
Chg in Risk Mgt Asset	25.7	(9.1)	(5.5)	-	-	-
Def'd Taxes	137.8	378.2	200.1	225.0	150.0	150.0
Affiliates	(25.3)	-	-	-	-	-
Disc Opers	290.8	-	2.6	-	-	-
AFUDC Equity	(5.4)	(5.4)	(6.1)	(8.0)	(8.0)	(8.0)
Other	0.8	44.5	20.9	-	-	-
Changes W/C	(483.1)	701.3	(419.8)	-	-	-
Disc Opers, other	(2.2)	(254.5)	(57.2)	-	-	-
TOTAL	$585.3	$1,666.2	$720.0	$1,148.9	$1,124.2	$1,174.1
Investing Activities						
Capital Expenditures	($969.9)	($777.2)	($803.8)	($1,050.0)	($1,000.0)	($1,000.0)
Sugar Creek Purch	(329.7)	-	-	-	-	-
Insurance Recov	46.7	62.7	5.0	-	-	-
Asset Sales	47.8	5.7	0.5	-	-	-
Restricted Cash	(228.8)	111.9	(28.2)	-	-	-
Other	(77.3)	(42.0)	(117.2)	-	-	-
Disc Opers	396.9	(15.9)	0.4	-	-	-
TOTAL	($1,114.3)	($654.8)	($943.3)	($1,050.0)	($1,000.0)	($1,000.0)
Financing Activities						
Issuance LT Debt	$959.3	$1,460.0	$250.0	$0.0	$0.0	$75.0
Retire LT Debt	(40.6)	(1,169.8)	(977.7)	-	-	-
Repurch LT Debt	(254.0)	-	-	-	-	-
Change ST Debt	102.5	(1,060.5)	1,279.5	-	-	-
Issue Common Stock	1.3	10.6	14.4	195.0	195.0	15.0
Dividends	(252.4)	(253.3)	(255.6)	(261.3)	(271.4)	(271.4)
Other	-	(2.6)	(94.5)	-	-	-
TOTAL	$516.1	($1,015.6)	$216.1	($66.3)	($76.4)	($181.4)
TOTAL CF	($12.9)	($4.2)	($7.2)	$32.6	$47.8	($7.3)
Beginning Cash	36.0	20.6	16.4	9.2	41.8	89.6
Ending Cash	$23.1	$16.4	$9.2	$41.8	$89.6	$82.2

Source: Wunderlich Securities, Inc., NiSource, Inc.

Figure 3 - NiSource (NI) - Balance Sheet, 2008-2013E

(all data in millions of dollars, except per share figures)

	2008	2009	2010	2011E	2012E	2013E
ASSETS						
Utility Plant	$18,356.8	$19,041.1	$19,494.9	$20,544.9	$21,544.9	$22,544.9
Accum Deprec	(8,080.8)	(8,387.1)	(8,492.6)	(9,045.3)	(9,609.6)	(10,188.0)
Net Plant	10,276.0	10,654.0	11,002.3	11,499.6	11,935.3	12,356.9
Other	112.1	34.0	94.7	94.7	94.7	94.7
Net PP&E	10,388.1	10,688.0	11,097.0	11,594.3	12,030.0	12,451.6
Disc Opers Assets	45.8	14.6	7.9	7.9	7.9	7.9
Uncons Affils	86.8	165.8	200.9	200.9	200.9	200.9
Other	117.9	129.2	139.7	139.7	139.7	139.7
TOTAL	250.5	309.6	348.5	348.5	348.5	348.5
Current ASSETS						
Cash and Equivs	20.6	16.4	9.2	41.8	89.6	82.2
Restricted Cash	286.6	174.7	202.9	202.9	202.9	202.9
A/R	1,142.5	808.6	1,079.3	1,079.3	1,079.3	1,079.3
Gas Inventory	511.8	384.8	298.2	298.2	298.2	298.2
UnderR gas/fuel costs	180.2	40.2	135.7	135.7	135.7	135.7
Materials and Supplies	95.1	102.3	83.8	83.8	83.8	83.8
Electric Prod Fuel	63.8	59.9	46.0	46.0	46.0	46.0
Risk Mgt Assets	150.4	173.3	159.5	159.5	159.5	159.5
Exchange Gas Rec'ble	393.8	72.5	62.7	62.7	62.7	62.7
Reg Assets	314.9	238.3	151.8	151.8	151.8	151.8
Assets held for sale	2.0	1.4	-	-	-	-
Prepayment & other	249.1	151.2	219.8	219.8	219.8	219.8
TOTAL	3,410.8	2,223.6	2,448.9	2,481.5	2,529.3	2,521.9
Other ASSETS						
Risk Mgt Assets	200.7	237.6	240.3	240.3	240.3	240.3
Reg Assets	1,640.4	1,644.1	1,650.4	1,735.4	1,820.4	1,905.4
Goodwill	3,677.3	3,677.3	3,677.3	3,677.3	3,677.3	3,677.3
Intangibles	330.6	319.6	308.6	308.6	308.6	308.6
PostRetire Assets	10.3	19.8	35.1	35.1	35.1	35.1
Def'd Chgs	123.5	152.1	132.7	132.7	132.7	132.7
TOTAL	5,982.8	6,050.5	6,044.4	6,129.4	6,214.4	6,299.4
TOTAL ASSETS	$20,032.2	$19,271.7	$19,938.8	$20,553.7	$21,122.2	$21,621.4

Source: Wunderlich Securities, Inc., NiSource, Inc.

Figure 3 - NiSource (NI) - Balance Sheet, 2008-2013E (con't)

	2008	2009	2010	2011E	2012E	2013E
CAP AND LIABS						
Common Equity	$4,728.8	$4,854.1	$4,923.2	$5,236.1	$5,577.6	$5,774.8
LT Debt	5,943.9	5,969.1	5,936.1	5,936.1	5,936.1	6,011.1
TOTAL	10,672.7	10,823.2	10,859.3	11,172.2	11,513.7	11,785.9
Current Liabs						
Current LT Debt	469.3	719.7	34.2	34.2	34.2	34.2
ST Debt	1,163.5	103.0	1,382.5	1,382.5	1,382.5	1,382.5
A/P	693.3	502.3	581.8	581.8	581.8	581.8
Customer Deposits	127.3	301.2	318.1	318.1	318.1	318.1
Taxes Accrued	206.5	212.9	221.1	221.1	221.1	221.1
Interst Accrued	120.1	125.4	114.4	114.4	114.4	114.4
OverR fuel costs	35.9	220.4	11.8	11.8	11.8	11.8
Risk Mgt Liabs	286.5	190.1	173.9	173.9	173.9	173.9
Exchange Gas Payable	555.5	222.2	266.1	266.1	266.1	266.1
Other	550.4	406.3	459.5	516.5	573.5	630.5
Legal & Enviro Resvs	375.1	146.1	86.0	86.0	86.0	86.0
TOTAL	4,583.4	3,149.6	3,649.4	3,706.4	3,763.4	3,820.4
Other Liabs						
Risk Mgt Liabs	188.5	170.2	181.6	181.6	181.6	181.6
Def'd Taxes	1,549.8	2,018.2	2,209.7	2,434.7	2,584.7	2,734.7
Def'd ITCs	46.1	39.6	33.7	33.7	33.7	33.7
Def'd Credits	76.7	72.4	68.6	68.6	68.6	68.6
Def'd Revs	6.2	8.5	0.3	0.3	0.3	0.3
PostRetirement	1,238.5	1,134.2	1,039.6	1,039.6	1,039.6	1,039.6
Reg Liabs	1,386.1	1,558.8	1,595.8	1,595.8	1,595.8	1,595.8
Other	284.2	297.0	300.8	320.8	340.8	360.8
TOTAL	4,776.1	5,298.9	5,430.1	5,675.1	5,845.1	6,015.1
TOTAL CAP & LIAB	$20,032.2	$19,271.7	$19,938.8	$20,553.7	$21,122.2	$21,621.4

Source: Wunderlich Securities, Inc., NiSource, Inc.

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Ratings Distribution (in Percentages) & Investment Banking Disclosure Chart Information

Ratings Distribution & Investment Banking Disclosure

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Hold -rated	77	34.70	5	6.49
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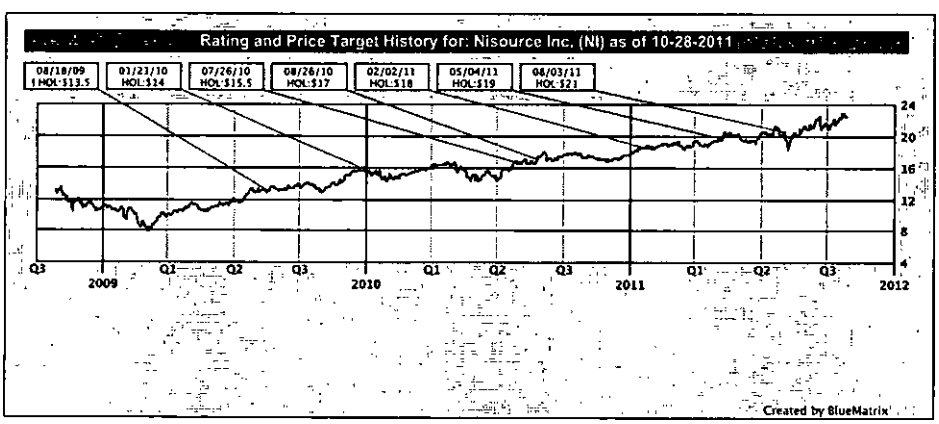
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WUNDERLICH SECURITIES

Baltimore
400 E. Pratt Street
Suite 710
Baltimore, MD 21202
866.297.8259

Boston
470 Atlantic Avenue
Suite 4047
Boston, MA 02210

Chicago
200 W. Madison Street
Suite 2950
Chicago, IL 60606
800.388.3851

Denver
1099 18th Street
Suite 2015
Denver, CO 80202
866.493.6588

Houston
10370 Richmond Avenue
Suite 950
Houston, TX 77042
888.385.6928

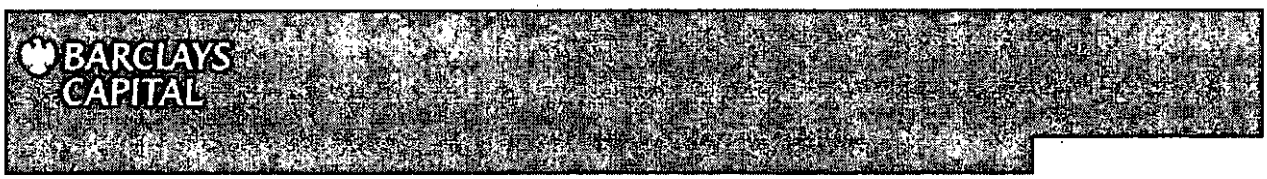
Memphis
6000 Poplar Avenue
Suite 150
Memphis, TN 38119
800.726.0557

New York
60 East 42nd Street
Suite 1007
New York, NY 10165
866.575.2223

San Francisco
275 Battery Street
Suite 480
San Francisco, CA 94111
415.489.6800

St. Louis
7711 Bonhomme St.
Suite 600
St. Louis, MO 63105
888.432.5671

Director of Equity Capital Markets		
J. Jeffery Fowlds	303.965.7964	jfowlds@wundernet.com
Brooke Hrimnak	410.369.2609	bhrimnak@wundernet.com
Equity Research		
Director of Research		
Michael E. Hoffman	410.369.2620	mehoffman@wundernet.com
Accounting and Tax Policy		
Forensic Accounting		
Mike Gyure, CPA	440.364.7473	mgyure@wundernet.com
Diversified Industrials		
Environmental Services		
Michael E. Hoffman	410.369.2620	mehoffman@wundernet.com
Brian J. Butler, CFA	410.369.2614	bbutler@wundernet.com
Jacob Hughes	410.369.2616	jhughes@wundernet.com
For-Profit Education		
Trace Urdan	415.489.6809	turdan@wundernet.com
Jeff Lee	415.489.6806	jlee@wundernet.com
Transportation		
Brian J. Butler, CFA	410.369.2614	bbutler@wundernet.com
Energy		
Alternative Energy		
Theodore O'Neill	212.402.2054	toneill@wundernet.com
Exploration & Production		
Irene O. Haas	713.403.3980	ihaas@wundernet.com
Mostafa Dahhane	713.403.3986	mdahhane@wundernet.com
Master Limited Partnerships		
John R. Cusick	212.402.2057	jcusick@wundernet.com
Utilities/Power		
James L. Dobson	212.402.2059	jdobson@wundernet.com
Erica Piserchia	212.402.2061	episerchia@wundernet.com
Financial Services		
Real Estate		
Merrill Ross	703.307.9409	mross@wundernet.com
Ian P. Fleischer, CFA	410.369.2618	ifleischer@wundernet.com
Regional Banks		
Kevin Reynolds, CFA	901.251.2229	kreynolds@wundernet.com
Jeremy Lucas	901.251.1362	jlucas@wundernet.com
Healthcare		
Medical Devices		
Gregory J. Simpson, CFA	314.719.3467	gsimpson@wundernet.com
Technology, Media & Telecommunications (TMT)		
Cable/Satellite Entertainment		
Matthew Harrigan	303.965.7966	mharrigan@wundernet.com
Communications & Networking Equipment		
Matthew S. Robison	415.572.0936	mrobison@wundernet.com
Sam Brownell	415.489.6818	sbrownell@wundernet.com
Information Infrastructure		
Brian S. Freed, CFA	901.251.1353	bfreed@wundernet.com
Software-as-a-Service		
Richard K. Baldry, CFA	410.369.2633	rbaldry@wundernet.com
Specialty Semiconductors and Components		
William S. Harrison	410.369.2632	sharrison@wundernet.com
Blake T. Harper, CFA	410.369.2629	bharper@wundernet.com
Institutional Equity Sales		
Director of Institutional Sales		
Thomas S. Stephens	410.369.2602	tstephens@wundernet.com
Beth Adams	972.772.5066	badams@wundernet.com
Clifford Athey	410.369.2627	cathey@wundernet.com
Greg Brown	303.260.7902	gbrown@wundernet.com
James Donovan	617.273.8334	jdonovan@wundernet.com
Paul Gillespie	901.259.9407	pgillespie@wundernet.com
Daniel Glading	410.369.2613	dglading@wundernet.com
Mike Grabenstein	410.369.2629	mgrabenstein@wundernet.com
Chris Greenwell	310.651.2203	cgreenwell@wundernet.com
Thomas Hadley	303.260.7905	thadley@wundernet.com
John Hohweiler	410.369.2610	jhohweiler@wundernet.com
Mark McCulloh	410.369.2619	mmcculloh@wundernet.com
Ethel McGlynn	303.260.7904	ethel@wundernet.com
Kyle Norton	212.402.2060	knorton@wundernet.com
Robert Oram	212.402.2056	boram@wundernet.com
Kristi Papanikolaw	212.402.2058	kpapanikolaw@wundernet.com
Scott Robinson	410.369.2630	srobinson@wundernet.com
Beth Rosenberry	312.368.0478	brosenberry@wundernet.com
Christina Rosso	212.402.2055	crosso@wundernet.com
Ned Sinnott	804.263.5240	nsinnott@wundernet.com
Institutional Equity Trading		
Director of Institutional Equity Trading		
Stephen C. Iskalis	303.260.7901	siskalis@wundernet.com
John Belgrade	888.257.4152	jbelgrade@wundernet.com
Chuck Berry	303.965.7961	cberry@wundernet.com
Erik Briggs	410.369.2611	ebriggs@wundernet.com
Trip Carey	617.273.8335	tcarey@wundernet.com
Jeffrey England	303.965.7960	jengland@wundernet.com
Daniel Muhly	410.369.2606	dmuhly@wundernet.com





19 July 2011

Daniel Ford, CFA	+1 212 526 0836	dan.ford @barcap. com	BCI, New York
Noah Hauser	+1 212 526 6203	noah.hau ser@barc ap.com	BCI, New York

This morning NiSource (NI) announced that their NIPSCO subsidiary had reached a settlement with all major parties in their Indiana rate case. The settlement calls for a revenue increase of $41M and a 10.2% authorized ROE. NI is requesting that the IURC approve the settlement by 12/31/11, for rates to become effective 1/1/12.

We view this settlement very favorably for NI as it removes the single largest overhang facing the stock. While the settlement still must be approved by the IURC, there doesn't seem to be anything immediately apparent that should derail the timeline that we see as reasonable.

Our 2012/2013 EPS estimates of $1.45/$1.50 incorporated a $37.5M increase, with rates effective 1/1/12. In our view, this increase should allow NI to earn close to their authorized ROE in 2012, while effectively closing the under-earning gap in 2013 as the final below market contracts roll off ~six months after new rates become effective.

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Mentioned Stocks (Ticker, Date, Price)
NiSource, Inc. (NI, 18-Jul-2011, USD 20.26), 2-Equal Weight/1-Positive, A/C/D/E/F/J/K/L/M/O
Valuation Methodology: Our $18 price target is premised upon our '12E EPS of $1.41 and the '12 PE multiple of 12.8x.
Risks which May Impede the Achievement of the Price Target: Risks to the outlook include the outcome of regulatory proceedings, rating agency actions, interest rates, and access to the capital markets.

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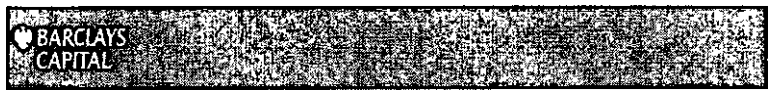
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EQUITY RESEARCH | INSTANT INSIGHTS 19 July 2011

Daniel Ford, CFA +1 212 526 0836 dan.ford@barcap.com BCI, New York
Noah Hauser +1 212 526 6203 noah.hauser@barcap.com BCI, New York

This morning NiSource (NI) announced that their NIPSCO subsidiary had reached a settlement with all major parties in their Indiana rate case. The settlement calls for a revenue increase of $41M and a 10.2% authorized ROE. NI is requesting that the IURC approve the settlement by 12/31/11, for rates to become effective 1/1/12.

We view this settlement very favorably for NI as it removes the single largest overhang facing the stock. While the settlement still must be approved by the IURC, there doesn't seem to be anything immediately apparent that should derail the timeline that we see as reasonable.

Our 2012/2013 EPS estimates of $1.45/$1.50 incorporated a $37.5M increase, with rates effective 1/1/12. In our view, this increase should allow NI to earn close to their authorized ROE in 2012, while effectively closing the under-earning gap in 2013 as the final below market contracts roll off ~six months after new rates become effective.

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Mentioned Stocks (Ticker, Date, Price)
NISource, Inc. (NI, 18-Jul-2011, USD 20.26), 2-Equal Weight/1-Positive, A/C/D/E/F/J/K/L/M/O
Valuation Methodology: Our $18 price target is premised upon our '12E EPS of $1.41 and the '12 PE multiple of 12.8x.
Risks which May Impede the Achievement of the Price Target: Risks to the outlook include the outcome of regulatory proceedings, rating agency actions, interest rates, and access to the capital markets.

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1-Overweight - The stock is expected to outperform the unweighted expected total return of the sector coverage universe over a 12-month investment horizon.
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3-Underweight - The stock is expected to underperform the unweighted expected total return of the sector coverage universe over a 12-month investment horizon.
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North American Pipelines

July 19, 2011

Carl Kirst, CFA
BMO Capital Markets Corp.
713-546-9756
carl.kirst@bmo.com

Industry Rating: Market Perform

Danilo Juvane, CFA
713-546-9741
danilo.juvane@bmo.com

Leah Jordan
713-546-9707
leah.jordan@bmo.com

Natural Gas IQ: NIPSCO Settlement at Last, NFG JV Update and EP's Ruby Pipeline is Pending

The Natural Gas IQ is our weekly report aimed at developments in the natural gas infrastructure space, and importantly, the implications for our pipeline equities.

At long last: NiSource reaches settlement in NIPSCO electric rate case. Reducing the risk profile of NI, this settlement is no doubt good news as it removes a five-year overhang (three years in front of the regulators), although financially it is largely in line with investor expectations we think. With a 10.2% allowed ROE and new rates that hadn't been modified since the 1980s, this settlement should provide approximately $40mm in incremental annual operating income (~53% of the original request), or $0.09 in EPS. While it will take time to fully ramp, we understand the targeted EBIT for the electric segment would ultimately rise to the $275mm range as compared to the $220mm of weather-normalized electric EBIT achieved in 2010. With unanimous consent by all counterparties—including its industrial customers—we do not anticipate any major delays in obtaining final approval by year-end. Once approved, rates should become effective immediately and any associated re-hearings from the 2008 rate case will be eliminated. NI should thus experience an earnings benefit for a full year in 2012, consistent with expectations. Settlement aside, we do see positive earnings momentum at NI from both its electric division and lower corporate (e.g., pension) expense, and see modest upside bias to both our 2Q11 and longerterm outlook.

NFG joint venture search still alive. Despite passing a self-imposed June-end deadline, NFG announced last week that discussions on potential deal terms remain ongoing having received several offers. No new deadline has been set (nor expected), but we should get additional color on timing with fiscal 3Q conference call August 5. Should NFG reach a deal, our net asset value would increase about $9/share over our $72 target for every $1,000/acre above our current $3,000 assumption. Notably, NFG also released fiscal year-end Marcellus Shale production targets of 150MMcf and 240MMcf for 2011 and 2012, respectively.

Ruby Pipeline pending. Last week, Ruby Pipeline asked the FERC for approval to commence operations no later than July 27, on target with El Paso's July time frame outlined earlier in the year. While previously removed as a stock overhang, Ruby's in-service will nonetheless serve as an important milestone by removing contingent debt from its balance sheet.

Gas Industry Snapshot*

NYMEX Natural Gas 12-Mo. Strip ($/mmbtu):	$4.76
Weekly Change	*3.8%*
YTD Change	*2.6%*
NYMEX Crude Oil 12-Mo. Strip ($/bbl):	$98.24
Weekly Change	*0.5%*
YTD Change	*4.8%*
Natural Gas Liquids (40% ethane, $/gal):	$1.39
Current $ Correlation to Spot Crude Oil	61%
Weekly Change	*-0.1%*
YTD Change	*16.6%*
Processing Frac-Spread (Gulf Coast, $/gal):	$1.00
Weekly Change	*-3.6%*
YTD Change	*19.8%*
LNG U.S. Imports (weekly avg, Bcf/d):	0.89
Weekly Change	*8.8%*
Y-o-Y Change	*6.5%*
Natural Gas in Storage (Bcf):	+84 to 2,611
Vs. this week last year	+78 to 2,829
Vs. this week 5-yr avg	+88 to 2,663
Natural Gas Directed Rig Count:	+12 to 885
Weekly Change	*1.4%*
Y-o-Y Change	*-9.9%*
Stock Performance: Weekly	
US Gas Diversifieds	2.4%
US Gas Utilities	-1.4%
Canadian Pipelines	-0.2%
Canadian Income	1.0%
UTY (Philadelphia Utility Index)	-1.1%
XOP (S&P E&P SPDR)	5.3%
OSX (Oil Service Index)	1.2%
S&P 500 (SPX)	-1.1%
10-Year US Treasury Yield	0.3%
Stock Performance: YTD	
US Gas Diversifieds	25.3%
US Gas Utilities	7.2%
Canadian Pipelines	7.8%
Canadian Income	11.3%
UTY (Philadelphia Utility Index)	4.7%
XOP (S&P E&P SPDR)	16.8%
OSX (Oil Service Index)	9.6%
S&P 500 (SPX)	3.8%
10-Year US Treasury Yield	-11.1%

All data priced as of close July 18, 2011 in US$.
Source: Bloomberg, EIA, Waterborne, Baker Hughes, Platts, Company data.

Refer to pages 23 to 24 for Important Disclosures, including Analyst's Certification.

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Company Data & Valuation

Exhibit 1: North American Pipelines Coverage Universe

Company	Ticker	FYE	Rating	Price Target	Price 07/18/11	Shares O/S (mm)	Market Cap (mm)	Enterprise Value (mm)	Indicated Dividend $	Indicated Dividend 2011E Payout	Yield	Net Tot Debt/ Cap	S&P Rating	Potential Price Appr	Indicated Div Yield	Potential Total Return
BMO North American Pipeline Coverage Universe																
U.S. Commodity Sensitive																
El Paso Corp	EP	Dec	OP	$23	$20.12	769.0	$15,472	$28,165	$0.04	3.8%	0.2%	72.7%	BB *+	14.3%	0.2%	14.5%
Energen Corp	EGN	Dec	MKT	$64	59.15	72.1	$4,263	$4,857	$0.54	14.0%	0.9%	21.0%	BBB	8.2%	0.9%	9.1%
National Fuel Gas Company	NFG	Sep	MKT	$72	70.49	82.7	$5,829	$6,802	$1.38	52.6%	2.0%	31.6%	BBB	2.1%	2.0%	4.1%
Oneok Inc	OKE	Dec	MKT	$68	73.94	107.1	$7,920	$12,597	$2.08	68.0%	2.8%	57.3%	BBB	-8.0%	2.8%	-5.2%
Southern Union Company	SUG	Dec	MKT	$39	43.33	124.7	$5,404	$9,154	$0.60	33.0%	1.4%	59.1%	BBB- *+	-10.0%	1.4%	-8.6%
Spectra Energy	SE	Dec	MKT	$27	27.13	648.9	$17,632	$29,015	$1.04	58.8%	3.8%	55.6%	BBB+	-0.5%	3.8%	3.4%
Williams Cos	WMB	Dec	OP	$36	30.04	568.1	$17,668	$26,107	$0.80	53.3%	2.7%	49.2%	BBB-	19.8%	2.7%	22.5%
Average							$74,187	$116,777		40.5%	2.0%	46.5%		3.7%	2.0%	5.7%
U.S. Gas Utilities																
AGL Resources Inc	AGL	Dec	MKT	$42	40.79	78.3	$3,192	$5,296	$1.80	56.2%	4.4%	51.5%	A-	3.0%	4.4%	7.4%
CenterPoint Energy	CNP	Dec	OP	$20	19.40	425.4	$8,253	$17,206	$0.79	72.5%	4.1%	70.3%	BBB	3.1%	4.1%	7.2%
NiSource Inc	NI	Dec	MKT	$19	20.26	280.1	$5,674	$12,938	$0.92	70.9%	4.5%	58.6%	BBB-	-6.2%	4.5%	-1.7%
Questar Corp	STR	Dec	MKT	$18	17.99	177.5	$3,193	$4,378	$0.61	56.6%	3.4%	51.7%	A	0.1%	3.4%	3.4%
UGI Corp.	UGI	Sep	MKT	$35	31.18	111.7	$3,481	$5,516	$1.04	45.5%	3.3%	44.9%	A-	12.3%	3.3%	15.6%
Average							$23,794	$45,336		60.3%	4.0%	55.4%		2.4%	4.0%	6.4%
Canadian Pipes*																
Enbridge Inc.	ENB	Dec	MKT	$30	30.97	774.4	$23,984	$38,471	$0.98	67.9%	3.2%	63.9%	A-	-3.1%	3.2%	0.0%
TransCanada Corp.	TRP	Dec	OP	$44	40.11	702.4	$28,175	$48,979	$1.68	75.6%	4.2%	54.2%	A-	9.7%	4.2%	13.9%
Average							$52,159	$87,450		71.7%	3.7%	59.1%		3.3%	3.7%	7.0%
Canadian Income*																
AltaGas	ALA	Dec	OP	$28	26.80	83.1	$2,210	$3,337	$1.32	136.2%	5.0%	37.9%	BBB	5.3%	5.0%	10.2%
Inter Pipeline Fund	IPL	Dec	MKT	$15	16.01	258.5	$4,138	$8,864	$0.96	111.0%	6.0%	66.6%	BBB+	-6.3%	6.0%	-0.3%
Keyera	KEY	Dec	MKT	$40	43.56	70.7	$3,080	$3,588	$1.92	448.7%	4.4%	41.2%	-	-8.2%	4.4%	-3.8%
Pembina Pipeline Corp	PPL	Dec	MKT	$22	25.89	167.2	$4,330	$5,709	$1.56	281.3%	6.0%	52.5%	BBB+	-15.0%	6.0%	-9.0%
Provident	PVE	Dec	MKT	$9	8.57	269.7	$2,311	$2,782	$0.54	28.0%	6.3%	45.2%	-	5.0%	6.3%	11.3%
Valener	VNR	Sep	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Veresen	VSN	Dec	MKT	$13	13.99	161.3	$2,256	$4,072	$1.00	118.5%	7.1%	65.9%	BBB	-7.1%	7.1%	0.1%
Average							$18,325	$28,351		183.6%	5.8%	51.6%		-4.4%	5.8%	1.4%

MKT= MARKET PERFORM, OP= OUTPERFORM, UND=UNDERPERFORM, R=RESTRICTED

* All data in C$ unless otherwise indicated

Source: BMO Capital Markets estimates, Company Data.

Exhibit 2: BMO North American Pipeline Comparative Valuation - Estimates

Company	Ticker	Price 07/18/11	Dividend Yield	Operating EPS 2010A	Operating EPS 2011E	Operating EPS 2012E	Operating CFPS 2010A	Operating CFPS 2011E	Operating CFPS 2012E	EBITDA 2010A	EBITDA 2011E	EBITDA 2012E	Estimate ROE 2010A	Estimate ROE 2011E	Estimate ROE 2012E
BMO North American Pipeline Coverage Universe															
U.S. Commodity Sensitive															
El Paso Corp	EP	$20.12	0.2%	$0.99	$1.05	$1.18	$2.86	$2.70	$3.31	$3,125	$3,297	$3,562	18.0%	19.1%	21.5%
Energen Corp	EGN	59.15	0.9%	$4.38	$3.85	$3.82	$10.27	$9.67	$9.64	$745	$755	$783	14.7%	12.9%	12.8%
National Fuel Gas Company	NFG	70.49	2.0%	$2.66	$2.62	$2.76	$6.51	$6.80	$6.67	$643	$735	$773	12.1%	11.9%	12.5%
Oneok Inc.	OKE	73.94	2.8%	$3.06	$3.06	$3.35	$6.15	$5.95	$5.76	$1,355	$1,456	$1,572	13.1%	13.1%	14.3%
Southern Union Company	SUG	43.33	1.4%	$1.79	$1.82	$2.09	$4.11	$4.12	$4.39	$963	$971	$1,044	8.6%	8.8%	10.1%
Spectra Energy	SE	27.13	3.8%	$1.57	$1.77	$1.81	$2.82	$3.49	$2.94	$3,196	$3,263	$3,347	12.4%	14.0%	14.3%
Williams Cos	WMB	30.04	2.7%	$1.28	$1.50	$1.61	$4.70	$4.81	$5.10	$2,788	$3,905	$4,186	9.9%	11.7%	12.5%
Average			**2.0%**										**12.7%**	**13.1%**	**14.0%**
U.S. Utilities															
AGL Resources Inc	AGL	40.79	4.4%	$3.05	$3.20	$3.35	$6.42	$6.52	$5.95	$643	$682	$707	12.6%	13.2%	13.8%
CenterPoint Energy	CNP	19.40	4.1%	$1.00	$1.09	$1.22	$3.68	$3.66	$3.63	$2,190	$2,200	$2,287	13.0%	14.2%	15.8%
NiSource Inc	NI	20.26	4.5%	$1.22	$1.30	$1.38	$4.27	$3.72	$3.51	$1,514	$1,504	$1,612	6.8%	7.2%	7.7%
Questar Corp	STR	17.99	3.4%	$1.12	$1.08	$1.21	$2.58	$2.47	$2.45	$511	$519	$567	18.2%	17.6%	19.8%
UGI Corp.	UGI	31.18	3.3%	$2.25	$2.29	$2.59	$6.02	$5.56	$6.34	$867	$857	$932	12.2%	12.3%	14.0%
Average			**4.0%**										**12.5%**	**12.9%**	**14.2%**
Canadian Pipes*															
Enbridge Inc.	ENB	30.97	3.2%	$1.33	$1.44	$1.56	$2.83	$3.09	$3.15	$2,772	$3,298	$3,408	13.0%	14.1%	15.2%
TransCanada Corp.	TRP	40.11	4.2%	$1.97	$2.22	$2.50	$4.82	$4.96	$4.91	$3,787	$4,736	$4,923	8.8%	9.9%	11.1%
Average			**3.7%**										**10.9%**	**12.0%**	**13.2%**
Canadian Income*															
AltaGas	ALA	26.60	5.0%	$1.30	$0.96	$1.05	$2.39	$2.46	$2.55	$241	$261	$281	10.5%	7.7%	8.5%
Inter Pipeline Fund	IPL	16.01	6.0%	$0.91	$0.84	$0.98	$1.30	$1.46	$1.63	$367	$521	$617	17.6%	16.3%	19.0%
Keyera	KEY	43.56	4.4%	$1.86	$2.08	$1.89	$3.29	$2.75	$2.93	$214	$263	$257	19.0%	21.2%	19.3%
Pembina Pipeline Corp	PPL	25.89	6.0%	$1.14	$0.97	$0.98	$1.52	$1.63	$1.70	$309	$349	$377	18.5%	15.7%	15.8%
Provident	PVE	8.57	6.3%	$0.37	$0.43	$0.48	-$0.03	$0.83	$0.83	$140	$251	$279	18.1%	21.1%	23.5%
Valener	VNR	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Veresen	VSN	13.99	7.1%	$0.55	$0.60	$0.61	$1.64	$1.43	$1.46	$367	$408	$405	10.5%	11.5%	11.8%
Average			**5.8%**										**15.7%**	**15.6%**	**16.3%**

*Free Cash = Cash Flow from Operation less Total Capital Expenditures

* All Data in C$ unless otherwise indicated

** Operating cash flow less maintenance capital; shareholder cash available for dividend or growth reinvestment

MKT= MARKET PERFORM, OP= OUTPERFORM, UND=UNDERPERFORM, R=RESTRICTED

Source: BMO Capital Markets estimates, Company Data.

Exhibit 3: BMO North American Pipeline Comparative Valuation – Metrics

Company	Ticker	Institutional Held %	EPS CAGR ('09-'12)	P/E 2010A	P/E 2011E	P/E 2012E	TEV/EBITDA 2010A	TEV/EBITDA 2011E	TEV/EBITDA 2012E	P/CFPS 2010A	P/CFPS 2011E	P/CFPS 2012E	CF Reinv Yield** 2010A	CF Reinv Yield** 2011E	CF Reinv Yield** 2012E
BMO North American Pipeline Coverage Universe															
U.S. Commodity Sensitive															
El Paso Corp	EP	86%	-4.9%	20.3x	19.1x	17.0x	9.0x	8.5x	7.8x	7.0x	7.5x	6.1x	4.9%	2.8%	5.9%
Energen Corp	EGN	77%	2.7%	13.5x	15.4x	15.5x	6.5x	6.4x	6.2x	5.8x	6.1x	6.1x	9.7%	8.8%	8.7%
National Fuel Gas Company	NFG	54%	1.8%	26.5x	26.9x	25.6x	10.6x	9.2x	8.8x	10.8x	10.4x	10.6x	6.4%	5.7%	4.7%
Oneok Inc.	OKE	75%	5.7%	24.2x	24.2x	22.1x	9.3x	8.7x	8.0x	12.0x	12.4x	12.8x	5.4%	4.9%	5.6%
Southern Union Company	SUG	77%	4.8%	24.2x	23.8x	20.8x	9.5x	9.4x	8.8x	10.5x	10.5x	9.9x	5.5%	5.5%	6.4%
Spectra Energy	SE	69%	15.3%	17.3x	15.3x	15.0x	9.1x	8.9x	8.7x	9.6x	7.8x	9.2x	6.8%	8.9%	7.2%
Williams Cos	WMB	83%	19.7%	23.6x	20.0x	18.7x	22.9x	6.7x	6.2x	6.4x	6.2x	5.9x	7.2%	6.5%	7.2%
Average				**21.4x**	**20.7x**	**19.2x**	**11.0x**	**8.3x**	**7.8x**	**8.9x**	**8.7x**	**8.7x**	**6.6%**	**6.1%**	**6.5%**
U.S. Utilities															
AGL Resources Inc	AGL	67%	5.2%	13.4x	12.7x	12.2x	8.2x	7.8x	7.5x	6.3x	6.3x	6.9x	10.7%	10.8%	9.4%
CenterPoint Energy	CNP	74%	4.7%	19.5x	17.8x	16.0x	7.9x	7.8x	7.5x	5.3x	5.3x	5.3x	9.8%	10.4%	10.4%
NiSource Inc	NI	87%	11.2%	16.6x	15.6x	14.6x	8.5x	8.6x	8.0x	4.7x	5.4x	5.8x	13.8%	10.9%	10.0%
Questar Corp	STR	79%	5.8%	16.1x	16.7x	14.8x	8.6x	8.4x	7.7x	7.0x	7.3x	7.3x	9.0%	8.4%	8.4%
UGI Corp.	UGI	79%	3.2%	13.9x	13.6x	12.0x	6.4x	6.4x	5.9x	5.2x	5.6x	4.9x	10.0%	4.0%	11.3%
Average				**15.9x**	**15.3x**	**13.9x**	**7.9x**	**7.8x**	**7.3x**	**5.7x**	**6.0x**	**6.0x**	**10.7%**	**8.9%**	**9.9%**
Canadian Pipes*															
Enbridge Inc.	ENB	74%	8.7%	23.3x	21.5x	19.9x	13.9x	11.7x	11.3x	11.0x	10.0x	9.8x	6.5%	7.4%	7.6%
TransCanada Corp.	TRP	56%	7.3%	20.4x	18.0x	16.1x	12.9x	10.3x	9.9x	8.3x	8.1x	8.2x	9.8%	10.2%	10.1%
Average				**21.8x**	**19.8x**	**18.0x**	**13.4x**	**11.0x**	**10.6x**	**9.6x**	**9.0x**	**9.0x**	**8.2%**	**8.8%**	**8.9%**
Canadian Income*															
AltaGas	ALA	33%	-15.8%	20.5x	27.8x	25.3x	13.8x	12.8x	11.6x	11.1x	10.8x	10.4x	8.5%	8.8%	9.2%
Inter Pipeline Fund	IPL	16%	7.8%	17.5x	19.0x	18.3x	18.7x	13.2x	11.1x	12.3x	11.0x	9.8x	7.7%	8.6%	9.6%
Keyera	KEY	42%	-7.6%	23.4x	20.9x	23.0x	16.6x	13.6x	14.0x	13.2x	15.8x	14.8x	7.5%	6.2%	6.6%
Pembina Pipeline Corp	PPL	11%	-3.9%	22.7x	26.7x	26.5x	18.5x	16.3x	15.2x	17.0x	15.6x	15.2x	5.9%	6.3%	6.6%
Provident	PVE	23%	188.7%	23.4x	20.0x	18.0x	19.7x	11.0x	9.9x	NM	10.3x	10.3x	0.0%	8.6%	9.3%
Valener	VNR	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Veresen	VSN	21%	-0.2%	25.7x	23.4x	22.9x	11.1x	10.0x	10.1x	8.6x	9.8x	9.6x	11.5%	10.0%	10.1%
Average				**22.2x**	**23.0x**	**22.0x**	**16.4x**	**12.8x**	**12.0x**	**12.5x**	**12.3x**	**11.7x**	**6.8%**	**8.1%**	**8.6%**

Free Cash = Cash Flow from Operation less Total Capital Expenditures

* All Data in C$ unless otherwise indicated

** Operating cash flow less maintenance capital; shareholder cash available for dividend or growth reinvestment

MKT= MARKET PERFORM, OP= OUTPERFORM, UND=UNDERPERFORM, R=RESTRICTED

INDUSTRY COMPS															
Industry Comps															
U.S. Commodity Sensitive															
Average				**20.3x**	**20.3x**	**16.3x**	**11.6x**	**9.3x**	**7.8x**	**8.3x**	**11.0x**	**8.7x**			
U.S. Gas Utilities															
Average				**16.8x**	**17.2x**	**15.9x**	**9.0x**	**8.8x**	**8.4x**	**7.6x**	**9.1x**	**8.3x**			
U.S. Master Limited Partnerships															
Average				**24.8x**	**20.6x**	**18.7x**	**18.6x**	**10.6x**	**9.6x**	**12.4x**	**11.5x**	**11.0x**			
U.S. Regulated Electric Utilities															
Average				**13.8x**	**13.8x**	**13.4x**	**8.3x**	**8.0x**	**7.7x**	**8.9x**	**6.2x**	**6.1x**			
Canadian Income*															
Average				**34.1x**	**62.5x**	**65.9x**	**33.6x**	**24.1x**	**19.9x**	**27.5x**	**16.4x**	**15.0x**			
Other Canadian Pipelines & Utility*															
Average				**18.0x**	**15.5x**	**14.7x**	**16.9x**	**17.0x**	**15.9x**	**6.6x**	**4.7x**	**4.9x**			

Source: BMO Capital Markets estimates, Company Data.

Exhibit 4: Residual E&P / Midstream Valuation Assuming Fair Utility Value in SOP Analysis

2012 EBITDA Sensitivity

			Current Market Implied Valuation: Commodity Segments											EV/EBITDA
			E&P				Midstream		2011E Multiples Used for Fee Based Segments					Consolidated
		Price	EV/EBITDA		EV %	Reserves	EV/EBITDA							
Company	Ticker	07/18/11	2011E	2012E	of NAV*	1P (Proved)	2011E	2012E	LDC	Pipe	Merchant	Midstream	Corp	2011E
El Paso	EP	$20.12	4.3x	4.3x	110%	$2.09			–	9.0x	–	–	5.0x	8.0x
Energen	EGN	$59.15	6.5x	6.5x	110%	$2.31			8.0x	–	–	–	–	6.7x
National Fuel	NFG	$70.49	12.7x	11.4x	111%	$6.26			7.5x	9.0x	5.0x	–	5.0x	9.8x
Williams	WMB	$30.04	1.7x	1.5x	31%	$0.47	5.0x	5.0x	–	9.0x	5.0x	7.0x	5.0x	4.6x
Spectra	SE	$27.13	–	–	–	–	8.1x	7.7x	8.5x	9.0x	–	7.0x	5.0x	9.4x
Southern Union	SUG	$43.33	–	–	–	–	27.2x	16.5x	8.0x	9.0x	–	7.0x	–	9.0x
	Average		7.2x	6.4x	71%	$3.37	13.4x	9.7x	8.0x	9.0x	5.0x	7.0x	5.0x	8.4x

2011 EBITDA Sensitivity

			Current Market Implied Valuation: Commodity Segments											EV/EBITDA
			E&P				Midstream		2010E Multiples Used for Fee Based Segments					Consolidated
		Price	EV/EBITDA		EV %	Reserves	EV/EBITDA							
Company	Ticker	07/18/11	2011E	2012E	of NAV*	1P (Proved)	2011E	2012E	LDC	Pipe	Merchant	Midstream	Corp	2010E
El Paso	EP	$20.12	5.2x	5.2x	134%	$2.55			–	9.0x	–	–	5.0x	8.6x
Energen	EGN	$59.15	6.3x	6.2x	107%	$2.24			8.0x	–	–	–	–	6.6x
National Fuel	NFG	$70.49	12.4x	11.1x	108%	$6.10			7.5x	9.0x	5.0x	–	5.0x	10.2x
Williams	WMB	$30.04	1.4x	1.2x	25%	$0.38	5.0x	5.0x	–	9.0x	5.0x	7.0x	5.0x	4.9x
Spectra	SE	$27.13	–	–	–	–	9.4x	8.9x	8.5x	9.0x	–	7.0x	5.0x	9.7x
Southern Union	SUG	$43.33	–	–	–	–	30.4x	18.5x	8.0x	9.0x	–	7.0x	–	10.2x
	Average		6.9x	6.2x	66%	$3.24	14.9x	10.8x	8.0x	9.0x	5.0x	7.0x	5.0x	8.7x

BMO Large Cap E&P Universe:				
Average	8.2x	6.7x	91%	3.55
Average (ex HK & SWN)	8.1x	6.6x	90%	3.51
Range:				
High	21.7x	13.7x	148%	8.72
Median	7.6x	5.6x	88%	2.87
Low	4.2x	4.3x	56%	1.73

* NAV can include both proved and non-proved value, and thus relative percentages can be difficult to compare

Source (all Exhibits): BMO Capital Markets estimates, Company Data, Bloomberg.

Exhibit 5: N. America Pipeline Short Interest*

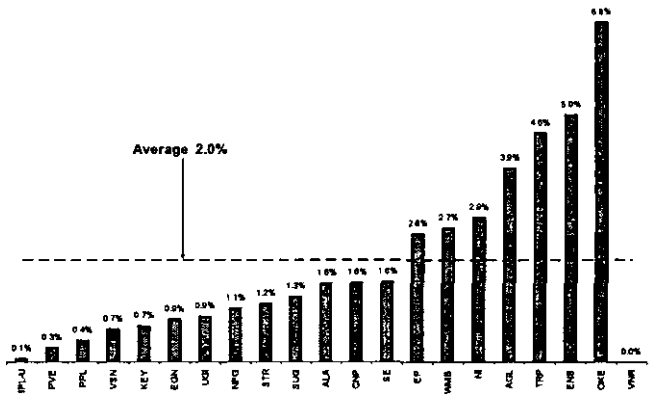


Exhibit 6: N. America Pipeline Days To Cover

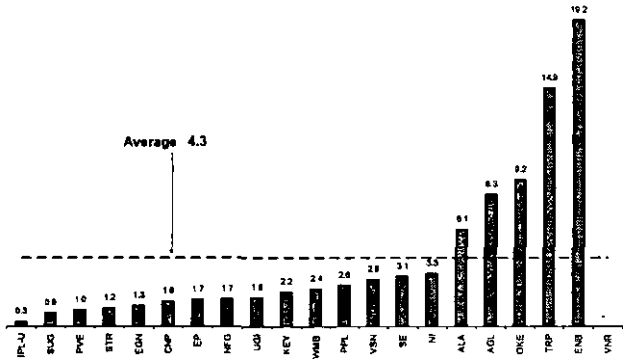


Exhibit 7: 2-Week Absolute Change in SI

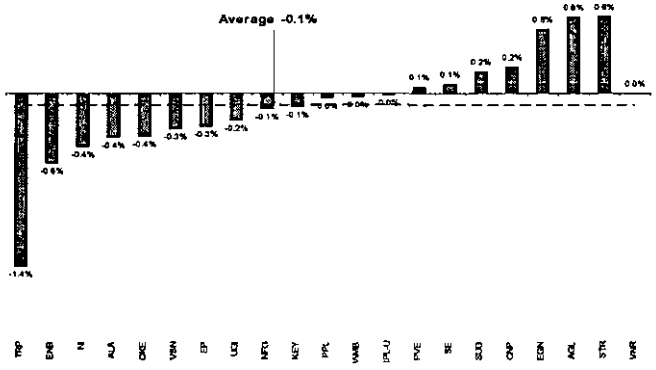


Exhibit 8: 2-Week Absolute Change in Days

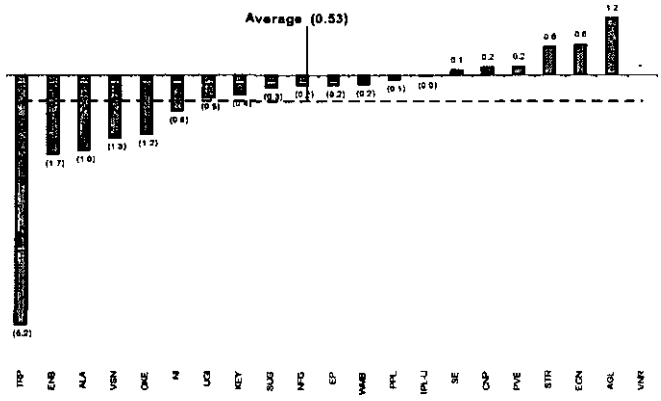


Exhibit 9: 2-Week Relative Change in SI

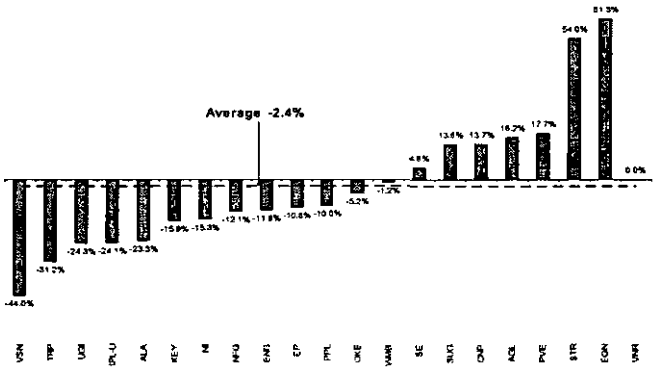
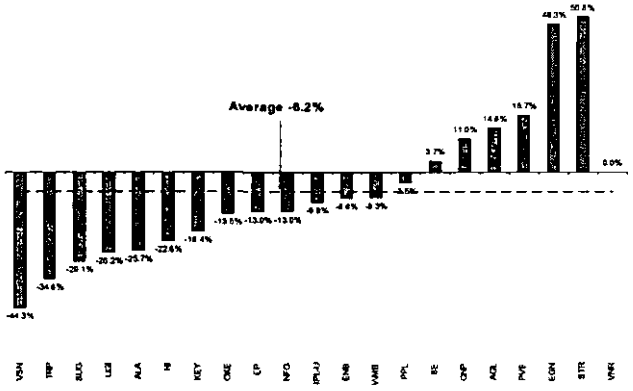


Exhibit 10: 2-Week Relative Change in Days



Source: BMO Capital Markets estimates, Bloomberg.

* Last available update: July 7, 2011. Short interest is defined as absolute short volume divided by public float.

Earnings

Exhibit 11: BMO Capital Estimates vs. Consensus

	2010A	2011E 1QA	2QE	3QE	4QE	2011E	2012E	Year-Over-Year Growth '10 vs.'11	'11 vs.'12	BMO vs. Consensus 2011E	2012E
U.S. Commodity Sensitive											
EP	$0.99	$0.30	$0.24	$0.24	$0.29	$1.05	$1.18	6.2%	12.4%	-5.2%	-13.2%
Consensus			*$0.24*	*$0.24*	*$0.31*	*$1.11*	*$1.36*	*12.1%*	*22.7%*		
EGN	$4.38	$1.30	$0.85	$0.69	$1.00	$3.85	$3.82	-12.0%	-0.9%	1.1%	-6.3%
Consensus			*$0.76*	*$0.72*	*$1.03*	*$3.81*	*$4.07*	*-13.0%*	*6.9%*		
NFG	$2.66	$0.70	$1.01	$0.50	$0.41	$2.62	$2.76	-1.4%	5.2%	-2.1%	-9.9%
Consensus				*$0.53*	*$0.45*	*$2.68*	*$3.06*	*0.7%*	*14.2%*		
OKE	$3.06	$1.19	$0.54	$0.45	$0.67	$3.06	$3.35	-0.1%	9.4%	-3.3%	-5.2%
Consensus			*$0.53*	*$0.54*	*$0.88*	*$3.16*	*$3.53*	*3.4%*	*11.6%*		
SUG	$1.79	$0.51	$0.36	$0.41	$0.54	$1.82	$2.09	1.5%	14.8%	-4.0%	0.1%
Consensus			*$0.39*	*$0.43*	*$0.57*	*$1.89*	*$2.09*	*5.7%*	*10.1%*		
SE	$1.57	$0.54	$0.36	$0.39	$0.45	$1.77	$1.81	12.6%	2.1%	0.4%	-2.8%
Consensus			*$0.39*	*$0.39*	*$0.46*	*$1.76*	*$1.86*	*12.2%*	*5.6%*		
WMB	$1.28	$0.36	$0.37	$0.39	$0.38	$1.50	$1.61	17.2%	7.3%	-2.7%	-3.1%
Consensus			*$0.37*	*$0.40*	*$0.37*	*$1.54*	*$1.66*	*20.5%*	*7.7%*		
U.S. Utilities											
AGL	$3.05	$1.63	$0.39	$0.24	$0.96	$3.20	$3.35	5.1%	4.6%	2.8%	2.1%
Consensus			*$0.26*	*$0.28*	*$0.93*	*$3.12*	*$3.29*	*2.2%*	*5.4%*		
CNP	$1.00	$0.34	$0.21	$0.29	$0.25	$1.09	$1.22	9.4%	11.6%	-1.3%	-0.6%
Consensus			*$0.21*	*$0.28*	*$0.27*	*$1.10*	*$1.22*	*10.9%*	*10.9%*		
NI	$1.22	$0.71	$0.13	$0.11	$0.35	$1.30	$1.38	6.4%	6.7%	-2.9%	-4.6%
Consensus			*$0.13*	*$0.08*	*$0.42*	*$1.34*	*$1.45*	*9.6%*	*8.5%*		
STR	$1.12	$0.40	$0.19	$0.16	$0.32	$1.08	$1.21	-3.8%	12.5%	-2.2%	2.2%
Consensus			*$0.20*	*$0.17*	*$0.34*	*$1.10*	*$1.19*	*-1.6%*	*7.7%*		
UGI	$2.25	$0.93	$1.37	$0.05	-$0.06	$2.29	$2.59	1.6%	13.4%	-2.3%	-0.8%
Consensus				*$0.04*	*-$0.05*	*$2.34*	*$2.61*	*3.9%*	*11.7%*		
Canadian Pipes*											
ENB	$2.66	$0.45	$0.34	$0.27	$0.39	$1.44	$1.56	8.5%	8.1%	1.2%	0.4%
Consensus			*$0.32*	*$0.28*	*$0.38*	*$1.43*	*$1.55*	*7.2%*	*9.0%*		
TRP	$1.97	$0.61	$0.50	$0.57	$0.55	$2.22	$2.50	13.0%	12.3%	-2.7%	0.9%
Consensus			*$0.54*	*$0.58*	*$0.57*	*$2.28*	*$2.47*	*16.0%*	*8.3%*		
Canadian Income*											
ALA	$1.30	$0.31	$0.18	$0.18	$0.28	$0.96	$1.05	-26.3%	9.9%	-2.3%	-12.8%
Consensus			*$0.18*	*$0.20*	*$0.31*	*$0.98*	*$1.20*	*-24.6%*	*22.8%*		
IPL	$0.91	$0.25	$0.20	$0.21	$0.18	$0.84	$0.98	-7.3%	16.4%	-9.0%	5.8%
Consensus			*$0.23*	*$0.23*	*$0.24*	*$0.93*	*$0.93*	*1.9%*	*0.2%*		
KEY	$1.86	$0.74	$0.38	$0.36	$0.60	$2.08	$1.89	11.6%	-9.0%	-8.4%	-8.2%
Consensus			*$0.44*	*$0.45*	*$0.65*	*$2.27*	*$2.06*	*21.8%*	*-9.1%*		
PPL	$1.14	$0.25	$0.23	$0.23	$0.26	$0.97	$0.98	-15.1%	0.6%	6.7%	1.3%
Consensus			*$0.21*	*$0.22*	*$0.26*	*$0.91*	*$0.96*	*-20.4%*	*5.9%*		
PVE	$0.37	$0.06	$0.08	$0.08	$0.21	$0.43	$0.48	16.7%	11.1%	20.5%	-6.4%
Consensus			*$0.06*	*$0.07*	*$0.17*	*$0.36*	*$0.51*	*-3.2%*	*43.1%*		
VNR	R	R	R	R	R	R	R	R	R	R	R
Consensus											
VSN	$0.55	$0.07	$0.14	$0.22	$0.16	$0.60	$0.61	9.5%	2.4%	6.0%	-2.1%
Consensus			*$0.15*	*$0.17*	*$0.17*	*$0.56*	*$0.62*	*3.3%*	*10.8%*		

Source: BMO Capital Markets estimates, Company Data, Bloomberg.

Exhibit 12: EPS Commodity Sensitivity

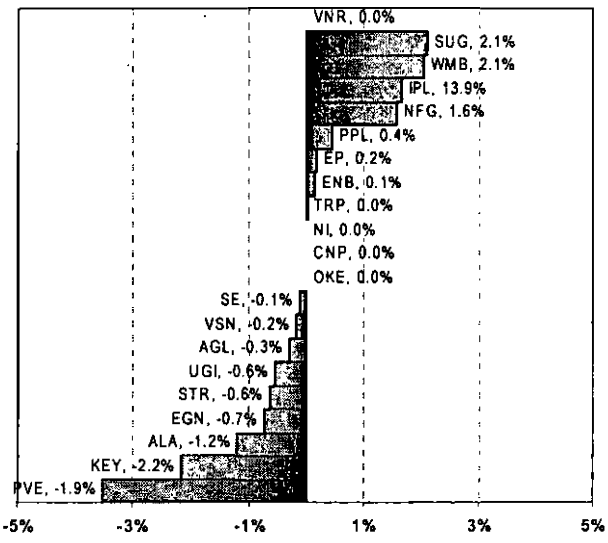
		EGN		EP		VSN		IPL		PVE		ALA		KEY		NFG		OKE		SE		SUG		WMB	
Base Case 2011 EPS	*hedged*	$3.85		$1.05		$0.60		$0.84		$0.43		$0.96		$2.08		$2.62		$3.06		$1.77		$1.82		$1.50	
NATURAL GAS																									
-$1 nat gas ($/MMBtu)	*hedged*	(0.28)	-7.2%	(0.05)	-5.1%					0.01	2.4%	0.09	9.3%	-	0.0%	(0.20)	-7.7%	(0.02)	-0.6%			(0.06)	-3.2%	(0.08)	-5.3%
	unhedged	(0.62)	-16.4%	(0.19)	-21.6%	0.02	4.2%	0.04	4.6%	0.05	14.4%	(0.03)	-2.1%	-	0.0%	(0.35)	-13.4%	(0.02)	-0.6%	(0.00)	0.0%	(0.07)	-3.9%	(0.33)	-25.2%
+$1 nat gas ($/MMBtu)	*hedged*	0.28	7.2%	0.05	5.1%					(0.01)	-2.4%	(0.09)	-9.3%	-	0.0%	0.20	7.7%	0.02	0.6%			0.06	3.2%	0.08	5.3%
	unhedged	0.62	16.4%	0.19	21.6%	(0.02)	-4.2%	(0.04)	-5.0%	(0.05)	-14.4%	0.03	2.1%	-	0.0%	0.36	13.7%	0.02	0.6%	0.00	0.0%	0.07	3.9%	0.33	25.2%
NATURAL GAS LIQUIDS																									
-$.05 NGL ($/gal)	*hedged*	(0.02)	-0.5%	-	0.0%					-	0.0%	(0.01)	-1.0%	-	0.0%	-	0.0%	(0.02)	-0.6%			0.12	6.6%	(0.08)	-5.1%
	unhedged	(0.04)	-1.1%	-	0.0%	(0.12)	-20.0%	(0.03)	-3.5%	(0.01)	-3.2%	(0.03)	-2.1%	-	0.0%	-	0.0%	(0.02)	-0.6%	(0.04)	-2.1%	(0.03)	-1.2%	(0.07)	-5.0%
+$.05 NGL ($/gal)	*hedged*	0.02	0.5%	-	0.0%					-	0.0%	0.01	1.0%	-	0.0%	-	0.0%	0.02	0.6%			0.14	7.5%	0.06	3.9%
	unhedged	0.04	1.1%	-	0.0%	0.14	23.7%	0.02	2.6%	0.01	3.2%	0.02	2.1%	-	0.0%	-	0.0%	0.02	0.6%	0.04	2.1%	0.03	1.4%	0.07	5.0%
CRUDE OIL**																									
-$10 OIL ($/Bbl)	*hedged*	(0.20)	-5.3%	(0.05)	-4.5%					-	0.0%	(0.03)	-3.1%	(0.07)	-3.3%	(0.14)	-5.4%	(0.07)	-2.2%			(0.02)	-1.0%	0.11	7.0%
	unhedged	(0.58)	-17.2%	(0.09)	-7.3%	(0.19)	-33.1%	(0.07)	-8.4%	(0.02)	-5.0%	(0.09)	-7.5%	(0.09)	-4.4%	(0.23)	-8.7%	(0.07)	-2.5%	(0.15)	-8.7%	(0.06)	-3.9%	-	0.0%
+$10 OIL ($/Bbl)	*hedged*	0.20	5.3%	0.05	4.1%					-	0.0%	0.03	3.1%	0.07	3.3%	0.14	5.4%	0.07	2.2%			0.02	1.0%	0.11	7.0%
	unhedged	0.58	17.2%	0.06	7.3%	0.19	33.1%	0.07	8.3%	0.02	5.0%	0.08	7.5%	0.09	4.4%	0.23	9.0%	0.07	2.5%	0.15	8.7%	0.06	3.9%	-	0.0%

**All unhedged positions shown assume BMO 2011 commodity forecast of $4.25 nat gas, $92 oil and $1.16 NGLs*
***Crude sensitivities also flowthrough NGL prices, doubling impact of price changes.*

Source: BMO Capital Markets estimates, Company Data, Bloomberg.

Exhibit 13: Consensus EPS Revisions – Trailing 4 Weeks

2011E



2012E

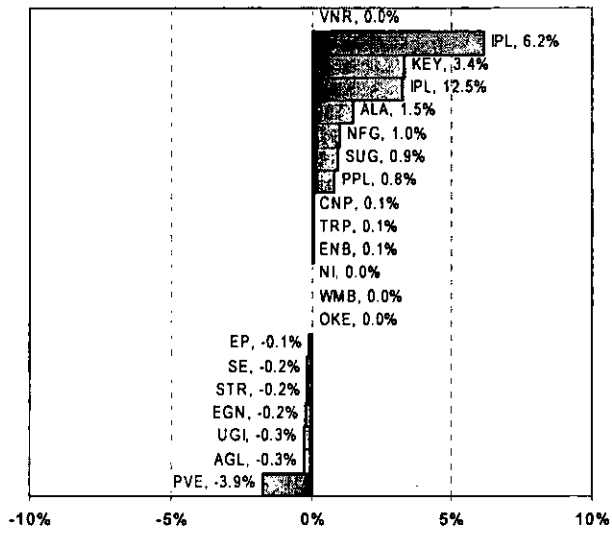
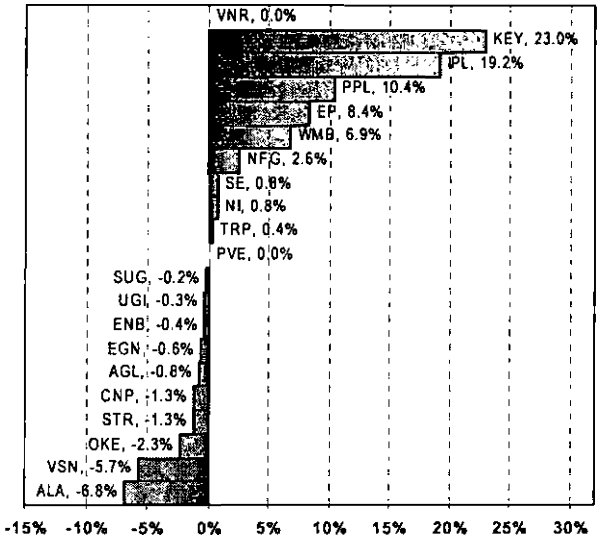
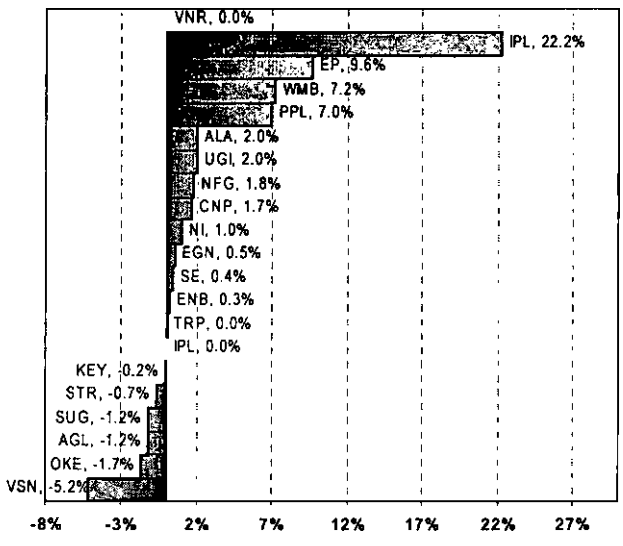


Exhibit 14: Consensus EPS Revisions – Trailing 3 Months

2011E



2012E



Source (all Exhibits): BMO Capital Markets estimates, Company Data, Bloomberg.

Stock Performance

Exhibit 15: 5-Day Performance (July 12 thru July 18)

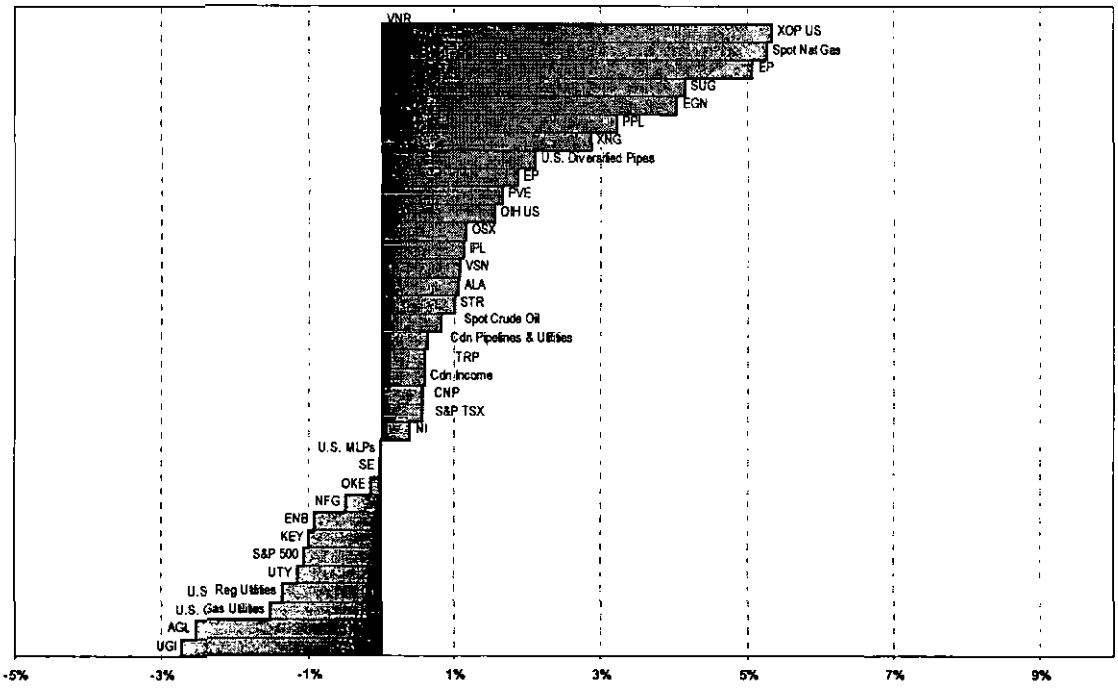
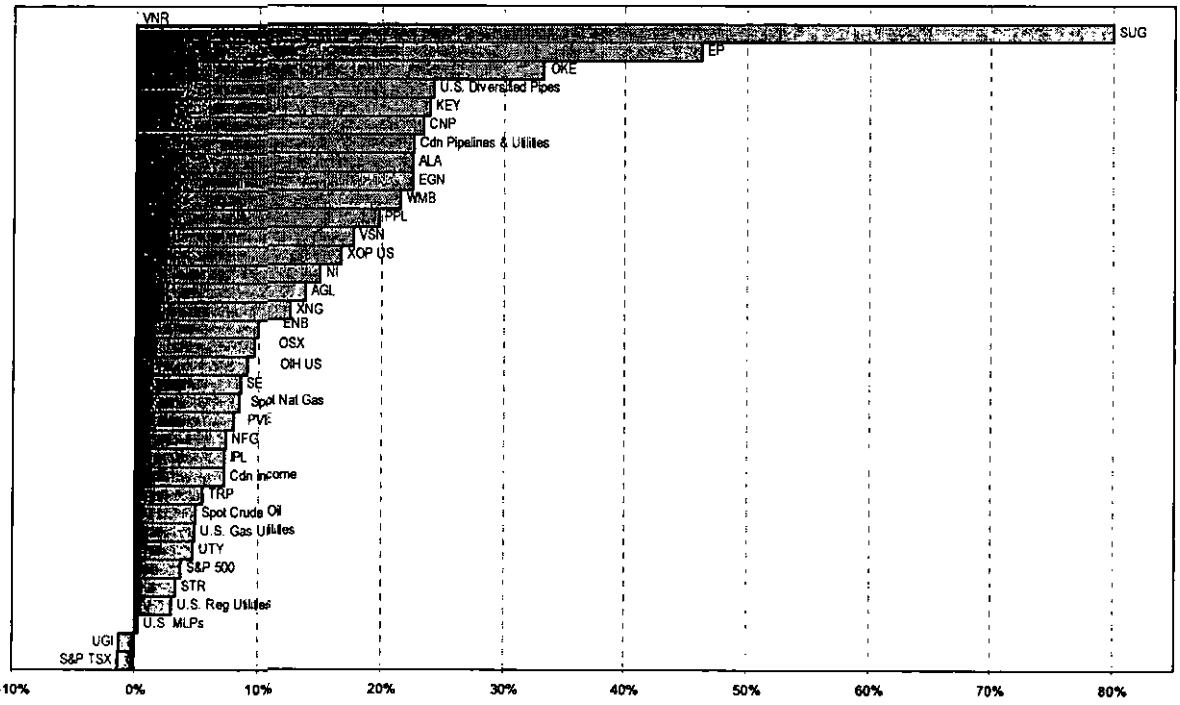


Exhibit 16: Year-to-Date Performance



Source (all Exhibits): BMO Capital Markets estimates, Bloomberg.

Exhibit 17: Price Performance – United States

	Ticker	Rating	Price	Price Performance**** 1 Day	5 Day	1 Month	QTD	Three Months	YTD	1 Year	% from 52 Wk High	Date of High	% from 52 Wk Low	Date of Low
BMO North American Pipeline Coverage Universe														
U.S. Commodity Sensitive														
El Paso Corp	EP	OP	20.12	0.0%	1.9%	1.9%	-0.4%	10.5%	46.2%	66.1%	-6.6%	5/25/2011	83.4%	8/25/2010
Energen Corp	EGN	MKT	59.15	-0.7%	4.0%	5.8%	4.7%	-1.2%	22.6%	31.1%	-9.6%	5/2/2011	40.5%	8/27/2010
National Fuel Gas Company	NFG	MKT	70.49	0.0%	-0.5%	0.9%	-3.2%	0.5%	7.4%	50.6%	-7.2%	7/7/2011	64.6%	8/25/2010
Oneok Inc	OKE	MKT	73.94	-0.6%	-0.1%	6.6%	-0.1%	15.1%	33.3%	64.0%	-2.9%	7/7/2011	73.9%	8/31/2010
Southern Union Company	SUG	MKT	43.33	-0.1%	4.2%	29.1%	7.9%	58.1%	80.0%	94.9%	-0.7%	7/15/2011	86.8%	8/25/2010
Spectra Energy	SE	MKT	27.13	-1.1%	0.0%	1.9%	-1.0%	0.4%	8.8%	30.2%	-7.2%	5/2/2011	34.4%	8/31/2010
Williams Cos	WMB	OP	30.04	-1.1%	5.1%	6.1%	-0.7%	-0.8%	21.5%	80.9%	-10.2%	5/2/2011	69.5%	8/25/2010
Average				**-0.5%**	**2.1%**	**7.6%**	**1.0%**	**11.8%**	**31.4%**	**57.1%**	**-6.3%**		**66.1%**	
U.S. Utilities														
AGL Resources Inc	AGL	MKT	40.79	-1.4%	-2.5%	3.4%	0.2%	4.2%	13.8%	8.8%	-3.7%	7/7/2011	19.2%	12/8/2010
CenterPoint Energy	CNP	OP	19.40	0.1%	0.6%	3.5%	0.3%	8.9%	23.4%	39.3%	-2.6%	7/7/2011	40.4%	7/21/2010
NiSource Inc	NI	MKT	20.26	-0.9%	0.4%	3.9%	0.0%	7.1%	15.0%	29.8%	-2.0%	5/13/2011	29.5%	7/19/2010
Questar Corp	STR	MKT	17.99	-0.4%	1.0%	1.8%	1.6%	7.1%	3.3%	12.5%	-1.9%	7/7/2011	12.4%	7/19/2010
UGI Corp.	UGI	MKT	31.18	-2.2%	-2.7%	0.8%	-2.2%	-1.0%	-1.3%	17.3%	-7.0%	5/2/2011	18.6%	7/20/2010
Average				**-1.0%**	**-0.7%**	**2.7%**	**0.0%**	**5.3%**	**10.8%**	**21.6%**	**-3.5%**		**24.0%**	
Industry Compe														
U.S. Commodity Sensitive														
Equitable Resources***	EQT	OP	59.06	2.7%	9.8%	17.4%	12.5%	28.5%	31.7%	64.1%	-0.2%	7/19/2011	83.2%	8/25/2010
Sempra Energy**	SRE	MKT	51.55	-1.1%	-0.9%	-3.1%	-2.5%	-3.1%	-1.8%	6.2%	-7.9%	5/10/2011	6.7%	7/19/2010
Average				**0.8%**	**4.4%**	**7.1%**	**5.0%**	**12.7%**	**15.0%**	**35.2%**	**-4.0%**		**45.0%**	
U.S. Gas Utilities														
Atmos Energy	ATO	NR	33.26	-1.8%	-1.2%	4.2%	0.0%	0.9%	8.6%	18.7%	-5.8%	3/9/2011	18.7%	8/31/2010
Integrys Energy Group	TEG	NR	51.06	-1.3%	-1.4%	1.4%	-1.5%	2.1%	5.3%	12.0%	-6.2%	11/4/2010	12.1%	7/19/2010
The Laclede Group	LG	NR	37.44	-1.3%	-1.4%	3.4%	-1.0%	0.7%	2.5%	12.1%	-6.4%	1/26/2011	15.0%	8/24/2010
New Jersey Resources	NJR	NR	44.70	-1.5%	-1.3%	3.4%	0.2%	7.6%	3.7%	26.1%	-4.1%	7/7/2011	26.4%	7/19/2010
Nicor	GAS	NR	54.90	-0.7%	-1.5%	1.8%	0.3%	4.0%	10.0%	31.3%	-2.5%	7/7/2011	32.2%	8/20/2010
Northwest Natural Gas Company	NWN	NR	45.68	-0.9%	-0.3%	3.5%	1.2%	2.1%	-1.7%	3.9%	-10.2%	10/15/2010	4.8%	8/3/2011
Piedmont Natural Gas	PNY	NR	29.84	-1.9%	-1.7%	1.4%	-1.4%	0.5%	6.7%	17.9%	-6.7%	4/29/2011	18.4%	7/20/2010
South Jersey Industries	SJI	NR	52.96	-2.0%	-1.9%	3.8%	-2.5%	-2.9%	0.3%	20.0%	-8.7%	4/6/2011	20.5%	7/19/2010
Vectren	VVC	NR	27.30	-1.7%	-2.7%	0.3%	-2.0%	1.3%	7.6%	13.3%	-5.3%	5/10/2011	13.9%	7/19/2010
Washington Gas Light	WGL	NR	38.90	-1.7%	-1.6%	3.4%	1.1%	4.4%	8.8%	11.6%	-3.7%	7/13/2011	12.1%	12/7/2010
Average				**-1.5%**	**-1.5%**	**2.7%**	**-0.8%**	**2.1%**	**5.0%**	**16.7%**	**-6.0%**		**17.4%**	
U.S. Master Limited Partnerships														
Amerigas Partners	APU	NR	43.98	-1.4%	-2.8%	2.3%	-2.3%	-4.7%	-9.9%	2.4%	-14.6%	2/7/2011	5.7%	8/12/2010
TC Pipelines	TCLP	NR	47.19	-0.1%	-0.9%	4.8%	-1.2%	-6.4%	-9.3%	14.9%	-14.1%	3/4/2011	18.7%	7/20/2010
Enbridge Energy Partners	EEP	NR	29.55	-0.5%	0.1%	2.9%	-1.7%	-8.7%	-5.3%	3.2%	-14.5%	4/29/2011	17.3%	7/30/2010
Enbridge Energy Management	EEQ	NR	30.67	-0.7%	1.4%	3.9%	-0.7%	-1.3%	-0.9%	19.9%	-9.6%	5/2/2011	34.5%	7/30/2010
El Paso Pipeline Partners	EPB	NR	35.30	-1.0%	0.6%	5.0%	1.6%	-3.3%	5.5%	17.8%	-7.1%	3/2/2011	18.4%	7/20/2010
Cheniere Energy Partners	CQP	NR	18.33	-1.7%	1.2%	11.4%	2.0%	0.8%	-14.0%	0.2%	-25.3%	1/12/2011	21.8%	3/9/2011
Targa Resource Partners	NGLS	NR	36.07	0.4%	2.1%	10.1%	1.3%	4.0%	6.2%	34.9%	-0.9%	7/7/2011	45.7%	8/10/2010
Williams Partners	WPZ	NR	55.03	-0.5%	0.4%	10.5%	1.6%	5.0%	18.0%	21.7%	-2.8%	4/29/2011	33.2%	8/25/2010
Spectra Energy Partners	SEP	NR	31.08	-0.8%	-2.1%	0.4%	-2.3%	-5.9%	-5.4%	-11.0%	-14.4%	10/6/2010	4.9%	6/17/2011
DCP Midstream Partners	DPM	NR	41.25	-0.1%	-0.1%	7.5%	0.7%	-1.4%	10.3%	18.3%	-7.9%	5/2/2011	32.9%	8/25/2010
Oneok Partners	OKS	NR	43.83	-1.4%	1.8%	8.9%	2.8%	5.0%	10.3%	27.5%	-2.0%	7/15/2011	31.4%	8/12/2010
Kinder Morgan Energy Partners	KMP	NR	73.19	0.2%	-0.6%	3.7%	0.8%	-3.1%	4.2%	6.8%	-6.2%	4/26/2011	11.1%	7/30/2010
Enterprise Product Partners	EPD	NR	42.88	-0.3%	-0.1%	7.0%	-0.8%	0.2%	3.1%	14.3%	-3.3%	2/18/2011	54.0%	3/15/2011
Boardwalk Pipeline Partners	BWP	NR	28.72	-0.6%	-1.0%	4.1%	-1.1%	-9.3%	-7.7%	-8.4%	-16.1%	10/13/2010	6.3%	8/17/2011
Average				**-0.7%**	**-0.1%**	**5.7%**	**0.0%**	**-2.2%**	**0.6%**	**11.3%**	**-10.2%**		**23.7%**	
U.S. Regulated Electric Utilities														
American Electric Power**	AEP	MKT	37.11	-1.0%	-2.1%	-1.4%	-1.5%	5.1%	3.1%	6.8%	-4.8%	5/17/2011	10.9%	3/17/2011
Dominion Resources**	D	MKT	48.00	-0.9%	-0.2%	0.7%	-0.8%	8.8%	12.4%	18.7%	-2.7%	7/7/2011	18.3%	7/19/2010
Duke Energy**	DUK	MKT	18.63	-1.2%	-2.3%	-0.6%	-1.1%	2.3%	4.6%	10.4%	-4.5%	5/17/2011	11.2%	8/16/2010
Ameren	AEE	NR	28.36	-1.6%	-0.7%	-0.1%	-1.7%	-0.1%	0.6%	15.3%	-5.9%	5/16/2011	15.7%	7/21/2010
Consolidated Edison**	ED	MKT	52.53	-1.4%	-1.4%	-0.5%	-1.3%	4.6%	6.0%	16.6%	-3.4%	5/13/2011	16.8%	7/20/2010
PG&E Corp **	PCG	MKT	41.64	-1.3%	-1.3%	-1.3%	-0.9%	-6.7%	-13.0%	-2.2%	-14.4%	11/4/2010	1.1%	8/23/2011
Progress Energy**	PGN	MKT	47.05	-1.1%	-2.1%	-1.5%	-2.0%	2.3%	6.2%	16.2%	-4.0%	5/17/2011	22.6%	9/27/2010
Southern Company**	SO	MKT	39.99	-0.6%	-0.4%	0.5%	-1.0%	4.5%	4.6%	15.0%	-2.2%	5/19/2011	14.7%	7/19/2010
Xcel Energy**	XEL	MKT	23.76	-1.1%	-1.7%	-3.3%	-2.2%	-0.8%	0.9%	10.8%	-6.4%	5/20/2011	11.0%	8/4/2010
Average				**-1.1%**	**-1.3%**	**-0.8%**	**-1.4%**	**2.2%**	**3.0%**	**12.0%**	**-5.4%**		**13.6%**	
Indices/Treasury														
Spot Henry Hub Natural Gas	NGUSHHUB		4.59	2.2%	5.3%	4.6%	7.2%	8.5%	8.5%	-1.7%	NA	NA	NA	NA
Spot WTI	USCRWTIC		95.93	-1.4%	0.8%	3.1%	0.5%	-10.5%	5.0%	26.2%	NA	NA	NA	NA
OIL SERVICE HOLDRS TRUST	OIH US		152.95	-0.5%	1.6%	7.7%	0.6%	-1.2%	9.1%	52.8%	-8.4%	4/6/2011	59.7%	8/27/2010
OIL SERVICE SECTOR INDEX	OSX		268.77	-0.5%	1.2%	7.3%	0.3%	-4.2%	9.6%	55.4%	-10.7%	4/6/2011	NA	NA
AMEX NATURAL GAS INDEX	XNG		681.98	-0.7%	2.0%	5.3%	1.0%	2.0%	12.6%	36.8%	-3.5%	5/2/2011	900.0%	7/19/2010
SPDR S&P OIL & GAS EXPLORATI	XOP US		61.60	-0.9%	5.3%	12.2%	4.8%	2.4%	16.8%	56.8%	-6.3%	4/6/2011	64.5%	8/25/2010
PHLX UTILITY INDEX	UTY		441.87	-1.0%	-1.1%	-0.2%	-1.3%	3.8%	4.7%	10.2%	-3.1%	5/16/2011	NA	NA
S&P 500 INDEX	SPX		1,305.44	-0.8%	-1.1%	2.7%	-1.2%	0.0%	3.8%	22.6%	-4.8%	5/2/2011	NA	NA
US Generic Govt 10 Year Yield	USGG10YR		2.93	0.6%	0.3%	-0.6%	-7.4%	-13.2%	-11.1%	0.2%	NA	NA	NA	NA
S&P/TSX COMPOSITE INDEX	SPTSX		13,254.14	-0.3%	0.6%	3.6%	-0.4%	-3.3%	-1.4%	14.6%	-7.5%	3/7/2011	NA	NA
Canadian Govt Bonds 10 Year No	GCAN10YR		2.87	-0.2%	-0.8%	-2.6%	-7.7%	-11.2%	-8.1%	-9.3%				

* All Data in C$ unless otherwise indicated

** Covered by Michael Worms, BMO Capital Markets' Electric Utilities and Independent Power analyst

*** Covered by Philip Jungwirth, BMO Capital Markets' Energy Exploration and Production analyst

**** 1-Day / 5-Day / 1-Month / 1-Year measures mentioned period performance from 07.15.11/07.12.11/6.15.11/07.16.10

Mkt= Market Perform; OP= Outperform; Und= Underperform; R=Restricted

Source: BMO Capital Markets estimates, Bloomberg.

Exhibit 18: Price Performance – Canada

	Ticker	Rating	Price	Price Performance*** 1 Day	5 Day	1 Month	QTD	Three Months	YTD	1 Year	% from 52 Wk High	Date of High	% from 52 Wk Low	Date of Low
BMO North American Pipeline Coverage Universe														
Canadian Pipes*														
Enbridge Inc.	ENB	MKT	30.97	-0.4%	-0.9%	2.3%	-1.2%	3.1%	10.1%	21.0%	-5.4%	6/1/2011	27.7%	7/30/2010
TransCanada Corp.	TRP	OP	40.11	-0.8%	0.6%	-2.8%	-5.3%	0.2%	5.6%	10.8%	-8.3%	6/1/2011	13.0%	11/16/2010
Average				-0.6%	-0.2%	-0.2%	-3.3%	1.7%	7.8%	15.9%	-6.8%		20.4%	
Canadian Income*														
AltaGas	ALA	OP	26.60	-0.5%	1.1%	5.3%	3.3%	4.1%	22.6%	35.9%	-0.8%	7/8/2011	37.6%	7/30/2010
Inter Pipeline Fund	IPL	MKT	16.01	0.1%	1.1%	3.3%	0.9%	1.9%	7.3%	32.3%	-8.4%	3/31/2011	32.4%	7/20/2010
Keyera	KEY	MKT	43.56	1.1%	-1.0%	5.6%	-0.3%	14.6%	23.9%	51.8%	-2.2%	7/12/2011	55.3%	7/21/2010
Pembina Pipeline Income Fund	PPL	MKT	25.89	1.7%	3.2%	7.6%	2.0%	13.1%	19.9%	43.0%	0.0%	7/19/2011	42.6%	7/21/2010
Provident	PVE	MKT	8.57	-0.3%	1.7%	7.1%	-0.6%	-1.3%	8.1%	20.4%	-5.5%	4/4/2011	37.1%	8/25/2010
Valener	VNR	R	R	R	R	R	R	R	R	R	R	R	R	R
Veresen	VSN	MKT	13.99	0.7%	1.1%	3.5%	0.7%	5.0%	17.6%	32.7%	-5.5%	6/1/2011	33.2%	7/19/2010
Average				0.5%	1.2%	5.4%	1.0%	6.2%	16.6%	38.0%	-3.4%		39.7%	
Industry Comps														
Canadian Income*														
Atlantic Power Corp.**	ATP	MKT	15.36	0.6%	-0.2%	2.7%	4.8%	9.2%	4.6%	21.2%	-2.3%	6/22/2011	21.4%	7/23/2010
Enbridge Income Fund	ENF	NR	18.75	-1.6%	1.4%	3.0%	0.2%	-7.5%	3.6%	32.4%	-12.1%	3/21/2011	41.5%	7/30/2010
Capital Power Income Fund	CPA	MKT	19.46	0.5%	0.1%	4.5%	2.4%	-3.6%	8.4%	13.2%	-8.3%	3/30/2011	14.7%	8/5/2010
Brookfield Renewable Power Fund**	BRC	MKT	23.20	0.2%	1.1%	2.9%	0.8%	3.8%	12.5%	15.3%	-3.1%	5/9/2011	16.0%	8/16/2010
Northland Power Income Fund**	NPI	MKT	na	na	na	na	na	na	na	na	na	na	na	na
Average				0.4%	0.3%	3.4%	2.7%	3.2%	8.5%	16.8%	-4.6%		17.4%	
Other Canadian Pipelines & Utility*														
Algonquin Power**	AQN	MKT	5.84	0.2%	1.9%	1.4%	2.3%	15.9%	16.3%	38.4%	-0.5%	5/20/2011	56.1%	8/13/2010
Canadian Utilities**	CU	MKT	57.37	0.2%	2.6%	1.8%	2.4%	10.3%	5.5%	22.2%	-4.2%	5/27/2011	25.4%	8/12/2010
Emera Incorporated**	EMA	MKT	32.29	-0.3%	0.3%	2.6%	2.2%	4.0%	3.0%	23.7%	-1.6%	1/12/2011	27.1%	8/12/2010
Fortis Inc.**	FTS	OP	32.06	-0.2%	-1.0%	0.4%	-0.9%	1.5%	-5.7%	15.6%	-9.6%	2/4/2011	15.5%	7/19/2010
Innergex Renewable Energy Inc.**	INE	OP	10.24	-0.8%	2.4%	4.2%	2.6%	9.3%	3.1%	16.8%	-4.5%	1/5/2011	21.8%	9/8/2010
Pacific Northern Gas**	PNG	MKT	28.26	-1.4%	-2.0%	-1.0%	-0.4%	18.7%	15.4%	41.3%	-8.5%	6/2/2011	42.6%	7/19/2010
TransAlta Corporation**	TA	Und	20.64	-0.7%	0.2%	0.6%	0.2%	2.0%	-2.4%	0.4%	-7.2%	10/1/2010	5.8%	3/15/2011
Average				-0.4%	0.6%	1.4%	1.2%	8.8%	5.0%	22.6%	-5.2%		27.8%	
Indices/Treasury														
Spot Henry Hub Natural Gas	NGUSHHUB		4.59	2.2%	5.3%	4.6%	7.2%	8.5%	8.5%	-1.7%	NA	NA	NA	NA
Spot WTI	USCRWTIC		95.93	-1.4%	0.8%	3.1%	0.5%	-10.5%	5.0%	26.2%	NA	NA	NA	NA
OIL SERVICE HOLDRS TRUST	OIH US		152.95	-0.5%	1.6%	7.7%	0.6%	-1.2%	9.1%	52.6%	-8.4%	4/6/2011	59.7%	8/27/2010
OIL SERVICE SECTOR INDEX	OSX		268.77	-0.5%	1.2%	7.3%	0.3%	-4.2%	9.6%	55.4%	-10.7%	4/6/2011	NA	NA
AMEX NATURAL GAS INDEX	XNG		681.98	-0.7%	2.9%	5.3%	1.0%	2.9%	12.6%	36.8%	-3.5%	5/2/2011	900.0%	7/19/2010
SPDR S&P OIL & GAS EXPLORATI	XOP US		61.60	-0.9%	5.3%	12.2%	4.8%	2.4%	16.8%	56.8%	-6.3%	4/6/2011	64.5%	8/25/2010
PHLA UTILITY INDEX	UTY		441.87	-1.0%	-1.1%	-0.2%	-1.3%	3.8%	4.7%	10.2%	-3.1%	5/16/2011	NA	NA
S&P 500 INDEX	SPX		1,305.44	-0.8%	-1.1%	2.7%	-1.2%	0.0%	3.8%	22.6%	-4.8%	5/2/2011	NA	NA
US Generic Govt 10 Year Yield	USGG10YR		2.93	0.8%	0.3%	-0.6%	-7.4%	-13.2%	-11.1%	0.2%	NA	NA	NA	NA
S&P/TSX COMPOSITE INDEX	SPTSX		13,254.14	-0.3%	0.6%	3.6%	-0.4%	-3.3%	-1.4%	14.6%	-7.5%	3/7/2011	2.9%	12/15/2010
Canadian Govt Bonds 10 Year No	GCAN10YR		2.87	-0.2%	-0.8%	-2.6%	-7.7%	-11.2%	-8.1%	-9.3%				

* All Data in C$ unless otherwise indicated

** Covered by Michael McGowan at our Canadian Affiliate, BMO Nesbitt Burns Inc

***1-Day / 5-Day / 1-Month / 1-Year measures mentioned period performance from 07.15.11/07.12.11/6.15.11/07.15.10

Mkt= Market Perform; OP= Outperform; Und= Underperform; R=Restricted

Source: BMO Capital Markets estimates, Bloomberg.

Commodity Review

Exhibit 19: Commodity Outlook

	QUARTERLY									ANNUAL						
	2010					2011								BMO Estimate		
	1Q	2Q	3Q	4Q	2010	1QA	2QA	3QTD	2011	2007A	2008A	2009A	2010A	2011E	2012E	2013E
Commodity Price Summary																
Henry Hub Natural Gas ($/mmbtu)	$5.11	$4.32	$4.28	$3.81	$4.38	$4.18	$4.37	$4.36	$4.28	$6.96	$8.85	$3.94	$4.38	$4.40	$4.50	$5.00
Y/Y % Change	12%	17%	35%	-13%	11%	-18%	1%	2%	-2%	3%	27%	-55%	11%	1%	2%	11%
WTI Crude Oil ($/bbl)	$78.76	$77.93	$76.01	$85.22	$79.49	$94.28	$102.40	$96.59	$98.22	$72.12	$99.53	$61.85	$79.49	$96.00	$95.00	$90.00
Y/Y % Change	83%	31%	12%	12%	29%	20%	31%	27%	24%	9%	38%	-38%	29%	21%	-1%	-5%
NGL Composite (40% ethane)	$1.15	$1.01	$0.95	$1.15	$1.07	$1.25	$1.37	$1.38	$1.32	$1.13	$1.33	$0.80	$1.07	$1.26	$1.18	$1.10
Y/Y % Change	85%	43%	17%	11%	34%	9%	35%	45%	23%	19%	17%	-40%	34%	18%	-6%	-7%
NGL / WTI (% $ basis)	61%	55%	53%	57%	56%	56%	56%	60%	56%	66%	56%	54%	56%	55%	52%	51%
Y/Y % Change	1%	9%	5%	-1%	4%	-9%	3%	14%	0%	10%	-15%	-3%	4%	-2%	-5%	-2%
Frac Spread (Gulf Coast, $/gal)	$0.72	$0.65	$0.59	$0.83	$0.70	$0.90	$1.00	$1.01	$0.96	$0.54	$0.58	$0.46	$0.70	$0.89	$0.80	$0.68
Y/Y % Change	205%	64%	9%	24%	50%	25%	54%	71%	37%	43%	8%	-20%	50%	27%	-9%	-15%
Natural Gas Liquids																
Mont Belvieu (Gulf Coast)																
Ethane	$0.73	$0.55	$0.48	$0.64	$0.60	$0.68	$0.78	$0.80	$0.73	$0.79	$0.90	$0.48	$0.60	$0.58	$0.55	$0.51
Propane	$1.24	$1.09	$1.07	$1.26	$1.16	$1.39	$1.50	$1.52	$1.45	$1.20	$1.42	$0.84	$1.16	$1.49	$1.36	$1.23
Butane	$1.49	$1.40	$1.34	$1.59	$1.46	$1.71	$1.76	$1.74	$1.74	$1.42	$1.68	$1.07	$1.46	$1.71	$1.70	$1.61
Iso-Butane	$1.64	$1.57	$1.43	$1.68	$1.58	$1.65	$2.01	$1.99	$1.94	$1.51	$1.73	$1.19	$1.58	$1.78	$1.74	$1.65
Natural Gasoline	$1.82	$1.81	$1.71	$2.00	$1.84	$2.28	$2.48	$2.44	$2.39	$1.68	$2.10	$1.31	$1.84	$2.51	$2.26	$2.14
MB Composite ($/gal)	$1.15	$1.01	$0.95	$1.15	$1.07	$1.25	$1.37	$1.38	$1.32	$1.13	$1.33	$0.80	$1.07	$1.26	$1.18	$1.10
MB Composite ($/bbl)	$48.40	$42.63	$40.08	$48.40	$44.86	$52.68	$57.61	$57.96	$55.40	$47.56	$55.70	$33.51	$44.86	$52.92	$49.76	$46.31
MB Composite ($/mmbtu)	$13.64	$12.01	$11.30	$13.64	$12.64	$14.85	$16.24	$16.34	$15.61	$13.40	$15.70	$9.44	$12.64	$14.91	$14.02	$13.05
Conway (Midcontinent)																
Ethane	$0.59	$0.32	$0.27	$0.42	$0.40	$0.47	$0.53	$0.56	$0.50	$0.73	$0.81	$0.34	$0.40	$0.51	$0.48	$0.44
Propane	$1.22	$1.03	$1.02	$1.21	$1.12	$1.29	$1.40	$1.44	$1.35	$1.19	$1.40	$0.81	$1.12	$1.42	$1.29	$1.17
Butane	$1.45	$1.32	$1.33	$1.59	$1.42	$1.67	$1.73	$1.70	$1.70	$1.36	$1.55	$0.97	$1.42	$1.65	$1.63	$1.54
Iso-Butane	$1.59	$1.45	$1.41	$1.62	$1.52	$1.85	$1.92	$1.91	$1.89	$1.55	$1.70	$1.14	$1.52	$1.70	$1.68	$1.59
Natural Gasoline	$1.82	$1.74	$1.64	$1.93	$1.78	$2.26	$2.38	$2.29	$2.32	$1.72	$2.05	$1.33	$1.78	$2.45	$2.20	$2.08
CW Composite ($/gal)	$1.08	$0.88	$0.85	$1.04	$0.96	$1.14	$1.22	$1.23	$1.19	$1.10	$1.27	$0.72	$0.96	$1.20	$1.14	$1.06
CW Composite ($/bbl)	$45.39	$36.90	$35.56	$43.63	$40.35	$47.97	$51.19	$51.71	$49.77	$46.38	$53.17	$30.10	$40.35	$50.36	$48.05	$44.61
CW Composite ($/mmbtu)	$12.79	$10.40	$10.02	$12.30	$11.37	$13.52	$14.43	$14.57	$14.03	$13.07	$14.99	$8.48	$11.37	$14.19	$13.54	$12.57
NGL Basis Differential																
Mont Belvieu-Conway ($/gal)	($0.07)	($0.14)	($0.11)	($0.11)	($0.11)	($0.11)	($0.15)	($0.15)	($0.13)	($0.03)	($0.06)	($0.08)	($0.11)	($0.06)	($0.04)	($0.04)
Frac Spread Margin																
Gulf Coast ($/mmbtu)	$8.53	$7.69	$7.02	$9.83	$8.27	$10.67	$11.87	$11.97	$11.34	$6.44	$6.84	$5.50	$8.27	$10.51	$9.52	$8.05
Gulf Coast ($/gal)	$0.72	$0.65	$0.59	$0.83	$0.70	$0.90	$1.00	$1.01	$0.96	$0.54	$0.58	$0.46	$0.70	$0.89	$0.80	$0.68
Conway ($/mmbtu)	$7.53	$6.14	$5.87	$6.34	$6.97	$9.19	$10.07	$10.23	$9.68	$6.55	$7.43	$4.83	$6.97	$9.94	$9.24	$7.92
Conway ($/gal)	$0.64	$0.52	$0.50	$0.70	$0.59	$0.78	$0.85	$0.86	$0.82	$0.55	$0.63	$0.41	$0.59	$0.84	$0.78	$0.67
Correlations																
NGL / WTI (% $ basis)	61%	55%	53%	57%	56%	56%	56%	60%	56%	66%	56%	54%	56%	55%	52%	51%
Heavy NGL / WTI (% $ basis)	77%	72%	70%	74%	73%	74%	72%	77%	73%	79%	68%	68%	73%	75%	71%	70%
Ethane / Nat Gas (btu basis)	217%	193%	171%	254%	208%	239%	271%	279%	258%	173%	154%	186%	208%	200%	185%	155%

Exhibit 20: BMO Crude Oil Forecast

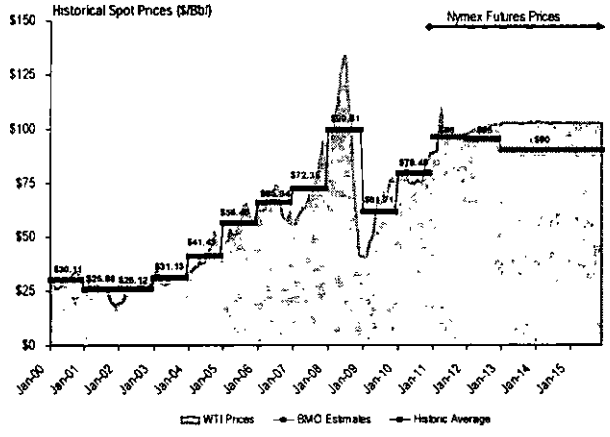
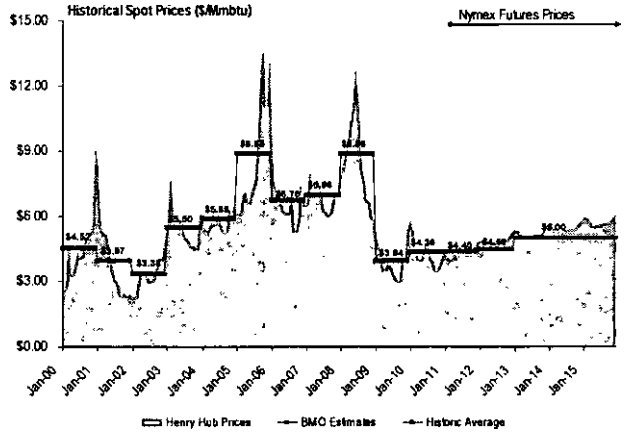


Exhibit 21: BMO Natural Gas Forecast



Source (all Exhibits): BMO Capital Markets estimates, Bloomberg.

Exhibit 22: BMO EIA Natural Gas Supply-Demand Data

	US Natural Gas Supply (Bcf/d)						US Natural Gas Demand (Bcf/d)								Storage		"Error"	
	Domestic Dry Gas Production	Pipeline Imports	LNG Imports	Pipeline Exports	LNG Exports	Total Supply	Residential Consumption	Commercial Consumption	Industrial	Power	Lease, Pipe & Other	Total Implied Demand	Balancing "Other"	Storage	Monthly	Weekly	Other (% Dmd)	Storage (Bcf/d)
2010A																		
Jan	57.1	10.6	1.8	2.9	0.1	66.5	31.2	16.7	19.9	17.6	6.0	91.4	1.3	(26.2)	(812.3)	(789.1)	1.4%	0.7
Feb	57.9	9.9	1.4	3.0	0.1	66.3	29.5	16.5	20.4	17.0	6.0	89.4	(1.0)	(22.1)	(619.9)	(648.3)	-1.1%	(1.0)
Mar	58.8	9.1	1.1	3.1	0.1	65.7	19.5	11.3	18.6	14.6	5.5	69.7	(2.8)	(1.2)	(35.7)	(43.0)	-4.0%	(0.2)
Apr	58.9	8.5	1.4	2.4	0.1	66.3	10.8	7.5	17.3	15.7	5.2	56.5	(2.1)	11.8	355.1	334.9	-3.7%	(0.7)
May	58.8	8.4	1.1	2.7	0.1	65.6	6.6	5.4	17.0	18.1	5.1	52.1	0.3	13.2	408.8	404.4	0.6%	(0.1)
Jun	58.0	8.3	0.9	2.8	0.1	64.3	4.6	4.4	17.1	23.6	5.1	54.8	(1.1)	10.7	320.6	340.3	-2.0%	0.7
Jul	58.4	9.4	0.9	2.6	0.1	65.9	3.7	4.0	16.8	29.0	5.2	58.8	(0.1)	7.3	226.6	240.0	-0.2%	0.4
Aug	59.5	9.1	0.5	2.7	0.1	66.4	3.6	4.2	16.9	30.6	5.3	60.6	(0.2)	6.0	186.0	185.9	-0.3%	(0.0)
Sep	60.0	8.4	0.8	2.4	0.2	66.6	4.0	4.5	17.3	23.2	5.2	54.3	0.6	11.8	352.9	347.7	1.1%	(0.2)
Oct	60.0	8.4	1.0	2.8	0.1	66.5	6.7	6.1	17.0	18.3	5.2	53.3	1.8	11.4	352.4	339.6	3.5%	(0.4)
Nov	60.8	8.0	0.7	3.8	0.1	65.7	15.3	9.8	18.6	16.4	5.6	65.6	2.5	(2.5)	(74.1)	(63.3)	3.9%	0.4
Dec	61.2	10.4	0.6	3.9	0.1	68.2	28.1	15.5	20.0	18.1	6.2	87.9	1.9	(21.5)	(665.8)	(666.1)	2.1%	(0.0)
FY	59.1	9.1	1.0	2.9	0.1	66.2	13.6	8.8	18.1	20.2	5.5	66.1	0.1	(0.0)	(5.3)	(17.1)	0.2%	(0.0)
2011E Deltas																		
Jan	3.8	0.1	(0.7)	1.0	0.0	2.2	0.1	0.2	0.9	0.1	0.3	1.4	0.3	0.4				
Feb	2.0	(0.0)	(0.6)	1.3	0.0	0.1	(1.7)	(1.0)	0.5	0.2	0.1	(1.9)	0.7	1.3				
Mar	3.4	(0.1)	(0.1)	1.4	0.0	1.9	0.0	0.3	0.5	0.9	0.3	2.1	3.3	(3.5)				
Apr	4.0	(0.3)	(0.7)	1.6	(0.1)	1.5	0.7	0.3	1.1	1.2	0.3	3.7	2.5	(4.8)				
May	1.2	0.0	(0.1)	0.0	0.0	1.1	0.0	0.0	0.3	0.4	0.0	0.7	0.0	0.4				
Jun	1.7	0.0	0.0	0.0	0.0	1.7	0.0	0.0	0.3	0.5	0.0	0.8	0.0	0.9				
Jul	1.8	(0.5)	0.0	0.0	0.0	1.3	0.0	0.0	0.3	0.6	0.0	0.9	0.0	0.4				
Aug	0.6	(0.5)	0.4	0.0	0.0	0.5	0.0	0.0	0.3	0.6	0.0	1.0	0.0	(0.4)				
Sep	0.0	0.0	0.2	0.0	0.0	0.2	0.0	0.0	0.3	0.5	0.0	0.8	0.0	(0.6)				
Oct	0.0	0.0	0.2	0.0	0.0	0.2	0.0	0.0	0.3	0.4	0.0	0.7	0.0	(0.5)				
Nov	0.0	0.4	0.2	0.0	0.0	0.6	0.0	0.0	0.4	0.3	0.0	0.7	0.0	(0.1)				
Dec	0.0	0.0	0.2	0.0	0.0	0.2	0.0	0.0	0.4	0.4	0.0	0.8	0.0	(0.6)				
FY	1.5	(0.1)	(0.1)	0.4	(0.0)	1.0	(0.1)	(0.0)	0.5	0.5	0.1	1.0	0.6	(0.6)				
Jan	6.8%	1.0%	-39.0%	32.4%	13.6%	3.3%	0.2%	1.0%	4.3%	0.5%	4.5%	1.6%	26.9%	-1.7%				
Feb	3.5%	-0.5%	-42.1%	44.7%	11.0%	0.1%	-5.6%	-5.9%	2.4%	1.3%	1.1%	-2.1%	-67.7%	-5.7%				
Mar	5.9%	-0.7%	-13.0%	43.1%	15.1%	2.8%	0.1%	3.0%	2.7%	6.5%	4.9%	3.0%	-119.4%	306.3%				
Apr	6.8%	-3.8%	-50.6%	65.3%	-44.6%	2.2%	6.8%	4.4%	6.6%	7.7%	6.7%	6.6%	-120.5%	-40.2%				
May	2.0%	0.0%	-10.0%	0.0%	0.0%	1.6%	0.0%	0.0%	2.0%	2.0%	0.0%	1.3%	0.0%	2.8%				
Jun	3.0%	0.0%	0.0%	0.0%	0.0%	2.7%	0.0%	0.0%	2.0%	2.0%	0.0%	1.5%	0.0%	8.7%				
Jul	3.0%	-5.0%	0.0%	0.0%	0.0%	1.5%	0.0%	0.0%	2.0%	2.0%	0.0%	1.6%	0.0%	5.0%				
Aug	1.0%	-5.0%	75.0%	0.0%	0.0%	0.8%	0.0%	0.0%	2.0%	2.0%	0.0%	1.6%	0.0%	-6.9%				
Sep	0.0%	0.0%	25.0%	0.0%	0.0%	0.3%	0.0%	0.0%	2.0%	2.0%	0.0%	1.5%	0.0%	-5.1%				
Oct	0.0%	0.0%	25.0%	0.0%	0.0%	0.4%	0.0%	0.0%	2.0%	2.0%	0.0%	1.3%	0.0%	-4.0%				
Nov	0.0%	5.0%	25.0%	0.0%	0.0%	0.9%	0.0%	0.0%	2.0%	2.0%	0.0%	1.1%	0.0%	4.5%				
Dec	0.0%	0.0%	25.0%	0.0%	0.0%	0.2%	0.0%	0.0%	2.0%	2.0%	0.0%	0.9%	0.0%	2.8%				
FY	2.6%	-0.8%	-8.6%	14.7%	-2.9%	1.4%	-0.5%	-0.1%	2.7%	2.5%	1.5%	1.5%	547.5%	NM				
2011E Outlook																		
Jan	60.9	10.7	1.1	3.9	0.1	68.7	31.3	16.9	20.7	17.6	6.3	92.8	1.6	(25.8)	(798.7)	(823.4)	1.8%	(0.8)
Feb	60.0	9.9	0.8	4.3	0.1	66.3	27.8	15.5	20.8	17.2	6.1	87.5	(0.3)	(20.9)	(584.3)	(916.3)	-0.4%	(11.9)
Mar	62.2	9.0	1.0	4.5	0.1	67.6	19.6	11.7	19.1	15.5	5.8	71.7	0.5	(4.7)	(145.0)	(853.0)	0.8%	(22.8)
Apr	62.9	8.2	0.7	4.0	0.1	67.7	11.5	7.8	18.4	16.9	5.6	60.2	0.4	7.1	212.8	181.6	0.7%	(1.0)
May	60.0	8.4	1.0	2.7	0.1	66.7	6.6	5.4	17.3	18.4	5.1	52.8	0.3	13.6	420.2	385.7	0.6%	(1.1)
Jun	59.7	8.3	0.9	2.8	0.1	66.1	4.6	4.4	17.4	24.0	5.1	55.6	(1.1)	11.6	348.4	360.7	-2.0%	0.4
Jul	60.1	8.9	0.9	2.6	0.1	67.2	3.7	4.0	17.1	29.6	5.2	59.7	(0.1)	7.7	237.9	25.6	-0.2%	(6.8)
Aug	60.1	8.7	0.9	2.7	0.1	67.0	3.6	4.2	17.3	31.2	5.3	61.6	(0.2)	5.6	173.2		-0.3%	0.0
Sep	60.0	8.4	1.1	2.4	0.2	66.8	4.0	4.5	17.6	23.7	5.2	55.1	0.6	11.2	335.0		1.0%	0.0
Oct	60.0	8.4	1.2	2.8	0.1	66.8	6.7	6.1	17.4	18.6	5.2	54.0	1.8	10.9	338.2		3.4%	0.0
Nov	60.8	8.4	0.9	3.8	0.1	66.3	15.3	9.8	18.9	16.8	5.6	66.3	2.5	(2.6)	(77.5)		3.8%	0.0
Dec	61.2	10.4	0.8	3.9	0.1	68.4	28.1	15.5	20.4	18.5	6.2	88.6	1.9	(22.1)	(684.6)		2.1%	0.0
FY	60.7	9.0	0.9	3.4	0.1	67.1	13.5	8.8	18.5	20.7	5.6	67.1	0.7	(0.7)	(224.9)		1.0%	0.0

Storage @ 07/08/11	2,611
Est. Storage @ 9/31/11	1,585
Est. Storage @ 10/31/11	2,723

Source: BMO Capital Markets estimates, EIA.

Exhibit 23: U.S. Natural Gas Storage

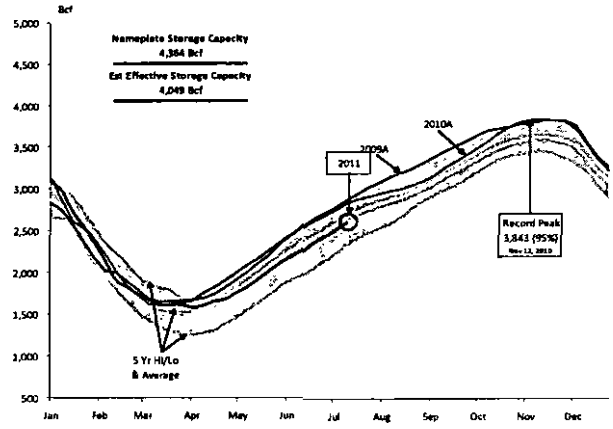


Exhibit 24: Canadian Natural Gas Storage

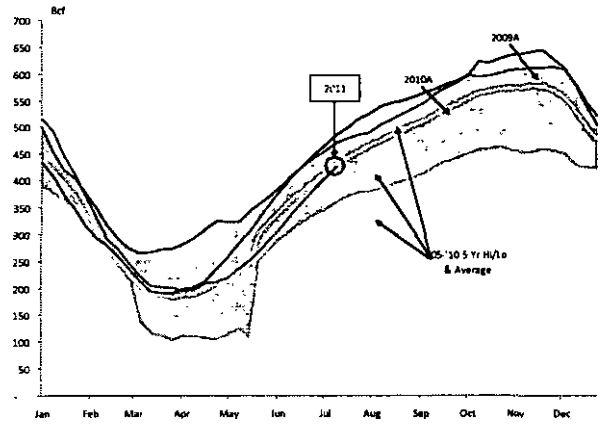


Exhibit 25: U.S. Onshore Production

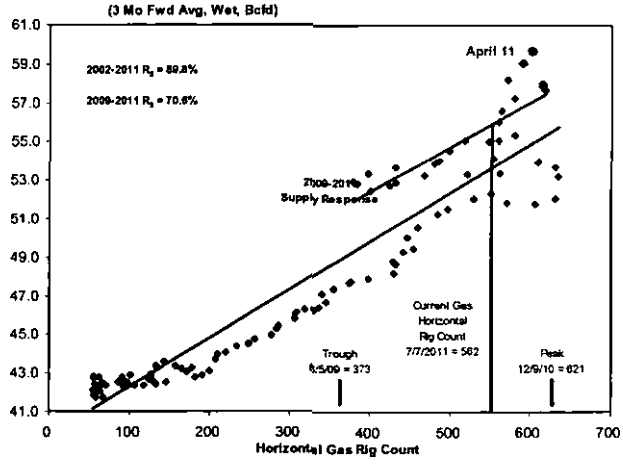


Exhibit 26: Alberta Gathering Receipts

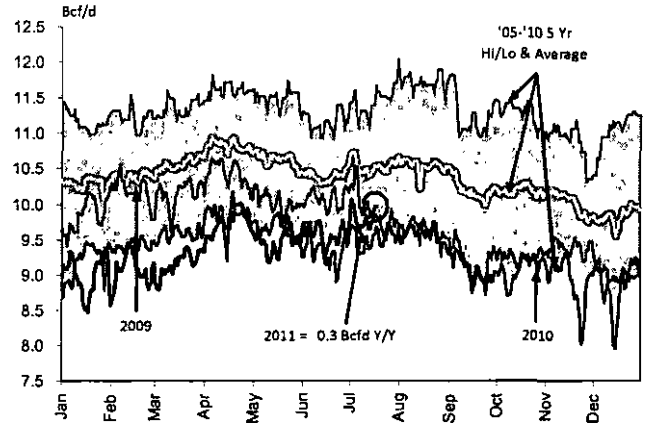


Exhibit 27: Degree Day Variance

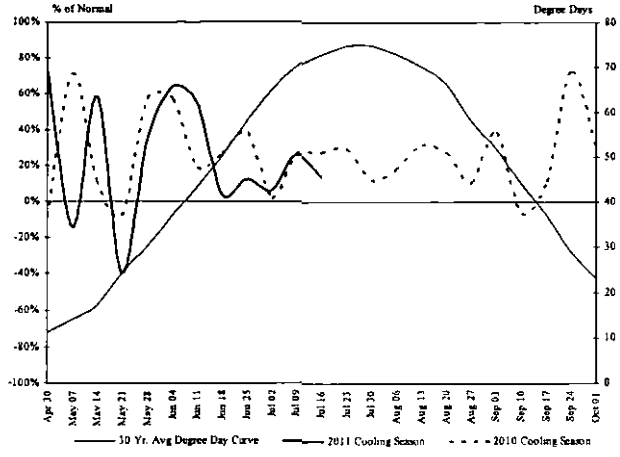
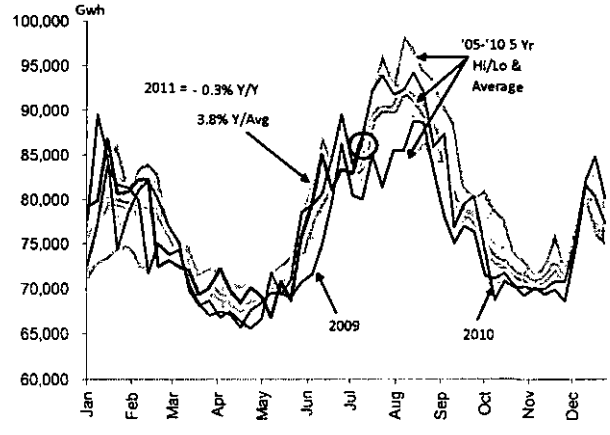


Exhibit 28: U.S. Electricity Output



Source (all Exhibits): BMO Capital Markets estimates, Bloomberg, EIA.

Midstream/Natural Gas Liquids

Exhibit 29: Historic NGL Prices

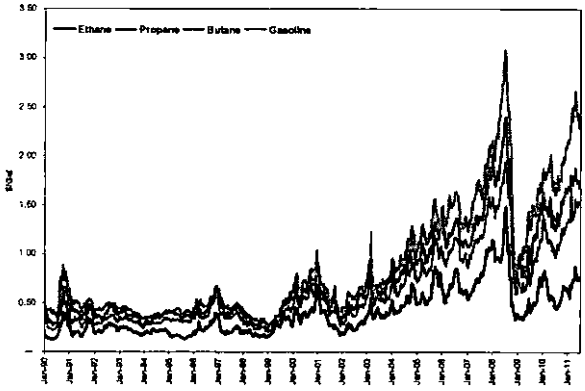


Exhibit 30: Average NGL Barrel % WTI Crude

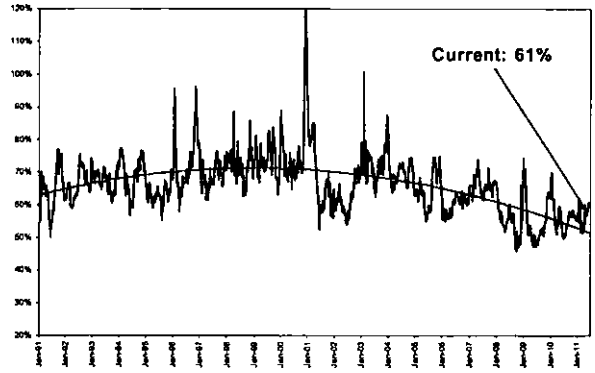


Exhibit 31: Keep-Whole "Frac" Spreads

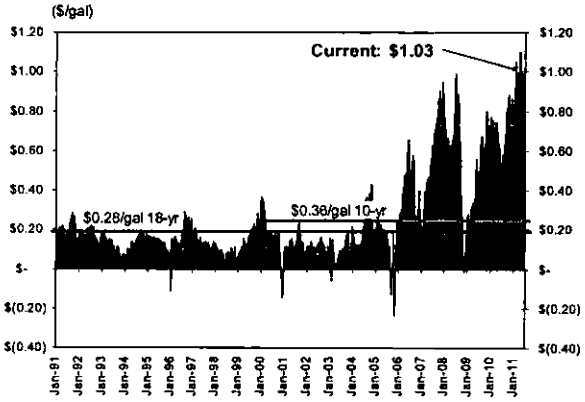


Exhibit 32: Oil – Gas Ratio

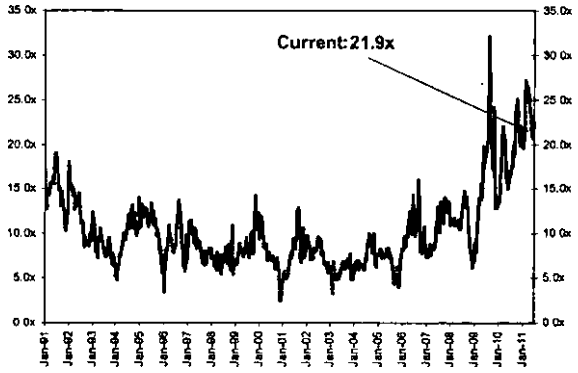


Exhibit 33: Ethane % Henry Hub Natural Gas

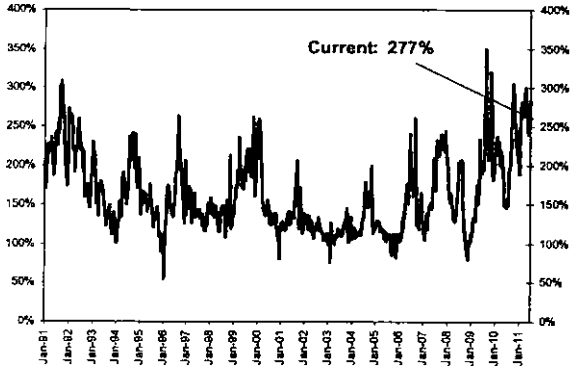
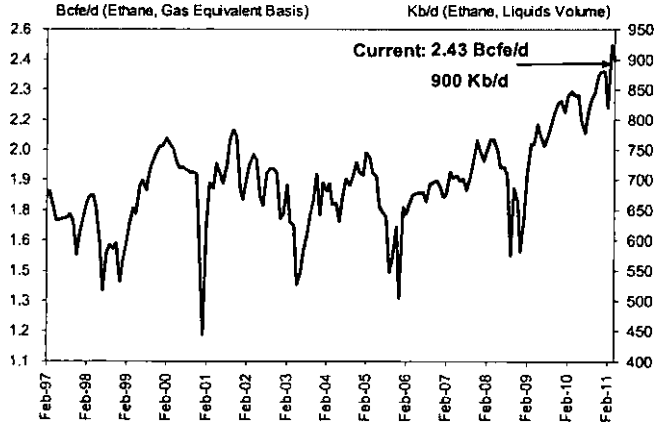


Exhibit 34: U.S. Monthly Ethane Production



Source (all Exhibits): BMO Capital Markets estimates, Bloomberg.

Exhibit 35: Mt. Belvieu Premium to Conway

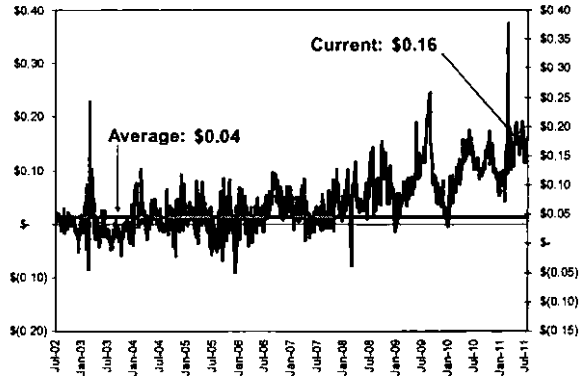


Exhibit 36: NGL Storage

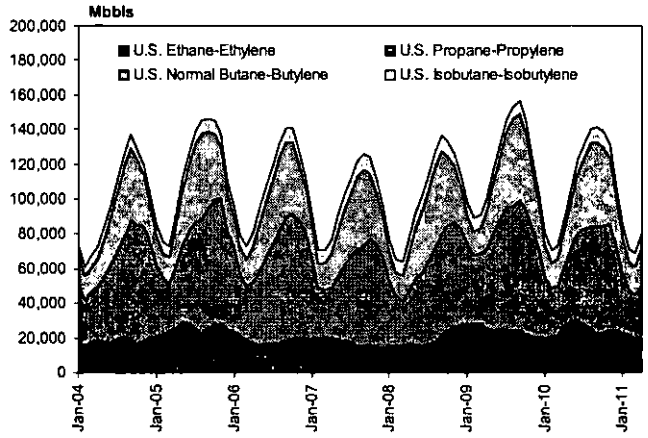


Exhibit 37: Chemical Rail Car Loadings

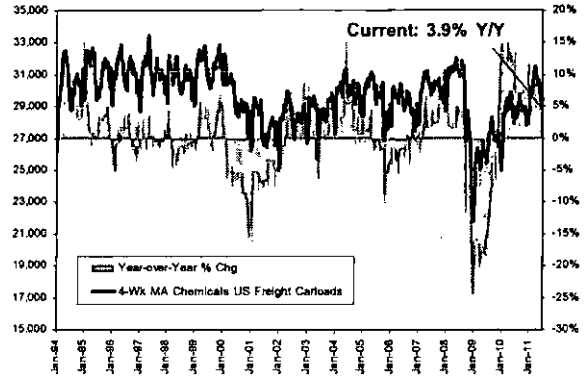


Exhibit 38: Ethane vs. Naphtha (Gulf Coast)

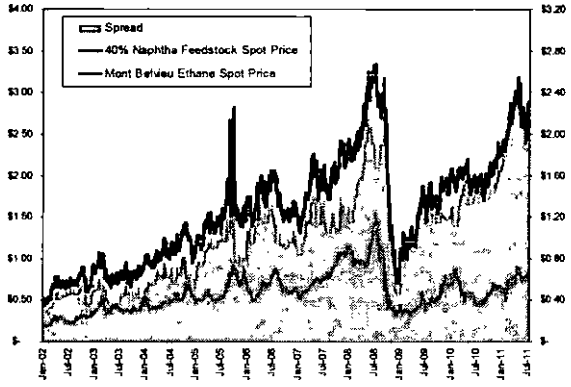


Exhibit 39: Petrochemical Price Trends

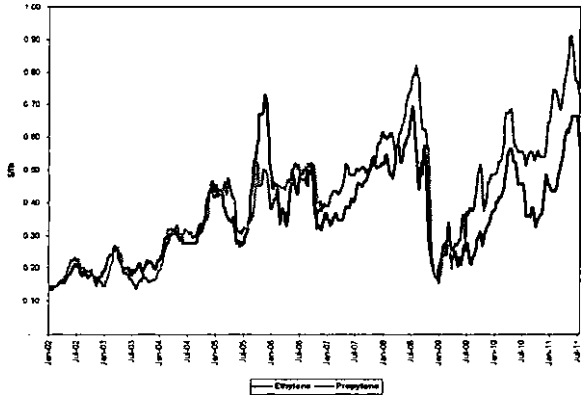
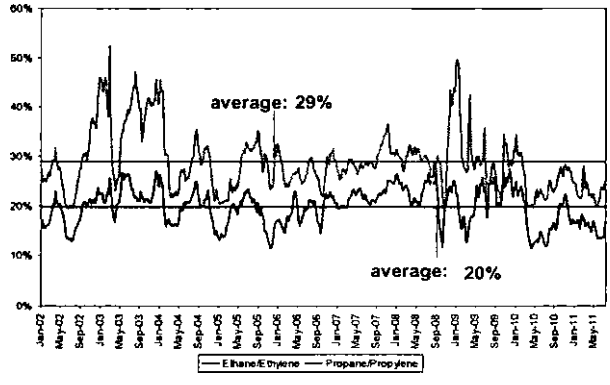


Exhibit 40: NGL/Petchem Price Correlation



Source (all Exhibits): BMO Capital Markets estimates, Bloomberg.

LNG Update

Exhibit 41: LNG Outlook

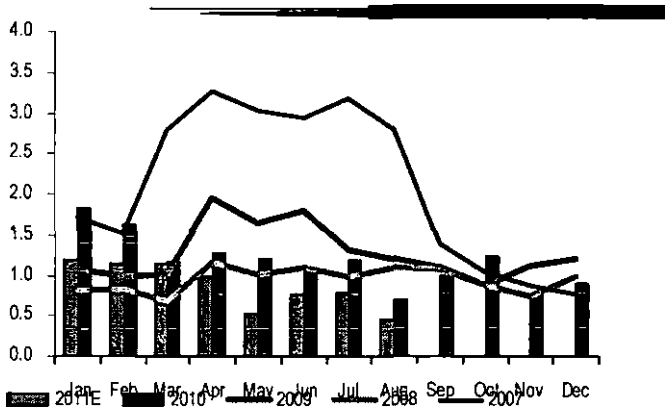


Exhibit 42: 2011 US LNG Imports by Terminal

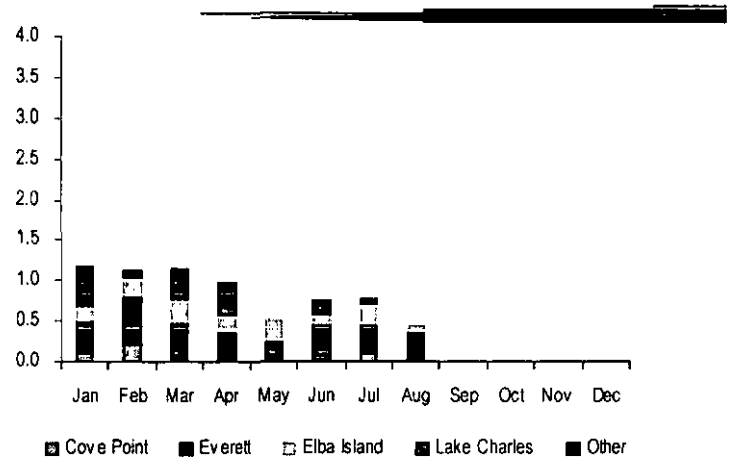


Exhibit 43: Global Liquefaction Outlook

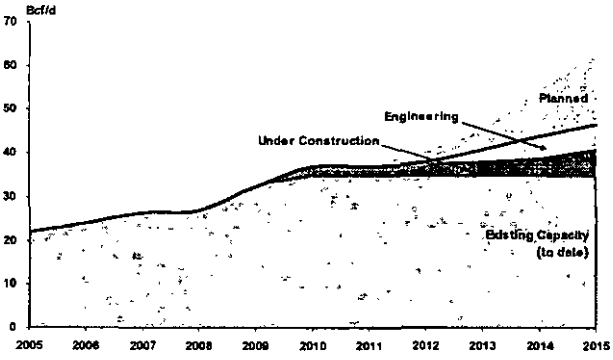


Exhibit 44: UK vs. US Natural Gas Price

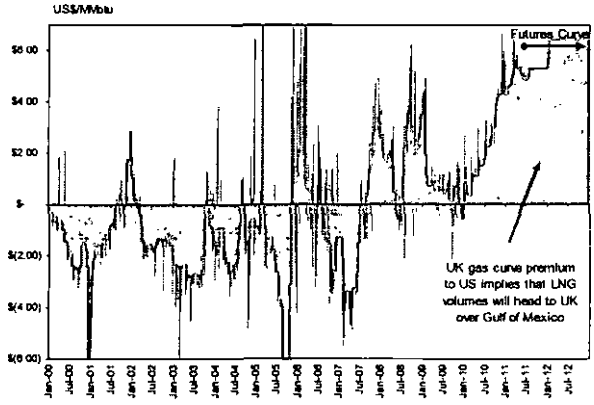
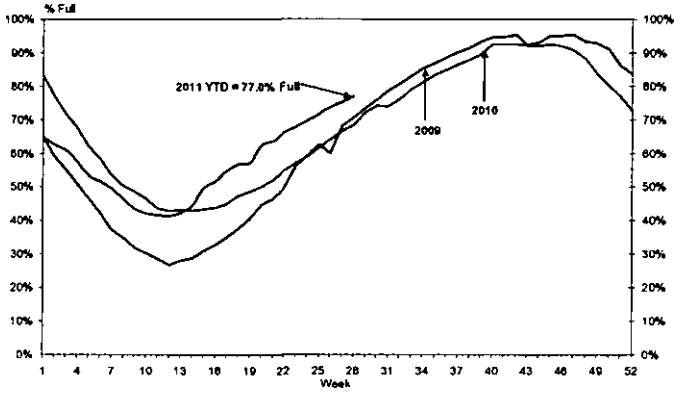


Exhibit 45: Global LNG Price Comparison

	Atlantic	Algeria	Belgium	Brazil	Canaport	Chile	Cove Point	India	France	Japan	Korea	Lake Charles	Spain	Taiwan	UK
Market**	$4.61	$13.98	$8.73	$8.93	$4.51	$13.63	$4.39	$12.67	$8.03	$13.91	$13.79	$3.98	$8.56	$13.75	$8.3
Algeria	$3.07	$12.19	$6.17	$7.68	$3.50	$10.78	$3.17	$10.93	$6.56	$10.72	$10.68	$2.43	$6.31	$10.83	$7.6
Egypt	$2.66	$12.19	$7.71	$7.74	$1.50	$11.26	$2.69	$11.40	$6.10	$11.22	$11.20	$1.95	$6.96	$11.43	$7.4
Nigeria	$2.72	$12.54	$7.38	$7.95	$3.00	$10.66	$2.78	$10.52	$7.79	$10.62	$10.62	$2.07	$6.36	$10.66	$7.1
Norway	$3.01	$11.62	$6.22	$7.20	$3.50	$6.68	$3.08	$10.09	$6.40	$9.62	$10.62	$2.36	$6.56	$10.05	$7.8
Peru	$1.58	$12.97	$5.73	$7.24	$1.64	$10.56	$1.53	$9.17	$6.02	$11.33	$10.98	$0.93	$6.65	$10.80	$5.3
Qatar	$1.36	$11.34	$6.54	$6.41	$1.84	$11.84	$1.52	$12.19	$6.84	$11.93	$11.91	$0.73	$7.84	$12.11	$6.2
Trinidad	$3.85	$12.56	$7.48	$6.12	$3.78	$9.78	$3.74	$8.82	$7.85	$9.72	$9.69	$3.20	$8.31	$8.95	$7.2
Yemen	$1.88	$11.84	$7.01	$6.56	$2.32	$11.94	$2.01	$12.19	$7.42	$11.93	$11.91	$1.23	$8.31	$12.11	$6.7

** Estimated August 2011 landed price

Exhibit 46: European Natural Gas Storage



Source (all Exhibits): Bloomberg, Waterborne, LNG Unlimited, EIA, IEA, Gas Infrastructure Europe, BMO Capital Markets estimates.

Basis and Transportation Update

Exhibit 47: US Gas Prices and Basis Differentials to Henry Hub ($/Mmbtu) – July 18, 2011

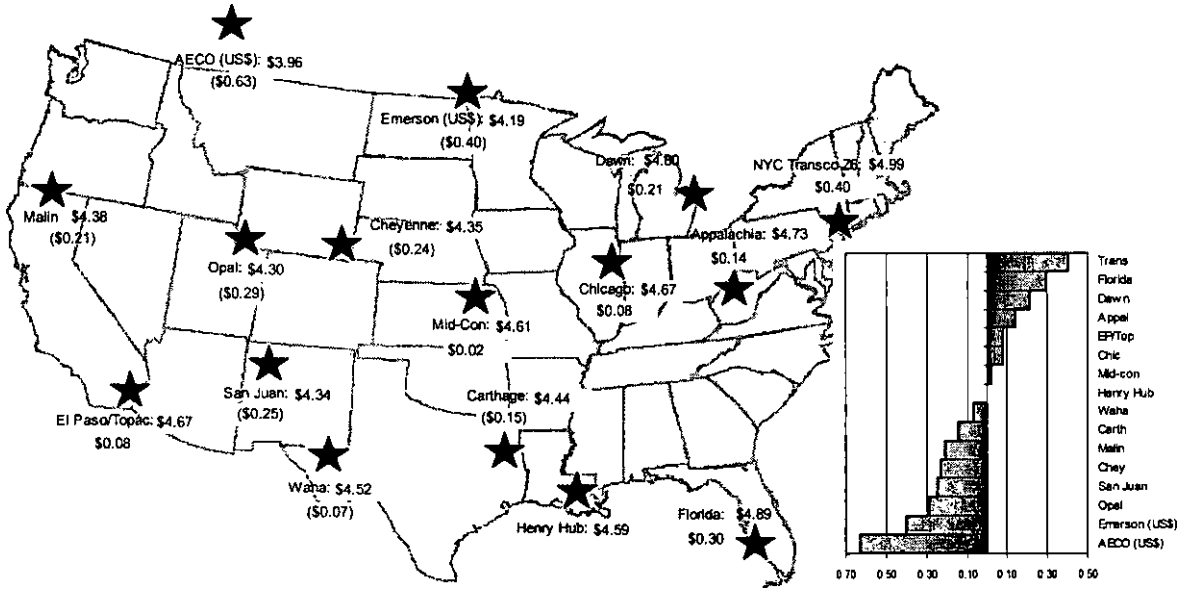
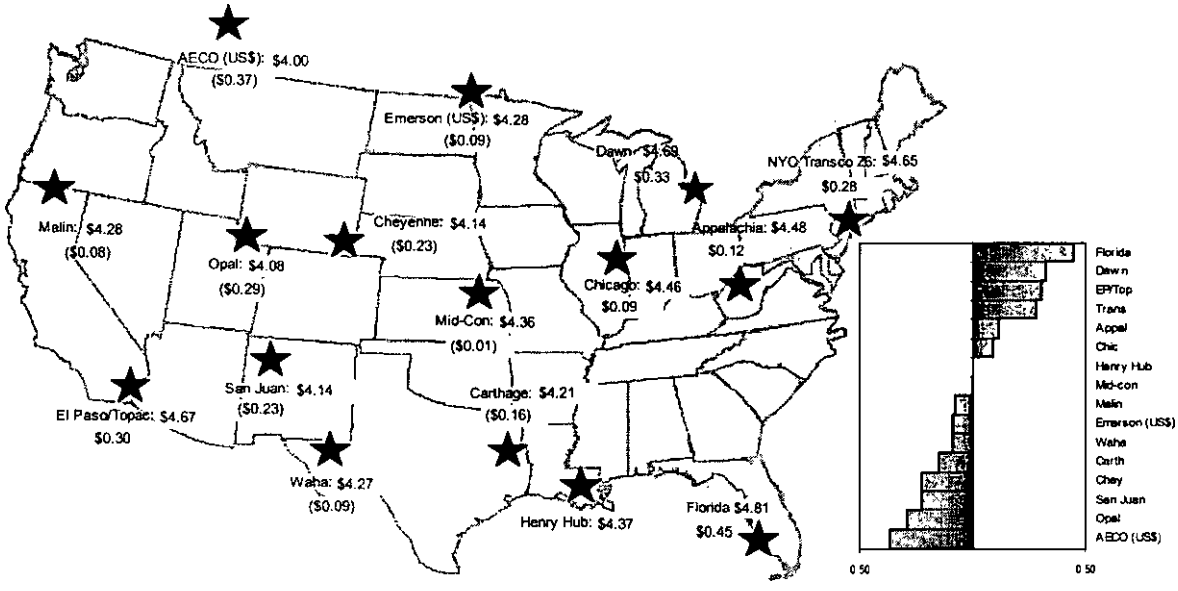


Exhibit 48: US Gas Prices and Basis Differentials to Henry Hub ($/Mmbtu) – 3rd Quarter to Date



Source (all Exhibits): BMO Capital Markets estimates, Bloomberg.

Exhibit 49: NY Transco Zone 6 Basis

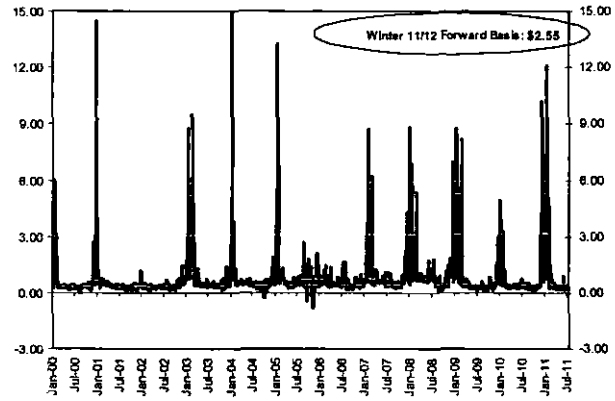


Exhibit 50: Appalachia Basis

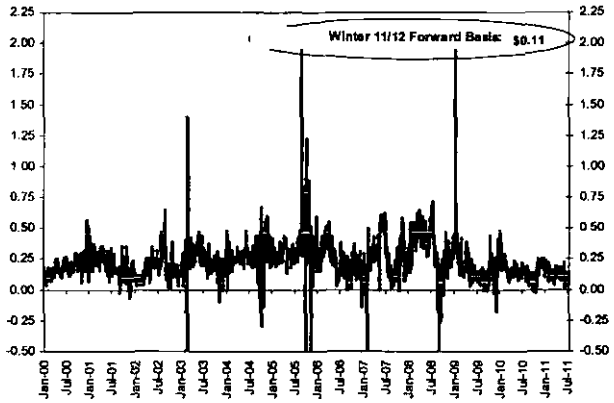


Exhibit 51: Mid Continent Basis

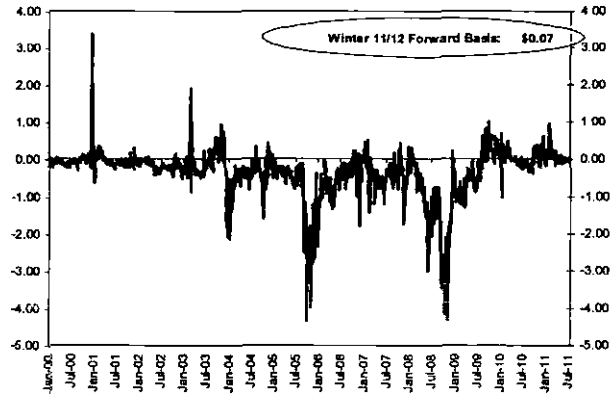


Exhibit 52: AECO Basis

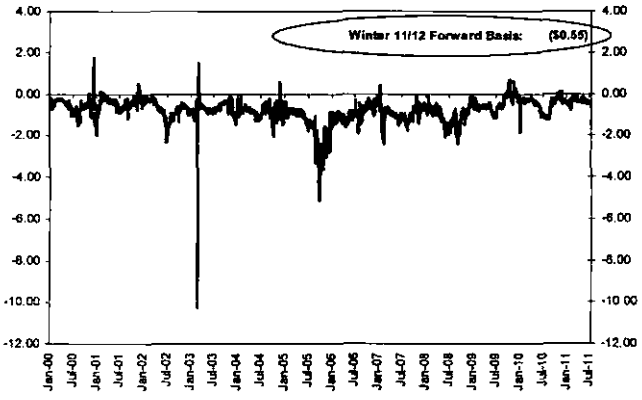


Exhibit 53: Rockies Basis

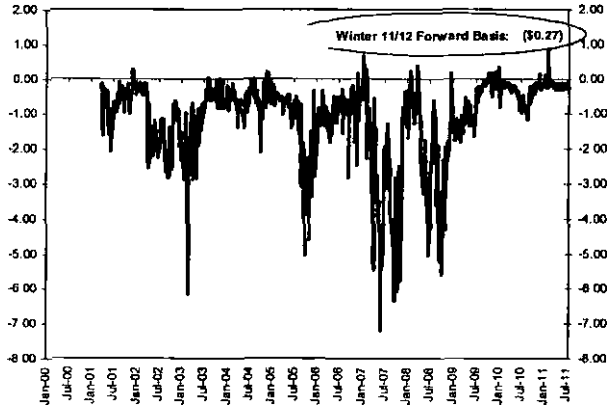
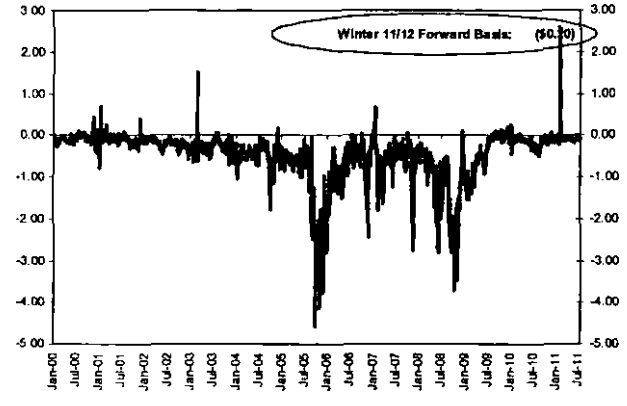


Exhibit 54: Waha Basis



Source (all Exhibits): BMO Capital Markets estimates, Bloomberg.

Relative Coal / Natural Gas Thermal Comparisons

Exhibit 55: Weighted Avg Coal vs. Natural Gas

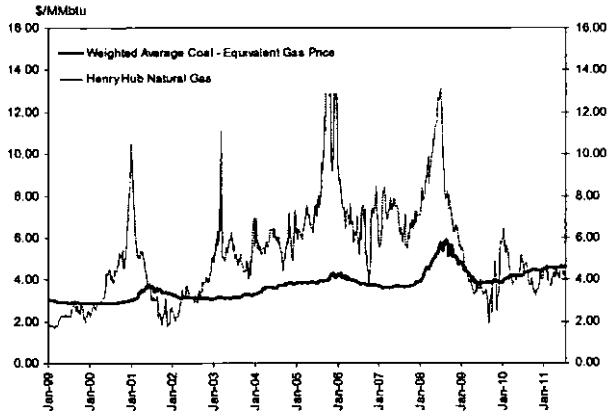


Exhibit 56: NAPP Coal vs. Natural Gas

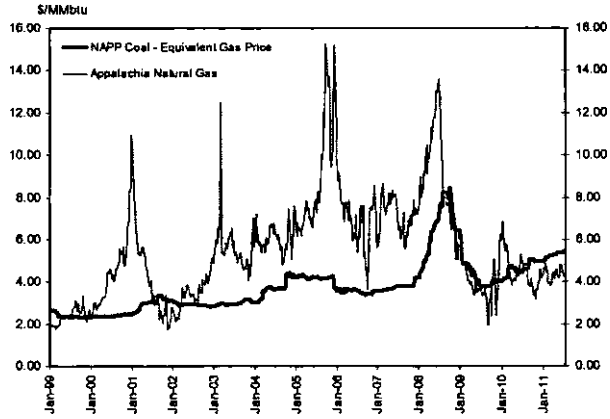


Exhibit 57: CAPP Coal vs. Natural Gas

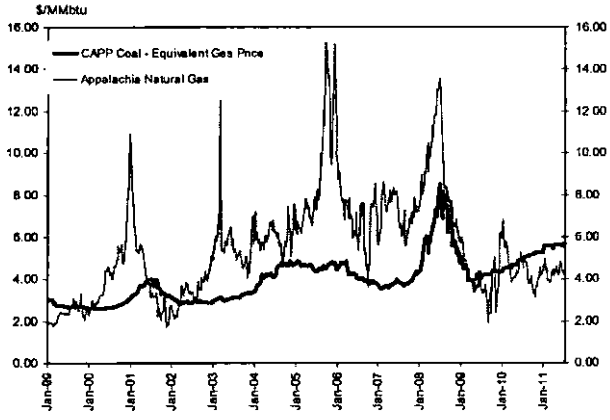


Exhibit 58: Interior Coal vs. Natural Gas

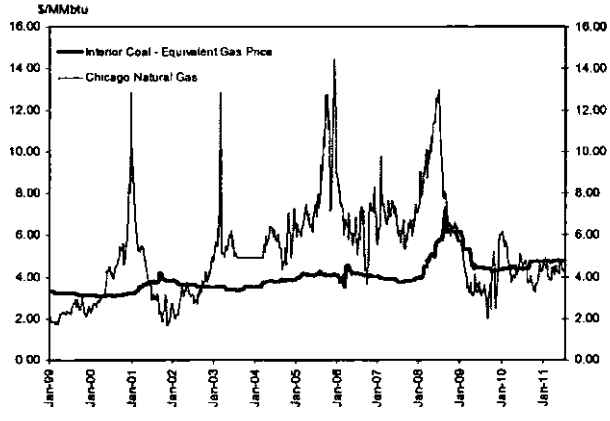


Exhibit 59: Southwest Coal vs. Natural Gas

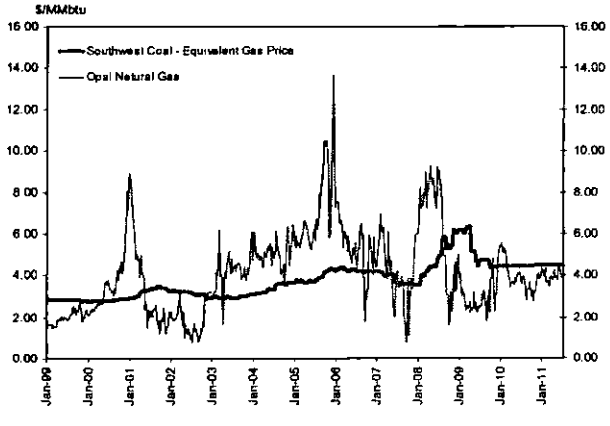
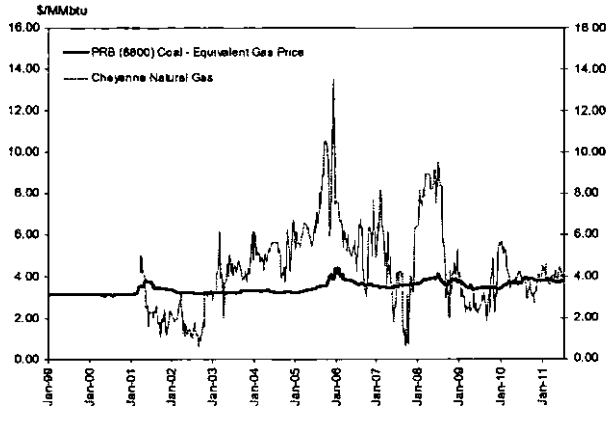


Exhibit 60: PRB Coal vs. Natural Gas



Source (all Exhibits): BMO Capital Markets estimates, Bloomberg.

Exhibit 61: BMO Natural Gas-Coal Switching Parity

Industry Assumptions:

	NAPP	CAPP	Interior	Southwest	PRB
Heat Content (Btu/lb)	13,000	12,500	11,800	11,500	8,800
Heat Content (MMBtu/ton)	26.0	25.0	23.6	23.0	17.6
SO_3 Content (lb/Mmbtu)	3.0	1.2	5.0	1.0	0.8
SO_2 Content (% coal)	3.9%	1.6%	6.5%	1.3%	1.0%
NO_2 Content (lb/Mmbtu)	0.37	0.37	0.37	0.37	0.37
NO_2 Content (% coal)	0.5%	0.5%	0.5%	0.5%	0.5%
CO_2 Content (lb/Mmbtu)	210	210	210	210	205
Coal Plant Heat Rate (btu/kwh)	10,000	10,000	10,000	10,000	10,000
CCGT Heat Rate (btu/kwh)	7,500	7,500	7,500	7,500	7,500

Pricing Assumptions:

	NAPP	CAPP	Interior	Southwest	PRB
Minehead Coal Spot Price ($/ton)	$78.20	$79.65	$47.80	$41.00	$13.80
Transportation Expense	$20.00	$20.00	$30.00	$30.00	$30.00
Delivered Coal ($/ton)	$98.20	$99.65	$77.80	$71.00	$43.80
SO_3 Price ($/ton)	$1.88	$1.88	$1.88	$1.88	$1.88
SO_2 Cost ($/coal ton)	$0.07	$0.03	$0.11	$0.02	$0.01
SO_2 Cost ($/MMbtu)	$0.00	$0.00	$0.00	$0.00	$0.00
NO_2 Price ($/ton)	$400.00	$400.00	$400.00	$400.00	$400.00
NO_2 Cost ($/coal ton)	$1.92	$1.85	$1.75	$1.70	$1.30
NO_2 Cost ($/MMbtu)	$0.07	$0.07	$0.07	$0.07	$0.07
CO_2 Price ($/ton)	$0.00	$0.00	$0.00	$0.00	$0.00
CO_2 Cost ($/coal ton)	$0.00	$0.00	$0.00	$0.00	$0.00
CO_2 Cost ($/MMbtu)	$0.00	$0.00	$0.00	$0.00	$0.00
Total Coal Cost ($/ton)	$100.20	$101.53	$79.66	$72.72	$45.12
Total Coal Cost ($/MMbtu)	$3.85	$4.06	$3.38	$3.16	$2.56
Coal Plant Fuel Cost ($/Mwh)	$38.54	$40.61	$33.75	$31.62	$25.63
Plus: Variable O&M ($/Mwh)	$3.00	$3.00	$3.00	$3.00	$4.00
Total Variable Coal Cost ($/Mwh)	$41.54	$43.61	$36.75	$34.62	$29.63
Gas Equivalence					
CCGT Total Variable Fuel Cost ($/Mwh)	$41.54	$43.61	$36.75	$34.62	$29.63
Less: Variable O&M ($/Mwh)	($1.00)	($1.00)	($1.00)	($1.00)	($1.00)
CCGT Fuel Cost ($/Mwh)	$40.54	$42.61	$35.75	$33.62	$28.63
Equivalent Gas Price ($/Mmbtu, at the CCGT)	**$5.40**	**$5.68**	**$4.77**	**$4.48**	**$3.82**
Coal Weightings Across United States	**14%**	**23%**	**10%**	**8%**	**45%**
Weighted Average					**$4.62**

Marginal Coal Capacity MW (11,000+ heat rate)	7,765
Total US Coal Capacity (MW)	336,291
% Marginal Coal Capacity	2.3%
Normal Capacity Factor	65%
Annual Power Volumes Generated (MW)	44,213,910
Coal Displaced (Mmbtu)	442,139,100
Wtd Avg Coal Heat Content (Mmbtu/ton)	21.5
Coal Tons Displaced Anually	20,555,049
"Normalized" Natural Gas Switchable Demand Potential (MMcf/d)	**908.5**

Source : BMO Capital Markets estimates, SNL, EIA.

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- Company Update
- Estimate Change

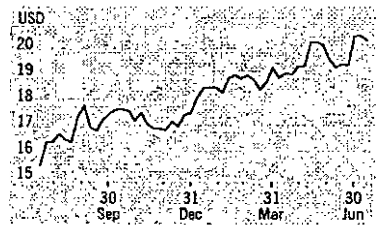
- **Event** - Earlier today, NiSource's regulated electric utility, NIPSCO electric, announced the details of a settlement on its rate case with the Indiana Utility Rate Commission (IURC). The settlements will allow NIPSCO to raise rates by $41 mm. The authorized ROE is 10.2%, on a rate base of $2.3 BN, and a 59% Equity component. NI originally requested a rate increase of $76 mm, 11.75% ROE and target Equity ratio of 46%. Our estimate was for a revenue increase of $50 mm, on a rate base of $2.5 BN and 48% Equity ratio. Overall, we view the outcome of the decision to be constructive.

- **Timing** – We expect the new rates to come in effect starting in 2012. We estimate this will contribute between $0.05-$0.08 to next year's earnings and is slightly lower than what we had estimated in our model. We estimate the achieved ROE following the rate increase will be close to 10% assuming a 59% Equity ratio.

- **Recommendation** – We continue to like management's progress in restoring the earnings power of the electric business and setting NIPSCO Electric up for stable earnings growth through investments in rate base. We maintain our Hold rating and $21 price target.

Hold/Medium Risk	**2M**
Price (19 Jul 11)	US$20.71
Target price	US$21.00
Expected share price return	1.4%
Expected dividend yield	4.4%
Expected total return	**5.8%**
Market Cap	US$5,801M

Price Performance
(RIC: NI.N, BB: NI US)



EPS	Q1	Q2	Q3	Q4	FY	FC Cons
2010A	0.72A	0.10A	0.06A	0.32A	1.19A	1.22A
2011E	**0.67E**	**0.16E**	**0.11E**	**0.47E**	**1.40E**	**1.34E**
Previous	0.67E	0.16E	0.11E	0.47E	1.40E	na
2012E	**0.71E**	**0.20E**	**0.15E**	**0.49E**	**1.54E**	**1.45E**
Previous	0.71E	0.20E	0.15E	0.49E	1.54E	na
2013E	**0.70E**	**0.22E**	**0.16E**	**0.50E**	**1.58E**	**1.50E**
Previous	na	na	na	na	1.58E	na

Source. Company Reports and dataCentral, CIR. FC Cons: First Call Consensus.

Faisel Khan, CFA
+1-212-816-2825
faisel.khan@citi.com

Amit Marwaha
amit.marwaha@citi.com

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Fiscal year end 31-Dec	2009	2010	2011E	2012E	2013E
Valuation Ratios					
P/E adjusted (x)	20.6	17.4	14.8	13.4	13.1
EV/EBITDA adjusted (x)	10.7	10.2	9.6	8.9	8.6
P/BV (x)	1.2	1.2	1.1	1.1	1.1
Dividend yield (%)	4.4	4.4	4.4	4.4	4.4
Per Share Data (US$)					
EPS adjusted	1.00	1.19	1.40	1.54	1.58
EPS reported	0.79	1.21	1.40	1.54	1.58
BVPS	17.57	17.58	18.14	18.71	18.92
DPS	0.92	0.92	0.92	0.92	0.92
Profit & Loss (US$M)					
Net sales	6,297	5,816	5,616	6,155	6,279
Operating expenses	-5,457	-4,921	-4,603	-5,043	-5,130
EBIT	**840**	**895**	**1,013**	**1,112**	**1,149**
Net interest expense	-399	-392	-387	-387	-387
Non-operating/exceptionals	19	19	8	6	0
Pre-tax profit	**459**	**522**	**635**	**731**	**762**
Tax	-183	-188	-228	-263	-274
Extraord./Min.Int./Pref.div.	-59	3	0	0	0
Reported net income	**218**	**337**	**406**	**468**	**487**
Adjusted earnings	277	334	406	468	487
Adjusted EBITDA	1,429	1,491	1,627	1,757	1,824
Growth Rates (%)					
Sales	-29.1	-7.6	-3.4	9.6	2.0
EBIT adjusted	-8.6	6.5	13.2	9.7	3.3
EBITDA adjusted	-3.8	4.4	9.1	8.0	3.8
EPS adjusted	-22.8	19.0	17.1	10.3	2.6
Cash Flow (US$M)					
Operating cash flow	**1,905**	**828**	**760**	**1,154**	**1,143**
Depreciation/amortization	589	596	614	645	675
Net working capital	686	-414	-260	42	-19
Investing cash flow	**-655**	**-943**	**-1,067**	**-1,067**	**-1,067**
Capital expenditure	-777	-804	-1,067	-1,067	-1,067
Acquisitions/disposals	6	1	0	0	0
Financing cash flow	**-1,000**	**211**	**-50**	**-62**	**-284**
Borrowings	-770	453	0	0	0
Dividends paid	-253	-256	-267	-279	-284
Change in cash	**-4**	**38**	**-357**	**26**	**-208**
Balance Sheet (US$M)					
Total assets	**19,272**	**19,939**	**20,234**	**20,813**	**20,571**
Cash & cash equivalent	191	212	203	203	203
Accounts receivable	809	1,178	1,077	1,183	998
Net fixed assets	10,684	11,097	11,551	11,973	12,074
Total liabilities	**14,418**	**15,016**	**14,954**	**15,127**	**14,739**
Accounts payable	502	582	394	485	353
Total Debt	6,787	7,353	7,701	7,675	7,516
Shareholders' funds	**4,854**	**4,923**	**5,280**	**5,686**	**5,831**
Profitability/Solvency Ratios (%)					
EBITDA margin adjusted	22.7	25.6	29.0	28.5	29.0
ROE adjusted	5.8	6.8	8.0	8.5	8.5
ROIC adjusted	4.0	4.2	4.5	4.7	4.8
Net debt to equity	135.9	145.0	142.0	131.4	125.4
Total debt to capital	58.3	59.9	59.3	57.4	56.3

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NiSource Inc

Company description

NiSource Inc (NI) is, primarily, a regulated utility with an integrated network of gas distribution, transportation, and storage assets in the Northeast, Mid-Atlantic, and Midwest. NiSource also operates an electric utility in Northern Indiana.

The company operates four business units, including Gas Distribution, which delivers natural gas in several states; Gas Transmission and Storage Operations, which provide interstate natural gas transmission and storage services from the Gulf of Mexico to the Northeast; Electric Operations, which consist of NiSource's regulated electric utility, Northern Indiana Public Service Company (NIPSCo); and Other Operations, which include energy-related services and a co-generation facility.

Investment strategy

We rate the shares of NiSource Hold/Medium Risk (2M).

NI provides long-term earnings power of $1.40 per share, including growth from expected rate increases at Nisource's utilities. Our estimates do not include substantial industrial load growth at the utility or the potential for a build out of NI's pipeline and storage assets, which have a favorable footprint in the Marcellus Shale.

Valuation

We average multiple valuation methodologies to derive our $21 target.

Our NAV yields a value of $23.70. We value regulated assets at a multiple of rate base. These values are partially offset by the company's net debt. Based on regulatory uncertainty at NIPSCo, we apply a 15% discount to our typical utility multiple at the company's utility.

Our DDM, which incorporates our rate base growth assumptions, values the company at $17.84.

Our P/E and EV/EBITDA multiples (2012 estimates) are based on our proprietary analyses, which utilize current equity risk premiums, current betas and projected risk-free yields. For our P/E analysis, we use multiples of 14.5X and 14.5x for the company's utility and pipeline assets. For our EV/EBITDA analysis, we use multiples of 7.5x and 8.0x for the company's utility and pipeline assets. Our P/E and EV/EBITDA analyses yield values of $22.35 and $18.84.

Risks

We rate NI Medium Risk as stability surrounding the company's highly regulated asset base is offset by uncertainty surrounding major rate cases at the utilities and potential upside from pipeline and storage asset growth into productive shale plays.

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.

Weather – Changes in weather impact the stability of earnings.

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.

Pipeline Capacity Contracts — The risk of re-contracting pipeline capacity at lower rates, upon contract expiration, could have a material impact on earnings.

Uplift from an MLP – Currently, we do not include any uplift from NiSource pursuing an MLP strategy. However, significant upside may exist if the Company is able to successfully implement this strategy.

If the impact on the company from any of these factors proves to be greater/less than we anticipate, it may prevent the stock from achieving our target price or could cause the stock price to materially under/outperform our target.

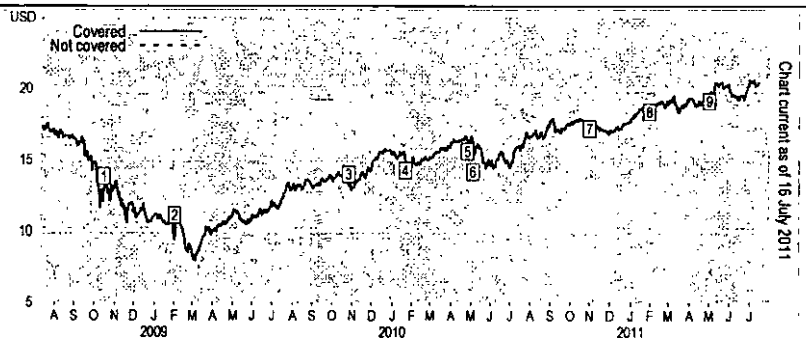
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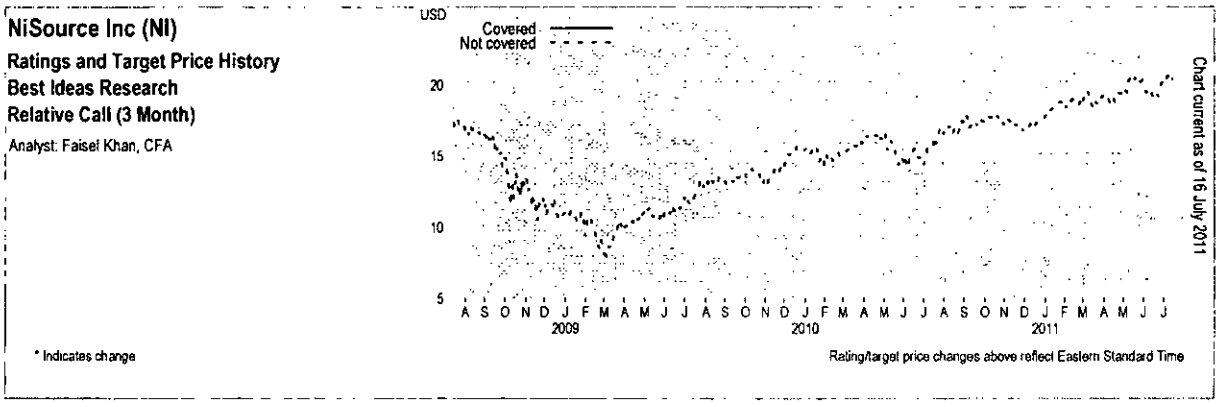
NiSource Inc (NI)
Ratings and Target Price History
Fundamental Research
Analyst: Faisel Khan, CFA



	Date	Rating	Target Price	Closing Price
1	16-Oct-08	*1H	*15.00	12.91
2	2-Feb-09	1H	*14.00	9.38
3	27-Oct-09	1H	*15.00	13.47
4	21-Jan-10	*2M	*16.00	14.87
5	27-Apr-10	2M	*16.50	16.27
6	5-May-10	2M	*17.00	16.20
7	1-Nov-10	2M	*18.00	17.17
8	31-Jan-11	2M	*20.00	18.62
9	2-May-11	2M	*21.00	19.52

* Indicates change

Rating/target price changes above reflect Eastern Standard Time



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Citi Investment Research & Analysis Ratings Distribution

	12 Month Rating			*Relative Rating*		
Data current as of 30 Jun 2011	**Buy**	**Hold**	**Sell**	**Buy**	**Hold**	**Sell**
Citi Investment Research & Analysis Global Fundamental Coverage	54%	36%	11%	10%	81%	10%
% of companies in each rating category that are investment banking clients	45%	41%	42%	50%	42%	44%

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