Columbia Gas of Pennsylvania, Inc.
2012 General Rate Case
Docket No. R-2012-2321748
Standard Filing Requirements
Exhibits 400-403
Volume 7 of 9

2-13-13
Hbg

COLUMBIA GAS OF PENNSYLVANIA, INC.
53.53 II. RATE OF RETURN
A. ALL UTILITIES

25. If the utility plans to make a formal claim for a specific allowable rate of return, provide the following data in statement or exhibit form:

a. Claimed capitalization and capitalization ratios with supporting data.

b. Claimed cost of long-term debt with supporting data.

c. Claimed cost of short-term debt with supporting data.

d. Claimed cost of total debt with supporting data.

e. Claimed cost of preferred stock with supporting data.

f. Claimed cost of common equity with supporting data.

Response:

See the attached schedules.

Exhibit No. 400

COLUMBIA GAS OF PENNSYLVANIA, INC.

Schedules to Accompany

The Direct Testimony

of

Paul R. Moul, Managing Consultant
P. Moul & Associates

Concerning

Cost of Capital

and

Fair Rate of Return

Exhibit No. 400

Columbia Gas of Pennsylvania, Inc.
Index of Schedules

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Columbia Gas of Pennsylvania, Inc.
Summary Cost of Capital

Type of Capital	Ratios	Cost Rate	Weighted Cost Rate
Long-Term Debt	44.11%	5.80%	2.56%
Short Term Debt	3.57%	1.90%	0.07%
Total Debt	47.68%		2.63%
Common Equity	52.32%	11.25%	5.89%
Total	100.00%		8.52%

Indicated levels of fixed charge coverage assuming that the Company could actually achieve its overall cost of capital:

Pre-tax coverage of interest expense based upon a 41.4935% income tax rate (12.70% ÷ 2.63%)	4.83 x
Post-tax coverage of interest expense (8.52% ÷ 2.63%)	3.24 x

Columbia Gas of Pennsylvania, Inc.
Capitalization and Financial Statistics
2007-2011, Inclusive

	2011	2010	2009	2008	2007	
			(Millions of Dollars)			
Amount of Capital Employed						
Permanent Capital	$ 631.0	$ 659.6	$ 612.8	$ 604.1	$ 552.4	
Short-Term Debt	$ -	$ -	$ -	$ 77.0	$ 0.0	
Total Capital	$ 631.0	$ 659.6	$ 612.8	$ 681.1	$ 552.4	
Capital Structure Ratios						
Based on Permanent Captial:						Average
Long-Term Debt	39.4%	47.5%	46.5%	47.2%	47.7%	45.7%
Common Equity [1]	60.6%	52.5%	53.5%	52.8%	52.3%	54.3%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Based on Total Capital:						
Total Debt incl. Short Term	39.4%	47.5%	46.5%	53.2%	47.7%	46.9%
Common Equity [1]	60.6%	52.5%	53.5%	46.8%	52.3%	53.1%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Rate of Return on Book Common Equity [1]	11.4%	14.9%	10.4%	9.7%	9.5%	11.2%
Operating Ratio [2]	88.9%	90.0%	87.7%	93.2%	93.5%	90.7%
Coverage incl. AFUDC [3]						
Pre-tax: All Interest Charges	2.89 x	3.67 x	3.29 x	3.59 x	4.25 x	3.54 x
Post-tax: All Interest Charges	3.04 x	4.04 x	2.48 x	2.58 x	3.06 x	3.04 x
Coverage excl. AFUDC [3]						
Pre-tax: All Interest Charges	2.88 x	3.66 x	3.27 x	3.58 x	4.22 x	3.52 x
Post-tax: All Interest Charges	3.03 x	4.03 x	2.47 x	2.57 x	3.02 x	3.02 x
Quality of Earnings & Cash Flow						
AFC/Income Avail. for Common Equity	0.4%	0.3%	1.0%	0.7%	1.7%	0.8%
Effective Income Tax Rate	-7.7%	-13.7%	35.1%	39.0%	36.8%	17.9%
Internal Cash Generation/Construction [4]	49.2%	45.9%	139.5%	97.6%	86.3%	83.7%
Gross Cash Flow/ Avg. Total Debt [5]	25.8%	22.3%	31.9%	24.9%	20.4%	25.1%
Gross Cash Flow Interest Coverage [6]	4.54 x	5.03 x	5.54 x	5.18 x	4.98 x	5.05 x
Common Dividend Coverage [7]	14.47 x	2.12 x	4.13 x	x	x	6.91 x

See Page 2 for Notes.

Columbia Gas of Pennsylvania, Inc.
Capitalization and Financial Statistics
2007-2011, Inclusive

Notes:

(1) Excluding Accumulated Other Comprehensive Income ("OCI") from the equity account.

(2) Total operating expenses, maintenance, depreciation and taxes other than income as a percentage of operating revenues.

(3) Coverage calculations represent the number of times available earnings, both including and excluding AFUDC (allowance for funds used during construction) as reported in its entirety, cover fixed charges.

(4) Internal cash generation/gross construction is the percentage of gross construction expenditures provided by internally-generated funds from operations after payment of all cash dividends divided by gross construction expenditures.

(5) Gross Cash Flow (sum of net income, depreciation, amortization, net deferred income taxes and investment tax credits, less AFUDC) as a percentage of average total debt.

(6) Gross Cash Flow (sum of net income, depreciation, amortization, net deferred income taxes and investment tax credits, less total AFUDC) plus interest charges, divided by interest charges.

(7) Common dividend coverage is the relationship of internally generated funds from operations after payment of preferred stock dividends to common dividends paid.

Source of Information: Company provided Financial Statements

Gas Group
Capitalization and Financial Statistics [1]
2007-2011, Inclusive

	2011	2010	2009	2008	2007	
			(Millions of Dollars)			
Amount of Capital Employed						
Permanent Capital	$ 2,490.8	$ 2,079.2	$ 2,050.6	$ 1,964.5	$ 1,897.9	
Short-Term Debt	$ 285.4	$ 220.7	$ 192.9	$ 311.5	$ 205.4	
Total Capital	$ 2,776.2	$ 2,299.9	$ 2,243.5	$ 2,276.0	$ 2,103.3	
Market-Based Financial Ratios						Average
Price-Earnings Multiple	17 x	15 x	18 x	15 x	17 x	16 x
Market/Book Ratio	182.7%	174.8%	163.2%	171.9%	187.2%	176.0%
Dividend Yield	3.8%	3.9%	4.2%	4.0%	3.6%	3.9%
Dividend Payout Ratio	63.6%	58.1%	73.1%	57.1%	58.8%	62.1%
Capital Structure Ratios						
Based on Permanent Capital:						
Long-Term Debt	43.1%	44.1%	45.0%	45.7%	46.8%	44.9%
Preferred Stock	0.2%	0.2%	0.3%	0.3%	0.4%	0.3%
Common Equity [2]	56.7%	55.7%	54.7%	54.0%	52.9%	54.8%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Based on Total Capital:						
Total Debt incl. Short Term	48.6%	50.0%	50.6%	53.7%	53.1%	51.2%
Preferred Stock	0.2%	0.2%	0.3%	0.2%	0.3%	0.2%
Common Equity [2]	51.3%	49.8%	49.2%	46.0%	46.6%	48.6%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Rate of Return on Book Common Equity [2]	10.4%	11.5%	10.3%	11.9%	11.4%	11.1%
Operating Ratio [3]	87.4%	87.8%	88.9%	89.8%	89.5%	88.7%
Coverage incl. AFUDC [4]						
Pre-tax: All Interest Charges	4.63 x	4.89 x	4.15 x	4.40 x	3.76 x	4.37 x
Post-tax: All Interest Charges	3.41 x	3.47 x	3.00 x	3.12 x	2.72 x	3.14 x
Overall Coverage: All Int. & Pfd. Div.	3.40 x	3.46 x	2.99 x	3.11 x	2.71 x	3.13 x
Coverage excl. AFUDC [4]						
Pre-tax: All Interest Charges	4.58 x	4.84 x	4.11 x	4.37 x	3.73 x	4.33 x
Post-tax: All Interest Charges	3.36 x	3.43 x	2.97 x	3.09 x	2.69 x	3.11 x
Overall Coverage: All Int. & Pfd. Div.	3.35 x	3.41 x	2.95 x	3.08 x	2.68 x	3.09 x
Quality of Earnings & Cash Flow						
AFC/Income Avail. for Common Equity	2.1%	1.5%	2.1%	1.6%	1.6%	1.8%
Effective Income Tax Rate	35.0%	36.6%	35.3%	37.7%	37.5%	36.4%
Internal Cash Generation/Construction [5]	94.7%	116.1%	111.3%	108.0%	101.8%	106.4%
Gross Cash Flow/ Avg. Total Debt [6]	26.8%	28.2%	22.4%	21.0%	19.9%	23.7%
Gross Cash Flow Interest Coverage [7]	6.47 x	6.79 x	5.73 x	5.06 x	4.48 x	5.71 x
Common Dividend Coverage [8]	4.16 x	4.50 x	4.00 x	3.94 x	3.76 x	4.07 x

See Page 2 for Notes.

Gas Group
Capitalization and Financial Statistics
2007-2011, Inclusive

Notes:

(1) All capitalization and financial statistics for the group are the arithmetic average of the achieved results for each individual company in the group.
(2) Excluding Accumulated Other Comprehensive Income ("OCI") from the equity account.
(3) Total operating expenses, maintenance, depreciation and taxes other than income taxes as a percent of operating revenues.
(4) Coverage calculations represent the number of times available earnings, both including and excluding AFUDC (allowance for funds used during construction) as reported in its entirety, cover fixed charges.
(5) Internal cash generation/gross construction is the percentage of gross construction expenditures provided by internally-generated funds from operations after payment of all cash dividends divided by gross construction expenditures.
(6) Gross Cash Flow (sum of net income, depreciation, amortization, net deferred income taxes and investment tax credits, less total AFUDC) plus interest charges, divided by interest charges.
(7) Gross Cash Flow plus interest charges divided by interest charges.
(8) Common dividend coverage is the relationship of internally-generated funds from operations after payment of preferred stock dividends to common dividends paid.

Basis of Selection:
The Delivery Group includes companies that are contained in The Value Line Investment Survey within the industry group "Natural Gas Utility," they are not currently the target of a publicly-announced merger or acquisition, and after eliminating NiSource due to its electric and natural gas pipeline/storage operations and UGI Corp. due to its highly diversified businesses.

Ticker	Company	Corporate Credit Ratings Moody's	Corporate Credit Ratings S&P	Stock Traded	S&P Stock Ranking	Value Line Beta
AGL	AGL Resources, Inc.	A3	BBB+	NYSE	A	0.75
ATO	Atmos Energy Corp.	Baa1	BBB+	NYSE	A-	0.70
LG	Laclede Group	Baa1	A	NYSE	B+	0.55
NJR	New Jersey Resources Corp.	Aa3	A	NYSE	B+	0.65
NWN	Northwest Natural Gas	A3	A+	NYSE	A-	0.60
PNY	Piedmont Natural Gas Co.	A3	A	NYSE	A	0.70
SJI	South Jersey Industries, Inc.	Baa1	BBB+	NYSE	A-	0.65
SWX	Southwest Gas Corporation	Baa2	BBB	NYSE	B+	0.75
WGL	WGL Holdings, Inc.	A2	A+	NYSE	B+	0.65
	Average	A3	A-		A-	0.67

Source of Information: Utility COMPUSTAT
Moody's Investors Service
Standard & Poor's Corporation

Standard & Poor's Public Utilities
Capitalization and Financial Statistics [1]
2007-2011, Inclusive

	2011	2010	2009	2008	2007	
			(Millions of Dollars)			
Amount of Capital Employed						
Permanent Capital	$ 18,977.7	$ 17,752.9	$ 16,796.5	$ 15,750.4	$ 14,462.0	
Short-Term Debt	$ 535.7	$ 421.8	$ 406.4	$ 811.2	$ 600.1	
Total Capital	$ 19,513.4	$ 18,174.7	$ 17,202.9	$ 16,561.6	$ 15,062.1	
Market-Based Financial Ratios						Average
Price-Earnings Multiple	15 x	15 x	14 x	14 x	16 x	15 x
Market/Book Ratio	154.9%	142.1%	136.3%	173.4%	215.2%	164.4%
Dividend Yield	4.4%	4.8%	5.3%	4.4%	3.5%	4.5%
Dividend Payout Ratio	66.1%	72.4%	72.6%	62.6%	56.1%	66.0%
Capital Structure Ratios						
Based on Permanent Captial:						
Long-Term Debt	53.0%	53.4%	54.3%	54.3%	53.5%	53.7%
Preferred Stock	1.3%	1.3%	1.5%	1.7%	1.7%	1.5%
Common Equity [2]	45.7%	45.3%	44.2%	44.0%	44.8%	44.8%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Based on Total Capital:						
Total Debt incl. Short Term	54.5%	54.7%	55.6%	57.1%	56.0%	55.6%
Preferred Stock	1.2%	1.2%	1.4%	1.5%	1.7%	1.4%
Common Equity [2]	44.2%	44.0%	43.0%	41.4%	42.4%	43.0%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Rate of Return on Book Common Equity [2]	*10.3%*	*10.7%*	*10.1%*	*12.1%*	*12.7%*	*11.2%*
Operating Ratio [3]	81.4%	81.5%	83.0%	84.0%	84.1%	82.8%
Coverage incl. AFUDC [4]						
Pre-tax: All Interest Charges	3.31 x	3.33 x	3.05 x	3.37 x	3.41 x	3.29 x
Post-tax: All Interest Charges	2.57 x	2.51 x	2.35 x	2.56 x	2.60 x	2.52 x
Overall Coverage: All Int. & Pfd. Div.	2.54 x	2.48 x	2.32 x	2.52 x	2.56 x	2.48 x
Coverage excl. AFUDC [4]						
Pre-tax: All Interest Charges	3.21 x	3.23 x	2.95 x	3.25 x	3.32 x	3.19 x
Post-tax: All Interest Charges	2.47 x	2.42 x	2.25 x	2.45 x	2.51 x	2.42 x
Overall Coverage: All Int. & Pfd. Div.	2.45 x	2.39 x	2.22 x	2.40 x	2.48 x	2.39 x
Quality of Earnings & Cash Flow						
AFC/Income Avail. for Common Equity	6.3%	6.9%	8.2%	8.1%	5.3%	7.0%
Effective Income Tax Rate	36.7%	34.4%	31.8%	33.8%	34.7%	34.3%
Internal Cash Generation/Construction [5]	88.7%	107.0%	99.0%	82.3%	88.1%	93.0%
Gross Cash Flow/ Avg. Total Debt [6]	23.0%	23.8%	22.4%	22.5%	21.5%	22.6%
Gross Cash Flow Interest Coverage [7]	5.09 x	5.07 x	4.83 x	4.72 x	4.36 x	4.81 x
Common Dividend Coverage [8]	4.53 x	4.84 x	4.68 x	4.89 x	4.61 x	4.71 x

See Page 2 for Notes.

Standard & Poor's Public Utilities
Capitalization and Financial Statistics
2007-2011, Inclusive

Notes:

(1) All capitalization and financial statistics for the group are the arithmetic average of the achieved results for each individual company in the group.
(2) Excluding Accumulated Other Comprehensive Income ("OCI") from the equity account
(3) Total operating expenses, maintenance, depreciation and taxes other than income taxes as a percent of operating revenues.
(4) Coverage calculations represent the number of times available earnings, both including and excluding AFUDC (allowance for funds used during construction) as reported in its entirety, cover fixed charges.
(5) Internal cash generation/gross construction is the percentage of gross construction expenditures provided by internally-generated funds from operations after payment of all cash dividends divided by gross construction expenditures.
(6) Gross Cash Flow (sum of net income, depreciation, amortization, net deferred income taxes and investment tax credits, less total AFUDC) as a percentage of average total debt.
(7) Gross Cash Flow (sum of net income, depreciation, amortization, net deferred income taxes and investment tax credits, less total AFUDC) plus interest charges, divided by interest charges.
(8) Common dividend coverage is the relationship of internally-generated funds from operations after payment of preferred stock dividends to common dividends paid.

Source of Information: Annual Reports to Shareholders
Utility COMPUSTAT

Standard & Poor's Public Utilities
Company Identities

	Ticker	Credit Rating [1] Moody's	Credit Rating [1] S&P	Common Stock Traded	S&P Stock Ranking	Value Line Beta
AGL Resources Inc.	GAS	A3	BBB+	NYSE	A	0.75
Ameren Corporation	AEE	Baa2	BBB-	NYSE	B	0.80
American Electric Power	AEP	Baa2	BBB	NYSE	B	0.70
CMS Energy	CMS	Baa2	BBB-	NYSE	B	0.75
CenterPoint Energy	CNP	Baa2	BBB+	NYSE	B	0.80
Consolidated Edison	ED	A3	A-	NYSE	B+	0.60
DTE Energy Co.	DTE	Baa1	BBB+	NYSE	B+	0.75
Dominion Resources	D	A3	A-	NYSE	A-	0.70
Duke Energy	DUK	A3	A-	NYSE	B	0.65
Edison Int'l	EIX	A3	BBB+	NYSE	B	0.80
Entergy Corp.	ETR	Baa2	BBB	NYSE	A+	0.70
EQT Corp.	EQT	Baa2	BBB	NYSE	B+	1.20
Exelon Corp.	EXC	A3	BBB	NYSE	B+	0.80
FirstEnergy Corp.	FE	Baa2	BBB-	NYSE	A-	0.80
Integrys Energy Group	TEG	A2	A-	NYSE	B	0.90
NextEra Energy Inc.	NEE	A2	A-	NYSE	A	0.75
NiSource Inc.	NI	Baa2	BBB-	NYSE	B	0.85
Northeast Utilities	NU	Baa1	BBB+	NYSE	B+	0.70
NRG Energy Inc.	NRG	Ba3	BB-	NYSE	NR	1.10
ONEOK, Inc.	OKE	Baa2	BBB	NYSE	A-	0.95
PEPCO Holdings, Inc.	POM	Baa2	BBB+	NYSE	B	0.80
PG&E Corp.	PCG	A3	BBB	NYSE	B	0.55
PPL Corp.	PPL	Baa2	BBB	NYSE	B+	0.65
Pinnacle West Capital	PNW	Baa2	BBB	NYSE	B	0.70
Progress Energy, Inc.	PGN	A3	BBB+	NYSE	B	0.60
Public Serv. Enterprise Inc.	PEG	Baa1	BBB	NYSE	B+	0.80
SCANA Corp.	SCG	Baa2	BBB+	NYSE	B+	0.70
Sempra Energy	SRE	A2	A	NYSE	A-	0.80
Southern Co.	SO	A3	A	NYSE	A-	0.55
TECO Energy	TE	Baa1	BBB+	NYSE	B	0.85
Wisconsin Energy Corp.	WEC	A2	A-	NYSE	A	0.65
Xcel Energy Inc	XEL	A3	A-	NYSE	B	0.65
Average for S&P Utilities		Baa1	BBB+		B+	0.76

Note: [1] Ratings are those of utility subsidiaries

Source of Information:
Moody's Investors Service
Standard & Poor's Corporation
Standard & Poor's Stock Guide
Value Line Investment Survey for Windows

Columbia Gas of Pennsylvania, Inc.
Investor-provided Capitalization
Actual at May 31, 2012, Estimated at May 31, 2013, and Estimated at June 30, 2014

	Actual at May 31, 2012		Estimated at May 31, 2013		Estimated at June 30, 2014	
	Amount Outstanding	Ratios	Amount Outstanding	Ratios	Amount Outstanding	Ratios
Long Term Debt	$ 378,215,000	47.77%	$ 411,390,000	47.21%	$ 429,390,000	44.11%
Common Stock Equity						
Common Stock	45,128,000		45,128,000		45,128,000	
Additional Paid in Capital	7,622,000		7,622,000		7,622,000	
Retained Earnings	357,275,000		402,789,000		456,526,000	
Total Common Equity	410,025,000	51.79%	455,539,000	52.28%	509,276,000	52.32%
Total Permanent Capital	$ 788,240,000	99.56%	$ 866,929,000	99.49%	$ 938,666,000	96.43%
Short Term Debt (Twelve month average)	3,451,000	0.44%	4,422,000	0.51%	34,785,000	3.57%
Total Capital Employed	$ 791,691,000	100.00%	$ 871,351,000	100.00%	$ 973,451,000	100.00%

Source of information: Company provided data

Columbia Gas of Pennsylvania, Inc.
Long-term Debt Outstanding
Actual at May 31, 2012

Date of Issuance	Coupon Rate	Amount Outstanding	Annualized Debt Service	Embedded Cost of Debt
November 28, 2005	5.28%	$ 64,825,000	$ 3,422,760	
November 28, 2005	5.41%	47,350,000	2,561,635	
November 28, 2005	5.45%	18,525,000	1,009,613	
November 28, 2005	5.92%	54,515,000	3,227,288	
November 1, 2006	6.015%	20,000,000	1,203,000	
December 14, 2007	6.865%	58,000,000	3,981,700	
December 18, 2008	5.460%	22,000,000	1,201,200	
December 16, 2010	6.020%	28,000,000	1,685,600	
March 28, 2012	5.355%	30,000,000	1,606,500	
March 28, 2012	5.890%	35,000,000	2,061,500	
Total Long-Term Debt		378,215,000	21,960,796	5.81%
Short Term Debt (Twelve month average)	1.57%	3,451,000	54,181	
Total Debt		$ 381,666,000	$ 22,014,976	5.77%

Source of information: Company provided data

Columbia Gas of Pennsylvania, Inc.
Long-term Debt Outstanding
Estimated at May 31, 2013

Date of Issuance	Coupon Rate	Amount Outstanding	Annualized Debt Service	Embedded Cost of Debt
November 28, 2005	5.41%	47,350,000	2,561,635	
November 28, 2005	5.45%	18,525,000	1,009,613	
November 28, 2005	5.92%	54,515,000	3,227,288	
November 1, 2006	6.015%	20,000,000	1,203,000	
December 14, 2007	6.865%	58,000,000	3,981,700	
December 18, 2008	5.460%	22,000,000	1,201,200	
December 16, 2010	6.020%	28,000,000	1,685,600	
March 28, 2012	5.355%	30,000,000	1,606,500	
March 28, 2012	5.890%	35,000,000	2,061,500	
November 28, 2012	5.45%	64,825,000	3,532,963	
May 2013	5.50%	33,175,000	1,824,625	
Total Long-Term Debt		411,390,000	23,895,623	5.81%
Short Term Debt (Twelve month average)	1.80%	4,422,000	79,596	
Total Debt		$ 415,812,000	$ 23,975,219	5.77%

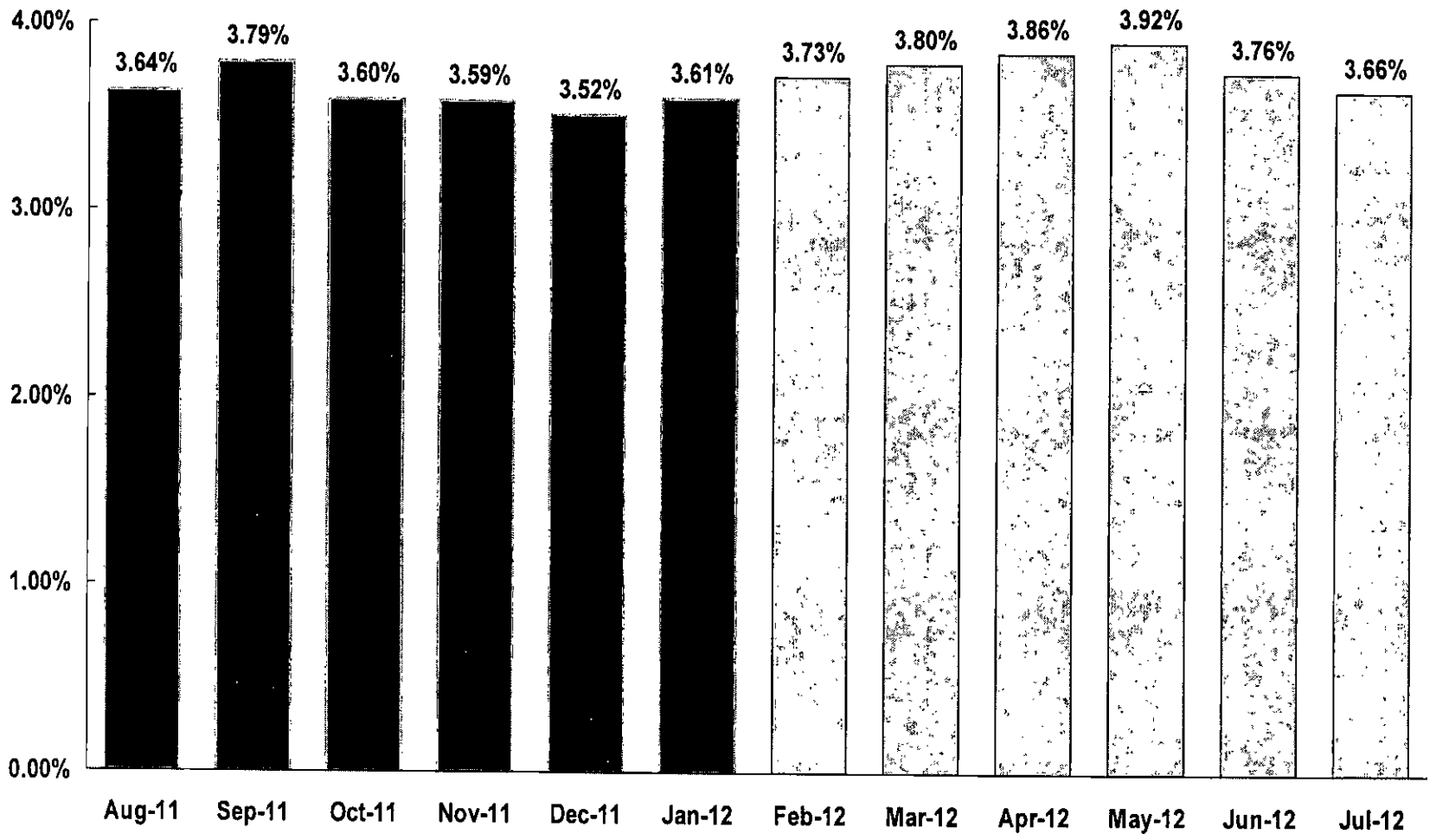
Source of information: Company provided data

Columbia Gas of Pennsylvania, Inc.
Long-term Debt Outstanding
Estimated at June 30, 2014

Date of Issuance	Coupon Rate	Amount Outstanding	Annualized Debt Service	Embedded Cost of Debt
November 28, 2005	5.41%	47,350,000	2,561,635	
November 28, 2005	5.45%	18,525,000	1,009,613	
November 28, 2005	5.92%	54,515,000	3,227,288	
November 1, 2006	6.015%	20,000,000	1,203,000	
December 14, 2007	6.865%	58,000,000	3,981,700	
December 16, 2010	6.020%	28,000,000	1,685,600	
March 28, 2012	5.355%	30,000,000	1,606,500	
March 28, 2012	5.890%	35,000,000	2,061,500	
November 28, 2012	5.45%	64,825,000	3,532,963	
May 2013	5.50%	33,175,000	1,824,625	
December 18, 2013	5.55%	22,000,000	1,221,000	
June 2014	5.55%	18,000,000	999,000	
Total Long-Term Debt		429,390,000	24,914,423	5.80%
Short Term Debt (Twelve month average)	1.90%	34,785,000	660,915	
Total Debt		$ 464,175,000	$ 25,575,338	5.51%

Source of information: Company provided data

Gas Group
Monthly Dividend Yield



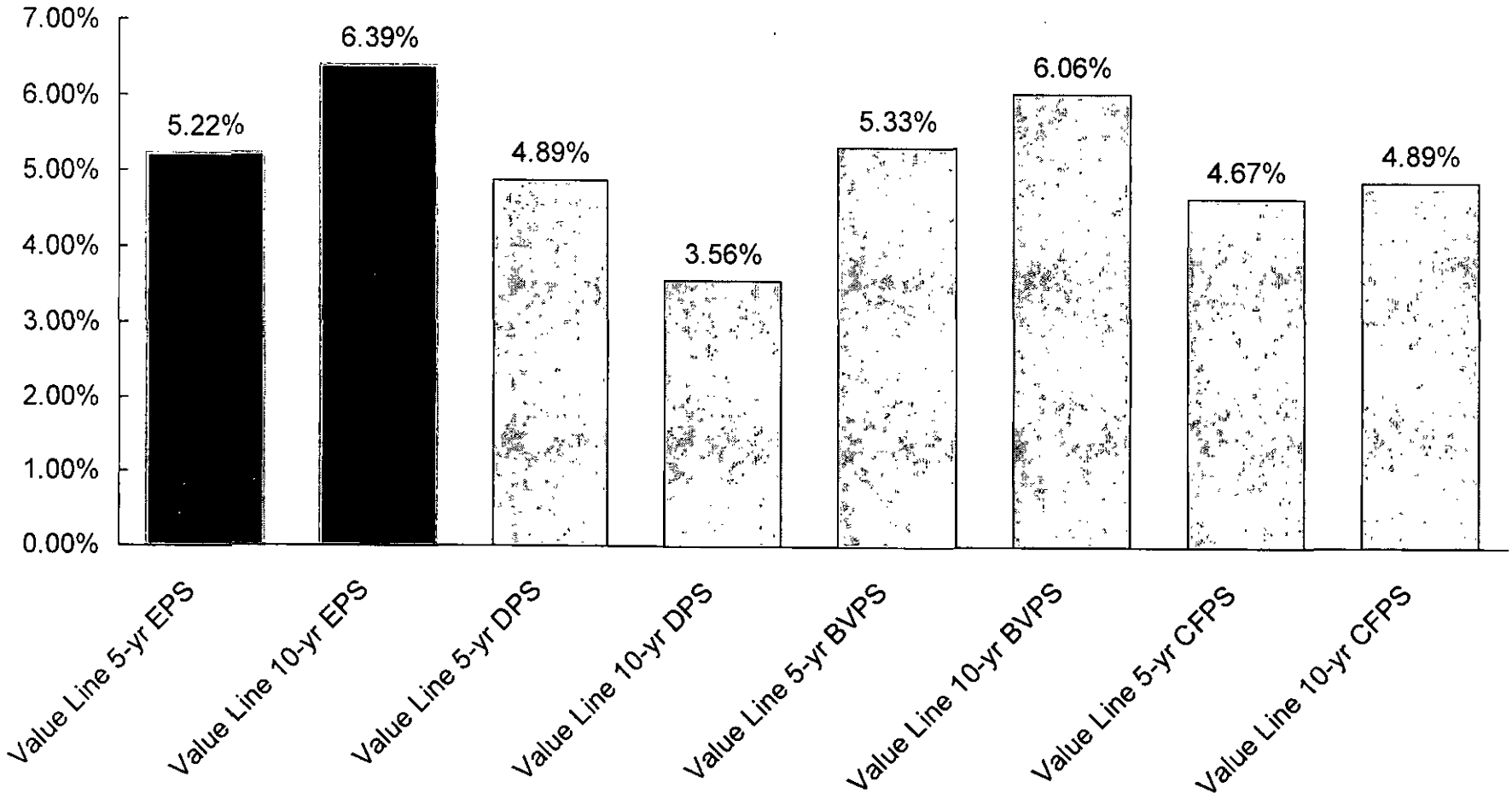
Monthly Dividend Yields for
Gas Group
for the Twelve Months Ending July 2012

Company	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	12-Month Average	6-Month Average	3-Month Average
AGL RES INC (NYSE:GAS)	4.35%	4.44%	4.33%	4.37%	4.28%	4.47%	4.62%	4.72%	4.71%	4.92%	4.78%	4.59%			
ATMOS ENERGY CORP (NYSE:ATO)	4.06%	4.21%	4.05%	4.04%	4.16%	4.29%	4.49%	4.41%	4.27%	4.17%	3.95%	3.88%			
LACLEDE GROUP INC (NYSE:LG)	4.12%	4.19%	4.16%	4.18%	4.11%	4.01%	4.08%	4.27%	4.24%	4.40%	4.18%	4.00%			
NEW JERSEY RES (NYSE:NJR)	3.08%	3.39%	3.25%	3.24%	3.09%	3.20%	3.28%	3.42%	3.53%	3.65%	3.49%	3.33%			
NORTHWEST NAT GAS CO (NYSE:NWN)	3.86%	3.97%	3.81%	3.80%	3.74%	3.75%	3.90%	3.95%	3.90%	3.85%	3.76%	3.66%			
PIEDMONT NAT GAS INC (NYSE:PNY)	3.78%	4.02%	3.56%	3.54%	3.42%	3.66%	3.73%	3.87%	3.95%	3.99%	3.73%	3.79%			
SOUTH JERSEY INDS INC (NYSE:SJI)	2.85%	2.94%	2.87%	2.88%	2.84%	2.95%	3.12%	3.22%	3.28%	3.35%	3.17%	3.06%			
SOUTHWEST GAS CORPORATION (SWX)	2.87%	2.94%	2.70%	2.63%	2.50%	2.55%	2.49%	2.49%	2.82%	2.82%	2.71%	2.66%			
WGL HLDGS INC (NYSE:WGL)	3.76%	4.00%	3.63%	3.64%	3.53%	3.64%	3.82%	3.84%	4.00%	4.13%	4.06%	3.97%			
Average	3.64%	3.78%	3.60%	3.59%	3.52%	3.61%	3.73%	3.80%	3.86%	3.92%	3.76%	3.66%	3.71%	3.78%	3.78%

Note: Monthly dividend yields are calculated by dividing the annualized quarterly dividend by the month-end closing stock price adjusted by the fraction of the ex-dividend.

Source of Information: http://finance.yahoo.com/
http://www.nasdaq.com/symbol/gas/dividend-history

Gas Group
Historical Growth Rates



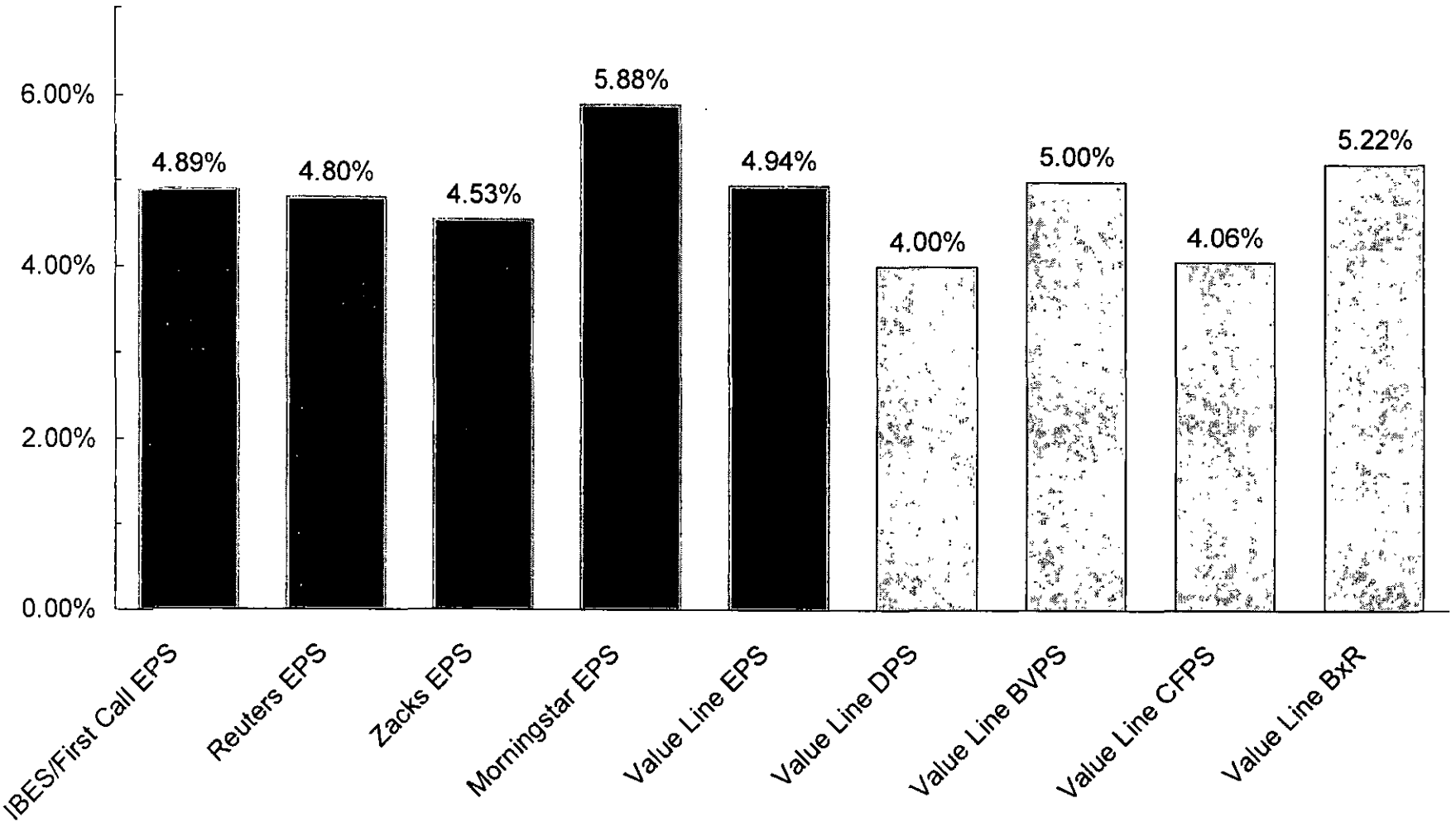
Earnings per Share=EPS
Dividends per Share=DPS
Book Values per Share=BVPS
Cash Flow per Share=CFPS
Percent Retained to Common Equity=BxR

Historical Growth Rates
Earnings Per Share, Dividends Per Share,
Book Value Per Share, and Cash Flow Per Share

Gas Group	Earnings per Share		Dividends per Share		Book Value per Share		Cash Flow per Share	
	Value Line		Value Line		Value Line		Value Line	
	5 Year	10 Year	5 Year	10 Year	5 Year	10 Year	5 Year	10 Year
AGL Resources, Inc.	4.50%	9.00%	7.50%	5.00%	5.50%	7.00%	6.00%	6.50%
Atmos Energy Corp.	4.00%	7.00%	1.50%	1.50%	4.50%	6.50%	4.50%	4.50%
Laclede Group	6.00%	6.50%	2.50%	1.50%	6.50%	5.00%	7.00%	5.00%
New Jersey Resources Corp.	7.00%	7.50%	8.00%	6.00%	7.50%	8.00%	4.50%	5.00%
Northwest Natural Gas	4.50%	4.00%	4.50%	3.00%	4.00%	4.00%	3.50%	3.00%
Piedmont Natural Gas Co.	4.50%	5.00%	4.00%	4.50%	3.00%	5.00%	4.00%	5.50%
South Jersey Industries, Inc.	7.00%	9.50%	9.50%	6.50%	7.00%	10.50%	8.00%	8.00%
Southwest Gas Corp.	6.50%	6.00%	4.00%	2.00%	5.00%	4.50%	3.00%	3.50%
WGL Holdings, Inc.	3.00%	3.00%	2.50%	2.00%	5.00%	4.00%	1.50%	3.00%
Average	5.22%	6.39%	4.89%	3.56%	5.33%	6.06%	4.67%	4.89%

Source of Information: Value Line Investment Survey, June 8, 2012

Gas Group
Five-Year Projected Growth Rates



Earnings per Share=EPS Book Values per Share=BVPS
Dividends per Share=DPS Cash Flow per Share=CFPS
Percent Retained to Common Equity=BxR

Analysts' Five-Year Projected Growth Rates
Earnings Per Share, Dividends Per Share,
Book Value Per Share, and Cash Flow Per Share

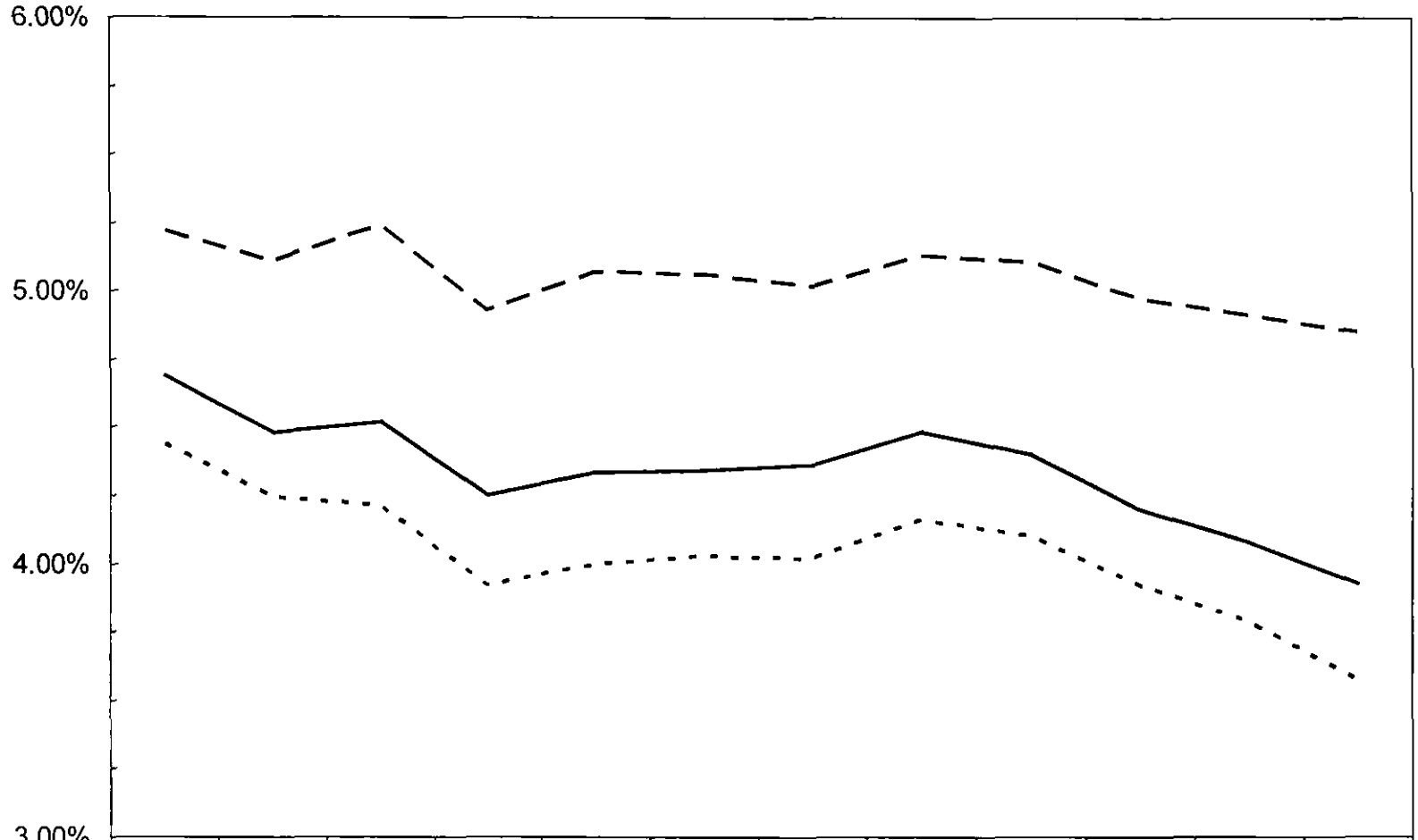
Gas Group	I/B/E/S First Call	Reuters	Zacks	Morningstar	Value Line Earnings Per Share	Value Line Dividends Per Share	Value Line Book Value Per Share	Value Line Cash Flow Per Share	Value Line Percent Retained to Common Equity
AGL Resources, Inc.	NMF	5.03%	4.30%	5.00%	5.50%	2.00%	6.00%	2.50%	6.00%
Atmos Energy Corp.	4.37%	5.37%	5.00%	8.50%	4.00%	1.50%	6.00%	3.50%	3.50%
Laclede Group	5.30%	5.00%	3.00%	-	2.00%	2.50%	4.50%	3.00%	4.50%
New Jersey Resources Corp.	2.47%	3.10%	3.20%	5.30%	5.50%	4.00%	5.50%	5.50%	7.50%
Northwest Natural Gas	4.50%	4.17%	4.10%	3.00%	4.00%	3.00%	4.50%	4.50%	5.00%
Piedmont Natural Gas Co.	4.55%	5.15%	4.70%	8.60%	2.50%	3.50%	1.50%	2.50%	3.50%
South Jersey Industries, Inc.	9.00%	8.00%	6.00%	-	9.00%	9.00%	6.50%	7.00%	7.50%
Southwest Gas Corp.	4.15%	2.58%	5.30%	-	9.00%	8.00%	6.50%	6.00%	6.00%
WGL Holdings, Inc.	4.80%	4.80%	5.20%	4.90%	3.00%	2.50%	4.00%	2.00%	3.50%
Average	4.89%	4.80%	4.53%	5.88%	4.94%	4.00%	5.00%	4.06%	5.22%

NMF = not meaningful figure

Source of Information :

Yahoo Finance, July 30, 2012
Reuters.com, July 30, 2012
Zacks, July 30, 2012
Morningstar, July 30, 2012
Value Line Investment Survey, June 8, 2012

Interest Rates for
Investment Grade Public Utility Bonds



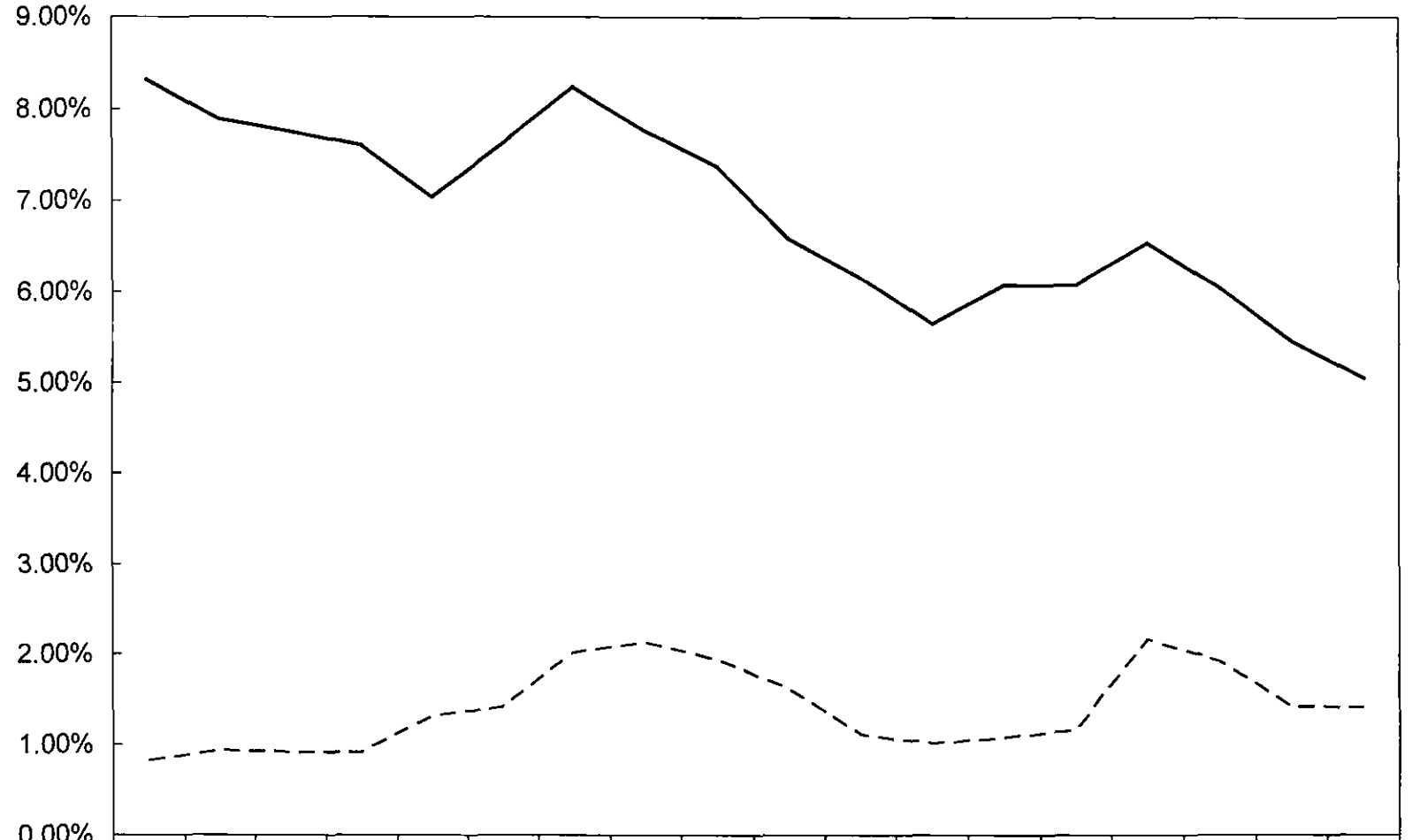
	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12
- - - - Aa	4.44%	4.24%	4.21%	3.92%	4.00%	4.03%	4.02%	4.16%	4.10%	3.92%	3.79%	3.58%
——— A	4.69%	4.48%	4.52%	4.25%	4.33%	4.34%	4.36%	4.48%	4.40%	4.20%	4.08%	3.93%
— — Baa	5.22%	5.11%	5.24%	4.93%	5.07%	5.06%	5.02%	5.13%	5.11%	4.97%	4.91%	4.85%

Interest Rates for Investment Grade Public Utility Bonds
Yearly for 2007-2011
and the Twelve Months Ended July 2012

Years	Aa Rated	A Rated	Baa Rated	Average
2007	5.94%	6.07%	6.33%	6.11%
2008	6.18%	6.53%	7.24%	6.65%
2009	5.75%	6.04%	7.06%	6.28%
2010	5.24%	5.46%	5.96%	5.55%
2011	4.78%	5.04%	5.57%	5.13%
Five-Year Average	5.58%	5.83%	6.43%	5.94%
Months				
Aug-11	4.44%	4.69%	5.22%	4.78%
Sep-11	4.24%	4.48%	5.11%	4.61%
Oct-11	4.21%	4.52%	5.24%	4.66%
Nov-11	3.92%	4.25%	4.93%	4.37%
Dec-11	4.00%	4.33%	5.07%	4.47%
Jan-12	4.03%	4.34%	5.06%	4.48%
Feb-12	4.02%	4.36%	5.02%	4.47%
Mar-12	4.16%	4.48%	5.13%	4.59%
Apr-12	4.10%	4.40%	5.11%	4.53%
May-12	3.92%	4.20%	4.97%	4.36%
Jun-12	3.79%	4.08%	4.91%	4.26%
Jul-12	3.58%	3.93%	4.85%	4.12%
Twelve-Month Average	4.03%	4.34%	5.05%	4.48%
Six-Month Average	3.93%	4.24%	5.00%	4.39%
Three-Month Average	3.76%	4.07%	4.91%	4.25%

Source: Mergent Bond Record

Yields on
A-rated Public Utility Bonds and
Spreads over 20-Year Treasuries



	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
A-rated Public Utility	8.31%	7.89%	7.75%	7.60%	7.04%	7.62%	8.24%	7.76%	7.37%	6.58%	6.16%	5.65%	6.07%	6.07%	6.53%	6.04%	5.46%	5.04%
Spread vs. 20-year	0.82%	0.94%	0.92%	0.91%	1.32%	1.42%	2.01%	2.13%	1.94%	1.62%	1.12%	1.01%	1.08%	1.16%	2.17%	1.93%	1.43%	1.42%

Exhibit No. 400
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Schedule 10 [3 of 5]

Interest Rate Spreads
A-rated Public Utility Bonds
over 20-Year Treasuries

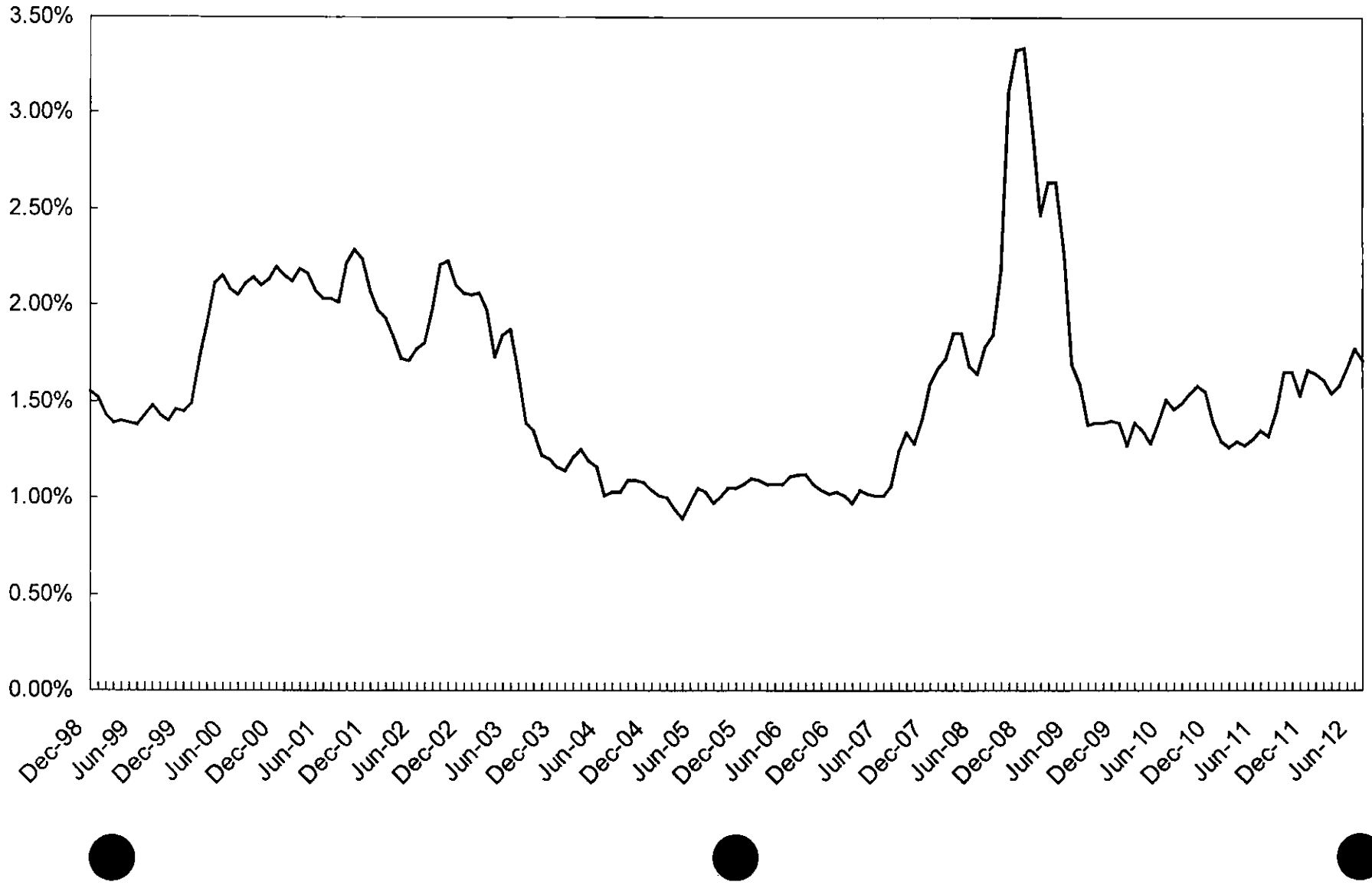

Exhibit No. 400
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Schedule 10 [4 of 5]

A rated Public Utility Bonds over 20-Year Treasuries

Year	A-rated Public Utility	20-Year Treasuries Yield	20-Year Treasuries Spread	Year	A-rated Public Utility	20-Year Treasuries Yield	20-Year Treasuries Spread	Year	A-rated Public Utility	20-Year Treasuries Yield	20-Year Treasuries Spread
Dec-98	6.91%	5.36%	1.55%								
Jan-99	6.97%	5.45%	1.52%	Jan-04	6.15%	5.01%	1.14%	Jan-09	6.38%	3.46%	2.93%
Feb-99	7.09%	5.66%	1.43%	Feb-04	6.15%	4.94%	1.21%	Feb-09	6.30%	3.83%	2.47%
Mar-99	7.26%	5.87%	1.39%	Mar-04	5.97%	4.72%	1.25%	Mar-09	6.42%	3.78%	2.64%
Apr-99	7.22%	5.82%	1.40%	Apr-04	6.35%	5.16%	1.19%	Apr-09	6.48%	3.84%	2.64%
May-99	7.47%	6.08%	1.39%	May-04	6.62%	5.46%	1.16%	May-09	6.49%	4.22%	2.27%
Jun-99	7.74%	6.36%	1.38%	Jun-04	6.46%	5.45%	1.01%	Jun-09	6.20%	4.51%	1.69%
Jul-99	7.71%	6.28%	1.43%	Jul-04	6.27%	5.24%	1.03%	Jul-09	5.97%	4.38%	1.59%
Aug-99	7.91%	6.43%	1.48%	Aug-04	6.14%	5.07%	1.07%	Aug-09	5.71%	4.33%	1.38%
Sep-99	7.93%	6.50%	1.43%	Sep-04	5.98%	4.89%	1.09%	Sep-09	5.53%	4.14%	1.39%
Oct-99	8.06%	6.66%	1.40%	Oct-04	5.94%	4.85%	1.09%	Oct-09	5.55%	4.16%	1.39%
Nov-99	7.94%	6.48%	1.46%	Nov-04	5.97%	4.89%	1.08%	Nov-09	5.64%	4.24%	1.40%
Dec-99	8.14%	6.69%	1.45%	Dec-04	5.92%	4.88%	1.04%	Dec-09	5.79%	4.40%	1.39%
Jan-00	8.35%	6.86%	1.49%	Jan-05	5.78%	4.77%	1.01%	Jan-10	5.77%	4.50%	1.27%
Feb-00	8.25%	6.54%	1.71%	Feb-05	5.61%	4.61%	1.00%	Feb-10	5.87%	4.48%	1.39%
Mar-00	8.28%	6.38%	1.90%	Mar-05	5.83%	4.89%	0.94%	Mar-10	5.84%	4.49%	1.35%
Apr-00	8.29%	6.18%	2.11%	Apr-05	5.64%	4.75%	0.89%	Apr-10	5.81%	4.53%	1.28%
May-00	8.70%	6.55%	2.15%	May-05	5.53%	4.56%	0.97%	May-10	5.50%	4.11%	1.39%
Jun-00	8.36%	6.28%	2.08%	Jun-05	5.40%	4.35%	1.05%	Jun-10	5.46%	3.95%	1.51%
Jul-00	8.25%	6.20%	2.05%	Jul-05	5.51%	4.48%	1.03%	Jul-10	5.26%	3.80%	1.46%
Aug-00	8.13%	6.02%	2.11%	Aug-05	5.50%	4.53%	0.97%	Aug-10	5.01%	3.52%	1.49%
Sep-00	8.23%	6.09%	2.14%	Sep-05	5.52%	4.51%	1.01%	Sep-10	5.01%	3.47%	1.54%
Oct-00	8.14%	6.04%	2.10%	Oct-05	5.79%	4.74%	1.05%	Oct-10	5.10%	3.52%	1.58%
Nov-00	8.11%	5.98%	2.13%	Nov-05	5.88%	4.83%	1.05%	Nov-10	5.37%	3.82%	1.55%
Dec-00	7.84%	5.64%	2.20%	Dec-05	5.80%	4.73%	1.07%	Dec-10	5.56%	4.17%	1.39%
Jan-01	7.80%	5.65%	2.15%	Jan-06	5.75%	4.65%	1.10%	Jan-11	5.57%	4.28%	1.29%
Feb-01	7.74%	5.62%	2.12%	Feb-06	5.82%	4.73%	1.09%	Feb-11	5.68%	4.42%	1.26%
Mar-01	7.68%	5.49%	2.19%	Mar-06	5.98%	4.91%	1.07%	Mar-11	5.56%	4.27%	1.29%
Apr-01	7.94%	5.78%	2.16%	Apr-06	6.29%	5.22%	1.07%	Apr-11	5.55%	4.28%	1.27%
May-01	7.99%	5.92%	2.07%	May-06	6.42%	5.35%	1.07%	May-11	5.32%	4.02%	1.30%
Jun-01	7.85%	5.82%	2.03%	Jun-06	6.40%	5.29%	1.11%	Jun-11	5.26%	3.91%	1.35%
Jul-01	7.78%	5.75%	2.03%	Jul-06	6.37%	5.25%	1.12%	Jul-11	5.27%	3.95%	1.32%
Aug-01	7.59%	5.58%	2.01%	Aug-06	6.20%	5.08%	1.12%	Aug-11	4.69%	3.24%	1.45%
Sep-01	7.75%	5.53%	2.22%	Sep-06	6.00%	4.93%	1.07%	Sep-11	4.48%	2.83%	1.65%
Oct-01	7.63%	5.34%	2.29%	Oct-06	5.98%	4.94%	1.04%	Oct-11	4.52%	2.87%	1.65%
Nov-01	7.57%	5.33%	2.24%	Nov-06	5.80%	4.78%	1.02%	Nov-11	4.25%	2.72%	1.53%
Dec-01	7.83%	5.76%	2.07%	Dec-06	5.81%	4.78%	1.03%	Dec-11	4.33%	2.67%	1.66%
Jan-02	7.66%	5.69%	1.97%	Jan-07	5.96%	4.95%	1.01%	Jan-12	4.34%	2.70%	1.64%
Feb-02	7.54%	5.61%	1.93%	Feb-07	5.90%	4.93%	0.97%	Feb-12	4.36%	2.75%	1.61%
Mar-02	7.76%	5.93%	1.83%	Mar-07	5.85%	4.81%	1.04%	Mar-12	4.48%	2.94%	1.54%
Apr-02	7.57%	5.85%	1.72%	Apr-07	5.97%	4.95%	1.02%	Apr-12	4.40%	2.82%	1.58%
May-02	7.52%	5.81%	1.71%	May-07	5.99%	4.98%	1.01%	May-12	4.20%	2.53%	1.67%
Jun-02	7.42%	5.65%	1.77%	Jun-07	6.30%	5.29%	1.01%	Jun-12	4.08%	2.31%	1.77%
Jul-02	7.31%	5.51%	1.80%	Jul-07	6.25%	5.19%	1.06%	Jul-12	3.93%	2.22%	1.71%
Aug-02	7.17%	5.19%	1.98%	Aug-07	6.24%	5.00%	1.24%				
Sep-02	7.08%	4.87%	2.21%	Sep-07	6.18%	4.84%	1.34%	Average:			
Oct-02	7.23%	5.00%	2.23%	Oct-07	6.11%	4.83%	1.28%	12-months			1.62%
Nov-02	7.14%	5.04%	2.10%	Nov-07	5.97%	4.56%	1.41%	6-months			1.65%
Dec-02	7.07%	5.01%	2.06%	Dec-07	6.16%	4.57%	1.59%	3-months			1.72%
Jan-03	7.07%	5.02%	2.05%	Jan-08	6.02%	4.35%	1.67%				
Feb-03	6.93%	4.87%	2.06%	Feb-08	6.21%	4.49%	1.72%				
Mar-03	6.79%	4.82%	1.97%	Mar-08	6.21%	4.36%	1.85%				
Apr-03	6.64%	4.91%	1.73%	Apr-08	6.29%	4.44%	1.85%				
May-03	6.36%	4.52%	1.84%	May-08	6.28%	4.60%	1.68%				
Jun-03	6.21%	4.34%	1.87%	Jun-08	6.38%	4.74%	1.64%				
Jul-03	6.57%	4.92%	1.65%	Jul-08	6.40%	4.62%	1.78%				
Aug-03	6.78%	5.39%	1.39%	Aug-08	6.37%	4.53%	1.84%				
Sep-03	6.56%	5.21%	1.35%	Sep-08	6.49%	4.32%	2.17%				
Oct-03	6.43%	5.21%	1.22%	Oct-08	7.56%	4.45%	3.11%				
Nov-03	6.37%	5.17%	1.20%	Nov-08	7.60%	4.27%	3.33%				
Dec-03	6.27%	5.11%	1.16%	Dec-08	6.52%	3.18%	3.34%				

S&P Composite Index and S&P Public Utility Index
Long-Term Corporate and Public Utility Bonds
Yearly Total Returns
1928-2007

Year	S & P Composite Index	S & P Public Utility Index	Long Term Corporate Bonds	Public Utility Bonds
1928	43.61%	57.47%	2.84%	3.08%
1929	-8.42%	11.02%	3.27%	2.34%
1930	-24.90%	-21.96%	7.98%	4.74%
1931	-43.34%	-35.90%	-1.85%	-11.11%
1932	-8.19%	-0.54%	10.82%	7.25%
1933	53.99%	-21.87%	10.38%	-3.82%
1934	-1.44%	-20.41%	13.84%	22.61%
1935	47.67%	76.63%	9.61%	16.03%
1936	33.92%	20.69%	6.74%	8.30%
1937	-35.03%	-37.04%	2.75%	-4.05%
1938	31.12%	22.45%	6.13%	8.11%
1939	-0.41%	11.26%	3.97%	6.76%
1940	-9.78%	-17.15%	3.39%	4.45%
1941	-11.59%	-31.57%	2.73%	2.15%
1942	20.34%	15.39%	2.60%	3.81%
1943	25.90%	46.07%	2.83%	7.04%
1944	19.75%	18.03%	4.73%	3.29%
1945	36.44%	53.33%	4.08%	5.92%
1946	-8.07%	1.26%	1.72%	2.98%
1947	5.71%	-13.16%	-2.34%	-2.19%
1948	5.50%	4.01%	4.14%	2.65%
1949	18.79%	31.39%	3.31%	7.16%
1950	31.71%	3.25%	2.12%	2.01%
1951	24.02%	18.63%	-2.69%	-2.77%
1952	18.37%	19.25%	3.52%	2.99%
1953	-0.99%	7.85%	3.41%	2.08%
1954	52.62%	24.72%	5.39%	7.57%
1955	31.56%	11.26%	0.48%	0.12%
1956	6.56%	5.06%	-6.81%	-6.25%
1957	-10.78%	6.36%	8.71%	3.58%
1958	43.36%	40.70%	-2.22%	0.18%
1959	11.96%	7.49%	-0.97%	-2.29%
1960	0.47%	20.26%	9.07%	9.01%
1961	26.89%	29.33%	4.82%	4.65%
1962	-8.73%	-2.44%	7.95%	6.55%
1963	22.80%	12.36%	2.19%	3.44%
1964	16.48%	15.91%	4.77%	4.94%
1965	12.45%	4.67%	-0.46%	0.50%
1966	-10.06%	-4.48%	0.20%	-3.45%
1967	23.98%	-0.63%	-4.95%	-3.63%
1968	11.06%	10.32%	2.57%	1.87%
1969	-8.50%	-15.42%	-8.09%	-6.66%
1970	4.01%	16.56%	18.37%	15.90%
1971	14.31%	2.41%	11.01%	11.59%
1972	18.98%	8.15%	7.26%	7.19%
1973	-14.66%	-18.07%	1.14%	2.42%
1974	-26.47%	-21.55%	-3.06%	-5.26%
1975	37.20%	44.49%	14.64%	15.50%
1976	23.84%	31.81%	18.65%	19.04%
1977	-7.18%	8.64%	1.71%	5.22%
1978	6.56%	-3.71%	-0.07%	-0.98%
1979	18.44%	13.58%	-4.18%	-2.75%
1980	32.42%	15.08%	-2.76%	-0.23%
1981	-4.91%	11.74%	-1.24%	4.27%
1982	21.41%	26.52%	42.56%	33.52%
1983	22.51%	20.01%	6.26%	10.33%
1984	6.27%	26.04%	16.86%	14.82%
1985	32.16%	33.05%	30.09%	26.48%
1986	18.47%	28.53%	19.85%	18.16%
1987	5.23%	-2.92%	-0.27%	3.02%
1988	16.81%	18.27%	10.70%	10.19%
1989	31.49%	47.80%	16.23%	15.61%
1990	-3.17%	-2.57%	6.78%	8.13%
1991	30.55%	14.61%	19.89%	19.25%
1992	7.67%	6.10%	9.39%	8.65%
1993	9.99%	14.41%	13.19%	10.59%
1994	1.31%	-7.94%	-5.76%	-4.72%
1995	37.43%	42.15%	27.20%	22.81%
1996	23.07%	3.14%	1.40%	3.04%
1997	33.36%	24.69%	12.95%	11.39%
1998	28.58%	14.82%	10.76%	9.44%
1999	21.04%	-8.85%	-7.45%	-1.69%
2000	-9.11%	59.70%	12.87%	9.45%
2001	-11.88%	-30.41%	10.65%	5.85%
2002	-22.10%	-30.04%	16.33%	1.63%
2003	28.70%	26.11%	5.27%	10.01%
2004	10.87%	24.22%	8.72%	6.03%
2005	4.91%	16.79%	5.87%	3.02%
2006	15.80%	20.95%	3.24%	3.94%
2007	5.49%	19.39%	2.60%	5.20%
Geometric Mean	10.04%	8.92%	5.81%	5.45%
Arithmetic Mean	11.95%	11.24%	6.13%	5.72%
Standard Deviation	20.02%	22.43%	8.52%	7.84%
Median	13.38%	12.05%	4.11%	4.55%

Tabulation of Risk Rate Differentials for
S&P Public Utility Index and Public Utility Bonds
For the Years 1928-2007, 1952-2007, 1974-2007, and 1979-2007

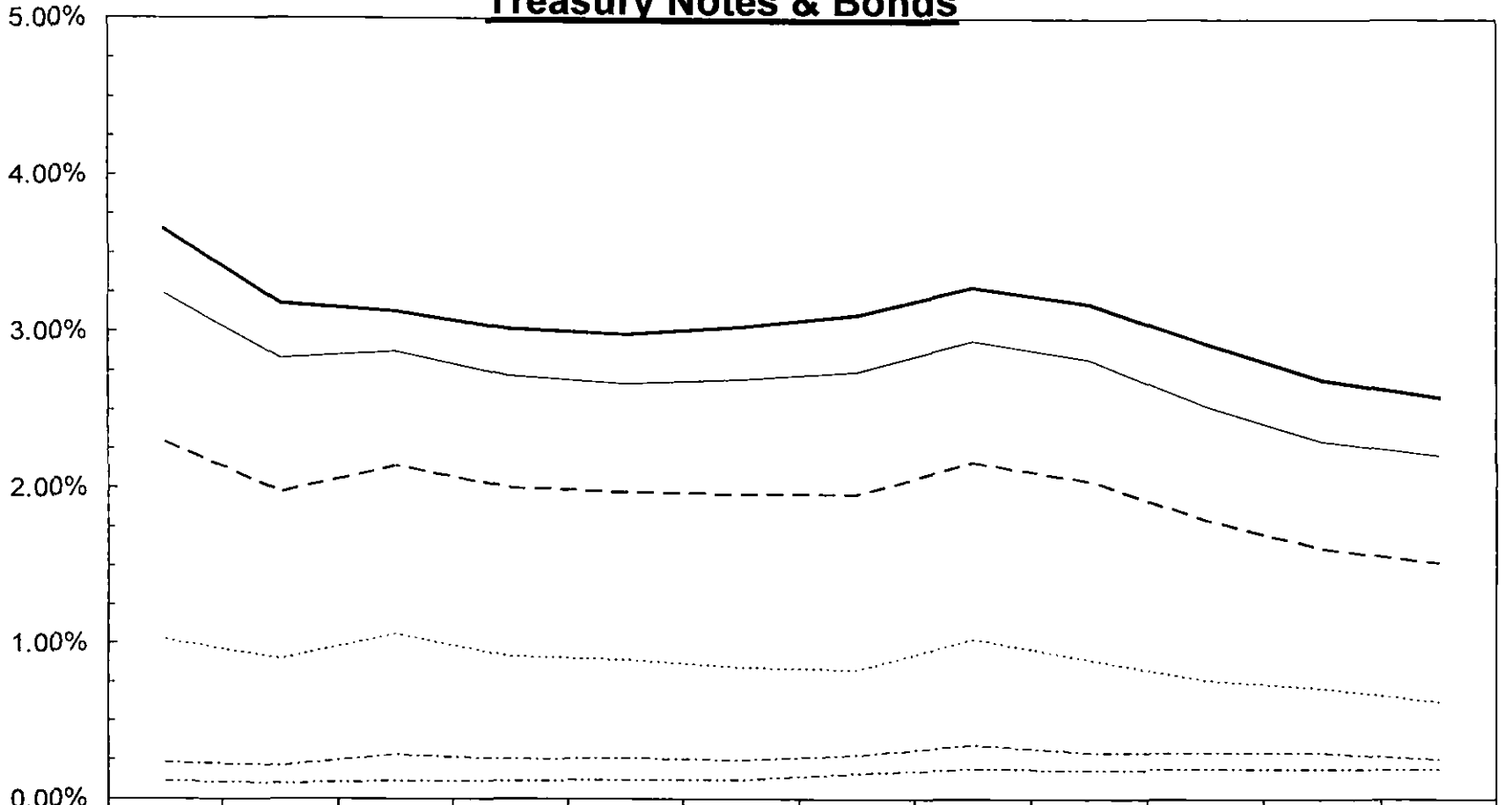
Total Returns	Range: Geometric Mean	Range: Median	Midpoint	Point Estimate: Arithmetic Mean	Average of the Midpoint of Range and Point Estimate
1928-2007					
S&P Public Utility Index	8.92%	12.05%		11.24%	
Public Utility Bonds	5.45%	4.55%		5.72%	
Risk Differential	3.47%	7.50%	5.49%	5.52%	5.51%
1952-2007					
S&P Public Utility Index	11.14%	14.00%		12.65%	
Public Utility Bonds	6.15%	5.07%		6.45%	
Risk Differential	4.99%	8.93%	6.96%	6.20%	6.58%
1974-2007					
S&P Public Utility Index	12.98%	15.94%		14.90%	
Public Utility Bonds	8.45%	8.39%		8.79%	
Risk Differential	4.53%	7.55%	6.04%	6.11%	6.08%
1979-2007					
S&P Public Utility Index	13.62%	16.79%		15.41%	
Public Utility Bonds	8.83%	8.65%		9.15%	
Risk Differential	4.79%	8.14%	6.47%	6.26%	6.37%

Value Line Betas

Gas Group	
AGL Resources, Inc.	0.75
Atmos Energy Corp.	0.70
Laclede Group	0.55
New Jersey Resources Corp.	0.65
Northwest Natural Gas	0.60
Piedmont Natural Gas Co.	0.70
South Jersey Industries, Inc.	0.65
Southwest Gas Corporation	0.75
WGL Holdings, Inc.	0.65
Average	0.67

Source of Information:
Value Line Investment Survey
June 8, 2012

Yields on
Treasury Notes & Bonds



	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12
1-Year	0.11%	0.10%	0.11%	0.11%	0.12%	0.12%	0.16%	0.19%	0.18%	0.19%	0.19%	0.19%
2-Year	0.23%	0.21%	0.28%	0.25%	0.26%	0.24%	0.28%	0.34%	0.29%	0.29%	0.29%	0.25%
5-Year	1.02%	0.90%	1.06%	0.91%	0.89%	0.84%	0.83%	1.02%	0.89%	0.76%	0.71%	0.62%
10-Year	2.30%	1.98%	2.15%	2.01%	1.98%	1.97%	1.97%	2.17%	2.05%	1.80%	1.62%	1.53%
20-Year	3.24%	2.83%	2.87%	2.72%	2.67%	2.70%	2.75%	2.94%	2.82%	2.53%	2.31%	2.22%
30-Year	3.65%	3.18%	3.13%	3.02%	2.98%	3.03%	3.11%	3.28%	3.18%	2.93%	2.70%	2.59%

Yields for Treasury Constant Maturities
Yearly for 2007-2011
and the Twelve Months Ended July 2012

Years	1-Year	2-Year	3-Year	5-Year	7-Year	10-Year	20-Year	30-Year
2007	4.52%	4.36%	4.34%	4.43%	4.50%	4.63%	4.91%	4.84%
2008	1.82%	2.00%	2.24%	2.80%	3.17%	3.67%	4.36%	4.28%
2009	0.47%	0.96%	1.43%	2.19%	2.81%	3.26%	4.11%	4.08%
2010	0.32%	0.70%	1.11%	1.93%	2.62%	3.21%	4.03%	4.25%
2011	0.18%	0.45%	0.75%	1.52%	2.16%	2.79%	3.62%	3.91%
Five-Year Average	1.46%	1.69%	1.97%	2.57%	3.05%	3.51%	4.21%	4.27%
Months								
Aug-11	0.11%	0.23%	0.38%	1.02%	1.63%	2.30%	3.24%	3.65%
Sep-11	0.10%	0.21%	0.35%	0.90%	1.42%	1.98%	2.83%	3.18%
Oct-11	0.11%	0.28%	0.47%	1.06%	1.62%	2.15%	2.87%	3.13%
Nov-11	0.11%	0.25%	0.39%	0.91%	1.45%	2.01%	2.72%	3.02%
Dec-11	0.12%	0.26%	0.39%	0.89%	1.43%	1.98%	2.67%	2.98%
Jan-12	0.12%	0.24%	0.36%	0.84%	1.38%	1.97%	2.70%	3.03%
Feb-12	0.16%	0.28%	0.38%	0.83%	1.37%	1.97%	2.75%	3.11%
Mar-12	0.19%	0.34%	0.51%	1.02%	1.56%	2.17%	2.94%	3.28%
Apr-12	0.18%	0.29%	0.43%	0.89%	1.43%	2.05%	2.82%	3.18%
May-12	0.19%	0.29%	0.39%	0.76%	1.21%	1.80%	2.53%	2.93%
Jun-12	0.19%	0.29%	0.39%	0.71%	1.08%	1.62%	2.31%	2.70%
Jul-12	0.19%	0.25%	0.33%	0.62%	0.98%	1.53%	2.22%	2.59%
Twelve-Month Average	0.15%	0.27%	0.40%	0.87%	1.38%	1.96%	2.72%	3.07%
Six-Month Average	0.18%	0.29%	0.41%	0.81%	1.27%	1.86%	2.60%	2.97%
Three-Month Average	0.19%	0.28%	0.37%	0.70%	1.09%	1.65%	2.35%	2.74%

Source: Federal Reserve statistical release H.15

Measures of the Risk-Free Rate & Corporate Bond Yields
The forecast of Treasury and Corporate yields
per the consensus of nearly 50 economists
reported in the Blue Chip Financial Forecasts dated August 1, 2012

		Treasury					Corporate	
Year	Quarter	1-Year Bill	2-Year Note	5-Year Note	10-Year Note	30-Year Bond	Aaa Bond	Baa Bond
2012	Third	0.2%	0.3%	0.7%	1.6%	2.6%	3.5%	4.9%
2012	Fourth	0.2%	0.3%	0.8%	1.7%	2.8%	3.6%	4.9%
2013	First	0.2%	0.4%	0.9%	1.9%	2.9%	3.7%	5.0%
2013	Second	0.3%	0.5%	1.1%	2.0%	3.1%	3.9%	5.1%
2013	Third	0.4%	0.6%	1.3%	2.2%	3.2%	4.1%	5.2%
2013	Fourth	0.5%	0.7%	1.5%	2.4%	3.4%	4.2%	5.4%

THE VALUE LINE Investment Survey®

Part 1
Summary & Index

File at the front of the *Ratings & Reports* binder. Last week's *Summary & Index* should be removed.

July 27, 2012

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The Median of Estimated
PRICE-EARNINGS RATIOS
of all stocks with earnings

14.6

26 Weeks Ago	Market Low 3-9-09	Market High 7-13-07
14.8	10.3	19.7

The Median of Estimated
DIVIDEND YIELDS
(next 12 months) of all dividend paying stocks under review

2.4%

26 Weeks Ago	Market Low 3-9-09	Market High 7-13-07
2.2%	4.0%	1.6%

The Estimated Median Price
APPRECIATION POTENTIAL
of all 1700 stocks in the hypothesized economic environment 3 to 5 years hence

75%

26 Weeks Ago	Market Low 3-9-09	Market High 7-13-07
65%	185%	35%

ANALYSES OF INDUSTRIES IN ALPHABETICAL ORDER WITH PAGE NUMBER

Numeral in parenthesis after the industry is rank for probable performance (next 12 months).

	PAGE		PAGE		PAGE		PAGE
Advertising (36)	2377	Electric Utility (West) (32)	2237	Machinery (35)	1701	Railroad (4)	337
Aerospace/Defense (27)	701	Electronics (47)	1318	Maritime (90)	328	R.E.I.T. (83)	1513
Air Transport (3)	851, 301	Engineering & Const (23)	1229	Medical Services (12)	796	Recreation (33)	2301
Apparel (62)	2101	Entertainment (10)	2322	Med Supp Invasive (60)	173	*Reinsurance (13)	2023
Automotive (1)	101	*Entertainment Tech (96)	2006	Med Supp Non-Invasive (63)	202	Restaurant (18)	346
Auto Parts (7)	980	Environmental (61)	401	Metal Fabricating (14)	731	Retail Automotive (15)	2122
Bank (57)	1430, 2501	Financial Svcs. (Div.) (55)	2531	Metals & Mining (Div.) (38)	1568	Retail Building Supply (66)	1134
Bank (Midwest) (74)	777	*Food Processing (73)	1901	Natural Gas Utility (45)	540	Retail (Hardlines) (49)	2165
*Beverage (76)	1963	*Foreign Electronics (79)	1979	Natural Gas (Div.) (56)	520	Retail (Softlines) (43)	2200
Biotechnology (92)	829	Funeral Services (39)	1813	Newspaper (53)	2368	Retail Store (29)	2134
Building Materials (81)	1101	Furn/Home Furnishings (52)	1143	Office Equip/Supplies (21)	1418	*Retail/Wholesale Food (30)	1944
Cable TV (2)	1019	Healthcare Information (85)	820	Oil/Gas Distribution (97)	607	Securities Brokerage (80)	1780
Chemical (Basic) (8)	1580	Heavy Truck & Equip (6)	155	Oilfield Svcs/Equip. (17)	2401	Semiconductor (94)	1345
Chemical (Diversified) (5)	2427	Homebuilding (91)	1121	Packaging & Container (22)	1170	Semiconductor Equip (72)	1384
Chemical (Specialty) (34)	552	Hotel/Gaming (28)	2337	Paper/Forest Products (41)	1160	Shoe (77)	2154
Coal (64)	596	Household Products (69)	1184	Petroleum (Integrated) (24)	501	Steel (58)	741
Computers/Peripherals (68)	1396	Human Resources (86)	1631	Petroleum (Producing) (16)	2388	Telecom. Equipment (93)	945
Computer Software (75)	2572	Industrial Services (37)	377	Pharmacy Services (19)	971	Telecom. Services (25)	2263, 921
Diversified Co. (26)	1739	Information Services (59)	427	Pipeline MLPs (87)	616	Telecom. Utility (9)	1038
Drug (44)	1593	IT Services (40)	2596	Power (88)	1214	Thrift (89)	1501
E-Commerce (95)	1797	Insurance (Life) (46)	1544	Precious Metals (42)	1557	*Tobacco (31)	1988
*Educational Services (78)	1996	Insurance (Prop/Cas.) (84)	756	Precision Instrument (82)	110	Toiletries/Cosmetics (65)	1010
Electrical Equipment (51)	1301	Internet (71)	2615	Property Management (70)	1030	Trucking (11)	317
Electric Util. (Central) (50)	901	Investment Co. (--)	1201	Public/Private Equity (67)	2639	Water Utility (54)	1773
Electric Utility (East) (48)	137	Investment Co.(Foreign) (--)	413	Publishing (20)	2359	Wireless Networking (98)	578

*Reviewed in this week's issue.

In three parts: This is Part 1, the Summary & Index. Part 2 is Selection & Opinion. Part 3 is Ratings & Reports. Volume LXVII, No. 49.
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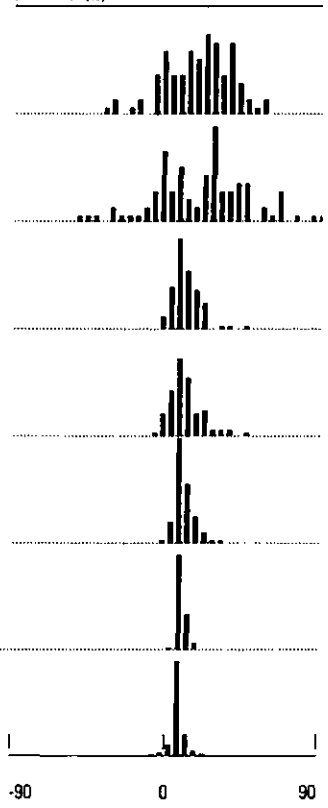
See back cover for important disclosures.

Table 2-1: Basic Series: Summary Statistics of Annual Total Returns

Series	Geometric Mean (%)	Arithmetic Mean (%)	Standard Deviation (%)	Distribution (%)
Large Company Stocks	9.8	11.8	20.3	
Small Company Stocks*	11.9	16.5	32.5	
Long-Term Corporate Bonds	6.1	6.4	8.4	
Long-Term Government Bonds	5.7	6.1	9.8	
Intermediate-Term Government Bonds	5.4	5.5	5.7	
U.S. Treasury Bills	3.6	3.6	3.1	
Inflation	3.0	3.1	4.2	



Data from 1926–2011. * The 1933 Small Company Stocks Total Return was 142.9 percent.

Table 11-1: Building Blocks for Expected Return Construction

Yields (Riskless Rates)†	Value (%)
Long-Term (20-year) U.S. Treasury Coupon Bond Yield	2.48
Intermediate-Term (5-year) U.S. Treasury Coupon Note Yield	0.59
Short-Term (30-day) U.S. Treasury Bill Yield	0.01
Fixed Income Risk Premia†, ‡	
Expected default premium: *long-term corporate bond total returns minus long-term government bond total returns*	-0.19
Expected long-term horizon premium: *long-term government bond income returns minus U.S. Treasury bill total returns**	1.73
Expected intermediate-term horizon premium: *intermediate-term government bond income returns minus U.S. Treasury bill total returns**	1.10
Equity Risk Premia †, ◊	
Long-horizon expected equity risk premium: *large company stock total returns minus long-term government bond income returns*	6.62
Intermediate-horizon expected equity risk premium: *large company stock total returns minus intermediate-term government bond income returns*	7.15
Short-horizon expected equity risk premium: *large company stock total returns minus U.S. Treasury bill total returns**	8.15
Small Stock Premium: *small company stock total return minus large company stock total return*	4.74

† As of December 31, 2011. Maturities are approximate.

‡ Expected risk premia for fixed income are based on the differences of historical arithmetic mean returns from 1970–2011.

◊ Expected risk premia for equities are based on the differences of historical arithmetic mean returns from 1926–2011.

* For U.S. Treasury bills, the income return and total return are the same

Comparable Earnings Approach
Using Non-Utility Companies with
Timeliness of 1, 2, 3 & 4; Safety Rank of 1, 2 & 3; Financial Strength of B, B+, B++ & A;
Price Stability of 95 to100; Betas of .55 to .75; and Technical Rank of 3 & 4

Company	Industry	Timeliness Rank	Safety Rank	Financial Strength	Price Stability	Beta	Technical Rank
AmerisourceBergen	MEDICNON	3	2	B++	100	0.70	3
Berkley (W.R.)	INSPRPTY	3	2	B++	95	0.70	4
Campbell Soup	FOODPROC	4	2	B++	100	0.55	3
Church & Dwight	HOUSEPRD	3	1	A	100	0.60	4
Clorox Co.	HOUSEPRD	4	2	B++	100	0.60	3
DaVita Inc.	MEDSERV	2	3	B+	95	0.65	3
Dollar General	RETAIL	2	3	B++	100	0.60	4
Dun & Bradstreet	INFOSER	3	3	B	95	0.75	3
Haemonetics Corp.	MEDICNON	4	2	B++	95	0.65	3
Hershey Co.	FOODPROC	3	2	B++	100	0.65	4
Hormel Foods	FOODPROC	3	1	A	100	0.65	3
Kellogg	FOODPROC	4	1	A	100	0.55	3
Kroger Co.	GROCERY	1	2	B++	95	0.60	3
Laboratory Corp.	MEDSERV	2	1	A	100	0.65	3
Marsh & McLennan	FINSERV	2	3	B	95	0.75	4
McCormick & Co.	FOODPROC	3	1	A	100	0.60	3
Mead Johnson Nutrition	FOODPROC	3	3	B+	95	0.65	4
People's United Fin'l	THRIFT	3	3	B+	95	0.65	3
Quest Diagnostics	MEDSERV	2	2	B++	95	0.70	3
RLI Corp.	INSPRPTY	4	2	B++	95	0.75	3
Silgan Holdings	PACKAGE	2	3	B+	95	0.75	3
Waste Connections	ENVIRONM	3	3	B+	95	0.70	3
Weis Markets	GROCERY	3	1	A	95	0.65	3
Average		3	2	B++	97	0.66	3
Gas Group	Average	3	2	B++	99	0.67	3

Source of Information: Value Line Investment Survey for Windows, July 2012

Comparable Earnings Approach
Five -Year Average Historical Earned Returns
for Years 2007-2011 and
Projected 3-5 Year Returns

Company	2007	2008	2009	2010	2011	Average	Projected 2015-17
AmerisourceBergen	15.9%	17.3%	18.8%	21.6%	24.6%	19.6%	21.5%
Berkley (W.R.)	20.6%	16.5%	10.2%	11.4%	7.7%	13.3%	12.5%
Campbell Soup	59.5%	60.5%	105.9%	91.1%	77.8%	79.0%	57.0%
Church & Dwight	15.6%	15.1%	15.5%	15.3%	15.9%	15.5%	15.0%
Clorox Co.	NMF	-	-	NMF	NMF	-	NMF
DaVita Inc.	19.7%	19.2%	19.8%	22.8%	22.5%	20.8%	16.5%
Dollar General	-	3.8%	10.0%	15.5%	16.4%	11.4%	18.5%
Dun & Bradstreet	-	-	-	-	-	-	66.5%
Haemonetics Corp.	11.4%	11.9%	12.5%	12.2%	10.7%	11.7%	10.5%
Hershey Co.	81.3%	135.3%	69.3%	65.1%	76.4%	85.5%	56.0%
Hormel Foods	15.8%	14.2%	16.1%	17.0%	17.8%	16.2%	16.0%
Kellogg	43.7%	79.3%	53.3%	57.8%	69.9%	60.8%	55.5%
Kroger Co.	24.0%	24.1%	23.2%	21.1%	30.0%	24.5%	23.5%
Laboratory Corp.	29.4%	30.4%	25.3%	23.7%	25.8%	26.9%	19.0%
Marsh & McLennan	6.9%	NMF	9.2%	8.6%	16.2%	10.2%	19.0%
McCormick & Co.	23.5%	26.7%	23.2%	24.4%	23.1%	24.2%	20.5%
Mead Johnson Nutrition	67.0%	-	-	NMF	NMF	67.0%	66.0%
People's United Fin'l	3.4%	2.7%	2.0%	1.6%	3.8%	2.7%	8.0%
Quest Diagnostics	16.7%	17.8%	18.3%	17.9%	19.7%	18.1%	16.0%
RLI Corp.	21.5%	15.3%	12.2%	13.9%	14.7%	15.5%	8.5%
Silgan Holdings	24.6%	25.1%	23.2%	26.1%	29.4%	25.7%	28.0%
Waste Connections	12.8%	8.2%	8.7%	10.5%	12.1%	10.5%	12.5%
Weis Markets	7.1%	7.1%	9.1%	9.4%	10.1%	8.6%	9.0%
Average						27.0%	26.2%
Average (excluding values >20%)						12.2%	13.2%

COLUMBIA GAS OF PENNSYLVANIA, INC.
53.53 II. RATE OF RETURN
A. ALL UTILITIES

1. Provide capitalization and capitalization ratios for the last five-year period and projected through the next two years. (With short-term debt and without short-term debt.) (Company, Parent and System [consolidated].)

   a. Provide year-end interest coverage before and after taxes for the last three years and at latest date. (Indenture and SEC Basis.) (Company, Parent and System [consolidated].)

   b. Provide year-end preferred stock dividend coverage for the last three years and at latest date (Charter and SEC Basis).

Response:

1. Capitalization and capitalization ratios for the last five year period are provided on page 2 (Company) and page 3 (NiSource Inc.).
   a. Interest coverage ratios are provided on page 4 (Company) and page 5 (NiSource Inc.).

   b. Preferred stock dividend coverage for the last 3 years and at latest date for NiSource Inc. are as follows:

In millions	2009	2010	2011	2012
Net Income				
Required Preferred Dividend Payment				
Preferred Stock dividend coverage	N/A (1)	N/A (1)	N/A (1)	N/A (1)

(1) All outstanding cumulative preferred stock was redeemed in 2006.

COLUMBIA GAS OF PENNSYLVANIA, INC.
Capitalization and Capitalization Ratios
As Ratios

Line No.	As of	With Short Term Debt Amount (1) $000	With Short Term Debt Ratio (2) %	Without Short Term Debt Amount (3) $000	Without Short Term Debt Ratio (4) %
1	May 31, 2008				
2	Common Equity (a)	304,677	52.07	304,677	53.65
3	Long-Term Debt	263,215	44.98	263,215	46.35
4	Short-Term Debt (b)	17,264	2.95	0	0.00
5	Total	585,156	100.00	567,892	100.00
6	May 31, 2009				
7	Common Equity (a)	346,977	51.53	346,977	54.88
8	Long-Term Debt	285,215	42.36	285,215	45.12
9	Short-Term Debt (b)	41,123	6.12	0	0.00
10	Total	673,315	100.00	632,192	100.00
11	May 31, 2010				
12	Common Equity (a)	353,371	55.34	353,371	55.34
13	Long-Term Debt	285,215	44.66	285,215	44.66
14	Short-Term Debt (b)	0	0.00	0	0.00
15	Total	638,586	100.00	638,586	100.00
16	May 31, 2011				
17	Common Equity (a)	378,843	54.74	378,843	54.74
18	Long-Term Debt	313,215	45.26	313,215	45.26
19	Short-Term Debt (b)	0	0.00	0	0.00
20	Total	692,058	100.00	692,058	100.00
21	May 31, 2012				
22	Common Equity (a)	410,025	51.79	410,025	52.02
23	Long-Term Debt	378,215	47.77	378,215	47.98
24	Short-Term Debt (b)	3,451	0.45	0	0.00
25	Total	791,691	100.00	788,240	100.00
26	May 31, 2013 - Projected				
27	Common Equity (a)	455,539	52.28	455,539	52.55
28	Long-Term Debt	411,390	47.21	411,390	47.45
29	Short-Term Debt (b)	4,422	0.51	0	0.00
30	Total	871,351	100.00	866,929	100.00
31	June 30, 2014 - Projected				
32	Common Equity (a)	509,276	52.32	509,276	54.26
33	Long-Term Debt	429,390	44.11	429,390	45.74
34	Short-Term Debt (b)	34,785	3.57	0	0.00
35	Total	973,451	100.00	938,666	100.00

(a) Excluding Accumulated Other Comprehensive Income ("OCI") from the equity account, if any.
(b) Represent 12 month average

NiSource, Inc.
Capitalization and Capitalization Ratios
As Ratios

Line No.	As of	With Short Term Debt Amount (1) $000	With Short Term Debt Ratio (2) %	Without Short Term Debt Amount (3) $000	Without Short Term Debt Ratio (4) %
1	May 31, 2008				
2	Common Equity (a)	5,005,199	44.16	5,005,199	45.84
3	Preferred Stock	0	0.00	0	0.00
4	Long-Term Debt	5,912,998	52.17	5,912,998	54.16
5	Short-Term Debt (b)	415,001	3.67	0	0.00
6	Total	11,333,197	100.00	10,918,197	100.00
7	May 31, 2009				
8	Common Equity (a)	4,872,864	41.89	4,872,864	41.89
9	Preferred Stock	0	0.00	0	0.00
10	Long-Term Debt (c)	6,760,906	58.11	6,760,906	58.11
11	Short-Term Debt (b)	0	0.00	0	0.00
12	Total	11,633,770	100.00	11,633,770	100.00
13	May 31, 2010				
14	Common Equity (a)	4,955,227	42.55	4,955,227	43.32
15	Preferred Stock	0	0.00	0	0.00
16	Long-Term Debt (c)	6,482,768	55.67	6,482,768	56.68
17	Short-Term Debt (b)	206,538	1.78	0	0.00
18	Total	11,644,533	100.00	11,437,995	100.00
19	May 31, 2011				
20	Common Equity (a)	5,048,108	41.88	5,048,108	46.64
21	Preferred Stock	0	0.00	0	0.00
22	Long-Term Debt (c)	5,775,244	47.91	5,775,244	53.36
23	Short-Term Debt (b)	1,231,703	10.21	0	0.00
24	Total	12,055,054	100.00	10,823,351	100.00
25	May 31, 2012				
26	Common Equity (a)	5,143,329	40.89	5,143,329	44.50
27	Preferred Stock	0	0.00	0	0.00
28	Long-Term Debt (c)	6,414,852	50.99	6,414,852	55.50
29	Short-Term Debt (b)	1,021,305	8.12	0	0.00
30	Total	12,579,486	100.00	11,558,181	100.00
31	May 31, 2013 - Projected				
32	Common Equity	5,640,222	40.98	5,640,222	41.56
33	Preferred Stock	0	0.00	0	0.00
34	Long-Term Debt (c)	7,932,581	57.63	7,932,581	58.44
35	Short-Term Debt (b)	192,299	1.39	0	0.00
36	Total	13,765,102	100.00	13,572,804	100.00
37	June 30, 2014 - Projected				
38	Common Equity	5,881,327	38.80	5,881,327	39.84
39	Preferred Stock	0	0.00	0	0.00
40	Long-Term Debt (c)	8,882,111	58.60	8,882,111	60.16
41	Short-Term Debt (b)	394,403	2.60	0	0.00
42	Total	15,157,841	100.00	14,763,438	100.00

(a) Reported per 10Q, excluding Accumulated Other Comprehensive Income ("OCI") from the equity account, if any.
(b) Balance at specified date
(c) Amounts include amortization of debt discounts/premiums and expenses for regulatory purposes that may have been expensed on the books.

COLUMBIA GAS OF PENNSYLVANIA, INC.
INTEREST COVERAGES

Line No.	Description	Twelve Months Ended May 31 2009 (1)	Twelve Months Ended May 31 2010 (2)	Twelve Months Ended May 31 2011 (3)	Twelve Months Ended May 31 2012 (4)
1	Income Before Interest and Taxes	89,649,951	68,176,135	63,252,722	52,035,984
2	Less: Income Taxes	27,776,663	15,817,482	12,583,205	5,509,881
3	Income Before Interest	61,873,288	52,358,653	50,669,517	46,526,103
4	Interest Expense	19,815,624	20,964,923	18,974,570	20,068,168
5	SFAS 96	0	0	0	0
6	Pre Tax Coverage (times) 1/	4.52	3.25	3.33	2.59
7	Post Tax Coverage (times) 2/	3.12	2.50	2.67	2.32

1/ Pre Tax=Line 1 / 4

Pre Tax=Line 3 / 4

NISOURCE, INC.
INTEREST COVERAGES

Line No.	Description	Twelve Months Ended May 31 2009	Twelve Months Ended May 31 2010	Twelve Months Ended May 31 2011	Twelve Months Ended May 31 2012
	000's	(1)	(2)	(3)	(4)
1	Income Before Interest and Taxes	850,967.9	899,556.5	910,458.4	926,435.9
2	Less: Income Taxes	153,353.1	192,714.5	141,749.3	161,291.8
3	Income Before Interest	697,614.8	706,842.0	768,709.1	765,144.1
4	Interest Expense	391,019.2	404,314.6	378,743.5	393,276.2
5	SFAS 96	0.0	0.0	0.0	0.0
6	Pre Tax Coverage (times) 1/	2.18	2.22	2.40	2.36
7	Post Tax Coverage (times) 2/	1.78	1.75	2.03	1.95

1/ Pre Tax=Line 1 / 4

2/ Pre Tax=Line 3 / 4

COLUMBIA GAS OF PENNSYLVANIA, INC.
53.53 II. RATE OF RETURN
A. ALL UTILITIES

2. Provide latest quarterly financial report (Company and Parent).

Response: Columbia Gas of Pennsylvania, Inc. does not publish quarterly financial reports.

Attached is NiSource Inc.'s June 30, 2012 Form 10-Q.

EDGAR Online

NISOURCE INC/DE

FORM 10-Q
(Quarterly Report)

Filed 07/31/12 for the Period Ending 06/30/12

Address	801 EAST 86TH AVE MERRILLVILLE, IN 46410-6272
Telephone	2196475200
CIK	0001111711
Symbol	NI
Fiscal Year	12/31

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2012

or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 001-16189

NiSource Inc.

(Exact name of registrant as specified in its charter)

Delaware	35-2108964
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
801 East 86th Avenue Merrillville, Indiana	46410
(Address of principal executive offices)	(Zip Code)

(877) 647-5990
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files.)
Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company.

Large accelerated filer ☑ Accelerated filer ☐

Non-accelerated filer ☐ Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes ☐ No ☑

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: Common Stock, $0.01 Par Value: 284,905,701 shares outstanding at July 25, 2012.

NISOURCE INC.
FORM 10-Q QUARTERLY REPORT
FOR THE QUARTER ENDED JUNE 30, 2012

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DEFINED TERMS

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

NiSource Subsidiaries and Affiliates

Capital Markets	NiSource Capital Markets, Inc.
CER	Columbia Energy Resources, Inc.
CGORC	Columbia Gas of Ohio Receivables Corporation
CNR	Columbia Natural Resources, Inc.
Columbia	Columbia Energy Group
Columbia Gulf	Columbia Gulf Transmission Company
Columbia of Kentucky	Columbia Gas of Kentucky, Inc.
Columbia of Maryland	Columbia Gas of Maryland, Inc.
Columbia of Massachusetts	Bay State Gas Company
Columbia of Ohio	Columbia Gas of Ohio, Inc.
Columbia of Pennsylvania	Columbia Gas of Pennsylvania, Inc.
Columbia of Virginia	Columbia Gas of Virginia, Inc.
Columbia Transmission	Columbia Gas Transmission, L.L.C.
CPRC	Columbia Gas of Pennsylvania Receivables Corporation
Crossroads Pipeline	Crossroads Pipeline Company
Granite State Gas	Granite State Gas Transmission, Inc.
Hardy Storage	Hardy Storage Company, L.L.C.
Kokomo Gas	Kokomo Gas and Fuel Company
Millennium	Millennium Pipeline Company, L.L.C.
NARC	NIPSCO Accounts Receivable Corporation
NDC Douglas Properties	NDC Douglas Properties, Inc.
NiSource	NiSource Inc.
NiSource Corporate Services	NiSource Corporate Services Company
NiSource Development Company	NiSource Development Company, Inc.
NiSource Finance	NiSource Finance Corp.
NiSource Midstream	NiSource Midstream & Minerals Group, L.L.C. and subsidiaries
Northern Indiana	Northern Indiana Public Service Company
Northern Indiana Fuel and Light	Northern Indiana Fuel and Light Company
PEI	PEI Holdings, Inc.
Whiting Clean Energy	Whiting Clean Energy, Inc.

Abbreviations

AFUDC	Allowance for funds used during construction
AMRP	Accelerated Main Replacement Program
AOC	Administrative Order by Consent
AOCI	Accumulated other comprehensive income
ARP	Alternative Regulatory Plan
ARRs	Auction Revenue Rights
ASC	Accounting Standards Codification
BBA	British Banker Association
Bcf	Billion cubic feet
Board	Board of Directors
BPAE	BP Alternative Energy North America Inc
BTMU	The Bank of Tokyo-Mitsubishi UFJ, LTD.
BTU	British Thermal Unit
CAA	Clean Air Act
CAIR	Clean Air Interstate Rule
CAMR	Clean Air Mercury Rule
Ccf	Hundred cubic feet
CERCLA	Comprehensive Environmental Response, Compensation and Liability Act (also known as Superfund)
CSAPR	Cross-State Air Pollution Rule

DEFINED TERMS (continued)

[redacted]2	Began April 1, 2005 and refers to the operational control of the energy markets by MISO, including the dispatching of wholesale electricity and generation, managing transmission constraints, and managing the day-ahead, real-time and financial transmission rights markets
DPU	Department of Public Utilities
DSM	Demand Side Management
Dth	Dekatherm
ECT	Environmental Cost Tracker
ECR	Environmental Cost Recovery
EPA	United States Environmental Protection Agency
EPS	Earnings per share
FAC	Fuel adjustment clause
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
FGD	Flue Gas Desulfurization
FTRs	Financial Transmission Rights
GAAP	U.S. Generally Accepted Accounting Principles
GCR	Gas cost recovery
GHG	Greenhouse gases
gwh	Gigawatt hours
IDEM	Indiana Department of Environmental Management
IFRS	International Financial Reporting Standards
IRP	Infrastructure Replacement Program
IURC	Indiana Utility Regulatory Commission
LDCs	Local distribution companies
LIBOR	London InterBank Offered Rate
[redacted]	Last in first out
[redacted]	Million cubic feet
[redacted]	Manufactured Gas Plant
MISO	Midwest Independent Transmission System Operator
Mitchell	Dean H. Mitchell Coal Fired Generating Station
MMDth	Million dekatherms
mw	Megawatts
NAAQS	National Ambient Air Quality Standards
NOV	Notice of Violation
NO2	Nitrogen dioxide
NOx	Nitrogen oxide
NYMEX	New York Mercantile Exchange
OCI	Other Comprehensive Income (Loss)
OPEB	Other Postretirement and Postemployment Benefits
OUCC	Indiana Office of Utility Consumer Counselor
PADEP	Pennsylvania Department of Environmental Protection
Piedmont	Piedmont Natural Gas Company, Inc.
PJM	PJM Interconnection (a regional transmission organization (RTO) that coordinates the movement of wholesale electricity in all or parts of 13 states and the District of Columbia.)
PM	particulate matter
PSC	Public Service Commission
PUC	Public Utility Commission
PUCO	Public Utilities Commission of Ohio
RA	Resource Adequacy
RBS	Royal Bank of Scotland PLC
RCRA	Resource Conservation and Recovery Act
RDAF	revenue decoupling adjustment factor
RTO	Regional Transmission Organization
[redacted]	Securities and Exchange Commission
[redacted]	State Implementation Plan
SO2	Sulfur dioxide

DEFINED TERMS (continued)

TIRF	Targeted Infrastructure Reinvestment Factor
VaR	Value-at-risk and instrument sensitivity to market factors
VIE	Variable Interest Entities
VSCC	Virginia State Corporation Commission
WACOG	Weighted Average Cost of Gas

PART I

ITEM 1. FINANCIAL STATEMENTS

NiSource Inc.
Condensed Statements of Consolidated Income (unaudited)

(in millions, except per share amounts)	Three Months Ended June 30, 2012	Three Months Ended June 30, 2011	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
Net Revenues				
Gas Distribution	$ 282.6	$ 500.4	$1,156.3	$1,872.4
Gas Transportation and Storage	356.2	307.3	765.4	710.3
Electric	377.1	349.2	729.7	695.7
Other	32.8	71.4	56.0	181.5
Gross Revenues	1,048.7	1,228.3	2,707.4	3,459.9
Cost of Sales (excluding depreciation and amortization)	241.1	462.5	871.4	1,633.4
Total Net Revenues	807.6	765.8	1,836.0	1,826.5
Operating Expenses				
Operation and maintenance	394.3	400.3	799.7	829.6
Depreciation and amortization	148.0	134.5	294.1	268.8
Impairment and (gain)/loss on sale of assets, net	(1.5)	-	(3.1)	0.7
Other taxes	66.7	67.8	153.5	160.8
Total Operating Expenses	607.5	602.6	1,244.2	1,259.9
Equity Earnings in Unconsolidated Affiliates	8.5	2.3	16.2	5.3
Operating Income	208.6	165.5	608.0	571.9
Other Income (Deductions)				
Interest expense, net	(103.2)	(94.4)	(206.5)	(184.2)
Other, net	2.8	0.6	3.1	3.9
Total Other Deductions	(100.4)	(93.8)	(203.4)	(180.3)
Income from Continuing Operations before Income Taxes	108.2	71.7	404.6	391.6
Income Taxes	37.7	30.9	140.6	141.7
Income from Continuing Operations	70.5	40.8	264.0	249.9
Loss from Discontinued Operations, net of taxes	(1.1)	(0.6)	(1.2)	(0.2)
Net Income	$ 69.4	$ 40.2	$ 262.8	$ 249.7
Basic Earnings Per Share				
Continuing operations	$ 0.25	$ 0.14	$ 0.93	$ 0.89
Discontinued operations	-	-	-	-
Basic Earnings Per Share	$ 0.25	$ 0.14	$ 0.93	$ 0.89
Diluted Earnings Per Share				
Continuing operations	$ 0.23	$ 0.14	$ 0.89	$ 0.87
Discontinued operations	-	-	-	-
Diluted Earnings Per Share	$ 0.23	$ 0.14	$ 0.89	$ 0.87
Dividends Declared Per Common Share	$ 0.24	$ 0.23	$ 0.70	$ 0.69
Basic Average Common Shares Outstanding	284.4	280.2	283.6	279.8
Diluted Average Common Shares	295.8	287.1	294.6	286.2

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

ITEM 1. FINANCIAL STATEMENTS (continued)

NiSource Inc.
Condensed Statements of Consolidated Comprehensive Income (unaudited)

(in millions, net of taxes)	Three Months Ended June 30, 2012	2011	Six Months Ended June 30, 2012	2011
Net Income	$ 69.4	$ 40.2	$ 262.8	$ 249.7
Other comprehensive income (loss)				
Net unrealized gain (loss) on available-for-sale securities (1)	0.3	1.1	(2.5)	0.9
Net unrealized gain on cash flow hedges (2)	0.9	0.6	1.9	1.7
Unrecognized pension benefit and OPEB costs (3)	0.7	0.4	1.3	0.8
Total other comprehensive income	1.9	2.1	0.7	3.4
Total Comprehensive Income	$ 71.3	$ 42.3	$ 263.5	$ 253.1

(1) Net unrealized gains (losses) on available-for-sale securities, net of $0.2 million and $0.7 million tax expense in the second quarter of 2012 and 2011, respectively, and $1.8 million tax benefit and $0.5 million tax expense for the first six months of 2012 and 2011, respectively.

(2) Net unrealized gains on derivatives qualifying as cash flow hedges, net of $0.6 million and $0.4 million tax expense in the second quarter of 2012 and 2011, respectively, and $1.2 million and $1.1 million tax expense for the first six months of 2012 and 2011, respectively. Net unrealized gains on cash flow hedges includes gains of $0.2 million related to the unrealized gains and losses of interest rate swaps held by NiSource's unconsolidated equity method investments for the second quarter of 2012 and 2011. Net unrealized gains on cash flow hedges include gains of $0.5 million and $0.4 million related to the unrealized gains and losses of interest swaps held by NiSource's unconsolidated equity method investments for the six months ended June 30, 2012 and 2011, respectively.

(3) Unrecognized pension benefit and OPEB costs, net of $0.3 million tax expense in the second quarter of 2012 and 2011, and $0.8 million and $0.7 million tax expense for the first six months of 2012 and 2011, respectively.

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

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M 1. FINANCIAL STATEMENTS (continued)

ource Inc.
Condensed Consolidated Balance Sheets (unaudited)

(in millions)	June 30, 2012	December 31, 2011
ASSETS		
Property, Plant and Equipment		
Utility Plant	$ 20,888.6	$ 20,337.8
Accumulated depreciation and amortization	(8,882.8)	(8,670.2)
Net utility plant	12,005.8	11,667.6
Other property, at cost, less accumulated depreciation	143.2	132.5
Net Property, Plant and Equipment	12,149.0	11,800.1
Investments and Other Assets		
Assets of discontinued operations and assets held for sale	0.2	0.2
Unconsolidated affiliates	211.5	204.7
Other investments	156.8	150.9
Total Investments and Other Assets	368.5	355.8
Current Assets		
Cash and cash equivalents	52.8	11.5
Restricted cash	85.0	160.6
Accounts receivable (less reserve of $42.2 and $30.5, respectively)	553.3	854.8
Income tax receivable	0.7	0.9
Gas inventory	252.9	427.6
Underrecovered gas and fuel costs	1.9	20.7
Materials and supplies, at average cost	99.5	87.6
lectric production fuel, at average cost	75.7	50.9
ice risk management assets	120.0	137.2
Exchange gas receivable	42.7	64.9
Regulatory assets	192.9	169.7
Prepayments and other	274.2	261.8
Total Current Assets	1,751.6	2,248.2
Other Assets		
Price risk management assets	90.3	188.7
Regulatory assets	1,899.2	1,978.2
Goodwill	3,677.3	3,677.3
Intangible assets	292.1	297.6
Postretirement and postemployment benefits assets	38.3	31.5
Deferred charges and other	143.1	130.9
Total Other Assets	6,140.3	6,304.2
Total Assets	$ 20,409.4	$ 20,708.3

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

ITEM 1. FINANCIAL STATEMENTS (continued)

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

(in millions, except share amounts)	June 30, 2012	December 31, 2011
CAPITALIZATION AND LIABILITIES		
Capitalization		
Common Stockholders' Equity		
Common stock - $0.01 par value, 400,000,000 shares authorized; 284,767,362 and 281,853,571 shares issued and outstanding, respectively	$ 2.9	$ 2.8
Additional paid-in capital	4,221.0	4,167.7
Retained earnings	980.9	917.0
Accumulated other comprehensive loss	(59.0)	(59.7)
Treasury stock	(40.5)	(30.5)
Total Common Stockholders' Equity	5,105.3	4,997.3
Long-term debt, excluding amounts due within one year	6,806.9	6,267.1
Total Capitalization	11,912.2	11,264.4
Current Liabilities		
Current portion of long-term debt	766.9	327.3
Short-term borrowings	327.6	1,359.4
Accounts payable	292.1	434.8
Dividends payable	68.3	
Customer deposits and credits	201.8	313.6
Taxes accrued	185.5	220.9
Interest accrued	116.6	111.9
Overrecovered gas and fuel costs	84.1	48.9
Price risk management liabilities	132.7	16
Exchange gas payable	101.4	168
Deferred revenue	10.0	10.1
Regulatory liabilities	93.3	112.0
Accrued liability for postretirement and postemployment benefits	26.6	26.6
Legal and environmental reserves	35.6	43.9
Other accruals	219.8	301.0
Total Current Liabilities	2,662.3	3,646.4
Other Liabilities and Deferred Credits		
Price risk management liabilities	45.6	138.9
Deferred income taxes	2,730.5	2,541.9
Deferred investment tax credits	26.9	29.0
Deferred credits	85.0	78.9
Accrued liability for postretirement and postemployment benefits	939.4	953.8
Regulatory liabilities and other removal costs	1,615.7	1,663.9
Asset retirement obligations	149.7	146.4
Other noncurrent liabilities	242.1	244.7
Total Other Liabilities and Deferred Credits	5,834.9	5,797.5
Commitments and Contingencies (Refer to Note 19)	-	-
Total Capitalization and Liabilities	$ 20,409.4	$ 20,708.3

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

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M 1. FINANCIAL STATEMENTS (continued)

ource Inc.
Condensed Statements of Consolidated Cash Flows (unaudited)

Six Months Ended June 30, *(in millions)*	2012	2011
Operating Activities		
Net Income	$ 262.8	$ 249.7
Adjustments to Reconcile Net Income to Net Cash from Continuing Operations:		
Depreciation and amortization	294.1	268.8
Net changes in price risk management assets and liabilities	(20.1)	15.3
Deferred income taxes and investment tax credits	129.0	135.9
Deferred revenue	(0.1)	(2.6)
Stock compensation expense and 401(k) profit sharing contribution	19.7	17.2
Gain on sale of assets	(3.1)	-
Loss on impairment of assets	-	0.7
Income from unconsolidated affiliates	(14.9)	(4.4)
Loss from discontinued operations - net of taxes	1.2	0.2
Amortization of debt related costs	4.7	4.2
AFUDC equity	(3.0)	(1.9)
Distributions of earnings received from equity investees	17.2	9.9
Changes in Assets and Liabilities:		
Accounts receivable	305.2	434.6
Income tax receivable	0.2	97.8
Inventories	133.6	13.7
Accounts payable	(147.5)	(250.4)
Customer deposits and credits	(111.7)	(134.9)
Taxes accrued	(34.8)	(41.2)
Interest accrued	4.7	-
Overrecovered gas and fuel costs	54.1	221.3
Exchange gas receivable/payable	(44.7)	(166.2)
Other accruals	(92.8)	(26.3)
Prepayments and other current assets	35.2	20.6
Regulatory assets/liabilities	7.3	23.4
Postretirement and postemployment benefits	(12.6)	(118.9)
Deferred credits	8.5	6.3
Deferred charges and other noncurrent assets	(18.3)	12.1
Other noncurrent liabilities	(1.1)	(4.8)
Net Operating Activities from Continuing Operations	772.8	780.1
Net Operating Activities used for Discontinued Operations	(1.0)	(44.1)
Net Cash Flows from Operating Activities	771.8	736.0
Investing Activities		
Capital expenditures	(619.5)	(445.0)
Proceeds from disposition of assets	2.2	9.4
Restricted cash withdrawals	75.9	48.3
Contributions to equity investees	(7.6)	(0.1)
Other investing activities	(19.9)	(36.0)
Net Cash Flow used for Investing Activities	(568.9)	(423.4)
Financing Activities		
Issuance of long-term debt	991.4	395.3
Retirement of long-term debt	(7.8)	(13.0)
Premiums and other debt related costs	(3.4)	(8.2)
Change in short-term borrowings, net	(1,031.4)	(512.2)
Issuance of common stock	30.0	7.9
Acquisition of treasury stock	(10.0)	(3.0)
Dividends paid - common stock	(130.4)	(128.7)
Net Cash Flow used for Financing Activities	(161.6)	(261.9)
Change in cash and cash equivalents from continuing operations	42.3	94.8
Cash contributions to discontinued operations	(1.0)	(44.1)
Cash and cash equivalents at beginning of period	11.5	9.2
Cash and Cash Equivalents at End of Period	$ 52.8	$ 59.9

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

ITEM 1. FINANCIAL STATEMENTS (continued)

NISOURCE INC.
Notes to Condensed Consolidated Financial Statements (unaudited)

1. Basis of Accounting Presentation

The accompanying unaudited condensed consolidated financial statements for NiSource (the "Company") reflect all normal recurring adjustments that are necessary, in the opinion of management, to present fairly the results of operations in accordance with GAAP in the United States of America.

The accompanying financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in NiSource's Annual Report on Form 10-K for the fiscal year ended December 31, 2011. Income for interim periods may not be indicative of results for the calendar year due to weather variations and other factors.

The unaudited condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the SEC. Certain information and note disclosures normally included in annual financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to those rules and regulations, although NiSource believes that the disclosures made are adequate to make the information not misleading.

Immaterial Restatement

As indicated in NiSource's Annual Report on Form 10-K for the fiscal year ended December 31, 2011, NiSource made correcting adjustments to its historical financial statements including for the three and six months ended June 30, 2011 relating to deferred revenue, environmental asset recovery, OPEB over-reimbursement, and OPEB regulatory assets. NiSource does not believe that these corrections, individually or in the aggregate, are material to its financial statements (unaudited) for the three and six months ended June 30, 2012. For additional information on these corrections, see Note 1, Nature of Operations and Summary of Significant Accounting Policies, and Note 26, Quarterly Financial Data (Unaudited), of the Consolidated Financial Statements of NiSource's Annual Report on Form 10-K for the fiscal year ended December 31, 2011.

The following table sets forth the effects of the correcting adjustments to Net Income for the three and six months ended June 30, 2011:

Increase/(Decrease) in Net Income *(in millions)*	Three Months Ended June 30, 2011	Six Months Ended June 30, 2011
Previously reported Net Income	$ 38.9	$ 244.1
Deferred revenue	-	(0.6)
Environmental asset recovery	-	8.0
OPEB over-reimbursement	(0.2)	(0.4)
OPEB regulatory asset	2.4	2.4
Total corrections	2.2	9.4
Income taxes	0.9	3.8
Corrected Net Income	$ 40.2	$ 249.7

M 1. FINANCIAL STATEMENTS (continued)

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Notes to Condensed Consolidated Financial Statements (unaudited)

The following table sets forth the effects of the correcting adjustments on affected line items within the Condensed Statement of Consolidated Income (unaudited) for the three and six months ended June 30, 2011:

Condensed Statements of Consolidated Income (unaudited)

	Three Months Ended June 30, 2011		Six Months Ended June 30, 2011	
(in millions, except per share amounts)	As Previously Reported	As Corrected	As Previously Reported	As Corrected
Net Revenues				
Electric	$ 349.2	$ 349.2	$ 696.3	$ 695.7
Gross Revenues	1,228.3	1,228.3	3,460.5	3,459.9
Total Net Revenues	765.8	765.8	1,827.1	1,826.5
Operation and maintenance	402.5	400.3	835.0	829.6
Depreciation and amortization	134.5	134.5	273.4	268.8
Total Operating Expenses	604.8	602.6	1,269.9	1,259.9
Operating Income	163.3	165.5	562.5	571.9
Income from Continuing Operations before Income Taxes	69.5	71.7	382.2	391.6
Income Taxes	30.0	30.9	137.9	141.7
Income from Continuing Operations	39.5	40.8	244.3	249.9
Income	$ 38.9	$ 40.2	$ 244.1	$ 249.7
Basic Earnings Per Share ($)				
Continuing operations	$ 0.14	$ 0.14	$ 0.87	$ 0.89
Basic Earnings Per Share	$ 0.14	$ 0.14	$ 0.87	$ 0.89
Diluted Earnings Per Share ($)				
Continuing operations	$ 0.14	$ 0.14	$ 0.85	$ 0.87
Diluted Earnings Per Share	$ 0.14	$ 0.14	$ 0.85	$ 0.87

These corrections affected certain line items within net cash flows from operating activities on the Condensed Statement of Consolidated Cash Flows (unaudited) for the six months ended June 30, 2011, with no net effect on total net cash flows from operating activities.

2. Recent Accounting Pronouncements

Recently Adopted Accounting Pronouncements

Comprehensive Income . In June 2011, the FASB issued Accounting Standards Update 2011-05, which revises the manner in which entities present comprehensive income in their financial statements. The new guidance removes the presentation options in ASC 220 and requires entities to report components of comprehensive income in either (1) a continuous statement of comprehensive income or (2) two separate but consecutive statements. The update does not change the items that must be reported in other comprehensive income. In December 2011, the FASB issued Accounting Standards Update 2011-12, which indefinitely defers the requirement to present reclassification adjustments out of accumulated other comprehensive income by component in both the Condensed Statements of Consolidated Income (unaudited) and the Condensed Statements of Consolidated Comprehensive Income (unaudited), as required by Accounting Standards Update 2011-05. For public entities, these updates are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. NiSource adopted the guidance on January 1, 2012 by presenting the Condensed Statements of Consolidated Income (unaudited) and the Condensed Statements of Consolidated Comprehensive Income (unaudited) as two separate but consecutive statements.

ITEM 1. FINANCIAL STATEMENTS (continued)

NISOURCE INC.
Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

Goodwill Impairment. In September 2011, the FASB issued Accounting Standards Update 2011-08, which gives entities testing goodwill for impairment the option of performing a qualitative assessment before calculating the fair value of a reporting unit for the goodwill impairment test. The amendment is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. As NiSource performs its annual Goodwill impairment test during the second quarter of its fiscal year, NiSource considered the provisions of this new standard and determined not to elect the option for the second quarter of 2012. NiSource will continue to evaluate whether to elect the option going forward.

Recently Issued Accounting Pronouncements

Balance Sheet Disclosure. In December 2011, the FASB issued Accounting Standards Update 2011-11, which requires additional disclosures regarding the nature of an entity's rights to offset positions associated with its financial and derivative instruments. These new disclosures will provide additional information about the entity's gross and net financial exposure. The amendment is effective for fiscal years, and interim periods within those years, beginning after January 1, 2013 with retrospective application required. NiSource is currently reviewing the provisions of this new standard to determine the impact on its Condensed Consolidated Financial Statements (unaudited) and Notes to Condensed Consolidated Financial Statements (unaudited).

3. Earnings Per Share

Basic EPS is computed by dividing income available to common stockholders by the weighted-average number of shares of common stock outstanding for the period. The weighted average shares outstanding for diluted EPS includes the incremental effects of the various long-term incentive compensation plans and the Forward Agreements (refer to Note 4 "Forward Equity Agreement" for additional information). The calculation of diluted earnings per share excludes out-of-the-money stock options which had an anti-dilutive effect. These options were 1.6 million and 3.4 million for the three months ended June 30, 2012 and 2011, respectively, and 1.7 million and 3.4 million for the six months ended June 30, 2012 and 2011, respectively. The numerator in calculating both basic and diluted EPS for each period is reported net income. The computation of diluted average common shares follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	**2012**	2011	**2012**	2011
Denominator				
Basic average common shares outstanding	**284,370**	280,217	**283,648**	279,780
Dilutive potential common shares				
Stock options	**201**	-	**157**	-
Shares contingently issuable under employee stock plans	**284**	1,078	**270**	1,061
Shares restricted under stock plans	**620**	342	**607**	326
Forward Agreements	**10,292**	5,422	**9,921**	4,989
Diluted Average Common Shares	**295,767**	287,059	**294,603**	286,156

4. Forward Equity Agreement

On September 14, 2010, NiSource and Credit Suisse Securities (USA) LLC, as forward seller, closed an underwritten registered public offering of 24,265,000 shares of NiSource's common stock. All of the shares sold were borrowed and delivered to the underwriters by the forward seller. NiSource did not receive any of the proceeds from the sale of the borrowed shares, but NiSource will receive proceeds upon settlement of the Forward Agreements referred to below.

In connection with the public offering, NiSource entered into forward sale agreements ("Forward Agreements") with an affiliate of the forward seller covering an aggregate of 24,265,000 shares of NiSource's common stock. Settlement of the Forward Agreements is expected to occur no later than September 10, 2012. Subject to certain exceptions, NiSource may elect cash or net share settlement for all or a portion of its obligations under the Forward Agreements. Upon any physical settlement of the Forward Agreements, NiSource will deliver shares of its common

stock in exchange for cash proceeds at the forward sale price, which initially is $15.9638 and is subject to adjustment as provided in the Forward Agreements. If the equity forward had been settled by delivery of shares at June 30, 2012, NiSource would have received approximately $345.3 million based on a forward price of $14.2288 for the 24,265,000 shares. NiSource currently anticipates settling the equity forward by delivering shares.

In accordance with ASC 815-40, NiSource has classified the Forward Agreements as an equity transaction. As a result of this classification, no amounts have been recorded in the Condensed Consolidated Financial Statements (unaudited) as of the six months ended June 30, 2012 and the year ended December 31, 2011 in connection with the Forward Agreements. The only impact to the Condensed Consolidated Financial Statements (unaudited) is the inclusion of incremental shares within the calculation of fully diluted EPS under the treasury stock method. Refer to Note 3, "Earnings Per Share," for additional information.

5. Gas in Storage

Both the LIFO inventory methodology and the weighted average cost methodology are used to value natural gas in storage. Gas Distribution Operations price natural gas storage injections at the average of the costs of natural gas supply purchased during the year. For interim periods, the difference between current projected replacement cost and the LIFO cost for quantities of gas temporarily withdrawn from storage is recorded as a temporary LIFO liquidation credit or debit within the Condensed Consolidated Balance Sheets (unaudited). Due to seasonality requirements, NiSource expects interim variances in LIFO layers to be replenished by year-end. NiSource has a temporary LIFO liquidation debit of $8.9 million recorded for the six months ended June 30, 2012 for certain gas distribution companies recorded within "Prepayments and other," on the Condensed Consolidated Balance Sheets (unaudited).

6. Discontinued Operations and Assets and Liabilities Held for Sale

There were no significant assets or liabilities of discontinued operations and held for sale on the Condensed Consolidated Balance Sheets (unaudited) at June 30, 2012 and December 31, 2011.

lts from discontinued operations, which primarily arise from changes in estimate for certain liabilities for Columbia Propane and urce's former exploration and production subsidiary, CER, are provided in the following table:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	**2012**	2011	**2012**	2011
Loss from discontinued operations	**$ (1.7)**	$ (0.8)	**$ (1.9)**	$ (0.2)
Income tax benefit	**(0.6)**	(0.2)	**(0.7)**	-
Loss from Discontinued Operations - net of taxes	**$ (1.1)**	$ (0.6)	**$ (1.2)**	$ (0.2)

7. Asset Retirement Obligations

Certain costs of removal that have been, and continue to be, included in depreciation rates and collected in the service rates of the rate-regulated subsidiaries are classified as "Regulatory liabilities and other removal costs" on the Condensed Consolidated Balance Sheets (unaudited).

Changes in NiSource's liability for asset retirement obligations for the six months ended June 30, 2012 and 2011 are presented in the table below:

(in millions)	2012	2011
Balance as of January 1,	$ 146.4	$ 138.8
Accretion expense	0.5	0.3
Accretion recorded as a regulatory asset/liability	4.3	3.8
Settlements	(1.5)	(1.1)
Change in estimated cash flows	-	(2.9)
Balance as of June 30,	$ 149.7	$ 138.9

8. Regulatory Matters

Gas Distribution Operations Regulatory Matters

Significant Rate Developments . On June 27, 2011, Northern Indiana filed a settlement agreement with the IURC in which regulatory stakeholders agreed that Northern Indiana should adopt the WACOG accounting methodology instead of LIFO, Northern Indiana's historical method. On August 31, 2011, the IURC approved the settlement and Northern Indiana transitioned to WACOG accounting methodology beginning January 1, 2012.

On March 15, 2012, the IURC approved a settlement agreement with Northern Indiana and all participating parties to extend its product and services contained in its current gas ARP indefinitely.

On May 19, 2008 Columbia of Ohio filed an application with the PUCO to defer environmental remediation expenses. On September 24, 2008, the PUCO approved the application. Each year Columbia of Ohio must report on the amounts deferred during the previous year. On December 6, 2011, Columbia of Ohio filed its annual deferral report for the twelve months ended November 30, 2011. PUCO Staff filed Comments on January 5, 2012, and objected to deferral of costs for a Toledo remediation project. Columbia of Ohio capitalized $2.4 million in costs associated with the Toledo project which will be proposed for recovery as a component of future rate base.

On March 19, 2012, Columbia of Massachusetts filed its Off-Peak RDAF with a proposed effective date of May 1, 2012. On April 23, 2012, the DPU issued an order, allowing the proposed RDAF to take effect subject to further investigation and reconciliation. An evidentiary hearing is set for August 28, 2012.

On April 13, 2012, Columbia of Massachusetts submitted a filing with the Massachusetts DPU requesting an annual revenue requirement increase of $29.2 million. Columbia of Massachusetts filed using a historic test year ending December 31, 2011. Additionally, Columbia of Massachusetts proposed rate-year, rate base treatment, as well as modification to the TIRF. The rate-year, rate base treatment has been proposed to reduce the impact of regulatory lag. An order is expected later this year, with new rates going into effect on November 1, 2012.

On February 14, 2012, Columbia of Ohio held its first standard choice offer auction which resulted in a retail price adjustment of $1.53 per Mcf. On February 14, 2012, the PUCO issued an entry that approved the results of the auction with the new retail price adjustment to become effective April 1, 2012. With the implementation of the standard choice offer, Columbia of Ohio will report lower gross revenues and lower cost of sales. There is no impact on net revenues.

On October 3, 2011, Columbia of Ohio filed an application with PUCO, requesting authority to defer incurred charges to a regulatory asset for debt-based post-in-service carrying charges, depreciation and property taxes associated with Columbia of Ohio's capital program. Interested parties filed comments on Columbia of Ohio's application by February 17, 2012. Columbia of Ohio filed Reply Comments on February 27, 2012.

On November 30, 2011 Columbia of Ohio filed a Notice of Intent to file an application to adjust rates associated with Rider IRP and Rider DSM. On February 28, 2012, Columbia of Ohio filed its application to adjust rates associated with IRP and DSM Riders. The DSM Rider tracks and recovers costs associated with Columbia of Ohio's energy efficiency and conservation programs. The application sought to increase the annual revenue from

the riders by approximately $27.9 million. On April 10, 2012, Columbia of Ohio reached a settlement with parties allowing for an increase in annual revenue from the Riders of approximately $27 million. On April 25, 2012, the PUCO issued an Entry that provided for approval of the settlement with new rates effective April 29, 2012.

On December 9, 2011 Columbia of Ohio filed a Notice of Intent to file an application to extend its Infrastructure Replacement Program. On January 6, 2012, the OCC filed a Memorandum Contra, arguing that Columbia of Ohio's base rates should be reviewed as part of the IRP extension process. Columbia of Ohio filed a Reply Memorandum on January 11, 2012. Columbia of Ohio filed an amended Notice of Intent and an amended Motion for Waiver on March 5, 2012. On May 8, 2012, Columbia of Ohio filed its application and supporting exhibits and testimony. On June 14, 2012 the PUCO issued an Entry through which it established a procedural schedule that provided for the filing of comments by June 14, 2012 and the filing of reply comments by June 25, 2012. On June 8, 2012, the PUCO Staff filed a motion for an extension of time for filing of comments by all parties to August 31, 2012. By Entry dated June 12, 2012, the PUCO extended the deadline for filing comments to August 31, 2012 and the deadline for filing reply comments to September 11, 2012.

On March 30, 2012, Columbia of Ohio filed an application with the PUCO that requests authority to establish a regulatory asset for corporate OPEB expenses allocated to Columbia of Ohio. The amount that Columbia of Ohio sought authority to defer is $2.1 million. By Entry dated July 18, 2012, the PUCO approved the application.

On April 12, 2012, Columbia of Virginia filed an Application with the VSCC for approval to amend and extend its CARE Plan for an additional three year period beginning January 1, 2013. The Amended CARE Plan includes incentives for residential and small general service customers to actively pursue conservation and energy efficiency measures, a surcharge designed to recover the costs of such measures on a real-time basis, and a performance-based incentive for the delivery of conservation and energy efficiency benefits. The Amended CARE Plan also includes a rate decoupling mechanism designed to mitigate the impact of declining customer usage. On April 27, 2012, the VSCC issued a procedural order inviting comments from the VSCC Staff and interested persons. The VSCC Staff and Columbia of Virginia reached a comprehensive settlement of the issues in the case and filed a Joint Motion requesting VSCC approval of the settlement terms on July 13, 2012. A decision is anticipated by August 10, 2012.

April 19, 2012, Columbia of Ohio filed an application that requests authority to increase its uncollectible expense rider rate in order to generate an additional $14.6 million in annual revenue in order to offset anticipated increases in uncollectible expenses. On May 30, 2012, the PUCO issued an Entry that provided for approval of Columbia of Ohio's April 19, 2012 application for adjustment of its uncollectible expense rider with the new rate effective May 30, 2012.

On April 30, 2012, Columbia of Ohio filed an application to adjust its Interim, Emergency and Temporary Percentage of Income Payment Plan Rider ("PIPP") from $0.1274 per Mcf to $0.0294 per Mcf to provide for the passback of an overrecovery of approximately $10.9 million and the recovery of its annual change in PIPP arrears. The PUCO approved the application and the revised PIPP Rider went into effect for the first billing unit of July 2012.

Cost Recovery and Trackers . A significant portion of the distribution companies' revenue is related to the recovery of gas costs, the review and recovery of which occurs via standard regulatory proceedings. All states require periodic review of actual gas procurement activity to determine prudence and to permit the recovery of prudently incurred costs related to the supply of gas for customers. NiSource distribution companies have historically been found prudent in the procurement of gas supplies to serve customers.

Certain operating costs of the NiSource distribution companies are significant, recurring in nature, and generally outside the control of the distribution companies. Some states allow the recovery of such costs via cost tracking mechanisms. Such tracking mechanisms allow for abbreviated regulatory proceedings in order for the distribution companies to implement charges and recover appropriate costs. Tracking mechanisms allow for more timely recovery of such costs as compared with more traditional cost recovery mechanisms. Examples of such mechanisms include GCR adjustment mechanisms, tax riders, and bad debt recovery mechanisms.

Comparability of Gas Distribution Operations line item operating results is impacted by regulatory trackers that allow for the recovery in rates of certain costs such as bad debt expenses. Increases in the expenses that are the subject of trackers, result in a corresponding increase in net revenues and therefore have essentially no impact on total operating income results.

ITEM 1. FINANCIAL STATEMENTS (continued)

NISOURCE INC.
Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

Certain of the NiSource distribution companies have completed rate proceedings involving infrastructure replacement or are embarking upon regulatory initiatives to replace significant portions of their operating systems that are nearing the end of their useful lives. Each LDC's approach to cost recovery may be unique, given the different laws, regulations and precedent that exist in each jurisdiction.

Gas Transmission and Storage Operations Regulatory Matters

Columbia Gulf Rate Case. On October 28, 2010, Columbia Gulf filed a rate case with the FERC, proposing a rate increase and tariff changes. Among other things, the filing proposed a revenue increase of approximately $50 million to cover increases in the cost of services, which includes adjustments for operation and maintenance expenses, capital investments, adjustments to depreciation rates and expense, rate of return, and increased federal, state and local taxes. On November 30, 2010, the FERC issued an Order allowing new rates to become effective by May 2011, subject to refund. Columbia Gulf placed new rates into effect, subject to refund, on May 1, 2011. Columbia Gulf and the active parties to the case negotiated a settlement, which was filed with the FERC on September 9, 2011. On September 30, 2011, the Chief Judge severed the issues relating to a contesting party for separate hearing and decision. On October 4, 2011, the Presiding Administrative Law Judge certified the settlement agreement as uncontested to the FERC with severance of the contesting party from the settlement. On November 1, 2011, Columbia Gulf began billing interim rates to customers. On December 1, 2011, the FERC issued an order approving the settlement without change. The key elements of the settlement, which was a "black box agreement", include: (1) increased base rate to $0.1520 per Dth and (2) establishing a postage stamp rate design. No protests to the order were filed and therefore, pursuant to the Settlement, the order became final on January 1, 2012 which made the settlement effective on February 1, 2012. On February 2, 2012, the Presiding Administrative Law Judge issued an initial decision granting a joint motion terminating the remaining litigation with the contesting party and allowing it to become a settling party. The FERC issued an order on March 15, 2012, affirming the initial decision, which terminated the remaining litigation with the contesting party. Refunds of approximately $16 million, accrued as of December 31, 2011, were disbursed to settling parties in March 2012.

Electric Operations Regulatory Matters

Significant Rate Developments . On July 18, 2011, Northern Indiana filed with the IURC a settlement in its 2010 Electric Rate Case with the OUCC, Northern Indiana Industrial Group, NLMK Indiana and Indiana Municipal Utilities Group. The settlement agreement limited proposed base rate impact to the residential customer class to a 4.5% increase. The parties have also agreed to a rate of return of 6.98% based upon a 10.2% return on equity. The settlement also resolves all pending issues related to compliance with the August 25, 2010 Order in the 2008 Electric Rate Case. On December 21, 2011, the IURC issued an Order approving the Settlement Agreement as filed, and new electric base rates became effective on December 27, 2011. On January 20, 2012, the City of Hammond filed an appeal of the IURC's December 21, 2011 Order and subsequently, on June 4, 2012, filed a motion to dismiss the appeal. The motion was granted on June 27, 2012.

During 2002, Northern Indiana settled certain regulatory matters related to an electric rate review. On September 23, 2002, the IURC issued an Order adopting most aspects of the settlement. The Order approving the settlement provided that certain electric customers of Northern Indiana would receive bill credits of approximately $55.1 million each year. The credits continued at approximately the same annual level and per the same methodology, until the IURC approval and implementation of new customer rates, which occurred on December 27, 2011. A final reconciliation of the credits will occur in a future fuel cost filing according to the terms of the approved settlement in the 2010 Electric Rate Case. Credits amounting to $(1.0) million and $25.1 million were recognized for electric customers for the first six months of 2012 and 2011, respectively.

On December 9, 2009, the IURC issued an Order in its generic DSM investigation proceeding establishing an overall annual energy savings goal of 2% to be achieved by Indiana jurisdictional electric utilities in 10 years, with interim savings goals established in years one through nine. On May 25, 2011, the IURC issued an Order approving a tracker mechanism to recover the costs associated with these energy efficiency programs. On July 27, 2011, the IURC issued an Order approving the energy efficiency programs. On February 1, 2012, Northern Indiana submitted a petition to the IURC to recover lost margins. The evidentiary hearing was held on July 3, 2012. No party opposed Northern Indiana's request. An order is anticipated late in the third quarter of 2012.

M 1. FINANCIAL STATEMENTS (continued)

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

Cost Recovery and Trackers . A significant portion of Northern Indiana's revenue is related to the recovery of fuel costs to generate power and the fuel costs related to purchased power. These costs are recovered through a FAC, a standard, quarterly, "summary" regulatory proceeding in Indiana.

As part of a multi-state effort to strengthen the electric transmission system serving the Midwest, Northern Indiana anticipates making an investment in a new, 100-mile, 345-kilovolt transmission project in northern Indiana. The project, a major new transmission system improvement reviewed and authorized by the MISO, is scheduled to be in service during the latter part of the decade. On March 16, 2012, Northern Indiana filed with the FERC for incentives for this transmission project, including all construction work in progress in rate base. Northern Indiana has also been identified by the MISO as one of two Transmission Owners to invest in another project. On February 8, 2012, Pioneer Transmission, LLC filed a complaint with the FERC, seeking to obtain 100 percent of the investment rights in this second project. The last Response was filed by Northern Indiana on March 27, 2012. On July 19, 2012, the FERC issued an order approving the incentives requested by Northern Indiana, including all construction work in progress in rate base, for the 100-mile, 345-kilovolt transmission project in northern Indiana. On this same day, the FERC also issued an order which denied the complaint filed by Pioneer Transmission, LLC and affirmed that Northern Indiana and Duke Energy are the appropriate parties to share equally in the development of a 66-mile 765kV transmission project extending between Reynolds, Indiana and Greentown, Indiana.

In the Order issued on August 25, 2010, the IURC approved an RTO tracker for recovery of MISO non-fuel costs and revenues and off-system sales sharing and ordered that purchased power costs and fuel-related MISO charge types be recovered in the FAC. The IURC also approved a purchase capacity tracker referred to as the RA Tracker. Similar treatment was requested in the 2010 Electric Rate Case filing and approved in the December 21, 2011 Order approving the Settlement Agreement. The implementation of such trackers coincides with the implementation of new customer rates. Northern Indiana made its first filings for recovery of costs under the RTO and RA mechanisms on February 2, 2012. The RTO filing also seeks authorization from the IURC to retain certain revenues under MISO Schedule 26-A to support investments in Northern Indiana's Multi-Value Projects under MISO's 2011 transmission expansion plan. On April 10, 2012, the IURC approved a procedural schedule to consider the retention of MISO Schedule 26-A revenues. The hearing was held on May 14, 2012. An order is anticipated in the third quarter of 2012.

art of the August 25, 2010 Order, a new "purchase power benchmark" became effective. This purchase power benchmark superseded the one made effective by a settlement in October 2007. The benchmark is based upon the costs of power generated by a hypothetical natural gas fired unit using gas purchased and delivered to Northern Indiana. During the first six months of 2012 and 2011, no purchased power costs exceeded the benchmark.

On March 22, 2011, Northern Indiana filed a petition with the IURC for a certificate of public convenience and necessity and associated relief for the construction of additional environmental projects required to comply with the NOV consent decree lodged in the United States District Court for the Northern District of Indiana on January 13, 2011. Refer to Note 19-C, "Environmental Matters," for additional information. This petition has since been trifurcated into three separate phases. On December 28, 2011, the IURC issued an order for the Phase I projects estimated to cost $500 million and granting the requested ratemaking and accounting relief associated with these Phase 1 projects. On February 15, 2012, the IURC issued an order for the Phase II projects. The proposed construction of a FGD unit on Michigan City Generating Station Unit 12 is the subject of Phase III of this proceeding. The evidentiary hearing for the Phase III projects was held on May 10, 2012. No party opposed Northern Indiana's request. An order is anticipated in the second half of 2012.

On February 7, 2012, Northern Indiana filed ECR-19 and EER-9, the filing implementing the ECT, which included $109.6 million of net capital expenditures and operation and maintenance and depreciation expenses of $32.6 million for the period ended December 31, 2011.

ITEM 1. FINANCIAL STATEMENTS (continued)

N I S OURCE I NC .
Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

9. Risk Management Activities

NiSource is exposed to certain risks relating to its ongoing business operations. The primary risks managed by using derivative instruments are commodity price risk and interest rate risk. Derivative natural gas contracts are entered into to manage the price risk associated with natural gas price volatility and to secure forward natural gas prices. Interest rate swaps are entered into to manage interest rate risk associated with NiSource's fixed-rate borrowings. NiSource designates some of its commodity forward contracts as cash flow hedges of forecasted purchases of commodities and designates its interest rate swaps as fair value hedges of fixed-rate borrowings. Additionally, certain NiSource subsidiaries enter into forward physical contracts with various third parties to procure or sell natural gas or power. Certain forward physical contracts are derivatives which qualify for, and which NiSource may elect, the normal purchase and normal sales exception which do not require mark-to-market accounting.

Accounting Policy for Derivative Instruments. The ASC topic on accounting for derivatives and hedging requires an entity to recognize all derivatives as either assets or liabilities on the Consolidated Balance Sheets at fair value, unless such contracts are exempted such as a normal purchase and normal sale contract under the provisions of the ASC topic. The accounting for changes in the fair value of a derivative depends on the intended use of the derivative and resulting designation.

NiSource uses a variety of derivative instruments (exchange traded futures and options, physical forwards and options, basis contracts, financial commodity swaps, and interest rate swaps) to effectively manage its commodity price risk and interest rate risk exposure. If certain conditions are met, a derivative may be specifically designated as (a) a hedge of the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment, or (b) a hedge of the exposure to variable cash flows of a forecasted transaction. In order for a derivative contract to be designated as a hedge, the relationship between the hedging instrument and the hedged item or transaction must be highly effective. The effectiveness test is performed at the inception of the hedge and each reporting period thereafter, throughout the period that the hedge is designated. Any amounts determined to be ineffective are recognized currently in earnings. For derivative contracts that qualify for the normal purchase and normal sales exception, a contract's fair value is not recognized in the Consolidated Financial Statements until the contract is settled.

Unrealized and realized gains and losses are recognized each period as components of AOCI, regulatory assets and liabilities or earnings depending on the designation of the derivative instrument. For subsidiaries that utilize derivatives for cash flow hedges, the effective portions of the gains and losses are recorded to AOCI and are recognized in earnings concurrent with the disposition of the hedged risks. If a forecasted transaction corresponding to a cash flow hedge is no longer probable to occur, the accumulated gains or losses on the derivative are recognized currently in earnings. For fair value hedges, the gains and losses are recorded in earnings each period together with the change in the fair value of the hedged item. As a result of the rate-making process, the rate-regulated subsidiaries generally record gains and losses as regulatory liabilities or assets and recognize such gains or losses in earnings when both the contracts settle and the physical commodity flows. These gains and losses recognized in earnings are then subsequently recovered or passed back to customers in revenues through rates. When gains and losses are recognized in earnings, they are recognized in revenues or cost of sales for derivatives that correspond to commodity risk activities and are recognized in interest expense for derivatives that correspond to interest-rate risk activities.

NiSource has elected not to net fair value amounts for its derivative instruments or the fair value amounts recognized for its right to receive cash collateral or obligation to pay cash collateral arising from those derivative instruments recognized at fair value, which are executed with the same counterparty under a master netting arrangement. NiSource discloses amounts recognized for the right to reclaim cash collateral within "Restricted cash" and amounts recognized for the right to return cash collateral within "Other accruals" on the Consolidated Balance Sheets.

Commodity Price Risk Programs . NiSource and NiSource's utility customers are exposed to variability in cash flows associated with natural gas purchases and volatility in natural gas prices. NiSource purchases natural gas for sale and delivery to its retail, commercial and industrial customers, and for most customers the variability in the market price of gas is passed through in their rates. Some of NiSource's utility subsidiaries offer programs where variability in the market price of gas is assumed by the respective utility. The objective of NiSource's commodity

price risk programs is to mitigate this gas cost variability, for NiSource or on behalf of its customers, associated with natural gas purchases or sales by economically hedging the various gas cost components by using a combination of futures, options, forward physical contracts, basis swap contracts or other derivative contracts. Northern Indiana also uses derivative contracts to minimize risk associated with power price volatility. These commodity price risk programs and their respective accounting treatment are described below.

Northern Indiana, Columbia of Pennsylvania, Columbia of Kentucky, Columbia of Maryland and Columbia of Virginia use NYMEX futures and NYMEX options to minimize risk associated with gas price volatility. These derivative programs must be marked to fair value, but because these derivatives are used within the framework of the companies' GCR or FAC mechanism, regulatory assets or liabilities are recorded to offset the change in the fair value of these derivatives.

Northern Indiana and Columbia of Virginia offer a fixed price program as an alternative to the standard GCR mechanism. These services provide certain customers with the opportunity to either lock in their gas cost or place a cap on the gas costs that would be charged in future months. In order to hedge the anticipated physical purchases associated with these obligations, forward physical contracts, NYMEX futures and NYMEX options are used to secure forward gas prices. The accounting treatment elected for these contracts is varied in that certain of these contracts have been accounted for as cash flow hedges while some contracts are not. The accounting treatment is based on the election of the company. The normal purchase and normal sales exception is elected for forward physical contracts associated with these programs where delivery of the commodity is probable to occur.

Northern Indiana also offers a DependaBill program to its customers as an alternative to the standard tariff rate that is charged to residential customers. The program allows Northern Indiana customers to fix their total monthly bill in future months at a flat rate regardless of gas usage or commodity cost. In order to hedge the anticipated physical purchases associated with these obligations, forward physical contracts, NYMEX futures and NYMEX options have been used to secure forward gas prices. The normal purchase and normal sales exception is elected for forward physical contracts associated with these programs where delivery of the commodity is probable to occur.

Northern Indiana enters into gas purchase contracts at first of the month prices that give counterparties the daily option to either sell an ional package of gas at first of the month prices or recall the original volume to be delivered. Northern Indiana charges a fee for this n. The changes in the fair value of these options are primarily due to the changing expectations of the future intra-month volatility of gas s. These written options are derivative instruments, must be marked to fair value and do not meet the requirement for hedge accounting treatment. However, Northern Indiana records the related gains and losses associated with these transactions as a regulatory asset or liability.

Columbia of Kentucky, Columbia of Ohio and Columbia of Pennsylvania enter into contracts that allow counterparties the option to sell gas to them at first of the month prices for a particular month of delivery. These Columbia LDCs charge the counterparties a fee for this option. The changes in the fair value of the options are primarily due to the changing expectations of the future intra-month volatility of gas prices. These Columbia LDCs defer a portion of the change in the fair value of the options as either a regulatory asset or liability based on the regulatory customer sharing mechanisms in place, with the remaining changes in fair value recognized currently in earnings.

As part of the MISO Day 2 initiative, Northern Indiana was allocated or has purchased FTRs. These FTRs help Northern Indiana offset congestion costs due to the MISO Day 2 activity. The FTRs are marked to fair value and are not accounted for as a hedge, but since congestion costs are recoverable through the fuel cost recovery mechanism, the related gains and losses associated with marking these derivatives to market are recorded as a regulatory asset or liability. In the second quarter of 2008, MISO changed its allocation procedures from an allocation of FTRs to an allocation of ARRs, whereby Northern Indiana was allocated ARRs based on its historical use of the MISO administered transmission system. ARRs entitle the holder to a stream of revenues or charges based on the price of the associated FTR in the FTR auction, so ARRs can be used to purchase FTRs in the FTR auction. ARRs are not derivatives.

ITEM 1. FINANCIAL STATEMENTS (continued)

NISOURCE INC.
Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

NiSource is in the process of winding down its unregulated natural gas marketing business, where gas financial contracts are utilized to economically hedge expected future gas purchases associated with forward gas agreements. These financial contracts, as well as the associated forward physical sales contracts, are derivatives and are marked-to-market with all associated gains and losses recognized to income. NiSource established a reserve of $1.6 million and $25.6 million against certain derivatives as of June 30, 2012 and December 31, 2011, respectively. This amount represents reserves related to the creditworthiness of certain customers, fair value of future cash flows, and the cost of maintaining significant amounts of restricted cash. The physical sales contracts marked-to-market had a fair value of approximately $55.4 million at June 30, 2012 and $136.8 million at December 31, 2011, while the financial derivative contracts marked-to-market had a fair value loss of $52.9 million at June 30, 2012, and $155.5 million at December 31, 2011. During the fourth quarter of 2011, NiSource recorded a reserve of $22.6 million on certain assets related to the wind down of the unregulated natural gas marketing business. During 2012, NiSource settled a majority of the contracts related to the reserve noted above and wrote off $43.8 million of price risk assets. Additionally, NiSource has a notes receivable balance related to the settlements of $21.3 million as of June 30, 2012.

On October 31, 2011, cash and derivatives broker-dealer MF Global filed for Chapter 11 bankruptcy protection. MF Global brokered NYMEX hedges of natural gas futures on behalf of NiSource affiliates. At the date of bankruptcy, NiSource affiliates had contracts open with MF Global with settlement dates ranging from November 2011 to February 2014. On November 3, 2011, these contracts were measured at a mark-to-market loss of approximately $46.4 million. NiSource affiliates had posted initial margin to open these accounts of $6.9 million and additional maintenance margin for mark-to-market losses, for a total cash balance of $53.3 million. Within the first week after the filing, at the direction of the Bankruptcy Court, a transfer of assets was initiated on behalf of NiSource affiliates to a court-designated replacement broker for future trade activity. The existing futures positions were closed and then rebooked with the replacement broker at the new closing prices as of November 3, 2011. Initial margin on deposit at MF Global of $5.7 million was transferred to the court-designated replacement broker. The maintenance margin was retained by MF Global to offset the loss positions of the open contracts on November 3, 2011. NiSource affiliates are monitoring the activity in the bankruptcy case and have filed a proof of claim at the Court's direction. As of June 30, 2012, NiSource affiliates maintained a reserve for the $1.2 million difference between the initial margin posted with MF Global and the cash transferred to the court-designated replacement broker as a loss contingency.

Commodity price risk program derivative contracted gross volumes are as follows:

	June 30, 2012	December 31, 2011
Commodity Price Risk Program:		
Gas price volatility program derivatives (MMDth)	**31.5**	26.1
Price Protection Service program derivatives (MMDth)	**0.4**	1.0
DependaBill program derivatives (MMDth)	**0.3**	0.3
Regulatory incentive program derivatives (MMDth)	**-**	0.9
Gas marketing program derivatives (MMDth) [1]	**13.8**	28.5
Gas marketing forward physical derivatives (MMDth) [2]	**13.8**	27.1
Electric energy program FTR derivatives (mw) [3]	**17,686.2**	8,578.5

[1] Basis contract volumes not included in the above table were 14.1 MMDth and 15.9 MMDth as of June 30, 2012 and December 31, 2011, respectively.

[2] Basis contract volumes not included in the above table were 14.5 MMDth and 29.9 MMDth as of June 30, 2012 and December 31, 2011, respectively.

[3] Megawatt hours reported in thousands

Interest Rate Risk Activities . NiSource recognizes that the prudent and selective use of derivatives may help it to lower its cost of debt capital and manage its interest rate exposure. NiSource Finance has entered into various "receive fixed" and "pay floating" interest rate swap agreements which modify the interest rate characteristics of a portion of its outstanding long-term debt from fixed to variable rate. These interest rate swaps also serve to hedge the fair market value of NiSource Finance's outstanding debt portfolio. As of June 30, 2012, NiSource had $7.3

billion of outstanding fixed rate debt, of which $500.0 million is subject to fluctuations in interest rates as a result of the fixed-to-variable interest rate swap transactions. These interest rate swaps are designated as fair value hedges. NiSource had no net gain or loss recognized in earnings due to hedging ineffectiveness for the six months ended June 30, 2012 and 2011.

On July 22, 2003, NiSource Finance entered into fixed-to-variable interest rate swap agreements in a notional amount of $500 million with four counterparties with an 11-year term. NiSource Finance receives payments based upon a fixed 5.40% interest rate and pays a floating interest amount based on U.S. 6-month BBA LIBOR plus an average of 0.78% per annum. There was no exchange of premium at the initial date of the swaps. In addition, each party has the right to cancel the swaps on July 15, 2013.

Contemporaneously with the issuance on September 16, 2005 of $1 billion of its 5.25% and 5.45% notes, maturing September 15, 2017 and 2020, respectively, NiSource Finance settled $900 million of forward starting interest rate swap agreements with six counterparties. NiSource paid an aggregate settlement payment of $35.5 million which is being amortized from AOCI to interest expense over the term of the underlying debt, resulting in an effective interest rate of 5.67% and 5.88%, respectively. As of June 30, 2012, AOCI includes $10.5 million related to forward starting interest rate swap settlement, net of tax. These derivative contracts are accounted for as a cash flow hedge.

As of June 30, 2012, NiSource holds a 47.5% interest in Millennium. As NiSource reports Millennium as an equity method investment, NiSource is required to recognize a proportional share of Millennium's OCI. NiSource's proportionate share of the remaining unrealized loss associated with a settled interest rate swap is $19.2 million, net of tax, as of June 30, 2012. Millennium is amortizing the unrealized loss related to these terminated interest rate swaps into earnings using the effective interest method through interest expense as interest payments are made. NiSource records its proportionate share of the amortization as Equity Earnings in Unconsolidated Affiliates in the Condensed Statements of Consolidated Income (unaudited).

NiSource's location and fair value of derivative instruments on the Condensed Consolidated Balance Sheets (unaudited) were:

t Derivatives *(in millions)*	June 30, 2012	December 31, 2011
Balance Sheet Location	Fair Value	Fair Value (1)
Derivatives designated as hedging instruments		
Interest rate risk activities		
Price risk management assets (current)	$ -	$ -
Price risk management assets (noncurrent)	48.5	56.7
Total derivatives designated as hedging instruments	$ 48.5	$ 56.7
Derivatives not designated as hedging instruments		
Commodity price risk programs		
Price risk management assets (current)	$ 120.0	$ 141.8
Price risk management assets (noncurrent)	41.8	150.0
Total derivatives not designated as hedging instruments	$ 161.8	$ 291.8
Total Asset Derivatives	$ 210.3	$ 348.5

(1) During the fourth quarter of 2011, NiSource recorded reserves of $22.6 million ($4.6 million current and $18.0 million noncurrent) on certain commodity price risk assets related to the wind down of the unregulated natural gas marketing business. As of June 30, 2012, NiSource has fully reversed these reserves as all contracts have been settled. The non-designated price risk asset amounts above are shown gross and have not been adjusted for the reserves.

ITEM 1. FINANCIAL STATEMENTS (continued)

NISOURCE INC.
Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

Liability Derivatives *(in millions)*	**June 30, 2012**	December 31, 2011
Balance Sheet Location	**Fair Value**	Fair Value
Derivatives designated as hedging instruments		
Commodity price risk programs		
Price risk management liabilities (current)	**$ -**	$ 0.4
Price risk management liabilities (noncurrent)	**-**	0.1
Total derivatives designated as hedging instruments	**$ -**	$ 0.5
Derivatives not designated as hedging instruments		
Commodity price risk programs		
Price risk management liabilities (current)	**$ 132.7**	$ 167.4
Price risk management liabilities (noncurrent)	**45.6**	138.8
Total derivatives not designated as hedging instruments	**$ 178.3**	$ 306.2
Total Liability Derivatives	**$ 178.3**	$ 306.7

The effect of derivative instruments on the Condensed Statements of Consolidated Income (unaudited) was:

Derivatives in Cash Flow Hedging Relationships

Three Months Ended, *(in millions)* :

Derivatives in Cash Flow Hedging Relationships	Amount of Gain Recognized in OCI on Derivative (Effective Portion) **June 30, 2012**	June 30, 2011	Location of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Amount of (Loss) Gain Reclassified from AOCI into Income (Effective Portion) **June 30, 2012**	June 30, 2011
Commodity price risk programs	**$ 0.3**	$ -	Cost of Sales	**$ (0.2)**	$ 0.2
Interest rate risk activities	**0.4**	0.4	Interest expense, net	**(0.7)**	(0.7)
Total	**$ 0.7**	$ 0.4		**$ (0.9)**	$ (0.5)

Six Months Ended *(in millions)* :

Derivatives in Cash Flow Hedging Relationships	Amount of Gain Recognized in OCI on Derivative (Effective Portion) **June 30, 2012**	June 30, 2011	Location of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Amount of Gain (Loss) Reclassified from AOCI into Income (Effective Portion) **June 30, 2012**	June 30, 2011
Commodity price risk programs	**$ 0.6**	$ 0.5	Cost of Sales	**$ (0.8)**	$ 0.8
Interest rate risk activities	**0.8**	0.8	Interest expense, net	**(1.3)**	(1.3)
Total	**$ 1.4**	$ 1.3		**$ (2.1)**	$ (0.5)

M 1. FINANCIAL STATEMENTS (continued)

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

Three Months Ended, *(in millions)* :

Derivatives in Cash Flow Hedging Relationships	Location of Gain (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount of Gain (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	
		June 30, 2012	June 30, 2011
Commodity price risk programs	Cost of Sales	$ -	$ -
Interest rate risk activities	Interest expense, net	-	-
Total		$ -	$ -

Six Months Ended, *(in millions)*

Derivatives in Cash Flow Hedging Relationships	Location of Gain (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount of Gain (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	
		June 30, 2012	June 30, 2011
Commodity price risk programs	Cost of Sales	$ -	$ -
Interest rate risk activities	Interest expense, net	-	-
Total		$ -	$ -

It is anticipated that during the next twelve months the expiration and settlement of cash flow hedge contracts will result in income statement gnition of amounts currently classified in AOCI of approximately $0.2 million of loss, net of taxes.

vatives in Fair Value Hedging Relationships

Three Months Ended, *(in millions)*

Derivatives in Fair Value Hedging Relationships	Location of Gain Recognized in Income on Derivatives	Amount of Gain Recognized in Income on Derivatives	
		June 30, 2012	June 30, 2011
Interest rate risk activities	Interest expense, net	$ **0.8**	$ 9.8
Total		$ **0.8**	$ 9.8

Six Months Ended, *(in millions)*

Derivatives in Fair Value Hedging Relationships	Location of Loss Recognized in Income on Derivatives	Amount of Loss Recognized in Income on Derivatives	
		June 30, 2012	June 30, 2011
Interest rate risk activities	Interest expense, net	$ **(8.2)**	$ (0.4)
Total		$ **(8.2)**	$ (0.4)

ITEM 1. FINANCIAL STATEMENTS (continued)

NISOURCE INC.
Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

Three Months Ended, *(in millions)*

Hedged Item in Fair Value Hedge Relationships	Location of Loss Recognized in Income on Related Hedged Item	Amount of Loss Recognized in Income on Related Hedged Items	
		June 30, 2012	June 30, 2011
Fixed-rate debt	Interest expense, net	**$ (0.8)**	$ (9.8)
Total		**$ (0.8)**	$ (9.8)

Six Months Ended, *(in millions)*

Hedged Item in Fair Value Hedge Relationships	Location of Gain Recognized in Income on Related Hedged Item	Amount of Gain Recognized in Income on Related Hedged Items	
		June 30, 2012	June 30, 2011
Fixed-rate debt	Interest expense, net	**$ 8.2**	$ 0.4
Total		**$ 8.2**	$ 0.4

Derivatives not designated as hedging instruments

Three Months Ended, *(in millions)*

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income on Derivatives	Amount of Realized/Unrealized Gain (Loss) Recognized in Income on Derivatives *	
		June 30, 2012	June 30, 2
Commodity price risk programs	Gas Distribution revenues	**$ (0.1)**	$ (0.1)
Commodity price risk programs	Other revenues	**7.7**	7.8
Commodity price risk programs	Cost of Sales	**9.6**	(4.5)
Total		**$ 17.2**	$ 3.2

* For the amounts of realized/unrealized gain (loss) recognized in income on derivatives disclosed in the table above, gains of $4.7 million and $3.4 million for the three months of 2012 and 2011, respectively, were deferred as allowed by regulatory orders. These amounts will be amortized to income over future periods of up to twelve months as specified in a regulatory order.

Six Months Ended, *(in millions)*

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income on Derivatives	Amount of Realized/Unrealized Gain (Loss) Recognized in Income on Derivatives *	
		June 30, 2012	June 30, 2011
Commodity price risk programs	Gas Distribution revenues	**$ 0.3**	$ (21.8)
Commodity price risk programs	Other revenues	**6.0**	18.4
Commodity price risk programs	Cost of Sales	**(11.5)**	(7.8)
Total		**$ (5.2)**	$ (11.2)

* For the amounts of realized/unrealized gain (loss) recognized in income on derivatives disclosed in the table above, losses of $15.1 million and $19.3 million for the six months of 2012 and 2011, respectively, were deferred as allowed per regulatory orders. These amounts will be amortized to income over future periods of up to twelve months as specified in a regulatory order.

M 1. FINANCIAL STATEMENTS (continued)

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

NiSource's derivative instruments measured at fair value as of June 30, 2012 and December 31, 2011 do not contain any credit-risk-related contingent features.

Certain NiSource affiliates have physical commodity purchase agreements that contain "ratings triggers" that require increases in collateral if the credit rating of NiSource or certain of its affiliates are rated below BBB- by Standard & Poor's or below Baa3 by Moody's. These agreements are primarily for the physical purchase or sale of natural gas and electricity. The collateral requirement from a downgrade below the ratings trigger levels would amount to approximately $1.9 million. In addition to agreements with ratings triggers, there are some agreements that contain "adequate assurance" or "material adverse change" provisions that could result in additional credit support such as letters of credit and cash collateral to transact business.

NiSource had $81.4 million and $158.2 million of cash on deposit with brokers for margin requirements associated with open derivative positions reflected within "Restricted cash" on the Condensed Consolidated Balance Sheets (unaudited) as of June 30, 2012 and December 31, 2011, respectively.

10. Fair Value Disclosures

A. Fair Value Measurements.

Recurring Fair Value Measurements. The following tables present financial assets and liabilities measured and recorded at fair value on NiSource's Condensed Consolidated Balance Sheets (unaudited) on a recurring basis and their level within the fair value hierarchy as of June 30, 2012 and December 31, 2011:

Recurring Fair Value Measurements June 30, 2012 *(in millions)*	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of June 30, 2012
Assets				
Commodity Price risk management assets:				
Physical price risk programs	$ -	$ 55.9	$ -	$ 55.9
Financial price risk programs	104.4	1.5	-	105.9
Interest rate risk activities	-	48.5	-	48.5
Available-for-sale securities	30.7	69.3	-	100.0
Total	$ 135.1	$ 175.2	$ -	$ 310.3
Liabilities				
Commodity Price risk management liabilities:				
Physical price risk programs	$ -	$ 0.5	$ -	$ 0.5
Financial price risk programs	176.5	1.0	0.3	177.8
Total	$ 176.5	$ 1.5	$ 0.3	$ 178.3

Recurring Fair Value Measurements December 31, 2011 *(in millions)*	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of December 31, 2011
Assets				
Commodity Price risk management assets:				
Physical price risk programs	$ -	$ 140.7	$ -	$ 140.7
Financial price risk programs (1)	148.3	2.5	0.3	151.1
Interest rate risk activities	-	56.7	-	56.7
Available-for-sale securities	32.9	63.1	-	96.0
Total	$ 181.2	$ 263.0	$ 0.3	$ 444.5
Liabilities				
Commodity Price risk management liabilities:				
Physical price risk programs	$ -	$ 3.9	$ -	$ 3.9
Financial price risk programs	301.1	1.7	-	302.8
Total	$ 301.1	$ 5.6	$ -	$ 306.7

(1) During the fourth quarter of 2011, NiSource recorded a reserve of $22.6 million on certain assets related to the wind down of the unregulated natural gas marketing business. The financial price risk program amount above is shown gross and has not been adjusted for the reserve.

Price risk management assets and liabilities include commodity exchange-traded and non-exchange-based derivative contracts. Exchange-traded derivative contracts are generally based on unadjusted quoted prices in active markets and are classified within Level 1. These financial assets and liabilities are secured with cash on deposit with the exchange; therefore nonperformance risk has not been incorporated into these valuations. Certain non-exchange-traded derivatives are valued using broker or over-the-counter, on-line exchanges. In such cases, these non-exchange-traded derivatives are classified within Level 2. Non-exchange-based derivative instruments include swaps, forwards, and options. In certain instances, these instruments may utilize models to measure fair value. NiSource uses a similar model to value similar instruments. Valuation models utilize various inputs that include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, other observable inputs for the asset or liability, and market-corroborated inputs, i.e., inputs derived principally from or corroborated by observable market data by correlation or other means. Where observable inputs are available for substantially the full term of the asset or liability, the instrument is categorized in Level 2. Certain derivatives trade in less active markets with a lower availability of pricing information and models may be utilized in the valuation. When such inputs have a significant impact on the measurement of fair value, the instrument is categorized in Level 3. Credit risk is considered in the fair value calculation of derivative instruments that are not exchange-traded. Credit exposures are adjusted to reflect collateral agreements which reduce exposures. As of June 30, 2012 and 2011, there were no material transfers between fair value hierarchies. Additionally there were no changes in the method or significant assumptions used to estimate the fair value of NiSource's financial instruments.

To determine the fair value of derivatives associated with NiSource's unregulated natural gas marketing business, certain reserves were calculated. These reserves were primarily determined by evaluating the credit worthiness of certain customers, fair value of future cash flows, and the cost of maintaining restricted cash. Refer to Note 9, "Risk Management Activities" for additional information on price risk assets.

Price risk management assets also include fixed-to-floating interest-rate swaps, which are designated as fair value hedges, as a means to achieve NiSource's targeted level of variable-rate debt as a percent of total debt. NiSource uses a calculation of future cash inflows and estimated future outflows related to the swap agreements, which are discounted and netted to determine the current fair value. Additional inputs to the present value calculation include

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the contract terms, as well as market parameters such as current and projected interest rates and volatility. As they are based on observable data and valuations of similar instruments, the interest-rate swaps are categorized in Level 2 in the fair value hierarchy. Credit risk is considered in the fair value calculation of the interest rate swap.

Available-for-sale securities are investments pledged as collateral for trust accounts related to NiSource's wholly-owned insurance company. Available-for-sale securities are included within "Other investments" in the Condensed Consolidated Balance Sheets (unaudited). Securities classified within Level 1 include U.S. Treasury debt securities which are highly liquid and are actively traded in over-the-counter markets. NiSource values corporate and mortgage-backed debt securities using a matrix pricing model that incorporates market-based information. These securities trade less frequently and are classified within Level 2. Total gains and losses from available-for-sale securities are included in other comprehensive income (loss). The amortized cost, gross unrealized gains and losses, and fair value of available-for-sale debt securities at June 30, 2012 and December 31, 2011 were:

(in millions)	Amortized Cost	Total Gains	Total Losses	Fair Value
Available-for-sale debt securities, June 30, 2012				
U.S. Treasury	$ 34.2	$ 1.7	$ -	$ 35.9
Corporate/Other	62.1	2.1	(0.1)	64.1
Total Available-for-sale debt securities	**$ 96.3**	**$ 3.8**	**$ (0.1)**	**$100.0**

(in millions)	Amortized Cost	Total Gains	Total Losses	Fair Value
Available-for-sale debt securities, December 31, 2011				
U.S. Treasury	$ 36.7	$ 1.7	$ -	$ 38.4
Corporate/Other	56.3	1.6	(0.3)	57.6
Available-for-sale debt securities	$ 93.0	$ 3.3	$ (0.3)	$ 96.0

For the three months ended June 30, 2012 and 2011, the net realized gain on the sale of available-for-sale U.S. Treasury debt securities was $0.2 million. For the three months ended June 30, 2012 and 2011, the net realized gain on sale of available-for-sale Corporate/Other bond debt securities was zero and $0.5 million, respectively.

For the six months ended June 30, 2012 and 2011, the net realized gain on the sale of available-for-sale U.S. Treasury debt securities was $0.2 million and $0.3 million, respectively. For the six months ended June 30, 2012 and 2011, the net realized gain on sale of available-for-sale Corporate/Other bond debt securities was $0.1 million and $1.0 million, respectively.

The cost of maturities sold is based upon specific identification. At June 30, 2012, all of the U.S. Treasury debt securities have maturities of greater than one year. At June 30, 2012, approximately $3.1 million of Corporate/Other bonds have maturities of less than a year while the remaining securities have maturities of greater than one year.

The following tables present the fair value reconciliation of Level 3 assets and liabilities measured at fair value on a recurring basis for the six months ended June 30, 2012 and 2011:

Three Months Ended June 30, 2012 *(in millions)*	Other Derivatives
Balance as of April 1, 2012	$ 0.1
Total gains or (losses) (unrealized/realized) Included in regulatory assets/liabilities	(0.4)
Balance as of June 30, 2012	$ (0.3)
Change in unrealized gains/(losses) relating to instruments still held as of June 30, 2012	$ -

Three Months Ended June 30, 2011 *(in millions)*	Other Derivatives
Balance as of April 1, 2011	$ (0.1)
Total gains or losses (unrealized/realized)	
Included in regulatory assets/liabilities	(0.6)
Purchases	(0.5)
Settlements	0.4
Balance as of June 30, 2011	$ (0.8)
Change in unrealized gains/(losses) relating to instruments still held as of June 30, 2011	$ (1.5)

Six Months Ended, June 30, 2012 *(in millions)*	Other Derivatives
Balance as of January 1, 2012	$ 0.3
Total gains or (losses) (unrealized/realized)	
Included in regulatory assets/liabilities	(0.6)
Balance as of June 30, 2012	$ (0.3)
Change in unrealized gains/(losses) relating to instruments still held as of June 30, 2012	$ -

Six Months Ended, June 30, 2011 *(in millions)*	Other Derivatives
Balance as of January 1, 2011	$ 0.6
Total gains or losses (unrealized/realized)	
Included in regulatory assets/liabilities	(1.0)
Purchases	(1.0)
Settlements	1.0
Balance as of June 30, 2011	$ (0.8)
Change in unrealized gains/(losses) relating to instruments still held as of June 30, 2011	$ (1.5)

Non-recurring Fair Value Measurements. There were no significant non-recurring fair value measurements recorded during the six months ended June 30, 2012 and 2011.

B. Other Fair Value Disclosures for Financial Instruments. NiSource has certain financial instruments that are not measured at fair value on a recurring basis but nevertheless are recorded at amounts that approximate fair value due to their liquid or short-term nature, including cash and cash equivalents, restricted cash, accounts receivable, notes receivable, accounts payable, customer deposits and short-term borrowings. NiSource's long-term borrowings are recorded at historical amounts unless designated as a hedged item in a fair value hedge.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate fair value.

Long-term Debt. The fair values of these securities are estimated based on the quoted market prices for the same or similar issues or on the rates offered for securities of the same remaining maturities. Certain premium costs associated with the early settlement of long-term debt are not taken into consideration in determining fair value. These fair value measurements are classified as Level 2 within the fair value hierarchy. For the quarters ending June 30, 2012 and 2011, there were no changes in the method or significant assumptions used to estimate the fair value of the financial instruments.

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

The carrying amount and estimated fair values of financial instruments were as follows:

(in millions)	Carrying Amount as of June 30, 2012	Estimated Fair Value as of June 30, 2012	Carrying Amount as of Dec. 31, 2011	Estimated Fair Value as of Dec. 31, 2011
Long-term debt (including current portion)	$ 7,573.8	$ 8,491.0	$ 6,594.4	$ 7,369.4

11. Transfers of Financial Assets

Transfers of accounts receivable are accounted for as secured borrowings resulting in the recognition of short-term borrowings on the Condensed Consolidated Balance Sheets (unaudited). The maximum amount of debt that can be recognized related to NiSource's accounts receivable programs is $515 million.

All accounts receivable sold to the commercial paper conduits are valued at face value, which approximate fair value due to their short-term nature. The amount of the undivided percentage ownership interest in the accounts receivable sold is determined in part by required loss reserves under the agreements. Below is information about the accounts receivable securitization agreements entered into by NiSource's subsidiaries.

On October 23, 2009, Columbia of Ohio entered into an agreement to sell, without recourse, substantially all of its trade receivables, as they originate, to CGORC, a wholly-owned subsidiary of Columbia of Ohio. CGORC, in turn, is party to an agreement with BTMU and RBS, also dated October 23, 2009, under the terms of which it sells an undivided percentage ownership interest in its accounts receivable to commercial paper conduits sponsored by BTMU and RBS. On October 21, 2011, the agreement was renewed with an amendment increasing the maximum seasonal program limit from $200 million to $240 million. The amended agreement expires on October 19, 2012, and can be renewed if mutually agreed to by all parties. As of June 30, 2012, $77.1 million of accounts receivable had been transferred by CGORC. CGORC is a rate corporate entity from NiSource and Columbia of Ohio, with its own separate obligations, and upon a liquidation of CGORC, RC's obligations must be satisfied out of CGORC's assets prior to any value becoming available to CGORC's stockholder. Under the ement, an event of termination occurs if NiSource's debt rating is withdrawn by either Standard & Poor's or Moody's, or falls below BB- or Ba3 at either Standard & Poor's or Moody's, respectively.

On October 23, 2009, Northern Indiana entered into an agreement to sell, without recourse, substantially all of its trade receivables, as they originate, to NARC, a wholly-owned subsidiary of Northern Indiana. NARC, in turn, is party to an agreement with RBS, also dated October 23, 2009, under the terms of which it sells an undivided percentage ownership interest in its accounts receivable to a commercial paper conduit sponsored by RBS. The maximum seasonal program limit under the terms of the agreement is $200 million. On August 31, 2011, the agreement was renewed, having a new scheduled termination date of August 29, 2012, and can be further renewed if mutually agreed to by both parties. As of June 30, 2012, $106.1 million of accounts receivable had been transferred by NARC. NARC is a separate corporate entity from NiSource and Northern Indiana, with its own separate obligations, and upon a liquidation of NARC, NARC's obligations must be satisfied out of NARC's assets prior to any value becoming available to NARC's stockholder. Under the agreement, an event of termination occurs if Northern Indiana's debt rating is withdrawn by either Standard & Poor's or Moody's, or falls below BB or Ba2 at either Standard & Poor's or Moody's, respectively.

On March 15, 2010, Columbia of Pennsylvania entered into an agreement to sell, without recourse, substantially all of its trade receivables, as they originate, to CPRC, a wholly-owned subsidiary of Columbia of Pennsylvania. CPRC, in turn, is party to an agreement with BTMU, also dated March 15, 2010, under the terms of which it sells an undivided percentage ownership interest in its accounts receivable to a commercial paper conduit sponsored by BTMU. The maximum seasonal program limit under the terms of the agreement is $75 million. On March 13, 2012, the agreement was renewed, having a new scheduled termination date of March 12, 2013, and can be further renewed if mutually agreed to by both parties. As of June 30, 2012, $10.0 million of accounts receivable had been transferred by CPRC. CPRC is a separate corporate entity from NiSource and Columbia of Pennsylvania, with its own separate obligations, and upon a liquidation of CPRC, CPRC's obligations must be satisfied out of CPRC's assets prior to any value becoming available to CPRC's stockholder. Under the agreement, an event of termination occurs if NiSource's debt rating is withdrawn by either Standard & Poor's or Moody's, or falls below BB- or Ba3 at either Standard & Poor's or Moody's, respectively.

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NISOURCE INC.
Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

The following table reflects the gross and net receivables transferred as well as short-term borrowings related to the securitization transactions as of June 30, 2012 and December 31, 2011 for Columbia of Ohio, Northern Indiana and Columbia of Pennsylvania:

(in millions)	June 30, 2012	December 31, 2011
Gross Receivables	$ 335.6	$ 510.5
Less: Receivables not transferred	142.4	278.8
Net receivables transferred	$ 193.2	$ 231.7
Short-term debt due to asset securitization	$ 193.2	$ 231.7

For the three months ended June 30, 2012 and 2011, $0.9 million and $0.8 million of fees associated with the securitization transactions were recorded as interest expense, respectively. For the six months ended June 30, 2012 and 2011, $2.0 million and $2.3 million of fees associated with the securitization transactions were recorded as interest expense, respectively. Columbia of Ohio, Northern Indiana and Columbia of Pennsylvania remain responsible for collecting on the receivables securitized and the receivables cannot be sold to another party.

12. Goodwill Assets

NiSource tests its goodwill for impairment annually unless indicators, events, or circumstances would require an immediate review. Goodwill is tested for impairment at a level of reporting referred to as a reporting unit, which generally is an operating segment or a component of an operating segment as defined by GAAP. In accordance with GAAP, certain components of an operating segment with similar economic characteristics are aggregated and deemed a single reporting unit. Goodwill is generally allocated to the reporting units based upon the amounts allocated at the time of their respective acquisition. The goodwill impairment test is a two-step process which requires NiSource to make estimates regarding the fair value of the reporting unit. The first step of the goodwill impairment test compares the fair value of the reporting unit with its carrying value, including goodwill. If the fair value of the reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not impaired, thus the second step of the impairment test is not required. However, if the carrying amount of the reporting unit exceeds its fair value, the second step of the goodwill impairment test is performed to measure the amount of impairment loss (if any), which compares the implied fair value of reporting unit goodwill with the carrying amount of that goodwill. If the carrying amount of reporting unit goodwill exceeds the implied fair value, an impairment loss is recognized in an amount equal to that excess.

During the second quarter of 2012, NiSource changed its method of applying an accounting principle whereby the annual impairment test of goodwill will be performed as of May 1 st each year instead of June 30 th , the previous testing date. This change is preferable under the circumstances as it more closely aligns the impairment testing date with the long-range planning and forecasting process. The change also provides NiSource with additional time to complete the required testing and evaluate the results prior to the quarter-end closing and reporting activities when resources are more constrained. The change in the annual goodwill impairment testing date is not intended to nor does it delay, accelerate, or avoid an impairment charge. As it was impracticable to objectively determine projected cash flows and related valuation estimates as of each May 1 for periods prior to May 1, 2012, NiSource has prospectively applied the change in the annual goodwill impairment testing date from May 1, 2012.

NiSource has three reporting units that are allocated goodwill. NiSource's goodwill assets at June 30, 2012 were $3.7 billion pertaining primarily to the acquisition of Columbia on November 1, 2000. Of this amount, approximately $2.0 billion is allocated to Columbia Transmission Operations and $1.7 billion is allocated to Columbia Distribution Operations. In addition, Northern Indiana Gas Distribution Operations' goodwill assets at June 30, 2012 related to the purchase of Northern Indiana Fuel and Light in March 1993 and Kokomo Gas in February 1992 were $18.8 million.

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

In estimating the fair value of the Columbia Transmission Operations and Columbia Distribution Operations reporting units for the May 1, 2012 test, NiSource used a weighted average of the income and market approaches. The income approach utilized a discounted cash flow model. This model is based on management's short-term and long-term forecast of operating performance for each reporting unit. The two main assumptions used in the models are the growth rates, which are based on the cash flows from operations for each of the reporting units, and the weighted average cost of capital, or discount rate. The starting point for each reporting unit's cash flow from operations is the detailed five year plan, which takes into consideration a variety of factors such as the current economic environment, industry trends, and specific operating goals set by management. The discount rates are based on trends in overall market as well as industry specific variables and include components such as the risk-free rate, cost of debt, and company volatility at May 1, 2012. Under the market approach, NiSource utilized three market-based models to estimate the fair value of the reporting units: (i) the comparable company multiples method, which estimated fair value of each reporting unit by analyzing EBITDA multiples of a peer group of publicly traded companies and applying that multiple to the reporting unit's EBITDA, (ii) the comparable transactions method, which valued the reporting unit based on observed EBITDA multiples from completed transactions of peer companies and applying that multiple to the reporting unit's EBITDA, and (iii) the market capitalization method, which used the NiSource share price and allocated NiSource's total market capitalization among both the goodwill and non-goodwill reporting units based on the relative EBITDA, revenues, and operating income of each reporting unit. Each of the three market approaches were calculated with the assistance of a third party valuation firm, using multiples and assumptions inherent in today's market. The degree of judgment involved and reliability of inputs into each model were considered in weighting the various approaches. The resulting estimate of fair value of the reporting units, using the weighted average of the income and market approaches, exceeded their carrying values, indicating that no impairment exists under step 1 of the annual impairment test.

Certain key assumptions used in determining the fair values of the reporting units included planned operating results, discount rates and the long-term outlook for growth. NiSource used discount rates of 5.60% for both Columbia Transmission Operations and Columbia Distribution Operations, resulting in excess fair values of approximately $1,643 million and $1,682 million, respectively. The results of the impairment test indicated that each of the reporting units passed step 1 of the impairment test.

Goodwill at Northern Indiana Gas Distribution Operations related to the acquisition of Northern Indiana Fuel and Light and Kokomo Gas of $ million was also tested for impairment as of May 1, 2012. The income approach was used to determine the fair value of the Northern na Gas Distribution reporting unit. Key assumptions in the income approach were a discount rate of 5.60% and a growth rate based on the flow from operations. These cash flows factor in the regulatory environment and planned growth initiatives. The step 1 goodwill impairment test resulted in the fair value of the Northern Indiana Gas reporting unit to be above the carrying value by $356 million.

NiSource considered whether there were any events or changes in circumstances subsequent to the annual test that would reduce the fair value of any of the reporting units below their carrying amounts and necessitate another goodwill impairment test. No such indicators were noted that would require goodwill impairment testing subsequent to May 1, 2012.

13. Income Taxes

NiSource's interim effective tax rates reflect the estimated annual effective tax rates for 2012 and 2011, adjusted for tax expense associated with certain discrete items. The effective tax rates for the three months ended June 30, 2012 and 2011 were 34.8% and 43.1%, respectively. The effective tax rates for the six months ended June 30, 2012 and 2011 were 34.8% and 36.2%, respectively. These effective tax rates differ from the Federal tax rate of 35% primarily due to the effects of tax credits, state income taxes, utility rate-making, and other permanent book-to-tax differences.

The decrease in the three and six month effective tax rates of 8.3% and 1.4%, respectively, in 2012 versus 2011 is due primarily to the 2011 enactment of Indiana tax legislation.

On May 12, 2011, the governor of Indiana signed into law House Bill 1004, which among other things, lowers the corporate income tax rate from 8.5% to 6.5% over four years beginning on July 1, 2012. The reduction in the tax rate will impact deferred income taxes and tax related regulatory assets and liabilities recoverable in the rate making

process. In addition, other deferred tax assets and liabilities, primarily deferred tax assets related to Indiana net operating loss carry forward, will be reduced to reflect the lower rate at which these temporary differences and tax benefits will be realized. In the second quarter 2011, NiSource recorded tax expense of $6.8 million to reflect the effect of this rate change.

On December 27, 2011, the United States Treasury Department and the IRS issued temporary and proposed regulations effective for years beginning on or after January 1, 2012 that, among other things, provided guidance on whether expenditures qualified as deductible repairs. In addition, on March 15, 2012, the IRS issued a directive to discontinue exam activity related to positions on this issue taken on original tax returns for years beginning before January 1, 2012. NiSource expects the IRS to issue guidance for the treatment of expenditures for gas transmission and distribution assets, and generation within the next twelve months. NiSource further expects that it will be more likely to adopt the procedures provided in this guidance rather than the more general rules set forth in the temporary and proposed regulations. Accordingly, NiSource management expects to adjust unrecognized tax benefits recorded in 2009 related to its change in tax accounting for repairs for gas transmission and distribution, assets and generation assets in the period specific guidance for these assets is issued. As noted above, NiSource management believes that the issuance of such guidance and intent to adopt the guidance by NiSource is reasonably possible to occur within the next twelve months. In that event, NiSource will adjust its unrecognized tax benefits for this issue in the amount of $80.9 million. NiSource believes these adjustments will not have a significant effect on the income statement.

On July 2, 2012, House Bill 761 was signed into law in Pennsylvania, which among other things, adopts a single-sales factor apportionment effective for tax years beginning on or after January 1, 2013. NiSource does not believe this adjustment will have a significant effect on net income.

There were no material changes recorded in the second quarter of 2012 to NiSource's uncertain tax positions as of December 31, 2011.

14. Pension and Other Postretirement Benefits

NiSource provides defined contribution plans and noncontributory defined benefit retirement plans that cover its employees. Benefits under the defined benefit retirement plans reflect the employees' compensation, years of service and age at retirement. Additionally, NiSource pro[illegible] health care and life insurance benefits for certain retired employees. The majority of employees may become eligible for these benefits i[illegible] reach retirement age while working for NiSource. The expected cost of such benefits is accrued during the employees' years of service. Current rates of rate-regulated companies include postretirement benefit costs, including amortization of the regulatory assets that arose prior to inclusion of these costs in rates. For most plans, cash contributions are remitted to grantor trusts.

For the six months ended June 30, 2012, NiSource has contributed $1.6 million to its pension plans and $23.3 million to its other postretirement benefit plans.

The following table provides the components of the plans' net periodic benefits cost for the three and six months ended June 30, 2012 and 2011:

	Pension Benefits		Other Postretirement Benefits	
Three Months Ended June 30, *(in millions)*	**2012**	2011	**2012**	2011
Components of Net Periodic Benefit Cost				
Service cost	**$ 9.4**	$ 9.4	**$ 2.8**	$ 2.5
Interest cost	**28.2**	29.9	**9.3**	9.6
Expected return on assets	**(41.1)**	(41.8)	**(6.7)**	(6.7)
Amortization of transition obligation	**-**	-	**0.3**	0.3
Amortization of prior service cost	**0.1**	0.1	**(0.1)**	(0.1)
Recognized actuarial loss	**20.3**	13.9	**2.4**	1.7
Total Net Periodic Benefit Costs	**$ 16.9**	$ 11.5	**$ 8.0**	$ 7.3

Six Months Ended June 30, *(in millions)*	Pension Benefits 2012	Pension Benefits 2011	Other Postretirement Benefits 2012	Other Postretirement Benefits 2011
Components of Net Periodic Benefit Cost				
Service cost	**$ 18.8**	$ 18.8	**$ 5.6**	$ 5.0
Interest cost	**56.4**	59.8	**18.6**	19.2
Expected return on assets	**(82.2)**	(83.6)	**(13.4)**	(13.4)
Amortization of transition obligation	**-**	-	**0.6**	0.6
Amortization of prior service cost	**0.2**	0.2	**(0.2)**	(0.2)
Recognized actuarial loss	**40.6**	27.8	**4.8**	3.4
Total Net Periodic Benefit Costs	**$ 33.8**	$ 23.0	**$ 16.0**	$ 14.6

For the quarters ended June 30, 2012 and 2011, pension and other postretirement benefit cost of approximately $5.3 million and $1.7 million, respectively, was capitalized as a component of plant or recognized as a regulatory asset or liability consistent with regulatory orders for certain of NiSource's regulated businesses. For the six months ended June 30, 2012 and 2011, pension and other postretirement benefit cost of approximately $10.9 million and $8.8 million, respectively, was capitalized as a component of plant or recognized as a regulatory asset or liability consistent with regulatory orders for certain of NiSource's regulated businesses.

15. Variable Interests and Variable Interest Entities

In general, a VIE is an entity which (1) has an insufficient amount of at-risk equity to permit the entity to finance its activities without additional financial subordinated support provided by any parties, (2) whose at-risk equity owners, as a group, do not have power, through voting rights or similar rights, to direct activities of the entity that most significantly impact the entity's economic performance or (3) whose at-risk owners do not absorb the entity's losses or receive the entity's residual return. A VIE is required to be consolidated by a company if that company is determined to be the primary beneficiary of the VIE.

urce consolidates those VIEs for which it is the primary beneficiary. NiSource considers quantitative and qualitative elements in determining the primary beneficiary. Qualitative measures include the ability to control an entity and the obligation to absorb losses or the right to receive benefits.

NiSource's analysis includes an assessment of guarantees, operating leases, purchase agreements, and other contracts, as well as its investments and joint ventures. For items that have been identified as variable interests, or where there is involvement with an identified VIE, an in-depth review of the relationship between the relevant entities and NiSource is made to evaluate qualitative and quantitative factors to determine the primary beneficiary, if any, and whether additional disclosures would be required under the current standard.

At June 30, 2012, consistent with prior periods, NiSource consolidated its low income housing real estate investments from which NiSource derives certain tax benefits. As of June 30, 2012, NiSource is a 99% limited partner with a net investment of approximately $0.2 million. Consistent with prior periods, NiSource evaluated the nature and intent of the low income housing investments when determining the primary beneficiary. NiSource concluded that it continues to be the primary beneficiary. Subject to certain conditions precedent, NiSource has the contractual right to take control of the low income housing properties. At June 30, 2012, net assets of the low income housing real estate investments in continuing operations were $6.6 million. Current and non-current assets were $0.3 million and $6.3 million, respectively. As of June 30, 2012, NiSource has long-term debt of approximately $5.5 million as a result of consolidating these investments. However, this debt is nonrecourse to NiSource and NiSource's direct and indirect subsidiaries. Approximately $0.4 million of the assets are restricted to settle the obligations of the entity.

Northern Indiana has a service agreement with Pure Air, a general partnership between Air Products and Chemicals, Inc. and First Air Partners LP, under which Pure Air provides scrubber services to reduce sulfur dioxide emissions for Units 7 and 8 at the Bailly Generating Station. Services under this contract commenced on July 1, 1992 and

expired on June 30, 2012. The agreement was renewed on June 29, 2012 for ten years and Northern Indiana will continue to pay for the services under a combination of fixed and variable charges. NiSource has made an exhaustive effort to obtain information needed from Pure Air to determine the status of Pure Air as a VIE. However, Northern Indiana had not been able to obtain this information and as a result, it is unclear whether Pure Air is a VIE and if Northern Indiana is the primary beneficiary. Northern Indiana will continue to request the information required to determine whether Pure Air is a VIE. Northern Indiana has no exposure to loss related to the service agreement with Pure Air and payments under this agreement were $10.7 million and $10.1 million for the six months ended June 30, 2012 and 2011, respectively.

16. Long-Term Debt

On June 14, 2012, NiSource Finance issued $250.0 million of 3.85% senior unsecured notes that mature on February 15, 2023 and $500.0 million of 5.25% senior unsecured notes that mature on February 15, 2043.

On April 5, 2012, NiSource Finance negotiated a $250.0 million three-year bank term loan with a syndicate of banks which matures on April 3, 2015. Borrowings under the term loan will have an effective cost of LIBOR plus 137 basis points.

17. Short-Term Borrowings

During June 2011, NiSource Finance implemented a new commercial paper program with a program limit of up to $500.0 million with a dealer group comprised of Barclays, Citigroup, Credit Suisse and Wells Fargo. Commercial paper issuances are supported by available capacity under NiSource's $1.5 billion unsecured revolving credit facility, which expires in May 2017. At June 30, 2012, NiSource had $134.4 million of commercial paper outstanding.

During May 2012, NiSource Finance amended its existing $1.5 billion revolving credit facility with a syndicate of banks led by Barclays Capital extending the termination date to May 15, 2017 also reducing the borrowing costs under the facility. The purpose of the facility is to fund ongoing working capital requirements including the provision of liquidity support for NiSource's commercial paper program, provide for issuance of letters of credit, and also for general corporate purposes. At June 30, 2012, NiSource had no outstanding borrowings under the facility.

As of June 30, 2012 and December 31, 2011, NiSource had $37.5 million of stand-by letters of credit outstanding, of which $19.2 million were under the revolving credit facility.

Transfers of accounts receivable are accounted for as secured borrowings resulting in the recognition of short-term debt on the Condensed Consolidated Balance Sheet in the amount of $193.2 million and $231.7 million as of June 30, 2012 and December 31, 2011, respectively. Refer to Note 11, "Transfers of Financial Assets," for additional information.

(in millions)	**June 30, 2012**	December 31, 2011
Commercial Paper weighted average interest rate of 1.16% and 1.01% at June 30, 2012 and December 31, 2011, respectively.	**$ 134.4**	$ 402.7
Credit facilities borrowings weighted average interest rate of 1.99% at December 31, 2011.	**-**	725.0
Accounts receivable securitization facility borrowings	**193.2**	231.7
Total short-term borrowings	**$ 327.6**	$ 1,359.4

Given their turnover is less than 90 days, cash flows related to the borrowings and repayments of the items listed above are presented net in the Condensed Statements of Consolidated Cash Flows (unaudited).

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

18. Share-Based Compensation

The stockholders approved and adopted the NiSource Inc. 2010 Omnibus Incentive Plan (the "Omnibus Plan"), at the Annual Meeting of Stockholders held on May 11, 2010. The Omnibus Plan provides for awards to employees and non-employee directors of incentive and nonqualified stock options, stock appreciation rights, restricted stock and restricted stock units, performance shares, performance units, cash-based awards and other stock-based awards. The Omnibus Plan provides that the number of shares of common stock of NiSource available for awards is 8,000,000 plus the number of shares subject to outstanding awards granted under either the 1994 Plan or the Director Plan (described below) that expire or terminate for any reason. No further awards are permitted to be granted under the prior 1994 Plan or the Director Plan. At June 30, 2012, there were 7,396,657 shares reserved for future awards under the Omnibus Plan.

Prior to May 11, 2010, NiSource issued long-term equity incentive grants to key management employees under a long-term incentive plan approved by stockholders on April 13, 1994 ("1994 Plan"). The types of equity awards previously authorized under the 1994 Plan did not significantly differ from those permitted under the Omnibus Plan.

NiSource recognized stock-based employee compensation expense of $4.1 million and $3.4 million for the three months ended June 30, 2012, and 2011, respectively, as well as related tax benefits of $1.4 million and $1.3 million. For the six months ended June 30, 2012, and 2011, stock-based employee compensation expense of $7.3 million and $6.4 million was recognized, respectively as well as related tax benefits of $2.5 million and $2.3 million, respectively.

As of June 30, 2012, the total remaining unrecognized compensation cost related to nonvested awards amounted to $23.8 million, which will be amortized over the weighted-average remaining requisite service period of 2.1 years.

Stock Options. As of June 30, 2012, approximately 1.8 million options were outstanding and exercisable with a weighted average strike price of $22.00. No options were granted during the six months ended June 30, 2012 and 2011. As of June 30, 2012, the aggregate intrinsic value for the options outstanding and exercisable was $5.0 million. During the six months ended June 30, 2012 and 2011, cash received from the exercise of options was $21.8 million and $0.3 million, respectively.

ricted Awards. During the six months ended June 30, 2012, NiSource granted restricted stock units and shares of restricted stock of ,816, subject to service conditions. The total grant date fair value of the shares of restricted stock and restricted stock units was $4.0 million, based on the average market price of NiSource's common stock at the date of each grant less the present value of any dividends not received during the vesting period, which will be expensed, net of forfeitures, over the vesting period which is generally three years. If the employee terminates employment before the service conditions lapse due to (1) Retirement or Disability (as defined in the award agreement), or (2) death, the employment conditions will lapse with respect to a pro rata portion of the shares of restricted stock and restricted stock units on the date of termination. In the event of a Change-in-Control (as defined in the award agreement), all unvested shares of restricted stock and restricted stock units will immediately vest. Termination due to any other reason will result in all shares of restricted stock and restricted stock units awarded being forfeited effective on the employee's date of termination. As of June 30, 2012, 554,028 nonvested shares (all of which are expected to vest) of restricted stock and restricted stock units were granted and outstanding.

Performance Shares. During the six months ended June 30, 2012, NiSource granted 749,601 performance shares subject to performance conditions. The grant date fair-value of the awards was $15.5 million, based on the average market price of NiSource's common stock at the date of each grant less the present value of dividends not received during the vesting period which will be expensed, net of forfeitures, over the three year requisite service period. The performance conditions are based on achievement of two non-GAAP financial measures: cumulative net operating earnings, that NiSource defines as income from continuing operations adjusted for certain items; and cumulative funds from operations that NiSource defines as net operating cash flows provided by continuing operations; and relative total shareholder return that NiSource defines as the annualized growth in the dividends and share price of a share of NiSource's common stock (calculated using a 20 trading day average of NiSource's closing price beginning December 31, 2011 and ending on December 31, 2014) compared to the total shareholder return performance of a predetermined peer group of companies. The service conditions lapse on January 30, 2015 when the shares vest provided the performance criteria are satisfied. In general, if the employee terminates employment before January 30,

ITEM 1. FINANCIAL STATEMENTS (continued)

NISOURCE INC.
Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

2015 due to (1) Retirement or Disability (as defined in the award agreement), or (2) death, the employment conditions will lapse with respect to a pro rata portion of the performance shares payable at target on the date of termination provided the performance criteria are met. In the event of a Change-in-Control (as defined in the award agreement), all unvested performance shares will immediately vest. Termination due to any other reason will result in all performance shares awarded being forfeited effective on the employee's date of termination. As of June 30, 2012, 1,996,841 nonvested performance shares were granted and outstanding.

Non-employee Director Awards. As of May 11, 2010, awards to non-employee directors may be made only under the Omnibus Plan. Currently, restricted stock units are granted annually to non-employee directors, subject to a non-employee director's election to defer receipt of such restricted stock unit award. The non-employee director's restricted stock units vest on the last day of the non-employee director's annual term corresponding to the year the restricted stock units were awarded subject to special pro-rata vesting rules in the event of Retirement or Disability (as defined in the award agreement), or death. The vested restricted stock units are payable as soon as practicable following vesting except as otherwise provided pursuant to the non-employee director's election to defer. As of June 30, 2012, 132,537 restricted stock units are outstanding to non-employee directors under the Omnibus Plan.

Only restricted stock units remain outstanding under the prior plan for non-employee directors, the Amended and Restated Non-employee Director Stock Incentive Plan (the "Director Plan"). All such awards are fully vested and shall be distributed to the directors upon their separation from the Board. As of June 30, 2012, 240,180 restricted stock units remain outstanding under the Director Plan and as noted above no further shares may be awarded under the Director Plan.

401(k) Match, Profit Sharing and Company Contribution. NiSource has a voluntary 401(k) savings plan covering eligible employees that allows for periodic discretionary matches as a percentage of each participant's contributions in newly issued shares of common stock. NiSource also has a retirement savings plan that provides for discretionary profit sharing contributions of shares of common stock to eligible employees based on earnings results; and eligible exempt employees hired after January 1, 2010, receive a non-elective company contribution of three percent of eligible pay in shares of common stock. For the quarter ended June 30, 2012 and 2011, NiSource recognized 401(k) match, profit sharing and non-elective contribution expense of $6.9 million and $5.2 million, respectively. For the six months ended June 30, 2012 and 2011, NiSource recognized 401(k) match, profit sharing and non-elective contribution expense of $12.7 million and $9.1 million, respectively.

19. Other Commitments and Contingencies

A. Guarantees and Indemnities. As a part of normal business, NiSource and certain subsidiaries enter into various agreements providing financial or performance assurance to third parties on behalf of certain subsidiaries. Such agreements include guarantees and stand-by letters of credit. These agreements are entered into primarily to support or enhance the creditworthiness otherwise attributed to a subsidiary on a stand-alone basis, thereby facilitating the extension of sufficient credit to accomplish the subsidiaries' intended commercial purposes. The total guarantees and indemnities in existence at June 30, 2012 and the years in which they expire were:

(in millions)	Total	2012	2013	2014	2015	2016	After
Guarantees of subsidiaries debt	$ 7,120.9	$ 315.0	$ 420.3	$ 500.0	$ 480.0	$ 291.6	$ 5,114.0
Guarantees supporting commodity transactions of subsidiaries	140.9	44.5	14	0.5	80.0	-	1.9
Accounts receivable securitization	193.2	193.2	-	-	-	-	-
Lines of credit	134.4	134.4	-	-	-	-	-
Letters of credit	37.5	28.4	8.1	1.0	-	-	-
Other guarantees	310.4	33.0	223.7	32.2	3.0	-	18.5
Total commercial commitments	$ 7,937.3	$ 748.5	$ 666.1	$ 533.7	$ 563.0	$ 291.6	$ 5,134.4

M 1. FINANCIAL STATEMENTS (continued)

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

Guarantees of Subsidiaries Debt. NiSource has guaranteed the payment of $7.1 billion of debt for various wholly-owned subsidiaries including NiSource Finance and Columbia of Massachusetts, and through a support agreement, Capital Markets, which is reflected on NiSource's Condensed Consolidated Balance Sheets (unaudited). The subsidiaries are required to comply with certain covenants under the debt indenture and in the event of default, NiSource would be obligated to pay the debt's principal and related interest. NiSource does not anticipate its subsidiaries will have any difficulty maintaining compliance. On October 3, 2011, NiSource executed a Second Supplemental Indenture to the original Columbia of Massachusetts Indenture dated April 1, 1991, for the specific purpose of guaranteeing Columbia of Massachusetts' outstanding medium-term notes.

Guarantees Supporting Commodity Transactions of Subsidiaries. NiSource has issued guarantees, which support up to $140.9 million of commodity-related payments for its current subsidiaries involved in energy marketing activities. These guarantees were provided to counterparties in order to facilitate physical and financial transactions involving natural gas services. To the extent liabilities exist under the commodity-related contracts subject to these guarantees, such liabilities are included in the Condensed Consolidated Balance Sheets (unaudited).

Lines and Letters of Credit and Accounts Receivable Advances. During May 2012, NiSource Finance amended its existing $1.5 billion revolving credit facility with a syndicate of banks led by Barclays Capital, extending the termination date to May 15, 2017 also reducing the borrowing costs under the facility. The purpose of the facility is to fund ongoing working capital requirements including the provision of liquidity support for NiSource's commercial paper program, provide for the issuance of letters of credit, and also for general corporate purposes. At June 30, 2012, NiSource had no borrowings under its five-year revolving credit facility, $134.4 million in commercial paper outstanding and $193.2 million outstanding under its accounts receivable securitization agreements. At June 30, 2012, NiSource issued stand-by letters of credit of approximately $37.5 million for the benefit of third parties. See Note 17, "Short-Term Borrowings," for additional information.

Other Guarantees or Obligations. On June 30, 2008, NiSource's subsidiary, PEI, sold Whiting Clean Energy to BPAE for $216.7 million which included $16.1 million in working capital. The agreement with BPAE contains representations, warranties, covenants and closing conditions. NiSource has executed purchase and sales agreement guarantees totaling $220 million which guarantee performance of PEI's covenants, agreements, obligations, liabilities, representations and warranties under the agreement with BPAE. No amounts related to the purchase and sales agreement guarantees are reflected in the Condensed Consolidated Balance Sheet (unaudited) as of June 30, 2012. These guarantees are due to expire in June 2013.

NiSource has additional purchase and sales agreement guarantees totaling $30.0 million, which guarantee performance of the seller's covenants, agreements, obligations, liabilities, representations and warranties under the agreements. No amounts related to the purchase and sales agreement guarantees are reflected in the Condensed Consolidated Balance Sheets (unaudited). Management believes that the likelihood NiSource would be required to perform or otherwise incur any significant losses associated with any of the aforementioned guarantees is remote.

In connection with Millennium's refinancing of its long-term debt in August 2010, NiSource provided a letter of credit to Union Bank N.A., as Collateral Agent for deposit into a debt service reserve account as required under the Deposit and Disbursement Agreement governing the Millennium notes offering. This account is to be drawn upon by the note holders in the event that Millennium is delinquent on its principal and interest payments. The value of NiSource's letter of credit represents 47.5% (NiSource's ownership percentage in Millennium) of the Debt Service Reserve Account requirement, or $16.2 million. The total exposure for NiSource is $16.2 million. NiSource has an accrued liability of $1.5 million related to the inception date fair value of this guarantee as of June 30, 2012.

NiSource has issued other guarantees supporting derivative related payments associated with interest rate swap agreements issued by NiSource Finance, operating leases for many of its subsidiaries and for other agreements entered into by its current and former subsidiaries.

B. Other Legal Proceedings. In the normal course of its business, NiSource and its subsidiaries have been named as defendants in various legal proceedings. In the opinion of management, the ultimate disposition of these currently asserted claims will not have a material impact on NiSource's consolidated financial statements.

ITEM 1. FINANCIAL STATEMENTS (continued)

NISOURCE INC.
Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

C. Environmental Matters.

NiSource operations are subject to environmental statutes and regulations related to air quality, water quality, hazardous waste and solid waste. NiSource believes that it is in substantial compliance with those environmental regulations currently applicable to its operations and believes that it has all necessary permits to conduct its operations.

It is management's continued intent to address environmental issues in cooperation with regulatory authorities in such a manner as to achieve mutually acceptable compliance plans. However, there can be no assurance that fines and penalties will not be incurred. Management expects a significant portion of environmental assessment and remediation costs to be recoverable through rates for certain NiSource companies.

As of June 30, 2012 and December 31, 2011, NiSource had recorded reserves of approximately $168.0 million and $173.5 million, respectively, to cover environmental remediation at various sites. The current portion of this reserve is included in Legal and Environmental Reserves in the Condensed Consolidated Balance Sheet. The noncurrent portion is included in Other Noncurrent Liabilities in the Condensed Consolidated Balance Sheet. NiSource accrues for costs associated with environmental remediation obligations when the incurrence of such costs is probable and the amounts can be reasonably estimated. The original estimates for cleanup can differ materially from the amount ultimately expended. The actual future expenditures depend on many factors, including currently enacted laws and regulations, the nature and extent of contamination, the method of cleanup, and the availability of cost recovery from customers. These expenditures are not currently estimable at some sites. NiSource periodically adjusts its reserves as information is collected and estimates become more refined.

Air
The actions listed below could require further reductions in emissions from various emission sources. NiSource will continue to closely monitor developments in these matters.

Climate Change. Future legislative and regulatory programs could significantly restrict emissions of GHGs or could impose a cost or tax on GHG emissions. Recently, proposals have been developed to implement Federal, state and regional GHG programs and to create renewable energy standards.

In the first quarter of 2012, EPA proposed an output-based carbon standard for new power plants. The standard would, for the first time, set national limits on the amount of carbon emissions allowed from new power plants. This numerical limit places compliance out of reach for coal-fired plants designed without capture and sequestration of carbon dioxide, limiting NiSource's options for future generation growth. In addition, based on authority provided by the Clean Air Act, once the EPA has promulgated a New Source Performance Standard for a new or modified source in a specific source category, regulation of existing sources in specific circumstances is required.

If the EPA develops a GHG new source performance standard for existing units or if a Federal or state comprehensive climate change bill were to be enacted into law, the impact on NiSource's financial performance would depend on a number of factors, including the overall level of required GHG reductions, the renewable energy targets, the degree to which offsets may be used for compliance, the amount of recovery allowed from customers, and the extent to which NiSource would be entitled to receive CO2 allowances at no cost. Comprehensive Federal or state GHG regulation could result in additional expense or compliance costs that may not be fully recoverable from customers and could materially impact NiSource's financial results.

National Ambient Air Quality Standards. The CAA requires EPA to set national air quality standards for particulate matter and five other pollutants (the NAAQS) considered harmful to public health and the environment. Periodically EPA imposes new or modifies existing NAAQS. States that contain areas that do not meet the new or revised standards must take steps to maintain or achieve compliance with the standards. These steps could include additional pollution controls on boilers, engines, turbines, and other facilities owned by electric generation, gas distribution, and gas transmission operations.

M 1. FINANCIAL STATEMENTS (continued)

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

The following NAAQS were recently added or modified:

Particulate Matter: In 2006, the EPA issued revisions to the NAAQS for particulate matter. The final rule (1) increased the stringency of the current fine particulate (PM2.5) standard, (2) added a new standard for inhalable coarse particulate (particulate matter between 10 and 2.5 microns in diameter), and (3) revoked the annual standards for coarse particulate (PM10) while retaining the 24-hour PM10 standards. These actions were challenged in a case before the DC Court of Appeals, *American Farm Bureau Federation et al. v. EPA*. In 2009, the appeals court granted portions of the plaintiffs' petitions challenging the fine particulate standards but denied portions of the petitions challenging the standards for coarse particulate. State plans implementing the new standard for inhalable coarse particulate and the modified 24-hour standard for fine particulate are expected in 2012. The annual and secondary PM2.5 standards have been remanded to the EPA for reconsideration. Northern Indiana will continue to monitor this matter and cannot estimate the impact of any new rules at this time.

Ozone (eight hour): On September 2, 2011, the EPA announced it would implement its 2008 eight-hour ozone NAAQS rather than tightening the standard in 2012. The EPA will review, and possibly revise, the standard in 2013 consistent with CAA requirements. In addition, the EPA has proposed to re-designate the Chicago metropolitan area, including the areas in which Northern Indiana operates three of its electric generation facilities, as non-attainment for ozone. Northern Indiana will continue to monitor this matter and cannot estimate the impact of any new rules at this time.

Nitrogen Dioxide (NO2): The EPA revised the NO2 NAAQS by adding a one-hour standard while retaining the annual standard. The new standard could impact some NiSource combustion sources. EPA will designate areas that do not meet the new standard beginning in 2012. States with areas that do not meet the standard will need to develop rules to bring areas into compliance within five years of designation. Additionally, under certain permitting circumstances emissions from some existing NiSource combustion sources may need to be assessed and compared to the revised NO2 standards before areas are designated. Petitions challenging the rule have been filed by various parties. NiSource will continue to monitor this matter and cannot estimate the impact of these rules at this time.

National Emission Standard for Hazardous Air Pollutants. On August 20, 2010, the EPA revised national emission standards for ardous air pollutants for certain stationary reciprocating internal combustion engines. Compliance requirements vary by engine type and generally be required within three years. NiSource is continuing its evaluation of the cost impacts of the final rule and estimates the cost of pliance to be $20 - $25 million.

Waste

NiSource subsidiaries are potentially responsible parties at waste disposal sites under the CERCLA (commonly known as Superfund) and similar state laws. Additionally, a program has been instituted to identify and investigate former MGP sites where Gas Distribution Operations subsidiaries or predecessors may have liability. The program has identified 67 such sites where liability is probable. Remedial actions at many of these sites are being overseen by state or federal environmental agencies through consent agreements or voluntary remediation agreements.

During the fourth quarter of 2011, NiSource completed a probabilistic model to estimate its future remediation costs related to its MGP sites. The model was prepared by a third party and incorporates NiSource and general industry experience with remediating MGP sites. NiSource accordingly increased its liability for estimated remediation costs by $71.1 million. Since the fourth quarter of 2011, NiSource has monitored the liability on a quarterly basis and in the second quarter of 2012, completed an annual refresh of the model. No material changes to the liability were noted as a result of the refresh. The total liability at NiSource related to the facilities subject to remediation was $136.1 million and $139.5 million at June 30, 2012 and December 31, 2011, respectively. The liability represents NiSource's best estimate of the probable cost to remediate the facilities. NiSource believes that it is reasonably possible that remediation costs could vary by as much as $25 million in addition to the costs noted above. Remediation costs are estimated based on the best available information, applicable remediation standards at the balance sheet date, and experience with similar facilities.

ITEM 1. FINANCIAL STATEMENTS (continued)

NISOURCE INC.
Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

Additional Issues Related to Individual Business Segments

The sections below describe various regulatory actions that affect Gas Transmission and Storage Operations, Electric Operations, and certain other discontinued operations for which NiSource has retained a liability.

Gas Transmission and Storage Operations.

Waste
Columbia Transmission continues to conduct characterization and remediation activities at specific sites under a 1995 AOC (subsequently modified in 1996 and 2007). The 1995 AOC originally covered 245 major facilities, approximately 13,000 liquid removal points, approximately 2,200 mercury measurement stations and about 3,700 storage well locations. As a result of the 2007 amendment, approximately 50 facilities remain subject to the terms of the AOC. During the third quarter of 2011, Columbia Transmission completed a study to estimate its future remediation requirements related to the AOC. Columbia Transmission accordingly increased its liability for estimated remediation costs by $25.6 million. Since the third quarter of 2011, Columbia Transmission has been monitoring its liability on a quarterly basis and performed an annual refresh of the study during the second quarter of 2012. An additional $3.5 million was added to the liability due to estimate changes and cost increases as a result of the refresh. The total liability at Columbia Transmission related to the facilities subject to remediation was $28.4 million and $30.0 million at June 30, 2012 and December 31, 2011, respectively. The liability represents Columbia Transmission's best estimate of the cost to remediate the facilities or manage the site until retirement. Remediation costs are estimated based on the information available, applicable remediation standards, and experience with similar facilities. Columbia Transmission expects that the remediation for these facilities will be completed in 2015.

One of the facilities subject to the 1995 AOC is the Majorsville Operations Center, which was remediated under an EPA approved Remedial Action Work Plan in summer 2008. Pursuant to the Remedial Action Work Plan, Columbia Transmission completed a project that stabilized residual oil contained in soils at the site and in sediments in an adjacent stream. Columbia Transmission continues to monitor the site subject to EPA oversight. On April 23, 2009, PADEP issued an NOV to Columbia Transmission, alleging that the remediation did not fully address the contamination. The NOV asserts violations of the Pennsylvania Clean Streams Law and the Pennsylvania Solid Waste Management Act and includes a proposed penalty of $1 million. Columbia Transmission is unable to estimate the likelihood or cost of potential penalties or additional remediation at this time.

Electric Operations.

Air
Northern Indiana expects to become subject to a number of new air-quality mandates in the next several years. These mandates may require Northern Indiana to make capital improvements to its electric generating stations. The cost of capital improvements is estimated to be $925 million to $1.05 billion. This figure includes additional capital improvements associated with the New Source Review Consent Decree, CSAPR and the Utility Mercury and Air Toxics Standards Rule. Northern Indiana believes that the capital costs will likely be recoverable from ratepayers.

Sulfur dioxide: On December 8, 2009, the EPA revised the SO_2 NAAQS by adopting a new 1-hour primary NAAQS for SO_2. EPA expects to designate areas that do not meet the new standard by mid-2012. States with such areas would have until 2014 to develop attainment plans with compliance required by 2017. Northern Indiana will continue to monitor developments in these matters but does not anticipate a material impact.

Cross-State Air Pollution Rule / Clean Air Interstate Rule (CAIR) / Transport Rule: On July 6, 2011, the EPA announced its replacement for the 2005 CAIR to reduce the interstate transport of fine particulate matter and ozone. The CSAPR reduces overall emissions of SO_2 and NO_x by setting state-wide caps on power plant emissions. The CSAPR limits emissions, including Northern Indiana's, with restricted emission allowance trading programs scheduled to begin in 2012. In a decision issued on December 30, 2011, the D.C. Circuit Court stayed the CSAPR and reinstated the CAIR trading program provisions and requirements, including reissuing CAIR emission allowances, pending resolution of the stay. This development does not significantly impact Northern Indiana's current emissions control plans. Northern Indiana utilizes the inventory model in accounting for emission allowances issued under the CAIR program whereby these allowances were recognized at zero cost upon receipt from the EPA. Northern Indiana believes its current multi-pollutant compliance plan and New Source Review Consent Decree capital investments will allow Northern Indiana to meet the emission requirements of CSAPR whenever final resolution of the appeal is reached.

M 1. FINANCIAL STATEMENTS (continued)

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

Utility Mercury and Air Toxics Standards Rule: On February 8, 2008, the United States Court of Appeals for the District of Columbia Circuit vacated two EPA rules that are the basis for the Indiana Air Pollution Control Board's Clean Air Mercury Rule (CAMR) that established utility mercury emission limits in two phases (2010 and 2018) and a cap-and-trade program to meet those limits. In response to the vacatur, the EPA pursued a new Section 112 rulemaking to establish MACT standards for electric utilities. The EPA finalized the Mercury and Air Toxics Standards (MATS) Rule on December 16, 2011. Compliance for Northern Indiana's affected units will be required in early 2015, with the possibility of a one year extension. Northern Indiana is currently developing a plan for further environmental controls to comply with MATS.

New Source Review: On September 29, 2004, the EPA issued an NOV to Northern Indiana for alleged violations of the CAA and the Indiana SIP. The NOV alleged that modifications were made to certain boiler units at three of Northern Indiana's generating stations between the years 1985 and 1995 without obtaining appropriate air permits for the modifications. Northern Indiana, EPA, the Department of Justice, and IDEM have settled the matter through a consent decree.

Water

The Phase II Rule of the Clean Water Act Section 316(b), which requires all large existing steam electric generating stations to meet certain performance standards to reduce the effects on aquatic organisms at their cooling water intake structures, became effective on September 7, 2004. Under this rule, stations will either have to demonstrate that the performance of their existing fish protection systems meet the new standards or develop new systems, such as a closed-cycle cooling tower. Various court challenges and EPA responses ensued. The EPA announced a proposed rule and is obligated to finalize a rule in 2013. Northern Indiana will continue to monitor this matter but cannot estimate the cost of compliance at this time.

Waste

On March 31, 2005, the EPA and Northern Indiana entered into an AOC under the authority of Section 3008(h) of the RCRA for the Bailly Station. The order requires Northern Indiana to identify the nature and extent of releases of hazardous waste and hazardous constituents from the facility. Northern Indiana must also remediate any release of hazardous constituents that present an unacceptable risk to human health or the environment. The process to complete investigation and select appropriate remediation activities is ongoing.

June 21, 2010, EPA published a proposed rule for CCRs through the RCRA. The proposal outlines multiple regulatory approaches that A is considering. These proposed regulations could negatively affect Northern Indiana's ongoing byproduct reuse programs and would impose additional requirements on its management of coal combustion residuals. Northern Indiana will continue to monitor developments in this matter and cannot estimate the cost of compliance at this time.

Other Operations.

Waste

NiSource affiliates have retained environmental liabilities, including cleanup liabilities associated with some of its former operations. Four sites are associated with its former propane operations and ten sites associated with former petroleum operations. At one of those sites, an AOC has been signed with EPA to address petroleum residue in soil and groundwater.

ITEM 1. FINANCIAL STATEMENTS (continued)

NISOURCE INC.
Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

20. Accumulated Other Comprehensive Loss

The following table displays the components of Accumulated Other Comprehensive Loss.

(in millions)	June 30, 2012	December 31, 2011
Other comprehensive income (loss), before tax:		
Unrealized gains on securities	$ 3.7	$ 8.0
Tax expense on unrealized gains on securities	(1.3)	(3.1)
Unrealized losses on cash flow hedges	(49.2)	(52.3)
Tax benefit on unrealized losses on cash flow hedges	19.3	20.5
Unrecognized pension and OPEB costs	(50.9)	(53.0)
Tax benefit on unrecognized pension and OPEB costs	19.4	20.2
Total Accumulated Other Comprehensive Loss, net of taxes	**$ (59.0)**	$ (59.7)

Equity Investment
As an equity method investment, NiSource is required to recognize a proportional share of Millennium's OCI. The remaining unrealized loss at June 30, 2012 of $19.2 million, net of tax, related to terminated interest rate swaps is being amortized over the period ending June 2025 into earnings using the effective interest method through interest expense as interest payments are made by Millennium. The unrealized loss of $19.2 million and $19.7 million at June 30, 2012 and December 31, 2011, respectively, is included in unrealized losses on cash flow hedges above.

21. Business Segment Information

Operating segments are components of an enterprise for which separate financial information is available and evaluated regularly by the chief operating decision maker in deciding how to allocate resources and assess performance. The NiSource Chief Executive Officer is the chief operating decision maker.

At June 30, 2012, NiSource's operations are divided into three primary business segments. The Gas Distribution Operations segment provides natural gas service and transportation for residential, commercial and industrial customers in Ohio, Pennsylvania, Virginia, Kentucky, Maryland, Indiana and Massachusetts. The Gas Transmission and Storage Operations segment offers gas transportation and storage services for LDCs, marketers and industrial and commercial customers located in northeastern, mid-Atlantic, midwestern and southern states. The Electric Operations segment provides electric service in 20 counties in the northern part of Indiana.

M 1. FINANCIAL STATEMENTS (continued)

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

The following table provides information about business segments. NiSource uses operating income as its primary measurement for each of the reported segments and makes decisions on finance, dividends and taxes at the corporate level on a consolidated basis. Segment revenues include intersegment sales to affiliated subsidiaries, which are eliminated in consolidation. Affiliated sales are recognized on the basis of prevailing market, regulated prices or at levels provided for under contractual agreements. Operating income is derived from revenues and expenses directly associated with each segment.

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	**2012**	2011	**2012**	2011
REVENUES				
Gas Distribution Operations				
Unaffiliated (1)	**$ 452.2**	$ 629.7	**$ 1,521.3**	$ 2,214.5
Intersegment	**0.1**	0.2	**0.3**	0.9
Total	**452.3**	629.9	**1,521.6**	2,215.4
Gas Transmission and Storage Operations				
Unaffiliated	**209.5**	200.5	**442.5**	413.9
Intersegment	**31.5**	33.0	**73.9**	75.0
Total	**241.0**	233.5	**516.4**	488.9
Electric Operations				
Unaffiliated	**378.7**	350.8	**733.1**	699.0
Intersegment	**0.2**	0.2	**0.4**	0.4
Total	**378.9**	351.0	**733.5**	699.4
Corporate and Other				
Unaffiliated (2)	**8.3**	47.3	**10.5**	132.5
segment	**115.3**	122.2	**226.0**	232.7
	123.6	169.5	**236.5**	365.2
minations	**(147.1)**	(155.6)	**(300.6)**	(309.0)
Consolidated Revenues	**$ 1,048.7**	$ 1,228.3	**$ 2,707.4**	$ 3,459.9
Operating Income (Loss)				
Gas Distribution Operations	**$ 46.9**	$ 46.6	**$ 258.9**	$ 288.1
Gas Transmission and Storage Operations	**91.5**	84.6	**230.1**	203.0
Electric Operations	**70.4**	40.3	**116.6**	90.9
Corporate and Other	**(0.2)**	(6.0)	**2.4**	(10.1)
Consolidated Operating Income	**$ 208.6**	$ 165.5	**$ 608.0**	$ 571.9

(1) With the implementation of the standard choice offer, Columbia of Ohio reported lower gross revenues and cost of sales beginning April 1, 2012. There was no impact on net revenues.

(2) The reduction to other revenues is attributed to the continued wind down of the unregulated natural gas marketing business as well as the early termination of certain contracts as discussed in Note 9, "Risk Management Activities." There was a corresponding decrease in cost of sales with no impact to operating income.

ITEM 1. FINANCIAL STATEMENTS (continued)

NISOURCE INC.
Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

22. Supplemental Cash Flow Information

The following table provides additional information regarding NiSource's Condensed Statements of Consolidated Cash Flows (unaudited) for the six months ended June 30, 2012 and 2011:

Six Months Ended June 30, *(in millions)*	2012	2011
Supplemental Disclosures of Cash Flow Information		
Non-cash transactions:		
Capital expenditures included in current liabilities	$ 105.6	$ 65.1
Stock issuance to employee saving plans	12.4	10.8
Schedule of interest and income taxes paid:		
Cash paid for interest, net of interest capitalized amounts	$ 197.2	$ 180.0
Cash paid for income taxes	7.0	4.7

M 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

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Note regarding forward-looking statements

The Management's Discussion and Analysis, including statements regarding market risk sensitive instruments, contains "forward-looking statements," within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Investors and prospective investors should understand that many factors govern whether any forward-looking statement contained herein will be or can be realized. Any one of those factors could cause actual results to differ materially from those projected. These forward-looking statements include, but are not limited to, statements concerning NiSource's plans, objectives, expected performance, expenditures and recovery of expenditures through rates, stated on either a consolidated or segment basis, and any and all underlying assumptions and other statements that are other than statements of historical fact. From time to time, NiSource may publish or otherwise make available forward-looking statements of this nature. All such subsequent forward-looking statements, whether written or oral and whether made by or on behalf of NiSource, are also expressly qualified by these cautionary statements. All forward-looking statements are based on assumptions that management believes to be reasonable; however, there can be no assurance that actual results will not differ materially.

Realization of NiSource's objectives and expected performance is subject to a wide range of risks and can be adversely affected by, among other things, weather, fluctuations in supply and demand for energy commodities, growth opportunities for NiSource's businesses, increased competition in deregulated energy markets, the success of regulatory and commercial initiatives, dealings with third parties over whom NiSource has no control, actual operating experience of NiSource's assets, the regulatory process, regulatory and legislative changes, the impact of potential new environmental laws or regulations, the results of material litigation, changes in pension funding requirements, changes in general economic, capital and commodity market conditions, counterparty credit risk, and the matters set forth in the "Risk Factors" section of NiSource's 2011 Form 10-K, which many of are beyond the control of NiSource. In addition, the relative contributions to profitability by each segment, and the assumptions underlying the forward-looking statements relating thereto, may change over time. NiSource expressly disclaims a duty to update any of the forward-looking statements contained in this report.

The following Management's Discussion and Analysis should be read in conjunction with NiSource's Annual Report on Form 10-K for the fiscal year ended December 31, 2011.

CONSOLIDATED REVIEW

cutive Summary

NiSource (the "Company") is an energy holding company under the Public Utility Holding Company Act of 2005 whose subsidiaries are engaged in the transmission, storage and distribution of natural gas in the high-demand energy corridor stretching from the Gulf Coast through the Midwest to New England and the generation, transmission and distribution of electricity in Indiana. NiSource generates virtually 100% of its operating income through these rate-regulated businesses. A significant portion of NiSource's operations are subject to seasonal fluctuations in sales. During the heating season, which is primarily from November through March, net revenues from gas sales are more significant, and during the cooling season, which is primarily from June through September, net revenues from electric sales and transportation services are more significant than in other months.

For the six months ended June 30, 2012, NiSource reported income from continuing operations of $264.0 million, or $0.93 per basic share, compared to $249.9 million, or $0.89 per basic share reported for the same period in 2011.

The increase in income from continuing operations was due primarily to the following items:

- Electric Operations' net revenues increased $61.2 million primarily due to the implementation of the electric rate case. Refer to Note 8, "Regulatory Matters," in the Notes to Condensed Consolidated Financial Statements (unaudited) for more information.
- Regulatory and service programs at Gas Distributions Operations increased net revenues by $20.1 million primarily due to the rate case at Columbia of Pennsylvania and the implementation of rates under Columbia of Ohio's approved infrastructure replacement program. Refer to Note 8, "Regulatory Matters," in the Notes to Condensed Consolidated Financial Statements (unaudited) for more information.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS (continued)

NISOURCE INC.

- Higher demand margin revenues at Gas Transmission and Storage Operations increased net revenues by $14.5 million primarily due to growth projects placed into service in the prior year. Refer below and to the Gas Transmission and Storage Operations segment discussion for a list of growth projects.

- Equity earnings increased by $10.9 million compared to the prior year, primarily from increased earnings at Millennium. Refer to the Gas Transmission and Storage Operations segment discussion for more information regarding Millennium.

These increases were partially offset by the following:

- Warmer weather in the current quarter resulted in a decrease in income from continuing operations of $42.9 million compared to the prior year, primarily affecting the Gas Distribution Operations segment. Weather statistics are provided in the Gas Distribution Operations' segment discussion.

- Depreciation and amortization increased $25.3 million due primarily to higher capital expenditures and the additional depreciation related to the Sugar Creek facility due to the expiration of the deferral as a result of the electric rate case. NiSource's capital expenditures are projected to be approximately $1.4 billion in 2012.

- NiSource incurred higher interest expense of $22.3 million resulting from the issuance of long-term debt of $750.0 million in June 2012, $400.0 million in June 2011 and $500.0 million in November 2011, and the expiration of the Sugar Creek deferral. These increases were partially offset by the repurchase of $125.3 million of the 2016 and $124.7 million of the 2013 notes in November 2011 and lower short-term borrowings and rates.

These factors and other impacts to the financial results are discussed in more detail within the following discussions of "Results of Operations" and "Results and Discussion of Segment Operations."

Platform for Growth

NiSource's business plan will continue to center on commercial and regulatory initiatives; commercial growth and expansion of the transmission and storage business; financial management of the balance sheet; and cost and process excellence.

Commercial and Regulatory Initiatives

NiSource is moving forward on regulatory initiatives across several distribution company markets. Whether through full rate case filings or other approaches, NiSource's goal is to develop strategies that benefit all stakeholders as it addresses changing customer conservation patterns, develops more contemporary pricing structures, and embarks on long-term investment programs to enhance its infrastructure.

Northern Indiana continues to advance initiatives designed to improve customer services and reliability, as well as enhance the region's environmental and economic sustainability.

- Significant environmental investments at Northern Indiana's coal-fired electric generation facilities remain on track, including construction of FGD equipment on two units at Northern Indiana's Schahfer generating station. The improvements are part of a nearly $850 million environmental investment program expected to be completed in 2015.

- Northern Indiana requested approval of a Green Power Rate pilot program from the IURC. The program allows customers to designate a portion or all of their monthly electric usage to be attributable to power generated by renewable energy sources, including wind, solar, geothermal, biomass and hydroelectric.

- Northern Indiana reached an all-time peak load record on June 28, 2012, of approximately 3,710 mw.

M 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS
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NiSource Gas Distribution companies continue to deliver strong results from their strategy of aligning long-term infrastructure replacement and enhancement programs with a variety of complementary customer programs and rate-design initiatives.

- Infrastructure projects across much of the gas distribution territory, combined with customer programs and regulatory treatment, continue to generate earnings growth. These initiatives contributed approximately $20 million in additional operating earnings during the first half of the year compared to the same period last year.

- The Columbia of Massachusetts base rate case before the Massachusetts DPU, seeking an annual revenue requirement increase of $29.2 million, remains on schedule. The case is designed to support the Company's infrastructure modernization and replacements plans with timely investment recovery. An order is expected later this year.

- Columbia of Pennsylvania plans to file a rate case late in the third quarter of 2012 to support the Company's modernization programs.

Refer to Note 8, "Regulatory Matters," in the Notes to Condensed Consolidated Financial Statements (unaudited) for a complete discussion of regulatory and commercial matters.

Commercial Growth and Expansion of the Gas Transmission and Storage Business

NiSource Gas Transmission & Storage Operations continues to develop and execute investment opportunities in existing and new markets, including midstream projects to serve the increased natural gas production in the Utica and Marcellus Shale regions.

- NiSource Midstream entered into a joint venture to construct new gathering pipelines and natural gas liquids processing facilities to support hydrocarbon production in the Utica Shale region of northeast Ohio and western Pennsylvania. The venture currently estimates to invest approximately $300 million to provide gathering capacity of about 400,000 Dth per day and initial processing capacity of approximately 200,000 Dth per day. The project is expected to be in service starting in the second half of 2013, with significant planned expansion based on producer activity in the area.

- NiSource Midstream entered into a definitive agreement to pool a portion of its assets in a joint undertaking to develop the hydrocarbon potential on a combined acreage position in the Utica and Point Pleasant Shale formation in eastern Ohio and western Pennsylvania. NiSource will be a non-operating, five percent (5%) working interest owner in the total acreage position.

- NiSource also remains on track to begin construction in August 2012 of the 70-mile, $150 million Big Pine Gathering System in western Pennsylvania, which is anchored by a long-term gathering agreement with XTO Energy Inc. The project is expected to be in service in December 2012, with an initial capacity of approximately 425,000 Dth per day.

- Columbia Transmission and Columbia Gulf are moving forward with plans to upgrade and modify facilities to support the West Side Expansion Project. Due to the changing supply and demand markets, the project will reverse the flow of gas on part of the system to transport approximately 500,000 Dth per day of Marcellus production originating in southwest Pennsylvania and north-central West Virginia to Gulf Coast markets. Service is scheduled to begin in late 2014.

- During the first half of 2012, NiSource Gas Transmission and Storage Operations placed into service three separate Marcellus Shale related growth projects at an investment of approximately $35 million, adding nearly 350,000 Dth per day of capacity.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS (continued)

NISOURCE INC.

- Columbia Transmission also continues to advance plans for a long-term infrastructure modernization and enhancement program. Similar to the modernization programs in place at NiSource's gas utilities, this effort will enhance the reliability and flexibility of the Company's core pipeline system, ensuring continued safe and reliable service while positioning the Company to meet anticipated regulatory requirements. The plan is estimated to involve an investment of about $4 billion over a 10 to 15 year period.

Financial Management of the Balance Sheet
At the end of the second quarter, NiSource maintained approximately $1,399.2 million in net available liquidity.

On April 5, 2012, NiSource Finance negotiated a $250.0 million three-year bank term loan with a syndicate of banks which matures on April 3, 2015. Borrowings under the term loan will have an effective cost of LIBOR plus 137 basis points.

On May 15, 2012, NiSource increased its quarterly dividend by 4.3%, resulting in an increase in the annualized Common Stock dividend from $0.92 to $0.96 per share.

During May 2012, NiSource Finance amended its existing $1.5 billion revolving credit facility with a syndicate of banks led by Barclays Capital, extending the termination date to May 15, 2017 and reduced the cost of borrowing.

On June 14, 2012, NiSource Finance issued $250.0 million of 3.85% senior unsecured notes that mature on February 15, 2023 and $500.0 million of 5.25% senior unsecured notes that mature on February 15, 2043.

NiSource also remains on track to draw on its $400 million forward equity sale during the third quarter.

Ethics and Controls
NiSource has had a long-term commitment to providing accurate and complete financial reporting as well as high standards for ethical behavior by its employees. NiSource's senior management takes an active role in the development of this Form 10-Q and the monitoring of the company's internal control structure and performance. In addition, NiSource will continue its mandatory ethics training program fo employees.

Refer to "Controls and Procedures" included in Item 4.

Results of Operations
Quarter Ended June 30, 2012

Net Income
NiSource reported net income of $69.4 million, or $0.25 per basic share, for the three months ended June 30, 2012, compared to a net income of $40.2 million, or $0.14 per basic share, for the second quarter of 2011. Income from continuing operations was $70.5 million, or $0.25 per basic share, for the three months ended June 30, 2012, compared to income from continuing operations of $40.8 million, or $0.14 per basic share, for the second quarter of 2011. Operating income was $208.6 million, an increase of $43.1 million from the same period in 2011. All per share amounts are basic earnings per share. Basic average shares of common stock outstanding at June 30, 2012 were 284.4 million compared to 280.2 million at June 30, 2011.

Comparability of line item operating results between quarterly periods is impacted by regulatory and tax trackers that allow for the recovery in rates of certain costs such as bad debt expenses. Therefore, increases in these tracked operating expenses are offset by increases in net revenues and have essentially no impact on income from continuing operations.

Immaterial Restatement

As indicated in NiSource's Annual Report on Form 10-K for the fiscal year ended December 31, 2011, NiSource made correcting adjustments to its historical financial statements including for the three and six months ended June 30, 2011 relating to deferred revenue, environmental asset recovery, OPEB over-reimbursement, and OPEB regulatory assets. NiSource does not believe that these corrections, individually or in the aggregate, are material to

its financial statements (unaudited) for the three and six months ended June 30, 2012. For additional information on these corrections, see Note 1, Nature of Operations and Summary of Significant Accounting Policies, and Note 26, Quarterly Financial Data (Unaudited), of the Consolidated Financial Statements of NiSource's Annual Report on Form 10-K for the fiscal year ended December 31, 2011.

The following table sets forth the effects of the correcting adjustments to Net Income for the three and six months ended June 30, 2011:

Increase/(Decrease) in Net Income *(in millions)*	Three Months Ended June 30, 2011	Six Months Ended June 30, 2011
Previously reported Net Income	$ 38.9	$ 244.1
Deferred revenue	-	(0.6)
Environmental asset recovery	-	8.0
OPEB over-reimbursement	(0.2)	(0.4)
OPEB regulatory asset	2.4	2.4
Total corrections	2.2	9.4
Income taxes	0.9	3.8
Corrected Net Income	$ 40.2	$ 249.7

The following table sets forth the effects of the correcting adjustments on affected line items within the Condensed Statement of Consolidated Income (unaudited) for the three and six months ended June 30, 2011:

Condensed Statements of Consolidated Income (unaudited)

(in millions, except per share amounts)	Three Months Ended June 30, 2011 As Previously Reported	Three Months Ended June 30, 2011 As Corrected	Six Months Ended June 30, 2011 As Previously Reported	Six Months Ended June 30, 2011 As Corrected
Net Revenues				
Electric	$ 349.2	$ 349.2	$ 696.3	$ 695.7
Gross Revenues	1,228.3	1,228.3	3,460.5	3,459.9
Total Net Revenues	765.8	765.8	1,827.1	1,826.5
Operation and maintenance	402.5	400.3	835.0	829.6
Depreciation and amortization	134.5	134.5	273.4	268.8
Total Operating Expenses	604.8	602.6	1,269.9	1,259.9
Operating Income	163.3	165.5	562.5	571.9
Income from Continuing Operations before Income Taxes	69.5	71.7	382.2	391.6
Income Taxes	30.0	30.9	137.9	141.7
Income from Continuing Operations	39.5	40.8	244.3	249.9
Net Income	$ 38.9	$ 40.2	$ 244.1	$ 249.7
Basic Earnings Per Share ($)				
Continuing operations	$ 0.14	$ 0.14	$ 0.87	$ 0.89
Basic Earnings Per Share	$ 0.14	$ 0.14	$ 0.87	$ 0.89
Diluted Earnings Per Share ($)				
Continuing operations	$ 0.14	$ 0.14	$ 0.85	$ 0.87
Diluted Earnings Per Share	$ 0.14	$ 0.14	$ 0.85	$ 0.87

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS (continued)

NISOURCE INC.

These corrections affected certain line items within net cash flows from operating activities on the Condensed Statement of Consolidated Cash Flows (unaudited) for the six months ended June 30, 2011, with no net effect on total net cash flows from operating activities.

Net Revenues

Total consolidated net revenues (gross revenues less cost of sales) for the quarter ended June 30, 2012, were $807.6 million, a $41.8 million increase from the same period last year. This increase in net revenues was primarily due to increased Electric Operations' net revenues of $39.0 million and increased Gas Transmission and Storage Operations' net revenues of $7.4 partially offset by decreased Gas Distribution Operations' net revenues of $2.6 million.

- Electric Operations' net revenues increased primarily due to increased industrial, commercial and residential margins of $15.2 million mainly due to the implementation of the electric rate case. Additionally, there were lower revenue credits of $12.1 million in the current period as the electric rate case discontinued these credits. Net revenues also increased $8.1 million due to the impact of weather, increased off system sales of $3.9 million, and an increase in a RTO recovery mechanism of $3.1 million. These increases were partially offset by a decrease in environmental cost recovery of $4.6 million due to the plant balance eligible for recovery being reset to zero as a result of the electric rate case.

- Gas Transmission and Storage Operations' net revenues increased primarily due to increased regulatory trackers, which are offset in expense, of $6.2 million and higher demand margin revenue of $5.3 million as a result of growth projects placed into service since the first quarter of 2011. These increases were partially offset by a settlement of $2.8 million during the second quarter of 2011 and a decrease of $2.1 million in condensate revenue.

- Gas Distribution Operations' net revenues decreased due primarily to the effects of warmer weather of $5.4 million and lower regulatory trackers, which are offset in expense, of $5.3 million. These decreases in net revenues were partially offset by an increase of $8.6 million for regulatory and service programs, including the impact of new rates under Columbia of Ohio's approved infrastructure replacement program and the impact of the rate case at Columbia of Pennsylvania.

Expenses

Operating expenses for the second quarter 2012 were $607.5 million, an increase of $4.9 million from the 2011 period. This increase was primarily due to higher depreciation and amortization of $13.5 million partially offset by a decrease in operation and maintenance expense of $6.0 million. The increase in depreciation and amortization is primarily due to higher capital expenditures and additional depreciation related to the Sugar Creek facility due to the expiration of the deferral as a result of the electric rate case. The decrease in operation and maintenance expense was primarily due to lower electric generation costs of $10.5 million primarily due to the timing of planned and unplanned outages and lower employee and administration costs of $6.5 million. This decrease was partially offset by an increase in outside services of $5.7 million and an increase in MISO fees of $4.4 million resulting from the electric rate case.

Equity Earnings in Unconsolidated Affiliates

Equity Earnings in Unconsolidated Affiliates were $8.5 million during the second quarter of 2012 compared to $2.3 million for the second quarter of 2011. Equity Earnings in Unconsolidated Affiliates includes investments in Millennium and Hardy Storage, which are integral to the Gas Transmission and Storage Operations' business. Equity earnings increased as a result of an increase in demand and commodity revenues included in earnings at Millennium.

Other Income (Deductions)

Other Income (Deductions) reduced income by $100.4 million in 2012 compared to a reduction in income of $93.8 million in the prior year. The increase in deductions is primarily due to an increase in interest expense of $8.8 million resulting from the issuance of long-term debt of $400.0 million in June 2011, $500.0 million in November 2011 and $750 million in June 2012, and the expiration of the Sugar Creek deferral. This was partially offset by a decrease in interest expense due to the repurchase of $125.3 million of the 2016 and $124.7 million of the 2013

notes in November 2011 and lower short-term borrowings and rates. Other-net income of $2.8 million was recorded in 2012 compared to $0.6 million in 2011. Other-net income increased primarily as a result of increased AFUDC-equity compared to the prior period.

Income Taxes

Income tax expense for the second quarter of 2012 was $37.7 million compared to $30.9 million in the prior year. NiSource's interim effective tax rates reflect the estimated annual effective tax rates for 2012 and 2011, adjusted for tax expense associated with certain discrete items. The effective tax rates for the three months ended June 30, 2012 and 2011 were 34.8% and 43.1%, respectively. These effective tax rates differ from the Federal tax rate of 35% primarily due to the effects of tax credits, state income taxes, utility rate-making, and other permanent book-to-tax differences.

On May 12, 2011, the governor of Indiana signed into law House Bill 1004, which among other things, lowers the corporate income tax rate from 8.5% to 6.5% over four years beginning on July 1, 2012. The reduction in the tax rate will impact deferred income taxes and tax related regulatory assets and liabilities recoverable in the rate making process. In addition, other deferred tax assets and liabilities, primarily deferred tax assets related to Indiana net operating loss carry forward, will be reduced to reflect the lower rate at which these temporary differences and tax benefits will be realized. In the second quarter 2011, NiSource recorded tax expense of $6.8 million to reflect the effect of this rate change.

On December 27, 2011, the United States Treasury Department and the IRS issued temporary and proposed regulations effective for years beginning on or after January 1, 2012 that, among other things, provided guidance on whether expenditures qualified as deductible repairs. In addition, on March 15, 2012, the IRS issued a directive to discontinue exam activity related to positions on this issue taken on original tax returns for years beginning before January 1, 2012. NiSource expects the IRS to issue guidance for the treatment of expenditures for gas transmission and distribution assets, and generation within the next twelve months. NiSource further expects that it will be more likely to adopt the procedures provided in this guidance rather than the more general rules set forth in the temporary and proposed regulations. Accordingly, NiSource management expects to adjust unrecognized tax benefits recorded in 2009 related to its change in tax accounting for repairs for gas transmission and distribution, assets and generation assets in the period specific guidance for these assets is issued. As noted above, NiSource management believes that the issuance of such guidance and intent to adopt the guidance by NiSource is reasonably possible to occur within ext twelve months. In that event, NiSource will recognize a tax benefit for this issue in the amount of $80.9 million. NiSource believes adjustments will not have a significant effect on the income statement.

On July 2, 2012, House Bill 761 was signed into law in Pennsylvania, which among other things, adopts a single-sales factor apportionment effective for tax years beginning on or after January 1, 2013. NiSource does not believe this adjustment will have a significant effect on net income.

Refer to Note 13, "Income Taxes," in the Notes to the Condensed Consolidated Financial Statements (unaudited) for more detail about income taxes.

Discontinued Operations

There was a net loss of $1.1 million in the second quarter of 2012 from discontinued operations compared to net loss of $0.6 million in the second quarter of 2011.

Results of Operations
Six Months Ended June 30, 2012

Net Income

NiSource reported net income of $262.8 million, or $0.93 per basic share, for the six months ended June 30, 2012, compared to net income of $249.7 million, or $0.89 per basic share, for the first six months of 2011. Income from continuing operations was $264.0 million, or $0.93 per basic share, for the first six months ended June 30, 2012, compared to income from continuing operations of $249.9 million, or $0.89 per basic share, for the comparable 2011 period. Operating income was $608.0 million, an increase of $36.1 million from the same period in 2011. All per share amounts are basic earnings per share. Basic average shares of common stock outstanding at June 30, 2012 were 283.6 million compared to 279.8 million at June 30, 2011.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS (continued)

NISOURCE INC.

Comparability of line item operating results between quarterly periods was impacted by regulatory and tax trackers that allow for the recovery in rates of certain costs such as bad debt expenses. Therefore, increases in these tracked operating expenses are offset by increases in net revenues and had essentially no impact on income from continuing operations.

Net Revenues

Total consolidated net revenues (gross revenues less cost of sales) for the six months ended June 30, 2012, were $1,836.0 million, a $9.5 million increase from the same period last year. This increase in net revenues was primarily due to increased Electric Operations' net revenues of $61.2 million and increased Gas Transmission and Storage Operations' net revenues of $26.5 million partially offset by decreased Gas Distributions' net revenues of $76.5 million.

- Electric Operations' net revenues increased primarily due to increased industrial, commercial and residential margins of $35.9 million mainly due to the implementation of the electric rate case. Additionally, there were lower revenue credits of $26.0 million in the current period as the electric rate case discontinued these credits. Net revenues also increased as a result of an increase in a RTO recovery mechanism of $7.5 million, off system sales of $3.3 million and the impact of weather of $1.4 million. These increases were partially offset by a decrease in environmental cost recovery of $15.6 million due to the plant balance eligible for recovery being reset to zero as a result of the electric rate case.

- Gas Transmission and Storage Operations' net revenues increased primarily due to higher demand margin revenue of $14.5 million as a result of growth projects placed into service in the prior year. Additionally, there was an increase in regulatory trackers, which are offset in expense, of $8.8 million, increased revenues of $5.7 million due to the impact of the rate case filing at Columbia Gulf, and higher revenues from shorter term transportation services of $2.5 million. These increases were offset by a decrease in condensate revenue of $2.8 million.

- Gas Distribution Operations' net revenues decreased due primarily to lower regulatory and tax trackers, which are offset in expense, of $51.4 million and the effects of warmer weather of $44.3 million. These decreases in net revenues were partially offset by an increase of $20.1 million for regulatory and service programs, including the impact of new rates under Columbia of O[redacted] approved infrastructure replacement program and the impact of the rate case at Columbia of Pennsylvania.

Expenses

Operating expenses for the six months ended June 30, 2012 were $1,244.2 million, a decrease of $15.7 million from the 2011 period. This decrease was primarily due to lower operation and maintenance expenses of $29.9 million and a decrease in other taxes of $7.3 million partially offset by an increase in depreciation and amortization of $25.3 million. The decrease in operation and maintenance expenses is due to a decrease in regulatory trackers, which are offset in revenue, of $33.0 million, lower employee and administration costs of $3.7 million and a decrease in electric generation costs of $3.6 million due primarily to the timing of planned and unplanned outages. This was partially offset by an increase in MISO fees of $10.0 million resulting from the electric rate case. Other taxes decreased primarily as a result of lower tax trackers, which are offset in revenue. Depreciation and amortization increased due primarily to higher capital expenditures and additional deprecation related to the Sugar Creek facility due to the expiration of the deferral as a result of the electric rate case.

Equity Earnings in Unconsolidated Affiliates

Equity Earnings in Unconsolidated Affiliates were $16.2 million for the six months ended June 30, 2012, an increase of $10.9 million compared to 2011. Equity Earnings in Unconsolidated Affiliates includes investments in Millennium and Hardy Storage which are integral to the Gas Transmission and Storage Operations' business. Equity earnings increased as a result of an increase in demand and commodity revenues included in earnings at Millennium.

M.2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS
tinued)

NISOURCE INC.

Other Income (Deductions)
Other Income (Deductions) reduced income by $203.4 million for the six months ended June 30, 2012 compared to a reduction in income of $180.3 million in the prior year. The increase in deductions is primarily due to increased interest expense of $22.3 million due to the issuance of long-term debt of $400.0 million in June 2011, $500.0 million in November 2011 and $750.0 million in June 2012, and the expiration of the Sugar Creek deferral. This was partially offset by a decrease in interest expense due to the repurchase of $125.3 million of the 2016 and $124.7 million of the 2013 notes in November 2011 and lower short-term borrowings and rates. Other-net income of $3.1 million was recorded in 2012 compared to $3.9 million in 2011.

Income Taxes
Income taxes for the first six months of 2012 were $140.6 million, a decrease of $1.1 million compared to the first six months of 2011, mainly attributable to the 2011 enactment of Indiana tax legislation reducing the state rate.

The effective tax rates for the six months ended June 30, 2012 and 2011 were 34.8% and 36.2%, respectively. These effective tax rates differ from the Federal tax rate of 35% primarily due to the effects of tax credits, state income taxes, utility rate-making, and other permanent book-to-tax differences.

Discontinued Operations
There was a $1.2 million net loss from discontinued operations for the six months ended June 30, 2012, compared to a $0.2 million net loss from discontinued operations in 2011.

Liquidity and Capital Resources

A significant portion of NiSource's operations, most notably in the gas distribution, gas transportation and storage and electric distribution businesses, are subject to seasonal fluctuations in cash flow. During the heating season, which is primarily from November through March, cash receipts from gas sales and transportation services typically exceed cash requirements. During the summer months, cash on hand, together the seasonal increase in cash flows from the electric business during the summer cooling season and external short-term and long-term ncing, is used to purchase gas to place in storage for heating season deliveries and perform necessary maintenance of facilities. NiSource eves that through income generated from operating activities, amounts available under its revolving credit facility, commercial paper program, long-term debt agreements and NiSource's ability to access the capital markets, there is adequate capital available to fund its operating activities and capital expenditures in 2012.

Operating Activities
Net cash from operating activities for the six months ended June 30, 2012 was $771.8 million, an increase of $35.8 million compared to the six months ended June 30, 2011. The increase in net cash from operating activities was primarily due to the settlement payment of $28.7 million in 2011 related to the Thacker litigation and higher net income in the current period.

Pension and Other Postretirement Plan Funding. NiSource expects to make contributions of approximately $3.3 million to its pension plans and approximately $51.7 million to its postretirement medical and life plans in 2012, which could change depending on market conditions. For the six months ended June 30, 2012, NiSource has contributed $1.6 million to its pension plans and $23.3 million to its other postretirement benefit plans.

Investing Activities
NiSource's capital expenditures for the six months ended June 30, 2012 were $619.5 million, compared to $445.0 million for the comparable period in 2011. The increase is the result of increased spending for Gas Transmission and Storage Operations' system growth and environmental tracker capital for FGD projects in the generation fleet in the Electric Operations segment. NiSource projects 2012 capital expenditures to be approximately $1.4 billion.

Restricted cash was $85.0 million and $160.6 million as of June 30, 2012 and December 31, 2011, respectively. The decrease in restricted cash was due to the wind-down of NiSource's unregulated natural gas marketing business.

Financing Activities

Long-term Debt. Refer to Note 16, "Long-Term Debt," in the Notes to Condensed Consolidated Financial Statements (unaudited) for information on long-term debt.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS (continued)

NISOURCE INC.

Credit Facilities. During May 2012, NiSource Finance amended its existing $1.5 billion revolving credit facility with a syndicate of banks led by Barclays Capital, extending the termination date to May 15, 2017 also reducing the borrowing costs under the facility. The purpose of the facility is to fund ongoing working capital requirements including the provision of liquidity support for NiSource's commercial paper program, provide for the issuance of letters of credit, and also for general corporate purposes.

During June 2011, NiSource Finance implemented a new commercial paper program with a program limit of up to $500.0 million with a dealer group comprised of Barclays, Citigroup, Credit Suisse and Wells Fargo. Commercial paper issuances are supported by available capacity under NiSource's $1.5 billion unsecured revolving credit facility, which expires in May 2017.

NiSource Finance had no outstanding borrowings under its five-year revolving credit facility at June 30, 2012 and borrowings of $725.0 million at December 31, 2011, at a weighted average interest rate of 1.99%. In addition, NiSource Finance had $134.4 million in commercial paper outstanding at June 30, 2012, at a weighted average interest rate of 1.16% and $402.7 million in commercial paper outstanding at December 31, 2011, at a weighted average interest rate of 1.01%.

As of June 30, 2012 and December 31, 2011, NiSource had $193.2 million and $231.7 million, respectively, of short-term borrowings recorded on the Condensed Consolidated Balance Sheets (unaudited) and cash from financing activities in the same amount relating to its accounts receivable securitization facilities. See Note 11, "Transfers of Financial Assets."

As of June 30, 2012 and December 31, 2011, NiSource had $37.5 million of stand-by letters of credit outstanding of which $19.2 million were under the revolving credit facility.

As of June 30, 2012, an aggregate of $1,346.4 million of credit was available under the credit facility.

Sale of Trade Accounts Receivables. Refer to Note 11, "Transfers of Financial Assets," in the Notes to Condensed Consolidated Financial Statements (unaudited) for information on the sale of accounts receivable.

All accounts receivable sold to the commercial paper conduits are valued at face value, which approximates fair value due to their short-term nature. The amount of the undivided percentage ownership interest in the accounts receivables sold is determined, in part, by required loss reserves under the agreements.

Credit Ratings. On February 29, 2012, Standard & Poor's affirmed the senior unsecured ratings for NiSource and its subsidiaries at BBB-. Standard & Poor's outlook for NiSource and all of its subsidiaries is stable. On December 13, 2011, Fitch affirmed the senior unsecured ratings for NiSource at BBB-, and the existing ratings of all other subsidiaries. Fitch's outlook for NiSource and all of its subsidiaries is stable. On November 18, 2011, Moody's Investors Service affirmed the senior unsecured ratings for NiSource at Baa3, and the existing ratings of all other subsidiaries. Moody's outlook for NiSource and all of its subsidiaries is stable. Although all ratings continue to be investment grade, a downgrade by Standard & Poor's, Moody's or Fitch would result in a rating that is below investment grade.

Certain NiSource affiliates have agreements that contain "ratings triggers" that require increased collateral if the credit ratings of NiSource or certain of its subsidiaries are rated below BBB- by Standard & Poor's or Baa3 by Moody's. These agreements are primarily for insurance purposes and for the physical purchase or sale of power. The collateral requirement that would be required in the event of a downgrade below the ratings trigger levels would amount to approximately $24.1 million. In addition to agreements with ratings triggers, there are other agreements that contain "adequate assurance" or "material adverse change" provisions that could necessitate additional credit support such as letters of credit and cash collateral to transact business. In addition, under Northern Indiana's trade receivables sales program, an event of termination occurs if Northern Indiana's debt rating is withdrawn by either Standard & Poor's or Moody's, or falls below BB or Ba2 at either Standard & Poor's or Moody's, respectively. Likewise, under Columbia of Ohio's and Columbia of Pennsylvania's trade receivables sales programs, an event of termination occurs if NiSource's debt rating is withdrawn by either Standard & Poor's or Moody's, or falls below BB- or Ba3 at either Standard & Poor's or Moody's, respectively.

Contractual Obligations. Refer to Note 13, "Income Taxes," in the Notes to Condensed Consolidated Financial Statements (unaudited) for material changes recorded during the three and six months ended June 30, 2012 to NiSource's uncertain tax positions recorded as of December 31, 2011.

Northern Indiana has a service agreement with Pure Air, a general partnership between Air Products and Chemicals, Inc. and First Air Partners LP, under which Pure Air provides scrubber services to reduce sulfur dioxide emissions for Units 7 and 8 at the Bailly Generating Station. Services under this contract commenced on July 1, 1992 and expired on June 30, 2012. On June 29, 2012, this agreement was renewed for ten years and, in accordance with GAAP, was evaluated to determine whether the arrangement qualified as a lease. Based on the terms of the agreement, the arrangement qualified for capital lease accounting. The effective date of the new agreement is July 1, 2012. NiSource will capitalize this lease beginning in the third quarter of 2012.

Forward Equity Sale. Refer to Note 4, "Forward Equity Agreement," in the Notes to Condensed Consolidated Financial Statements (unaudited) for information on financing activities related to the forward equity sale.

Market Risk Disclosures

Risk is an inherent part of NiSource's energy businesses. The extent to which NiSource properly and effectively identifies, assesses, monitors and manages each of the various types of risk involved in its businesses is critical to its profitability. NiSource seeks to identify, assess, monitor and manage, in accordance with defined policies and procedures, the following principal market risks that are involved in NiSource's energy businesses: commodity price risk, interest rate risk and credit risk. Risk management at NiSource is a multi-faceted process with oversight by the Risk Management Committee that requires constant communication, judgment and knowledge of specialized products and markets. NiSource's senior management takes an active role in the risk management process and has developed policies and procedures that require specific administrative and business functions to assist in the identification, assessment and control of various risks. These include but are not limited to market, operational, financial and strategic risk types. In recognition of the increasingly varied and complex nature of the energy business, NiSource's risk management process, policies and procedures continue to evolve and are subject to ongoing review and modification.

ous analytical techniques are employed to measure and monitor NiSource's market and credit risks, including VaR. VaR represents the tial loss or gain for an instrument or portfolio from changes in market factors, for a specified time period and at a specified confidence level.

Commodity Price Risk

NiSource is exposed to commodity price risk as a result of its subsidiaries' operations involving natural gas and power. To manage this market risk, NiSource's subsidiaries use derivatives, including commodity futures contracts, swaps and options. NiSource is not involved in speculative energy trading activity.

Commodity price risk resulting from derivative activities at NiSource's rate-regulated subsidiaries is limited, since regulations allow recovery of prudently incurred purchased power, fuel and gas costs through the rate-making process, including gains or losses on these derivative instruments. If states should explore additional regulatory reform, these subsidiaries may begin providing services without the benefit of the traditional rate-making process and may be more exposed to commodity price risk. Some of NiSource's rate-regulated utility subsidiaries offer commodity price risk products to its customers for which derivatives are used to hedge forecasted customer usage under such products. These subsidiaries do not have regulatory recovery orders for these products and are subject to gains and losses recognized in earnings due to hedge ineffectiveness.

Interest Rate Risk

NiSource is exposed to interest rate risk as a result of changes in interest rates on borrowings under its revolving credit agreement, term loan, commercial paper program and accounts receivable programs, which have interest rates that are indexed to short-term market interest rates. NiSource is also exposed to interest rate risk due to changes in interest rates on fixed-to-variable interest rate swaps that hedge the fair value of long-term debt. Based upon average borrowings and debt obligations subject to fluctuations in short-term market interest rates, an increase (or decrease) in short-term interest rates of 100 basis points (1%) would have increased (or decreased) interest expense by $4.1 million and $8.5 million for the three and six months ended June 30, 2012, respectively, and $4.0 million and $8.3 million for the three and six months ended June 30, 2011, respectively.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS (continued)

NISOURCE INC.

Credit Risk

Due to the nature of the industry, credit risk is embedded in many of NiSource's business activities. NiSource's extension of credit is governed by a Corporate Credit Risk Policy. In addition, Risk Management Committee guidelines are in place which document management approval levels for credit limits, evaluation of creditworthiness, and credit risk mitigation efforts. Exposures to credit risks are monitored by the Corporate Credit Risk function which is independent of commercial operations. Credit risk arises due to the possibility that a customer, supplier or counterparty will not be able or willing to fulfill its obligations on a transaction on or before the settlement date. For derivative related contracts, credit risk arises when counterparties are obligated to deliver or purchase defined commodity units of gas or power to NiSource at a future date per execution of contractual terms and conditions. Exposure to credit risk is measured in terms of both current obligations and the market value of forward positions net of any posted collateral such as cash, letters of credit and qualified guarantees of support.

NiSource closely monitors the financial status of its banking credit providers and interest rate swap counterparties. NiSource evaluates the financial status of its banking partners through the use of market-based metrics such as credit default swap pricing levels, and also through traditional credit ratings provided by major credit rating agencies.

On October 31, 2011, cash and derivatives broker-dealer MF Global filed for Chapter 11 bankruptcy protection. MF Global brokered NYMEX hedges of natural gas futures on behalf of NiSource affiliates. At the date of bankruptcy, NiSource affiliates had contracts open with MF Global with settlement dates ranging from November 2011 to February 2014. On November 3, 2011, these contracts were measured at a mark-to-market loss of approximately $46.4 million. NiSource affiliates had posted initial margin to open these accounts of $6.9 million and additional maintenance margin for mark-to-market losses, for a total cash balance of $53.3 million. Within the first week after the filing, at the direction of the Bankruptcy Court, a transfer of assets was initiated on behalf of NiSource affiliates to a court-designated replacement broker for future trade activity. The existing futures positions were closed and then rebooked with the replacement broker at the new closing prices as of November 3, 2011. Initial margin on deposit at MF Global of $5.7 million was transferred to the court-designated replacement broker. The maintenance margin was retained by MF Global to offset the loss positions of the open contracts on November 3, 2011. NiSource affiliates are monitoring the activity in the bankruptcy case and have filed a proof of claim at the Court's direction. As of June 30, 2012, NiSource affiliates maintained a reserve for the $1.2 million difference between the initial margin posted with MF Global and the cash transferred to the court-designated replacement broker as a loss contingency.

Fair Value Measurement

NiSource measures certain financial assets and liabilities at fair value. The level of the fair value hierarchy disclosed is based on the lowest level of input that is significant to the fair value measurement. NiSource's financial assets and liabilities include price risk assets and liabilities, available-for-sale securities and a deferred compensation plan obligation.

Exchange-traded derivative contracts are generally based on unadjusted quoted prices in active markets and are classified within Level 1. These financial assets and liabilities are secured with cash on deposit with the exchange; therefore nonperformance risk has not been incorporated into these valuations. Certain non-exchange-traded derivatives are valued using broker or over-the-counter, on-line exchanges. In such cases, these non-exchange-traded derivatives are classified within Level 2. Non-exchange-based derivative instruments include swaps, forwards, and options. In certain instances, these instruments may utilize models to measure fair value. NiSource uses a similar model to value similar instruments. Valuation models utilize various inputs that include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, other observable inputs for the asset or liability, and market-corroborated inputs, i.e., inputs derived principally from or corroborated by observable market data by correlation or other means. Where observable inputs are available for substantially the full term of the asset or liability, the instrument is categorized in Level 2. Certain derivatives trade in less active markets with a lower availability of pricing information and models may be utilized in the valuation. When such inputs have a significant impact on the measurement of fair value, the instrument is categorized in Level 3. Credit risk is considered in the fair value calculation of derivative instruments that are not exchange-traded. Credit exposures are adjusted to reflect collateral agreements which reduce exposures.

M 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS
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NISOURCE INC.

Price risk management assets also include fixed-to-floating interest-rate swaps, which are designated as fair value hedges, as a means to achieve its targeted level of variable-rate debt as a percent of total debt. NiSource uses a calculation of future cash inflows and estimated future outflows related to the swap agreements, which are discounted and netted to determine the current fair value. Additional inputs to the present value calculation include the contract terms, as well as market parameters such as current and projected interest rates and volatility. As they are based on observable data and valuations of similar instruments, the interest-rate swaps are categorized in Level 2 in the fair value hierarchy. Credit risk is considered in the fair value calculation of the interest rate swap.

Refer to Note 10, "Fair Value Disclosures," in the Notes to the Condensed Consolidated Financial Statements (unaudited) for additional information on NiSource's fair value measurements.

Market Risk Measurement

Market risk refers to the risk that a change in the level of one or more market prices, rates, indices, volatilities, correlations or other market factors, such as liquidity, will result in losses for a specified position or portfolio. NiSource calculates a one-day VaR at a 95% confidence level for the unregulated gas marketing group that utilizes a variance/covariance methodology. The daily market exposure for the unregulated gas marketing portfolio on an average, high and low basis was $0.1 million, $0.1 million and zero, respectively, for the second quarter of 2012. The daily market exposure for the unregulated gas marketing portfolio on an average, high and low basis was $0.1 million, $0.2 million and zero, respectively, for the six months ended June 30, 2012. Prospectively, management has set the VaR limit at $0.4 million for gas marketing. Exceeding this limit would result in management actions to reduce portfolio risk.

Refer to Note 9, "Risk Management Activities," in the Notes to Condensed Consolidated Financial Statements (unaudited) for further discussion of NiSource's risk management.

Off Balance Sheet Arrangements

As a part of normal business, NiSource and certain subsidiaries enter into various agreements providing financial or performance assurance to parties on behalf of certain subsidiaries. Such agreements include guarantees and stand-by letters of credit.

ource has issued guarantees that support up to approximately $140.9 million of commodity-related payments for its current and former subsidiaries involved in energy marketing activities. These guarantees were provided to counterparties in order to facilitate physical and financial transactions involving natural gas services. To the extent liabilities exist under the commodity-related contracts subject to these guarantees, such liabilities are included in the Condensed Consolidated Balance Sheets (unaudited).

NiSource has purchase and sales agreement guarantees totaling $30.0 million, which guarantee performance of the seller's covenants, agreements, obligations, liabilities, representations and warranties under the agreements. No amounts related to the purchase and sales agreement guarantees are reflected in the Condensed Consolidated Balance Sheets (unaudited). Management believes that the likelihood NiSource would be required to perform or otherwise incur any significant losses associated with any of the aforementioned guarantees is remote.

NiSource has other guarantees outstanding. Refer to Note 19-A, "Guarantees and Indemnities," in the Notes to Condensed Consolidated Financial Statements (unaudited) for additional information about NiSource's off balance sheet arrangements.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS (continued)

NISOURCE INC.

Other Information

Critical Accounting Policies

Goodwill. NiSource's goodwill assets at June 30, 2012 were $3,677.3 million, most of which resulted from the acquisition of Columbia on November 1, 2000. In addition, Northern Indiana Gas Distribution Operations' goodwill assets related to the purchase of Northern Indiana Fuel and Light and Kokomo Gas were $18.8 million at June 30, 2012. As required, NiSource tests for impairment of goodwill on an annual basis and on an interim basis when events or circumstances indicate that a potential impairment may exist. NiSource's annual goodwill test takes place in the second quarter of each year and was most recently finalized as of May 1, 2012. The fair value of each reporting unit exceeded the carrying value based on this impairment test. Refer to Note 12, "Goodwill Assets," in the Notes to Condensed Consolidated Financial Statements (unaudited) for additional information concerning NiSource's annual goodwill test.

There were no significant changes to critical accounting policies for the period ended June 30, 2012.

Recently Adopted and Issued Accounting Pronouncements

Refer to Note 2, "Recent Accounting Pronouncements," in the Notes to Condensed Consolidated Financial Statements (unaudited).

International Financial Reporting Standards

In February 2010, the SEC expressed its commitment to the development of a single set of high quality globally accepted accounting standards and directed its staff to execute a work plan addressing specific areas of concern regarding the potential incorporation of IFRS for the U.S. In May 2011, a Staff Paper was issued outlining a possible endorsement approach for the incorporation of IFRS into the U.S. financial reporting system, as opposed to a single-date approach, if the SEC were to decide that incorporation of IFRS is in the best interest of U.S. investors. Under this possible framework, IFRS would be incorporated into U.S. GAAP during a transition period (e.g., five to seven years) and the FASB would be retained as the United States standard setter. In July 2012, the SEC Staff issued their final report on their work plan for the consideration of incorporating IFRS into the U.S. financial reporting system. While the SEC Staff reported on their findings with regards to the work plan, the Staff did not make a recommendation to the Commission and there is no current time frame for when the SEC will make a determination regarding IFRS. The accounting differences between U.S. GAAP and IFRS are complex and significant in many aspects conversion to IFRS would have broad impacts across NiSource. NiSource's strategy for addressing a potential mandate of IFRS will be assessed when the SEC makes its determination on whether to require the use of IFRS and by what method.

Dodd-Frank Financial Reform Act

The Dodd-Frank Wall Street Reform and Consumer Protection Act ("the Act") was passed by Congress on July 15, 2010 and was signed into law on July 21, 2010. The Act, among other things, establishes a Financial Stability Oversight Council ("FSOC") and a Consumer Financial Protection Bureau ("CFPB") whose duties will include the monitoring of domestic and international financial regulatory proposals and developments, as well as the protection of consumers. The FSOC may submit comments to the SEC and any standard-setting body with respect to an existing or proposed accounting principle, standard or procedure. The Act also creates increased oversight of the over-the-counter ("OTC") derivative market, requiring certain OTC transactions in instruments defined as "swaps" under the new regulations to be cleared through a clearing house and requiring cash margins to be posted for those transactions. In July 2012, the CFTC finalized most of its remaining key regulations under the Act, which will go into effect starting later in 2012 in accordance with a schedule promulgated by the CFTC. Under the CFTC's final rules, most, if not all, of NiSource's transactions will either not be considered "swaps" or will qualify for the "end-user exception" to mandatory clearing of swaps under CFTC regulations. Although the Act and the new regulations are expected to have some impact on capital markets and derivatives markets generally, NiSource does not expect the Act to have any material effect on its operations.

RESULTS AND DISCUSSION OF SEGMENT OPERATIONS

Presentation of Segment Information

NiSource's operations are divided into three primary business segments: Gas Distribution Operations, Gas Transmission and Storage Operations, and Electric Operations.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS (continued)

NISOURCE INC.
Gas Distribution Operations

(in millions)	Three Months Ended June 30, 2012	2011	Six Months Ended June 30, 2012	2011
Net Revenues				
Sales Revenues	$ 452.3	$ 629.9	$ 1,521.6	$ 2,215.4
Less: Cost of gas sold (excluding depreciation and amortization)	141.9	316.9	697.5	1,314.8
Net Revenues	310.4	313.0	824.1	900.6
Operating Expenses				
Operation and maintenance	180.5	187.1	384.7	429.3
Depreciation and amortization	47.9	43.7	94.6	86.6
Loss on sale of assets	-	-	-	0.1
Other taxes	35.1	35.6	85.9	96.5
Total Operating Expenses	263.5	266.4	565.2	612.5
Operating Income	$ 46.9	$ 46.6	$ 258.9	$ 288.1
Revenues ($ in Millions)				
Residential	$ 268.2	$ 371.7	$ 994.7	$ 1,447.4
Commercial	80.7	110.4	322.4	470.6
Industrial	34.9	46.3	95.2	124.1
Off System	43.8	92.9	78.9	169.7
Other	24.7	8.6	30.4	3.6
Total	$ 452.3	$ 629.9	$ 1,521.6	$ 2,215.4
Sales and Transportation (MMDth)				
Residential	28.3	33.6	131.2	16[illegible]
Commercial	25.2	26.7	86.4	104.3
Industrial	114.1	100.8	245.4	219.7
Off System	17.2	20.4	30.7	37.9
Other	0.1	0.2	0.2	0.5
Total	184.9	181.7	493.9	530.5
Heating Degree Days	474	566	2,736	3,580
Normal Heating Degree Days	608	608	3,539	3,508
% (Warmer) Colder than Normal	(22%)	(7%)	(23%)	2%
Customers				
Residential			3,018,123	3,005,423
Commercial			276,787	277,508
Industrial			7,732	7,648
Other			21	64
Total			3,302,663	3,290,643

NiSource's natural gas distribution operations serve approximately 3.3 million customers in seven states: Ohio, Indiana, Pennsylvania, Massachusetts, Virginia, Kentucky and Maryland. The regulated subsidiaries offer both traditional bundled services as well as transportation only for customers that purchase gas from alternative suppliers. The operating results reflect the temperature-sensitive nature of customer demand with 73% of annual residential and commercial throughput affected by seasonality. As a result, segment operating income is higher in the first and fourth quarters reflecting the heating demand during the winter season.

M 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS
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N I S OURCE I NC .
Gas Distribution Operations (continued)

Regulatory Matters
Refer to Note 8, "Regulatory Matters," in the Notes to Condensed Consolidated Financial Statements (unaudited) for information on significant rate developments and cost recovery and trackers for the Gas Distribution Operations segment.

Customer Usage. Increased efficiency of natural gas appliances and improvements in home building codes and standards has contributed to a long-term trend of declining average use per customer. In addition, usage for the first six months of 2012 declined from the same period last year primarily due to warmer than normal weather. While historically, rate design at the distribution level has been structured such that a large portion of cost recovery is based upon throughput, rather than in a fixed charge, operating costs are largely incurred on a fixed basis, and do not fluctuate due to changes in customer usage. As a result, the NiSource LDCs have pursued changes in rate design to more effectively match recoveries with cost incurrence. Each of the states in which the NiSource LDCs operate has different requirements regarding the procedure for establishing changes to rate design. Columbia of Ohio restructured its rate design through a base rate proceeding and has adopted a "de-coupled" rate design which more closely links the recovery of fixed costs with fixed charges. Columbia of Massachusetts and Columbia of Virginia received regulatory approval of decoupling mechanisms which adjust revenues to an approved benchmark level through a volumetric adjustment factor. In its 2011 rate case, Columbia of Pennsylvania implemented a higher fixed residential customer charge. In its 2010 rate case, Northern Indiana implemented a higher fixed customer charge for residential and small customer classes moving toward full straight fixed variable rate design. This rate design was also incorporated in the settlement of the 2011 merger of the three Indiana LDCs: Northern Indiana, Kokomo Gas and Northern Indiana Fuel and Light.

Environmental Matters
Various environmental matters occasionally impact the Gas Distribution Operations segment. As of June 30, 2012, a reserve has been recorded to cover probable and estimable environmental response actions. Refer to Note 19-C, "Environmental Matters," in the Notes to Condensed Consolidated Financial Statements (unaudited) for additional information regarding environmental matters for the Gas Distribution Operations segment.

ther
neral, NiSource calculates the weather related revenue variance based on changing customer demand driven by weather variance from normal heating degree-days. Normal is evaluated using heating degree days across the NiSource distribution region. While the temperature base for measuring heating degree days (i.e. the estimated average daily temperature at which heating load begins) varies slightly across the region, the NiSource composite measurement is based on 65 degrees. NiSource composite heating degree days reported do not directly correlate to the weather related dollar impact on the results of Gas Distribution Operations. Heating degree days experienced during different times of the year or in different operating locations may have more or less impact on volume and dollars depending on when and where they occur. When the detailed results are combined for reporting, there may be weather related dollar impacts on operations when there is not an apparent or significant change in the aggregated NiSource composite heating degree-day comparison.

Weather in the Gas Distribution Operations' territories for the second quarter of 2012 was 22% warmer than normal and 16% warmer than the second quarter in 2011.

Weather in the Gas Distribution Operations' territories for the six months ended June 30, 2012 was 23% warmer than normal and 24% warmer compared to the same period in 2011.

Throughput
Total volumes sold and transported of 184.9 MMDth for the second quarter of 2012 increased by 3.2 MMDth from the same period last year. This 1.8% increase in volume was primarily attributable to increased industrial customer usage.

Total volumes sold and transported of 493.9 MMDth for the first six months of 2012 decreased by 36.6 MMDth from the same period last year. This 6.9% decrease in volume was primarily due to warmer weather partially offset by an increase in industrial usage.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS (continued)

NISOURCE INC.
Gas Distribution Operations (continued)

Net Revenues

Net revenues for the second quarter of 2012 were $310.4 million, a decrease of $2.6 million from the same period in 2011, due primarily to the effects of warmer weather of $5.4 million and lower regulatory trackers, which are offset in expense, of $5.3 million. These decreases in net revenues were partially offset by an increase of $8.6 million for regulatory and service programs, including the impact of new rates under Columbia of Ohio's approved infrastructure replacement program and the impact of the rate case at Columbia of Pennsylvania.

At Northern Indiana, sales revenues and customer billings are adjusted for amounts related to under and over-recovered purchased gas costs from prior periods per regulatory order. These amounts are primarily reflected in the "Other" gross revenues statistic provided at the beginning of this segment discussion. The adjustment to Other gross revenues for the three and six months ended June 30, 2012 was a revenue decrease of $1.5 million and $37.7 million, respectively, compared to a decrease of $16.1 million and $51.0 million for the three and six months ended June 30, 2011, respectively.

Net revenues for the six months ended June 30, 2012 were $824.1 million, a decrease of $76.5 million from the same period in 2011, due primarily to lower regulatory and tax trackers, which are offset in expense, of $51.4 million and the effects of warmer weather of $44.3 million. These decreases in net revenues were partially offset by an increase of $20.1 million for regulatory and service programs, including the impact of new rates under Columbia of Ohio's approved infrastructure replacement program and the impact of the rate case at Columbia of Pennsylvania.

Operating Income

For the second quarter of 2012, Gas Distribution Operations reported operating income of $46.9 million, an increase of $0.3 million from the comparable 2011 period. Operating income increased due to lower operating expenses, partially offset by lower net revenues, as described above. Operating expenses were $2.9 million lower than the comparable period reflecting a decrease of $5.3 million in regulatory trackers, which are offset in net revenue, partially offset by an increase in depreciation costs of $4.2 million due to an increase in capital expenditures.

For the six months ended June 30, 2012, Gas Distribution Operations reported operating income of $258.9 million, a decrease of $29.2 m[illegible] from the comparable 2011 period. Operating income decreased due to lower net revenues, as described above, partially offset by l[illegible] operating expenses. Operating expenses decreased $47.3 million due to lower regulatory and tax trackers of $51.4 million, which are offset in revenue, and lower employee and administration costs of $2.4 million, primarily due to lower pension costs, partially offset by an increase of $8.0 million in depreciation costs as a result of an increase in capital expenditures.

M 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS
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N I S OURCE I NC .
Gas Transmission and Storage Operations

(in millions)	Three Months Ended June 30, **2012**	2011	Six Months Ended June 30, **2012**	2011
Net Revenues				
Transportation revenues	**$ 179.5**	$ 174.7	**$ 397.6**	$ 374.4
Storage revenues	**48.7**	49.4	**98.0**	99.9
Other revenues	**12.8**	9.4	**20.8**	14.6
Total Sales Revenues	**241.0**	233.5	**516.4**	488.9
Less: Cost of sales (excluding depreciation and amortization)	**0.1**	-	**1.0**	-
Net Revenues	**240.9**	233.5	**515.4**	488.9
Operating Expenses				
Operation and maintenance	**111.0**	103.3	**205.7**	197.9
Depreciation and amortization	**33.0**	32.8	**66.0**	65.5
Gain on sale of assets	**0.1**		**0.1**	
Other taxes	**13.8**	15.1	**29.7**	27.8
Total Operating Expenses	**157.9**	151.2	**301.5**	291.2
Equity Earnings in Unconsolidated Affiliates	**8.5**	2.3	**16.2**	5.3
Operating Income	**$ 91.5**	$ 84.6	**$ 230.1**	$ 203.0
Throughput (MMDth)				
Columbia Transmission	**210.4**	204.9	**589.8**	631.5
Columbia Gulf	**236.4**	263.1	**463.9**	507.1
Crossroads Gas Pipeline	**4.1**	5.6	**8.4**	10.7
segment eliminations	**(122.8)**	(147.7)	**(228.5)**	(300.3)
	328.1	325.9	**833.6**	849.0

NiSource's Gas Transmission and Storage Operations segment primarily consists of the operations of Columbia Transmission, Columbia Gulf, NiSource Midstream, Crossroads Pipeline, and the equity investments in Millennium and Hardy Storage. In total, NiSource owns a pipeline network of approximately 15,000 miles extending from the Gulf of Mexico to New York and the eastern seaboard. The pipeline network serves customers in 16 northeastern, mid-Atlantic, midwestern and southern states, as well as the District of Columbia. In addition, the Gas Transmission and Storage Operations segment operates one of the nation's largest underground natural gas storage systems.

Gas Transmission and Storage Operations' most significant projects are as follows:

Growth Projects Placed into Service

Clendenin Project. Construction began in 2010 on this approximately $18 million capital project that modified existing facilities in the Clendenin, West Virginia area to move Marcellus production to liquid market centers. The Clendenin project provided the Gas Transmission and Storage Operations segment the ability to meet incremental transportation demand of up to 150,000 Dth per day. Long-term firm transportation contracts for 133,100 Dth were executed, some of which began in the third quarter 2010 and others that began in June 2011.

East Lateral Project. In 2010, the Gas Transmission and Storage Operations segment initiated a $5 million project to modify existing facilities on the Columbia Gulf East Lateral to provide firm transportation service for up to 300,000 Dth per day. Firm transportation contracts for 250,000 Dth per day were executed for five-year terms. This FERC-approved project was completed and put into service in May 2011.

Majorsville, PA Project. The Gas Transmission and Storage Operations segment executed three separate projects totaling approximately $80 million in the Majorsville, PA vicinity to aggregate Marcellus Shale gas production for downstream transmission. Fully contracted, the pipeline and compression assets allow the Gas Transmission and Storage Operations segment to gather and deliver more than 325,000 Dth per day of Marcellus production gas to the Majorsville MarkWest Liberty processing plants developed by MarkWest Liberty Midstream & Resources L.L.C.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS (continued)

NISOURCE INC.
Gas Transmission and Storage Operations (continued)

In 2010, Columbia Transmission received approval from the FERC to refunctionalize certain transmission assets to gathering and transferred these pipeline facilities to a newly formed affiliate, NiSource Midstream Services, LLC. These facilities are included in providing non-FERC jurisdiction gathering services to producers in the Majorsville, PA vicinity. Two of the three projects were completed and placed into service on August 1, 2010, creating an integrated gathering and processing system serving Marcellus production in southwestern Pennsylvania and northern West Virginia. Precedent agreements were executed by anchor shippers in the fourth quarter of 2009, which were superseded by the execution of long-term service agreements in August and September 2010. In the fourth quarter 2010, construction began on the third project on a pipeline to deliver residue gas from the Majorsville MarkWest Liberty processing plant to the Texas Eastern Wind Ridge compressor station in southwestern Pennsylvania to provide significant additional capacity to eastern markets. This project was placed into service in April 2011.

Southern Appalachian Project. The Gas Transmission and Storage Operations segment invested nearly $4 million that expanded Line SM-116 to transport approximately 38,500 Dth per day on a firm basis as a continuation of its strategy to provide transportation services to producers of Marcellus and Appalachian gas. This additional capacity was supported by executed, binding precedent agreements. These additional facilities were placed in service in April 2011.

Smithfield Project. The Gas Transmission and Storage Operations segment made approximately $14 million of capital investments for modifications to existing pipeline and compressor facilities to accommodate receipt of up to 150,000 Dth per day of additional Marcellus gas from connections near Smithfield, West Virginia and Waynesburg, Pennsylvania. Three anchor shippers agreed to long-term, firm transportation contracts, one contract that began in April 2011 and others that began in August 2011. The project was placed in service in May 2012.

Rimersburg Expansion Project. The Gas Transmission and Storage Operations segment invested approximately $8 million for this project that added capacity to north central Pennsylvania to meet the growing demands of producers in the area. The project expands Line 134 from the Brinker compressor station to the Iowa regulator, adding approximately 19,000 Dth per day of additional capacity, all of which has been sold through precedent agreements. The project was placed into service in May 2012.

Line WB Expansion Project. The Gas Transmission and Storage Operations segment expanded its WB system through investment in additional facilities, which provide transportation service on a firm basis from Loudoun, Virginia to Leach, Kentucky. The expansion totaled approximately $14 million, allowing producers to meet incremental transportation demand in the Marcellus/Appalachian Basin. Binding precedent agreements for approximately 175,000 Dth per day of firm transportation capacity were executed, some which began in January 2011. Final construction on all facilities was completed and placed into service in May 2012.

Growth Projects in Progress

Big Pine Gathering System Project. The Gas Transmission and Storage Operations segment is making an investment of approximately $150 million, which includes right-of-way acquisitions and installation, refurbishment and operation of approximately 70 miles of pipeline facilities in the hydrocarbon-rich Western Pennsylvania shale production region. The newly constructed pipeline will have an initial combined capacity of 425,000 Dth per day. Natural gas will initially be sourced from XTO Energy Inc., a subsidiary of ExxonMobil, Butler County, Pennsylvania production, and delivered to Columbia Transmission and two other third-party pipelines in Pennsylvania. Rights of way were acquired and cleared and construction is underway. The project is expected to be placed in service in late 2012.

Power Plant Generation Project. The Gas Transmission and Storage Operations segment is spending nearly $35 million on an expansion project, which includes new pipeline and modifications to existing compression assets, with Virginia Power Services Energy Corporation, Inc., the energy manager for Virginia Electric and Power Company. This project will expand the Columbia Transmission system in order to provide up to nearly 250,000 Dth per day of transportation capacity under a long-term, firm contract. The project is expected to be ready for commercial operations by mid-2014.

M 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS
tinued)

NISOURCE INC.
Gas Transmission and Storage Operations (continued)

West Side Expansion. The Gas Transmission and Storage Operations segment is planning to invest approximately $200 million in new pipeline and compression to increase supply origination from the Smithfield and Waynesburg areas on the Columbia Transmission system and provides a backhaul transportation path to Gulf Coast markets on the Columbia Gulf system. This investment will increase capacity up to 444,000 Dth per day from the Smithfield and Waynesburg areas and up to 540,000 Dth per day from Leach to Rayne transporting Marcellus production under long-term, firm contracts. The project is expected to be in service by the fourth quarter 2014 with limited interim service provided in 2012 through 2014.

Equity Investments

Pennant Midstream, LLC. Early in the third quarter of 2012, NiSource Midstream entered into a joint venture with affiliates of Hilcorp Energy Company (Hilcorp), a privately owned oil and gas exploration and development company based in Houston, Texas, to construct new gathering pipeline infrastructure and natural gas liquids (NGL) processing facilities to support natural gas production in the Utica Shale region of northeast Ohio and western Pennsylvania. NiSource and Hilcorp will jointly own Pennant Midstream, LLC (Pennant) with NiSource serving as the operator of Pennant and the facilities.

Pennant plans to invest in the construction of 50 miles of 20-inch gathering pipeline facilities in northeast Ohio and western Pennsylvania. In addition, Pennant will invest in the construction and installation of a cryogenic NGL processing plant in Ohio with initial capacity of 200 million cubic feet (Mmcf) per day. NiSource Midstream will operate the cryogenic plant and gathering system, which is expected to initially provide approximately 400 Mmcf per day of wet gas gathering, with significant anticipated expansion opportunities based on anticipated Utica development activity in the area. The first phase of the venture's investment program, currently estimated at approximately $300 million, is planned to be in service in the second half of 2013.

Millennium Pipeline. Millennium Pipeline Company, L.L.C. operates approximately 250 miles of pipeline granted under the authority of the FERC. The Millennium pipeline has the capability to transport up to 525,400 Dth per day of natural gas to markets along its route, which lies ween Corning, New York and Ramapo, New York, as well as to the New York City market through its pipeline interconnections. Columbia smission owns a 47.5% interest in Millennium and acts as operator for the pipeline in partnership with DTE Millennium Company and tional Grid Millennium LLC, which each own an equal remaining share of the company.

Columbia Transmission made a contribution of $2.4 million and received a distribution of earnings of $3.3 million from Millennium in the second quarter 2012. No contributions were made but a distribution was received from Millennium of $7.1 million during the second quarter of 2011. For the first six months of 2012, Columbia Transmission made contributions of $7.6 million and received distributions of earnings of $15.7 million. For the same period last year, no contributions were made and distributions of earnings totaled $7.1 million.

Hardy Storage. Hardy Storage is a joint venture between subsidiaries of Columbia Transmission and Piedmont that manages an underground storage field in Hardy and Hampshire counties in West Virginia. Columbia Transmission serves as operator of the company, which is regulated by the FERC. Hardy Storage has a working storage capacity of 12 Bcf and the ability to deliver 176,000 Dth of natural gas per day.

Hardy Storage distributed to NiSource $1.0 million of available accumulated earnings in the second quarter of each of 2012 and 2011. For the first six months of 2012 and 2011, NiSource received distributions totaling $1.5 million and $2.8 million, respectively. NiSource made no contributions during the first and second quarters of 2012 or 2011.

Sales and Percentage of Physical Capacity Sold

Columbia Transmission and Columbia Gulf compete for transportation customers based on the type of service a customer needs, operating flexibility, available capacity and price. Columbia Gulf and Columbia Transmission provide a significant portion of total transportation services under firm contracts and derive a smaller portion of revenues through interruptible contracts, with management seeking to maximize the portion of physical capacity sold under firm contracts.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS (continued)

NISOURCE INC.
Gas Transmission and Storage Operations (continued)

Firm service contracts require pipeline capacity to be reserved for a given customer between certain receipt and delivery points. Firm customers generally pay a "capacity reservation" fee based on the amount of capacity being reserved regardless of whether the capacity is used, plus an incremental usage fee when the capacity is used. Annual capacity reservation revenues derived from firm service contracts generally remain constant over the life of the contract because the revenues are based upon capacity reserved and not whether the capacity is actually used. The high percentage of revenue derived from capacity reservation fees mitigates the risk of revenue fluctuations within the Gas Transmission and Storage Operations segment due to changes in near-term supply and demand conditions. For the quarter ended June 30, 2012, approximately 91.1% of the transportation revenues were derived from capacity reservation fees paid under firm contracts and 6.0% of the transportation revenues were derived from usage fees under firm contracts compared to approximately 91.0% and 6.6%, respectively, for the quarter ended June 30, 2011. For the six months ended June 30, 2012, approximately 91.5% of the transportation revenues were derived from capacity reservation fees paid under firm contracts and 6.2% of the transportation revenues were derived from usage fees under firm contracts compared to approximately 91.4% and 6.7% respectively, for the six months ended June 30, 2011.

Interruptible transportation service is typically short term in nature and is generally used by customers that either do not need firm service or have been unable to contract for firm service. These customers pay a usage fee only for the volume of gas actually transported. The ability to provide this service is limited to available capacity not otherwise used by firm customers, and customers receiving services under interruptible contracts are not assured capacity in the pipeline facilities. Gas Transmission and Storage Operations provides interruptible service at competitive prices in order to capture short term market opportunities as they occur and interruptible service is viewed by management as an important strategy to optimize revenues from the gas transmission assets. For the quarters ended June 30, 2012 and 2011, approximately 2.9% and 2.4%, respectively, of the transportation revenues were derived from interruptible contracts. For the six months ended June 30, 2012 and 2011, approximately 2.3% and 1.9%, respectively, of the transportation revenues were derived from interruptible contracts.

Regulatory Matters
Refer to Note 8, "Regulatory Matters," in the Notes to Condensed Consolidated Financial Statements (unaudited) for information on regulatory matters for the Gas Transmission and Storage Operations segment.

Environmental Matters
Various environmental matters occasionally impact the Gas Transmission and Storage Operations segment. As of June 30, 2012, a reserve has been recorded to cover probable and estimable environmental response actions. Refer to Note 19-C, "Environmental Matters," in the Notes to Condensed Consolidated Financial Statements (unaudited) for additional information regarding environmental matters for the Gas Transmission and Storage Operations segment.

Throughput
Columbia Transmission's throughput consists of gas transportation service deliveries to LDC city gates, to gas fired power plants, other industrial customers, or other interstate pipelines in its market area. Columbia Transmission's market area covers portions of Northeastern, Mid-Atlantic, Midwestern, and Southern states as well as the District of Columbia. Gas delivered via transportation services to storage is not accounted for as throughput until it is withdrawn from storage and delivered to one of the aforementioned locations via a transportation service. Throughput for Columbia Gulf traditionally consists of gas delivered to Columbia Transmission at Leach, Kentucky as well as gas delivered south of Leach to other interstate pipelines or to an LDC's city gate. Recent changes in market conditions have resulted in more non–traditional throughput such as backhaul transportation services that originate in Leach that flow southward. Columbia Gulf has also began to flow gas in a southerly direction from its Louisiana interconnects to Florida markets. Crossroads Pipeline serves customers in Northern Indiana and Ohio via gas flowing west to east originating from outside the Chicago area to Cygnet, Ohio where it interconnects with Columbia Transmission. Intra-segment eliminations represent gas delivered to an affiliated pipeline within the segment.

M 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS
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Gas Transmission and Storage Operations (continued)

Throughput for the Gas Transmission and Storage Operations segment totaled 328.1 MMDth for the second quarter of 2012, compared to 325.9 MMDth for the same period in 2011. The increase of 2.2 MMDth for the three-month period was attributable to the increase in power generation load as lower natural gas prices have shifted demand from coal fired generation to natural gas fired generation combined with an increase in shale gas from the Appalachian, Haynesville and Barnett shale areas, which has led to an increase in non-traditional throughput on Columbia Gulf in the form of deliveries to other interstate pipelines on the Columbia Gulf system.

Throughput for the Gas Transmission and Storage Operations segment totaled 833.6 MMDth for the first six months of 2012, compared to 849.0 MMDth for the same period in 2011. The decrease of 15.4 MMDth was primarily attributable to significantly warmer weather, which drove a vast majority of the decrease on the Columbia Transmission system. Because of the impact from increased production of Appalachian shale gas and the warmer weather, fewer deliveries were made on the Columbia Gulf system to Columbia Transmission at Leach, Kentucky. The increase in shale gas from the Appalachian, Haynesville and Barnett shale areas has also led to an increase in non-traditional throughput on Columbia Gulf in the form of deliveries to other interstate pipelines on the Columbia Gulf system.

Net Revenues

Net revenues were $240.9 million for the second quarter of 2012, an increase of $7.4 million from the same period in 2011, primarily due to increased regulatory trackers, which are offset in expense, of $6.2 million and higher demand margin revenue of $5.3 million as a result of growth projects placed into service since the first quarter of 2011. These increases were partially offset by a settlement of $2.8 million during the second quarter of 2011 and a decrease of $2.1 million in condensate revenue.

Net revenues were $515.4 million for the first six months of 2012, an increase of $26.5 million from the same period in 2011 primarily due to higher demand margin revenue of $14.5 million as a result of growth projects placed into service in the prior year. Additionally, there was an increase in regulatory trackers, which are offset in expense, of $8.8 million, increased revenues of $5.7 million due to the impact of the rate case filing at Columbia Gulf, and higher revenues of $2.5 million from shorter term transportation services. These increases were offset by a decrease in condensate revenue of $2.8 million and a settlement of $2.8 million during the second quarter of 2011.

ating Income

ating income was $91.5 million for the second quarter of 2012, an increase of $6.9 million from the second quarter of 2011. This increase is due to higher operating revenues, as described above, and increased equity earnings, partially offset by increased operating expenses. Equity earnings increased $6.2 million primarily from higher earnings at Millennium due to increased demand and commodity revenues. Operating expenses increased $6.7 million due to increased regulatory trackers, which are offset in expense, of $6.2 million, increased outside service costs of $2.3 million, the write-off of capitalized preliminary survey and investigation costs of $1.8 million and increased Midstream expenses of $1.6 million. These increases were partially offset by lower employee and administration costs, primarily pension, of $4.7 million.

Operating income was $230.1 million for the six months ended June 30, 2012, an increase of $27.1 million from the comparable period in 2011. Operating income increased as a result of the increase in net revenues, as described above and higher equity earnings partially offset by an increase in operating expenses. Equity earnings increased $10.9 million primarily from increased earnings at Millennium due to increased demand and commodity revenues. Operating expenses increased $10.3 million primarily due to an increase in regulatory trackers, which are offset in expense, of $8.8 million, increased Midstream expenses of $3.5 million, separation costs of $2.0 million, an increase in other taxes of $1.9 million, primarily attributable to higher property taxes on increased plant investments, and the write-off of capitalized preliminary survey and investigation costs of $1.8 million. These increases were partially offset by a decrease in employee and administration costs, primarily pension, of $7.2 million and lower outside service costs of $1.7 million.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS (continued)

NISOURCE INC.
Electric Operations

(in millions)	Three Months Ended June 30, 2012	Three Months Ended June 30, 2011	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
Net Revenues				
Sales revenues	$ 378.9	$ 351.0	$ 733.5	$ 699.4
Less: Cost of sales (excluding depreciation and amortization)	125.6	136.7	242.8	269.9
Net Revenues	253.3	214.3	490.7	429.5
Operating Expenses				
Operation and maintenance	106.6	107.6	220.7	201.4
Depreciation and amortization	61.6	53.3	122.5	107.8
Other taxes	14.7	13.1	30.9	29.4
Total Operating Expenses	182.9	174.0	374.1	338.6
Operating Income	$ 70.4	$ 40.3	$ 116.6	$ 90.9
Revenues ($ in millions)				
Residential	97.6	89.4	193.6	186.9
Commercial	104.2	95.0	204.6	187.5
Industrial	147.7	147.6	305.7	302.8
Wholesale	7.2	6.8	7.6	9.0
Other	22.2	12.2	22.0	13.2
Total	378.9	351.0	733.5	699.4
Sales (Gigawatt Hours)				
Residential	861.2	784.4	1,642.4	1,64
Commercial	976.4	946.6	1,884.2	1,87
Industrial	2,332.0	2,325.7	4,717.0	4,768.1
Wholesale	56.0	200.2	75.1	267.3
Other	25.9	37.1	58.4	81.6
Total	4,251.5	4,294.0	8,377.1	8,628.7
Cooling Degree Days	377	258	377	258
Normal Cooling Degree Days	230	230	230	230
% Warmer than Normal	64%	12%	64%	12%
Electric Customers				
Residential			400,230	399,473
Commercial			53,946	53,861
Industrial			2,442	2,425
Wholesale			17	15
Other			716	737
Total			457,351	456,511

NiSource generates and distributes electricity, through its subsidiary Northern Indiana, to approximately 457 thousand customers in 20 counties in the northern part of Indiana. The operating results reflect the temperature-sensitive nature of customer demand with annual sales affected by temperatures in the northern part of Indiana. As a result, segment operating income is generally higher in the second and third quarters, reflecting cooling demand during the summer season.

M 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS
tinued)

NI SOURCE INC.
Electric Operations (continued)

Electric Supply
On October 28, 2011, Northern Indiana filed its 2011 Integrated Resource Plan with the IURC. The plan evaluates demand-side and supply-side resource alternatives to reliably and cost-effectively meet Northern Indiana customers' future energy requirements over the next twenty years. Existing resources are expected to be sufficient, assuming favorable outcomes for environmental upgrades, to meet customers' needs for the next decade. Northern Indiana continues to monitor and assess economic, regulatory and legislative activity, and will update its resource plan as appropriate.

Regulatory Matters
Refer to Note 8, "Regulatory Matters," in the Notes to Condensed Consolidated Financial Statements (unaudited) for information on significant rate developments, MISO, and cost recovery and trackers for the Electric Operations segment.

Environmental Matters
Various environmental matters occasionally impact the Electric Operations segment. As of June 30, 2012, a reserve has been recorded to cover probable and estimable environmental response actions. Refer to Note 19-C, "Environmental Matters," in the Notes to Condensed Consolidated Financial Statements (unaudited) for additional information regarding environmental matters for the Electric Operations segment.

Sales
Electric Operations sales quantities for the second quarter of 2012 were 4,251.5 gwh, a decrease of 42.5 gwh compared to the second quarter of 2011.

Electric Operations sales quantities for the six months ended June 30, 2012 were 8,377.1 gwh, a decrease of 251.6 gwh compared to the same period in 2011. The 2.9% decrease is primarily attributable to a decrease in sales to the Electric Operations' wholesale customers.

Net Revenues
revenues were $253.3 million for the second quarter of 2012, an increase of $39.0 million from the same period in 2011, primarily due to ased industrial, commercial and residential margins of $15.2 million mainly due to the implementation of the electric rate case. itionally, there were lower revenue credits of $12.1 million in the current period as the electric rate case discontinued these credits. Net revenues also increased $8.1 million due to the impact of weather, increased off system sales of $3.9 million, and an increase in a RTO recovery mechanism of $3.1 million. These increases were partially offset by a decrease in environmental cost recovery of $4.6 million due to the plant balance eligible for recovery being reset to zero as a result of the electric rate case.

At Northern Indiana, sales revenues and customer billings are adjusted for amounts related to under and over-recovered purchased fuel costs from prior periods per regulatory order. These amounts are primarily reflected in the "Other" gross revenues statistic provided at the beginning of this segment discussion. The adjustment to Other gross revenues for the three and six months ended June 30, 2012 was a revenue increase of $1.9 million and a decrease of $18.2 million, respectively, compared to an increase of $0.8 million and a decrease of $10.0 million for the three and six months ended June 30, 2011, respectively.

Net revenues were $490.7 million for the first six months of 2012, an increase of $61.2 million from the same period in 2011 primarily due to increased industrial, commercial and residential margins of $35.9 million mainly due to the implementation of the electric rate case. Additionally, there were lower revenue credits of $26.0 million in the current period as the electric rate case discontinued these credits. Net revenues also increased as a result of an increase in a RTO recovery mechanism of $7.5 million, off system sales of $3.3 million and the impact of weather of $1.4 million. These increases were partially offset by a decrease in environmental cost recovery of $15.6 million due to the plant balance eligible for recovery being reset to zero as a result of the electric rate case.

Operating Income
Operating income for the second quarter of 2012 was $70.4 million, an increase of $30.1 million from the same period in 2011 due to an increase in net revenues, as described above, partially offset by an increase in operating expenses. Operating expenses increased $8.9 million primarily due to higher depreciation costs of $8.3 million

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS (continued)

NISOURCE INC.
Electric Operations (continued)

resulting from depreciation for Sugar Creek and an increase in MISO fees of $4.4 million, both of which were previously deferred and the electric rate case resulted in the expiration of those deferrals. Additionally, operating expenses increased due to an increase in other taxes of $1.6 million, primarily property taxes, increased environmental trackers, which are offset in revenues, of $1.3 million, and $1.2 million of increased employee and administration costs. These increases were partially offset by a decrease in electric generation costs of $10.5 million primarily due to the timing of planned and unplanned outages.

Operating income for the first six months of 2012 was $116.6 million, an increase of $25.7 million from the same period in 2011 primarily due to an increase in net revenues, as described above, partially offset by an increase in operating expenses. Operating expenses increased $35.5 million primarily due to higher depreciation costs of $14.7 million mainly related to depreciation for Sugar Creek and an increase in MISO fees of $10.0 million, both of which were previously deferred and the electric rate case resulted in the expiration of those deferrals. Additionally, operating expenses increased due to employee and administration expenses of $8.9 million and increased tree trimming costs of $2.9 million. These increases were partially offset by decreased electric generation costs of $3.6 million due primarily to the timing of planned and unplanned outages.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

NISOURCE INC.

For a discussion regarding quantitative and qualitative disclosures about market risk see "Management's Discussion and Analysis of Financial Condition and Results of Operations - Market Risk Disclosures."

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

NiSource's Chief Executive Officer and its Principal Financial Officer, after evaluating the effectiveness of NiSource's disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)), have concluded based on the evaluation required by paragraph (b) of Exchange Act Rules 13a-15 and 15d-15 that, as of the end of the period covered by this report, NiSource's disclosure controls and procedures are considered effective.

Disclosure controls and procedures include, without limitation, controls and procedures designed to provide reasonable assurance that information required to be disclosed by NiSource in the reports that it files or submits under the Exchange Act is accumulated and communicated to NiSource's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Controls

There have been no changes in NiSource's internal control over financial reporting during the fiscal quarter covered by this report that has materially affected, or is reasonably likely to materially affect, NiSource's internal control over financial reporting.

PART II

ITEM 1. LEGAL PROCEEDINGS

NISOURCE INC.

Majorsville Operations Center – PADEP Notice of Violation

In 1995, Columbia Transmission entered into an AOC with the EPA that requires Columbia Transmission to characterize and remediate environmental contamination at thousands of locations along Columbia Transmission's pipeline system. One of the facilities subject to the AOC is the Majorsville Operations Center, which was remediated under an EPA approved Remedial Action Work Plan in summer 2008. Pursuant to the Remedial Action Work Plan, Columbia Transmission completed a project that stabilized residual oil contained in soils at the site and in sediments in an adjacent stream.

On April 23, 2009, however, the PADEP issued Columbia Transmission an NOV, alleging that the remediation was not effective. The NOV asserts violations of the Pennsylvania Clean Streams Law and the Pennsylvania Solid Waste Management Act and contains a settlement demand in the amount of $1 million. Columbia Transmission is unable to estimate the likelihood or cost of potential penalties or additional remediation at this time.

EPA Administrative Complaints

On June 29, 2012, Region III EPA issued two Administrative Complaints that Columbia Transmission discharged dredged and/or fill material to waters of the United States in violation of the Clean Water Act during road maintenance projects in West Virginia. Columbia Transmission had self-disclosed the activities to regulatory agencies in 2010 and has removed the fill pursuant to an EPA-approved plan. The proposed penalties for these two Complaints total $0.2 million. Columbia Transmission is reviewing the Administrative Complaints.

ITEM 1A. RISK FACTORS

There were no material changes from the risk factors disclosed in NiSource's 2011 Annual Report on Form 10-K filed on February 24, 2012.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

M 6. EXHIBITS

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(10.1)	Amended and Restated Revolving Credit Agreement among NiSource Finance Corp., as Borrower, NiSource Inc., as Guarantor, the lender parties thereto as Lenders, Credit Suisse AG, Cayman Islands Branch as Syndication Agent, The Bank of Tokyo-Mitsubishi UFJ, Ltd., Citibank, N.A., and JPMorgan Chase Bank, N.A., as Co-Documentation Agents and Barclays Bank PLC, as Administrative Agent dated May 15, 2012.
(18.1)	Letter Of Independent Registered Public Accounting Firm Re: Change in Accounting Principles
(31.1)	Certification of Robert C. Skaggs, Jr., Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
(31.2)	Certification of Stephen P. Smith, Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
(32.1)	Certification of Robert C. Skaggs, Jr., Chief Executive Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
(32.2)	Certification of Stephen P. Smith, Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
(101.INS)	XBRL Instance Document
(101.SCH)	XBRL Schema Document
(101.CAL)	XBRL Calculation Linkbase Document
(101.LAB)	XBRL Labels Linkbase Document
(101.PRE)	XBRL Presentation Linkbase Document
(101.DEF)	XBRL Definition Linkbase Document

Pursuant to Item 601(b)(4)(iii) of Regulation S-K, NiSource hereby agrees to furnish the SEC, upon request, any instrument defining the rights olders of long-term debt of NiSource not filed as an exhibit herein. No such instrument authorizes long-term debt securities in excess of of the total assets of NiSource and its subsidiaries on a consolidated basis.

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SIGNATURE

NISOURCE INC.

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

NiSource Inc.
(Registrant)

Date: July 31, 2012

By: /s/ Jon D. Veurink
Jon D. Veurink
Vice President and Chief Accounting Officer
(Principal Accounting Officer
and Duly Authorized Officer)

AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT

among

NISOURCE FINANCE CORP.,
as Borrower,

NISOURCE INC.,
as Guarantor,

THE LENDERS PARTY HERETO,

CREDIT SUISSE AG, CAYMAN ISLANDS BRANCH
as Syndication Agent,

THE BANK OF TOKYO-MITSUBISHI UFJ, LTD.,
CITIBANK, N.A.
and
JPMORGAN CHASE BANK, N.A.,
as Co-Documentation Agents

BARCLAYS BANK PLC,
as Administrative Agent,

BARCLAYS BANK PLC
CREDIT SUISSE SECURITIES(USA) LLC
THE BANK OF TOKYO-MITSUBISHI UFJ, LTD.
CITIGROUP GLOBAL MARKETS, INC.
and
J.P. MORGAN SECURITIES LLC
Joint Lead Arrangers and Joint Bookrunners

Dated as of May 15, 2012

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AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT , dated as of May 15, 2012 (this " ***Agreement*** "), among **NISOURCE FINANCE CORP.** , an Indiana corporation, as Borrower (the " ***Borrower*** "), **NISOURCE INC.** , a Delaware corporation (" ***NiSource*** "), as Guarantor (the " ***Guarantor*** "), the Lead Arrangers and other Lenders from time to time party hereto, the Co-Documentation Agents party hereto, **CREDIT SUISSE AG, CAYMAN ISLANDS BRANCH** , as Syndication Agent and **BARCLAYS BANK PLC** , as Administrative agent for the Lenders hereunder (in such capacity, the " ***Administrative Agent*** ").

WITNESSETH:

WHEREAS , the Borrower, the Guarantor, certain Lenders, the Departing Lenders and the Administrative Agent are parties to the Existing Credit Agreement (as defined herein) pursuant to which, among other things, the Lenders agreed to enter, subject to the terms and conditions set forth therein, into a revolving credit facility in an aggregate amount of $1,500,000,000; and

WHEREAS , the parties hereto have agreed to amend and restate the Existing Credit Agreement pursuant to the terms and conditions of this Agreement;

NOW , THEREFORE , the parties hereto hereby agree as follows:

ARTICLE I
DEFINITIONS

SECTION 1.01 . Defined Terms . As used in this Agreement, the following terms have the meanings specified below:

" ***ABR*** ", when used in reference to any Loan or Borrowing, refers to whether such Loan is, or the Loans comprising such Borrowing are, bearing interest at a rate determined by reference to the Alternate Base Rate.

" ***Administrative Questionnaire*** " means an Administrative Questionnaire in a form supplied by the Administrative Agent.

" ***Affiliate*** " means, with respect to a specified Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified.

" ***Aggregate Commitments*** " means the aggregate amount of the Commitments of all Lenders, as in effect from time to time. As of the date hereof, the Aggregate Commitments equal $1,500,000,000.

" ***Alternate Base Rate*** " means, for any day, a rate *per annum* equal to the greatest of (a) the Prime Rate in effect on such day, (b) the Federal Funds Effective Rate in effect on such day plus 1/2 of 1% and (c) 1.0% per annum plus the LIBO Rate applicable to an Interest Period of one month on such day (or if such day is not a Business Day, the immediately preceding Business Day), provided that, for the avoidance of doubt, the

LIBO Rate for any day shall be based on the rate appearing on Reuters Screen LIBOR01 Page (or on any successor or substitute page of such page) at approximately 11:00 a.m. London time on such day. Any change in the Alternate Base Rate due to a change in the Prime Rate, the Federal Funds Effective Rate or the one-month LIBO Rate shall be effective from and including the effective date of such change in the Prime Rate, the Federal Funds Effective Rate or the one-month LIBO Rate, respectively.

" ***Applicable Percentage*** " means, with respect to any Lender, the percentage of the Aggregate Commitments represented by such Lender's Commitment; provided that, in the case of Section 2.20 when a Defaulting Lender shall exist, "Applicable Percentage" shall mean the percentage of the Aggregate Commitment (disregarding any Defaulting Lender's Commitment) represented by such Lender's Commitment. If the Commitments have terminated or expired, the Applicable Percentages shall be determined based upon the Commitments most recently in effect, giving effect to any assignments and to any Lender's status as a Defaulting Lender at the time of determination.

" ***Applicable Rate*** " means, for any day, with respect to any ABR Loan, Eurodollar Revolving Loan, or Swingline Loan or with respect to the Facility Fees and the LC Risk Participation Fee payable hereunder, as the case may be, the applicable rate *per annum* determined pursuant to the Pricing Grid.

" ***Arrangers*** " means each of Barclays, Credit Suisse Securities (USA) LLC, The Bank of Tokyo-Mitsubishi UFJ, Ltd., Citigroup Global Markets, Inc. and J.P. Morgan Securities LLC.

" ***Assignment and Assumption*** " means an assignment and assumption entered into by a Lender and an assignee (with the consent of any party whose consent is required by Section 11.04), and accepted by the Administrative Agent, in the form of Exhibit A or any other form approved by the Administrative Agent.

" ***Authorized Officer*** " means the president, chief financial officer or the treasurer of the Borrower; provided that solely with respect to the submission of a Borrowing Request or a Swingline Request, " ***Authorized Officer*** " shall also mean the assistant treasurer or the treasury operations manager of the Borrower.

" ***Availability Period*** " means the period from and including the Effective Date to but excluding the Termination Date.

" ***Bankruptcy Event*** " means, with respect to any Person, such Person becomes the subject of a bankruptcy or insolvency proceeding, or has had a receiver, conservator, trustee, administrator, custodian, assignee for the benefit of creditors or similar Person charged with the reorganization or liquidation of its business appointed for it, or, in the good faith determination of the Administrative Agent, has taken any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any such proceeding or appointment, provided that a Bankruptcy Event shall not result solely by virtue of any ownership interest, or the acquisition of any ownership interest, in such Person or any direct or indirect parent of such Person by a Governmental Authority or instrumentality

thereof, provided, further, that such ownership interest does not result in or provide such Person with immunity from the jurisdiction of courts within the United States or from the enforcement of judgments or writs of attachment on its assets or permit such Person (or such Governmental Authority or instrumentality) to reject, repudiate, disavow or disaffirm any contracts or agreements made by such Person.

" ***Barclays*** " means Barclays Bank PLC, an English banking corporation.

" ***Beneficiary*** " has the meaning set forth in Section 10.01.

" ***Board*** " means the Board of Governors of the Federal Reserve System of the United States of America.

" ***Borrower*** " means NiSource Finance Corp., an Indiana corporation.

" ***Borrowing*** " means Loans of the same Type and Class, made, converted or continued on the same date and, in the case of Eurodollar Loans, as to which a single Interest Period is in effect.

" ***Borrowing Request*** " means a request by the Borrower for a Revolving Borrowing in accordance with Section 2.02.

" ***Business Day*** " means any day that is not a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to remain closed; *provided* that, when used in connection with a Eurodollar Loan, the term " ***Business Day*** " shall also exclude any day on which banks are not open for dealings in dollar deposits in the London interbank market.

" ***Capital Lease*** " means, as to any Person, any lease of real or personal property in respect of which the obligations of the lessee are required, in accordance with GAAP, to be capitalized on the balance sheet of such Person.

" ***Capital Stock*** " means any and all shares, interests, participations or other equivalents (however designated) of capital stock of a corporation, any and all equivalent ownership interests in a Person other than a corporation (including, but not limited to, all common stock and preferred stock and partnership, membership and joint venture interests in a Person), and any and all warrants, rights or options to purchase any of the foregoing.

" ***Cash Account*** " has the meaning set forth in Section 8.01.

" ***CERCLA*** " means the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act, 42, U.S.C. Section 9601 et seq., as amended.

" ***Change in Law*** " means (a) the adoption of any law, rule, regulation or treaty after the date of this Agreement, (b) any change in any law, rule, regulation or treaty or in the interpretation or application thereof by any Governmental Authority after the date of this Agreement or (c) compliance by any Lender or any LC Bank (or, for purposes of Section 2.15(b), by any lending office of such Lender or by such Lender's or such LC Bank's holding company, if any) with any request, guideline or directive (whether or not having the force of law) of any Governmental Authority made or issued after the date of this Agreement; provided however, that notwithstanding anything herein to the contrary, (i) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder or issued in connection therewith shall be deemed to be a "Change in Law", regardless of the date enacted, adopted or issued and (ii) all requests, rules, reports, notes, guidelines and directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Regulations and Supervisory Practices (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall be deemed to be a "Change in Law" regardless of the date executed, adopted or issued.

" ***Change of Control*** " means (a) any "person" or "group" within the meaning of Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934, as amended, shall become the "beneficial owner" (as defined in Rule 13d-3 under the Securities Exchange Act of 1934, as amended) of more than 50% of the then outstanding voting Capital Stock of the Guarantor, (b) Continuing Directors shall cease to constitute at least a majority of the directors constituting the Board of Directors of the Guarantor, (c) a consolidation or merger of the Guarantor shall occur after which the holders of the outstanding voting Capital Stock of the Guarantor immediately prior thereto hold less than 50% of the outstanding voting Capital Stock of the surviving entity; (d) more than 50% of the outstanding voting Capital Stock of the Guarantor shall be transferred to an entity of which the Guarantor owns less than 50% of the outstanding voting Capital Stock; (e) there shall occur a sale of all or substantially all of the assets of the Guarantor; or (f) the Borrower, NIPSCO or Columbia shall cease to be a Wholly-Owned Subsidiary of the Guarantor (except to the extent otherwise permitted under clauses (i), (ii), (iii) or (iv) of Section 6.01(b)).

" ***Class*** ", when used in reference to any Loan or Borrowing, refers to whether such Loan is, or the Loans comprising such Borrowing are, Revolving Loans or Swingline Loans.

" ***Co-Documentation Agents*** " means The Bank of Tokyo-Mitsubishi UFJ, Ltd., Citibank, N.A. and JPMorgan Chase Bank, N.A., in their respective capacities as co-documentation agents for the Lenders hereunder.

" ***Code*** " means the Internal Revenue Code of 1986, as amended from time to time.

" ***Columbia*** " means Columbia Energy Group, a Delaware corporation.

" ***Commitment*** " means, with respect to each Lender, the commitment of such Lender to make Revolving Loans hereunder and to participate in Letters of Credit issued hereunder as set forth herein, as such commitment may be (a) reduced from time to time or terminated pursuant to Section 2.07 or Section 2.09 and (b) reduced or increased from time to time pursuant to assignments by or to such Lender pursuant to Section 11.04. The

initial amount of each Lender's Commitment is (x) the amount set forth on Schedule 2.01 opposite such Lender's name or (y) the amount set forth in the Assignment and Assumption pursuant to which such Lender shall have assumed its Commitment, as applicable.

" ***Consolidated Capitalization*** " means the sum of (a) Consolidated Debt, (b) consolidated common equity of the Guarantor and its Consolidated Subsidiaries determined in accordance with GAAP, and (c) the aggregate liquidation preference of preferred stocks (other than preferred stocks subject to mandatory redemption or repurchase) of the Guarantor and its Consolidated Subsidiaries upon involuntary liquidation.

" ***Consolidated Debt*** " means, at any time, the Indebtedness of the Guarantor and its Consolidated Subsidiaries that would be classified as debt on a balance sheet of the Guarantor determined on a consolidated basis in accordance with GAAP.

" ***Consolidated Subsidiary*** " means, on any date, each Subsidiary of the Guarantor the accounts of which, in accordance with GAAP, would be consolidated with those of the Guarantor in its consolidated financial statements if such statements were prepared as of such date.

" ***Contingent Guaranty*** " means a direct or contingent liability in respect of a Project Financing (whether incurred by assumption, guaranty, endorsement or otherwise) that either (a) is limited to guarantying performance of the completion of the Project that is financed by such Project Financing or (b) is contingent upon, or the obligation to pay or perform under which is contingent upon, the occurrence of any event other than failure of the primary obligor to pay upon final maturity (whether by acceleration or otherwise).

" ***Continuing Directors*** " means (a) all members of the board of directors of the Guarantor who have held office continually since the Effective Date, and (b) all members of the board of directors of the Guarantor who were elected as directors after the Effective Date and whose nomination for election was approved by a vote of at least 50% of the Continuing Directors.

" ***Contractual Obligation*** " means, as to any Person, any provision of any security issued by such Person or of any agreement, instrument or other undertaking to which such Person is a party or by which it or any of its property is bound.

" ***Control*** " means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. " ***Controlling*** " and " ***Controlled*** " have meanings correlative thereto.

" ***Credit Documents*** " means (a) this Agreement, any promissory notes executed pursuant to Section 2.10, and any Assignment and Assumptions, (b) any certificates, opinions and other documents required to be delivered pursuant to Section 3.01 and (c) any other documents delivered by a Credit Party pursuant to or in connection with any one or more of the foregoing.

" ***Credit Party*** " means each of the Borrower and the Guarantor; and " ***Credit Parties*** " means the Borrower and the Guarantor, collectively.

" ***Creditor Party*** " means the Administrative Agent, any LC Bank, the Swingline Lender or any other Lender.

" ***Debt for Borrowed Money*** " means, as to any Person, without duplication, (a) all obligations of such Person for borrowed mo (b) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, (c) all Capital Lease obligations of such Person, and (d) all obligations of such Person under synthetic leases, tax retention operating leases, off-balance sheet loans or other off-balance sheet financing products that, for tax purposes, are considered indebtedness for borrowed money of the lessee but are classified as operating leases under GAAP.

" ***Debt to Capitalization Ratio*** " means, at any time, the ratio of Consolidated Debt to Consolidated Capitalization.

" ***Default*** " means any event or condition that constitutes an Event of Default or that, upon notice, lapse of time or both would, unless cured or waived, become an Event of Default.

" ***Defaulting Lender*** " means any Lender that (a) has failed, within two Business Days of the date required to be funded or paid, to (i) fund any portion of its Loans, (ii) fund any portion of its participations in Letters of Credit or Swingline Loans or (iii) pay over to any Creditor Party any other amount required to be paid by it hereunder, unless, in the case of clause (i) above, such Lender notifies the Administrative Agent in writing that such failure is the result of such Lender's good faith determination that a condition precedent to funding set forth in Section 3.02 (specifically identified and including the particular default, if any) has not been satisfied, (b) has notified the Borrower or any Creditor Party in writing, or has made a public statement to the effect, that it does not intend or expect to comply with any of its funding obligations under this Agreement (unless such writing or public statement indicates that such position is based on such Lender's good faith determination that a condition precedent (specifically identified and including the particular default, if any) to funding a loan under this Agreement set forth in Section 3.02 cannot be satisfied) or generally under other agreements in which it commits to extend credit, (c) has failed, within three Business Days after request by a Creditor Party, acting in good faith, to provide a certification in writing from an authorized officer of such Lender that it will comply with its obligations to fund prospective Loans and participations in then outstanding Letters of Credit and Swingline Loans under this Agreement, provided that such Lender shall cease to be a Defaulting Lender pursuant to this clause (c) upon such Creditor Party's receipt of such certification in form and substance satisfactory to it and the Administrative Agent, or (d) has become the subject of a Bankruptcy Event.

"Departing Lender" means each lender under the Existing Credit Agreement that executes and delivers to the Administrative Agent a Departing Lender Signature Page.

" ***Departing Lender Signature Page*** " means each signature page to this Agreement on which it is indicated that the Departing Lender executing the same shall cease to be a party to the Existing Credit Agreement on the Effective Date.

" ***Dollars*** " or " ***$*** " refers to lawful money of the United States of America.

" ***Effective Date*** " means the date on which this Agreement has been executed and delivered by each of the Borrower, the Guarantor, the Syndication Agent, the Co-Documentation Agents, the initial Lenders and the Swingline Lender, the LC Banks and the Administrative Agent.

" ***Environmental Laws*** " means any and all foreign, federal, state, local or municipal laws (including, without limitation, common laws), rules, orders, regulations, statutes, ordinances, codes, decrees, judgments, awards, writs, injunctions, requirements of any Governmental Authority or other requirements of law regulating, relating to or imposing liability or standards of conduct concerning, pollution, waste, industrial hygiene, occupational safety or health, the presence, transport, manufacture, generation, use, handling, treatment, distribution, storage, disposal or release of Hazardous Materials, or protection of human health, plant life or animal life, natural resources or the environment, as now or at any time hereafter in effect.

" ***Environmental Liability*** " means any liability, contingent or otherwise (including any liability for damages, costs of environmental remediation, fines, penalties or indemnities), of the Guarantor or any of its Subsidiaries directly or indirectly resulting from or based upon (a) violation of any Environmental Law, (b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials, (c) exposure to any Hazardous Materials, (d) the release or threatened release of any Hazardous Materials into the environment or (e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

" ***ERISA*** " means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the regulations promulgated and rulings issued thereunder.

" ***ERISA Affiliate*** " means any Person who, for purposes of Title IV of ERISA, is a member of the Guarantor's controlled group, or under common control with the Guarantor, within the meaning of Section 414 of the Code and the regulations promulgated and rulings issued thereunder.

" ***ERISA Event*** " means (a) a reportable event, within the meaning of Section 4043 of ERISA, unless the 30-day notice requirement with respect thereto has been waived by the PBGC, (b) the provision by the administrator of any Plan of a notice of intent to terminate such Plan, pursuant to Section 4041(a)(2) and 4041(c) of ERISA (including any such notice with respect to a plan amendment referred to in Section 4041(e) of ERISA), (c) the withdrawal by the Guarantor or an ERISA Affiliate from a Multiple Employer Plan during a plan year for which it was a substantial employer, as defined in

Section 4001(a)(2) of ERISA, (d) the failure by the Guarantor or any ERISA Affiliate to make a payment to a Plan required under Section 302 of ERISA, for which Section 303(k) imposes a lien for failure to make required payments, or (e) the institution by the PBGC of proceedings to terminate a Plan, pursuant to Section 4042 of ERISA, or the occurrence of any event or condition which may reasonably be expected to constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, a Plan.

" ***Eurocurrency Liabilities*** " has the meaning assigned to that term in Regulation D of the Board, as in effect from time to time.

" ***Eurodollar*** ", when used in reference to any Loan or Borrowing, refers to whether such Loan is, or the Loans comprising such Borrowing are, bearing interest at a rate determined by reference to the LIBO Rate.

" ***Eurodollar Rate Reserve Percentage*** " of any Lender for the Interest Period for any Eurodollar Loan means the reserve percentage applicable during such Interest Period (or if more than one such percentage shall be so applicable, the daily average of such percentages for those days in such Interest Period during which any such percentage shall be so applicable) under regulations issued from time to time by the Board (or any successor) for determining the maximum reserve requirement (including, without limitation, any emergency, supplemental or other marginal reserve requirement) for such Lender with respect to liabilities or assets consisting of or including Eurocurrency Liabilities having a term equal to such Interest Period.

" ***Event of Default*** " has the meaning assigned to such term in Article VIII.

" ***Excluded Taxes*** " means, with respect to the Administrative Agent, any Lender or any other recipient of any payment to be made by or on account of any obligation of the Borrower hereunder, (a) income or franchise taxes imposed on (or measured by) its net income or net earnings by the United States of America, or by the jurisdiction under the laws of which such recipient is organized or in which its principal office is located or, in the case of any Lender, in which its applicable lending office is located, (b) in case of a Foreign Lender (other than an assignee pursuant to a request by the Borrower under Section 2.19(d)), any withholding tax that (i) is imposed on amounts payable to such Foreign Lender at the time such Foreign Lender becomes a party to this Agreement, except to the extent that such Foreign Lender's assignor (if any) was entitled, at the time of assignment, to receive additional amounts from the Borrower with respect to such withholding tax pursuant to Section 2.17(a) or (ii) is attributable to such Foreign Lender's failure to comply with Section 2.17 (e) when legally able to do so, and (c) any U.S. federal witholding Taxes imposed under FATCA.

"Existing Credit Agreement" means that certain Revolving Credit Agreement, dated as of March 3, 2011 by and among the Borrower, the Guarantor, the Lenders from time to time party thereto and the Administrative Agent.

"Existing Letters of Credit" means the Letters of Credit listed in Schedule 2.04.

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Witness: P.R. Moul

" ***Extension of Credit*** " means (a) the making by any Lender of a Revolving Loan, (b) the making by the Swingline Lender of any Swingline Loan, (c) the issuance of a Letter of Credit by any LC Bank or (d) the amendment of any Letter of Credit having the effect of extending the stated termination date thereof, increasing the LC Outstandings, or otherwise altering any of the material terms or conditions thereof.

" ***Facility Fee*** " has the meaning set forth in Section 2.12.

" ***FATCA*** " means Sections 1471 through 1474 of the Code, as of the date of this Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with) and any current or future regulations or official interpretations thereof.

" ***Federal Bankruptcy Code*** " means Title 11 of the United States Code (11 U.S.C. § 101 et seq.) as now or hereafter in effect, or any successor statute.

" ***Federal Funds Effective Rate*** " means, for any day, the weighted average (rounded upwards, if necessary, to the next 1/100 of 1%) of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average (rounded upwards, if necessary, to the next 1/100 of 1%) of the quotations for such day for such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by it.

" ***Foreign Lender*** " means any Lender that is organized under the laws of a jurisdiction other than that in which the Borrower is located. For purposes of this definition, the United States of America, each State thereof and the District of Columbia shall be deemed to constitute a single jurisdiction.

" ***GAAP*** " means generally accepted accounting principles in the United States of America consistent with those applied in the preparation of the financial statements referred to in Section 4.01(e).

" ***Governmental Authority*** " means the government of the United States of America, any other nation, or any political subdivision of the United States of America or any other nation, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government and includes, in any event, an "Independent System Operator" or any entity performing a similar function (including any supra-national bodies such as the European Union or the European Central Bank) and any group or body charged with setting financial accounting or regulatory capital rules or standards (including, without limitation, the Financial Accounting Standards Board, the Bank for International Settlements or the Basel Committee on Banking Supervision or any successor or similar authority to any of the foregoing).

" ***Granting Lender*** " has the meaning set forth in Section 11.04.

" ***Guarantor*** " means NiSource.

" ***Guaranty*** " means the guaranty of the Guarantor pursuant to Article X of this Agreement.

" ***Hazardous Materials*** " means any asbestos; flammables; volatile hydrocarbons; industrial solvents; explosive or radioactive materials; hazardous wastes; toxic substances; liquefied natural gas; natural gas liquids; synthetic gas; oil, petroleum, or related materials and any constituents, derivatives, or byproducts thereof or additives thereto; or any other material, substance, waste, element or compound (including any product) regulated pursuant to any Environmental Law, including, without limitation, substances defined as "hazardous substances," "hazardous materials," "contaminants," "pollutants," "hazardous wastes," "toxic substances," "solid waste," or "extremely hazardous substances" in (i) CERCLA, (ii) the Hazardous Materials Transportation Act, 49 U.S.C. Section 1801 et seq., (iii) the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901 et seq., (iv) the Federal Water Pollution Control Act, as amended, 33 U.S.C. Section 1251 et seq., (v) the Clean Air Act, 42 U.S.C. Section 7401 et seq., (vi) the Toxic Substances Control Act, 15 U.S.C. Section 2601 et seq., (vii) the Safe Drinking Water Act, 42 U.S.C. Section 300f et seq., or (viii) foreign, state, local or municipal law, in each case, as may be amended from time to time.

" ***Indebtedness*** " of any Person means (without duplication) (a) Debt for Borrowed Money, (b) obligations of such Person to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business which are not overdue, (c) all obligations, contingent or otherwise, of such Person in respect of any letters of credit, bankers' acceptances or interest rate, currency or commodity swap, cap or floor arrangements, (d) all indebtedness of others secured by (or for which the holder of such indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on property owned or acquired by such Person, whether or not the indebtedness secured thereby has been assumed, (e) all amounts payable by such Person in connection with mandatory redemptions or repurchases of preferred stock, and (f) obligations of such Person under direct or indirect guarantees in respect of, and obligations (contingent or otherwise) to purchase or otherwise acquire, or otherwise to assure a creditor against loss in respect of, indebtedness or obligations of others of the kinds referred to in clauses (a) through (e) above.

" ***Indemnified Taxes*** " means Taxes other than (a) Excluded Taxes and (b) Other Taxes imposed on or with respect to any payment made by or on account of any obligation of any Credit Party under the Credit Documents.

" ***Indemnitee*** " has the meaning set forth in Section 11.03.

" ***Index Debt*** " means the senior unsecured long-term debt securities of the Borrower, without third-party credit enhancement provided by a Person other than the Guarantor.

" ***Information*** " has the meaning set forth in Section 11.12.

" ***Initial LC Bank*** " means each of the Lead Lenders.

" ***Insufficiency*** " means, with respect to any Plan, the amount, if any, by which the present value of the vested accrued benefits under such Plan exceeds the fair market value of assets allocable to such benefits, all determined as of the then most recent valuation date for such Plan using actuarial assumptions used in determining such Plan's normal cost for purposes of Section 412(b)(2)(A) of the Code.

" ***Interest Election Request*** " means a request by the Borrower to convert or continue a Revolving Borrowing in accordance with Section 2.06.

" ***Interest Payment Date*** " means (a) with respect to any ABR Loan (other than a Swingline Loan), the last day of each March, June, September and December, (b) with respect to any Eurodollar Loan, the last day of the Interest Period applicable to the Borrowing of which such Loan is a part and, in the case of a Eurodollar Borrowing with an Interest Period of more than three months' duration, the day that is three months after the first day of such Interest Period, (c) with respect to any Swingline Loan, the last day of each March, June, September and December and (d) with respect to any Loan, the Termination Date.

" ***Interest Period*** " means with respect to any Eurodollar Borrowing, the period commencing on the date of such Borrowing and ending on the numerically corresponding day in the calendar month that is one, two, three or six months thereafter, as the Borrower may elect; *provided* that (a) if any Interest Period would end on a day other than a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day; and (b) any Interest Period that commences on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the last calendar month of such Interest Period) shall end on the last Business Day of the last calendar month of such Interest Period. For purposes hereof, the date of a Borrowing initially shall be the date on which such Borrowing is made and, in the case of a Revolving Borrowing, thereafter shall be the effective date of the most recent conversion or continuation of such Borrowing.

" ***LC Bank*** " means the Initial LC Banks or any other Lender approved by the Borrower that may agree to issue Letters of Credit pursuant to an agreement in form satisfactory to the Borrower and the Administrative Agent, so long as such Lender expressly agrees to perform in accordance with their terms all of the obligations that by the terms of this Agreement are required to be performed by it as an LC Bank and notifies the Administrative Agent of its applicable lending office (which information shall be recorded by the Administrative Agent in the Register), for so long as such Initial LC Bank or Lender, as the case may be, shall have a Letter of Credit Commitment.

" ***LC Exposure*** " means, at any time, the sum of (a) the LC Outstandings at such time plus (b) the aggregate amount of all Unreimbursed LC Disbursements at such time. The LC Exposure of any Lender at any time shall be its Applicable Percentage of the total LC Exposure at such time.

" ***LC Outstandings*** " means, for any date of determination, the aggregate maximum amount available to be drawn under all Letters of Credit outstanding on such date (assuming the satisfaction of all conditions for drawing enumerated therein).

" ***LC Risk Participation Fee*** " has the meaning set forth in Section 2.12.

"Lead Lenders" means Barclays, Credit Suisse AG, Cayman Islands Branch, The Bank of Tokyo-Mitsubishi UFJ, Ltd., Citibank N.A. and JPMorgan Chase Bank, N.A.

" ***Lenders*** " means (a) the Persons listed on Schedule 2.01, including any such Person identified thereon or in the signature pages hereto as a Lead Arranger, and any other Person that shall have become a party hereto pursuant to an Assignment and Assumption, other than any such Person that ceases to be a party hereto pursuant to an Assignment and Assumption, (b) the Swingline Lender in respect of the Swingline Loans made by it and (c) if and to the extent so provided in Section 2.04(c), the applicable LC Bank.

" ***Letter of Credit*** " means a standby letter of credit issued by the applicable LC Bank pursuant to the terms of this Agreement, together with the letters of credit deemed issued hereunder pursuant to Section 2.04(h), in each case, as such letter of credit may from time to time be amended, modified or extended in accordance with the terms of this Agreement.

" ***Letter of Credit Commitment*** " means, with respect to each LC Bank, the obligation of such LC Bank to issue Letters of Credit for the account of the Borrower from time to time in an aggregate amount up to (a) for each Initial LC Bank, $100,000,000 and (b) for any other LC Bank, as separately agreed to by such LC Bank and the Borrower. The Letter of Credit Commitment is part of, and not in addition to, the Commitments.

" ***LIBO Rate*** " means, with respect to any Eurodollar Borrowing for any Interest Period, the rate appearing on Reuters Screen LIBOR01 Page (or on any successor or substitute page of such service, or any successor to or substitute for such service, providing rate quotations comparable to those currently provided on such page of such service, as determined by the Administrative Agent from time to time for purposes of providing quotations of interest rates applicable to dollar deposits in the London interbank market) at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period, as the rate for dollar deposits with a maturity comparable to such Interest Period. In the event that such rate is not available at such time for any reason, then the " ***LIBO Rate*** " with respect to such Eurodollar Borrowing for such Interest Period shall be the rate at which Dollar deposits of $5,000,000 and for a maturity comparable to such Interest Period are offered by the principal London office of the Administrative Agent in immediately available funds in the London interbank market at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period.

" ***Lien*** " has the meaning set forth in Section 6.01(a).

" ***Loans*** " means the loans made by the Lenders to the Borrower pursuant to this Agreement.

" ***Margin Stock*** " means margin stock within the meaning of Regulations U and X issued by the Board.

" ***Material Adverse Effect*** " means a material adverse effect on (a) the business, assets, operations, condition (financial or otherwise) or prospects of the Guarantor and its Subsidiaries taken as a whole; (b) the validity or enforceability of any of Credit Documents or the rights, remedies and benefits available to the Administrative Agent and the Lenders thereunder; or (c) the ability of the Borrower or the Guarantor to consummate the Transactions.

" ***Material Subsidiary*** " means at any time the Borrower, NIPSCO, Columbia, and each Subsidiary of the Guarantor, other than the Borrower, NIPSCO and Columbia, in respect of which:

(a) the Guarantor's and its other Subsidiaries' investments in and advances to such Subsidiary and its Subsidiaries exceed 10% of the consolidated total assets of the Guarantor and its Subsidiaries taken as a whole, as of the end of the most recent fiscal year; or

(b) the Guarantor's and its other Subsidiaries' proportionate interest in the total assets (after intercompany eliminations) of such Subsidiary and its Subsidiaries exceeds 10% of the consolidated total assets of the Guarantor and its Subsidiaries as of the end of the most recent fiscal year; or

(c) the Guarantor's and its other Subsidiaries' equity in the income from continuing operations before income taxes, extraordinary items and cumulative effect of a change in accounting principles of such Subsidiary and its Subsidiaries exceeds 10% of the consolidated income of the Guarantor and its Subsidiaries for the most recent fiscal year.

" ***Moody's*** " means Moody's Investors Service, Inc., and any successor thereto.

" ***Multiemployer Plan*** " means a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

" ***Multiple Employer Plan*** " means a single employer plan, as defined in Section 4001(a)(15) of ERISA, which (a) is maintained for employees of the Borrower or an ERISA Affiliate and at least one Person other than the Borrower and its ERISA Affiliates, or (b) was so maintained and in respect of which the Borrower or an ERISA Affiliate could have liability under Section 4064 or 4069 of ERISA in the event that such plan has been or were to be terminated.

" ***NIPSCO*** " means Northern Indiana Public Service Company, an Indiana corporation.

" ***Non-Recourse Debt*** " means Indebtedness of the Guarantor or any of its Subsidiaries which is incurred in connection with the acquisition, construction, sale, transfer or other disposition of specific assets, to the extent recourse, whether contractual or as a matter of law, for non-payment of such Indebtedness is limited (a) to such assets or (b) if such assets are (or are to be) held by a Subsidiary formed solely for such purpose, to such Subsidiary or the Capital Stock of such Subsidiary.

" ***Obligations*** " means all amounts, direct or indirect, contingent or absolute, of every type or description, and at any time existing and whenever incurred (including, without limitation, after the commencement of any bankruptcy proceeding), owing to the Administrative Agent or any Lender pursuant to the terms of this Agreement or any other Credit Document.

" ***Other Taxes*** " means any and all present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies arising from any payment made hereunder or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement.

" ***Outstanding Loans*** " means, as to any Lender at any time, the aggregate principal amount of all Loans made or maintained by such Lender then outstanding; *provided, however,* that for purposes of any calculation of the Outstanding Loans, any then outstanding Swingline Loans shall be deemed allocated among the Lenders (other than the Swingline Lender in its capacity as such) in accordance with their respective Applicable Percentages.

" ***Parent*** " means, with respect to any Lender, any Person as to which such Lender is, directly or indirectly, a subsidiary.

" ***Participant*** " has the meaning set forth in Section 11.04.

" ***PBGC*** " means the Pension Benefit Guaranty Corporation referred to and defined in ERISA and any successor entity performing similar functions.

" ***Person*** " means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

" ***Plan*** " means any employee pension benefit plan (other than a Multiemployer Plan) subject to the provisions of Title IV of ERISA or Section 412 of the Code or Section 302 of ERISA, and in respect of which the Borrower or any ERISA Affiliate is (or, if such plan were terminated, would under Section 4069 of ERISA be deemed to be) an "employer" as defined in Section 3(5) of ERISA.

" ***Pricing Grid*** " means the pricing grid attached hereto as Annex A.

" ***Prime Rate*** " means the rate of interest *per annum* publicly announced from time to time by Bank of Montreal in effect at its principal office in New York City; each change in the Prime Rate shall be effective from and including the date such change is publicly announced as being effective.

" ***Project*** " means an energy or power generation, transmission or distribution facility (including, without limitation, a thermal energy generation, transmission or distribution facility and an electric power generation, transmission or distribution facility (including, without limitation, a cogeneration facility)), a gas production, transportation or distribution facility, or a minerals extraction, processing or distribution facility, together with (a) all related electric power transmission, fuel supply and fuel transportation facilities and power supply, thermal energy supply, gas supply, minerals supply and fuel contracts, (b) other facilities, services or goods that are ancillary, incidental, necessary or reasonably related to the marketing, development, construction, management, servicing, ownership or operation of such facility, (c) contractual arrangements with customers, suppliers and contractors in respect of such facility, and (d) any infrastructure facility related to such facility, including, without limitation, for the treatment or management of waste water or the treatment or remediation of waste, pollution or potential pollutants.

" ***Project Financing*** " means Indebtedness incurred by a Project Financing Subsidiary to finance (a) the development and operation of the Project such Project Financing Subsidiary was formed to develop or (b) activities incidental thereto; *provided* that such Indebtedness does not include recourse to the Guarantor or any of its other Subsidiaries other than (x) recourse to the Capital Stock in any such Project Financing Subsidiary, and (y) recourse pursuant to a Contingent Guaranty.

" ***Project Financing Subsidiary*** " means any Subsidiary of the Guarantor (a) that (i) is not a Material Subsidiary, and (ii) whose principal purpose is to develop a Project and activities incidental thereto (including, without limitation, the financing and operation of such Project), or to become a partner, member or other equity participant in a partnership, limited liability company or other entity having such a principal purpose, and (b) substantially all the assets of which are limited to the assets relating to the Project being developed or Capital Stock in such partnership, limited liability company or other entity (and substantially all of the assets of any such partnership, limited liability company or other entity are limited to the assets relating to such Project); *provided* that such Subsidiary incurs no Indebtedness other than in respect of a Project Financing.

" ***Register*** " has the meaning set forth in Section 11.04.

" ***Related Parties*** " means, with respect to any specified Person, such Person's Affiliates and the respective directors, officers, employees, agents and advisors of such Person and such Person's Affiliates.

" ***Request for Issuance*** " has the meaning set forth in Section 2.04.

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" ***Required Lenders*** " means, subject to the terms of Section 2.20, Lenders having more than 50% in aggregate amount of the Commitments, or if the Commitments shall have been terminated, of the Total Outstanding Principal.

" ***Responsible Officer*** " of a Credit Party means any of (a) the President, the chief financial officer, the chief accounting officer and the Treasurer of such Credit Party and (b) any other officer of such Credit Party whose responsibilities include monitoring compliance with this Agreement.

" ***Revolving Credit Exposure*** " means, with respect to any Lender at any time, the sum of the outstanding principal amount of such Lender's Revolving Loans and its LC Exposure and Swingline Exposure at such time.

" ***Revolving Loan*** " means a Loan made pursuant to Section 2.02.

" ***S&P*** " means Standard & Poor's Ratings Group, a division of The McGraw Hill Companies, Inc., and any successor thereto.

" ***Subsidiary*** " means, with respect to any Person, any corporation or other entity of which at least a majority of the outstanding shares of stock or other ownership interests having by the terms thereof ordinary voting power to elect a majority of the board of directors or other managers of such corporation or other entity (irrespective of whether or not at the time stock or other equity interests of any other class or classes of such corporation or other entity shall have or might have voting power by reason of the happening of any contingency) is at the time directly or indirectly owned or controlled by such Person or one or more of the Subsidiaries of such Person.

" ***Substantial Subsidiaries*** " has the meaning set forth in Section 8.01.

"Swingline Commitment" means, for the Swingline Lender, the amount set forth as the Swingline Lender's Swingline Commitment on Schedule 2.01 hereto.

" ***Swingline Exposure*** " means, at any time, the aggregate principal amount of all Swingline Loans outstanding at such time. The Swingline Exposure of any Lender at any time shall be its Applicable Percentage of the total Swingline Exposure at such time.

" ***Swingline Facility Amount*** " has the meaning specified in Section 2.01(b).

" ***Swingline Loan*** " means a loan made by the Swingline Lender pursuant to the terms of this Agreement.

" ***Swingline Lender*** " means Barclays and any successor thereto pursuant to Section 2.03(d).

" ***Swingline Rate*** " means the per annum rate equal to the Alternate Base Rate plus the Applicable Rate.

" ***Swingline Request*** " means a request by the Borrower for the Swingline Lender to make a Swingline Loan, which shall be in substantially the form of Exhibit D (or such other form as shall be approved by the Swingline Lender) and shall be delivered to the Swingline Lender and the Administrative Agent in writing, or by telephone, immediately confirmed in writing.

" ***Syndication Agent*** " means Credit Suisse AG, Cayman Islands Branch, in its capacity as syndication agent for the Lenders hereunder.

" ***Taxes*** " means any and all present or future taxes, levies, imposts, duties, deductions, withholdings, assessments, fees or other charges imposed by any Governmental Authority, including any interest, penalties and additions to tax imposed thereon or in connection therewith.

" ***Termination Date*** " means the earliest of (a) May 15, 2017 and (b) the date upon which the Commitments are terminated pursuant to Section 8.1 or otherwise.

" ***Total Outstanding Principal*** " means the aggregate amount of the Outstanding Loans of all Lenders plus the aggregate LC Exposure.

" ***Transactions*** " means the execution, delivery and performance by the Borrower and the Guarantor of this Agreement and the Borrowing of Loans and issuances of Letters of Credit hereunder.

" ***Type*** ", when used in reference to any Loan or Borrowing, refers to whether the rate of interest on such Loan, or on the Loans comprising such Borrowing, is determined by reference to the LIBO Rate or the Alternate Base Rate.

" ***Unreimbursed LC Disbursement*** " means the unpaid obligation (or, if the context so requires, the amount of such obligation) of the Borrower to reimburse the applicable LC Bank for a payment made by such LC Bank under a Letter of Credit, but shall not include any portion of such obligation that has been repaid with the proceeds of, or converted to, Loans hereunder.

" ***Utility Subsidiary*** " means a Subsidiary of the Guarantor that is subject to regulation by a Governmental Authority (federal, state or otherwise) having authority to regulate utilities, and any Wholly-Owned Subsidiary thereof.

" ***Wholly-Owned Subsidiary*** " means, with respect to any Person, any corporation or other entity of which all of the outstanding shares of stock or other ownership interests in which, other than directors' qualifying shares (or the equivalent thereof), are at the time directly or indirectly owned or controlled by such Person or one or more of the Subsidiaries of such Person.

" ***Withdrawal Liability*** " means liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as such terms are defined in Sections 4201, 4203 and 4205 of ERISA.

SECTION 1.02 . ***Classification of Loans and Borrowings*** . For purposes of this Agreement, Loans may be classified and referred to by Class (*e.g.* , a " ***Revolving Loan*** ") or by Type (*e.g.* , a " ***Eurodollar Loan*** ") or by Class and Type (*e.g.* , a " ***Eurodollar Revolving Loan*** "). Borrowings also may be classified and referred to by Class (*e.g.* , a " ***Revolving Borrowing*** ") or by Type (*e.g.* , a " ***Eurodollar Borrowing*** ") or by Class and Type (*e.g.* , a " ***Eurodollar Revolving Borrowing*** ").

SECTION 1.03 . ***Terms Generally*** . The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation". The word "or" shall not be exclusive. The word "will" shall be construed to have the same meaning and effect as the word "shall". The word "law" shall be construed as referring to all statutes, rules, regulations, codes and other laws (including official rulings and interpretations thereunder having the force of law or with which affected Persons customarily comply), and all judgments, orders and decrees, of all Governmental Authorities. Unless the context requires otherwise (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, restated, supplemented or otherwise modified (subject to any restrictions on such amendments, restatements, supplements or modifications set forth herein), (b) any definition of or reference to any statute, rule or regulation shall be construed as referring thereto as from time to time amended, supplemented or otherwise modified (including by succession of comparable successor laws), (c) any reference herein to any Person shall be construed to include such Person's successors and assigns, (d) the words "herein", "hereof" and "hereunder", and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (e) all references herein to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement and (f) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights. The terms "knowledge of", "awareness of" and "receipt of notice of" in relation to a Credit Party, and other similar expressions, mean knowledge of, awareness of, or receipt of notice by, a Responsible Officer of such Credit Party.

SECTION 1.04 . ***Accounting Terms; GAAP*** . Except as otherwise expressly provided herein, all terms of an accounting or financial nature shall be construed in accordance with GAAP, as in effect from time to time; *provided* that, if the Borrower notifies the Administrative Agent that the Borrower requests an amendment to any provision hereof to eliminate the effect of any change occurring after the Effective Date in GAAP or in the application thereof on the operation of such provision (or if the Administrative Agent notifies the Borrower that the Required Lenders request an amendment to any provision hereof for such purpose), regardless of whether any such notice is given before or after such change in GAAP or in the application thereof, then such provision shall be interpreted on the basis of GAAP as in effect and applied immediately before such change shall have become effective until such notice shall have been withdrawn or such provision amended in accordance herewith. Notwithstanding any other provision contained herein, all terms of an accounting or financial nature used herein shall be construed, and all computations of amounts and ratios referred to herein shall be made

(i) without giving effect to any election under Accounting Standards Codification 825-10-25 (previously referred to as Statement of Financial Accounting Standards 159) (or any other Accounting Standards Codification or Financial Accounting Standard having a similar result or effect) to value any Indebtedness or other liabilities of the Borrower or any Subsidiary at "fair value", as defined therein and (ii) without giving effect to any treatment of Indebtedness in respect of convertible debt instruments under Financial Accounting Standards Board Staff Position 14-1 to value any such Indebtedness in a reduced or bifurcated manner as described therein, and such Indebtedness shall at all times be valued at the full stated principal amount thereof.

SECTION 1.05 . Amendment and Restatement of the Existing Credit Agreement.

The parties to this Agreement agree that, upon (i) the execution and delivery by each of the parties hereto of this Agreement and (ii) satisfaction of the conditions set forth in Section 3.01, the terms and provisions of the Existing Credit Agreement shall be and hereby are amended, superseded and restated in their entirety by the terms and provisions of this Agreement. This Agreement is not intended to and shall not constitute a novation. All Loans made and Obligations incurred under the Existing Credit Agreement which are outstanding on the Effective Date shall continue as Loans and Obligations under (and shall be governed by the terms of) this Agreement and the other Credit Documents. Without limiting the foregoing, upon the effectiveness hereof: (a) all references in the "Credit Documents" (as defined in the Existing Credit Agreement) to the "Administrative Agent", the "Credit Agreement" and the "Credit Documents" shall be deemed to refer to the Administrative Agent, this Agreement and the Credit Documents, (b) the Existing Letters of Credit which remain outstanding on the Effective Date shall continue as Letters of Credit under (and shall be governed by the terms of) this Agreement, (c) all obligations constituting "Obligations" with any Lender or any Affiliate of any Lender which are outstanding on the Effective Date shall continue as Obligations under this Agreement and the other Credit Documents (subject to clause (f) below), (d) the Administrative Agent shall make such reallocations, sales, assignments or other relevant actions in respect of each Lender's credit exposure under the Existing Credit Agreement as are necessary in order that each such Lender's Revolving Credit Exposure and outstanding Revolving Loans hereunder reflects such Lender's Applicable Percentage of the outstanding aggregate Revolving Credit Exposures on the Effective Date, (e) the Borrower hereby agrees to compensate each Lender for any and all losses, costs and expenses incurred by such Lender in connection with the sale and assignment of any Eurodollar Loans (including the "Eurodollar Loans" under the Existing Credit Agreement) and such reallocation described above, in each case on the terms and in the manner set forth in Section 2.16 hereof and (f) each Departing Lender's "Commitment" under the Existing Credit Agreement shall be terminated, each Departing Lender shall have received payment in full of all of the "Obligations" under the Existing Credit Agreement (other than obligations to pay fees and expenses with respect to which the Borrower has not received an invoice, contingent indemnity obligations and other contingent obligations owing to it under the "Credit Documents" as defined in the Existing Credit Agreement) and the Departing Lenders shall not be Lenders hereunder.

ARTICLE II
THE CREDITS

SECTION 2.01. Commitments.

(a) Subject to the terms and conditions set forth herein, each Lender severally agrees to make Revolving Loans to the Borrower from time to time during the Availability Period in an aggregate principal amount that will not result in (i) such Lender's Revolving Credit Exposure exceeding such Lender's Commitment or (ii) the sum of the Revolving Credit Exposures of all of the Lenders exceeding the Aggregate Commitments.

(b) Subject to the terms and conditions set forth herein, the Swingline Lender agrees to make Swingline Loans to the Borrower from time to time during the Availability Period in an aggregate principal amount that will not result in (i) the aggregate principal amount of all Swingline Loans made by the Swingline Lender then outstanding under this Agreement exceeding the Swingline Lender's Swingline Commitment, (ii) the aggregate principal amount of all Swingline Loans then outstanding under this Agreement exceeding $250,000,000 (the ***"Swingline Facility Amount"***), (iii) any Lender's Revolving Credit Exposure exceeding such Lender's Commitment or (iv) the sum of the Revolving Credit Exposures of all of the Lenders exceeding the Aggregate Commitments.

(c) Subject to the terms and conditions set forth herein, each LC Bank agrees to issue, extend or amend Letters of Credit and each Lender severally agrees to participate in such Letters of Credit, in each case as set forth herein, from time to time during the Availability Period in an aggregate stated amount that will not result in (i) the aggregate LC Outstandings under this Agreement exceeding $500,000,000, (ii) any Lender's Revolving Credit Exposure exceeding such Lender's Commitment, (iii) the aggregate LC Outstandings of all Letters of Credit issued by any LC Bank exceeding at any time such LC Bank's Letter of Credit Commitment or (iii) the sum of the Revolving Credit Exposures of all of the Lenders exceeding the Aggregate Commitments.

(d) Within the foregoing limits and subject to the terms and conditions set forth herein, the Borrower may borrow, prepay and reborrow Revolving Loans and Swingline Loans and request the issuance, extension or amendment of Letters of Credit.

SECTION 2.02. Revolving Loans and Revolving Borrowings; Requests for Borrowings.

(a) Each Revolving Loan (other than a Swingline Loan) shall be made as part of a Borrowing consisting of Revolving Loans made by the Lenders ratably in accordance with their respective Commitments. The failure of any Lender to make any Loan required to be made by it shall not relieve any other Lender of its obligations hereunder; provided that the Commitments of the Lenders are several and no Lender shall be responsible for any other Lender's failure to make Loans as required. Any Swingline Loan shall be made in accordance with the procedures set forth in Section 2.03.

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(b) Subject to Section 2.14, each Revolving Borrowing shall be comprised entirely of ABR Loans or Eurodollar Loans as the Borrower may request in accordance herewith. Each Lender at its option may make any Eurodollar Loan by causing any domestic or foreign branch or Affiliate of such Lender to make such Loan; provided that any exercise of such option shall not affect the obligation of the Borrower to repay such Loan in accordance with the terms of this Agreement.

(c) At the commencement of each Interest Period for any Eurodollar Revolving Borrowing, such Borrowing shall be in an aggregate amount that is an integral multiple of $5,000,000 and not less than $10,000,000. At the time that each ABR Revolving Borrowing is made, such Borrowing shall be in an aggregate amount that is an integral multiple of $1,000,000; provided that an ABR Revolving Borrowing may be to an aggregate amount that is equal to the entire unused balance of the Aggregate Commitments. Borrowings of more than one Type and Class may be outstanding at the same time; provided that there shall not at any time be more than a total of ten Eurodollar Revolving Borrowings outstanding under this Agreement.

(d) To request a Revolving Borrowing, the Borrower shall notify the Administrative Agent of such request by telephone (a) in the case of a Eurodollar Borrowing, not later than 11:00 a.m., New York City time, three Business Days before the date of the proposed Borrowing or (b) in the case of an ABR Borrowing, not later than 11:00 a.m., New York City time, on the Business Day before the date of the proposed Borrowing. Each such telephonic Borrowing Request shall be irrevocable and shall be confirmed promptly by hand delivery or telecopy to the Administrative Agent of a written Borrowing Request in substantially the form of Exhibit C (or such other form as shall be approved by the Administrative Agent) signed by an Authorized Officer of the Borrower. Each such telephonic and written Borrowing Request shall specify the following information:

(i) the aggregate amount of the requested Borrowing;

(ii) the date of such Borrowing, which shall be a Business Day;

(iii) whether such Borrowing is to be an ABR Borrowing or a Eurodollar Borrowing; and

(iv) in the case of a Eurodollar Borrowing, the initial Interest Period to be applicable thereto, which shall be a period contemplated by the definition of the term "Interest Period".

If no election as to the Type of Borrowing is specified, then the requested Borrowing shall be an ABR Borrowing. If no Interest Period is specified with respect to any requested Eurodollar Revolving Borrowing, then the Borrower shall be deemed to have selected an Interest Period of one month's duration. Promptly following receipt of a Borrowing Request in accordance with this Section, the Administrative Agent shall advise each Lender of the details thereof and of the amount of such Lender's Loan to be made as part of the requested Borrowing.

(e) Notwithstanding any other provision of this Agreement, the Borrower shall not be entitled to request, or to elect to convert or continue, any Eurodollar Borrowing if the Interest Period requested with respect thereto would end after the Termination Date.

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SECTION 2.03. Swingline Loans . (a) Each Swingline Loan to be made by the Swingline Lender shall be made on notice given by the Borrower to the Swingline Lender and the Administrative Agent via fax transmission in accordance with Section 11.01 hereof not later than 11:00 A.M. (New York City time) on the borrowing date of the proposed Swingline Loan (which shall be a Business Day) or such later time as the Swingline Lender and the Administrative Agent may agree. Upon receipt of any Swingline Request, the Swingline Lender shall give to the Administrative Agent prompt notice thereof by fax transmission, and shall notify the Borrower and the Administrative Agent of the Swingline Rate to be applicable thereto. The Swingline Lender shall, before 2:00 P.M. (New York City time) on the borrowing date of such Swingline Loan, make such Swingline Loan available to the Administrative Agent, in same day funds, and, after the Administrative Agent's receipt of such funds and upon fulfillment of the applicable conditions set forth in Article III, the Administrative Agent will make such funds available to the Borrower to an account within the United States of America specified in the relevant Swingline Request or, if not so specified, in accordance with Section 2.05.

(b) Each Swingline Loan shall bear interest at the Swingline Rate and shall mature on the first to occur of: (i) the date specified in the relevant Swingline Request, (ii) the date that is five days following the date such Swingline Loan was made and (iii) the Termination Date. At no time shall more than a total of two Swingline Loans be outstanding under this Agreement.

(c) At any time upon written demand by the Swingline Lender, with a copy of such demand to the Administrative Agent, and automatically upon the occurrence of an Event of Default, each other Lender shall purchase from the Swingline Lender, and the Swingline Lender shall sell and assign to each such other Lender, such other Lender's pro rata share (based on its Applicable Percentage) of the Swingline Loans of the Swingline Lender outstanding as of the date of such demand or occurrence, as the case may be, by making available to the Administrative Agent for the account of the Swingline Lender an amount in same day funds equal to the portion of the principal amount of each outstanding Swingline Loan to be purchased by such Lender. The Borrower hereby agrees to each such sale and assignment. Each Lender agrees to pay to the Administrative Agent for the account of the Swingline Lender its pro rata share (based on its Applicable Percentage) of each outstanding Swingline Loan purchased pursuant to this clause (c) on (i) the Business Day on which demand therefor is made by the Swingline Lender, provided, that, notice of such demand is received by such Lender not later than 11:00 A.M. (New York City time) on such Business Day, (ii) the first Business Day next succeeding such demand, if notice of such demand is received after such time or (iii) the first Business Day next succeeding the date such Lender has actual knowledge of the occurrence of such Event of Default. Upon any such assignment by the Swingline Lender to any other Lender of a portion of any Swingline Loan, the Swingline Lender represents and warrants to such other Lender that the Swingline Lender is the legal and beneficial owner of the interest being assigned by it, but makes no other representation or warranty and assumes no responsibility with respect to such Swingline Loan, the Credit Documents or the Borrower. If and to the extent that any Lender shall not have so made its participated portion of such Swingline Loan or portion thereof available to the Administrative Agent for the account of the Swingline Lender, such Lender agrees to pay to the Swingline Lender forthwith on demand such amount together with interest thereon for each day from the date of demand by the Swingline Lender until the date such amount is paid to the Swingline Lender, at the Federal Funds Effective Rate. If such Lender shall pay such amount to the Swingline Lender on any Business Day such amount so paid in

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respect of principal shall constitute an ABR Revolving Loan made by such Lender on such Business Day for all purposes of this Agreement, and the outstanding principal amount of the relevant Swingline Loan(s) shall be reduced accordingly by such amount on such Business Day. The obligation of each other Lender to purchase its pro rata share of the Swingline Lender's Swingline Loans in accordance with this subsection shall be absolute and unconditional, notwithstanding the occurrence of any circumstances, including, without limitation any Event of Default or any setoff, deduction or other defense asserted by the Borrower or any other Person, except that any Lender shall have the right to bring suit against the Swingline Lender, and the Swingline Lender shall be liable to such Lender, to the extent of any direct, as opposed to consequential, damages suffered by such Lender which a court of competent jurisdiction in a final and non-appealable judgment determines were caused by the Swingline Lender's wilful misconduct or gross negligence.

(d) Subject to the appointment and acceptance of a successor Swingline Lender as provided in this paragraph, the Borrower may, upon not less than ten (10) Business Days prior notice to the Administrative Agent and the Lenders, replace the existing Swingline Lender with the consent of the Administrative Agent (which consent shall not unreasonably be withheld). Upon the acceptance of its appointment as Swingline Lender hereunder by a successor, such successor shall succeed to and become vested with all the rights, powers, privileges and duties of the replaced Swingline Lender, and the replaced Swingline Lender shall be discharged from its duties and obligations hereunder. The fees payable by the Borrower to a successor Swingline Lender shall be as agreed between the Borrower and such successor. After the Swingline Lender's replacement hereunder, the provisions of this Article and Section 11.03 shall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as Swingline Lender.

SECTION 2.04. Letters of Credit

(a) *LC Banks.* Subject to the terms and conditions hereof, the Borrower may from time to time request any LC Bank to issue, extend or amend one or more Letters of Credit hereunder. Any such request by the Borrower shall be notified to the Administrative Agent at least five Business Days prior to the date upon which the Borrower proposes that the applicable LC Bank issue, extend or amend such Letter of Credit and in the case of an extension request, shall be in substantially the form of Exhibit E (or such other form as shall be approved by the Administrative Agent and the applicable LC Bank). At no time shall (i) the aggregate LC Outstandings exceed the sum of the Commitments, (ii) the sum of the aggregate LC Outstandings under this Agreement exceed $500,000,000 or (iii) the aggregate LC Outstandings of all Letters of Credit issued by any LC Bank exceed at any time such LC Bank's Letter of Credit Commitment.

(b) *Letters of Credit.* Each Letter of Credit shall be issued (or the stated maturity thereof extended or terms thereof modified or amended) on not less than five Business Days' prior written notice thereof to the Administrative Agent (which shall promptly distribute copies thereof to the Lenders) and the applicable LC Bank. Each such notice (a ***"Request for Issuance"***) shall specify (i) the date (which shall be a Business Day) of issuance of such Letter of Credit (or the date of effectiveness of such extension, modification or amendment) and the stated expiry date thereof (which shall be not later than the Termination Date), (ii) the proposed stated amount of

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such Letter of Credit and (iii) such other information as shall demonstrate compliance of such Letter of Credit with the requirements specified therefor in this Agreement. Each Request for Issuance shall be irrevocable unless modified or rescinded by the Borrower not less than two days prior to the proposed date of issuance (or effectiveness) specified therein. If the applicable LC Bank shall have approved the form of such Letter of Credit (or such extension, modification or amendment thereof), such LC Bank shall not later than 11:00 A.M. (New York City time) on the proposed date specified in such Request for Issuance, and upon fulfillment of the applicable conditions precedent and the other requirements set forth herein and as otherwise agreed to between such LC Bank and the Borrower, issue (or extend, amend or modify) such Letter of Credit and provide notice and a copy thereof to the Administrative Agent. The Administrative Agent shall furnish (x) to each Lender, a copy of such notice and (y) to each Lender that may so request, a copy of such Letter of Credit.

(c) *Reimbursement on Demand* . Subject to the provisions of Section 2.04(d) hereof, the Borrower hereby agrees to pay (whether with the proceeds of Loans made pursuant to this Agreement or otherwise) to the applicable LC Bank on demand (i) on and after each date on which such LC Bank shall pay any amount under any Letter of Credit issued by such LC Bank a sum equal to such amount so paid (which sum shall constitute a demand loan from such LC Bank to the Borrower from the date of such payment by such LC Bank until so paid by the Borrower), plus (ii) interest on any amount remaining unpaid by the Borrower to such LC Bank under clause (i), above, from the date such sum becomes payable on demand until payment in full, at a rate *per annum* which is equal to 2% plus the then applicable Alternate Base Rate until paid in full.

(d) *Loans for Unreimbursed LC Disbursements* . If any LC Bank shall make any payment under any Letter of Credit and if the conditions precedent set forth in Section 3.02 of this Agreement have been satisfied as of the date of such honor, then, each Lender's payment made to such LC Bank pursuant to paragraph (c) of this Section 2.04 in respect of such Unreimbursed LC Disbursement shall be deemed to constitute an ABR Loan made for the account of the Borrower by such Lender. Each such ABR Loan shall mature and be due and payable on the earlier of (i) the first March 31, June 30, September 30 or December 31 to occur following the date such ABR Loan is made and (ii) the Termination Date.

(e) *Participation; Reimbursement of the LC Banks* .

(i) Upon the issuance of any Letter of Credit by any LC Bank (and, in the case of the Letters of Credit identified on Schedule 2.04, on the Effective Date), such LC Bank hereby sells and transfers to each Lender, and each Lender hereby acquires from such LC Bank, an undivided interest and participation to the extent of such Lender's Applicable Percentage in and to such Letter of Credit, including the obligations of such LC Bank under and in respect thereof and the Borrower's reimbursement and other obligations in respect thereof, whether now existing or hereafter arising.

(ii) If any LC Bank shall not have been reimbursed in full for any payment made by such LC Bank under any Letter of Credit issued by such LC Bank on the date of such payment, such LC Bank shall promptly notify the Administrative Agent and the Administrative Agent shall promptly notify each Lender of such non-reimbursement and

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the amount thereof. Upon receipt of such notice from the Administrative Agent, each Lender shall pay to the Administrative Agent for the account of such LC Bank an amount equal to such Lender's Applicable Percentage of such Unreimbursed LC Disbursement, plus interest on such amount at a rate per annum equal to the Federal Funds Rate from the date of such payment by such LC Bank to the date of payment to such LC Bank by such Lender. All such payments by each Lender shall be made in United States dollars and in same day funds not later than 3:00 P.M. (New York City time) on the later to occur of (A) the Business Day immediately following the date of such payment by the applicable LC Bank and (B) the Business Day on which such Lender shall have received notice of such non-reimbursement; *provided, however* , that if such notice is received by such Lender later than 11:00 A.M. (New York City time) on such Business Day, such payment shall be payable on the next Business Day. Each Lender agrees that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever. If a Lender shall have paid to the applicable LC Bank its ratable portion of any Unreimbursed LC Disbursement, together with all interest thereon required by the second sentence of this subparagraph (ii), such Lender shall be entitled to receive its ratable share of all interest paid by the Borrower in respect of such Unreimbursed LC Disbursement. If such Lender shall have made such payment to the applicable LC Bank, but without all such interest thereon required by the second sentence of this subparagraph (ii), such Lender shall be entitled to receive its ratable share of the interest paid by the Borrower in respect of such Unreimbursed LC Disbursement only from the date it shall have paid all interest required by the second sentence of this subparagraph (ii).

(iii) The failure of any Lender to make any payment to the applicable LC Bank in accordance with subparagraph (ii) above, shall not relieve any other Lender of its obligation to make payment, but neither such LC Bank nor any Lender shall be responsible for the failure of any other Lender to make such payment. If any Lender shall fail to make any payment to the applicable LC Bank in accordance with subparagraph (ii) above, then such Lender shall pay to such LC Bank forthwith on demand such corresponding amount together with interest thereon, for each day until the date such amount is repaid to such LC Bank at the Federal Funds Rate. Nothing herein shall in any way limit, waive or otherwise reduce any claims that any party hereto may have against any non-performing Lender.

(f) *Obligations Absolute.* The payment obligations of each Lender under Section 2.04(e) and of the Borrower under Section 2.04(c) of this Agreement in respect of any payment under any Letter of Credit and any Loan made under Section 2.04(d) shall be unconditional and irrevocable, and shall be paid strictly in accordance with the terms of this Agreement under all circumstances, including, without limitation, the following circumstances:

(i) any lack of validity or enforceability of any Credit Document or any other agreement or instrument relating thereto or to such Letter of Credit;

(ii) any amendment or waiver of, or any consent to departure from, all or any of the Credit Documents;

(iii) the existence of any claim, set-off, defense or other right which the Borrower may have at any time against any beneficiary, or any transferee, of such Letter of Credit (or any Persons for whom any such beneficiary or any such transferee may be acting), any LC Bank, or any other Person, whether in connection with this Agreement, the transactions contemplated herein or by such Letter of Credit, or any unrelated transaction;

(iv) any statement or any other document presented under such Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect;

(v) payment in good faith by the applicable LC Bank under the Letter of Credit issued by such LC Bank against presentation of a draft or certificate which does not comply with the terms of such Letter of Credit; or

(vi) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing.

(g) *Liability of LC Banks and the Lenders.* The Borrower assumes all risks of the acts and omissions of any beneficiary or transferee of any Letter of Credit. Neither the LC Banks, the Lenders nor any of their respective officers, directors, employees, agents or Affiliates shall be liable or responsible for (i) the use that may be made of such Letter of Credit or any acts or omissions of any beneficiary or transferee thereof in connection therewith; (ii) the validity, sufficiency or genuineness of documents, or of any endorsement thereon, even if such documents should prove to be in any or all respects invalid, insufficient, fraudulent or forged; (iii) payment by any LC Bank against presentation of documents that do not comply with the terms of such Letter of Credit, including failure of any documents to bear any reference or adequate reference to such Letter of Credit; or (iv) any other circumstances whatsoever in making or failing to make payment under such Letter of Credit, *except* that the Borrower or any Lender shall have the right to bring suit against the applicable LC Bank, and such LC Bank shall be liable to the Borrower and any Lender, to the extent of any direct, as opposed to consequential, damages suffered by the Borrower or such Lender which the Borrower or such Lender proves were caused by such LC Bank's wilful misconduct or gross negligence, including such LC Bank's wilful or grossly negligent failure to make timely payment under such Letter of Credit following the presentation to it by the beneficiary thereof of a draft and accompanying certificate(s) which strictly comply with the terms and conditions of such Letter of Credit. In furtherance and not in limitation of the foregoing, the applicable LC Bank may accept sight drafts and accompanying certificates presented under the Letter of Credit issued by such LC Bank that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary. Notwithstanding the foregoing, no Lender shall be obligated to indemnify the Borrower for damages caused by any LC Bank's wilful misconduct or gross negligence as determined by a court of competent jurisdiction in a final and non-appealable judgment, and the obligation of the Borrower to reimburse the Lenders hereunder shall be absolute and unconditional, notwithstanding the gross negligence or wilful misconduct of any LC Bank.

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(h) *Transitional Provision* . Schedule 2.04 contains a schedule of certain letters of credit issued (or deemed issued) for the account of the Borrower prior to the Effective Date. Subject to the satisfaction of the conditions contained in Sections 3.01 and 3.02, from and after the Effective Date such letters of credit shall be deemed to be Letters of Credit issued pursuant to this Section 2.04.

SECTION 2.05. Funding of Borrowings.

(a) Each Lender shall make the amount of each Loan to be made by it hereunder available to the Administrative Agent on the proposed date thereof by wire transfer of immediately available funds by 1:00 p.m., New York City time, at the Administrative Agent's office most recently designated by it for such purpose by notice to the Lenders. The Administrative Agent will make such Loans available to the Borrower by promptly crediting the amounts so received, in like funds, to an account established and maintained by the Borrower at the Administrative Agent's office in New York City.

(b) Unless the Administrative Agent shall have received notice from a Lender prior to the proposed time of any Borrowing that such Lender will not make available to the Administrative Agent such Lender's share of such Borrowing, the Administrative Agent may assume that such Lender has made such share available on such date in accordance with paragraph (a) of this Section and may, in reliance upon such assumption, make available to the Borrower a corresponding amount. In such event, if a Lender has not in fact made its share of the applicable Borrowing available to the Administrative Agent, then the applicable Lender and the Borrower severally agree to pay to the Administrative Agent forthwith on demand such corresponding amount with interest thereon, for each day from and including the date such amount is made available to the Borrower to but excluding the date of payment to the Administrative Agent, at (i) in the case of such Lender, the Federal Funds Effective Rate or (ii) in the case of the Borrower, the interest rate applicable to ABR Loans. If such Lender pays such amount to the Administrative Agent, then such amount shall constitute such Lender's Loan included in such Borrowing.

SECTION 2.06. Interest Elections.

(a) Each Borrowing initially shall be of the Type specified in the applicable Borrowing Request and, in the case of a Eurodollar Borrowing, shall have an initial Interest Period as specified in such Borrowing Request. Thereafter, the Borrower may elect to convert such Borrowing to a different Type or to continue such Borrowing and, in the case of a Eurodollar Borrowing, may elect Interest Periods therefor, all as provided in this Section. The Borrower may elect different options with respect to different portions of the affected Borrowing, in which case each such portion shall be allocated ratably among the Lenders holding the Loans comprising such Borrowing, and the Loans comprising each such portion shall be considered a separate Borrowing.

(b) To make an election pursuant to this Section, the Borrower shall notify the Administrative Agent of such election by telephone by the time that a Borrowing Request would be required under Section 2.02 if the Borrower were requesting a Borrowing of the Type resulting from such election to be made on the effective date of such election. Each such telephonic Interest Election Request shall be irrevocable and shall be confirmed promptly by hand delivery or telecopy to the Administrative Agent of a written Interest Election Request in substantially the form of Exhibit G (or such other form as shall be approved by the Administrative Agent) and signed by the Borrower.

(c) Each telephonic and written Interest Election Request shall specify the following information in compliance with Section 2.02:

(i) the Borrowing to which such Interest Election Request applies and, if different options are being elected with respect to different portions thereof, the portions thereof to be allocated to each resulting Borrowing (in which case the information to be specified pursuant to clauses (iii) and (iv) below shall be specified for each resulting Borrowing);

(ii) the effective date of the election made pursuant to such Interest Election Request, which shall be a Business Day;

(iii) whether the resulting Borrowing is to be an ABR Borrowing or a Eurodollar Borrowing; and

(iv) if the resulting Borrowing is a Eurodollar Borrowing, the Interest Period to be applicable thereto after giving effect to such election, which shall be a period contemplated by the definition of the term "Interest Period".

If any such Interest Election Request requests a Eurodollar Borrowing but does not specify an Interest Period, then the Borrower shall be deemed to have selected an Interest Period of one month's duration.

(d) Promptly following receipt of an Interest Election Request, the Administrative Agent shall advise each Lender of the details thereof and of such Lender's portion of each resulting Borrowing.

(e) If the Borrower fails to deliver a timely Interest Election Request with respect to a Eurodollar Borrowing prior to the end of the Interest Period applicable thereto, then, unless such Borrowing is repaid as provided herein, at the end of such Interest Period such Borrowing shall be converted to an ABR Borrowing. Notwithstanding any contrary provision hereof, if an Event of Default has occurred and is continuing and the Administrative Agent, at the request of the Required Lenders, so notifies the Borrower, then, so long as an Event of Default is continuing (i) no outstanding Borrowing may be converted to or continued as a Eurodollar Borrowing and (ii) unless repaid, each Eurodollar Borrowing shall be converted to an ABR Borrowing at the end of the Interest Period applicable thereto.

SECTION 2.07. Mandatory Termination or Reduction of Commitments.

Unless previously terminated, the Commitments shall terminate on the Termination Date.

SECTION 2.08. Mandatory Prepayments.

(a) If at any time the Total Outstanding Principal exceeds the Aggregate Commitments then in effect for any reason whatsoever (including, without limitation, as a result of any reduction in the Aggregate Commitments pursuant to Section 2.09), the Borrower shall prepay ...s or cash collateralize LC Exposure in an account with the Administrative Agent pursuant to the final paragraph of Section 8.01, as ...icable, in such aggregate amount (together with accrued interest thereon to the extent required by Section 2.13) as shall be necessary so ..., after giving effect to such prepayment, the Total Outstanding Principal does not exceed the Aggregate Commitments.

(b) Each prepayment of Loans pursuant to this Section 2.08 shall be accompanied by the Borrower's payment of any amounts payable under Section 2.16 in connection with such prepayment. Prepayments of Revolving Loans shall be applied ratably to the Loans so prepaid.

SECTION 2.09. Optional Reduction of Commitments.

(a) The Borrower may at any time terminate, or from time to time reduce, the Commitments (including the unused Letter of Credit Commitments of the LC Banks); *provided* that (i) each reduction of the Commitments shall be in an amount that is an integral multiple of $10,000,000 and (ii) the Borrower shall not terminate or reduce the Commitments if, after giving effect to any concurrent prepayment of the Loans in accordance with Section 2.11, the Total Outstanding Principal would exceed the Aggregate Commitments thereafter in effect.

(b) The Borrower shall notify the Administrative Agent of any election to terminate or reduce the Commitments under Section 2.09(a) at least five Business Days prior to the effective date of such termination or reduction, specifying such election and the effective date thereof. Promptly following receipt of any notice, the Administrative Agent shall advise the Lenders of the contents thereof. Each notice delivered by the Borrower pursuant to this Section shall be irrevocable; *provided* that a notice of termination of the Commitments delivered by the Borrower may state that such notice is conditioned upon the effectiveness of other credit facilities, in which case such notice may be revoked by the Borrower (by notice to the Administrative Agent on or prior to the specified effective date) if such condition is not satisfied. Any termination or reduction of the Commitments shall be permanent.

(c) Each reduction of the Commitments pursuant to this Section 2.09 shall be made ratably among the Lenders in accordance with their respective Commitments immediately preceding such reduction.

SECTION 2.10. Repayment of Loans; Evidence of Debt.

(a) The Borrower hereby unconditionally promises to pay to the Administrative Agent (i) for the account of each Lender the then unpaid principal amount of each Revolving Loan on the Termination Date, (ii) for the account of each Lender the then unpaid principal amount of each ABR Loan deemed to be made pursuant to Section 2.04(d) on the maturity date therefor as determined pursuant to Section 2.04(d) and (iii) for ...ccount of the Swingline Lender the then unpaid principal amount of each Swingline Loan on the maturity date therefor as determined ...uant to Section 2.03.

(b) Each Lender (including the Swingline Lender) shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Borrower to such Lender resulting from each Loan (including each Swingline Loan) made by such Lender, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder.

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(c) The Administrative Agent shall maintain accounts in which it shall record (i) the amount of each Loan made hereunder, the Class and Type thereof and the Interest Period applicable thereto, (ii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder and (iii) the amount of any sum received by the Administrative Agent hereunder for the account of the Lenders (including the Swingline Lender) and each Lender's share thereof.

(d) The entries made in the accounts maintained pursuant to paragraph (b) or (c) of this Section shall be *prima facie* evidence of the existence and amounts of the obligations recorded therein; *provided* that the failure of any Lender or the Administrative Agent to maintain such accounts or any error therein shall not in any manner affect the obligation of the Borrower to repay the Loans in accordance with the terms of this Agreement.

(e) Any Lender (including the Swingline Lender) may request that Loans made by it be evidenced by a promissory note. In such event, the Borrower shall prepare, execute and deliver to such Lender a promissory note payable to the order of such Lender (or, if requested by such Lender, to such Lender and its registered assigns) and in substantially the form of Exhibit F. Thereafter, the Loans evidenced by such promissory note and interest thereon shall at all times (including after assignment pursuant to Section 11.04) be represented by one or more promissory notes in such form payable to the order of the payee named therein (or, if such promissory note is a registered note, to such payee and its registered assigns).

SECTION 2.11. Optional Prepayment of Loans.

(a) The Borrower shall have the right at any time and from time to time to prepay any Borrowing (including any Swingline Borrowing) in whole or in part, subject to prior notice in accordance with paragraph (b) of this Section.

(b) The Borrower shall notify the Administrative Agent by telephone (confirmed by telecopy) of any prepayment hereunder (i) in the case of prepayment of a Eurodollar Borrowing, not later than 11:00 a.m., New York City time, three Business Days before the date of prepayment, (ii) in the case of prepayment of an ABR Borrowing, not later than 11:00 a.m., New York City time, one Business Day before the date of prepayment or (iii) in the case of prepayment of a Swingline Borrowing, not later than 11:00 a.m., New York City time, on the date of prepayment. Each such notice shall be irrevocable and shall specify the prepayment date and the principal amount of each Borrowing or portion thereof to be prepaid; *provided* that, if a notice of prepayment is given in connection with a conditional notice of termination of the Commitments as contemplated by Section 2.09, then such notice of prepayment may be revoked if such notice of termination is revoked in accordance with Section 2.09. Each such telephonic notice of prepayment shall be confirmed promptly by hand delivery or telecopy to the Administrative Agent of a prepayment notice in substantially the form of Exhibit H (or such other form as shall be approved by the Administrative Agent) and signed by the Borrower. Promptly following receipt of any such notice relating to a Borrowing, the Administrative Agent shall advise the Lenders of the contents thereof. Each partial prepayment of any Revolving

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Borrowing shall be in an amount that would be permitted in the case of an advance of a Revolving Borrowing of the same Type as provided in Section 2.02, and each partial prepayment of a Swingline Borrowing shall be in an amount not less than $100,000 or an integral multiple thereof, it being understood that the foregoing minimums shall not apply to the prepayment in whole of the outstanding Revolving Loans of all Lenders or to the prepayment in whole of the outstanding Swingline Loans of the Swingline Lender. Each prepayment of a Revolving Borrowing shall be applied ratably to the Loans included in the prepaid Revolving Borrowing. Prepayments shall be accompanied by accrued interest to the extent required by Section 2.13 and by any amounts payable under Section 2.16 in connection with such prepayment.

SECTION 2.12. Fees.

(a) The Borrower agrees to pay to the Administrative Agent for the account of each Lender a facility fee (each a " ***Facility Fee*** "), which shall accrue at the Applicable Rate on the daily amount of the Commitment of such Lender (whether used or unused) during the period from and including the Effective Date to but excluding the date on which such Commitment terminates; *provided* that, if such Lender continues to have any Revolving Credit Exposure after its Commitment terminates, then such Facility Fee shall continue to accrue on the daily amount of such Lender's Revolving Credit Exposure from and including the date on which its Commitment terminates to but excluding the date on which such Lender ceases to have any Revolving Credit Exposure. Accrued Facility Fees shall be payable in arrears on the last day of March, June, September and December of each year and on the date on which the Commitments terminate, commencing on the first such date to occur after the Effective Date; *provided* that any Facility Fees accruing after the date on which the Commitments terminate shall be payable on demand. All Facility Fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

(b) The Borrower agrees to pay to the Administrative Agent for the account of each Lender a letter of credit risk participation fee (each a " ***LC Risk Participation Fee*** "), which shall accrue at the Applicable Rate on the average daily amount of the LC Outstandings during the period from and including the Effective Date to but excluding the Termination Date or such later date as on which there shall cease to be any LC Outstandings. Accrued LC Risk Participation Fees shall be payable in arrears on the last day of March, June, September and December of each year and on the date on which the Commitments terminate, commencing on the first such date to occur after the Effective Date; *provided* that any LC Risk Participation Fees accruing after the date on which the Commitments terminate shall be payable on demand. All LC Risk Participation Fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day). The Borrower shall also pay to the LC Bank for its own account (x) a fronting fee, which fronting fee shall accrue at a per annum rate agreed upon between the Borrower and the applicable LC Bank on the average daily amount of such LC Outstandings in respect of all Letters of Credit issued by such LC Bank during the period each such Letter of Credit shall be outstanding, which fronting fee shall be payable in arrears on the last day of March, June, September and December of each year and on the date on which such Letter of Credit terminates, and (y) documentary and processing charges in connection with the issuance, or modification cancellation, negotiation, or transfer of, and draws under Letters of Credit issued by such LC Bank in accordance with such LC Bank's standard schedule for charges as in effect from time to time.

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(c) The Borrower agrees to pay to the Administrative Agent and each of the Lead Lenders, in each case for its own account and for the account of the other Persons entitled thereto, the fees provided for in the applicable fee letter dated April 23, 2012, executed and delivered with respect to the credit facility provided for herein, in each case, in the amounts and at the times set forth therein and in immediately available funds.

(d) All fees payable hereunder, with the exception of the fees paid directly to an LC Bank pursuant to paragraph (b) of this Section, shall be paid to the Administrative Agent (for the ratable distribution, in the case of Facility Fees and LC Risk Participation Fees, to the Lenders) on the dates due, in immediately available funds. Fees due and paid shall not be refundable under any circumstances.

SECTION 2.13. Interest.

(a) The Loans comprising each ABR Borrowing shall bear interest at a rate *per annum* equal to the Alternate Base Rate plus the Applicable Rate.

(b) The Loans comprising each Eurodollar Borrowing shall bear interest at a rate *per annum* equal to the LIBO Rate for the Interest Period in effect for such Borrowing plus the Applicable Rate.

(c) Each Swingline Loan shall bear interest at a rate *per* annum equal to the Swingline Rate, as determined for such Swingline Loan and notified by the Swingline Lender to the Borrower in accordance with Section 2.03(a).

(d) Notwithstanding the foregoing, if any principal of or interest on any Loan or any fee or other amount payable by the Borrower hereunder is not paid when due, whether at stated maturity, upon acceleration or otherwise, such overdue amount shall bear interest, after as well as before judgment, at a rate *per annum* equal to (i) in the case of overdue principal of any Loan, 2% plus the rate otherwise applicable to such Loan as provided above or (ii) in the case of any other amount, 2% plus the rate applicable to ABR Loans as provided above.

(e) Accrued interest on each Loan shall be payable in arrears on each Interest Payment Date for such Loan; *provided* that (i) interest accrued pursuant to paragraph (d) of this Section shall be payable on demand, (ii) in the event of any repayment or prepayment of any Loan, accrued interest on the principal amount repaid or prepaid shall be payable on the date of such repayment or prepayment, (iii) in the event of any conversion of any Eurodollar Revolving Loan prior to the end of the current Interest Period therefor, accrued interest on such Loan shall be payable on the effective date of such conversion and (iv) all accrued interest shall be payable upon termination of the Commitments.

(f) All interest hereunder shall be computed on the basis of a year of 360 days, except that interest computed by reference to the Alternate Base Rate at times when the Alternate Base Rate is based on the Prime Rate shall be computed on the basis of a year of 365 days (or 366 days in a leap year), and in each case shall be payable for the actual number of days elapsed (including the first day but excluding the last day). The applicable Alternate Base Rate or LIBO Rate shall be determined by the Administrative Agent, and such determination shall be conclusive absent manifest error.

SECTION 2.14. Alternate Rate of Interest. If prior to the commencement of any Interest Period for a Eurodollar Borrowing:

(a) the Administrative Agent reasonably determines (which determination shall be conclusive absent manifest error) that adequate and reasonable means do not exist for ascertaining the LIBO Rate for such Interest Period; or

(b) the Administrative Agent is advised by the Required Lenders that the LIBO Rate for such Interest Period will not adequately and fairly reflect the cost to such Lenders of making or maintaining their Loans included in such Borrowing for such Interest Period;

then the Administrative Agent shall give notice thereof to the Borrower and the Lenders by telephone or telecopy as promptly as practicable thereafter and, until the Administrative Agent notifies the Borrower and the Lenders that the circumstances giving rise to such notice no longer exist, (i) any Interest Election Request that requests the conversion of any Revolving Borrowing to, or continuation of any Revolving Borrowing as, a Eurodollar Borrowing shall be ineffective and (ii) if any Borrowing Request requests a Eurodollar Revolving Borrowing, such Borrowing shall be made as an ABR Borrowing.

SECTION 2.15. Increased Costs. (a) If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Lender or any LC Bank (except any such reserve requirement described in paragraph (e) of this Section);

(ii) impose on any Lender or any LC Bank or the London interbank market any other condition affecting this Agreement or Eurodollar Loans made by such Lender or participation therein or Unreimbursed LC Disbursements or Letters of Credit and participations therein; or

(iii) subject the Administrative Agent or any Lender to any Taxes (other than (A) Indemnified Taxes, (B) Excluded Taxes and (C) Other Taxes imposed on or with respect to any payment made by or on account of any obligations of any Credit Party under the Credit Documents) on its loans, loan principal, Letter of Credit Commitment or other obligations, or its deposits, reserves, other liabilities or capital attributable thereto;

and the result of any of the foregoing shall be to increase the cost to the Administrative Agent, such Lender or such LC Bank of making or maintaining any Loan or Unreimbursed LC Disbursement or issuing or maintaining Letters of Credit and participation interests therein (or of maintaining its obligation to make any such Loan or issue or participate in such Letter of Credit) or to reduce the amount of any sum received or receivable by the Administrative Agent, such Lender or such LC Bank hereunder (whether of principal, interest or otherwise), then the Borrower will pay to the Administrative Agent, such Lender or such LC Bank, as the case may be, such additional amount or amounts as will compensate the Administrative Agent, such Lender or such LC Bank for such additional costs incurred or reduction suffered.

(b) If any Lender or any LC Bank determines that any Change in Law regarding capital or liquidity requirements has or would have the effect of reducing the rate of return on such Lender's or such LC Bank's capital or on the capital of its holding company, if any, as a consequence of this Agreement to a level below that which such Lender or such LC Bank or its holding company could have achieved but for such Change in Law (taking into consideration its policies and the policies of its holding company with respect to capital adequacy and liquidity), then from time to time the Borrower will pay to such Lender or such LC Bank, as the case may be, such additional amount or amounts as will compensate it or its holding company for any such reduction suffered.

(c) A certificate of a Lender or the applicable LC Bank, as the case may be, setting forth the amount or amounts necessary to compensate it or its holding company as specified in paragraph (a) or (b) of this Section shall be delivered to the Borrower and shall be conclusive absent manifest error. The Borrower shall pay the amount shown as due on any such certificate within 10 days after receipt thereof.

(d) Failure or delay on the part of any Lender or any LC Bank to demand compensation pursuant to this Section shall not constitute a waiver of its right to demand such compensation; provided that the Borrower shall not be required to compensate a Lender pursuant to this Section for any increased costs or reductions incurred more than ninety days prior to the date that such Lender or such LC Bank notifies the Borrower of the Change in Law giving rise to such increased costs or reductions and of its intention to claim compensation therefor; provided, further that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the ninety day period referred to above shall be extended to include the period of retroactive effect thereof.

(e) The Borrower shall pay (without duplication as to amounts paid under this Section 2.15) to each Lender, so long as such Lender shall be required under regulations of the Board to maintain reserves with respect to liabilities or assets consisting of or including Eurocurrency Liabilities, additional interest on the unpaid principal amount of each Eurodollar Loan of such Lender, from the date of such Loan until such principal amount is paid in full, at an interest rate per annum equal at all times to the remainder obtained by subtracting (i) the LIBO Rate for the Interest Period for such Loan from (ii) the rate obtained by dividing such LIBO Rate by a percentage equal to 100% minus the Eurodollar Rate Reserve Percentage of such Lender for such Interest Period, payable on each date on which interest is payable on such Loan. Such additional interest determined by such Lender and notified to the Borrower and the Administrative Agent, accompanied by the calculation of the amount thereof, shall be conclusive and binding for all purposes absent manifest error.

(f) If any Lender determines that any law has made it unlawful, or that any Governmental Authority has asserted that it is unlawful, for any Lender or its applicable lending office to make, maintain or fund Eurodollar Loans, or to determine or charge interest rates based upon the LIBO Rate, or any Governmental Authority has imposed material restrictions on the authority of such Lender to purchase or sell, or to take deposits of, Dollars in the London interbank market, then, on notice thereof by such Lender to the Borrower through the Administrative Agent, any obligation of such Lender to make or continue Eurodollar Loans or to convert ABR Loans to Eurodollar Loans shall be suspended until such Lender notifies the

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Administrative Agent and the Borrower that the circumstances giving rise to such determination no longer exist. Upon receipt of such notice, the Borrower shall, upon demand from such Lender (with a copy to the Administrative Agent), prepay or, if applicable, convert all Eurodollar Loans of such Lender to ABR Loans, either on the last day of the Interest Period therefor, if such Lender may lawfully continue to maintain such Eurodollar Loans to such day, or immediately, if such Lender may not lawfully continue to maintain such Eurodollar Loans. Upon any such prepayment or conversion, the Borrower shall also pay accrued interest on the amount so prepaid or converted.

SECTION 2.16. Break Funding Payments. In the event of (a) the payment of any principal of any Eurodollar Loan other than on the last day of an Interest Period applicable thereto (including as a result of an Event of Default), (b) the conversion of any Eurodollar Loan other than on the last day of the Interest Period applicable thereto, (c) the failure to borrow, convert, continue or prepay any Revolving Loan on the date specified in any notice delivered pursuant hereto (regardless of whether such notice is permitted to be revocable under Section 2.11(b) and is revoked in accordance therewith), or (d) the assignment of any Eurodollar Loan other than on the last day of the Interest Period applicable thereto as a result of a request by the Borrower pursuant to Section 2.19, then, in any such event, the Borrower shall compensate each Lender for the loss, cost and expense attributable to such event. In the case of a Eurodollar Loan, the loss to any Lender attributable to any such event shall be deemed to include an amount reasonably determined by such Lender to be equal to the excess, if any, of (x) the amount of interest that such Lender would pay for a deposit equal to the principal amount of such Loan for the period from the date of such payment, conversion, failure or assignment to the last day of the then current Interest Period for such Loan (or, in the case of a failure to borrow, convert or continue, the duration of the Interest Period that would have resulted from such borrowing, conversion or continuation) if the interest rate payable on such deposit were equal to the LIBO Rate for such Interest Period, over (y) the amount of interest that such Lender would earn on such principal amount for such period if such Lender were to invest such principal amount for such period at the interest rate that would be bid by such Lender (or an affiliate of such Lender) for dollar deposit from other banks in the eurodollar market at the commencement of such period. A certificate of any Lender setting forth any amount or amounts that such Lender is entitled to receive pursuant to this Section shall be delivered to the Borrower and shall be conclusive absent manifest error. The Borrower shall pay such Lender the amount shown as due on any such certificate within 10 days after receipt thereof.

SECTION 2.17. Taxes.

(a) Any and all payments by or on account of any obligation of the Borrower hereunder shall be made free and clear of and without deduction for any Indemnified Taxes or Other Taxes; *provided* that if any Credit Party shall be required to deduct any Indemnified Taxes or Other Taxes from such payments, then (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section) the Administrative Agent, LC Bank or Lender (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) such Credit Party shall make such deductions and (iii) such Credit Party shall pay the full amount deducted to the relevant Governmental Authority in accordance with applicable law.

(b) In addition, the Borrower shall pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law.

(c) The Borrower shall indemnify the Administrative Agent, each LC Bank and each Lender, within 10 days after written demand therefor, for the full amount of any Indemnified Taxes or Other Taxes (and for any Taxes imposed or asserted on or attributable to amounts payable under this Section) paid by the Administrative Agent, such LC Bank or such Lender, as the case may be, and any penalties, interest reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Borrower by a Lender or any LC Bank, or by the Administrative Agent on its own behalf or on behalf of a Lender or any LC Bank, shall be conclusive absent manifest error.

(d) As soon as practicable after any payment of Indemnified Taxes or Other Taxes by a Credit Party to a Governmental Authority, such Credit Party shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(e) Any Foreign Lender that is entitled to an exemption from or reduction of withholding tax under the laws of the jurisdiction in which the Borrower or the Guarantor is located, or any treaty to which such jurisdiction is a party, with respect to payments under this Agreement shall deliver to the Borrower (with an additional original or a photocopy, as required under applicable rules and procedures, to the Administrative Agent), at the time or times prescribed by applicable law or reasonably requested by the Borrower, such properly completed and executed documentation prescribed by applicable law as shall be necessary to permit such payments to be made without withholding or at a reduced rate. Further, in those circumstances as shall be necessary to allow payments hereunder to be made free of (or at a reduced rate of) withholding tax, each other Lender and the Administrative Agent, as applicable, shall deliver to Borrower such documentation as the Borrower may reasonably request in writing.

(f) Except with the prior written consent of the Administrative Agent, all amounts payable by a Credit Party hereunder shall be made by such Credit Party in its own name and for its own account from within the United States by a payor that is a United States person (within the meaning of Section 7701 of the Code).

(g) If a payment made to a Lender under any Credit Document would be subject to U.S. Federal withholding Tax imposed by FATCA if such Lender were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Code, as applicable), such Lender shall deliver to the Borrower and the Administrative Agent at the time or times prescribed by Law and at such time or times reasonably requested by the Borrower or the Administrative Agent such documentation prescribed by applicable Law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional documentation reasonably requested by the Borrower or the Administrative Agent as may be necessary for the Borrower and the Administrative Agent to comply with their obligations under FATCA and to determine that such Lender has complied with such Lender's obligations under FATCA or to determine the amount to deduct and withhold from such payment. Solely for purposes of this clause (g), "FATCA" shall include any amendments made to FATCA after the date of this Agreement.

SECTION 2.18. Payments Generally; Pro Rata Treatment; Sharing of Set-Offs.

(a) The Borrower shall make each payment required to be made by it hereunder (whether of principal, interest or fees, or under Section 2.15, 2.16, 2.17 or 11.03, or otherwise) prior to 12:00 noon, New York City time, on the date when due, in immediately available funds, without set-off or counterclaim. Any amounts received after such time on any date may, in the discretion of the Administrative Agent, be deemed to have been received on the next succeeding Business Day for purposes of calculating interest thereon. All such payments shall be made to the Administrative Agent at its offices at 745 Seventh Avenue, New York, NY 10019, except that payments pursuant to Sections 2.15, 2.16, 2.17 and 11.03 shall be made directly to the Persons entitled thereto. The Administrative Agent shall distribute any such payments received by it for the account of any other Person to the appropriate recipient promptly following receipt thereof. If any payment hereunder shall be due on a day that is not a Business Day, the date for payment shall be extended to the next succeeding Business Day, and, in the case of any payment accruing interest, interest thereon shall be payable for the period of such extension. All payments hereunder shall be made in Dollars.

(b) If at any time insufficient funds are received by and available to the Administrative Agent to pay fully all amounts of principal, interest and fees then due hereunder, such funds shall be applied (i) first, to pay interest and fees then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of interest and fees then due to such parties, and (ii) second, to pay principal then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of principal then due to such parties.

(c) If any Lender shall, by exercising any right of set-off or counterclaim or otherwise, obtain payment in respect of any principal of or interest on any of the Obligations owing to it resulting in such Lender receiving payment of a greater proportion of the aggregate amount of such Obligations and accrued interest thereon than the proportion received by any other Lender, then the Lender receiving such greater proportion shall purchase (for cash at face value) participations in the Revolving Loans of, or other Obligations owing to, other Lenders to the extent necessary so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of principal of and accrued interest on their respective Revolving Loans or other Obligations, as applicable; *provided* that (i) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest, and (ii) the provisions of this paragraph shall not be construed to apply to any payment made by the Borrower pursuant to and in accordance with the express terms of this Agreement or any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans to any assignee or participant, other than to the Guarantor, the Borrower or any other Subsidiary or Affiliate of the Guarantor (as to which the provisions of this paragraph shall apply). The Borrower and the Guarantor consent to the foregoing and agree, to the extent they may effectively do so under applicable law, that any Lender acquiring a

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participation pursuant to the foregoing arrangements may exercise against the Borrower and the Guarantor rights of set-off and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of the Borrower or the affected Guarantor in the amount of such participation.

(d) Unless the Administrative Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Administrative Agent for the account of the Lenders hereunder that the Borrower will not make such payment, the Administrative Agent may assume that the Borrower has made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to the Lenders the amount due. In such event, if the Borrower has not in fact made such payment, then each of the Lenders severally agrees to repay to the Administrative Agent forthwith on demand the amount so distributed to such Lender with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Administrative Agent, at the Federal Funds Effective Rate.

(e) If any Lender shall fail to make any payment required to be made by it pursuant to Section 2.03(c), 2.04(e), 2.05(b) or 2.18(d), then the Administrative Agent may, in its discretion (notwithstanding any contrary provision hereof), apply any amounts thereafter received by the Administrative Agent for the account of such Lender to satisfy such Lender's obligations under such Sections until all such unsatisfied obligations are fully paid.

SECTION 2.19. Mitigation Obligations; Replacement of Lenders.

(a) Any Lender claiming reimbursement or compensation from the Borrower under either of Sections 2.15 and 2.17 for any losses, costs or other liabilities shall use reasonable efforts (including, without limitation, reasonable efforts to designate a different lending office of such Lender for funding or booking its Loans or to assign its rights and obligations hereunder to another of its offices, branches or affiliates) to mitigate the amount of such losses, costs and other liabilities, if such efforts can be made and such mitigation can be accomplished without such Lender suffering (i) any economic disadvantage for which such Lender does not receive full indemnity from the Borrower under this Agreement or (ii) otherwise be disadvantageous to such Lender.

(b) In determining the amount of any claim for reimbursement or compensation under Sections 2.15 and 2.17, each Lender will use reasonable methods of calculation consistent with such methods customarily employed by such Lender in similar situations.

(c) Each Lender will notify the Borrower either directly or through the Administrative Agent of any event giving rise to a claim under Section 2.15 or Section 2.17 promptly after the occurrence thereof which notice shall be accompanied by a certificate of such Lender setting forth in reasonable detail the circumstances of such claim.

(d) If any Lender requests compensation under Section 2.15, or if the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.17, or if any Lender becomes a Defaulting Lender, then the Borrower may, at its sole expense and effort, upon notice to such Lender and the Administrative Agent, require such Lender to assign and delegate, without recourse (in

accordance with and subject to the restrictions contained in Section 11.04, provided that the Administrative Agent may, in its sole discretion, elect to waive the $3,500 processing and recordation fee in connection therewith), all its interests, rights and obligations under this Agreement to an assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment); *provided* that (i) the Borrower shall have received the prior written consent of the Administrative Agent and each LC Bank, which consent, in the case of the Administrative Agent, shall not unreasonably be withheld and, in the case of each LC Bank, may be given or withheld in the sole discretion of such LC Bank, (ii) such Lender shall have received payment of an amount equal to the outstanding principal of its Loans, accrued interest thereon, accrued fees and all other amounts payable to it hereunder, from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrower (in the case of all other amounts) and (iii) in the case of any such assignment resulting from a claim for compensation under Section 2.15 or payments required to be made pursuant to Section 2.17, such assignment will result in a reduction in such compensation or payments. A Lender shall not be required to make any such assignment and delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Borrower to require such assignment and delegation cease to apply.

SECTION 2.20. Defaulting Lenders.

Notwithstanding any provision of this Agreement to the contrary, if any Lender becomes a Defaulting Lender, then the following provisions shall apply for so long as such Lender is a Defaulting Lender:

(a) fees shall cease to accrue on the Commitment of such Defaulting Lender pursuant to Section 2.12(a);

(b) the Commitment and Revolving Credit Exposure of such Defaulting Lender shall not be included in determining whether the Required Lenders have taken or may take any action hereunder (including any consent to any amendment, waiver or other modification pursuant to Section 11.02); provided, that this clause (b) shall not apply to the vote of a Defaulting Lender in the case of an amendment, waiver or other modification requiring the consent of such Lender or each Lender affected thereby;

(c) if any Swingline Exposure or LC Exposure exists at the time such Lender becomes a Defaulting Lender then:

(i) so long as no Default shall be continuing, all or any part of the Swingline Exposure and LC Exposure of such Defaulting Lender shall be reallocated among the non-Defaulting Lenders in accordance with their respective Applicable Percentages but only to the extent the sum of all non-Defaulting Lenders' Revolving Credit Exposures plus such Defaulting Lender's Swingline Exposure and LC Exposure does not exceed the total of all non-Defaulting Lenders' Commitments and to the extent the sum of each non-Defaulting Lender's Revolving Credit Exposure, Swingline Exposure and LC Exposure does not exceed such non-Defaulting Lender's Commitment;

(ii) if the reallocation described in clause (i) above cannot, or can only partially, be effected, the Borrower shall within one (1) Business Day following notice by the Administrative Agent (x) first, prepay such Swingline Exposure and (y) second, cash collateralize for the benefit of the applicable LC Bank only the Borrower's obligations corresponding to such Defaulting Lender's LC Exposure (after giving effect to any partial reallocation pursuant to clause (i) above) in accordance with the procedures set forth in the paragraph of Section 8.01 for so long as such LC Exposure is outstanding;

(iii) if the Borrower cash collateralizes any portion of such Defaulting Lender's LC Exposure pursuant to clause (ii) above, the Borrower shall not be required to pay any fees to such Defaulting Lender pursuant to Section 2.12(b) or the applicable LC Bank pursuant to Section 2.12(b)(x) (solely with respect to any fronting fee), in each case with respect to such Defaulting Lender's LC Exposure during the period such Defaulting Lender's LC Exposure is cash collateralized;

(iv) if the LC Exposure of the non-Defaulting Lenders is reallocated pursuant to clause (i) above, then the fees payable to the Lenders pursuant to Section 2.12(b) shall be adjusted in accordance with such non-Defaulting Lenders' Applicable Percentages; and

(v) if all or any portion of such Defaulting Lender's LC Exposure is neither reallocated nor cash collateralized pursuant to clause (i) or (ii) above, then, without prejudice to any rights or remedies of any LC Bank or any other Lender hereunder, all Facility Fees that otherwise would have been payable to such Defaulting Lender (solely with respect to the portion of such Defaulting Lender's Commitment that was utilized by such LC Exposure) and letter of credit fees payable under Section 2.12(b) with respect to such Defaulting Lender's LC Exposure shall be payable to the applicable LC Bank until and to the extent that such LC Exposure is reallocated and/or cash collateralized; and

(d) so long as such Lender is a Defaulting Lender, the Swingline Lender shall not be required to fund any Swingline Loan and the LC Banks shall not be required to issue, amend or increase any Letter of Credit, unless it is reasonably satisfied that (i) the related exposure and the Defaulting Lender's then outstanding LC Exposure will be 100% covered by the Commitments of the non-Defaulting Lenders and/or cash collateral will be provided by the Borrower in accordance with Section 2.20(c), and (ii) participating interests in any such newly made Swingline Loan or any newly issued or increased Letter of Credit shall be allocated among non-Defaulting Lenders in a manner consistent with Section 2.20(c)(i) (and such Defaulting Lender shall not participate therein).

If (i) a Bankruptcy Event with respect to a Parent of any Lender shall occur following the date hereof and for so long as such event shall continue or (ii) the Swingline Lender or any LC Bank has a good faith belief that any Lender has defaulted in fulfilling its obligations under one or more other agreements in which such Lender commits to extend credit, the Swingline Lender shall not be required to fund any Swingline Loan and no LC Bank shall be required to issue, amend or increase any Letter of Credit, unless the Swingline Lender or the applicable LC Bank, as the case may be, shall have entered into arrangements with the Borrower or such Lender, satisfactory to the Swingline Lender or the applicable LC Bank, as the case may be, to defease any risk to it in respect of such Lender hereunder.

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In the event that the Administrative Agent, the Borrower, the Swingline Lender and the LC Banks each agrees that a Defaulting Lender has adequately remedied all matters that caused such Lender to be a Defaulting Lender, then the Swingline Exposure and LC Exposure of the Lenders shall be readjusted to reflect the inclusion of such Lender's Commitment and on such date such Lender shall purchase at par such of the Loans of the other Lenders (other than Swingline Loans) as the Administrative Agent shall determine may be necessary in order for such Lender to hold such Loans in accordance with its Applicable Percentage.

ARTICLE III
CONDITIONS

SECTION 3.01. Conditions Precedent to the Effectiveness of this Agreement. This Agreement shall not become effective until the date on which each of the following conditions is satisfied (or waived in accordance with Section 11.02).

(a) The Administrative Agent (or its counsel) shall have received from each party thereto either (i) a counterpart of this Agreement signed on behalf of such party or (ii) written evidence satisfactory to the Administrative Agent (which may include facsimile or electronic transmission of a signed signature page of this Agreement) that such party has signed a counterpart of this Agreement.

(b) The Lenders, the Administrative Agent, the Arrangers and each other Person entitled to the payment of fees or the reimbursement or payment of expenses, pursuant hereto or to those certain fee letters dated April 23, 2012, executed and delivered with respect to the credit facility provided for herein, shall have received all fees required to be paid by the Effective Date (including, without limitation, all fees owing on the Effective Date under Section 2.12(c) hereof), and all expenses for which invoices have been presented on or before the Effective Date.

(c) The Administrative Agent shall have received certified copies of the resolutions of the Board of Directors of each of the Guarantor and the Borrower approving this Agreement, and of all documents evidencing other necessary corporate action and governmental and regulatory approvals with respect to this Agreement.

(d) The Administrative Agent shall have received from each of the Borrower and the Guarantor, to the extent generally available in the relevant jurisdiction, a copy of a certificate or certificates of the Secretary of State (or other appropriate public official) of the jurisdiction of its incorporation, dated reasonably near the Effective Date, (i) listing the charters of the Borrower or the Guarantor, as the case may be, and each amendment thereto on file in such office and certifying that such amendments are the only amendments to the Borrower's or the Guarantor's charter, as the case may be, on file in such office, and (ii) stating, in the case of the Borrower, that the Borrower is authorized to transact business under the laws of the jurisdiction of its place of incorporation, and, in the case of the Guarantor, that the Guarantor is duly incorporated and in good standing under the laws of the jurisdiction of its place of incorporation.

(e) (i) The Administrative Agent shall have received a certificate or certificates of each of the Borrower and the Guarantor, signed on behalf of the Borrower and the Guarantor respectively, by a the Secretary, an Assistant Secretary or a Responsible Officer thereof, dated the Effective Date, certifying as to (A) the absence of any amendments to the charter of the Borrower or the Guarantor, as the case may be, since the date of the certificates referred to in paragraph (d) above, (B) a true and correct copy of the bylaws of each of the Borrower or the Guarantor, as the case may be, as in effect on the Effective Date, (C) the absence of any proceeding for the dissolution or liquidation of the Borrower or the Guarantor, as the case may be, (D) the truth, in all material respects, of the representations and warranties contained in the Credit Documents to which the Borrower or the Guarantor is a party, as the case may be, as though made on and as of the Effective Date, and (E) the absence, as of the Effective Date, of any Default or Event of Default; and (ii) each of such certifications shall be true.

(f) The Administrative Agent shall have received a certificate of the Secretary or an Assistant Secretary of each of the Guarantor and the Borrower certifying the names and true signatures of the officers of Guarantor or the Borrower, as the case may be, authorized to sign, and signing, this Agreement and the other Credit Documents to be delivered hereunder on or before the Effective Date.

(g) The Administrative Agent shall have received from Schiff Hardin LLP, counsel for the Guarantor and the Borrower, a favorable opinion, substantially in the form of Exhibit B hereto and as to such other matters as any Lender through the Administrative Agent may reasonably request.

SECTION 3.02. Conditions Precedent to Each Extension of Credit. The obligation of each Lender to make any Extension of Credit and of each LC Bank to issue, extend (other than an extension pursuant to an automatic extension provision set forth in the applicable Letter of Credit) or amend any Letter of Credit (including the initial Extension of Credit but excluding any conversion or continuation of any Loan) shall be subject to the satisfaction (or waiver in accordance with Section 11.02) of each of the following conditions:

(a) The representations and warranties of the Guarantor and the Borrower set forth in this Agreement (other than the representation and warranty set forth in Section 4.01(f)) shall be true and correct in all material respects on and as of the date of such Extension of Credit, except to the extent that such representations and warranties are specifically limited to a prior date, in which case such representations and warranties shall be true and correct in all material respects on and as of such prior date.

(b) After giving effect to (A) such Extension of Credit, together with all other Extensions of Credit to be made contemporaneously therewith, and (B) the repayment of any Loans or Unreimbursed LC Disbursements that are to be contemporaneously repaid at the time such Loan is made, such Extension of Credit will not result in the sum of the then Total Outstanding Principal exceeding the Aggregate Commitments.

(c) Such Extension of Credit will comply with all other applicable requirements of Article II, including, without limitation Sections 2.01, 2.02, 2.03 and 2.04, as applicable.

(d) At the time of and immediately after giving effect to such Extension of Credit, no Default or Event of Default shall have occurred and be continuing.

(e) In the case of a Revolving Loan, the Administrative Agent shall have timely received a Borrowing Request; and, in the case of a Letter of Credit issuance, extension (other than an extension pursuant to an automatic extension provision set forth in the applicable Letter of Credit) or amendment, a Request for Issuance.

Each Extension of Credit and the acceptance by the Borrower of the benefits thereof shall be deemed to constitute a representation and warranty by the Borrower on the date thereof as to the matters specified in paragraphs (a), (b), (c) and (d) of this Section.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES

SECTION 4.01. Representations and Warranties of the Credit Parties. Each of the Borrower and the Guarantor represents and warrants as follows:

(a) Each of the Borrower and the Guarantor is a corporation duly organized, validly existing and, in the case of the Borrower, authorized to transact business under the laws of the State of its incorporation, and, in the case of the Guarantor, in good standing under the laws of the State of its incorporation.

(b) The execution, delivery and performance by each of the Credit Parties of the Credit Documents to which it is a party (i) are within such Credit Party's corporate powers, (ii) have been duly authorized by all necessary corporate action, (iii) do not contravene (A) such Credit Party's charter or by-laws, as the case may be, or (B) any law, rule or regulation, or any material Contractual Obligation or legal restriction, binding on or affecting such Credit Party or any Material Subsidiary, as the case may be, and (iv) do not require the creation of any Lien on the property of such Credit Party or any Material Subsidiary under any Contractual Obligation binding on or affecting such Credit Party or any Material Subsidiary.

(c) No authorization or approval or other action by, and no notice to or filing with, any Governmental Authority or other Person is required for the due execution, delivery and performance by any Credit Party of this Agreement or any other Credit Document to which any of them is a party, except for such as (i) have been obtained or made and that are in full force and effect or (ii) are not presently required under applicable law and have not yet been applied for.

(d) Each Credit Document to which any Credit Party is a party is a legal, valid and binding obligation of such Credit Party, enforceable against such Credit Party in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at

(e) The consolidated balance sheet of the Guarantor and its Subsidiaries as at December 31, 2011, and the related statements of income and retained earnings of the Guarantor and its Subsidiaries for the fiscal year then ended, copies of which have been made available or furnished to each Lender, fairly present the financial condition of the Guarantor and its Subsidiaries as at such date and the results of the operations of the Guarantor and its Subsidiaries for the period ended on such date, all in accordance with generally accepted accounting principles consistently applied.

(f) Since December 31, 2011, there has been no material adverse change in such condition or operations, or in the business, assets, operations, condition (financial or otherwise) or prospects of any of the Credit Parties or of Columbia.

(g) There is no pending or threatened action, proceeding or investigation affecting such Credit Party before any court, governmental agency or other Governmental Authority or arbitrator that (taking into account the exhaustion of appeals) would have a Material Adverse Effect, or that (i) purports to affect the legality, validity or enforceability of this Agreement or any promissory notes executed pursuant hereto, or (ii) seeks to prohibit the ownership or operation, by any Credit Party or any of their respective Material Subsidiaries, of all or a material portion of their respective businesses or assets.

(h) The Guarantor and its Subsidiaries, taken as a whole, do not hold or carry Margin Stock having an aggregate value in excess of 10% of the value of their consolidated assets, and no part of the proceeds of any Loan or Letter of Credit hereunder will be used to buy or carry any Margin Stock.

(i) No ERISA Event has occurred, or is reasonably expected to occur, with respect to any Plan that could reasonably be expected to have a Material Adverse Effect.

(j) Schedule B (Actuarial Information) to the 2009 Annual report (Form 5500 Series) for each Plan, copies of which have been filed with the Internal Revenue Service and made available or furnished to each Lender, is complete and accurate and fairly presents the funding status of such Plan, and since the date of such Schedule B there has been no adverse change in such funding status which may reasonably be expected to have a Material Adverse Effect.

(k) Neither the Guarantor nor any ERISA Affiliate has incurred or is reasonably expected to incur any Withdrawal Liability to any Multiemployer Plan which may reasonably be expected to have a Material Adverse Effect.

(l) Neither the Guarantor nor any ERISA Affiliate has been notified by the sponsor of a Multiemployer Plan that such Multiemployer Plan is in reorganization or has been terminated, within the meaning of Title VI of ERISA, and no Multiemployer Plan is reasonably expected to be in reorganization or to be terminated, within the meaning of Title IV of ERISA, in either such case, that could reasonably be expected to have a Material Adverse Effect.

(m) No Credit Party is an "investment company", or a company "controlled" by an "investment company", within the meaning of the Investment Company Act of 1940, as amended.

(n) Each Credit Party has filed all tax returns (Federal, state and local) required to be filed by it and has paid or caused to be paid all taxes due for the periods covered thereby, including interest and penalties, except for any such taxes, interest or penalties which are being contested in good faith and by proper proceedings and in respect of which such Credit Party has set aside adequate reserves for the payment thereof in accordance with GAAP.

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(o) Each Credit Party and its Subsidiaries are and have been in compliance with all laws (including, without limitation, all Environmental Laws), except to the extent that any failure to be in compliance, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

(p) No Subsidiary of any Credit Party is party to, or otherwise bound by, any agreement that prohibits such Subsidiary from making any payments, directly or indirectly, to such Credit Party, by way of dividends, advances, repayment of loans or advances, reimbursements of management or other intercompany charges, expenses and accruals or other returns on investment, or any other agreement that restricts the ability of such Subsidiary to make any payment, directly or indirectly, to such Credit Party, other than prohibitions and restrictions permitted to exist under Section 6.01(e).

(q) The information, exhibits and reports furnished by the Guarantor or any of its Subsidiaries to the Administrative Agent or to any Lender in connection with the negotiation of, or compliance with, the Credit Documents, taken as a whole, do not contain any material misstatement of fact and do not omit to state a material fact or any fact necessary to make the statements contained therein not misleading in light of the circumstances made.

ARTICLE V
AFFIRMATIVE COVENANTS

SECTION 5.01. Affirmative Covenants. So long as any Lender shall have any Commitment hereunder or any principal of any Loan, Unreimbursed LC Disbursement, interest or fees payable hereunder shall remain unpaid or any Letter of Credit shall remain outstanding, each of the Credit Parties will, unless the Required Lenders shall otherwise consent in writing:

(a) ***Compliance with Laws, Etc.*** Comply, and cause each of its Subsidiaries to comply, in all material respects with all applicable laws, rules, regulations and orders (including, without limitation, any of the foregoing relating to employee health and safety or public utilities and all Environmental Laws), unless the failure to so comply could not reasonably be expected to have a Material Adverse Effect.

(b) ***Maintenance of Properties, Etc.*** Maintain and preserve, and cause each Material Subsidiary to maintain and preserve, all of its material properties which are used in the conduct of its business in good working order and condition, ordinary wear and tear excepted, if the failure to do so could reasonably be expected to have a Material Adverse Effect.

(c) ***Payment of Taxes, Etc.*** Pay and discharge, and cause each of its Subsidiaries to pay and discharge, before the same shall become delinquent, (i) all taxes, assessments and governmental charges or levies imposed upon it or upon its property, and (ii) all legal claims which, if unpaid, might by law become a lien upon its property; *provided, however,* that neither any Credit Party nor any of its Subsidiaries shall be required to pay or discharge any such tax, assessment, charge or claim which is being contested in good faith and by proper proceedings and as to which appropriate reserves are being maintained.

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(d) ***Maintenance of Insurance*** . Maintain, and cause each of its Subsidiaries to maintain, insurance with responsible and reputable insurance companies or associations in such amounts and covering such risks as is usually obtained by companies engaged in similar businesses of comparable size and financial strength and owning similar properties in the same general areas in which such Credit Party or such Subsidiary operates, or, to the extent such Credit Party or Subsidiary deems it reasonably prudent to do so, through its own program of self-insurance.

(e) ***Preservation of Corporate Existence, Etc.*** Preserve and maintain, and cause each Material Subsidiary to preserve and maintain, its corporate existence, rights (charter and statutory) and franchises, except as otherwise permitted under this Agreement; *provided that* that no such Person shall be required to preserve any right or franchise with respect to which the Board of Directors of such Person has determined that the preservation thereof is no longer desirable in the conduct of the business of such Person and that the loss thereof is not disadvantageous in any material respect to any Credit Party or the Lenders.

(f) ***Visitation Rights*** . At any reasonable time and from time to time, permit the Administrative Agent or any of the Lenders or any agents or representatives thereof, on not less than five Business Days' notice (which notice shall be required only so long as no Default shall be occurred and be continuing), to examine and make copies of and abstracts from the records and books of account of, and visit the properties of, such Credit Party or any of its Subsidiaries, and to discuss the affairs, finances and accounts of the Credit Parties and their respective Subsidiaries with any of their respective officers and with their independent certified public accountants; subject, however, in all cases to the imposition of such conditions as the affected Credit Party or Subsidiary shall deem necessary based on reasonable considerations of safety and security and provided that so long as no Default or Event of Default shall have occurred and be continuing, each Lender will be limited to one visit each year.

(g) ***Keeping of Books*** . (i) Keep, and cause each of its Subsidiaries to keep, proper books of record and account, in which full and correct entries shall be made of all material financial transactions and the assets and business of each of the Credit Parties and each of their respective Subsidiaries, and (ii) maintain, and cause each of its Subsidiaries to maintain, a system of accounting established and administered in accordance with generally accepted accounting principles consistently applied.

(h) ***Reporting Requirements*** . Deliver to the Administrative Agent for distribution to the Lenders:

(i) as soon as available and in any event within 60 days after the end of each of the first three quarters of each fiscal year of the Guarantor (or, if earlier, concurrently with the filing thereof with the Securities and Exchange Commission or any national securities exchange in accordance with applicable law or regulation), balance sheets of the Guarantor and its Consolidated Subsidiaries in comparative form as of the end of such quarter and statements of income and retained earnings of the Guarantor and its Consolidated Subsidiaries for the period commencing at the end of the previous fiscal year of the Guarantor and ending with the end of such quarter, each prepared in accordance with generally accepted accounting principles consistently applied, subject to normal year-end audit adjustments, certified by the chief financial officer of the Guarantor.

(ii) as soon as available and in any event within 90 days after the end of each fiscal year of the Guarantor (or, if earlier, concurrently with the filing thereof with the Securities and Exchange Commission or any national securities exchange in accordance with applicable law or regulation), a copy of the audit report for such year for the Guarantor and its Consolidated Subsidiaries containing financial statements for such year prepared in accordance with generally accepted accounting principles consistently applied as reported on by independent certified public accountants of recognized national standing acceptable to the Required Lenders, which audit was conducted by such accounting firm in accordance with generally accepted auditing standards;

(iii) concurrently with the delivery of financial statements pursuant to clauses (i) and (ii) above or the notice relating thereto contemplated by the final sentence of this Section 5.01(h), a certificate of a senior financial officer of each of the Guarantor and the Borrower (A) to the effect that no Default or Event of Default has occurred and is continuing (or, if any Default or Event of Default has occurred and is continuing, describing the same in reasonable detail and describing the action that the Guarantor or the Borrower, as the case may be, has taken and proposes to take with respect thereto), and (B) in the case of the certificate relating to the Guarantor, setting forth calculations, in reasonable detail, establishing Borrower's compliance, as at the end of such fiscal quarter, with the financial covenant contained in Article VII;

(iv) as soon as possible and in any event within five days after the occurrence of each Default or Event of Default continuing on the date of such statement, a statement of the chief financial officer of the Borrower setting forth details of such Event of Default or event and the action which the Borrower has taken and proposes to take with respect thereto;

(v) promptly after the sending or filing thereof, copies of all reports which the Guarantor sends to its stockholders, and copies of all reports and registration statements (other than registration statements filed on Form S-8) that the Guarantor, the Borrower or any Subsidiary of the Guarantor or the Borrower, files with the Securities and Exchange Commission;

(vi) promptly and in any event within 10 days after the Guarantor knows or has reason to know that any material ERISA Event has occurred, a statement of the chief financial officer of the Borrower describing such ERISA Event and the action, if any, which the Guarantor or any affected ERISA Affiliate proposes to take with respect thereto;

(vii) promptly and in any event within two Business Days after receipt thereof by the Guarantor (or knowledge being obtained by the Guarantor of the receipt thereof by any ERISA Affiliate), copies of each notice from the PBGC stating its intention to terminate any Plan or to have a trustee appointed to administer any Plan;

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(viii) promptly and in any event within five Business Days after receipt thereof by the Guarantor (or knowledge being obtained by the Guarantor of the receipt thereof by any ERISA Affiliate) from the sponsor of a Multiemployer Plan, a copy of each notice received by the Guarantor or any ERISA Affiliate concerning (A) the imposition of material Withdrawal Liability by a Multiemployer Plan, (B) the reorganization or termination, within the meaning of Title IV of ERISA, of any Multiemployer Plan or (C) the amount of liability incurred, or which may be incurred, by the Guarantor or any ERISA Affiliate in connection with any event described in clause (A) or (B) above;

(ix) promptly after the Guarantor has knowledge of the commencement thereof, notice of any actions, suits and proceedings before any court or governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, affecting the Guarantor or any Material Subsidiary of the type described in Section 4.01(g);

(x) promptly after the Guarantor or the Borrower knows of any change in the rating of the Index Debt by S&P or Moody's, a notice of such changed rating; and

(xi) such other information respecting the condition or operations, financial or otherwise, of the Guarantor or any of its Subsidiaries as any Lender through the Administrative Agent may from time to time reasonably request.

Notwithstanding the foregoing, the Credit Parties' obligations to deliver the documents or information required under any of clauses (i), (ii) and (v) above shall be deemed to be satisfied upon (x) the relevant documents or information being publicly available on the Guarantor's website or other publicly available electronic medium (such as EDGAR) within the time period required by such clause, and (y) the delivery by the Guarantor or the Borrower of notice to the Administrative Agent and the Lenders, within the time period required by such clause, that such documents or information are so available.

(i) ***Use of Proceeds*** . Use the proceeds of the Loans and the Letters of Credit hereunder for working capital and other general corporate purposes, including refinancing of existing indebtedness.

(j) ***Ratings*** . At all times maintain ratings by both Moody's and S&P with respect to the Index Debt.

ARTICLE VI
NEGATIVE COVENANTS

SECTION 6.01. Negative Covenants. So long as any Lender shall have any Commitment hereunder or any principal of any Loan, Unreimbursed LC Disbursement, interest or fees payable hereunder shall remain unpaid or any Letter of Credit shall remain outstanding, no Credit Party will, without the written consent of the Required Lenders:

(a) ***Limitation on Liens*** . Create or suffer to exist, or permit any of its Subsidiaries (other than a Utility Subsidiary) to create or suffer to exist, any lien, security interest, or other charge or encumbrance (collectively, " ***Liens*** ") upon or with respect to any of its properties, whether now owned or hereafter acquired, or collaterally assign for security purposes, or permit any of its Subsidiaries (other than a Utility Subsidiary) to so assign any right to receive income in each case to secure or provide for or guarantee the payment of Debt for Borrowed Money of any Person, without in any such case effectively securing, prior to or concurrently with the creation, issuance, assumption or guaranty of any such Debt for Borrowed Money, the Obligations (together with, if the Guarantor shall so determine, any other Debt for Borrowed Money of or guaranteed by the Guarantor or any of its Subsidiaries ranking equally with the Loans and Unreimbursed LC Disbursements and then existing or thereafter created) equally and ratably with (or prior to) such Debt for Borrowed Money; *provided, however,* that the foregoing restrictions shall not apply to or prevent the creation or existence of:

(i) (A) Liens on any property acquired, constructed or improved by the Guarantor or any of its Subsidiaries (other than a Utility Subsidiary) after the date of this Agreement that are created or assumed prior to, contemporaneously with, or within 180 days after, such acquisition or completion of such construction or improvement, to secure or provide for the payment of all or any part of the purchase price of such property or the cost of such construction or improvement; or (B) in addition to Liens contemplated by clauses (ii) and (iii) below, Liens on any property existing at the time of acquisition thereof, provided that the Liens shall not apply to any property theretofore owned by the Guarantor or any such Subsidiary other than, in the case of any such construction or improvement, (1) unimproved real property on which the property so constructed or the improvement is located, (2) other property (or improvements thereon) that is an improvement to or is acquired or constructed for specific use with such acquired or constructed property (or improvement thereof), and (3) any rights and interests (A) under any agreements or other documents relating to, or (B) appurtenant to, the property being so constructed or improved or such other property;

(ii) existing Liens on any property or indebtedness of a corporation that is merged with or into or consolidated with any Credit Party or any of its Subsidiaries; *provided* that such Lien was not created in contemplation of such merger or consolidation;

(iii) Liens on any property or indebtedness of a corporation existing at the time such corporation becomes a Subsidiary of any Credit Party; *provided* that such Lien was not created in contemplation of such occurrence;

(iv) Liens to secure Debt for Borrowed Money of a Subsidiary of a Credit Party to a Credit Party or to another Subsidiary of the Guarantor;

(v) Liens in favor of the United States of America, any State, any foreign country or any department, agency or instrumentality or political subdivision of any such jurisdiction, to secure partial, progress, advance or other payments pursuant to any contract or statute to secure any Debt for Borrowed Money incurred for the purpose of financing all or any part of the purchase price of the cost of constructing or improving the property subject to such Liens, including, without limitation, Liens to secure Debt for Borrowed Money of the pollution control or industrial revenue bond type;

(vi) Liens on any property (including any natural gas, oil or other mineral property) to secure all or part of the cost of exploration, drilling or development thereof or to secure Debt for Borrowed Money incurred to provide funds for any such purpose;

(vii) Liens existing on the date of this Agreement;

(viii) Liens for the sole purposes of extending, renewing or replacing in whole or in part Debt for Borrowed Money secured by any Lien referred to in the foregoing clauses (i) through (vii), inclusive, or this clause (viii); *provided, however,* that the principal amount of Debt for Borrowed Money secured thereby shall not exceed the principal amount of Debt for Borrowed Money so secured at the time of such extension, renewal or replacement (which, for purposes of this limitation as it applies to a synthetic lease, shall be deemed to be (x) the lessor's original cost of the property subject to such lease at the time of extension, renewal or replacement, *less* (y) the aggregate amount of all prior payments under such lease allocated pursuant to the terms of such lease to reduce the principal amount of the lessor's investment, and borrowings by the lessor, made to fund the original cost of the property), and that such extension, renewal or replacement shall be limited to all or a part of the property or indebtedness which secured the Lien so extended, renewed or replaced (plus improvements on such property);

(ix) Liens on any property or assets of a Project Financing Subsidiary, or on any Capital Stock in a Project Financing Subsidiary, in either such case, that secure only a Project Financing or a Contingent Guaranty that supports a Project Financing; or

(x) Any Lien, other than a Lien described in any of the foregoing clauses (i) through (ix), inclusive, to the extent that it secures Debt for Borrowed Money, or guaranties thereof, the outstanding principal balance of which at the time of creation of such Lien, when added to the aggregate principal balance of all Debt for Borrowed Money secured by Liens incurred under this clause (x) then outstanding, does not exceed $150,000,000.

If at any time any Credit Party or any of its Subsidiaries shall create, issue, assume or guaranty any Debt for Borrowed Money secured by any Lien and the first paragraph of this Section 6.01(a) requires that the Loans be secured equally and ratably with such Debt for Borrowed Money, the Borrower shall promptly deliver to the Administrative Agent and each Lender:

(1) a certificate of a duly authorized officer of the Borrower stating that the covenant contained in the first paragraph of this Section 6.01(a) has been complied with; and

(2) an opinion of counsel acceptable to the Required Lenders to the effect that such covenant has been complied with and that all documents executed by any Credit Party or any of its Subsidiaries in the performance of such covenant comply with the requirements of such covenant.

(b) ***Mergers, Etc.*** Merge or consolidate with or into, or, except in a transaction permitted under paragraph (c) of this Section, convey, transfer, lease or otherwise dispose of (whether in one transaction or in a series of transactions) all or substantially all of its assets (whether now owned or hereafter acquired) to any Person, or permit any of its Subsidiaries to do so, except that:

(i) any Subsidiary of the Guarantor (other than the Borrower) may merge or consolidate with or transfer assets to or acquire assets from any other Subsidiary of the Guarantor, *provided* that in the case of any such merger, consolidation, or transfer of assets to which NIPSCO or Columbia is a party, the continuing or surviving Person shall be a Wholly-Owned Subsidiary of the Guarantor; and

(ii) the Borrower may merge or consolidate with, or transfer assets to, or acquire assets from, any other Wholly-Owned Subsidiary of the Guarantor, provided that in the case of any such merger or consolidation to which the Borrower is not the surviving Person, or transfer of all or substantially all of the assets of the Borrower to any other Wholly-Owned Subsidiary of the Guarantor, immediately after giving effect thereto, (A) no Event of Default shall have occurred and be continuing (determined, for purposes of compliance with Article VII after giving effect to such transaction, on a pro forma basis as if such transaction had occurred on the last day of the Guarantor's fiscal quarter then most recently ended) and (B) such surviving Person or transferee, as applicable, shall have assumed all of the obligations of the Borrower under and in respect of the Credit Documents by written instrument satisfactory to the Administrative Agent and its counsel in their reasonable discretion, accompanied by such opinions of counsel and other supporting documents as they may reasonably require; and

(iii) any Subsidiary of the Guarantor may merge into the Guarantor or the Borrower or transfer assets to the Borrower or the Guarantor, *provided* that in the case of any merger or consolidation of the Borrower into the Guarantor or transfer of all or substantially all of the assets of the Borrower to the Guarantor, immediately after giving effect thereto, (A) no Event of Default shall have occurred and be continuing (determined, for purposes of compliance with Article VII after giving effect to such transaction, on a pro forma basis as if such transaction had occurred on the last day of the Guarantor's fiscal quarter then most recently ended) and (B) the Guarantor shall have assumed all of the obligations of the Borrower under and in respect of the Credit Documents by written instrument satisfactory to the Administrative Agent and its counsel in their reasonable discretion, accompanied by such opinions of counsel and other supporting documents as they may reasonably require; and

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(iv) the Guarantor or any Subsidiary of the Guarantor may merge, or consolidate with or transfer all or substantially all of its assets to any other Person; provided that in each case under this clause (iii), immediately after giving effect thereto (A) no Event of Default shall have occurred and be continuing (determined, for purposes of compliance with Article VII after giving effect to such transaction, on a pro forma basis as if such transaction had occurred on the last day of the Guarantor's fiscal quarter then most recently ended); (B) in case of any such merger, consolidation or transfer of assets to which the Borrower is a party, the Borrower shall be the continuing or surviving corporation; (C) in the case of any such merger, consolidation, or transfer of assets to which NIPSCO or Columbia is a party, NIPSCO or Columbia, as the case may be, shall be the continuing or surviving corporation and shall be a Wholly-Owned Subsidiary of the Guarantor; (D) in the case of any such merger, consolidation or transfer of assets to which the Guarantor is a party, the Guarantor shall be the continuing or surviving corporation; and (E) the Index Debt shall be rated at least BBB- by S&P and at least Baa3 by Moody's.

(c) ***Sales, Etc. of Assets*** . Sell, lease, transfer or otherwise dispose of, or permit any of their respective Subsidiaries to sell, lease, transfer or otherwise dispose of (other than in connection with a transaction authorized by paragraph (b) of this Section) any substantial part of its assets; *provided* that the foregoing shall not prohibit any such sale, conveyance, lease, transfer or other disposition that (i) constitutes realization on a Lien permitted to exist under Section 6.01(a); or (ii) (A) (1) is for a price not materially less than the fair market value of such assets, (2) would not materially impair the ability of any Credit Party to perform its obligations under this Agreement and (3) together with all other such sales, conveyances, leases, transfers and other dispositions, would have no Material Adverse Effect, or (B) would not result in the sale, lease, transfer or other disposition, in the aggregate, of more than 10% of the consolidated total assets of the Guarantor and its Subsidiaries, determined in accordance with GAAP, on December 31, 2011.

(d) ***Compliance with ERISA*** . (i) Terminate, or permit any ERISA Affiliate to terminate, any Plan so as to result in a Material Adverse Effect or (ii) permit to exist any occurrence of any Reportable Event (as defined in Title IV of ERISA), or any other event or condition, that presents a material (in the reasonable opinion of the Required Lenders) risk of such a termination by the PBGC of any Plan, if such termination could reasonably be expected to have a Material Adverse Effect.

(e) ***Certain Restrictions*** . Permit any of its Subsidiaries (other than, in the case of the Guarantor, the Borrower) to enter into or permit to exist any agreement that by its terms prohibits such Subsidiary from making any payments, directly or indirectly, to such Credit Party by way of dividends, advances, repayment of loans or advances, reimbursements of management or other intercompany charges, expenses and accruals or other returns on investment, or any other agreement that restricts the ability of such Subsidiary to make any payment, directly or indirectly, to such Credit Party; *provided* that the foregoing shall not apply to prohibitions and restrictions (i) imposed by applicable law, (ii) (A) imposed under an agreement in existence on the date of this Agreement, and (B) described on Schedule 6.01(e), (iii) existing with respect to a Subsidiary on the date it becomes a Subsidiary that are not created in contemplation thereof (but shall apply to any extension or renewal of, or any amendment or modification expanding the

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scope of, any such prohibition or restriction), (iv) contained in agreements relating to the sale of a Subsidiary pending such sale, *provided* that such prohibitions or restrictions apply only to the Subsidiary that is to be sold and such sale is permitted hereunder, (v) imposed on a Project Financing Subsidiary in connection with a Project Financing, or (vi) that could not reasonably be expected to have a Material Adverse Effect.

ARTICLE VII
FINANCIAL COVENANT

So long as any Lender shall have any Commitment hereunder or any principal of any Loan, Unreimbursed LC Disbursement, interest or fees payable hereunder shall remain unpaid or any Letter of Credit shall remain outstanding, the Guarantor shall maintain a Debt to Capitalization Ratio of not more than 0.70 to 1.00.

ARTICLE VIII
EVENTS OF DEFAULT

SECTION 8.01. Events of Default. If any of the following events (" ***Events of Default*** ") shall occur and be continuing:

(a) The Borrower shall fail to pay any principal of any Loan or Unreimbursed LC Disbursement when the same becomes due and payable or shall fail to pay any interest, fees or other amounts hereunder within three Business Days after when the same becomes due and payable; or

(b) Any representation or warranty made by any Credit Party in any Credit Document or by any Credit Party (or any of its officers) in connection with this Agreement shall prove to have been incorrect in any material respect when made; or

(c) Any Credit Party shall fail to perform or observe any term, covenant or agreement contained in Section 5.01(e), 5.01(f), 5.01(h), 5.01 (i), 6.01 or Article VII; or

(d) Any Credit Party shall fail to perform or observe any term, covenant or agreement contained in any Credit Document on its part to be performed or observed (other than one identified in paragraph (a), (b) or (c) above) if the failure to perform or observe such other term, covenant or agreement shall remain unremedied for thirty days after written notice thereof shall have been given to the Borrower by the Administrative Agent or any Lender; or

(e) The Guarantor, the Borrower or any of their respective Subsidiaries shall fail to pay any principal of or premium or interest on any Indebtedness (excluding Non-Recourse Debt) which is outstanding in a principal amount of at least $50,000,000 in the aggregate (but including the Loans) of the Guarantor, the Borrower or such Subsidiary, as the case may be, when the same becomes due and payable (whether scheduled maturity, required prepayment, acceleration, demand or otherwise), and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Indebtedness; or any other event shall occur or condition shall exist under any agreement or instrument relating to any such Indebtedness and shall continue after the applicable grace period, if any, specified in such agreement or instrument, if the effect of such event or condition is to accelerate, or to permit the acceleration of, the scheduled maturity of such Indebtedness; or any such Indebtedness shall be declared to be due and payable, or required to be prepaid (other than by a regularly scheduled required prepayment), prior to the stated maturity thereof; or

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(f) Any Credit Party shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against any Credit Party seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its property and, in the case of any such proceeding instituted against any Credit Party (but not instituted by any Credit Party), either such proceeding shall remain undismissed or unstayed for a period of 60 days, or any of the actions sought in such proceeding (including, without limitation, the entry of an order for relief against, or the appointment of a receiver, trustee, custodian or other similar official for, any Credit Party or for any substantial part of its property) shall occur; or any Credit Party shall take any corporate action to authorize any of the actions set forth above in this paragraph (f); or

(g) One or more Subsidiaries of the Guarantor (other than the Borrower) in which the aggregate sum of (i) the amounts invested by the Guarantor and its other Subsidiaries in the aggregate, by way of purchases of Capital Stock, Capital Leases, loans or otherwise, and (ii) the amount of recourse, whether contractual or as a matter of law (but excluding Non-Recourse Debt), available to creditors of such Subsidiary or Subsidiaries against the Guarantor or any of its other Subsidiaries, is $100,000,000 or more (collectively, "***Substantial Subsidiaries***") shall generally not pay their respective debts as such debts become due, or shall admit in writing their respective inability to pay their debts generally, or shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against Substantial Subsidiaries seeking to adjudicate them bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of them or their respective debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, custodian or other similar official for them or for any substantial part of their respective property and, in the case of any such proceeding instituted against Substantial Subsidiaries (but not instituted by the Guarantor or any Subsidiary of the Guarantor), either such proceeding shall remain undismissed or unstayed for a period of 60 days, or any of the actions sought in such proceeding (including, without limitation, the entry of an order for relief against, or the appointment of a receiver, trustee, custodian or other similar official for, the Substantial Subsidiaries or for any substantial part of their respective property) shall occur; or Substantial Subsidiaries shall take any corporate action to authorize any of the actions set forth above in this paragraph (g); or

(h) Any judgment or order for the payment of money in excess of $50,000,000 shall be rendered against the Borrower, the Guarantor or any of its other Subsidiaries and either (i) enforcement proceedings shall have been commenced by any creditor upon such judgment or order or (ii) there shall be any period of 30 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect; or

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(i) Any ERISA Event shall have occurred with respect to a Plan and, 30 days after notice thereof shall have been given to the Guarantor or the Borrower by the Administrative Agent, (i) such ERISA Event shall still exist and (ii) the sum (determined as of the date of occurrence of such ERISA Event) of the Insufficiency of such Plan and the Insufficiency of any and all other Plans with respect to which an ERISA Event shall have occurred and then exist (or, in the case of a Plan with respect to which an ERISA Event described in clauses (c) through (f) of the definition of ERISA Event shall have occurred and then exist, the liability related thereto) is equal to or greater than $10,000,000 (when aggregated with paragraphs (j), (k) and (l) of this Section), and a Material Adverse Effect could reasonably be expected to occur as a result thereof; or

(j) The Guarantor or any ERISA Affiliate shall have been notified by the sponsor of a Multiemployer Plan that it has incurred Withdrawal Liability to such Multiemployer Plan in an amount which, when aggregated with all other amounts required to be paid to Multiemployer Plans by the Guarantor and its ERISA Affiliates as Withdrawal Liability (determined as of the date of such notification), exceeds $10,000,000 or requires payments exceeding $10,000,000 *per annum* (in either case, when aggregated with paragraphs (i), (k) and (l) of this Section), and a Material Adverse Effect could reasonably be expected to occur as a result thereof; or

(k) The Guarantor or any ERISA Affiliate shall have been notified by the sponsor of a Multiemployer Plan that such Multiemployer Plan is in reorganization or is being terminated, within the meaning of Title IV of ERISA, if as a result of such reorganization or termination the aggregate annual contributions of the Guarantor and its ERISA Affiliates to all Multiemployer Plans which are then in reorganization or being terminated have been or will be increased over the amounts contributed to such Multiemployer Plans for the respective plan year of each such Multiemployer Plan immediately preceding the plan year in which the reorganization or termination occurs by an amount exceeding $10,000,000 (when aggregated with paragraphs (i), (j) and (l) of this Section), and a Material Adverse Effect could reasonably be expected to occur as a result thereof; or

(l) The Guarantor or any ERISA Affiliate shall have committed a failure described in Section 303(k)(1) of ERISA and the amount determined under Section 303(k)(3) of ERISA is equal to or greater than $10,000,000 (when aggregated with paragraphs (i), (j) and (k) of this Section), and a Material Adverse Effect could reasonably be expected to occur as a result thereof; or

(m) Any provision of the Credit Documents shall be held by a court of competent jurisdiction to be invalid or unenforceable against any Credit Party purported to be bound thereby, or any Credit Party shall so assert in writing; or

(n) Any Change of Control shall occur;

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then, and in any such event, the Administrative Agent (i) shall at the request, or may with the consent, of the Required Lenders, by notice to the Borrower, declare the Commitment of each Lender, the obligation of the Swingline Lender to make or maintain Swingline Loans and the obligation of each LC Bank to issue or maintain Letters of Credit hereunder to be terminated, whereupon the same shall forthwith terminate, and (ii) shall at the request or with the consent of the Required Lenders, by notice to the Borrower, declare all amounts payable under this Agreement to be forthwith due and payable, whereupon all such amounts shall become and be forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Borrower; *provided* that in the event of an actual or deemed entry of an order for relief with respect to any Credit Party under the Federal Bankruptcy Code, (1) the Commitment of each Lender, the obligation of the Swingline Lender to make or maintain Swingline Loans and the obligation of each LC Bank to issue or maintain Letters of Credit hereunder shall automatically be terminated and (2) all such amounts shall automatically become and be due and payable, without presentment, demand, protest or any notice of any kind, all of which are hereby expressly waived by the Borrower.

Notwithstanding anything to the contrary contained herein, no notice given or declaration made by the Administrative Agent pursuant to this Section 8.01 shall affect (i) the obligation of any LC Bank to make any payment under any outstanding Letter of Credit issued by such LC Bank in accordance with the terms of such Letter of Credit, (ii) the obligations of each Lender in respect of each such Letter of Credit or (iii) the obligation of each Lender to purchase its pro rata share of any Swingline Loans; *provided, however* , that upon the occurrence and during the continuance of any Event of Default, the Administrative Agent shall at the request, or may with the consent, of the Required Lenders, upon notice to the Borrower, require the Borrower to deposit with the Administrative Agent an amount in the cash account (the "Cash Account") described below equal to the then current LC Outstandings. Such Cash Account shall at all times be free and clear of all rights or claims of third parties. The Cash Account shall be maintained with the Administrative Agent in the name of, and under the sole dominion and control of, the Administrative Agent, and amounts deposited in the Cash Account shall bear interest at a rate equal to the rate generally offered by Barclays for deposits equal to the amount deposited by the Borrower in the Cash Account pursuant to this Section 8.01, for a term to be agreed to between the Borrower and the Administrative Agent. If any drawings under any Letter of Credit then outstanding or thereafter made are not reimbursed in full immediately upon demand or, in the case of subsequent drawings, upon being made, then, in any such event, the Administrative Agent may apply the amounts then on deposit in the Cash Account, in such priority as the Administrative Agent shall elect, toward the payment in full of any or all of the Borrower's obligations hereunder as and when such obligations shall become due and payable. Upon payment in full, after the termination of the Letters of Credit, of all such obligations, the Administrative Agent will repay to the Borrower any cash then on deposit in the Cash Account.

ARTICLE IX
THE ADMINISTRATIVE AGENT

SECTION 9.01. The Administrative Agent.

(a) Each of the Lenders and each LC Bank hereby irrevocably appoints the Administrative Agent as its agent and authorizes the Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms hereof, together with such actions and powers as are reasonably incidental thereto.

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(b) The Person serving as the Administrative Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Administrative Agent, and such bank and its Affiliates may accept deposits from, lend money to and generally engage in any kind of business with the any Credit Party or any of such Credit Party's Subsidiaries or other Affiliates thereof as if it were not the Administrative Agent hereunder.

(c) The Administrative Agent shall not have any duties or obligations except those expressly set forth herein. Without limiting the generality of the foregoing, (i) the Administrative Agent shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing, (ii) the Administrative Agent shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby that the Administrative Agent is required to exercise in writing by the Required Lenders, and (iii) except as expressly set forth herein, the Administrative Agent shall not have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Borrower, the Guarantor or any of its other Subsidiaries that is communicated to or obtained by the bank serving as Administrative Agent or any of its Affiliates in any capacity. The Administrative Agent shall not be liable for any action taken or not taken by it with the consent or at the request of the Required Lenders (or, if applicable, all of the Lenders) or in the absence of its own gross negligence or willful misconduct. The Administrative Agent shall be deemed not to have knowledge of any Default unless and until written notice thereof is given to the Administrative Agent by the Borrower or a Lender, and the Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into (1) any statement, warranty or representation made in or in connection with this Agreement, (2) the contents of any certificate, report or other document delivered hereunder or in connection herewith, (3) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein, (4) the validity, enforceability, effectiveness or genuineness of this Agreement or any other agreement, instrument or document, or (5) the satisfaction of any condition set forth in Article III or elsewhere herein, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent and the conformity thereof to such express requirement.

(d) The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing believed by it to be genuine and to have been signed or sent by the proper Person. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to be made by the proper Person, and shall not incur any liability for relying thereon. The Administrative Agent may consult with legal counsel (who may be counsel for a Credit Party) independent accountants and other experts selected by it and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

(e) The Administrative Agent may perform any and all its duties and exercise its rights and powers by or through any one or more sub-agents appointed by the Administrative Agent. The Administrative Agent and any such sub-agent may perform any and all its duties and exercise its rights and powers through their respective Related Parties. The exculpatory provisions of the preceding paragraphs shall apply to any such sub-agent and to the Related Parties of the Administrative Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Administrative Agent.

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(f) Subject to the appointment and acceptance of a successor Administrative Agent as provided in this paragraph, the Administrative Agent may resign at any time by notifying the Lenders and the Credit Parties. Upon any such resignation, the Required Lenders shall have the right, with the consent of the Borrower (which consent shall not unreasonably be withheld), to appoint a successor, *provided* that no such consent of the Borrower shall be required if an Event of Default has occurred and is continuing. If no successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its resignation, then the retiring Administrative Agent may, on behalf of the Lenders, appoint a successor Administrative Agent which shall be a bank with an office in New York, New York, or an Affiliate of any such bank, in any event having total assets in excess of $500,000,000 and who shall serve until such time, if any, as an Agent shall have been appointed as provided above. Upon the acceptance of its appointment as Administrative Agent hereunder by a successor, such successor shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder. The fees payable by the Borrower to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Borrower and such successor. After the Administrative Agent's resignation hereunder, the provisions of this Article and Section 11.03 shall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as Administrative Agent.

(g) Each Lender acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any related agreement or any document furnished hereunder or thereunder.

(h) No Lender identified on the signature pages of this Agreement as a "Lead Arranger", "Co-Documentation Agent" or "Syndication Agent", or that is given any other title hereunder other than "LC Bank", "Swingline Lender" or "Administrative Agent", shall have any right, power, obligation, liability, responsibility or duty under this Agreement other than those applicable to all Lenders as such. Without limiting the generality of the foregoing, no Lender so identified as a "Lead Arranger", "Co-Documentation Agent" or "Syndication Agent" or that is given any other title hereunder, shall have, or be deemed to have, any fiduciary relationship with any Lender. Each Lender acknowledges that it has not relied, and will not rely, on the Lenders so identified in deciding to enter into this Agreement or in taking or not taking action hereunder.

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(i) Notwithstanding anything to the contrary herein or in any other Credit Document, the authority to enforce rights and remedies hereunder and in the other Credit Documents against the Credit Parties or any of them shall be vested exclusively in, and all actions and proceedings at law in connection with such enforcement shall be instituted and maintained exclusively by, the Administrative Agent in accordance with Section 8.01 for the benefit of all the Lenders and LC Banks; *provided*, *however*, that the foregoing shall not prohibit (i) the Administrative Agent from exercising on its own behalf the rights and remedies that inure to its benefit (solely in its capacity as Administrative Agent) hereunder and under the other Credit Documents, (ii) the LC Banks or the Swingline Lender from exercising the rights and remedies that inure to its benefit (solely in its capacity as LC Bank or Swingline Lender, as the case may be) hereunder and under the other Credit Documents, (iii) any Lender from exercising setoff rights in accordance with Section 11.08 (subject to the terms of Section 2.18(c)) or (iv) any Lender from filing proofs of claim or appearing and filing pleadings on its own behalf during the pendency of a Bankruptcy Event relative to any Credit Party; and *provided*, *further*, that if at any time there is no Person acting as Administrative Agent hereunder and under the other Credit Documents, then (A) the Required Lenders shall have the rights otherwise ascribed to the Administrative Agent pursuant to Section 8.01 and (B) in addition to the matters set forth in clauses (ii), (iii) and (iv) of the preceding proviso and subject to Section 2.18(c), any Lender may, with the consent of the Required Lenders, enforce any rights and remedies available to it and as authorized by the Required Lenders.

ARTICLE X
GUARANTY

SECTION 10.01. The Guaranty.

(a) The Guarantor, as primary obligor and not merely as a surety, hereby irrevocably, absolutely and unconditionally guarantees to the Administrative Agent and the Lenders and each of their respective successors, endorsees, transferees and assigns (each a "***Beneficiary***" and collectively, the "***Beneficiaries***") the prompt and complete payment by the Borrower, as and when due and payable, of the Obligations, in accordance with the terms of the Credit Documents. The provisions of this Article X are sometimes referred to hereinafter as the "***Guaranty***".

(b) The Guarantor hereby guarantees that the Obligations will be paid strictly in accordance with the terms of the Credit Documents, regardless of any law now or hereafter in effect in any jurisdiction affecting any such terms or the rights of the Beneficiaries with respect thereto. The obligations and liabilities of the Guarantor under this Guaranty shall be absolute and unconditional irrespective of: (i) any lack of validity or enforceability of any of the Obligations or any Credit Document, or any delay, failure or omission to enforce or agreement not to enforce, or the stay or enjoining, by order of court, by operation of law or otherwise, of the exercise of any right with respect to the foregoing (including, in each case, without limitation, as a result of the insolvency, bankruptcy or reorganization of any Beneficiary, the Borrower or any other Person); (ii) any change in the time, manner or place of payment of, or in any other term in respect of, all or any of the Obligations, or any other amendment or waiver of or consent to any departure from the Credit Documents or any agreement or instrument relating thereto; (iii) any exchange or release of, or non-perfection of any Lien on or in any collateral, or any release, amendment or waiver of, or consent to any departure from, any other guaranty of, or agreement granting security for, all or any of the Obligations; (iv) any claim, set-off, counterclaim, defense or other rights that the Guarantor may have at any time and from time to time against any Beneficiary or any other Person, whether in connection with this Transaction or any unrelated transaction; or (v) any other circumstance that might otherwise constitute a defense available to, or a discharge of, the Borrower or any other guarantor or surety in respect of the Obligations or the Guarantor in respect hereof.

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(c) The Guaranty provided for herein (i) is a guaranty of payment and not of collection; (ii) is a continuing guaranty and shall remain in full force and effect until the Commitments and Letters of Credit have been terminated and the Obligations have been paid in full in cash; and (iii) shall continue to be effective or shall be reinstated, as the case may be, if at any time any payment, or any part thereof, of any of the Obligations is rescinded or must otherwise be returned by any Beneficiary upon or as a result of the insolvency, bankruptcy, dissolution, liquidation or reorganization of the Borrower or otherwise, all as though such payment had not been made.

(d) The obligations and liabilities of the Guarantor hereunder shall not be conditioned or contingent upon the pursuit by any Beneficiary or any other Person at any time of any right or remedy against the Borrower or any other Person that may be or become liable in respect of all or any part of the Obligations or against any collateral security or guaranty therefor or right of setoff with respect thereto.

(e) The Guarantor hereby consents that, without the necessity of any reservation of rights against the Guarantor and without notice to or further assent by the Guarantor, any demand for payment of any of the Obligations made by any Beneficiary may be rescinded by such Beneficiary and any of the Obligations continued after such rescission.

(f) The Guarantor's obligations under this Guaranty shall be unconditional, irrespective of any lack of capacity of the Borrower or any lack of validity or enforceability of any other provision of this Agreement or any other Credit Document, and this Guaranty shall not be affected in any way by any variation, extension, waiver, compromise or release of any or all of the Obligations or of any security or guaranty from time to time therefor.

(g) The obligations of the Guarantor under this Guaranty shall not be reduced, limited, impaired, discharged, deferred, suspended or terminated by any proceeding or action, voluntary or involuntary, involving the bankruptcy, insolvency, receivership, reorganization, marshalling of assets, assignment for the benefit of creditors, composition with creditors, readjustment, liquidation or arrangement of the Borrower or any similar proceedings or actions, or by any defense the Borrower may have by reason of the order, decree or decision of any court or administrative body resulting from any such proceeding or action. Without limiting the generality of the foregoing, the Guarantor's liability shall extend to all amounts and obligations that constitute the Obligations and would be owed by the Borrower, but for the fact that they are unenforceable or not allowable due to the existence of any such proceeding or action.

SECTION 10.02. Waivers.

(a) The Guarantor hereby unconditionally waives: (i) promptness and diligence; (ii) notice of or proof of reliance by the Administrative Agent or the Lenders upon this Guaranty or acceptance of this Guaranty; (iii) notice of the incurrence of any Obligation by the Borrower or the [redacted]wal, extension or accrual of any Obligation or of any circumstances affecting the Borrower's financial condition or ability to perform the [redacted]gations; (iv) notice of any actions taken by the Beneficiaries or the Borrower or any other Person under any Credit Document or any other [redacted]eement or instrument relating thereto; (v) all other notices, demands and protests, and all other formalities of every kind in connection with the enforcement of the Obligations, of the obligations of the Guarantor hereunder or under any other Credit Document, the omission of or delay in which, but for the provisions of this Section 10 might constitute grounds for relieving the Guarantor of its obligations hereunder; (vi) any requirement that the Beneficiaries protect, secure, perfect or insure any Lien or any property subject thereto, or exhaust any right or take any action against the Borrower or any other Person or any collateral; and (vii) each other circumstance, other than payment of the Obligations in full, that might otherwise result in a discharge or exoneration of, or constitute a defense to, the Guarantor's obligations hereunder.

(b) No failure on the part of any Beneficiary to exercise, and no delay in exercising, any right, remedy, power or privilege hereunder or under any Credit Document or any other agreement or instrument relating thereto shall operate as a waiver thereof, nor shall any single or partial exercise of any right, remedy, power or privilege hereunder or under any Credit Document or any other agreement or instrument relating thereto preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. This Guaranty is in addition to and not in limitation of any other rights, remedies, powers and privileges the Beneficiaries may have by virtue of any other instrument or agreement heretofore, contemporaneously herewith or hereafter executed by the Guarantor or any other Person or by applicable law or otherwise. All rights, remedies, powers and privileges of the Beneficiaries shall be cumulative and may be exercised singly or concurrently. The rights, remedies, powers and privileges of the Beneficiaries under this Guaranty against the Guarantor are not conditional or contingent on any attempt by the Beneficiaries to exercise any of their rights, remedies, powers or privileges against any other guarantor or surety or under the Credit Documents or any other agreement or instrument relating thereto against the Borrower or against any other Person.

(c) The Guarantor hereby acknowledges and agrees that, until the Commitments have been terminated and all of the Obligations have been paid in full in cash, under no circumstances shall it be entitled to be subrogated to any rights of any Beneficiary in respect of the Obligations performed by it hereunder or otherwise, and the Guarantor hereby expressly and irrevocably waives, until the Commitments have been terminated and all of the Obligations have been paid in full in cash, (i) each and every such right of subrogation and any claims, reimbursements, right or right of action relating thereto (howsoever arising), and (ii) each and every right to contribution, indemnification, set-off or reimbursement, whether from the Borrower or any other Person now or hereafter primarily or secondarily liable for any of the Obligations, and whether arising by contract or operation of law or otherwise by reason of the Guarantor's execution, delivery or performance of this Guaranty.

(d) The Guarantor represents and warrants that it has established adequate means of keeping itself informed of the Borrower's financial [redacted]ition and of other circumstances affecting the Borrower's ability to perform the Obligations, and agrees that neither the Administrative [redacted]nt nor any Lender shall have any obligation to provide to the Guarantor any information it may have, or hereafter receive, in respect of the Borrower.

ARTICLE XI
MISCELLANEOUS

SECTION 11.01. Notices . Except in the case of notices and other communications expressly permitted to be given by telephone, all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed certified or registered mail or sent by telecopy, as follows:

(a) if to any Credit Party, to it at:

801 East 86 th Avenue
Merrillville, Indiana 46410
Attention: Vice President, Treasurer and Chief Risk Officer
Telecopier: (219) 647-6188;

with a copy to such Credit Party at:

801 East 86 th Avenue
Merrillville, Indiana 46410
Attention: Assistant Treasurer
Telecopier: (219) 647-6116;

(b) if to the Administrative Agent, to Barclays Bank PLC at:

1301 Sixth Avenue
New York, New York 10019
Attn: Andrea Lubinsky
Telecopier: (917) 522-0569
Telephone: (212) 320-7741
Email: andrea.lubinsky@barclays.com
Email: xrausloanops5@barclays.com

with a copy to such party at:

745 Seventh Avenue
New York, NY 10019
Attn: Alicia Borys
Telecopier: (212) 526-5115
Email: alicia.borys@barclays.com
Email: ltmny@barclays.com

(c) if to Barclays as an Initial LC Bank, at:

200 Park Avenue
New York, NY 10166
Attn: Letters of Credit / Dawn Townsend
Telecopier: (212) 412 5011
Email: xraletterofcredit@barclays.com

(d) if to any Lender, any LC Bank (other than Barclays) or the Swingline Lender, to it at its address (or telecopy number) set forth in its Administrative Questionnaire.

Any party hereto may change its address or telecopy number for notices and other communications hereunder by notice to the other parties hereto. All notices and other communications given to any party hereto in accordance with the provisions of this Agreement shall be deemed to have been given on the date of receipt.

Notices and other communications to the Lenders hereunder may be delivered or furnished by electronic communications pursuant to procedures approved by the Administrative Agent; provided that the foregoing shall not apply to notices pursuant to Article II unless otherwise agreed by the Administrative Agent and the applicable Lender. The Administrative Agent or the Borrower may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it; provided that approval of such procedures may be limited to particular notices or communications.

SECTION 11.02. Waivers; Amendments.

(a) No failure or delay by the Administrative Agent, any LC Bank or any Lender in exercising any right or power hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Administrative Agent, the LC Banks and the Lenders hereunder are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of this Agreement or consent to any departure by any Credit Party therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) of this Section, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. Without limiting the generality of the foregoing, no Extension of Credit shall be construed as a waiver of any Default, regardless of whether the Administrative Agent, any LC Bank or any Lender may have had notice or knowledge of such Default at the time.

(b) Neither this Agreement nor any provision hereof may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by the Borrower, the Guarantor and the Required Lenders or by the Borrower, the Guarantor and the Administrative Agent with the consent of the Required Lenders; *provided* that no such agreement shall (i) increase the Commitment of any Lender without the written consent of such Lender, (ii) reduce the principal amount of any Loan or any Unreimbursed LC Disbursement or reduce the rate of interest thereon, or reduce any fees or other amounts payable hereunder, without the written consent of each Lender affected thereby, (iii) postpone the scheduled date of payment of the principal amount of any Loan, any Unreimbursed LC Disbursement or any interest thereon, or any fees or other amounts payable hereunder, or reduce the amount of, waive

or excuse any such payment, or postpone the scheduled date of expiration of any Commitment, without the written consent of each Lender affected thereby, (iv) change Section 2.18(b) or (c) in a manner that would alter the *pro rata* sharing of payments required thereby, without the written consent of each Lender, (v) release the Guarantor from its obligations under the Guaranty without the written consent of each Lender, (vi) waive any of the conditions precedent to the effectiveness of this Agreement set forth in Section 3.01 without the written consent of each Lender, (vii) issue any Letter of Credit with an expiry date, or extend the expiry date of any Letter of Credit to a date, that is later than the Termination Date without the written consent of each Lender, or (viii) change any of the provisions of this Section or the definition of "Required Lenders" or any other provision hereof specifying the number or percentage of Lenders required to waive, amend or modify any rights hereunder or make any determination or grant any consent hereunder, without the written consent of each Lender; *provided, further,* that no such agreement shall amend, modify or otherwise affect the rights or duties of the Administrative Agent or any LC Bank hereunder without the prior written consent of the Administrative Agent or such LC Bank, as the case may be.

SECTION 11.03. Expenses; Indemnity; Damage Waiver.

(a) The Borrower shall pay (i) all reasonable out-of-pocket expenses incurred by the Administrative Agent and its Affiliates, including the reasonable fees, charges and disbursements of counsel for the Administrative Agent, in connection with the initial syndication of the credit facilities provided for herein, the preparation and administration of this Agreement or any amendments, modifications or waivers of the provisions hereof (whether or not the transactions contemplated hereby or thereby shall be consummated), (ii) all reasonable out-of-pocket expenses incurred by the LC Banks, including the reasonable fees, charges and disbursements of counsel for each LC Bank, in connection with the execution, delivery, administration, modification and amendment of any Letters of Credit to be issued by it hereunder, and (iii) all reasonable out-of-pocket expenses incurred by the Administrative Agent, any LC Bank or any Lender, including the reasonable fees, charges and disbursements of any counsel for the Administrative Agent, any LC Bank or any Lender, in connection with the enforcement or protection of its rights in connection with this Agreement, including its rights under this Section, or in connection with the Loans made and Letters of Credit issued hereunder, including in connection with any workout, restructuring or negotiations in respect thereof.

(b) The Borrower shall indemnify the Administrative Agent, the Syndication Agent, each Co-Documentation Agent, each LC Bank, each Lender and the Swingline Lender, and each Related Party of any of the foregoing Persons (each such Person being called an "***Indemnitee***") against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related reasonable expenses, including the reasonable fees, charges and disbursements of any counsel for any Indemnitee, incurred by or asserted against any Indemnitee arising out of, in connection with, or as a result of (i) the execution or delivery of this Agreement or any agreement or instrument contemplated hereby, the performance by the parties hereto of their respective obligations hereunder or the consummation of the Transactions or any other transaction contemplated hereby, (ii) any Loan or Letter of Credit or the use of the proceeds therefrom, (iii) any actual or alleged presence or release of Hazardous Materials on or from any property now, in the past or hereafter owned or operated by the Borrower, the Guarantor or any of its other Subsidiaries, or any Environmental Liability related in any way to the Borrower, the

Guarantor or any of its other Subsidiaries, or (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory, whether brought by a third party or by the Borrower or any of its Subsidiaries, and regardless of whether any Indemnitee is a party thereto; *provided* that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee.

(c) To the extent that the Borrower fails to pay any amount required to be paid by it to the Administrative Agent or any LC Bank under paragraph (a) or (b) of this Section, each Lender severally agrees to pay to the Administrative Agent or such LC Bank such Lender's Applicable Percentage (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount; *provided* that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent or such LC Bank in its capacity as such.

(d) To the extent permitted by applicable law, (i) the Borrower shall not assert, and does hereby waive, any claim against any Indemnitee for any damages arising from the use by others of information or other materials obtained through telecommunications, electronic or other information transmission systems (including the Internet), and (ii) without limiting the rights of indemnification of any Indemnitee set forth in this Agreement with respect to liabilities asserted by third parties, each party hereto shall not assert, and hereby waives, any claim against each other party, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement or any agreement or instrument contemplated hereby, the Transactions or any Loan or the use of the proceeds thereof.

(e) All amounts due under this Section shall be payable not later than 20 days after written demand therefor.

SECTION 11.04. Successors and Assigns.

(a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby; provided that, (i) except to the extent permitted pursuant to Section 6.01(b)(ii) and (iii), no Credit Party may assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of each Lender and each LC Bank (and any attempted assignment or transfer by a Credit Party without such consent shall be null and void) and (ii) no Lender may assign or otherwise transfer its rights or obligations hereunder except in accordance with this Section. Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b)(i) Subject to the conditions set forth in paragraph (b)(ii) below, any Lender may assign to one or more assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans at the time owing to it) with the prior written consent (such consent not to be unreasonably withheld) of:

(A) the Borrower (provided that the Borrower shall be deemed to have consented to any such assignment unless it shall ob thereto by written notice to the Administrative Agent within ten (10) Business Days after having received notice thereof); provi further, that no consent of the Borrower shall be required for an assignment to a Lender, an Affiliate of a Lender, an Approved Fund or, if an Event of Default has occurred and is continuing, any other assignee;

(B) the Administrative Agent; and

(C) each LC Bank.

(ii) Assignments shall be subject to the following additional conditions:

(A) except in the case of an assignment to a Lender or an Affiliate of a Lender or an Approved Fund or an assignment of the entire remaining amount of the assigning Lender's Commitment or Loans of any Class, the amount of the Commitment or Loans of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Administrative Agent) shall not be less than $5,000,000 unless each of the Borrower and the Administrative Agent otherwise consent, provided that no such consent of the Borrower shall be required if an Event of Default has occurred and is continuing;

(B) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement, provided that this clause shall not be construed to prohibit the assignment of a proportionate part of all the assigning Lender's rights and obligations in respect of one Class of Commitments or Loans;

(C) the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption, together with a processing and recordation fee of $3,500, such fee to be paid by either the assigning Lender or the assignee Lender or shared between such Lenders;

(D) the assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire in which the assignee designates one or more credit contacts to whom all syndicate-level information (which may contain material non-public information about the Borrower and its affiliates and their Related Parties or their respective securities) will be made available and who may receive such information in accordance with the assignee's compliance procedures and applicable laws, including Federal and state securities laws;

(E) without the prior written consent of the Administrative Agent, no assignment shall be made to a prospective assignee that bears a relationship to the Borrower described in Section 108(e)(4) of the Code; and

(F) no assignment shall be made to any Affiliate of any Credit Party.

For the purposes of this Section 11.04(b), the term "Approved Fund" has the following meaning:

"Approved Fund" means any Person (other than a natural person) that is engaged in making, purchasing, holding or investing in bank loans and similar extensions of credit in the ordinary course of its business and that is administered or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

Subject to acceptance and recording thereof pursuant to paragraph (d) of this Section, from and after the effective date specified in each Assignment and Assumption, the assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of Sections 2.15, 2.16, 2.17 and 11.03). Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this paragraph shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with paragraph (e) of this Section.

(c) The Administrative Agent, acting for this purpose as an agent of the Borrower, shall maintain at one of its offices in The City of New York a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitment of, and principal amount of the Loans and other Obligations owing to, each Lender pursuant to the terms hereof from time to time (the "***Register***"). The entries in the Register shall be conclusive (absent manifest error), and the Borrower, the Administrative Agent, the LC Banks and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary.

(d) Upon its receipt of a duly completed Assignment and Assumption executed by an assigning Lender and an assignee, the assignee's completed Administrative Questionnaire (unless the assignee shall already be a Lender hereunder), the processing and recordation fee referred to in paragraph (b) of this Section and any written consent to such assignment required by paragraph (b) of this Section, the Administrative Agent shall accept such Assignment and Assumption and record the information contained therein in the Register. No assignment shall be effective for purposes of this Agreement unless it has been recorded in the Register as provided in this paragraph.

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(e) Any Lender may, without the consent of or notice to the Borrower, any LC Bank or the Administrative Agent, sell participations to one or more banks or other entities (a " ***Participant*** ") in all or a portion of such Lender's rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans owing to it); *provided* that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Borrower, the Guarantor and the Administrative Agent shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; *provided* that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver described in the first proviso to Section 11.02(b) that affects such Participant. Subject to paragraph (f) of this Section, the Borrower agrees that each Participant shall be entitled to the benefits of Sections 2.15, 2.16 and 2.17 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (b) of this Section.

(f) A Participant shall not be entitled to receive any greater payment under Section 2.15 or 2.17 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Borrower's prior written consent. A Participant that would be a Foreign Lender if it were a Lender shall not be entitled to the benefits of Section 2.17 unless the Borrower is notified of the participation sold to such Participant and such Participant agrees, for the benefit of the Borrower, to comply with Section 2.17(e) as though it were a Lender.

(g) Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including, without limitation, to a Federal Reserve Bank, and this Section shall not apply to any such pledge or assignment of a security interest; *provided* that no such pledge or assignment of a security interest shall release a Lender from any of its obligations hereunder or substitute any such assignee for such Lender as a party hereto.

SECTION 11.05. Survival. All covenants, agreements, representations and warranties made by the Borrower and the Guarantor herein and in the certificates or other instruments delivered in connection with or pursuant to this Agreement shall be considered to have been relied upon by the other parties hereto and shall survive the execution and delivery of this Agreement and the making of any Loans and issuance of any Letters of Credit. The provisions of Sections 2.15, 2.16, 2.17, 10.01(c)(iii) and 11.03 and Article IX shall survive and remain in full force and effect regardless of the consummation of the transactions contemplated hereby, the repayment of the Loans, the expiration or termination of the Commitments or the termination of this Agreement or any provision hereof.

SECTION 11.06. Counterparts; Integration; Effectiveness. This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement, the commitment letter relating to the credit facility provided hereby

(to the extent provided therein) and any separate letter agreements with respect to fees payable to the Administrative Agent constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. Except as provided in Section 3.01, this Agreement shall become effective when it shall have been executed by the Administrative Agent and when the Administrative Agent shall have received counterparts hereof which, when taken together, bear the signatures of each of the other parties hereto, and thereafter shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Delivery of an executed counterpart of a signature page of this Agreement by facsimile or other electronic imaging shall be effective as delivery of a manually executed counterpart of this Agreement.

SECTION 11.07. Severability. Any provision of this Agreement held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions hereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction.

SECTION 11.08. Right of Setoff. If an Event of Default shall have occurred and be continuing, each Lender and each LC Bank or any Affiliate of either is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Lender to or for the credit or the account of any Credit Party against any of and all the Obligations now or hereafter existing under this Agreement held by such Lender or such LC Bank, irrespective of whether or not such Lender or such LC Bank shall have made any demand under this Agreement and although such Obligations may be unmatured. The rights of each Lender and each LC Bank under this Section are in addition to other rights and remedies (including other rights of setoff) which such Lender may have.

SECTION 11.09. Governing Law; Jurisdiction; Consent to Service of Process.

(a) This Agreement shall be construed in accordance with and governed by the laws of the State of New York.

(b) Each Credit Party hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of the Supreme Court of the State of New York sitting in the Borough of Manhattan and of the United States District Court of the Southern District of New York, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State or, to the extent permitted by law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement shall affect any right that the Administrative Agent, any LC Bank or any Lender may otherwise have to bring any action or proceeding relating to this Agreement against any Credit Party or its properties in the courts of any jurisdiction.

(c) Each Credit Party hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement in any court referred to in paragraph (b) of this Section. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(d) Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in Section 11.01. Nothing in this Agreement will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

SECTION 11.10. WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

SECTION 11.11. Headings. Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and shall not affect the construction of, or be taken into consideration in interpreting, this Agreement.

SECTION 11.12. Confidentiality. Each of the Administrative Agent and the Lenders agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its and its Affiliates' directors, officers, employees and agents, including accountants, legal counsel and other advisors (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent requested by any regulatory authority (including any self-regulatory authority, such as the National Association of Insurance Commissioners), (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (d) to any other party to this Agreement, (e) in connection with the exercise of any remedies hereunder or any suit, action or proceeding relating to this Agreement or the enforcement of rights hereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section, to (i) any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement or (ii) actual or prospective counterparty (or its advisors) to any swap or derivative transaction or any credit insurance provider, in each case, relating to the Borrower and its obligations, (g) with the consent of the Borrower or (h) to the extent such Information (i) becomes publicly available other than as a result of a breach of this Section or (ii) becomes available to the Administrative Agent, any LC Bank or any Lender on a nonconfidential basis from a source other than a Credit Party or any Subsidiary of a Credit Party. For the purposes of

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this Section, " ***Information*** " means all information received from any Credit Party or any Subsidiary of a Credit Party relating to a Credit Party or any Subsidiary of a Credit Party or its respective businesses, other than any such information that is available to the Administrative Agent, any LC Bank or any Lender on a nonconfidential basis prior to disclosure by any Credit Party or any Subsidiary of a Credit Party; *provided* that, in the case of information received from any Credit Party or any Subsidiary of a Credit Party after the Effective Date, such information is clearly identified at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

SECTION 11.13. USA PATRIOT Act. Each Lender hereby notifies the Credit Parties that pursuant to the requirements of the USA PATRIOT Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "Act"), it is required to obtain, verify and record information that identifies the Credit Parties, which information includes the name and address of the Credit Parties and other information that will allow such Lender to identify the Credit Parties in accordance with the Act.

SECTION 11.14. Acknowledgments. Each of the Guarantor and the Borrower hereby acknowledges that:

(a) it has been advised by and consulted with its own legal, accounting, regulatory and tax advisors (to the extent it deemed appropriate) in the negotiation, execution and delivery of this Agreement and the other Credit Documents;

(b) neither any Arranger, any Agent nor any Lender has any fiduciary relationship with or duty to the Guarantor or the Borrower arising out of or in connection with this Agreement or any of the other Credit Documents, and the relationship between any Arranger, the Administrative Agent and the Lenders, on one hand, and the Guarantor and the Borrower, on the other hand, in connection herewith or therewith is solely that of debtor and creditor, and, to the fullest extent permitted by law, each of the Guarantor and the Borrower hereby waives and releases any claims that it may have against the Administrative Agent, the Arrangers and the Lenders with respect to any breach or alleged breach of agency or fiduciary duty in connection with any aspect of any transaction contemplated hereby;

(c) it is capable of evaluating, and understands and accepts, the terms, risks and conditions of the transactions contemplated hereby and by the other Credit Documents; and

(d) no joint venture is created hereby or by the other Credit Documents or otherwise exists by virtue of the transactions contemplated hereby among the Arrangers, the Administrative Agent and the Lenders or among the Guarantor, the Borrower and the Lenders.

IN WITNESS WHEREOF , the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

NISOURCE FINANCE CORP., as Borrower

By:_____
Name:
Title:

Federal Tax Identification Number: 35-2105468

NISOURCE INC., as Guarantor

By:_____
Name:
Title:

Federal Tax Identification Number: 35-2108964

BARCLAYS BANK PLC, as a Lender, as Swingline Lender, as an LC Bank and as Administrative Agent

By:_____
Name:
Title:

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Amended and Restated Revolving Credit Agreement

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CREDIT SUISSE AG, CAYMAN ISLANDS BRANCH,
as a Lender, as an LC Bank and as Syndication Agent

By:_____
Name:
Title:

By:_____
Name:
Title:

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[OTHER LENDERS], as a Lender [and as a Co-Documentation Agent]

By: _____
Name:
Title:

Signature Page to
Amended and Restated Revolving Credit Agreement

Accepted to and Agreed:

The undersigned is executing this signature page solely as a Departing Lender in its acceptance of the termination of its commitments and obligations under the Existing Credit Agreement and not as a Lender party hereto. The undersigned hereby acknowledges that the Existing Credit Agreement shall be amended and restated in its entirety by this Agreement to which this signature page is attached and the undersigned shall not constitute a party thereto other than for purposes of effectuating the amendment and restatement of the Existing Credit Agreement.

[DEPARTING LENDER]

By: _____
Name: _____
Title: _____

PRICING GRID

The "Applicable Rate" for any day with respect to any Eurodollar Loan, ABR Loan, Swingline Loan, Facility Fee or LC Risk Participation Fee, as the case may be, is the percentage set forth below in the applicable row under the column corresponding to the Status that exists on such day:

Status	Level I	Level II	Level III	Level IV	Level V	Level VI
Eurodollar Revolving Loans (basis points)	100	107.5	127.5	147.5	165	205
ABR Loans and Swingline Loans (basis points)	0	7.5	27.5	47.5	65	105
Facility Fee (basis points)	12.5	17.5	22.5	27.5	35	45
LC Risk Participation Fee (basis points)	100	107.5	127.5	147.5	165	205

For purposes of this Pricing Grid, the following terms have the following meanings (as modified by the provisos below):

" ***Level I Status*** " exists at any date if, at such date, the Index Debt is rated either A- or higher by S&P or A3 or higher by Moody's.

" ***Level II Status*** " exists at any date if, at such date, the Index Debt is rated either BBB+ by S&P or Baa1 by Moody's.

" ***Level III Status*** " exists at any date if, at such date, the Index Debt is rated either BBB by S&P or Baa2 by Moody's.

" ***Level IV Status*** " exists at any date if, at such date, the Index Debt is rated either BBB- by S&P or Baa3 by Moody's.

" ***Level V Status*** " exists at any date if, at such date, the Index Debt is rated either BB+ by S&P or Ba1 by Moody's.

" ***Level VI Status*** " exists at any date if, at such date, no other Status exists.

" ***Status*** " refers to the determination of which of Level I Status, Level II Status, Level III Status, Level IV Status, Level V Status or Level VI Status exists at any date.

The credit ratings to be utilized for purposes of this Pricing Grid are those assigned to the Index Debt, and any rating assigned to any other debt security of the Borrower shall be disregarded. The rating in effect at any date is that in effect at the close of business on such date.

Provided, that the applicable Status shall change as and when the applicable Index Debt ratings change.

Provided further, that if the Index Debt is split-rated, the applicable Status shall be determined on the basis of the higher of the two ratings then applicable; *provided further, that,* if the Index Debt is split-rated by two or more levels, the applicable Status shall instead be determined on the basis of the rating that is one level above the lower of the two ratings then applicable.

Provided further, that if both Moody's and S&P, or their successors as applicable, shall have ceased to issue or maintain such ratings, then the applicable Status shall be Level VI.

EXHIBIT A

ASSIGNMENT AND ASSUMPTION

This Assignment and Assumption (the " Assignment and Assumption ") is dated as of the Effective Date set forth below and is ered into by and between [*Insert name of Assignor*] (the " Assignor ") and [*Insert name of Assignee*] (the " Assignee "). Capitalized terms d but not defined herein shall have the meanings given to them in the Amended and Restated Credit Agreement identified below (as amended, the " Credit Agreement "), receipt of a copy of which is hereby acknowledged by the Assignee. The Standard Terms and Conditions set forth in Annex 1 attached hereto are hereby agreed to and incorporated herein by reference and made a part of this Assignment and Assumption as if set forth herein in full.

For an agreed consideration, the Assignor hereby irrevocably sells and assigns to the Assignee, and the Assignee hereby irrevocably purchases and assumes from the Assignor, subject to and in accordance with the Standard Terms and Conditions and the Credit Agreement, as of the Effective Date inserted by the Administrative Agent as contemplated below (i) all of the Assignor's rights and obligations in its capacity as a Lender under the Credit Agreement and any other documents or instruments delivered pursuant thereto to the extent related to the amount and percentage interest identified below of all of such outstanding rights and obligations of the Assignor under the respective facilities identified below (including any letters of credit, guarantees, and swingline loans included in such facilities) and (ii) to the extent permitted to be assigned under applicable law, all claims, suits, causes of action and any other right of the Assignor (in its capacity as a Lender) against any Person, whether known or unknown, arising under or in connection with the Credit Agreement, any other documents or instruments delivered pursuant thereto or the loan transactions governed thereby or in any way based on or related to any of the foregoing, including contract claims, tort claims, malpractice claims, statutory claims and all other claims at law or in equity related to the rights and obligations sold and assigned pursuant to clause (i) above (the rights and obligations sold and assigned pursuant to clauses (i) and (ii) above being referred to herein collectively as the " Assigned Interest "). Such sale and assignment is without recourse to the Assignor and, except as expressly provided in this Assignment and Assumption, without representation or warranty by the Assignor.

1. Assignor: _____
2. Assignee: _____
   [and is an Affiliate/Approved Fund of [identify Lender] [1]]
3. Borrower(s): NiSource Finance Corp., a Delaware corporation
4. Administrative Agent: Barclays Bank PLC, as the administrative agent under the Credit Agreement
5. Credit Agreement: The Amended and Restated Credit Agreement dated as of May 15, 2012 among NiSource Finance Corp., as borrower, NiSource Inc., a Delaware corporation, as guarantor, the Lenders parties thereto, Barclays Bank PLC, as Administrative Agent, and the other agents parties thereto

[1] Select as applicable.

6. Assigned Interest:

Aggregate Amount of Commitment/Loans for all Lenders	Amount of Commitment/ Loans Assigned	Percentage Assigned of Commitment/Loans [2]
$	$	%
$	$	%
$	$	%

Effective Date: _____, 20 __[TO BE INSERTED BY ADMINISTRATIVE AGENT AND WHICH SHALL BE THE EFFECTIVE DATE OF RECORDATION OF TRANSFER IN THE REGISTER THEREFOR.]

The terms set forth in this Assignment and Assumption are hereby agreed to:

ASSIGNOR

[NAME OF ASSIGNOR]

By:_____
Title:

ASSIGNEE

[NAME OF ASSIGNEE]

By:_____
Title:

Consented to and Accepted:

BARCLAYS BANK PLC, as Administrative Agent
and LC Bank

By:_____
Title:

[Consented to:]

[_____], as LC Bank

By:_____
Title:

[NISOURCE FINANCE CORP., as Borrower] [3]

By:_____
Title:

[2] Set forth, so at least 9 decimals, as a percentage of the Commitment/Loans of all Lenders thereunder.
[3] To be added only if the consent of the Borrower is required by the terms of the Credit Agreement.

ANNEX I

STANDARD TERMS AND CONDITIONS FOR

ASSIGNMENT AND ASSUMPTION

1. Representations and Warranties.

1.1 Assignor. The Assignor (a) represents and warrants that (i) it is the legal and beneficial owner of the Assigned Interest, (ii) the Assigned Interest is free and clear of any lien, encumbrance or other adverse claim and (iii) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby; and (b) assumes no responsibility with respect to (i) any statements, warranties or representations made in or in connection with the Credit Agreement or any other Loan Document, (ii) the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Loan Documents or any collateral thereunder, (iii) the financial condition of the Borrower, any of its Subsidiaries or Affiliates or any other Person obligated in respect of any Loan Document or (iv) the performance or observance by the Borrower, any of its Subsidiaries or Affiliates or any other Person of any of their respective obligations under any Loan Document.

1.2. Assignee. The Assignee (a) represents and warrants that (i) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby and to become a Lender under the Credit Agreement, (ii) it satisfies the requirements, if any, specified in the Credit Agreement that are required to be satisfied by it in order to acquire the Assigned Interest and become a Lender, (iii) from and after the Effective Date, it shall be bound by the provisions of the Credit Agreement as a Lender thereunder and, to the extent of the Assigned Interest, shall have the obligations of a Lender thereunder, (iv) it has received a copy of the Credit Agreement, together with copies of the most recent financial statements delivered pursuant to Section 5.01(h) thereof, as applicable, and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Assumption and to purchase the Assigned Interest on the basis of which it has made such analysis and decision independently and without reliance on the Administrative Agent or any other Lender, (v) if it is a Non-U.S. Lender, attached to the Assignment and Assumption is any documentation required to be delivered by it pursuant to the terms of the Credit Agreement, duly completed and executed by the Assignee; and (vi) it does not bear a relationship to the Borrower described in Section 108(e)(4) of the Code; and (b) agrees that (i) it will, independently and without reliance on the Administrative Agent, the Assignor or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Documents, and (ii) it will perform in accordance with their terms all of the obligations which by the terms of the Loan Documents are required to be performed by it as a Lender.

2. Payments. From and after the Effective Date, the Administrative Agent shall make all payments in respect of the Assigned Interest (including payments of principal, interest, fees and other amounts) to the Assignor for amounts which have accrued to but excluding the Effective Date and to the Assignee for amounts which have accrued from and after the Effective Date.

3. General Provisions. This Assignment and Assumption shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns. This Assignment and Assumption may be executed in any number of counterparts, which together shall constitute one instrument. Delivery of an executed counterpart of a signature page of this Assignment and Assumption by telecopy shall be effective as delivery of a manually executed counterpart of this Assignment and Assumption. This Assignment and Assumption shall be governed by, and construed in accordance with, the law of the State of New York.

EXHIBIT B

FORM OF OPINION OF SCHIFF HARDIN LLP

EXHIBIT C

FORM OF REVOLVING LOAN BORROWING REQUEST

REVOLVING LOAN BORROWING REQUEST

Date: _____, ____

To: Barclays Bank PLC,
as Administrative Agent
1301 Sixth Avenue
New York, NY 10019
Attention: Andrea Lubinsky
Facsimile: (917) 522-0569
Telephone: (212) 320-7741
Email: xraUSLoanOps5@barclays.com

Ladies and Gentlemen:

Reference is made to that certain Credit Agreement dated as of May 15, 2012 (as may be amended, restated, amended and restated, extended, supplemented or otherwise modified in writing from time to time in accordance with its terms, the " Agreement "; the terms defined therein being used herein as therein defined), between NiSource Finance Corp., a Delaware corporation (the " Borrower "), NiSource Inc., as guarantor, the Lenders party thereto, Barclays Bank PLC, as the Administrative Agent, and the other parties thereto.

The Borrower hereby requests a Revolving Borrowing, as follows:

1. In the aggregate amount of $ _____.

2. On _____, 201_ (a Business Day).

3. Comprised of a [ABR] [Eurodollar] Borrowing.

[4. With an Interest Period of ___months.] [4]

[4][5]. The Borrower's account to which funds are to be disbursed is:

Account Number: _____
Location: _____

This Borrowing Request and the Revolving Borrowing requested herein comply with the Agreement, including Sections 2.01(a), 2.02 and 3.02 of the Agreement.

NISOURCE FINANCE CORP.

By: _____
Name:
Title:

[4] Insert if a Eurodollar Borrowing.

EXHIBIT D

FORM OF SWINGLINE REQUEST

SWINGLINE REQUEST

Date: _____, ____

To: Barclays Bank PLC,
as Swingline Lender
Barclays Bank PLC,
as Administrative Agent
1301 Sixth Avenue

New York, NY 10019
Attention: Andrea Lubinsky
Facsimile: (917) 522-0569
Telephone: (212) 320-7741
Email: xraUSLoanOps5@barclays.com

Ladies and Gentlemen:

Reference is made to that certain Credit Agreement dated as of May 15, 2012 (as may be amended, restated, amended and restated, extended, supplemented or otherwise modified in writing from time to time in accordance with its terms, the " Agreement "; the terms defined therein being used herein as therein defined), between NiSource Finance Corp., a Delaware corporation (the " Borrower "), NiSource Inc., as guarantor, the Lenders party thereto, Barclays Bank PLC, as the Administrative Agent, and the other parties thereto.

The Borrower hereby requests a Swingline Loan from the Swingline Lender listed above, as follows:

1. In the amount of $ _____.

2. On _____, 201 _(a Business Day).

This Swingline Request and the Swingline Loan requested herein comply with the Agreement, including Sections 2.03 and 3.02 of the Agreement.

NISOURCE FINANCE CORP.

By: _____
Name:
Title:

EXHIBIT E

FORM OF LC CREDIT EXTENSION REQUEST

LC CREDIT EXTENSION REQUEST

Date: _____, ____

To: [_____],
as LC Bank
[_____]

cc: Barclays Bank PLC,
as Administrative Agent
1301 Sixth Avenue
New York, NY 10019
Attention: Andrea Lubinsky
Facsimile: (917) 522-0569
Telephone: (212) 320-7741
Email: xraUSLoanOps5@barclays.com

Ladies and Gentlemen:

Reference is made to that certain Credit Agreement dated as of May 15, 2012(as may be amended, restated, amended and restated, extended, supplemented or otherwise modified in writing from time to time in accordance with its terms, the " Agreement "; the terms defined therein being used herein as therein defined), between NiSource Finance Corp., a Delaware corporation (the " Borrower "), NiSource Inc., as guarantor, the Lenders party thereto, Barclays Bank PLC, as the Administrative Agent, and the other parties thereto.

The Borrower hereby requests a Letter of Credit credit extension by the LC Bank listed above, as follows:

1. [An issuance of a new Letter of Credit in the amount of $[_____]] [an amendment to existing Letter of Credit No. [_____] issued by such LC Bank].

2. On _____, 201 _(a Business Day).

This request for Letter of Credit credit extension complies with the Agreement, including Sections 2.04 and 3.02 of the Agreement.

NISOURCE FINANCE CORP.

By: _____
Name:
Title:

EXHIBIT F

FORM OF REVOLVING NOTE

REVOLVING NOTE

FOR VALUE RECEIVED, the undersigned (the " Borrower "), hereby promises to pay to _____ or registered assigns (the " Lender "), in accordance with the provisions of the Agreement (as hereinafter defined), the aggregate unpaid principal amount of each Revolving Loan from time to time made by the Lender to the Borrower under that certain Credit Agreement dated as of May 15, 2012 (as may be amended, restated, amended and restated, extended, supplemented or otherwise modified in writing from time to time in accordance with its terms, the " Agreement "; the terms defined therein being used herein as therein defined), between the Borrower, NiSource Inc., as guarantor, the Lenders party thereto, Barclays Bank PLC, as the Administrative Agent, and the other parties thereto. The Borrower promises to pay interest on the aggregate unpaid principal amount of each Revolving Loan from time to time made by the Lender to the Borrower under the Agreement from the date of such Loan until such principal amount is paid in full, at such interest rates and at such times as provided in the Agreement. All payments of principal and interest shall be made to the Administrative Agent for the account of the Lender in Dollars in immediately available funds at the Administrative Agent's office pursuant to the terms of the Agreement. If any amount is not paid in full when due hereunder, such unpaid amount shall bear interest, to be paid upon demand, from the due date thereof until the date of actual payment (and before as well as after judgment) computed at the per annum rate set forth in the Agreement.

This Revolving Note is one of the promissory notes referred to in Section 2.10(e) of the Agreement, is one of the Credit Documents, is entitled to the benefits thereof and may be prepaid in whole or in part subject to the terms and conditions provided therein. Upon the occurrence and continuation of one or more of the Events of Default specified in the Agreement, all amounts then remaining unpaid on this Revolving Note shall become, or may be declared to be, immediately due and payable all as provided in the Agreement. Revolving Loans made by the Lender shall be evidenced by one or more loan accounts or records maintained by the Lender in the ordinary course of business. The Lender may also attach schedules to this Revolving Note and endorse thereon the date, amount and maturity of its Revolving Loans and payments with respect thereto.

The Borrower, for itself, its successors and assigns, hereby waives diligence, presentment, protest and demand and notice of protest, demand, dishonor and non-payment of this Revolving Note.

THIS NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

NISOURCE FINANCE CORP.

By: _____
Name:
Title:

LOANS AND PAYMENTS WITH RESPECT THERETO

Type of Loan Made	Amount of Loan Made	End of Interest Period	Amount of Principal or Interest Paid This Date	Outstanding Principal Balance This Date	Notation Made By

EXHIBIT G

FORM OF INTEREST ELECTION REQUEST

INTEREST ELECTION REQUEST

Date: _____, ____

To: Barclays Bank PLC,
as Administrative Agent
1301 Sixth Avenue
New York, NY 10019
Attention: Andrea Lubinsky
Facsimile: (917) 522-0569
Telephone: (212) 320-7741
Email: xraUSLoanOps5@barclays.com

Ladies and Gentlemen:

Reference is made to that certain Credit Agreement, dated as of May 15, 2012 (as may be amended, restated, amended and restated, extended, supplemented or otherwise modified in writing from time to time in accordance with its terms, the " Agreement "; the terms defined therein being used herein as therein defined), between NiSource Finance Corp., a Delaware corporation (the " Borrower "), NiSource Inc., as guarantor, the Lenders party thereto, Barclays Bank PLC, as the Administrative Agent, and the other parties thereto.

This Interest Election Request is delivered to you pursuant to Section 2.06 of the Agreement and relates to the following:

1. ☐ A conversion of a Borrowing ☐ A continuation of a Borrowing (select one).

2. In the aggregate principal amount of $ _____.

3. which Borrowing is being maintained as a [ABR Revolving Borrowing] [Eurodollar Revolving Borrowing with an Interest Period ending on _____, 201 __].

4. (select relevant election)

☐ If such Borrowing is a Eurodollar Revolving Borrowing, such Borrowing shall be continued as a Eurodollar Revolving Borrowing having an Interest Period of [_] months.

☐ If such Borrowing is a Eurodollar Revolving Borrowing, such Borrowing shall be converted to an ABR Revolving Borrowing.

☐ If such Borrowing is an ABR Revolving Borrowing, such Borrowing shall be converted to a Eurodollar Revolving Borrowing having an Interest Period of [_____] months.

5. Such election to be effective on _____, 201 __(a Business Day).

This Interest Election Request and the election made herein comply with the Agreement, including Section 2.06 of the Agreement.

NISOURCE FINANCE CORP.

By: _____
Name:
Title:

EXHIBIT H

FORM OF PREPAYMENT NOTICE

PREPAYMENT NOTICE

Date: _____, ____

To: Barclays Bank PLC,
as Administrative Agent
1301 Sixth Avenue
New York, NY 10019
Attention: Andrea Lubinsky
Facsimile: (917) 522-0569
Telephone: (212) 320-7741
Email: xraUSLoanOps5@barclays.com

Ladies and Gentlemen:

Reference is made to that certain Credit Agreement, dated as of May 15, 2012 (as may be amended, restated, amended and restated, extended, supplemented or otherwise modified in writing from time to time in accordance with its terms, the " Agreement "; the terms defined therein being used herein as therein defined), between NiSource Finance Corp., a Delaware corporation (the " Borrower "), NiSource Inc., as guarantor, the Lenders party thereto, Barclays Bank PLC, as the Administrative Agent, and the other parties thereto.

This Prepayment Notice is delivered to you pursuant to Section 2.11 of the Agreement. The Borrower hereby gives notice of a prepayment of Loans as follows:

1. ☐ Revolving Loans ☐ Swingline Loans

2.(select Type(s) of Loans)

☐ ABR Revolving Loans in the aggregate principal amount of $ _____.

☐ Eurodollar Revolving Loans with an Interest Period ending _____, 201 _in the aggregate principal amount of $ _____.

3. On _____, 201 _(a Business Day).

This Prepayment Notice and prepayment contemplated hereby comply with the Agreement, including Section 2.11 of the Agreement.

NISOURCE FINANCE CORP.

By: _____
Name:
Title:

Schedule 2.01
(Amended and Restated Credit Agreement)

Names, Addresses, Allocation of Aggregate Commitment, and Applicable Percentages of Banks

Name	Domestic Lending Office	Eurodollar Lending Office	Commitment	Applicable Percentage
Barclays Bank PLC	Barclays Bank PLC 745 Seventh Avenue New York, NY 10019	Barclays Bank PLC 745 Seventh Avenue New York, NY 10019	$137,500,000	9.1666666%
Credit Suisse AG, Cayman Islands Branch	On file with the Administrative Agent	On file with the Administrative Agent	$137,500,000	9.1666666%
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	On file with the Administrative Agent	On file with the Administrative Agent	$ 97,500,000	6.5000000%
Citibank, N.A.	On file with the Administrative Agent	On file with the Administrative Agent	$ 97,500,000	6.5000000%
JPMorgan Chase Bank, N.A.	On file with the Administrative Agent	On file with the Administrative Agent	$ 97,500,000	6.5000000%
The Bank of Nova Scotia	On file with the Administrative Agent	On file with the Administrative Agent	$ 77,500,000	5.1666667%
BNP Paribas	On file with the Administrative Agent	On file with the Administrative Agent	$ 77,500,000	5.1666667%
KeyBank National Association	On file with the Administrative Agent	On file with the Administrative Agent	$ 77,500,000	5.1666667%
Mizuho Corporate Bank (USA)	On file with the Administrative Agent	On file with the Administrative Agent	$ 77,500,000	5.1666667%
The Northern Trust Company	On file with the Administrative Agent	On file with the Administrative Agent	$ 77,500,000	5.1666667%
PNC Bank, National Association	On file with the Administrative Agent	On file with the Administrative Agent	$ 77,500,000	5.1666667%
The Royal Bank of Scotland plc	On file with the Administrative Agent	On file with the Administrative Agent	$ 77,500,000	5.1666667%
U.S. Bank National Association	On file with the Administrative Agent	On file with the Administrative Agent	$ 77,500,000	5.1666667%

Bank Name	Domestic Lending Office	Eurodollar Lending Office	Commitment	Applicable Percentage
Wells Fargo Bank, N.A.	On file with the Administrative Agent	On file with the Administrative Agent	$ 77,500,000	5.1666667%
CoBank, ACB	On file with the Administrative Agent	On file with the Administrative Agent	$ 55,000,000	3.666666
Banco Bilbao Vizcaya Argentaria, S.A., New York Branch	On file with the Administrative Agent	On file with the Administrative Agent	$ 45,000,000	3.0000000%
The Bank of New York Mellon	On file with the Administrative Agent	On file with the Administrative Agent	$ 45,000,000	3.0000000%
Fifth Third Bank	On file with the Administrative Agent	On file with the Administrative Agent	$ 45,000,000	3.0000000%
The Huntington National Bank	On file with the Administrative Agent	On file with the Administrative Agent	$ 45,000,000	3.0000000%
TOTAL			**$1,500,000,000**	**100%**

Swingline Lender:

Bank Name	Lending Office	Swingline Commitment*
Barclays Bank PLC	745 Seventh Avenue New York, NY 10019	$250,000,000

* Swingline Commitments expressed as totals for this Agreement. Swingline Commitments are within, and not in addition to, the Swingline Lender's Commitment as a Lender.

SCHEDULE 2.04

EXISTING LETTERS OF CREDIT

ER OF IT NO.	ISSUER	APPLICANT	BENEFICIARY	OUTSTANDING BALANCE
00116	Barclays	NiSource Inc.	Travelers Indemnity Company	2,000,000.00
SB-00246	Barclays	Nisource Finance Corp	LIBERTY MUTUAL INSURANCE COMPANY	250,000.00
SB-00399	Barclays	Nisource Finance Corp	ACE American Ins Co / ACE Property + Casualty Ins Co.	10,773,024.00
SB-01562	Barclays	Nisource Finance Corp, on behalf of Northern Indiana Public Service Company	MIDWEST INDEPENDENT TRANSMISSION SYSTEM OPERATOR, INC.	5,052,542.00
SB-01606	Barclays	Nisource Finance Corp	OHIO BUREAU OF WORKERS' COMPENSATION	455,000.00
SB-01624	Barclays	Nisource Finance Corp	Ace America Insurance Company	625,000.00
SB-01643	Barclays	Nisource Finance Corp	BALTIMORE COUNTY, MARYLAND	15,108.50
SB-01654	Barclays	Nisource Finance Corp	BALTIMORE COUNTY, MARYLAND	11,250.00

SCHEDULE 6.01(e)

EXISTING AGREEMENTS

Receivables Purchase Agreements and Receivables Sales Agreement of (a) Columbia Gas of Ohio Receivables Corporation, (b) Columbia of Pennsylvania Receivables Corporation, (c) NIPSCO Accounts Receivables Corporation and (d) any renewal, modification, extension or replacement of the above, in each case, to provide for receivables financings upon terms and conditions not materially more restrictive on the Guarantor and its Subsidiaries, taken as a whole, than the terms and conditions of such renewed, modified, extended or replaced facility.

Exhibit 18.1

July 31, 2012

NiSource Inc.
E. 86th Avenue
illville, Indiana 46410

Dear Sirs/Madams:

At your request, we have read the description included in your Quarterly Report on Form 10-Q to the Securities and Exchange Commission for the quarter ended June 30, 2012, of the facts relating to the change by NiSource Inc. (the "Company") of the date of its annual goodwill impairment test from June 30 to May 1. We believe, on the basis of the facts so set forth and other information furnished to us by appropriate officials of the Company, that the accounting change described in your Form 10-Q is to an alternative accounting principle that is preferable under the circumstances.

We have not audited any consolidated financial statements of NiSource Inc. and its consolidated subsidiaries as of any date or for any period subsequent to December 31, 2011. Therefore, we are unable to express, and we do not express, an opinion on the facts set forth in the above-mentioned Form 10-Q, on the related information furnished to us by officials of the Company, or on the financial position, results of operations, or cash flows of NiSource Inc. and its consolidated subsidiaries as of any date or for any period subsequent to December 31, 2011.

Yours truly,

/s/ DELOITTE & TOUCHE LLP

Chicago, Illinois

Exhibit 31.1

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Robert C. Skaggs, Jr., certify that:

1. I have reviewed this Quarterly Report of NiSource Inc. on Form 10-Q for the quarter ended June 30, 2012;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has mate affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 31, 2012

By: /s/ Robert C. Skaggs, Jr.
Robert C. Skaggs, Jr.
Chief Executive Officer

Exhibit 31.2

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Stephen P. Smith, certify that:

1. I have reviewed this Quarterly Report of NiSource Inc. on Form 10-Q for the quarter ended June 30, 2012;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 31, 2012

By: /s/ Stephen P. Smith
Stephen P. Smith
Executive Vice President and Chief Financial Officer

Exhibit 32.1

Certification Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of NiSource Inc. (the "Company") on Form 10-Q for the quarter ending June 30, 2012 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robert C. Skaggs, Jr., Chief Executive Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Robert C. Skaggs, Jr.
Robert C. Skaggs, Jr.
Chief Executive Officer

Date: July 31, 2012

Exhibit 32.2

Certification Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of NiSource Inc. (the "Company") on Form 10-Q for the quarter ending June 30, 2012 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Stephen P. Smith, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Stephen P. Smith
Stephen P. Smith
Executive Vice President and Chief Financial Officer

Date: July 31, 2012

COLUMBIA GAS OF PENNSYLVANIA, INC
53.53 II. RATE OF RETURN
A. ALL UTILITIES

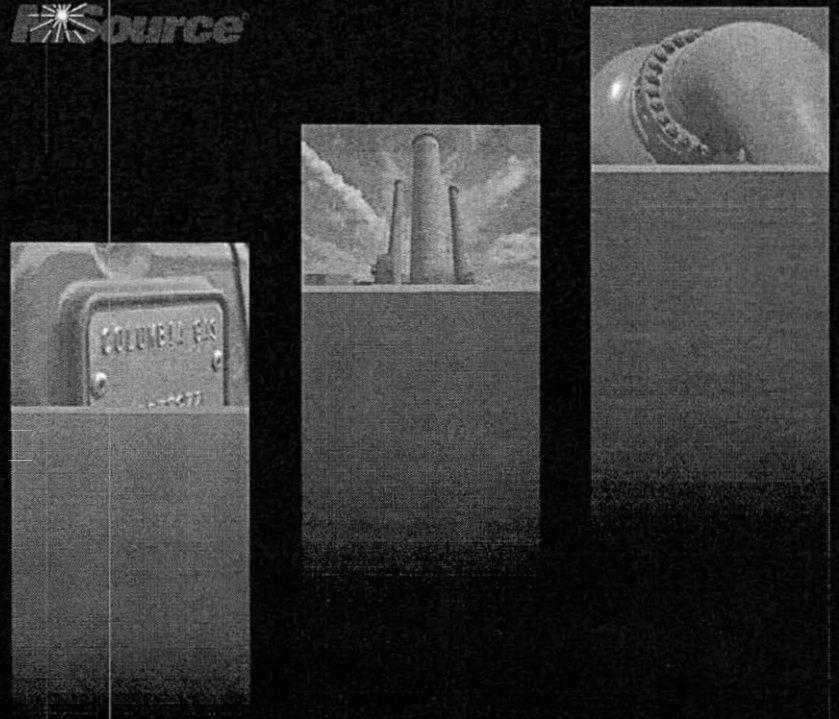
3. Provide latest Stockholder Report (Company and Parent).

Response: Columbia Gas of Pennsylvania, Inc. does not publish a Stockholders Report.

Attached in Attachment A is NiSource Inc.'s 2011 Annual Message to Stockholders and in Attachment B is NiSource Inc.'s Form 10K for the fiscal year ended December 31, 2011.

801 EAST 86TH AVENUE
MERRILLVILLE, IN 46410
WWW.NISOURCE.COM

NiSource



BUILDING

NiSource Inc. 2011 Annual Message to Stockholders

No. 403
Sheet A
of 12
P.R. Moul

NYSE: NI

A COMPELLING INVESTMENT OPPORTUNITY

- Balanced, diverse portfolio of regulated businesses
- Disciplined operational, commercial, regulatory and financial execution
- Highly predictable revenue streams
- Substantial inventory of infrastructure-focused growth investments
- Secure, attractive dividend

A BALANCED FOUR-PART PLAN

- Gas Transmission, Storage and Midstream Expansion
- Infrastructure Modernization Programs Synched with Regulatory Initiatives
- Financial Management
- Cost & Process Management

2012 WORLD'S MOST ETHICAL COMPANIES
WWW.ETHISPHERE.COM

In March 2012, NiSource was named one of the World's Most Ethical Companies by the Ethisphere Institute. The achievement is in recognition of NiSource's commitment to ethical leadership, compliance practices and corporate social responsibility.

STOCKHOLDER

This document contains forward-looking statements. For a discussion of factors that could cause actual results to differ materially from those contained in such statements, please see "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the NiSource Inc. annual report on Form 10-K included herein.

NiSource Inc. common stock is listed and traded on the New York Stock Exchange under the symbol NI. The shares are listed in financial stock quotations as NISOURCE. As of December 31, 2011, NiSource Inc. had 30,663 registered common stockholders.

Anticipated Dividend Record and Payment Dates

NiSource Common Stock

04-30-12	05-18-12
07-31-12	08-20-12
10-31-12	11-20-12
02-04-13	02-20-13

Common Stock Dividend Declared
The Board of Directors, effective January 27, 2012, has declared a quarterly dividend of $0.23 per share, equivalent to $0.92 per share on an annual basis.

Investor and Financial Information
Financial analysts and investment professionals should direct written and telephone inquiries to NiSource Investor Relations at 801 E. 86th Ave. Merrillville, IN 46410 or (219) 647-6209.

Copies of NiSource's financial reports are available by writing or calling the Investor Relations department at the address or phone number listed above. The materials are also available at www.nisource.com.

Stockholder Services
Questions about stockholder accounts, stock certificates, transfer of shares, dividend payments, automatic dividend reinvestment and stock purchase plan, and electronic deposit may be directed to Computershare Shareowner Services LLC at the following:

Computershare Shareowner Services LLC
P.O. Box 358015
Pittsburgh, PA 15252-8015
or
480 Washington Boulevard
Jersey City, NJ 07310-1900

(888) 884-7790

TDD for Hearing Impaired
(800) 231-5469

Foreign Stockholders
(201) 680-6578

TDD Foreign Stockholders
(201) 680-6610

www.bnymellon.com/shareowner/equityaccess

On June 8, 2011, NiSource's Chief Executive Officer submitted to the New York Stock Exchange ("NYSE") an annual certification stating that as of that date he was not aware of any violation by the company of the New York Stock Exchange's corporate governance listing standards, as required by Section 303A.12(a) of the NYSE's Listed Company Manual. NiSource's Chief Executive Officer and Chief Financial Officer have provided certifications to the U.S. Securities and Exchange Commission as required by Section 302 of the Sarbanes-Oxley Act of 2002. These certifications are included as Exhibits 31.1 and 31.2 to the company's 10-K for the year ended December 31, 2011.

Stockholder Inquiries Computershare Shareowner Services	Analyst Inquiries Investor Relations	Media Inquiries Communications
(888) 884-7790	(219) 647-6209	(219) 647-5581

Exhibit No. 403
Attachment A
Page 2 of 12
Witness: P.R. Moul

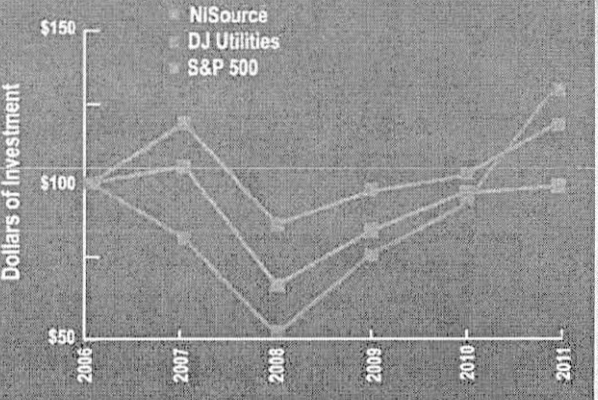
For NiSource, 2011 was a year of significant achievement, groundbreaking performance and industry-leading growth in shareholder value.

Through consistent execution of our balanced, well-established business strategy, the NiSource Team continued **building long-term, sustainable value** for our customers, investors and other key stakeholders.

- **We delivered on NiSource's financial commitments for the fifth consecutive year,** producing 2011 net operating earnings per share of $1.35 (non-GAAP),* at the top of our guidance range.
- **We led the industry in building shareholder value,** generating a total return of 40 percent, significantly outperforming the broader market and utility indices for the third straight year.
- **We continued building a deep inventory of accretive infrastructure investment opportunities,** driving more than $1.1 billion in 2011 capital investments, and a record $1.4 billion 2012 capital program.
- **We strengthened our financial foundation** by reducing financing costs, extending our debt maturity profile, and managing liabilities – including our pension.
- **And we delivered on our core commitments** to provide our customers safe, reliable and affordable energy, while maintaining a strong and secure dividend, stable investment-grade credit ratings and long-term, sustainable earnings growth.

At the heart of NiSource's success is our balanced strategy of executing stakeholder-focused commercial and regulatory initiatives, paired with disciplined and accretive capital investments. This straightforward approach has enabled NiSource to more than triple its market capitalization over the past three years, from about $2 billion in the first quarter of 2009 to more than $6.8 billion.

**For a reconciliation to GAAP, see Schedule 1 of NiSource's February 1, 2012, earnings release.*

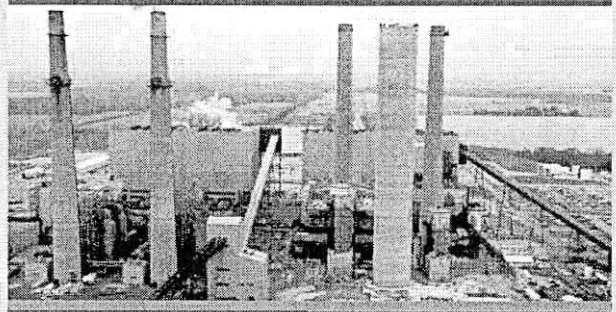


	NiSource	DJ Utilities	S&P 500
2011	130.76	118.96	98.74
2010	92.44	102.24	96.70
2009	76.21	97.17	84.04
2008	50.20	86.35	66.47
2007	81.75	119.67	105.49
2006	100.0	100.0	100.0

PERFORMANCE

NiSource's 2011 performance ranked first among all companies in the Dow Jones Utility Average.

That's an impressive achievement, but as you will see in this year's annual report, we have our sights set even higher. Our Team is committed to building a world-class company – one that will consistently deliver value to all of our stakeholders for years to come.



AT R.M. SCHAHFER GENERATING STATION

NIPSCO is on track to install new clean-air equipment at its largest electric generating facility, part of an $850 million environmental investment stream.

It's fitting that we begin our overview of NiSource's 2011 performance in Indiana, where our combined gas and electric utility, Northern Indiana Public Service Company (NIPSCO), executed on its comprehensive **Powering Indiana** strategy – to engage customers and community leaders, improve performance and reliability, modernize customer programs and rate designs, and create a stable earnings platform to support long-term investment and growth.

At the forefront of NIPSCO's 2011 achievements was the settlement – and subsequent Indiana Utility Regulatory Commission (IURC) approval – of the company's landmark electric rate case. The settlement, developed in close collaboration with stakeholders and approved by the IURC without modification, sets the stage for ongoing investments in customer service, reliability and environmental stewardship.

ELECTRIC VEHICLES

NIPSCO is installing new publicly available charging stations for electric vehicles, including this model built in Indiana.

NIPSCO also remained on track with the first phase of a major environmental investment program that will upgrade clean-air technology at the company's electric generating facilities, create hundreds of project-related jobs, and keep NIPSCO at the forefront of compliance with current and anticipated future environmental standards.

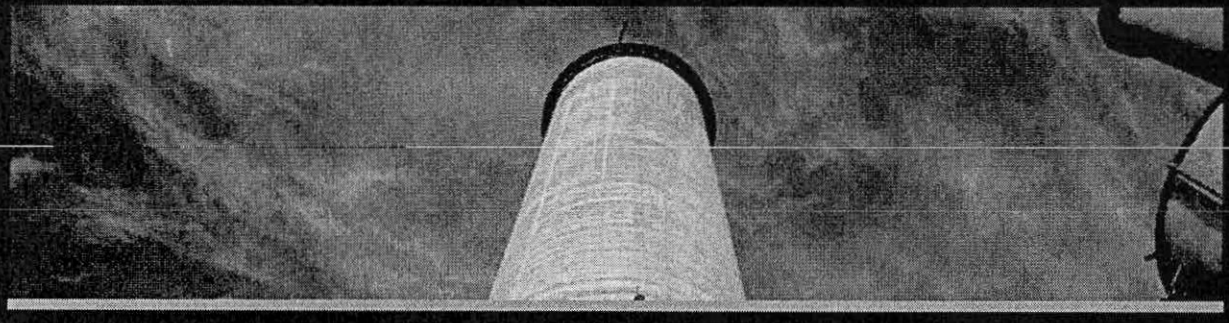
The first of these environmental investments, involving new flue gas desulfurization equipment (scrubbers) at NIPSCO's R.M. Schahfer Generating Station, is on budget and scheduled for completion by the end of 2013. Additional investments – all part of an approximately $850 million program over the balance of the decade – will involve more facility improvements, the installation of new publicly available electric vehicle charging stations, the addition of fleet vehicles with hybrid or electric technology, and the conservation of environmentally sensitive areas.

On the customer service front, NIPSCO continued to make improvements in operations performance and customer

satisfaction, while significantly expanding its electric conservation and energy efficiency programs. These new programs will complement similar natural gas programs that have helped NIPSCO customers reduce their energy costs by millions of dollars over the last several years.

Looking to the future, NIPSCO will play a key role in a multi-state initiative to strengthen the Midwest region's electric transmission grid. This effort includes a major investment to construct a new 100-mile, 345-kilavolt transmission line in northern Indiana.

Without question, 2011 was a "break-out" year for NIPSCO, and its future has never looked brighter. Working in close partnership with its customers, communities and other key stakeholders, the NIPSCO Team is fully committed to achieving its vision of building Indiana's premier utility.



ENVIRONMENTAL INVESTMENTS

In January 2011, NIPSCO embarked on a series of environmental improvements that together amount to an investment of approximately $850 million. These investments are designed to clean the air and create economic- and job-related benefits in northern Indiana. The first – and most significant – investment is the installation of flue gas desulfurization equipment at the company's R.M. Schahfer Generating Station in Wheatfield, Ind.

OVERALL ENVIRONMENTAL INVESTMENTS

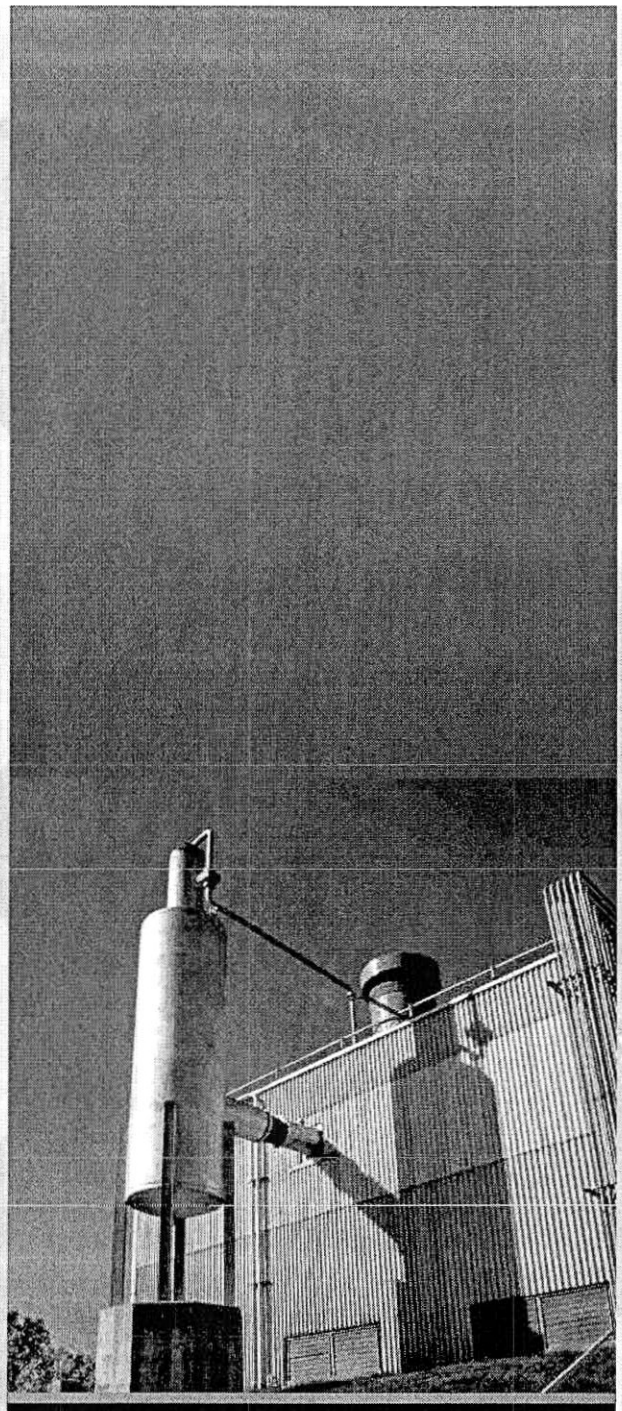
- Investing approximately $850 million in environmental technology over the next six to eight years
- Reducing generation emissions by 80 percent from 2010 levels
- Helping maintain the region's current EPA attainment designation
- Positioning NIPSCO to comply with U.S. Environmental Protection Agency emission standards

ABOUT SCHAHFER GENERATING STATION

- NIPSCO's largest generating station, built between 1976-1986
- Station Net Capacity – 1,780 MW
- Four coal-fired generating units; two natural gas peaking units
- Produces enough electricity to supply 1.6 million average households
- Approximately 3,900 acres of land – 600 acres donated to the Nature Conservancy

SCHAHFER FLUE GAS DESULFURIZATION INSTALLATION

- Largest project in NIPSCO history
- $510 million investment over four years
- Adding 20 full-time NIPSCO jobs
- $66 million in construction wages paid
- 1.8 million hours of local labor
- 499-foot chimney stacks
- 1.1 million feet of electric cable
- Enough steel to build seven Boeing 747 aircrafts
- 5,000 cement truck loads
- On schedule and on budget



CLENDENIN COMPRESSOR STATION

A significant portion of NGT&S' capital investment program for 2012 is targeted at value-adding growth opportunities in and around the shale gas production plays.

At NiSource Gas Transmission & Storage (NGT&S), CEO Jimmy Staton and Team are intently focused on developing and deploying a robust, comprehensive strategy for meeting customer needs and maximizing the value of our extensive pipeline and storage assets – including our very attractive position in the Marcellus and Utica shale production regions.

For 2012, we expect to invest about $430 million in capital projects at NGT&S, a more than 40 percent increase over 2011. A very significant portion of our 2012 capital program is targeted at value-adding growth opportunities in and around the shale gas production plays. In addition, our Team will continue capturing organic growth opportunities that leverage our core Columbia Gas Transmission, Columbia Gulf Transmission and related pipeline systems.

The Team is off to a great start with the recent announcement of a new supply-driven project to install and operate about 90 miles of pipeline facilities in western Pennsylvania. Anchored by a major producer, this $145 million project will have an initial capacity of about 300,000 dekatherms per day and provide interconnects with multiple interstate pipelines. Work is well underway and the project is scheduled to be in service later this year.

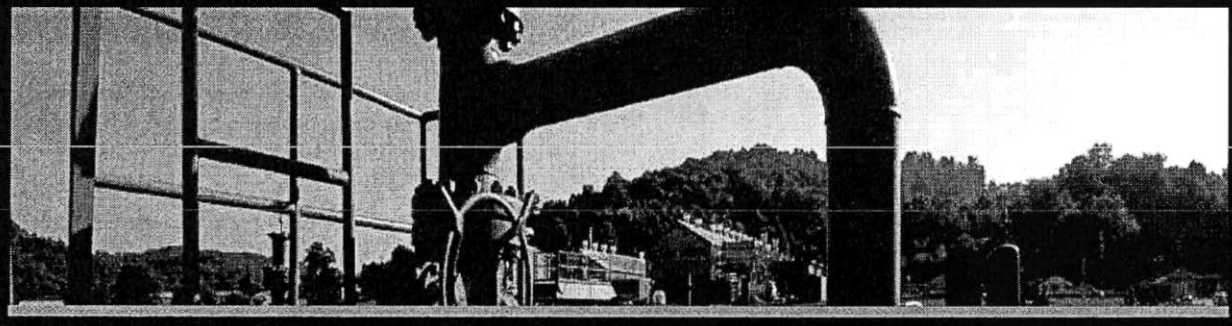
Shale production also is driving expansion of the Millennium Pipeline, 47.5 percent owned by NiSource. Pending Federal Energy Regulatory Commission (FERC) approval, Millennium is creating new firm capacity with the addition of more than 12,000 horsepower of compression in Orange County, NY. The expansion represents an investment of nearly $45 million for the partnership and is anticipated to be in-service in November 2012.

The NGT&S Team also is making progress in leveraging our extensive mineral rights position in the developing Utica shale production area, where we estimate NiSource has approximately 100,000 to 200,000 prospective acres available for lease to producers. The pace of drilling activity in the Utica is expected to accelerate in 2012, especially in the so-called "wet" areas of the play, where wells produce a valuable mixture of natural gas and heavier hydrocarbons such as ethane.

NGT&S is actively engaged in discussions with a number of producers to optimize the value of our Utica acreage position, in particular in the eastern part of the play. As we develop and execute our minerals strategy, our focus will be on capturing opportunities that enhance the long-term value of our assets, offer accretive investment opportunities and create long-term shareholder value.

The NGT&S Team also is in the process of developing a long-term program to modernize its transmission and storage system. Similar to the modernization programs in place at our gas utilities, this effort would enhance the reliability and flexibility of our core Columbia Gas Transmission system, ensuring continued safe and reliable service while positioning the company to meet anticipated regulatory requirements.

We are discussing the plan – which is expected to involve an investment of about $4 billion over a 10- to 15-year period – with customers and other key stakeholders. This long-term modernization effort offers numerous customer, environmental and economic benefits, while at the same time supporting ongoing growth for the company.



SHALE GAS OPPORTUNITY

The production of gas and oil from shale reserves is a game changer for the entire nation. End-use customers get the benefits of lower natural gas prices and a domestically available, clean energy resource. Other related businesses, like the chemical and plastics industries, also benefit from the associated gas and petroleum production. And, local economies get a much-needed boost from job growth and significant economic development investments.

The opportunities for NiSource are significant, as our existing pipeline assets overlay two of the largest shale production areas: the Utica and Marcellus. Our vast natural gas pipeline and storage system extends throughout much of the Marcellus and Utica play, providing opportunities to transport new supplies of natural gas to processing centers and end users.

Extending this potential is NiSource's 100,000 to 200,000 acres in the Utica shale that have production lease potential. This acreage position also enables significant long-term midstream and downstream infrastructure investment.

This trifecta of opportunity – minerals, midstream and traditional pipeline projects – positions NiSource to capture immediate and long-term revenue-generating opportunities from increased shale production.

Consistent with our overall approach, our strategy will be to use our lease position to secure additional gas production that is supportive of firm downstream gas transportation investments. These investments will likely include processing facilities and interconnections, as well as expansion and reconfiguration of our existing facilities.

Our NGT&S business remains a centerpiece of our balanced portfolio with significant opportunities to grow earnings predictably over the long term. The initiatives underway at NGT&S position us to remain responsive to our customers and other stakeholders, while ensuring the safety, flexibility and reliability of our system now and in the future.

In 2011, our NiSource Gas Distribution (NGD) Teams continued to execute on an industry-leading series of long-term infrastructure modernization and replacement programs paired with stakeholder-focused regulatory and customer programs.

We invested nearly $320 million in these modernization programs in 2011 to ensure safe and reliable service. In 2012, we will continue at a similar pace as part of our more than $4 billion plus modernization program spanning the next 20 years.

Our NGD Team also continues to pursue complementary strategies to help customers save money on their energy bills through reduced energy usage and other assistance initiatives. For example, during 2011, Columbia Gas of Ohio received approval from the Public Utilities Commission of Ohio to extend and expand its energy efficiency programs for an additional five years. Over the life of the programs, we estimate customers will save up to $300 million through reduced energy usage.

On the regulatory and legislative front, our Teams continued to make steady progress during 2011. For example, in October, the Pennsylvania Public Utility Commission issued a final order in Columbia Gas of Pennsylvania's base rate case, authorizing an annual revenue increase of $17 million. As part of the order, the Commission also authorized a new residential rate design with a higher minimum monthly charge, including a fixed customer charge and usage allowance.

Also in Pennsylvania, in early February of this year, the General Assembly enacted a law that will support investment in Pennsylvania's energy infrastructure, create jobs and help

TEAM

PRESIDENT & CHIEF EXECUTIVE OFFICER

EXECUTIVE VICE PRESIDENT &
CHIEF FINANCIAL OFFICER

EXECUTIVE VICE PRESIDENT &
CHIEF LEGAL OFFICER

EXECUTIVE VICE PRESIDENT & GROUP CEO
GAS TRANSMISSION & STORAGE & NIPSCO

SENIOR VICE PRESIDENT
HUMAN RESOURCES

SENIOR VICE PRESIDENT
CORPORATE AFFAIRS

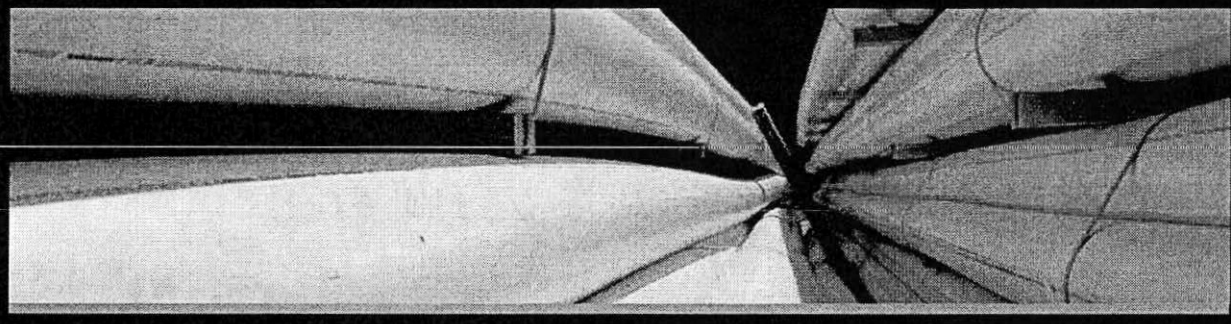
SENIOR VICE PRESIDENT &
CHIEF INFORMATION OFFICER

VICE PRESIDENT
AUDIT

manage customer energy costs. This came on the heels of landmark legislation enacted in Ohio last May. Among other things, the Ohio legislation helps modernize the way natural gas utilities are regulated and encourages infrastructure investment in the state. Consistent with regulatory and legislative efforts across all of our businesses, our NGD teams played a key role in the effort to develop and enact these statutes.

In Virginia, Columbia Gas of Virginia received regulatory approval of an application under the Commonwealth's SAVE Act (Steps to Advance Virginia's Energy Plan) for accelerated recovery of certain infrastructure modernization investments. Over the next five years, we expect to invest more than $100 million under this program.

NGD's ongoing infrastructure modernization programs continue to benefit customers and communities, as well as NiSource shareholders. The Team's consistent, collaborative approach has served us well as we execute on this core long-term strategy.



INFRASTRUCTURE MODERNIZATION INITIATIVES

Starting nearly three years ago, NiSource Gas Distribution launched a $4+ billion infrastructure modernization initiative. The initiative is designed to ensure the safe and reliable delivery of natural gas to our customers, while providing additional earnings opportunities for the company.

This modernization includes replacing aging pipelines with more corrosion-resistant materials, including coated steel and plastic, as well as the installation of automated meter readers.

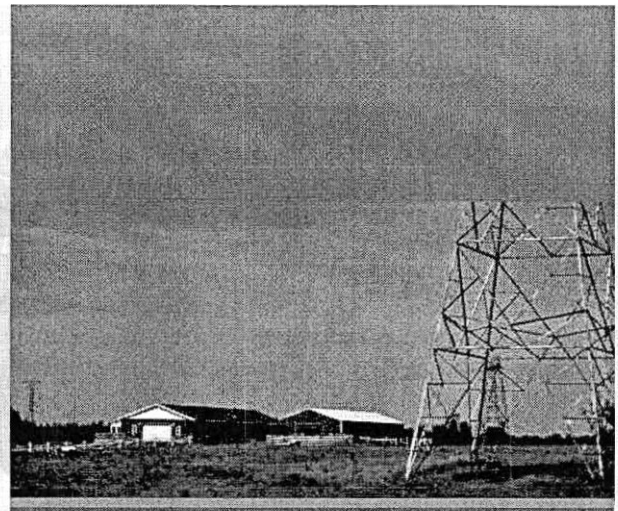
The largest modernization programs across the NiSource footprint are located in Ohio, Pennsylvania and Massachusetts. Other programs are moving ahead in Kentucky, Virginia and Maryland.

In Ohio alone, the $1.8 billion, 25-year planned investment is anticipated to create or support up to 1,485 annualized jobs over the duration of the project.* The bulk of jobs will be created in the non-utility areas such as the construction sector, retail and restaurant sectors and plastics and technical services sectors.

Ohio and local government revenues will increase by more than $200 million over the project life. Local government wage taxes will amount to nearly $50 million and state government revenues based on income, commercial activity and sales taxes will amount to more than $160 million.

Across NiSource's entire footprint, similar economic development and job creation opportunities are being created and will continue for the next two decades.

**Data based on an economic impact study completed by Kleinhenz & Associates.*



2011 ACCOMPLISHMENTS

- **NiSource Leads Dow Jones Utility Index in Total Shareholder Return**
- **Capital Investment Program Exceeds $1.1 Billion; Record $1.4 Billion Program in 2012**
- **$850 Million Environmental Investment Program Launched in Indiana**
- **NIPSCO Electric Rate Settlement Approved**
- **Columbia Gas of Pennsylvania and Columbia Gulf Rate Case Settlements Approved**
- **Nearly $320 Million Invested in NiSource Gas Distribution Modernization Programs**
- **NGT&S Announced 100,000 to 200,000 Acres in Utica Shale Area May Hold Production Lease Potential**

The foundation of NiSource's infrastructure investment-driven growth platform is a thoughtful, disciplined financial strategy.

During 2011, Chief Financial Officer Steve Smith and his Team further strengthened NiSource's financial profile through a series of strategic transactions designed to reduce financing costs, extend our debt maturity profile, and manage liabilities, including our pension obligations.

These transactions included:

- Issuing a total of $900 million of long-term notes;
- Completing a $250 million debt tender offer;
- Launching a $500 million commercial paper program; and
- Renewing our $1.5 billion revolving credit facility for an additional four years.

I am also pleased to report that in late 2011 and early in 2012, NiSource's stable investment-grade credit ratings were again affirmed by Moody's, Fitch and Standard and Poor's. As I have noted in the past, a stable investment-grade credit rating is an essential element of our balanced business plan.

Over the last several years, we have demonstrated our commitment to a strong and secure dividend. Looking to the future, NiSource's Board of Directors is currently reviewing the company's dividend policy, with the objective of resuming sustainable dividend growth at the earliest appropriate date. We expect to be in a position to communicate our prospective policy and timetable later this year.

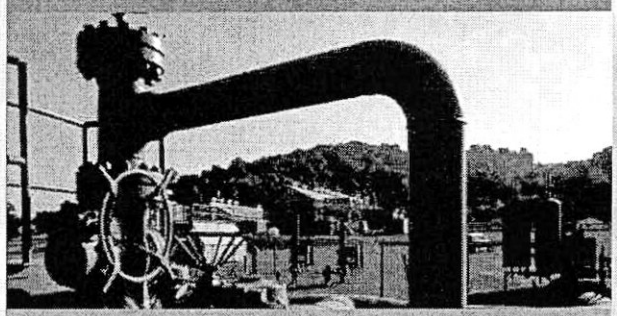
Our balanced plan and focused execution have enabled NiSource to outline a robust growth plan for 2012.

Our announced non-GAAP net operating earnings outlook for 2012 is $1.40 to $1.50 per share, which at the midpoint represents nearly a 7.5 percent increase over 2011 earnings.

And, as I noted above, helping fuel this and future growth will be our record $1.4 billion capital investment program. That plan reflects an increase of almost 25 percent over 2011, with the largest increases relating to the deep inventory of value-adding projects at NGT&S and our electric business. These and other investments will serve to enhance the long-term value of our assets for the benefit of our customers, shareholders and other key stakeholders.

As our 2011 results attest and our 2012 commitments confirm, the NiSource Team is building a consistent track record of delivering on our promises. Looking forward to 2012 – with the engagement of our nearly 8,000 employees and the strong support of our Board of Directors – I am convinced that we have the strategy, the resources and the capabilities to continue to deliver on those commitments, and to build **North America's Premier Regulated Energy Company.**

Thank you for your continued interest in and support of NiSource.



Robert C. Skaggs, Jr.
President & CEO
NiSource Inc.

SHAREHOLDER VALUE IN 2011

- **Total Shareholder Return: 40 percent**
- **Capital Investment Program: $1.13B**
- **Share Price Appreciation: 35 percent**
- **Year-End Net Available Liquidity: $364M**
- **2012 Capital Investment Program: $1.4B**
- **Reduced Financing Costs, Extended the Company's Debt Maturity Profile**
- **Growth, Environmental, Modernization Investments On Schedule and On Budget**
- **Significant Shale Opportunities – Midstream, Minerals and Traditional Pipeline Opportunities**

BOARD

CHAIRMAN OF THE BOARD
NISOURCE INC.

PRESIDENT
R.A. ABDOO & CO. LLC

CHAIRMAN
UNIVERSITIES RESEARCH ASSOCIATION

RETIRED SENIOR VICE PRESIDENT,
FINANCE & CFO
CONOCOPHILLIPS

PRINCIPAL
SERRAFIX

RETIRED EXECUTIVE VICE PRESIDENT & CFO
DRESSER, INC.

RETIRED CHAIRMAN, PRESIDENT & CEO
RAYONIER, INC.

SENIOR VICE PRESIDENT, QUALITY
ALSTOM POWER

PRESIDENT & CEO
NISOURCE INC.

CHAIRMAN
LENNOX INTERNATIONAL, INC.

PRESIDENT & CEO
CATHOLIC RELIEF SERVICES

2011 unquestionably was a year of significant achievement for NiSource shareholders, the customers and communities we serve, as well as the entire team.

By successfully executing on its balanced business plan, NiSource is positioned to step up its game a notch – maybe even two – this year. The pinnacle of this accomplishment is the $1.4 billion capital investment program outlined for 2012.

Underpinning NiSource's plan is a solid governance model and an engaged and active Board of Directors. As a group, we take very seriously our role as stewards of your investment, and we are committed to the principles of integrity, transparency and independence. These commitments remain absolute as NiSource advances along its growth plans.

In 2011 we welcomed the newest member of NiSource's Board, Sigmund Cornelius. Sig's leadership and financial experience at ConocoPhillips will be a great asset as NiSource continues to execute on its long-term, investment-driven growth strategy.

In addition, it is with sincere gratitude that I acknowledge the significant contributions of retiring board member, and friend, Dr. Steven Beering. For 25 years we have served together on NiSource's board, and his dedication and commitment to the company and its employees have proven invaluable. On behalf of the entire Board, I extend our deep appreciation to Steve for his contributions and many years of service.

I'm pleased to add that, given the anticipated long-term earnings growth enabled by the company's infrastructure investment-driven strategy, the Board is evaluating plans to resume growth of NiSource's dividend, with an announcement anticipated later this year. This – among countless other examples – is a noteworthy demonstration of the Board's confidence in management's plan and vision for building North America's Premier Regulated Energy Company and sustainable shareholder value.

As we move forward through 2012, I can assure you that the Board will continue to maintain a high level of engagement with management and, together with Bob and his team, will test and validate the company's strategies and plans on an ongoing basis. We are confident the company will continue to deliver on its commitments to you and our other key stakeholders.

Thank you for your continuing support of OUR company.

Sincerely,

Ian M. Rolland

Ian M. Rolland
Chairman of the Board
NiSource Inc.

EDGAR Online

NISOURCE INC/DE

FORM 10-K
(Annual Report)

Filed 02/24/12 for the Period Ending 12/31/11

Address	801 EAST 86TH AVE
	MERRILLVILLE, IN 46410-6272
Telephone	2196475200
CIK	0001111711
Symbol	NI
Fiscal Year	12/31

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

☑ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2011

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____to _____

Commission file number 001-16189

NiSource Inc.
(Exact name of registrant as specified in its charter)

Delaware	35-2108964
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
801 East 86th Avenue Merrillville, Indiana	46410
(Address of principal executive offices)	(Zip Code)

(877) 647-5990
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock	New York

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☑ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☑

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes ☑ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☑

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12-b-2 of the Exchange Act.

Large accelerated filer ☑ Accelerated filer ☐

Non-accelerated filer ☐ Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☑

The aggregate market value of Common Stock (based upon the June 30, 2011, closing price of $20.25 on the New York Stock Exchange) held by non-affiliates was approximately $5,661,012,618.

There were 282,180,170 shares of Common Stock, $0.01 Par Value outstanding as of January 31, 2012.

Documents Incorporated by Reference

Part III of this report incorporates by reference specific portions of the Registrant's Notice of Annual Meeting and Proxy Statement relating to the Annual Meeting of Stockholders to be held on May 15, 2012.

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DEFINED TERMS

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

NiSource Subsidiaries and Affiliates	
Capital Markets	NiSource Capital Markets, Inc.
CER	Columbia Energy Resources, Inc.
CGORC	Columbia Gas of Ohio Receivables Corporation
CNR	Columbia Natural Resources, Inc.
Columbia	Columbia Energy Group
Columbia Gulf	Columbia Gulf Transmission Company
Columbia of Kentucky	Columbia Gas of Kentucky, Inc.
Columbia of Maryland	Columbia Gas of Maryland, Inc.
Columbia of Massachusetts	Bay State Gas Company
Columbia of Ohio	Columbia Gas of Ohio, Inc.
Columbia of Pennsylvania	Columbia Gas of Pennsylvania, Inc.
Columbia of Virginia	Columbia Gas of Virginia, Inc.
Columbia Transmission	Columbia Gas Transmission L.L.C.
CPRC	Columbia Gas of Pennsylvania Receivables Corporation
Crossroads Pipeline	Crossroads Pipeline Company
Granite State Gas	Granite State Gas Transmission, Inc.
Hardy Storage	Hardy Storage Company, L.L.C.
Kokomo Gas	Kokomo Gas and Fuel Company
Millennium	Millennium Pipeline Company, L.L.C.
NARC	NIPSCO Accounts Receivable Corporation
NDC Douglas Properties	NDC Douglas Properties, Inc.
NiSource	NiSource Inc.
NiSource Corporate Services	NiSource Corporate Services Company
NiSource Development Company	NiSource Development Company, Inc.
NiSource Finance	NiSource Finance Corporation
Northern Indiana	Northern Indiana Public Service Company
Northern Indiana Fuel and Light	Northern Indiana Fuel and Light Company Inc.
NiSource Midstream	NiSource Midstream Services, L.L.C.
PEI	PEI Holdings, Inc.
Whiting Clean Energy	Whiting Clean Energy, Inc.

Abbreviations	
2010 Health Care Act	The Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 signed into law by the President on March 23, 2010 and March 30, 2010, respectively
AFUDC	Allowance for funds used during construction
AICPA	American Institute of Certified Public Accountants
AMRP	Accelerated Main Replacement Program
AOC	Administrative Order by Consent
AOCI	Accumulated other comprehensive income
ARP	Alternative Regulatory Plan
ARRs	Auction Revenue Rights
ASC	Accounting Standards Codification
BBA	British Banker Association
Bcf	Billion cubic feet
Board	Board of Directors
BPAE	BP Alternative Energy North America, Inc.
BTMU	The Bank of Tokyo-Mitsubishi UFJ, LTD.
BTU	British Thermal Unit
CAA	Clean Air Act
CAIR	Clean Air Interstate Rule
CAMR	Clean Air Mercury Rule
Ccf	Hundred cubic feet
CARE	Conservation and Ratemaking Efficiency
CCGT	Combined Cycle Gas Turbine

DEFINED TERMS

[redacted]CLA	Coal Combustion Residuals Comprehensive Environmental Response Compensation and Liability Act (also known as Superfund)
Chesapeake	Chesapeake Appalachia, L.L.C.
CO_2	Carbon Dioxide
CSAPR	Cross-State Air Pollution Rule
Day 2	Began April 1, 2005 and refers to the operational control of the energy markets by MISO, including the dispatching of wholesale electricity and generation, managing transmission constraints, and managing the day-ahead, real-time and financial transmission rights markets
DPU	Department of Public Utilities
DSM	Demand Side Management
Dth	Dekatherm
ECR	Environmental Cost Recovery
ECRM	Environmental Cost Recovery Mechanism
ECT	Environmental cost tracker
EERM	Environmental Expense Recovery Mechanism
EPA	United States Environmental Protection Agency
EPS	Earnings per share
ERISA	Employee Retirement Income Security Act of 1974
FAC	Fuel adjustment clause
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
FGD	Flue Gas Desulfurization
FTRs	Financial Transmission Rights
GAAP	Generally Accepted Accounting Principles
GCR	Gas cost recovery
GHG	Greenhouse gases
[redacted]	Gigawatt hours Horsepower International Business Machines Corp.
IBM Agreement	The Agreement for Business Process & Support Services
IDEM	Indiana Department of Environmental Management
IFA	Indiana Finance Authority
IFRS	International Financial Reporting Standards
IIG	Indiana Industrial Group
IRP	Infrastructure Replacement Program
IRS	Internal Revenue Service
IURC	Indiana Utility Regulatory Commission
LDCs	Local distribution companies
LIBOR	London InterBank Offered Rate
LIFO	Last-in, first-out
LNG	Liquefied Natural Gas
MACT	Maximum Achievable Control Technology
Mcf	Million cubic feet
MGP	Manufactured Gas Plant
MISO	Midwest Independent Transmission System Operator
Mitchell	Dean H. Mitchell Coal Fired Generating Station
MMDth	Million dekatherms
mw	Megawatts
mwh	Megawatts hours
NAAQS	National Ambient Air Quality Standards
NLMK	Novolipetsk Steel
NOV	Notice of Violation
NO_2	Nitrogen dioxide
NOx	Nitrogen oxides
NSR	New Source Review
N[redacted]EX	New York Mercantile Exchange

DEFINED TERMS

OCI	Other Comprehensive Income (Loss)
OPEB	Other Postretirement and Postemployment Benefits
OUCC	Indiana Office of Utility Consumer Counselor
PADEP	Pennsylvania Department of Environmental Protection
PCB	Polychlorinated biphenyls
Piedmont	Piedmont Natural Gas Company, Inc.
PIPP	Percentage of Income Plan
PJM	PJM Interconnection is a regional transmission organization (RTO) that coordinates the movement of wholesale electricity in all or parts of 13 states and the District of Columbia.
PM	particulate matter
PPS	Price Protection Service
PSC	Public Service Commission
PUC	Public Utility Commission
PUCO	Public Utilities Commission of Ohio
RBS	Royal Bank of Scotland PLC
RCRA	Resource Conservation and Recovery Act
RTO	Regional Transmission Organization
SEC	Securities and Exchange Commission
SIP	State Implementation Plan
SO_2	Sulfur dioxide
Sugar Creek	Sugar Creek electric generating plant
VaR	Value-at-risk and instrument sensitivity to market factors
VIE	Variable Interest Entity
VSCC	Virginia State Corporation Commission
WACOG	Weighted Average Cost of Gas

ITEM 1. BUSINESS

NISOURCE INC.

NiSource (the "Company") is an energy holding company whose subsidiaries provide 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. NiSource is the successor to an Indiana corporation organized in 1987 under the name of NIPSCO Industries, Inc., which changed its name to NiSource on April 14, 1999.

NiSource is one of the nation's largest natural gas distribution companies, as measured by number of customers. NiSource's principal subsidiaries include Columbia, 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, a vertically-integrated gas and electric company providing service to customers in northern Indiana; and Columbia of Massachusetts, a natural gas distribution company serving customers in Massachusetts. NiSource derives substantially all of its revenues and earnings from the operating results of its thirteen direct subsidiaries.

NiSource's business segments are: Gas Distribution Operations; Gas Transmission and Storage Operations; and Electric Operations. Following is a summary of the business for each reporting segment. Refer to Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" for additional information for each segment.

Gas Distribution Operations

NiSource's natural gas distribution operations serve more than 3.3 million customers in seven states and operate approximately 58 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 795 thousand customers in northern Indiana. Additionally, NiSource's subsidiary, Columbia Gas of Massachusetts, distributes natural gas to approximately 298 thousand customers in Massachusetts.

Gas Transmission and Storage Operations

NiSource's Gas Transmission and Storage Operations subsidiaries own and operate approximately 15,000 miles of pipeline and operate one of the nation's largest underground natural gas storage systems capable of storing approximately 639 Bcf of natural gas. Through its subsidiaries, Columbia Transmission, Columbia Gulf and Crossroads Pipeline, NiSource owns and operates an interstate pipeline network extending from the Gulf of Mexico to 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.

NiSource's Gas Transmission and Storage Operations continue to develop a range of supply-driven growth initiatives, including mineral leasing and optimization, midstream projects and traditional pipeline expansion opportunities that leverage NiSource's strategically positioned pipeline and storage assets. A number of Gas Transmission and Storage Operations' new growth projects are designed to support increasing Marcellus and Utica Shale production, while the segment also has continued to grow and adapt its system to provide critical transportation and storage services to markets across its high-demand service territory. NiSource Midstream Services is an unregulated business that is a provider of midstream services including gathering, treating, conditioning, processing, compression and liquids handling, as well as managing mineral rights positions in the Marcellus and Utica shale areas.

The Gas Transmission and Storage Operations subsidiaries are also involved in two joint ventures, Millennium and Hardy Storage, which effectively expand their facilities and throughput. Millennium Pipeline, which includes 252 miles of 30-inch-diameter pipe across New York's Southern Tier and lower Hudson Valley, has the capability to transport up to 525,400 Dth per day of natural gas to markets along its route, as well as to the New York City markets through its pipeline interconnections. Millennium is jointly owned by affiliates of NiSource, DTE Energy and National Grid. Hardy Storage, which consists of underground natural gas storage facilities in West Virginia, has a working storage capacity of 12 Bcf and the ability to deliver 176,000 Dth of natural gas per day. Hardy Storage is a joint venture of subsidiaries of Columbia Transmission and Piedmont.

Electric Operations

NiSource generates, transmits and distributes electricity through its subsidiary Northern Indiana to approximately 458 thousand customers in 20 counties in the northern part of Indiana and engages in electric wholesale and transmission transactions. Northern Indiana operates three coal-fired electric generating stations. The three operating

facilities have a net capability of 2,574 mw. Northern Indiana also owns and 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. Northern Indiana's transmission system, with voltages from 69,000 to 345,000 volts, consists of 2,797 circuit miles. Northern Indiana is interconnected with five neighboring electric utilities.

During the year ended December 31, 2011, Northern Indiana generated 83.8% and purchased 16.2% of its electric requirements. Northern Indiana's Mitchell Station, indefinitely shut down in 2002, is not included in the net capacity of the three coal-fired generation stations.

Northern Indiana participates in the MISO transmission service and wholesale energy market. The MISO is a nonprofit organization created in compliance with FERC regulations, to improve the flow of electricity in the regional marketplace and to enhance electric reliability. Additionally, the MISO is responsible for managing the energy markets, managing transmission constraints, managing the day-ahead, real-time and FTR markets and managing the ancillary market. Northern Indiana transferred functional control of its electric transmission assets to the MISO and transmission service for Northern Indiana occurs under the MISO Open Access Transmission Tariff.

Corporate and Other Operations
During the first quarter of 2010, NiSource made the decision to wind down its unregulated natural gas marketing activities as a part of the Company's long-term strategy of focusing on its core regulated business.

Divestiture of Non-Core Assets
In recent years, NiSource sold certain businesses judged to be non-core to NiSource's strategy. Lake Erie Land, a wholly-owned subsidiary of NiSource, is pursuing the sale of certain real estate assets it owns. NDC Douglas Properties, a subsidiary of NiSource Development Company, is in the process of exiting its low income housing investments.

Business Strategy
NiSource focuses its business strategy on its core, rate-regulated asset-based businesses with most of its operating income generated from the rate-regulated businesses. With one of the nation's largest natural gas pipelines, one of the largest natural gas distribution networks east of the Rocky Mountains and one of the nation's largest natural gas storage networks, NiSource operates throughout the energy-intensive corridor that extends from the supply areas in the Gulf Coast through the consumption centers in the Midwest, Mid-Atlantic, New England and Northeast. This corridor includes over 40% of the nation's population and close to 50% of its natural gas consumption. NiSource continues to position its assets to meet the corridor's growing energy needs.

Competition and Changes in the Regulatory Environment
The regulatory frameworks applicable to NiSource's operations, at both the state and federal levels, continue to evolve. These changes have had and will continue to have an impact on NiSource's operations, structure and profitability. Management continually seeks new ways to be more competitive and profitable in this changing environment, including providing gas customers with increased choices for products and services.

Natural Gas Competition . Open access to natural gas supplies over interstate pipelines and the deregulation of the commodity price of gas has led to tremendous change in the energy markets. LDC customers and marketers purchase gas directly from producers and marketers as an open, competitive market for gas supplies has emerged. This separation or "unbundling" of the transportation and other services offered by pipelines and LDCs allows customers to purchase the commodity independent of services provided by the pipelines and LDCs. The LDCs continue to purchase gas and recover the associated costs from their customers. NiSource's Gas Distribution Operations' subsidiaries are involved in programs that provide customers the opportunity to purchase their natural gas requirements from third parties and use the NiSource Gas Distribution Operations' subsidiaries for transportation services. The Gas Transmission and Storage Operations compete for transportation customers based on the type of service a customer needs, operating flexibility, available capacity and price under tariff provisions.

Electric Competition . Northern Indiana currently dispatches all power from its plants into the MISO. Transmission service for Northern Indiana occurs under the MISO Open Access Transmission Tariff.

ITEM 1. BUSINESS

NISOURCE INC.

Financing Subsidiary

NiSource Finance is a 100% owned, consolidated finance subsidiary of NiSource that engages in financing activities to raise funds for the business operations of NiSource and its subsidiaries. NiSource Finance was incorporated in February 2000 under the laws of the state of Indiana. Prior to 2000, the function of NiSource Finance was performed by Capital Markets. NiSource Finance obligations are fully and unconditionally guaranteed by NiSource.

Other Relevant Business Information

NiSource's customer base is broadly diversified, with no single customer accounting for a significant portion of revenues.

As of December 31, 2011, NiSource had 7,957 employees of whom 3,295 were subject to collective bargaining agreements.

For a listing of certain subsidiaries of NiSource refer to Exhibit 21.

NiSource files various reports with the SEC. The reports include the annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934. NiSource makes all SEC filings available without charge to the public on its web site at http://www.nisource.com.

ITEM 1A. RISK FACTORS

NISOURCE INC.

There are many factors that could have a material adverse effect on NiSource's operating results, financial condition and cash flows. New risks may emerge at any time, and NiSource cannot predict those risks or estimate the extent to which they may affect financial performance. Each of the risks described below could adversely impact the value of NiSource's securities.

NiSource has substantial indebtedness which could adversely affect its financial condition.

NiSource had total consolidated indebtedness of $7,953.8 million outstanding as of December 31, 2011. The substantial indebtedness could have important consequences to investors. For example, it could:

- limit the ability to borrow additional funds or increase the cost of borrowing additional funds;
- reduce the availability of cash flow from operations to fund working capital, capital expenditures and other general corporate purposes;
- limit the flexibility in planning for, or reacting to, changes in the business and the industries in which the Company operates;
- lead parties with whom NiSource does business with, to require additional credit support- such as letters of credit, in order for NiSource to transact such business;
- place NiSource at a competitive disadvantage compared to competitors that are less leveraged;
- increase vulnerability to general adverse economic and industry conditions; and
- limit the ability of the Company to execute on its growth strategy, which is dependent upon access to capital to fund its substantial investment program.

Some of NiSource's debt obligations contain financial covenants related to debt-to-capital ratios and cross-default provisions. NiSource's failure to comply with any of these covenants could result in an event of default, which, if not cured or waived, could result in the acceleration of outstanding debt obligations. Additionally, a drop in NiSource's credit rating could adversely impact the cost for NiSource to issue new debt securities.

A drop in NiSource's credit rating could adversely impact NiSource's liquidity.

On December 13, 2011, Fitch affirmed the senior unsecured ratings for NiSource at BBB-, and the existing ratings of all other subsidiaries. Fitch's outlook for NiSource and all of its subsidiaries is stable. On November 18, 2011, Moody's Investors Service affirmed the senior unsecured ratings for NiSource at Baa3, and the existing ratings of all other subsidiaries. Moody's outlook for NiSource and all of its subsidiaries is stable. On February 24, 2011, Standard & Poor's affirmed the senior unsecured ratings for NiSource and its subsidiaries at BBB-. Standard & Poor's o[redacted] for NiSource and all of its subsidiaries is stable. Although all ratings continue to be investment grade, a downgrade by Standard & Poor's, Mo[redacted]s or Fitch would result in a rating that is below investment grade.

Certain NiSource affiliates have agreements that contain "ratings triggers" that require increased collateral if the credit ratings of NiSource or certain of its subsidiaries are rated below BBB- by Standard & Poor's or Baa3 by Moody's. These agreements are primarily for insurance purposes and for the physical purchase or sale of power. The collateral requirement from a downgrade below the ratings trigger levels would amount to approximately $21.0 million. In addition to agreements with ratings triggers, there are other agreements that contain "adequate assurance" or "material adverse change" provisions that could necessitate additional credit support such as letters of credit and cash collateral to transact business. Under Northern Indiana's trade receivables sales program, an event of termination occurs if Northern Indiana's debt rating is withdrawn by either Standard & Poor's or Moody's or falls below BB or Ba2 at either Standard & Poor's or Moody's, respectively. Likewise, under Columbia of Ohio's and Columbia of Pennsylvania's trade receivables sales programs, an event of termination occurs if NiSource's debt rating is withdrawn by either Standard & Poor's or Moody's, or falls below BB- or Ba3 at either Standard & Poor's or Moody's, respectively.

Additionally, as a result of NiSource's participation in certain derivative activities, a credit downgrade could cause NiSource to be required to post substantial collateral in support of past and current transactions. These collateral requirements, combined with other potential negative effects on NiSource's liquidity in the event of a credit downgrade below an investment grade rating, could have a material adverse effect on earnings potential and cash flows. Lastly, a credit downgrade could adversely affect the availability and cost of capital needed to fund the growth investments which are a central element of the Company's long-term business strategy.

ITEM 1A. RISK FACTORS

OURCE I NC.

NiSource may not be able to execute its growth strategy as planned.

Because of changes in the business or regulatory environment, NiSource may not be able to execute its four-part business plan as intended. NiSource's commercial and regulatory initiatives may not achieve planned results; levels of commercial growth and expansion of the gas transmission and storage business may be less than its plan has anticipated; and the actual results of NiSource's financial management of the balance sheet, and process and expense management could deviate materially from planned outcomes.

Adverse economic and market conditions or increases in interest rates could reduce net revenue growth, increase costs, decrease future net income and cash flows and impact capital resources and liquidity needs.

While the national economy is experiencing some recovery from the recent downturn, NiSource cannot predict how robust the recovery will be or whether or not it will be sustained.

Continued sluggishness in the economy impacting NiSource's operating jurisdictions could adversely impact NiSource's ability to grow its customer base and collect revenues from customers, which could reduce net revenue growth and increase operating costs. An increase in the interest rates NiSource pays would adversely affect future net income and cash flows. In addition, NiSource depends on debt to finance its operations, including both working capital and capital expenditures, and would be adversely affected by increases in interest rates. If the current economic recovery remains slow or credit markets again tighten, NiSource's ability to raise additional capital or refinance debt at a reasonable cost could be negatively impacted. Refer to Note 16, "Long-Term Debt," in the Notes to Consolidated Financial Statements for information related to outstanding long-term debt and maturities of that debt.

Capital market performance and other factors may decrease the value of benefit plan assets, which then could require significant additional funding and impact earnings.

The performance of the capital markets affects the value of the assets that are held in trust to satisfy future obligations under defined benefit pension and other postretirement benefit plans. NiSource has significant obligations in these areas and holds significant assets in these trusts. These assets are subject to market fluctuations and may yield uncertain returns, which fall below NiSource's projected rates of return. A decline in the market value of assets may increase the funding requirements of the obligations under the defined benefit pension and other postretirement benefit plans. Additionally, changes in interest rates affect the liabilities under these benefit plans; as interest rates decrease, the liabilities increase, which could potentially increase funding requirements. Further, the funding requirements of the obligations related to these benefits plans may increase due to changes in governmental regulations and participant demographics, including increased numbers of retirements or changes in life expectancy assumptions. Ultimately, significant funding requirements and increased pension expense could negatively impact NiSource's results of operations and financial position.

The majority of NiSource's net revenues is subject to economic regulation and is exposed to the impact of regulatory rate reviews and proceedings.

Most of NiSource's net revenues are subject to economic regulation at either the federal or state level. As such, the net revenues generated by those regulated companies are subject to regulatory review by the applicable federal or state authority. These rate reviews determine the energy rates charged to customers and directly impact revenues. NiSource's financial results are dependent on frequent regulatory proceedings in order to ensure timely recovery of costs. Additionally, the costs of complying with future changes in environmental laws and regulations are expected to be significant, and their recovery through rates will be contingent on regulatory approval.

As a result of efforts to introduce market-based competition in certain of the markets where the regulated businesses conduct operations, NiSource may compete with independent marketers for customers. This competition exposes NiSource to the risk that certain stranded costs may not be recoverable and may affect results of NiSource's growth strategy and cash flows.

NiSource's costs of compliance with environmental laws are significant. The costs of compliance with future environmental laws and the recognition of environmental liabilities could impact cash flow and profitability.

NiSource's subsidiaries are subject to extensive federal, state and local environmental requirements that, among other things, regulate air emissions, water usage and discharges, remediation and the management of chemicals, hazardous waste, solid waste, and coal combustion residuals. Compliance with these legal obligations requires NiSource to make expenditures for installation of pollution control equipment, remediation, environmental monitoring, emissions fees and permits at many of NiSource's facilities. These expenditures are significant, and NiSource expects that they will continue to be significant in the future. Furthermore, if NiSource's subsidiaries fail to comply with environmental laws and regulations or cause harm to the environment or persons, even if caused by factors beyond NiSource's control, that failure or harm may result in the assessment of civil or criminal penalties and damages against NiSource and its subsidiaries.

Existing environmental laws and regulations may be revised and new laws and regulations seeking to protect the environment may be adopted or become applicable to NiSource's subsidiaries. Revised or additional laws and regulations could result in significant additional expense and operating restrictions on NiSource's facilities or increased compliance costs, which may not be fully recoverable from customers and would, therefore, reduce net income. Moreover, such costs could materially affect the continued economic viability of one or more of NiSource's facilities.

Because NiSource's operations deal with natural gas and coal fossil fuels, emissions of GHGs are an expected aspect of the business. While NiSource attempts to reduce GHG emissions through efficiency programs, leak detection, and other programs, GHG emissions cannot be entirely eliminated. The current administration has made it clear that it is focused on reducing GHG emissions, through legislation and/or regulation. Imposing statutory or regulatory restrictions and/or costs on GHG emissions could increase NiSource's cost of producing energy, which could impact customer demand or NiSource's profitability. Compliance costs associated with these requirements could also affect NiSource's cash flow. The cost impact of any new or amended GHG legislation or regulations would depend upon the specific requirements enacted and cannot be determined at this time.

Even in instances where legal and regulatory requirements are already known, the original estimates for cleanup and environmental capital projects can differ materially from the amount ultimately expended. The actual future expenditures depend on many factors, including the nature and extent of contamination, the method of cleanup, the cost of raw materials, contractor costs, and the availability of cost recovery from customers. Changes in costs could affect NiSource's financial position and cash flows.

A significant portion of the gas and electricity NiSource sells is used by residential and commercial customers for heating and air conditioning. Accordingly, the operating results fluctuate depending on the weather and, to a certain extent, usage of gas or electricity.

Energy sales are sensitive to variations in weather. Forecasts of energy sales are based on normal weather, which represents a long-term historical average. Significant variations from normal weather could have, and have had, a material impact on energy sales. Additionally, residential usage, and to some degree commercial usage, have shown to be sensitive to fluctuations in commodity costs for gas and electricity, whereby usage declines with increased costs, thus affecting NiSource's financial results. Lastly, residential and commercial customers' usage has shown to be sensitive to economic conditions and the impact of macro-economic drivers such as unemployment, consumption and consumer confidence, which could also affect NiSource's financial results.

NiSource's business operations are subject to economic conditions in certain industries.

Business operations throughout NiSource's service territories have been and may continue to be adversely affected by economic events at the national and local level where it operates. In particular, sales to large industrial customers may be impacted by economic downturns. The U.S. manufacturing industry continues to adjust to changing market conditions including international competition, increasing costs, and fluctuating demand for its products.

ITEM 1A. RISK FACTORS

NISOURCE INC.

Fluctuations in the price of energy commodities or their related transportation costs may have a negative impact on NiSource's financial results.

NiSource's electric generating fleet is dependent on coal and natural gas for fuel, and its gas distribution operations purchase and resell much of the natural gas they deliver. These energy commodities are vulnerable to price fluctuations and fluctuations in associated transportation costs. Hedging activities have been deployed in order to offset fluctuations in commodity supply prices and NiSource relies on regulatory recovery mechanisms in the various jurisdictions in order to fully recover the costs incurred in operations. However, while NiSource has historically been successful in recovery of costs related to such commodity prices, there can be no assurance that such costs will be fully recovered through rates in a timely manner. Additionally, increased gas and electricity costs could result in reduced demand from customers as a result of increased conservation activities.

NiSource is exposed to risk that customers will not remit payment for delivered energy or services, and that suppliers or counterparties will not perform under various financial or operating agreements.

NiSource's extension of credit is governed by a Corporate Credit Risk Policy, involves considerable judgment and is based on an evaluation of a customer or counterparty's financial condition, credit history and other factors. Credit risk exposure is monitored by obtaining credit reports and updated financial information for customers and suppliers, and by evaluating the financial status of its banking partners and other counterparties through the use of market-based metrics such as credit default swap pricing levels, and also through traditional credit ratings provided by the major credit rating agencies. Continued adverse economic conditions could increase credit risk and could result in a material adverse effect on NiSource.

NiSource has significant goodwill and definite-lived intangible assets. An impairment of goodwill or definite-lived intangible assets could result in a significant charge to earnings.

In accordance with GAAP, NiSource tests goodwill for impairment at least annually and reviews its definite-lived intangible assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Goodwill would also be tested for impairment when factors, examples of which include reduced cash flow estimates, a sustained decline in stock price or market capitalization below book value, indicate that the carrying value may not be recoverable. NiSource would be required to record a charge in the financial statements during the period in which any impairment of the goodwill or definite-lived intangible assets is determined, negatively impacting the results of operations. A significant charge could impact the capitalization ratio covenant under certain financing agreements. A covenant in the four-year revolving credit facility requires NiSource to maintain a debt to capitalization ratio that does not exceed 70%. A similar covenant in a 2005 private placement note purchase agreement requires NiSource to maintain a debt to capitalization ratio that does not exceed 75%. As of December 31, 2011, the ratio was 61.4%.

Changes in taxation and the ability to quantify such changes could adversely affect NiSource's financial results.

NiSource is subject to taxation by the various taxing authorities at the federal, state and local levels where it does business. Legislation or regulation which could affect NiSource's tax burden could be enacted by any of these governmental authorities. NiSource cannot predict the timing or extent of such tax-related developments which could have a negative impact on the financial results. Additionally, NiSource uses its best judgment in attempting to quantify and reserve for these tax obligations. However, a challenge by a taxing authority, NiSource's ability to utilize tax benefits such as carryforwards or tax credits, or a deviation from other tax-related assumptions may cause actual financial results to deviate from previous estimates.

Changes in accounting principles may adversely affect NiSource's financial results.

Future changes in accounting rules, such as IFRS, and associated changes in regulatory accounting may negatively impact the way NiSource records revenues, expenses, assets and liabilities. These changes in accounting standards may adversely affect its financial results.

ITEM 1A. RISK FACTORS

N I S OURCE I NC .

Transporting and storing natural gas involves numerous risks that may result in accidents and other operating risks and costs.

NiSource's gas distribution and gas transmission and storage activities involve a variety of inherent hazards and operating risks, such as leaks, accidents, including third party damages, and mechanical problems, which could cause substantial financial losses. In addition, these risks could result in serious injury to employees and non-employees, loss of human life, significant damage to property, environmental pollution and impairment of its operations, which in turn could lead to substantial losses to NiSource. In accordance with customary industry practice, NiSource maintains insurance against some, but not all, of these risks and losses. The location of pipelines and storage facilities near populated areas, including residential areas, commercial business centers and industrial sites, could increase the level of damages resulting from these risks. The occurrence of any of these events not fully covered by insurance could adversely affect NiSource's financial position and results of operations.

Aging infrastructure may lead to increased costs and disruptions in operations that could negatively impact NiSource's financial results.

NiSource has risks associated with aging infrastructure assets. The age of these assets may result in replacement, a higher level of maintenance costs and may be susceptible to unscheduled outages despite diligent efforts by NiSource to properly maintain these assets through inspection, scheduled maintenance and capital investment. The failure to operate these assets as desired could result in NiSource's inability to meet firm service obligations, adversely impact revenues, and could result in increased capital expenditures and expenses, which may not be fully recoverable from customers.

Climate change, natural disasters, acts of terrorism, cyber-attacks or other catastrophic events may disrupt operations and reduce the ability to service customers.

A disruption or failure of natural gas transmission, storage or distribution systems or within electric generation, transmission or distribution systems in the event of a major hurricane, tornado, terrorist attack or other catastrophic event could cause delays in completing sales, providing services, or performing other critical functions. NiSource has experienced disruptions in the past from hurricanes and tornadoes and other events of this nature. The cost, availability and sufficiency of insurance for these risks could adversely affect NiSource's results of operations, financial position and cash flows.

There is also a concern that climate change may exacerbate the risks to physical infrastructure associated with heat and extreme weather conditions. Climate change and the costs that may be associated with its impacts have the potential to affect NiSource's business in many ways, incl increasing the cost NiSource incurs in providing its products and services, impacting the demand for and consumption of its products and se (due to change in both costs and weather patterns), and affecting the economic health of the regions in which NiSource operates.

Additionally, a security breach of NiSource's information systems could (i) impact the reliability of NiSource's generation, transmission storage and distribution systems and potentially negatively impact NiSource's compliance with certain mandatory reliability standards (ii) subject NiSource to harm associated with theft or inappropriate release of certain types of information such as system operating information or information, personal or otherwise, relating to NiSource's customers or employees, or (iii) impact NiSource's ability to manage NiSource's businesses.

Growing NiSource's business by constructing new pipelines and other facilities subjects NiSource to construction risks and natural gas supply risks.

NiSource Gas Transmission & Storage Operations continues to complete and advance customer-driven growth projects across its system, primarily surrounding the Marcellus and Utica Shale production area in the states of Pennsylvania, Ohio and West Virginia. These growth projects may include constructing or purchasing pipelines and treatment and processing facilities, which subjects NiSource to construction risks and risks that gas supplies will not be available. If NiSource undertakes these projects, it may not be able to complete them on schedule or at the anticipated costs. NiSource may construct or purchase these projects to capture anticipated future growth in production in the region, which may not materialize, and the construction may occur over an extended period of time, and NiSource will not receive material increases in revenue and cash flows until after the completion of the project. NiSource competes for these projects with companies of varying size and financial capabilities, including some that may have advantages competing for natural gas and liquid gas supplies, as well as acquisitions and other business opportunities.

ITEM 1A. RISK FACTORS

Sustained extreme weather conditions may negatively impact NiSource's operations.

NiSource conducts its operations across a wide geographic area subject to varied and potentially extreme weather conditions, which may from time to time persist for sustained periods of time. Despite preventative maintenance efforts, persistent weather related stress on NiSource's infrastructure may reveal weaknesses in its systems not previously known to the Company or otherwise present various operational challenges across all business segments. Although NiSource makes every effort to plan for weather related contingencies, adverse weather may affect its ability to conduct operations in a manner that satisfies customer expectations or contractual obligations. The Company endeavors to minimize such service disruptions, but may not be able to avoid them altogether.

Growing competition in the gas transportation industry could result in the failure by customers to renew existing contracts.

As a consequence of the increase in competition in the industry and the shift in natural gas production areas, end users and LDCs may be reluctant to enter into long-term service contracts. The renewal or replacement of existing contracts with NiSource's customers at rates sufficient to maintain current or projected revenues and cash flows depends on a number of factors beyond its control, including competition from other pipelines, gatherers, the proximity of supplies to the markets, and the price of, and demand for, natural gas. The inability of NiSource to renew, or replace its current contracts as they expire and respond appropriately to changing market conditions could materially impact its financial results.

NiSource is a holding company and is dependent on cash generated by subsidiaries to meet its debt obligations and pay dividends on its common stock.

NiSource is a holding company and conducts its operations primarily through its subsidiaries. Substantially all of NiSource's consolidated assets are held by its subsidiaries. Accordingly, NiSource's ability to meet its debt obligations or pay dividends on its common stock is largely dependent upon cash generated by these subsidiaries. In the event a major subsidiary is not be able to pay dividends or transfer cash flows to NiSource, its ability to service its debt obligations or pay dividends could be negatively affected.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

NISOURCE INC.

Discussed below are the principal properties held by NiSource and its subsidiaries as of December 31, 2011.

Gas Distribution Operations. NiSource's Gas Distribution Operations subsidiaries own and operate a total of 57,717 miles of pipelines and certain related facilities. This includes: (i) for the six distribution companies of its Columbia system, 40,417 miles of pipelines, 1,350 reservoir acres of underground storage, eight storage wells, liquid propane facilities with a capacity of 3.3 million gallons, an LNG facility with a total capacity of 22.3 million gallons and one compressor station with 800 hp of installed capacity, (ii) for its Northern Indiana system, 17,300 miles of pipelines, 27,129 reservoir acres of underground storage, 55 storage wells, one compressor station with a total of 4,000 hp of installed capacity and two LNG facilities with a storage capacity of 53.6 million gallons. The physical properties of the NiSource gas utilities are located throughout Ohio, Indiana, Pennsylvania, Virginia, Kentucky, Maryland, and Massachusetts.

Gas Transmission and Storage Operations. NiSource Gas Transmission and Storage subsidiaries own and operate 15,060 miles of natural gas transmission pipeline. Columbia Transmission owns and leases approximately 775 thousand acres of underground storage, 3,491 storage wells, 11,453 miles of pipeline and 91 compressor stations with 624,179 hp 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. Columbia Gulf has 3,405 miles of transmission pipeline and 11 compressor stations with 470,238 hp of installed capacity. Columbia Gulf's operations are located in Kentucky, Louisiana, Mississippi, Tennessee, Texas and Wyoming. Crossroads Pipeline has 202 miles of transmission pipeline and one compressor station with 3,000 hp of installed capacity. Crossroads Pipeline's operations are located in Indiana and Ohio. NiSource Gas Transmission and Storage Operations' offices are headquartered in Houston, Texas.

Electric Operations. NiSource generates, transmits and distributes electricity through its subsidiary Northern Indiana to approximately 458 thousand customers in 20 counties in the northern part of Indiana and engages in wholesale and transmission transactions. Northern Indiana operates three coal-fired electric generating stations. The three operating facilities have a net capability of 2,574 mw. Northern Indiana also owns and 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. Northern Indiana's transmission system, with voltages from 69,000 to 345,000 volts, consists of 2,797 circuit miles. Northern Indiana is interconnected with five neighboring electric utilities.

During the year ended December 31, 2011, Northern Indiana generated 83.8% and purchased 16.2 % of its electric requirements. Northern Indiana's Mitchell Station, indefinitely shut down in 2002, is not included in the net capacity of the three coal-fired generation stations.

Corporate and Other Operations. NiSource owns the Southlake Complex, its 325,000 square foot headquarters building located in Merrillville, Indiana, and other residential and development property.

Character of Ownership. The principal offices and properties of NiSource and its subsidiaries are owned free from encumbrances, subject to minor exceptions, none of which are of such a nature as to impair substantially the usefulness of such properties. Many of the offices in various communities served are occupied by subsidiaries of NiSource under leases. All properties are subject to routine liens for taxes, assessments and undetermined charges (if any) incidental to construction. It is NiSource's practice regularly to pay such amounts, as and when due, unless contested in good faith. In general, the electric lines, gas pipelines and related facilities are located on land not owned by NiSource and its subsidiaries, but are covered by necessary consents of various governmental authorities or by appropriate rights obtained from owners of private property. NiSource does not, however, generally have specific easements from the owners of the property adjacent to public highways over, upon or under which its electric lines and gas distribution pipelines are located. At the time each of the principal properties was purchased a title search was made. In general, no examination of titles as to rights-of-way for electric lines, gas pipelines or related facilities was made, other than examination, in certain cases, to verify the grantors' ownership and the lien status thereof.

ITEM 3. LEGAL PROCEEDINGS

SOURCE INC.

Majorsville Operations Center – PADEP Notice of Violation

In 1995, Columbia Transmission entered into an AOC with the EPA that requires Columbia Transmission to characterize and remediate environmental contamination at thousands of locations along Columbia Transmission's pipeline system. One of the facilities subject to the AOC is the Majorsville Operations Center, which was remediated under an EPA approved Remedial Action Work Plan in summer 2008. Pursuant to the Remedial Action Work Plan, Columbia Transmission completed a project that stabilized residual oil contained in soils at the site and in sediments in an adjacent stream.

On April 23, 2009, however, the PADEP issued Columbia Transmission an NOV, alleging that the remediation was not effective. The NOV asserts violations of the Pennsylvania Clean Streams Law and the Pennsylvania Solid Waste Management Act and contains a settlement demand in the amount of $1 million. Columbia Transmission is unable to estimate the likelihood or cost of potential penalties or additional remediation at this time.

ITEM 4. Mine Safety Disclosures

NISOURCE INC.
Not applicable.

SUPPLEMENTAL ITEM. EXECUTIVE OFFICERS OF THE REGISTRANT

NISOURCE INC.

The following is a list of the Executive Officers of the Registrant, including their names, ages and offices held, as of February 1, 2012.

Name	Age	Office(s) Held in Past 5 Years
Robert C. Skaggs, Jr.	57	Chief Executive Officer of NiSource since July 2005.
		President of NiSource since October 2004.
Carrie J. Hightman	54	Executive Vice President and Chief Legal Officer of NiSource since December 2007.
Stephen P. Smith	50	Executive Vice President and Chief Financial Officer of NiSource since August 2008.
		Executive Vice President of NiSource from June 2008 to August 2008.
		Senior Vice President of Shared Services for American Electric Power Company from January 2008 to May 2008.
		Senior Vice President and Treasurer, American Electric Power Company from January 2004 to December 2007.
Jimmy D. Staton	51	Executive Vice President and Group Chief Executive Officer since March 2008.
		Senior Vice President, Gas Delivery, Dominion Resources, Inc. from January 2006 to 2008.
Robert D. Campbell	52	Senior Vice President, Human Resources, of NiSource since May 2006.
Glen L. Kettering	57	Senior Vice President, Corporate Affairs, since March 2006.
Jon D. Veurink	47	Vice President, Controller & Chief Accounting Officer since February 2010.
		Vice President at NiSource Corporate Services Company since October 2009.
		Vice President, Controller & Chief Accounting Officer, Exelon Generation LLC from January 2004 until joining NiSource Corporate Services Company in October 2009.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

NISOURCE INC.

NiSource's common stock is listed and traded on the New York Stock Exchange under the symbol "NI." The table below indicates the high and low sales prices of NiSource's common stock, on the composite tape, during the periods indicated.

	2011		2010	
	High	**Low**	High	Low
First Quarter	**19.61**	**17.71**	16.03	14.24
Second Quarter	**20.67**	**18.62**	16.80	14.13
Third Quarter	**22.91**	**17.95**	17.91	14.19
Fourth Quarter	**23.97**	**20.31**	17.96	16.65

As of December 31, 2011, NiSource had 30,663 common stockholders of record and 281,853,571 shares outstanding.

Holders of shares of NiSource's common stock are entitled to receive dividends when, as and if declared by NiSource's Board out of funds legally available. The policy of the Board has been to declare cash dividends on a quarterly basis payable on or about the 20th day of February, May, August and November. NiSource paid quarterly common dividends totaling $0.92 per share for the years ended December 31, 2011, 2010, and 2009. At its January 27, 2012 meeting, the Board declared a quarterly common dividend of $0.23 per share, payable on February 20, 2012 to holders of record on February 6, 2012.

Although the Board currently intends to continue the payment of regular quarterly cash dividends on common shares, the timing and amount of future dividends will depend on the earnings of NiSource's subsidiaries, their financial condition, cash requirements, regulatory restrictions, any restrictions in financing agreements and other factors deemed relevant by the Board.

ITEM 6. SELECTED FINANCIAL DATA

[redacted]OURCE INC.

The selected data presented below as of and for the years ended December 31, 2011, 2010, 2009, 2008 and 2007 are derived from the Consolidated Financial Statements of NiSource. The data should be read in connection with the Consolidated Financial Statements including the related notes included in Item 8 of this Form 10-K. Certain correcting adjustments have been made to the prior period amounts as discussed in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations and as discussed in Item 8, Note 1 to the Consolidated Financial Statements.

Year Ended December 31. (*dollars in millions except per share data*)	2011	2010	2009	2008	2007
Statement of Income Data:					
Gross Revenues					
Gas Distribution	$ 2,917.9	$ 3,094.0	$ 3,296.2	$ 5,171.3	$ 4,347.1
Gas Transportation and Storage	1,354.6	1,261.4	1,239.5	1,132.4	1,089.6
Electric	1,427.7	1,379.3	1,214.2	1,359.7	1,363.8
Other	318.9	679.9	901.7	1,219.5	1,082.0
Total Gross Revenues	6,019.1	6,414.6	6,651.6	8,882.9	7,882.5
Net Revenues (Gross Revenues less Cost of Sales, excluding depreciation and amortization)	3,462.7	3,440.5	3,333.6	3,249.6	3,207.2
Operating Income	905.1	905.7	800.0	907.2	947.3
Income from Continuing Operations	303.8	285.2	229.8	363.2	321.9
Results from Discontinued Operations - net of taxes	(4.7)	(2.6)	(12.8)	(291.6)	18.4
Net Income	299.1	282.6	217.0	71.6	340.3
Balance Sheet Data:					
Total Assets	20,708.3	19,913.4	19,262.5	20,023.7	17,978.1
Capitalization					
Common stockholders' equity	4,997.3	4,897.5	4,837.8	4,713.2	5,068.4
Long-term debt, excluding amounts due within one year	6,267.1	5,936.1	5,969.1	5,945.7	5,596.3
Total Capitalization	$ 11,264.4	$ 10,833.6	$ 10,806.9	$ 10,658.9	$ 10,664.7
Per Share Data:					
Basic Earnings (Loss) Per Share ($)					
Continuing operations	1.08	1.03	0.84	1.33	1.17
Discontinued operations	(0.02)	(0.01)	(0.05)	(1.06)	0.07
Basic Earnings Per Share	1.06	1.02	0.79	0.27	1.24
Diluted Earnings (Loss) Per Share ($)					
Continuing operations	1.05	1.02	0.83	1.32	1.17
Discontinued operations	(0.02)	(0.01)	(0.05)	(1.06)	0.07
[redacted]d Earnings Per Share	1.03	1.01	0.78	0.26	1.24
[redacted]Data:					
[redacted]ds paid per share ($)	0.92	0.92	0.92	0.92	0.92
[redacted]s outstanding at the end of the year (in thousands)	281,854	278,855	276,638	274,262	274,177
Number of common shareholders	30,663	32,313	34,299	36,194	38,091
Capital expenditures ($ in millions)	1,125.2	803.8	777.2	1,299.9	786.5
Number of employees	7,957	7,604	7,616	7,981	7,607

- On November 14, 2011, NiSource Finance commenced a cash tender offer for up to $250.0 million aggregate principal amount of its outstanding 10.75% notes due 2016 and 6.15% notes due 2013. A condition of the offering was that all validly tendered 2016 notes would be accepted for purchase before any 2013 notes were accepted. On December 13, 2011, NiSource Finance announced that approximately $125.3 million of the aggregate principal amount of its outstanding 10.75% notes due 2016 were validly tendered and accepted for purchase. In addition, approximately $228.7 million of the aggregate principal amount of outstanding 6.15% notes due 2013 were validly tendered, of which $124.7 million were accepted for purchase. NiSource Finance recorded a $53.9 million loss on early extinguishment of long-term debt, primarily attributable to early redemption premiums and unamortized discounts and fees.

- For 2011 and 2010, Other gross revenues declined due to the decision to wind down the unregulated natural gas marketing activities in the second quarter of 2009 as a part of the Company's long-term strategy of focusing on its core regulated businesses.

- On December 30, 2010, NiSource Finance finalized a cash tender offer for $273.1 million aggregate principal amount of its outstanding 10.75% notes due in 2016. As a result of this tender offer, NiSource Finance incurred $96.7 million in early redemption fees, primarily attributable to early redemption premiums and unamortized discounts and fees, which is recorded as a loss on the early extinguishment of long-term debt reducing income from continuing operations.

ITEM 6. SELECTED FINANCIAL DATA

- For 2009, Gas Distribution and Other gross revenues decreased due to a decline in natural gas commodity prices.
- For 2009, operating income decreased $25.3 million due to pre-tax restructuring charges, net of adjustments.
- For 2008, the Results from Discontinued Operations – net of taxes includes the after tax loss on disposition related to the sales of Whiting Clean Energy, Northern Utilities and Granite State Gas of $32.3 million, $63.3 million and $12.5 million, respectively, and an adjustment of $188.0 million for the Tawney litigation. Refer to the "Liquidity and Capital Resources" section of Item 7 for additional information.
- In the third quarter of 2008, NiSource Development Company sold its interest in JOF Transportation Company to Lehigh Service Corporation for a pre-tax gain of $16.7 million included within Other, net on the Statements of Consolidated Income.
- During the second quarter 2008, Northern Indiana purchased Sugar Creek for $329.7 million, which is included in the above capital expenditures amount for 2008.
- During the fourth quarter of 2007, Whiting Clean Energy redeemed its outstanding long-term notes. The associated redemption premium of $40.6 million was recorded as a loss on early extinguishment of long-term debt.
- In 2007, NiSource adopted the new measurement date provisions of the amended ASC topic for retirement benefits which decreased Total Assets by approximately $80.2 million, decreased Total Liabilities by approximately $76.8 million and decreased total Common stockholders' equity by approximately $3.4 million, net of taxes.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

[redacted]OURCE I NC.

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Note regarding forward-looking statements

The Management's Discussion and Analysis, including statements regarding market risk sensitive instruments, contains "forward-looking statements," within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Investors and prospective investors should understand that many factors govern whether any forward-looking statement contained herein will be or can be realized. Any one of those factors could cause actual results to differ materially from those projected. These forward-looking statements include, but are not limited to, statements concerning NiSource's plans, objectives, expected performance, expenditures and recovery of expenditures through rates, stated on either a consolidated or segment basis, and any and all underlying assumptions and other statements that are other than statements of historical fact. From time to time, NiSource may publish or otherwise make available forward-looking statements of this nature. All such subsequent forward-looking statements, whether written or oral and whether made by or on behalf of NiSource, are also expressly qualified by these cautionary statements. All forward-looking statements are based on assumptions that management believes to be reasonable; however, there can be no assurance that actual results will not differ materially.

Realization of NiSource's objectives and expected performance is subject to a wide range of risks and can be adversely affected by, among other things, weather, fluctuations in supply and demand for energy commodities, growth opportunities for NiSource's businesses, increased competition in regulated energy markets, the success of regulatory and commercial initiatives, dealings with third parties over whom NiSource has no control, operating experience of NiSource's assets, the regulatory process, regulatory and legislative changes, the impact of potential new environmental laws or regulations, the results of material litigation, changes in pension funding requirements, changes in general economic, capital and commodity market conditions, and counter-party credit risk, and the matters set forth in Item 1A, "Risk Factors" of this report, many of which risks are beyond the control of NiSource. In addition, the relative contributions to profitability by each segment, and the assumptions underlying the forward-looking statements relating thereto, may change over time.

CONSOLIDATED REVIEW

Executive Summary

NiSource is an energy holding company whose subsidiaries are engaged in the transmission, storage and distribution of natural gas in the high-demand energy corridor stretching from the Gulf Coast through the Midwest to New England and the generation, transmission and distribution of electricity in Indiana. NiSource generates most of its operating income through these rate-regulated businesses. A significant portion of NiSource's operations is subject to seasonal fluctuations in sales. During the heating season, which is primarily from November through March, net revenues from gas sales are more significant, and during the cooling season, which is primarily from June through September, net revenues from electric sales and transportation services are more significant than in other months.

For the twelve months ended December 31, 2011, NiSource reported income from continuing operations of $303.8 million, or $1.08 per basic share, compared to $285.2 million, or $1.03 per basic share for the same period in 2010.

Increases in income from continuing operations were due primarily to the following items:

- NiSource's Gas Transmission and Storage Operations' net revenues increased $56.4 million from the same period in 2010, primarily due to higher demand margin revenue as a result of new growth projects. See below for a discussion of growth projects at Gas Transmission and Storage Operations. Additionally, there was an increase due to the net impact of the rate case filing at Columbia Gulf. See below for a discussion of commercial and regulatory initiatives and the expected impact on NiSource.
- Depreciation and amortization decreased $58.9 million primarily as a result of new depreciation rates at Northern Indiana from the implementation of the gas rate case. These rates were put into effect at the end of 2010. Rates for 2012 will be comparable to 2011.
- Loss on early extinguishment of long-term debt decreased $42.8 million in 2011 due to the differences in early redemption fees, primarily attributable to early redemption premiums and unamortized discounts and fees, related to tender offers finalized in the fourth quarter of both 2011 and 2010. See below for a discussion of NiSource's financial management of the balance sheet for more information.

Increases in income from continuing operations were partially offset due to the following items:

- Operation and maintenance expense increased $59.2 million primarily related to additional pension contributions at the Gas Transmission and Storage Operations segment. As provided by its rate cases, GAAP pension expense is deferred to a regulatory asset and pension contributions are recorded to expense. NiSource expects to experience reduced pension costs in 2012 as a result of this contribution. Additionally, during the fourth quarter of 2011, NiSource reviewed its current estimates for future environmental remediation costs related to the Company's MGP sites. Following the review, NiSource revised its estimates based on expected remediation activities and experience with similar facilities and recorded $35.5 million of expense at subsidiaries for which environmental expense is not probable of recovery from customers. Refer to Note 20-D, "Environmental Matters," in the Notes to Consolidated Financial Statements for more information.
- The effective tax rate increased to 35.0% compared to 32.2% for the comparable period last year. The increase is due to a tax rate change in Indiana in 2011 that lowers the corporate income tax rate from 8.5% to 6.5% over four years beginning on July 1, 2012. In addition, other deferred tax assets and liabilities, primarily deferred tax assets related to Indiana net operating loss carryforward, were required to be reduced to reflect the lower rate at which these temporary differences and tax benefits will be realized. In the second quarter of 2011, NiSource recorded tax expense of $6.8 million to reflect the effect of this rate change. In the third quarter of 2010, NiSource recorded a $15.2 million reduction in income tax expense as a result of a rate case settlement by Columbia of Pennsylvania that required it to flow through certain benefits to customers in current rates. NiSource expects to experience benefits related to this issue until January 2014.

These factors and other impacts to the financial results are discussed in more detail within the following discussions of "Results of Operations" and "Results and Discussion of Segment Operations."

Four-Point Platform for Growth

NiSource's four key initiatives to build a platform for long-term, sustainable growth continue to comprise commercial and regulatory initiatives; commercial growth and expansion of the gas transmission and storage business; financial management of the balance sheet; and process and expense management.

Commercial and Regulatory Initiatives

Rate Development and Other Regulatory Matters . NiSource is moving forward with regulatory initiatives across several gas distribution company markets, at Northern Indiana, and at Columbia Gulf. Whether through full rate case filings or other approaches, NiSource's goal is to develop strategies that benefit all stakeholders as it addresses changing customer conservation patterns, develops more contemporary pricing structures, and embarks on long-term investment programs to enhance its infrastructure.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

SOURCE I NC .

On December 28, 2011, the IURC issued an Order approving Northern Indiana's proposed gas energy efficiency programs and budgets, including a conservation program and recovery of all start-up and deferred costs. A three year budget of $42.4 million for these programs was approved. In its Order the IURC recognized that Northern Indiana was one of two utilities in the state in a position to integrate its gas and electric energy efficiency programs throughout its service territory footprint. Northern Indiana is presently working through implementation plans.

On June 1, 2011, Columbia of Virginia filed an application for approval of an infrastructure tracking mechanism pursuant to the Steps to Advance Virginia's Energy ("SAVE") Plan Act. Columbia of Virginia's SAVE Plan provides for recovery of costs associated with the accelerated replacement of certain facilities designed to improve system safety or reliability through a rate rider. The proposed replacement program would result in investments of $20 million per year from 2012 through 2016, as well as covering $2.9 million in investment occurring in 2011. The Staff of the VSCC filed responsive testimony on August 22, 2011 and a public hearing was held on September 7, 2011. The Hearing Examiner issued a Report on October 6, 2011 recommending approval of the SAVE Plan. The VSCC issued an Order on November 28, 2011 approving the SAVE Plan and the associated rider effective December 30, 2011.

On January 14, 2011, Columbia of Pennsylvania filed a base rate case with the Pennsylvania PUC, seeking a revenue increase of approximately $37.8 million annually. The parties to the case jointly filed a petition for approval of a partial settlement on July 1, 2011. The partial settlement resolved all issues except residential rate design and a challenge to the structure of one of Columbia of Pennsylvania's customer programs. The settlement provides for an annual revenue increase of $17 million. The Pennsylvania PUC issued an order on October 14, 2011 approving the annual revenue increase of $17 million. New rates went into effect on October 18, 2011. The Pennsylvania PUC's ruling increased the minimum residential customer charge from $12.25 to $18.73, which includes an allowance for 20 Ccf of distribution charges. However, the customer pays for gas commodity on all usage.

On November 30, 2010, Columbia of Ohio filed a notice of intent to file an application to adjust rates associated with Rider IRP and Rider DSM. On February 28, 2011, Columbia of Ohio filed its application to adjust rates associated with the IRP and DSM Riders. The DSM Rider tracks and recovers costs associated with Columbia of Ohio's energy efficiency and conservation programs. The application sought to increase the annual revenue from the riders by approximately $24 million. On April 7, 2011, the parties filed a stipulation that settled this case, which was approved as filed by the PUCO on April 27, 2011. The Order allowed Columbia of Ohio to increase its annual revenues by approximately $24 million effective May 1, 2011.

September 9, 2011, Columbia of Ohio filed an application with PUCO to continue and expand its DSM program. In its application, Columbia of Ohio proposed to spend $20 million annually (adjusted for inflation) on weatherization programs for residential and commercial customers for calendar years 2012 through 2016. Columbia of Ohio will continue to recover program expenses through Rider DSM and has proposed a shared savings incentive not to exceed $3.9 million over the five-year program. By Order dated December 14, 2011, the PUCO approved a stipulation filed in the case.

On October 28, 2010, Columbia Gulf filed a rate case with the FERC, proposing a rate increase and tariff changes. Among other things, the filing proposed a revenue increase of approximately $50 million to cover increases in the cost of services, which included adjustments for operation and maintenance expenses, capital investments, adjustments to depreciation rates and expense, rate of return, and increased federal, state and local taxes. On November 30, 2010, the FERC issued an Order allowing new rates to become effective by May 2011, subject to refund. Columbia Gulf placed new rates into effect, subject to refund, on May 1, 2011. Columbia Gulf and the active parties to the case negotiated a settlement, which was filed with the FERC on September 9, 2011. On September 30, 2011, the Chief Judge severed the issues relating to a contesting party for separate hearing and decision. On October 4, 2011, the Presiding Administrative Law Judge certified the settlement agreement as uncontested to the FERC with severance of the contesting party from the settlement. On November 1, 2011, Columbia Gulf began billing interim rates to customers. On December 1, 2011, the FERC issued an Order approving the settlement without change. The key elements of the settlement, which was a "black box agreement", include: (1) increased base rate to $0.1520 per Dth and (2) establishing a postage stamp rate design. No protests to the Order were filed and therefore, pursuant to the Settlement, the order became final on January 1, 2012 which made the settlement effective on February 1, 2012. On February 2, 2012, the Presiding Administrative Law Judge issued an initial decision granting a joint motion terminating the remaining litigation with the contesting party and allowing it to become a settling party. Refunds of approximately $16 million, accrued as of December 31, 2011, are to be issued before the end of March 2012.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

On July 18, 2011, Northern Indiana filed with the IURC a settlement in its 2010 Electric Rate Case with the OUCC, Northern Indiana Industrial Group, NLMK Indiana and Indiana Municipal Utilities Group. The settlement agreement limited the proposed base rate impact to the residential customer class to a 4.5% increase. The parties have also agreed to a rate of return of 6.98% based upon a 10.2% return on equity. The settlement also resolves all pending issues related to compliance with the August 25, 2010 Order in the 2008 Electric Rate Case. On December 21, 2011, the IURC issued an Order approving the Settlement Agreement as filed, and new electric base rates became effective on December 27, 2011. On January 20, 2012, the City of Hammond filed an appeal of the IURC's December 21, 2011 Order. That appeal is pending.

On March 22, 2011, Northern Indiana filed a petition with the IURC for a certificate of public convenience and necessity and associated relief for the construction of additional environmental projects required to comply with the NOV consent decree lodged in the United States District Court for the Northern District of Indiana on January 13, 2011. Refer to Note 20-D, "Environmental Matters," for additional information. This petition has since been trifurcated into three separate phases. In terms of Phase I, the evidentiary hearing was held at the IURC on August 31, 2011 addressing the relief regarding (i) the construction of a FGD unit at R.M. Schahfer Generating Station Unit 15 and (ii) a cost estimate increase for the projects approved by the December 29, 2010 Order, which included estimates for a FGD unit at R.M. Schahfer Generating Station Unit 14 and associated common facilities for Units 14 and 15. On December 28, 2011, the IURC issued an order for the Phase I projects estimated to cost $500 million and granting the requested ratemaking and accounting relief associated with these Phase I projects. On November 9, 2011, Northern Indiana filed with the IURC a stipulation and settlement agreement with the OUCC and the Industrial Group resolving all issues regarding the Phase II projects, which includes all remaining projects with the exception of those projects related to Michigan City Generating Station Unit 12. The motion also requested the establishment of and a procedural schedule for a new Phase III for the Unit 12 projects. The evidentiary hearing was held for the Phase II projects at the IURC on December 14, 2011. On February 15, 2012, the IURC approved the stipulation and settlement agreement. The establishment of a Phase III in this proceeding occurred in response to the fact that on October 20, 2011 and October 21, 2011, the OUCC and the Industrial Group, respectively, filed testimony in opposition of the proposed construction of a FGD unit on Michigan City Generating Station Unit 12. On February 14, 2012, the IURC set a procedural schedule for the Phase III projects.

As part of a multi-state effort to strengthen the electric transmission system serving the Midwest, Northern Indiana anticipates making an investment in a new, 100-mile, 345-kilovolt transmission project in northern Indiana. The project, a major new transmission system improvement reviewed and authorized by the MISO, is scheduled to be in service during the latter part of the decade. Northern Indiana has also been identified by the MISO as one of two Transmission Owners to invest in another project. On February 8, 2012, Pioneer Transmission, LLC filed a complaint with the FERC, seeking to obtain 100% of the investment rights in this second project.

Refer to Note 8, "Regulatory Matters," in the Notes to Consolidated Financial Statements for a complete discussion of regulatory matters.

Commercial Growth and Expansion of the Gas Transmission and Storage Business

During 2011, Gas Transmission and Storage Operations placed into service strategic growth projects, primarily serving the Marcellus Shale production area. Below is a discussion of these projects as well as projects that are currently on-going.

Majorsville, PA Project. The Gas Transmission and Storage Operations segment executed three separate projects totaling approximately $80 million in the Majorsville, PA vicinity to aggregate Marcellus Shale gas production for downstream transmission. Fully contracted, the pipeline and compression assets allow Gas Transmission and Storage Operations segment to gather and deliver more than 325,000 Dth per day of Marcellus production gas to the Majorsville MarkWest Liberty processing plants developed by MarkWest Liberty Midstream & Resources L.L.C.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

NiSOURCE INC.

In 2010, Columbia Transmission received approval from the FERC to refunctionalize certain transmission assets to gathering and transferred these pipeline facilities to a newly formed affiliate, NiSource Midstream Services, LLC. These facilities are included in providing non-FERC jurisdiction gathering services to producers in the Majorsville, PA vicinity. Two of the three projects were completed and placed into service on August 1, 2010, creating an integrated gathering and processing system serving Marcellus production in southwestern Pennsylvania and northern West Virginia. Precedent agreements were executed by anchor shippers in the fourth quarter of 2009, which were superseded by the execution of long-term service agreements in August and September 2010. In the fourth quarter, construction began on the third project on a pipeline to deliver residue gas from the Majorsville MarkWest Liberty processing plant to the Texas Eastern Wind Ridge compressor station in southwestern Pennsylvania to provide significant additional capacity to eastern markets. This project was placed into service in April 2011.

Clendenin Project. Construction began on this approximately $18 million capital project in 2010 to modify existing facilities in the Clendenin, West Virginia area to move Marcellus production to liquid market centers. The Clendenin project provides the Gas Transmission and Storage Operations segment the ability to meet incremental transportation demand of up to 150,000 Dth per day. Long-term firm transportation contracts for 133,100 Dth have been executed, some of which began in the third quarter 2010 and others that began in June 2011.

Line WB Expansion Project. The Gas Transmission and Storage Operations segment expanded its WB system through investment in additional facilities, which provide transportation service on a firm basis from Loudoun, Virginia to Leach, Kentucky. The expansion totaled approximately $14 million, allowing producers to meet incremental transportation demand in the Marcellus/Appalachian Basin. Binding precedent agreements for approximately 175,000 Dth per day of firm transportation capacity were executed, some which began in January 2011. Final construction on all facilities will be completed and placed into service in the first quarter of 2012.

East Lateral Project. In 2010, the Gas Transmission and Storage Operations segment initiated a $5 million project to modify existing facilities on the Columbia Gulf East Lateral to provide firm transportation service for up to 300,000 Dth per day. Firm transportation contracts for 250,000 Dth per day were executed for five-year terms. This FERC-approved project was completed and put into service in May 2011.

Southern Appalachian Project. The Gas Transmission and Storage Operations segment invested nearly $4 million to expand Line SM-116 to transport approximately 38,500 Dth per day on a firm basis as a continuation of its strategy to provide transportation services to producers of Marcellus and Appalachian gas. This additional capacity is supported by executed, binding precedent agreements. These additional facilities were placed in service in April 2011.

Power Plant Generation Project. The Gas Transmission and Storage Operations segment is planning to spend nearly $35 million on an expansion project, which includes new pipeline and modifications to existing compression assets, with Virginia Power Services Energy Corporation, Inc., the energy manager for Virginia Electric Power Company. This project will expand the Columbia Transmission system in order to provide up to nearly 250,000 Dth per day of transportation capacity under a long-term, firm contract. The project is expected to be ready for commercial operations by mid-2014.

Smithfield Project. The Gas Transmission and Storage Operations segment made approximately $14 million of capital investments for modifications to existing pipeline and compressor facilities to accommodate receipt of up to 150,000 Dth per day of additional Marcellus gas from connections near Smithfield, West Virginia and Waynesburg, Pennsylvania. Three anchor shippers agreed to long-term, firm transportation contracts, one contract that began in April 2011 and others that began in August 2011. The project is expected to be fully in service in the first quarter of 2012.

Rimersburg Expansion Project. The Gas Transmission and Storage Operations segment has approved an investment of approximately $6 million for this project that will add capacity to north central Pennsylvania to meet the growing demands of producers in the area. The project will consist of the expansion of Line 134 from the Brinker compressor station to the Iowa regulator, adding approximately 19,000 Dth per day of additional capacity, all of which has been sold through precedent agreements. The project is expected to go into service in the first quarter of 2012.

Pennsylvania Marcellus Pipeline Project. The Gas Transmission and Storage Operations segment has approved an investment of approximately $150 million which will include right-of-way acquisitions and constructing new pipeline with an initial combined capacity of 300,000 Dth per day. Natural gas will initially be sourced from a new third-party processing plant and delivered to Columbia Transmission and two other third-party pipelines in Pennsylvania. The project is expected to be placed in service in late 2012.

Financial Management of the Balance Sheet

NiSource remains committed to maintaining its liquidity position through management of capital spending, working capital and operational requirements, and its financing needs. NiSource has executed on its plan by taking the following actions:

- On November 23, 2011, NiSource Finance issued $250.0 million of 4.45% senior unsecured notes that mature December 1, 2021 and $250.0 million of 5.80% senior unsecured notes that mature February 1, 2042.
- On November 14, 2011, NiSource Finance commenced a cash tender offer for up to $250.0 million aggregate principal amount of its outstanding 10.75% notes due 2016 and 6.15% notes due 2013. A condition of the offering was that all validly tendered 2016 notes would be accepted for purchase before any 2013 notes were accepted. On December 13, 2011, NiSource Finance announced that approximately $125.3 million of the aggregate principal amount of its outstanding 10.75% notes due 2016 were validly tendered and accepted for purchase. In addition, approximately $228.7 million of the aggregate principal amount of outstanding 6.15% notes due 2013 were validly tendered, of which $124.7 million were accepted for purchase. In accordance with the provisions of ASC 470, *Debt,* NiSource Finance determined the debt issued on November 23, 2011, was substantially different from the tendered notes, and therefore the transaction qualified as a debt extinguishment. NiSource Finance recorded a $53.9 million loss on early extinguishment of long-term debt, primarily attributable to early redemption premiums and unamortized discounts and fees.
- During July 2011, Northern Indiana redeemed $18.7 million of its medium-term notes, with an average interest rate of 7.30%.
- On June 10, 2011, NiSource Finance issued $400.0 million of 5.95% senior unsecured notes that mature June 15, 2041.
- During June 2011, NiSource Finance implemented a new commercial paper program with a program limit of up to $500.0 million with a group comprised of Barclays, Citigroup, Credit Suisse and Wells Fargo.
- On March 3, 2011, NiSource Finance entered into a new $1.5 billion four-year revolving credit facility with a syndicate of banks led by Barclays Capital. The new facility has a termination date of March 3, 2015 and replaced an existing $1.5 billion five-year credit facility, which would have expired during July 2011.

Credit Ratings . On December 13, 2011, Fitch affirmed the senior unsecured ratings for NiSource at BBB-, and the existing ratings of all other subsidiaries. Fitch's outlook for NiSource and all of its subsidiaries is stable. On November 18, 2011, Moody's Investors Service affirmed the senior unsecured ratings for NiSource at Baa3, and the existing ratings of all other subsidiaries. Moody's outlook for NiSource and all of its subsidiaries is stable. On February 24, 2011, Standard & Poor's affirmed the senior unsecured ratings for NiSource and its subsidiaries at BBB-. Standard & Poor's outlook for NiSource and all of its subsidiaries is stable. Although all ratings continue to be investment grade, a downgrade by Standard & Poor's, Moody's or Fitch would result in a rating that is below investment grade.

Process and Expense Management

Refer to Note 3, "Impairments, Restructuring and Other Charges," in the Notes to Consolidated Financial Statements for information on process and expense management.

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Ethics and Controls

NiSource has had a long term commitment to providing accurate and complete financial reporting as well as high standards for ethical behavior by its employees. NiSource's senior management takes an active role in the development of this Form 10-K and the monitoring of the Company's internal control structure and performance. In addition, NiSource will continue its mandatory ethics training program in which employees at every level throughout the organization participate.

Refer to "Management's Report on Internal Control over Financial Reporting" included in Item 9A.

Results of Operations

The following information should be read taking into account the critical accounting policies applied by NiSource as discussed in "Other Information" of this Item 7.

Income from Continuing Operations and Net Income

For the twelve months ended December 31, 2011, NiSource reported income from continuing operations of $303.8 million, or $1.08 per basic share, compared to $285.2 million, or $1.03 per basic share in 2010. Income from continuing operations for the twelve months ended December 31, 2009 was $229.8 million, or $0.84 per basic share.

Including results from discontinued operations, NiSource reported 2011 net income of $299.1 million, or $1.06 per basic share, 2010 net income of $282.6 million, or $1.02 per basic share, and 2009 net income of $217.0 million, or $0.79 per basic share.

Comparability of line item operating results was impacted by regulatory and tax trackers that allow for the recovery in rates of certain costs such as bad debt expenses. Therefore, increases in these tracked operating expenses were offset by increases in net revenues and had essentially no impact on income from continuing operations. A decrease in operating expenses of $40.4 million for the 2011 year was offset by a corresponding decrease to net revenues reflecting these tracked costs. In the 2010 period, a decrease in operating expenses of $7.6 million for trackers was offset by a corresponding decrease to net revenues reflecting recovery of these costs. These changes from 2010 to 2011 were largely attributable to fluctuations in recoveries associated with low income assistance programs.

I[redacted]aterial Restatement

[redacted]cussed further below, NiSource is making certain correcting adjustments to its historical financial statements for the quarters of 2011 and 2010 and for the years of 2010 and 2009, as well as to other selected financial data for the years 2008 and 2007. NiSource does not believe these corrections are material individually or in the aggregate to its financial condition or its financial results for any reported period. Refer to the tables below for the effects of these corrections on prior periods.

Deferred revenue- In the fourth quarter of 2011, NiSource identified a deferred revenue regulatory asset of $25.2 million that was not recoverable. The impact of the correction in 2010 and 2009 resulted in a decrease in electric revenue of $7.4 million and an increase of $1.0 million, respectively, with an offset to deferred revenue regulatory assets. The remaining decrease in electric revenue of $18.2 million was corrected prior to 2009. The correction reduced electric revenue by a total of $0.6 million for previously reported interim periods in 2011. There was no impact to customers as a result of this correction.

Environmental asset recovery- NiSource recorded an out of period charge of $3.4 million in operation and maintenance expense and $4.6 million in depreciation and amortization expense in the first quarter of 2011 to impair a regulatory environmental asset that was not recoverable, which impairment charge should have been recorded in a prior year. The impact of the correction in 2010 and 2009 resulted in an increase to expense of $1.4 million and $1.0 million, respectively, with an offset to regulatory assets. The remaining increase to expense of $5.6 million was corrected prior to 2009.

OPEB over-reimbursement- In the fourth quarter of 2011, NiSource identified an over-reimbursement of $8.0 million received by NiSource from an insurer related to other post-employment benefits. The impact of the correction in 2010 and 2009 resulted in an increase in operation and maintenance expense of $1.0 million and $1.1 million, respectively, with an offset to other accruals. The remaining increase in expense of $5.4 million was corrected prior to 2009. The correction increased expense by a total of $0.5 million for previously reported interim periods in 2011.

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Environmental accrual- In the third quarter of 2010, NiSource recorded an out of period reduction to expense of $6.0 million to reduce an environmental liability that was incorrectly recorded in a prior year. To reverse the liability in the proper periods, NiSource recorded an increase in operation and maintenance expense of $6.0 million in 2010 and a decrease of $0.2 million in 2009 with an offset to legal and environmental accruals. The remaining decrease to expense of $5.8 million was corrected prior to 2009.

OPEB regulatory asset- NiSource recorded an out of period charge of $2.4 million in operation and maintenance expense in the second quarter of 2011 to impair a regulatory asset related to OPEB that was not probable of recovery, which impairment charge should have been recorded in a prior year. The impact of the correction in 2010 and 2009 resulted in a decrease to operation and maintenance expense of $0.2 million and an increase of $0.1 million, respectively, with an offset to regulatory assets. The remaining increase to expense of $2.3 million was corrected prior to 2009.

Healthcare claims- In 2008, NiSource recorded an out of period credit of $13.3 million to correct the allocation of healthcare claims expense to active employees and retired participants in its other post-employment benefits. As this error arose in 2007, NiSource is correcting the selected financial data for 2008 and 2007 for the impact of this error.

Unbilled revenue- In 2007, NiSource recorded an out of period charge of $25.5 million to correct an error that arose in prior years in its unbilled electric and gas revenue calculation. NiSource is correcting the selected financial data for 2007 for the impact of this error.

The following tables set forth the effects of the correcting adjustments to Net Income, for the years ended December 31, 2010, 2009, 2008 and 2007 and for the quarterly periods in 2011 and 2010:

	Twelve Months Ended December 31,			
Increase (Decrease) in Net Income	2010	2009	2008	2007
(in millions)				
Previously reported Net Income	$ 292.0	$ 217.7	$ 79.0	$ 321.4
Deferred revenue	(7.4)	1.0	2.7	(5.7)
Environmental asset recovery	(1.4)	(1.0)	(1.2)	(1.8)
OPEB over-reimbursement	(1.0)	(1.1)	(1.2)	(1.1)
Environmental accrual	(6.0)	0.2	1.1	-
OPEB regulatory asset	0.2	(0.1)	0.1	-
Healthcare claims	-	-	(13.3)	13.3
Unbilled revenue	-	-	-	25.5
Total corrections	(15.6)	(1.0)	(11.8)	30.9
Income taxes	(6.2)	(0.3)	(4.4)	12.0
Corrected Net Income	$ 282.6	$ 217.0	$ 71.6	$ 340.3

	Three Months Ended						
Increase (Decrease) in Net Income	September 30, 2011	June 30, 2011	March 31, 2011	December 31, 2010	September 30, 2010	June 30, 2010	March 31, 2010
(in millions)							
Previously reported Net Income	$ 34.7	$ 38.9	$ 205.2	$ 33.4	$ 33.2	$ 28.1	$ 197.3
Deferred revenue	-	-	(0.6)	(2.1)	(2.4)	(1.0)	(1.9)
Environmental asset recovery	-	-	8.0	(0.5)	(0.3)	(0.3)	(0.3)
OPEB over-reimbursement	(0.1)	(0.2)	(0.2)	(0.2)	(0.2)	(0.3)	(0.3)
Environmental accrual	-	-	-	-	(6.4)	0.2	0.2
OPEB regulatory asset	-	2.4	-	0.1	-	0.1	-
Total corrections	(0.1)	2.2	7.2	(2.7)	(9.3)	(1.3)	(2.3)
Income taxes	(0.1)	0.9	2.9	(1.1)	(3.7)	(0.5)	(0.9)
Corrected Net Income	$ 34.7	$ 40.2	$ 209.5	$ 31.8	$ 27.6	$ 27.3	$ 195.9

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The following tables set forth the effects of the correcting adjustments on affected line items within NiSource's previously reported Statements of Consolidated Income for the years ended December 31, 2010 and 2009, Consolidated Balance Sheets as of December 31, 2010 and the Statements of Consolidated Cash Flows for the years ended December 31, 2010 and 2009:

	Year Ended December 31,			
	2010		2009	
(in millions, except per share amounts)	As Previously Reported	As Corrected	As Previously Reported	As Corrected
Net Revenues				
Electric	$ 1,386.7	$ 1,379.3	$ 1,213.2	$ 1,214.2
Gross Revenues	6,422.0	6,414.6	6,650.6	6,651.6
Total Net Revenues	3,447.9	3,440.5	3,332.6	3,333.6
Operation and maintenance	1,655.9	1,663.3	1,654.7	1,656.1
Depreciation and amortization	596.3	597.1	589.3	589.9
Total Operating Expenses	2,541.6	2,549.8	2,547.6	2,549.6
Operating Income	921.3	905.7	801.0	800.0
Income from Continuing Operations before Income Taxes	436.1	420.5	395.8	394.8
Income Taxes	141.5	135.3	165.3	165.0
Income from Continuing Operations	294.6	285.2	230.5	229.8
Net Income	$ 292.0	$ 282.6	$ 217.7	$ 217.0
Basic Earnings (Loss) Per Share ($)				
Continuing operations	$ 1.06	$ 1.03	$ 0.84	$ 0.84
Basic Earnings Per Share	$ 1.05	$ 1.02	$ 0.79	$ 0.79
Diluted Earnings (Loss) Per Share ($)				
Continuing operations	$ 1.05	$ 1.02	$ 0.84	$ 0.83
Diluted Earnings Per Share	$ 1.04	$ 1.01	$ 0.79	$ 0.78

	December 31, 2010	
(in millions)	As Previously Reported	As Corrected
Current Assets		
Underrecovered gas and fuel costs	$ 135.7	$ 120.7
Regulatory Assets	151.8	143.8
Total Current Assets	2,448.9	2,425.9
Other Assets		
Regulatory Assets	1,650.4	1,648.0
Total Other Assets	6,044.4	6,042.0
Total Assets	$ 19,938.8	$ 19,913.4
Capitalization		
Retained Earnings	$ 901.8	$ 876.1
Total Common Stockholders' Equity	4,923.2	4,897.5
Total Capitalization	10,859.3	10,833.6
Current Liabilities		
Overrecovered gas and fuel costs	11.8	21.4
Other accruals	336.4	343.7
Total Current Liabilities	3,649.4	3,666.3
Other Liabilities and Deferred Credits		
Deferred income taxes	2,209.7	2,1
Total Other Liabilities and Deferred Credits	5,430.1	5,413.5
Total Capitalization and Liabilities	$ 19,938.8	$ 19,913.4

Statements of Consolidated Cash Flows

	Year Ended December 31,			
	2010		2009	
(in millions)	As Previously Reported	As Corrected	As Previously Reported	As Corrected
Operating Activities				
Net Income	$ 292.0	$ 282.6	$ 217.7	$ 217.0
Adjustments to Reconcile Net Income to Net Cash from Continuing Operations				
Depreciation and amortization	596.3	597.1	589.3	589.9
Deferred income taxes and investment tax credits	200.1	193.9	378.2	377.8
Changes in Assets and Liabilities:				
(Under) Overrecovered gas and fuel costs	(250.4)	(243.0)	324.4	323.4
Other accruals	56.4	63.4	(7.7)	(6.8)
Regulatory assets/liabilities	163.9	164.3	105.2	105.8

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The following tables set forth the effects of the correcting adjustments on major line items within NiSource's previously reported Statements of Consolidated Income for the quarters in 2011 and 2010:

	Three Months Ended					
	September 30, 2011		June 30, 2011		March 31, 2011	
(in millions, except per share amounts)	As Previously Reported	As Corrected	As Previously Reported	As Corrected	As Previously Reported	As Corrected
Net Revenues						
Electric	$ 404.7	$ 404.7	$ 349.2	$ 349.2	$ 347.1	$ 346.5
Gross Revenues	1,068.7	1,068.7	1,228.3	1,228.3	2,232.2	2,231.6
Total Net Revenues	745.6	745.6	765.8	765.8	1,061.3	1,060.7
Operation and maintenance	407.1	407.2	402.5	400.3	432.5	429.3
Depreciation and amortization	134.9	134.9	134.5	134.5	138.9	134.3
Total Operating Expenses	601.6	601.7	604.8	602.6	665.1	657.3
Operating Income	147.5	147.4	163.3	165.5	399.2	406.4
Income from Continuing Operations before Income Taxes	53.4	53.3	69.5	71.7	312.7	319.9
Income Taxes	17.1	17.0	30.0	30.9	107.9	110.8
Income from Continuing Operations	36.3	36.3	39.5	40.8	204.8	209.1
Net Income	$ 34.7	$ 34.7	$ 38.9	$ 40.2	$ 205.2	$ 209.5
Basic Earnings (Loss) Per Share ($)						
Continuing operations	$ 0.13	$ 0.13	$ 0.14	$ 0.14	$ 0.73	$ 0.75
Basic Earnings Per Share	$ 0.12	$ 0.12	$ 0.14	$ 0.14	$ 0.73	$ 0.75
Diluted Earnings (Loss) Per Share ($)						
Continuing operations	$ 0.13	$ 0.13	$ 0.14	$ 0.14	$ 0.72	$ 0.73
Diluted Earnings Per Share	$ 0.12	$ 0.12	$ 0.14	$ 0.14	$ 0.72	$ 0.73

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NISOURCE INC.

	Three Months Ended							
	December 31, 2010		September 30, 2010		June 30, 2010		March 31, 2010	
(in millions, except per share amounts)	As Previously Reported	As Corrected	As Previously Reported	As Corrected	As Previously Reported	As Corrected	As Previously Reported	As Corrected
Net Revenues								
Electric	$ 330.6	$ 328.5	$ 397.7	$ 395.3	$ 340.5	$ 339.5	$ 317.9	$ 316.0
Gross Revenues	1,754.1	1,752.0	1,138.1	1,135.7	1,171.1	1,170.1	2,358.7	2,356.8
Total Net Revenues	925.4	923.3	718.1	715.7	732.0	731.0	1,072.4	1,070.5
Operation and maintenance	457.1	457.5	382.1	388.8	377.1	377.2	439.6	439.8
Depreciation and amortization	141.8	142.0	153.1	153.3	151.6	151.8	149.8	150.0
Total Operating Expenses	673.7	674.3	598.3	605.2	593.2	593.5	676.4	676.8
Operating Income	255.4	252.7	123.3	114.0	139.2	137.9	403.4	401.1
Income from Continuing Operations before Income Taxes	57.7	55.0	27.8	18.5	43.4	42.1	307.2	304.9
Income Taxes	21.9	20.8	(5.6)	(9.3)	15.4	14.9	109.8	108.9
Income from Continuing Operations before Income Taxes	35.8	34.2	33.4	27.8	28.0	27.2	197.4	196.0
Net Income	$ 33.4	$ 31.8	$ 33.2	$ 27.6	$ 28.1	$ 27.3	$ 197.3	$ 195.9
Basic Earnings (Loss) Per Share ($)								
Continuing operations	$ 0.13	$ 0.12	$ 0.12	$ 0.10	$ 0.10	$ 0.10	$ 0.71	$ 0.71
Basic Earnings Per Share	$ 0.12	$ 0.11	$ 0.12	$ 0.10	$ 0.10	$ 0.10	$ 0.71	$ 0.71
Diluted Earnings (Loss) Per Share ($)								
Continuing operations	$ 0.12	$ 0.11	$ 0.12	$ 0.10	$ 0.10	$ 0.10	$ 0.71	$ 0.71
Diluted Earnings Per Share	$ 0.11	$ 0.10	$ 0.12	$ 0.10	$ 0.10	$ 0.10	$ 0.71	$ 0.71

Net Revenues

NiSource analyzes the operating results using net revenues. Net revenues are calculated as revenues less the associated cost of sales (excluding depreciation and amortization). NiSource believes net revenues is a better measure to analyze profitability than gross operating revenues since the majority of the cost of sales are tracked costs that are passed through directly to the customer resulting in an equal and offsetting amount reflected in gross operating revenues.

Total consolidated net revenues for the twelve months ended December 31, 2011, were $3,462.7 million, a $22.2 million increase compared with 2010. Net revenues increased primarily due to increased Gas Transmission and Storage Operations' operating revenues of $56.4 million and increased Electric Operations' net revenues of $7.6 million partially offset by lower Gas Distribution Operations' net revenues of $21.3 million.

- Gas Transmission and Storage Operations' operating revenues increased primarily due to higher demand margin revenue of $32.3 million as a result of new growth projects. Additionally, there was an increase of $14.8 million due to the net impact of the rate case filing at Columbia Gulf. Net revenues also increased due to increased midstream revenue of $10.6 million, higher mineral rights royalty revenues of $8.4 million, increased regulatory trackers of $5.9 million, which are offset in expense, and a one-time settlement of $2.8 million. These increases in net revenues were partially offset by the impact of $8.3 million related to the recognition in 2010 of revenue for a previously deferred gain for native gas contributed to Hardy Storage from Columbia Transmission following Hardy Storage securing permanent financing. Additionally, revenues decreased due to lower shorter term transportation and storage services of $6.7 million and the impact of $5.4 million of fees received from a contract buy-out during 2010.

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- Electric Operations' net revenues increased primarily due to increased industrial usage and margins of $18.7 million resulting from improved economic conditions, $9.5 million in lower revenue credits compared to the prior year, and higher environmental trackers of $5.5 million, which are offset in expense. These increases were partially offset by a decrease in residential and commercial margins of $12.2 million, and lower environmental cost recovery of $12.0 million due to a decrease in net plant eligible for a return and a decrease in the allowed rate of return.
- Gas Distribution Operations' net revenues decreased due primarily to a decrease in net regulatory and tax trackers of $51.8 million, which are offset in expense, lower off-system sales of $18.8 million primarily as a result of the standard service offer auction at Columbia of Ohio in the second quarter of 2010, and a decrease in industrial margins of $7.6 million. The decreases in net revenues were partially offset by an increase of $30.3 million for other regulatory and service programs, including impacts from the implementation of new rates under Columbia of Ohio's approved infrastructure replacement program and rate cases at various NiSource LDCs. Additionally, there was an increase of $14.1 million in residential and commercial margins. Net revenues also increased $5.7 million as the result of a contract accrual that was established in 2010, $2.8 million from Bear Garden Station which was placed into service in July of 2010, and $2.5 million related to a reserve for unaccounted for gas recorded in 2010.

Total consolidated net revenues for the twelve months ended December 31, 2010 were $3,440.5 million, a $106.9 million increase compared with 2009. Net revenues increased primarily due to increased Electric Operations' net revenues of $113.1 million and increased Gas Transmission and Storage Operations' operating revenues of $18.5 million, partially offset by lower Gas Distribution Operations' net revenues of $6.9 million.

- Electric Operations' net revenues were higher primarily as a result of higher industrial usage and margins of $45.1 million due to improved economic conditions, warmer weather of approximately $35 million, and a $17.1 million increase in environmental trackers, which are partially offset in operating expenses. Additionally, there was an increase of $14.6 million in off-system sales, including a reduction of $8.2 million in off-system sales in 2009 resulting from a FAC settlement.
- Within Gas Transmission and Storage Operations, operating revenues increased primarily due to increased demand and commodity margin revenues as a result of the growth projects of $22.9 million and an increase of $8.3 million due to the recognition of revenue for a previously deferred gain for native gas contributed to Hardy Storage from Columbia Transmission following Hardy Storage securing permanent financing. Additionally, there was a $5.6 million increase in regulatory trackers, which are offset in expense, $5.4 million of fees received from a contract buy-out during the period, and a $3.5 million increase in mineral rights royalty revenues. These increases in revenue were partially offset by a decrease in shorter term transportation and storage services of $23.1 million and a decrease of $9.1 million in mineral rights leasing revenues.
- Gas Distribution Operations' net revenues decreased primarily due to decreased regulatory and tax trackers of $20.4 million, offset in expense, and decreased residential and commercial margins of $20.1 million. Additionally, there was an accrual related to a prior period contract established at Columbia of Massachusetts of $5.7 million, additional customer credits of $5.6 million issued as the result of a rate case, a decrease in forfeited discounts and late payments of $5.0 million, and the impact of warmer weather of approximately $3 million. These decreases were partially offset by an increase in regulatory and service programs of $51.7 million. This includes impacts from rate cases at various utilities, the implementation of new rates under Columbia of Ohio's approved infrastructure replacement program, and the revenue normalization program at Columbia of Virginia.

Expenses

Operating expenses were $2,572.2 million in 2011, an increase of $22.4 million from the comparable 2010 period. This increase was primarily due to an increase in operation and maintenance expenses of $59.2 million, higher impairment charges of $14.8 million and increased other taxes of $7.3 million. The increase in operation and maintenance is due primarily to an increase in employee and administrative costs driven largely by an increase in pension contributions at Gas Transmission and Storage Operations. As provided by its rate cases, GAAP pension

expense is deferred to a regulatory asset and pension contributions are recorded to expense. Additionally, during the fourth quarter of 2011, NiSource reviewed its current estimates for future environmental remediation costs related to the Company's MGP sites. Following the review, NiSource revised its estimates based on expected remediation activities and experience with similar facilities and recorded $35.5 million of expense at subsidiaries for which environmental expense is not probable of recovery from customers. Higher impairment costs relate to the additional impairment of $14.7 million recorded in the fourth quarter of 2011 related to Lake Erie Land. These increases were partially offset by a decrease of $58.9 million in depreciation and amortization expense primarily as a result of the new depreciation rates at Northern Indiana as a result of the implementation of the gas rate case.

Operating expenses were $2,549.8 million in 2010, an increase of $0.2 million from the comparable 2009 period. This increase was primarily due to an increase of $36.0 million in payroll and benefits expense, an increase of $20.0 million in maintenance costs, including integrity management pipeline costs, and an increase of $7.2 million in depreciation costs due to the increased capital expenditures. These increases were partially offset by decreased restructuring charges of $27.2 million, lower impairment charges of $21.3 million, and lower uncollectible costs of $12.8 million.

Equity Earnings in Unconsolidated Affiliates

Equity Earnings in Unconsolidated Affiliates were $14.6 million in 2011, a decrease of $0.4 million compared with 2010. Equity Earnings in Unconsolidated Affiliates includes investments in Millennium and Hardy Storage which are integral to the Gas Transmission and Storage Operations business. Equity earnings decreased primarily resulting from lower earnings from Columbia Transmission's investment in Millennium.

Equity Earnings in Unconsolidated Affiliates were $15.0 million in 2010 compared to $16.0 million in 2009. Equity earnings decreased primarily resulting from lower earnings from Columbia Transmission's investment in Millennium, driven by higher interest costs and hedge loss amortization related to Millennium's August 2010 debt refinancing.

Other Income (Deductions)

Other Income (Deductions) in 2011 reduced income $438.0 million compared to a reduction of $485.2 million in 2010. The increase in other income is due to a decrease in the loss on early extinguishment of debt of $42.8 million in the current year as a result of less redemptions of high interest debt in the fourth quarter of 2011 as compared to the fourth quarter of 2010. Also, there was a decrease in interest expense of $15.5 million. Interest expense decreased due to the repurchase of a portion of the 2016 and 2013 notes in November 2011 and a portion of the 2016 notes in December 2010 and a long-term debt maturity of $681.8 million in November 2010. The benefits were partially offset by incremental interest expense associated with a swap maturity in November 2010, the issuance of $500.0 million of long-term debt in November 2011, $400.0 milli June 2011 and $250.0 million in December 2010, and higher average short-term borrowings and rates. These decreases were partially offset by an increase of $11.1 million in other, net due primarily to an increase in charitable contributions in the current year.

Other Income (Deductions) in 2010 reduced income $485.2 million compared to a reduction of $405.2 million in 2009. The decrease in other income was primarily due to a $96.7 million loss on the early extinguishment of long-term debt, partially offset by a decrease in interest expense of $7.0 million. Interest expense decreased primarily due to the $681.8 million November 2010 long-term debt maturity, the $385.0 million December 2009 term loan repayment, the maturity of the Company's $417.6 million November 2009 floating rate note, and lower short-term interest rates. The interest expense benefits were partially offset by incremental interest expense associated with the issuance of $250.0 million of long-term debt in December 2010, the issuance of the $500.0 million December 2009 long-term debt and the effect of the adoption of new accounting requirements related to the Company's accounts receivable facilities. Additionally, other, net increased from an expense of $1.4 million in 2009 to income of $3.8 million in 2010 related to the classification of interest expense as a result of the adoption of the new accounting requirements noted above.

Income Taxes

The effective income tax rates were 35.0%, 32.2%, and 41.8% in 2011, 2010 and 2009, respectively. The 2.8% increase in the overall effective tax rate in 2011 versus 2010 was primarily due to a tax rate change in Indiana in 2011 that resulted in recording $6.8 million in tax expense in the second quarter, and the 2010 rate settlements that resulted in the flow through of certain tax benefits in rates. The effect of the rate settlements also was the primary

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cause of the decrease in the overall effective tax rate from 2009 to 2010. Moreover, in 2009 the Company recorded the impact of certain nondeductible expenses, which increased tax expense $5.3 million and additional deferred income tax expense of $9.7 million related primarily to state income tax apportionment changes.

On May 12, 2011, the governor of Indiana signed into law House Bill 1004, which among other things, lowers the corporate income tax rate from 8.5% to 6.5% over four years beginning on July 1, 2012. The reduction in the tax rate will impact deferred income taxes and tax related regulatory assets and liabilities recoverable in the rate making process. In addition, other deferred tax assets and liabilities, primarily deferred tax assets related to Indiana net operating loss carry forward, will be reduced to reflect the lower rate at which these temporary differences and tax benefits will be realized. In the second quarter 2011, NiSource recorded tax expense of $6.8 million to reflect the effect of this rate change. The expense is largely attributable to the re-measurement of the Indiana net operating loss at the 6.5% rate. The majority of the Company's tax temporary differences are related to Northern Indiana's utility plant. The re-measurement of these temporary differences at 6.5% was recorded as a reduction of a regulatory asset.

On August 19, 2011, the IRS issued Revenue Procedure 2011-43, which provided a safe harbor method that taxpayers may use to determine whether certain expenditures related to electric transmission and distribution assets must be capitalized. This Revenue Procedure provided procedures for obtaining automatic consent from the IRS to adopt the safe harbor method for the first or second taxable year beginning after December 30, 2010. NiSource changed its method of tax accounting related to certain expenditures, including those related to electric transmission and distribution assets in 2008. As a result of the issuance of the Revenue Procedure, NiSource revised its estimates and recorded tax benefits of $12.9 million in the third quarter of 2011. Excluding minor amounts of interest, the revision of estimate did not impact total income tax expense.

During the third quarter of 2009, NiSource received permission from the IRS to change its tax method of capitalizing certain costs which it applied on a prospective basis to the federal and state income tax returns filed for its 2008 tax year. Under the new tax accounting method, NiSource recorded federal and state income tax receivables of $295.7 million. In October 2009, $263.5 million of these refunds were received. The remaining refunds were received in December 2009 and throughout 2010. The loss for the 2008 tax year resulted in $1.2 million of additional federal income tax expense due to the elimination of Section 199 deductions. The impact of certain state restrictions on loss carrybacks and carryforwards resulted in a net charge to state income tax expense of $5.5 million.

In the fourth quarter of 2010, NiSource received permission from the IRS to change its method of accounting for capitalized overhead costs under ...on 263A of the Internal Revenue Code. The change is effective for the 2009 tax year. The Company recorded a net long-term receivable of ... million, net of uncertain tax positions, in the fourth quarter of 2010 to reflect this change. There was no material impact on the effective tax rate as a result of this method change. In 2011, the Company revised its calculation related to the change in method and recorded an increase to the net long-term receivable of $3.3 million, net of uncertain tax positions, to reflect the change in estimate. Excluding minor amounts of interest, the revision of estimate did not impact total income tax expense.

In the third quarter of 2010, NiSource recorded a $15.2 million reduction to income tax expense in connection with the Pennsylvania PUC approval of the Columbia of Pennsylvania base rate case settlement on August 18, 2010. The adjustment to income tax expense resulted from the settlement agreement to flow through in current rates the tax benefits related to a tax accounting method change for certain capitalized costs approved by the IRS. As a result of the Pennsylvania Commission Order on October 14, 2011, Columbia of Pennsylvania will continue to flow through in rates unamortized tax benefits of approximately $30 million through January 2014 related to the unit of property tax method change. The amortization of excess tax benefits was $6.0 million in 2011. On a prospective basis, Columbia of Pennsylvania will recognize deferred tax expense rather than flow through in rates the tax benefits resulting from this method change.

The 2010 Health Care Act includes a provision eliminating, effective January 1, 2013, the tax deductibility of retiree health care costs to the extent of federal subsidies received under the Retiree Drug Subsidy program. When the Retiree Drug Subsidy was created by the Medicare Prescription Drug, Improvement and Modernization Act of 2003, NiSource recorded a deferred tax asset reflecting the exclusion of the expected future Retiree Drug Subsidy from taxable income. At the same time, an offsetting regulatory liability was established to reflect NiSource's obligation to reduce income taxes collected in future rates. ASC Topic 740 – Income Taxes requires the impact of a change in

tax law to be immediately recognized in continuing operations in the income statement for the period that includes the enactment date. In the first quarter of 2010, NiSource reversed its deferred tax asset of $6.2 million related to previously excludable Retiree Drug Subsidy payments expected to be received after January 1, 2013, which was completely offset by the reversal of the related regulatory liability.

Discontinued Operations
Discontinued operations reflected a loss of $4.7 million, or $0.02 loss per basic share, in 2011, a loss of $2.6 million, or $0.01 loss per basic share, in 2010, and a loss of $12.8 million, or $0.05 loss per basic share, in 2009.

The losses in 2011, 2010 and 2009 include activities associated with CER, and other former subsidiaries where NiSource has retained certain liabilities, as well as for impairment charges in 2009 associated with certain properties to be sold by NDC Douglas Properties.

Liquidity and Capital Resources

A significant portion of NiSource's operations, most notably in the gas distribution, gas transportation and electric businesses, are subject to seasonal fluctuations in cash flow. During the heating season, which is primarily from November through March, cash receipts from gas sales and transportation services typically exceed cash requirements. During the summer months, cash on hand, together with the seasonal increase in cash flows from the electric business during the summer cooling season and external short-term and long-term financing, is used to purchase gas to place in storage for heating season deliveries and perform necessary maintenance of facilities. NiSource believes that through income generated from operating activities, amounts available under its short-term revolver, commercial paper program, long-term debt agreements and NiSource's ability to access the capital markets there is adequate capital available to fund its operating activities and capital expenditures in 2012.

Operating Activities
Net cash from operating activities for the twelve months ended December 31, 2011 was $870.2 million, an increase of $144.8 million from a year ago. During 2011, gas price decreases and the collection of the 2010 under-recovered gas cost resulted in a $127.5 million source of working capital related to under-recovered gas costs. The $219.6 million source of working capital associated with accounts receivable in 2011 was primarily due to warmer weather in 2011. These sources of working capital were partially offset by a decrease in working capital of $141.8 million related to inventories primarily due to an increase in the weighted average cost rate. Additionally, there was a use of working capital related to accounts payable of $154.8 million in the current year as a result of a decrease in gas purchases due to warmer weather in December 2011 compared to December 2010.

Net cash from operating activities for the twelve months ended December 31, 2010 was $725.4 million, a decrease of $940.8 million from the prior year. During 2010, the refunding of the 2009 over-recovered gas costs resulted in a $243.0 million use of working capital. During 2009, gas price decreases and the collection of the 2008 under-recovered gas cost resulted in a $323.4 million source of working capital. Although there were no changes in the operation of the accounts receivable securitization programs, the application of new accounting guidance, ASC 860, attributed to substantially all of the $243.9 million use of working capital associated with accounts receivable in 2010. Furthermore, higher gas prices and volumes attributed to the higher than normal accounts receivable at December 31, 2008 creating a $258.9 million source of working capital when collected in 2009. This same pricing and volume scenario contributed to higher than normal accounts payable at December 31, 2008, resulting in a $191.4 million use of working capital when paid in 2009.

Pension and Other Postretirement Plan Funding. In 2011, NiSource contributed $393.5 million to its pension plans and $53.6 million to its postretirement medical and life plans. In 2012, NiSource expects to make contributions of approximately $3.3 million to its pension plans and approximately $51.7 million to its postretirement medical and life plans. At December 31, 2011, NiSource's pension and other post-retirement benefit plans were underfunded by $472.9 million and $456.5 million, respectively.

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[redacted]OURCE I NC .

[redacted]esting Activities

The tables below reflect actual capital expenditures and certain other investing activities by segment for 2009, 2010 and 2011, and estimates for 2012.

(in millions)	2012E	2011	2010	2009
Gas Distribution Operations	$ 533.0	$ 539.4	$ 409.7	$ 343.2
Gas Transmission and Storage Operations	431.6	301.5	302.0	287.4
Electric Operations	413.6	267.7	190.3	162.6
Corporate and Other Operations	21.8	22.0	9.6	5.4
Total	$ 1,400.0	$ 1,130.6	$ 911.6	$ 798.6

For 2012, the projected capital program and certain other investing activities are expected to be $1,400.0 million, which is $269.4 million higher than the 2011 capital program. This increased spending is mainly due to higher expenditures for environmental tracker capital for FGD projects in the generation fleet in the Electric Operations segment and increased expenditures at the Gas Transmission and Storage Operations segment for integrity management pipeline spending and planned pipeline replacements. The program is expected to be funded through a combination of cash flow from operations, equity, and short-term debt.

For 2011, the capital expenditures and certain other investing activities were $1,130.6 million, an increase of $219.0 million compared to 2010. This increased spending is mainly due to higher expenditures for the infrastructure replacement programs in the Gas Distribution Operations segment and increased growth expenditures in the Electric Operations segment which is primarily due to the FGD project.

For 2010, capital expenditures and certain other investing activities were $911.6 million, an increase of $113.0 million compared to 2009. A significant amount of the increase was due to increased capital expenditures within Gas Distribution Operations of $66.5 million, due to higher expenditures for the infrastructure replacement programs in the Gas Distribution Operations segment. Additionally, capital expenditures increased within Electric Operations and Gas Transmission and Storage Operations by $27.7 million and $14.6 million, respectively. The increase within Electric Operations was the result of maintenance spending on generation, distribution, and transmission projects. The increase within Gas Transmission and Storage Operations was primarily due to higher expenditures on maintenance projects.

[redacted]icted cash was $160.6 million and $202.9 million as of December 31, 2011 and 2010, respectively. The decrease in restricted cash was a result [redacted] settlement of positions at MF Global as a result of MF Global filing for Chapter 11 bankruptcy protection. Additionally, restricted cash decreased due to the winding down of NiSource's unregulated natural gas marketing business.

NiSource received insurance proceeds for capital repairs of $5.0 million and $62.7 million related to hurricanes and other items in 2010 and 2009, respectively. No insurance proceeds for capital repairs were received in 2011.

Contributions to equity investees were $6.4 million, $87.9 million, and $26.4 million for 2011, 2010 and 2009, respectively. The increase in 2010 was the result of cash required for Millennium's long-term debt refinancing.

Financing Activities

Long-term Debt. Refer to Note 16, "Long-term Debt," in the Notes to Consolidated Financial Statements for information on long-term debt.

Credit Facilities. On March 3, 2011, NiSource Finance entered into a new $1.5 billion four-year revolving credit facility with a syndicate of banks led by Barclays Capital. The new facility replaced an existing $1.5 billion five-year credit facility which would have expired during July 2011. The purpose of the new facility is to fund ongoing working capital requirements and for general corporate purposes, including supporting liquidity for the Company's commercial paper program, and provides for the issuance of letters of credit.

During June 2011, NiSource Finance implemented a new commercial paper program with a program limit of up to $500.0 million with a dealer group comprised of Barclays, Citigroup, Credit Suisse and Wells Fargo. Commercial paper issuances are supported by available capacity under NiSource Finance's $1.5 billion unsecured revolving credit facility, which expires in March 2015.

NiSource Finance had outstanding credit facility borrowings of $725.0 million at December 31, 2011, at a weighted average interest rate of 1.99%, and borrowings of $1,107.5 million at December 31, 2010, at a weighted average interest rate of 0.78%. In addition, NiSource Finance had $402.7 million in commercial paper outstanding at December 31, 2011, at a weighted average interest rate of 1.01%.

As of December 31, 2011 and December 31, 2010, NiSource had $231.7 million and $275.0 million, respectively, of short-term borrowings recorded on the Consolidated Balance Sheets and cash from financing activities in the same amount relating to its accounts receivable securitization facilities. See Note 19, "Transfers of Financial Assets."

As of December 31, 2011 and December 31, 2010, NiSource had $37.5 million and $32.5 million, respectively, of stand-by letters of credit outstanding of which $19.2 million and $14.2 million, respectively, were under the revolving credit facility.

As of December 31, 2011, an aggregate of $353.1 million of credit was available under the revolving credit facility.

Forward Agreements. On September 14, 2010, NiSource and Credit Suisse Securities (USA) LLC, as forward seller, closed an underwritten registered public offering of 24,265,000 shares of NiSource's common stock. All of the shares sold were borrowed and delivered to the underwriters by the forward seller. NiSource did not receive any of the proceeds from the sale of the borrowed shares, but NiSource will receive proceeds upon settlement of the Forward Agreements. If the equity forward had been settled by delivery of shares at December 31, 2011, the Company would have received approximately $357.2 million based on a forward price of $14.7224 for the 24,265,000 shares. The Company currently anticipates settling the equity forward by delivering shares in 2012.

Debt Covenants . NiSource is subject to one financial covenant under its four-year revolving credit facility. This covenant requires NiSource to maintain a debt to capitalization ratio that does not exceed 70%. A similar covenant in a 2005 private placement note purchase agreement requires NiSource to maintain a debt to capitalization ratio that does not exceed 75%. As of December 31, 2011, the ratio was 61.4%.

NiSource is also subject to certain other non-financial covenants under the revolving credit facility. Such covenants include a limitation on the creation or existence of new liens on NiSource's assets, generally exempting liens on utility assets, purchase money security interests, preexisting security interests and an additional subset of assets equal to $150 million. An asset sale covenant generally restricts the sale, lease and/or transfer of NiSource's assets to no more than 10% of its consolidated total assets and dispositions for a price not materially less than the fair market value of the assets disposed of that do not impair the ability of NiSource and NiSource Finance to perform obligations under the revolving credit facility, and that, together with all other such dispositions, would not have a material adverse effect. The revolving credit facility also includes a cross-default provision, which triggers an event of default under the credit facility in the event of an uncured payment default relating to any indebtedness of NiSource or any of its subsidiaries in a principal amount of $50 million or more.

NiSource's indentures generally do not contain any financial maintenance covenants. However, NiSource's indentures are generally subject to cross default provisions ranging from uncured payment defaults of $5 million to $50 million, and limitations on the incurrence of liens on NiSource's assets, generally exempting liens on utility assets, purchase money security interests, preexisting security interests and an additional subset of assets capped at 10% of NiSource's consolidated net tangible assets.

Sale of Trade Accounts Receivables . Refer to Note 19, "Transfers of Financial Assets," in the Notes to Consolidated Financial Statements for information on the sale of trade accounts receivable.

Credit Ratings . On December 13, 2011, Fitch affirmed the senior unsecured ratings for NiSource at BBB-, and the existing ratings of all other subsidiaries. Fitch's outlook for NiSource and all of its subsidiaries is stable. On November 18, 2011, Moody's Investors Service affirmed the senior unsecured ratings for NiSource at Baa3, and the

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existing ratings of all other subsidiaries. Moody's outlook for NiSource and all of its subsidiaries is stable. On February 24, 2011, Standard & Poor's affirmed the senior unsecured ratings for NiSource and its subsidiaries at BBB-. Standard & Poor's outlook for NiSource and all of its subsidiaries is stable. Although all ratings continue to be investment grade, a downgrade by Standard & Poor's, Moody's or Fitch would result in a rating that is below investment grade.

Certain NiSource affiliates have agreements that contain "ratings triggers" that require increased collateral if the credit ratings of NiSource or certain of its subsidiaries are rated below BBB- by Standard & Poor's or Baa3 by Moody's. These agreements are primarily for insurance purposes and for the physical purchase or sale of power. The collateral requirement from a downgrade below the ratings trigger levels would amount to approximately $21.0 million. In addition to agreements with ratings triggers, there are other agreements that contain "adequate assurance" or "material adverse change" provisions that could necessitate additional credit support such as letters of credit and cash collateral to transact business. Under Northern Indiana's trade receivables sales program, an event of termination occurs if Northern Indiana's debt rating is withdrawn by either Standard & Poor's or Moody's or falls below BB or Ba2 at either Standard & Poor's or Moody's, respectively. Likewise, under Columbia of Ohio's and Columbia of Pennsylvania's trade receivables sales programs, an event of termination occurs if NiSource's debt rating is withdrawn by either Standard & Poor's or Moody's, or falls below BB- or Ba3 at either Standard & Poor's or Moody's, respectively.

Contractual Obligations . NiSource has certain contractual obligations requiring payments at specified periods. The obligations include long-term debt, lease obligations, energy commodity contracts and service obligations for various services including pipeline capacity and IBM outsourcing. The total contractual obligations in existence at December 31, 2011 and their maturities were:

(in millions)	Total	2012	2013	2014	2015	2016	After
Long-term debt (a)	$ 6,569.7	$ 315.8	$ 489.2	$ 557.8	$ 230.1	$ 421.5	$ 4,555.3
Capital leases (b)	147.8	14.3	12.8	12.5	12.2	9.9	86.1
Interest payments on long-term debt	3,803.3	392.7	354.0	334.8	369.2	289.1	2,063.5
Operating leases	162.0	41.2	34.0	29.1	19.0	14.1	24.6
Energy commodity contracts	582.4	239.3	130.4	120.2	85.1	1.5	5.9
Service obligations:							
Pipeline service obligations	1,493.3	256.9	225.3	185.7	138.9	121.3	565.2
IBM service obligations	271.9	78.4	77.4	75.1	35.8	3.4	1.8
Vertex Outsourcing LLC service obligations	42.6	12.3	12.2	12.1	6.0	-	-
Other service obligations	373.5	132.2	82.0	78.3	81.0	-	-
Other liabilities	55.0	55.0					
Total contractual obligations	$ 13,501.5	$ 1,538.1	$ 1,417.3	$ 1,405.6	$ 977.3	$ 860.8	$ 7,302.4

(a) Long-term debt balance excludes unamortized discounts of $37.4 million and non-recourse debt of $11.3 million related to NDC Douglas Properties.
(b) Capital leases payments shown above are inclusive of interest totaling $58.4 million. Also included are minimum lease payments for an office building that the Company will not occupy until 2014.

NiSource calculated estimated interest payments for long-term debt as follows: for the fixed-rate debt, interest is calculated based on the stated coupon and payment dates; for variable-rate debt, interest rates are used that are in place as of December 31, 2011. For 2012, NiSource projects that it will be required to make interest payments of approximately $425.9 million, which includes $392.7 million of interest payments related to its long-term debt outstanding as of December 31, 2011. At December 31, 2011, NiSource also had $1,359.4 million in short-term borrowings outstanding.

NiSource Corporate Services has a license agreement with Rational Systems, LLC for pipeline business software requiring annual payments of $5.8 million, which is recorded as a capital lease.

NiSource's subsidiaries have entered into various energy commodity contracts to purchase physical quantities of natural gas, electricity and coal. These amounts represent the minimum quantities of these commodities NiSource is obligated to purchase at both fixed and variable prices.

In July 2008, the IURC issued an order approving Northern Indiana's purchase power agreements with subsidiaries of Iberdrola Renewables, Buffalo Ridge I LLC and Barton Windpower LLC. These agreements provide Northern Indiana the opportunity and obligation to purchase up to 100 mw of wind power commencing in early 2009. The

contracts extend 15 and 20 years, representing 50 mw of wind power each. No minimum quantities are specified within these agreements due to the variability of electricity production from wind, so no amounts related to these contracts are included in the table above. Upon any termination of the agreements by Northern Indiana for any reason (other than material breach by Buffalo Ridge I LLC or Barton Windpower LLC), Northern Indiana may be required to pay a termination charge that could be material depending on the events giving rise to termination and the timing of the termination. Northern Indiana began purchasing wind power in April 2009.

NiSource has pipeline service agreements that provide for pipeline capacity, transportation and storage services. These agreements, which have expiration dates ranging from 2012 to 2045, require NiSource to pay fixed monthly charges.

NiSource Corporate Services continues to pay IBM to provide business process and support functions to NiSource for amended services under a combination of fixed or variable charges, with the variable charges fluctuating based on the actual need for such services. Under the amended agreement, at December 31, 2011, NiSource Corporate Services expects to pay approximately $272 million to IBM in service fees over the remaining three and a half year term. In December 2011, NiSource elected to extend certain information technology services. Upon any termination of the agreement by NiSource for any reason, other than material breach by IBM, NiSource may be required to pay IBM a termination charge that could include a breakage fee, repayment of IBM's unrecovered capital investments, and IBM wind-down expense. This termination fee could be a material amount depending on the events giving rise to termination and the timing of the termination.

NiSource Corporate Services signed a service agreement with Vertex Outsourcing LLC, a business process outsourcing company, to provide customer contact center services for NiSource subsidiaries through June 2015. Services under this contract commenced on July 1, 2008, and NiSource Corporate Services pays for the services under a combination of fixed and variable charges, with the variable charges fluctuating based on actual need for such services. Based on the currently projected usage of these services, NiSource Corporate Services expects to pay approximately $42.6 million to Vertex Outsourcing LLC in service fees over the remaining three and a half year term. Upon termination of the agreement by NiSource for any reason (other than material breach by Vertex Outsourcing LLC), NiSource may be required to pay a termination charge not to exceed $10.8 million.

Northern Indiana has contracts with four major rail operators providing for coal transportation services for which there are certain minimum payments. These service contracts extend for various periods through 2015 and are included within "Other service obligations," in the table of contractual obligations.

Northern Indiana has a service agreement with Pure Air, a general partnership between Air Products and Chemicals, Inc. and First Air Partners under which Pure Air provides scrubber services to reduce sulfur dioxide emissions for Units 7 and 8 at the Bailly Generating Station. Services under this contract commenced on July 1, 1992, and Northern Indiana pays for the services under a combination of fixed and variable charges. The agreement provides that, assuming various performance standards are met by Pure Air, a termination payment would be due if Northern Indiana terminated the agreement prior to the end of the twenty-year contract period. Estimated minimum payments for this agreement are included within, "Other service obligations," in the table of contractual obligations. With the expiration of this contract occurring on June 30, 2012, Northern Indiana is currently evaluating long-term strategic options, including negotiations to renew this contract.

NiSource's expected payments included within "Other liabilities," in the table of contractual commitments above contains employer contributions to pension and other postretirement benefits plans expected to be made in 2012. Plan contributions beyond 2012 are dependent upon a number of factors, including actual returns on plan assets, which cannot be reliably estimated. In 2012, NiSource expects to make contributions of approximately $3.3 million to its pension plans and approximately $51.7 million to its postretirement medical and life plans. Refer to Note 12, "Pension and Other Postretirement Benefits," in the Notes to Consolidated Financial Statements for more information.

Not included in the table above are $4.8 million of estimated federal and state income tax liabilities, including interest. If or when such amounts may be settled is uncertain and cannot be estimated at this time. Refer to Note 11, "Income Taxes," in the Notes to Consolidated Financial Statements for more information.

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In the fourth quarter of 2008, NiSource received final approval by the West Virginia Circuit Court for Roane County regarding a settlement agreement regarding the Tawney proceeding. NiSource's share of the settlement liability was $338.8 million. NiSource complied with its obligations under the Settlement Agreement to fund $85.5 million in the qualified settlement fund by January 13, 2009. Additionally, NiSource provided a letter of credit on January 13, 2009 in the amount of $254.0 million and thereby complied with its obligation to secure the unpaid portion of the settlement. As of December 31, 2010, NiSource had contributed a total of $330.5 million into the qualified settlement fund. As of December 31, 2011, NiSource had fully paid the settlement liability.

NiSource cannot reasonably estimate the settlement amounts or timing of cash flows related to long-term obligations classified as, "Other Liabilities and Deferred Credits," on the Consolidated Balance Sheets, other than those described above.

NiSource also has obligations associated with income, property, gross receipts, franchise, payroll, sales and use, and various other taxes and expects to make tax payments of approximately $322.7 million in 2012, which are not included in the table above.

Off Balance Sheet Items

As a part of normal business, NiSource and certain subsidiaries enter into various agreements providing financial or performance assurance to third parties on behalf of certain subsidiaries. Such agreements include guarantees and stand-by letters of credit.

NiSource has issued guarantees that support up to approximately $148 million of commodity-related payments for its current and former subsidiaries involved in energy marketing activities. These guarantees were provided to counterparties in order to facilitate physical and financial transactions involving natural gas and electricity. To the extent liabilities exist under the commodity-related contracts subject to these guarantees, such liabilities are included in the Consolidated Balance Sheets.

NiSource has purchase and sales agreement guarantees totaling $250 million, which guarantee performance of the seller's covenants, agreements, obligations, liabilities, representations and warranties under the agreements. No amounts related to the purchase and sales agreement guarantees are reflected in the Consolidated Balance Sheets. Management believes that the likelihood NiSource would be required to perform or otherwise incur any significant losses associated with any of the aforementioned guarantees is remote.

NiSource has other guarantees outstanding. Refer to Note 20-A, "Guarantees and Indemnities," in the Notes to Consolidated Financial Statements for additional information about NiSource's off balance sheet arrangements.

Market Risk Disclosures

Risk is an inherent part of NiSource's energy businesses. The extent to which NiSource properly and effectively identifies, assesses, monitors and manages each of the various types of risk involved in its businesses is critical to its profitability. NiSource seeks to identify, assess, monitor and manage, in accordance with defined policies and procedures, the following principal risks that are involved in NiSource's energy businesses: commodity market risk, interest rate risk and credit risk. Risk management at NiSource is a multi-faceted process with oversight by the Risk Management Committee that requires constant communication, judgment and knowledge of specialized products and markets. NiSource's senior management takes an active role in the risk management process and has developed policies and procedures that require specific administrative and business functions to assist in the identification, assessment and control of various risks. In recognition of the increasingly varied and complex nature of the energy business, NiSource's risk management policies and procedures continue to evolve and are subject to ongoing review and modification.

Various analytical techniques are employed to measure and monitor NiSource's market and credit risks, including VaR. VaR represents the potential loss or gain for an instrument or portfolio from changes in market factors, for a specified time period and at a specified confidence level.

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Commodity Price Risk

NiSource is exposed to commodity price risk as a result of its subsidiaries' operations involving natural gas and power. To manage this market risk, NiSource's subsidiaries use derivatives, including commodity futures contracts, swaps and options. NiSource is not involved in speculative energy trading activity.

Commodity price risk resulting from derivative activities at NiSource's rate-regulated subsidiaries is limited, since regulations allow recovery of prudently incurred purchased power, fuel and gas costs through the rate-making process, including gains or losses on these derivative instruments. If states should explore additional regulatory reform, these subsidiaries may begin providing services without the benefit of the traditional rate-making process and may be more exposed to commodity price risk. Some of NiSource's rate-regulated utility subsidiaries offer commodity price risk products to their customers for which derivatives are used to hedge forecasted customer usage under such products. These subsidiaries do not have regulatory recovery orders for these products and are subject to gains and losses recognized in earnings due to hedge ineffectiveness.

All derivatives classified as hedges are assessed for hedge effectiveness, with any components determined to be ineffective charged to earnings or classified as regulatory assets or liabilities as appropriate. During 2011 and 2010, no income was recognized in earnings due to the ineffectiveness of derivative instruments being accounted for as hedges. During 2009, NiSource reclassified $126.4 million ($75.1 million, net of tax) related to its cash flow hedges from accumulated other comprehensive income (loss) to earnings due to the probability that certain forecasted transactions would not occur related to the unregulated natural gas marketing business that NiSource had planned to sell. NiSource has not made any material reclassifications in 2011 or 2010. During the fourth quarter of 2011, NiSource recorded a reserve of $22.6 million on certain assets related to the wind-down of the unregulated natural gas marketing business. It is anticipated that during the next twelve months the expiration and settlement of cash flow hedge contracts will result in income statement recognition of amounts currently classified in accumulated other comprehensive income (loss) of approximately $0.7 million of loss, net of taxes. Refer to Note 9, "Risk Management and Energy Marketing Activities," in the Notes to Consolidated Financial Statements for further information on NiSource's various derivative programs for managing commodity price risk.

NiSource subsidiaries are required to make cash margin deposits with their brokers to cover actual and potential losses in the value of outstanding exchange traded derivative contracts. The amount of these deposits, which are reflected in NiSource's restricted cash balance, may fluctuate significantly during periods of high volatility in the energy commodity markets.

Interest Rate Risk

NiSource is exposed to interest rate risk as a result of changes in interest rates on borrowings under its revolving credit agreement, commercial paper program and accounts receivable programs, which have interest rates that are indexed to short-term market interest rates. NiSource is also exposed to interest rate risk due to changes in interest rates on fixed-to-variable interest rate swaps that hedge the fair value of long-term debt. Based upon average borrowings and debt obligations subject to fluctuations in short-term market interest rates, an increase (or decrease) in short-term interest rates of 100 basis points (1%) would have increased (or decreased) interest expense by $16.5 million and $14.7 million for the years 2011 and 2010, respectively.

Contemporaneously with the pricing of the 5.25% notes and 5.45% notes issued September 16, 2005, NiSource Finance settled $900 million of forward starting interest rate swap agreements with six counterparties. NiSource paid an aggregate settlement payment of $35.5 million which is being amortized as an increase to interest expense over the term of the underlying debt, resulting in an effective interest rate of 5.67% and 5.88% respectively.

NiSource has entered into interest rate swap agreements to modify the interest rate characteristics of a portion of its outstanding long-term debt from fixed to variable. On May 12, 2004, NiSource Finance entered into fixed-to-variable interest rate swap agreements in a notional amount of $660 million with six counterparties having a 6 1/2-year term. NiSource Finance received payments based upon a fixed 7.875% interest rate and paid a floating interest amount based on U.S. 6-month BBA LIBOR plus an average of 3.08% per annum. On September 15, 2008, as a result of the Lehman Brothers Holdings Inc. bankruptcy filing the previous day, NiSource Finance terminated a fixed-to-variable interest rate swap agreement with Lehman Brothers having a notional amount of $110.0 million. On November 15, 2010, the term of the remaining $550.0 million of interest rate swaps expired, and the swaps were terminated.

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NISOURCE INC.

On July 22, 2003, NiSource Finance entered into fixed-to-variable interest rate swap agreements in a notional amount of $500 million with four counterparties with an 11-year term. NiSource Finance receives payments based upon a fixed 5.40% interest rate and pays a floating interest amount based on U.S. 6-month BBA LIBOR plus an average of 0.78% per annum. There was no exchange of premium at the initial date of the swaps. In addition, each party has the right to cancel the swaps on July 15, 2013.

As of December 31, 2011, $500.0 million of NiSource Finance's existing long-term debt is subject to fluctuations in interest rates as a result of these fixed-to-variable interest rate swap transactions.

Credit Risk

Due to the nature of the industry, credit risk is embedded in many of NiSource's business activities. NiSource's extension of credit is governed by a Corporate Credit Risk Policy. In addition, Risk Management Committee guidelines are in place which document management approval levels for credit limits, evaluation of creditworthiness, and credit risk mitigation efforts. Exposures to credit risks are monitored by the Corporate Credit Risk function which is independent of commercial operations. Credit risk arises due to the possibility that a customer, supplier or counterparty will not be able or willing to fulfill its obligations on a transaction on or before the settlement date. For forward commodity contracts, credit risk arises when counterparties are obligated to deliver or purchase defined commodity units of gas or power to NiSource at a future date per execution of contractual terms and conditions. Exposure to credit risk is measured in terms of both current obligations and the market value of forward positions net of any posted collateral such as cash, letters of credit and qualified guarantees of support.

NiSource closely monitors the financial status of its banking credit providers and interest rate swap counterparties. NiSource evaluates the financial status of its banking partners through the use of market-based metrics such as credit default swap pricing levels, and also through traditional credit ratings provided by the major credit rating agencies.

On October 31, 2011, cash and derivatives broker-dealer MF Global filed for Chapter 11 bankruptcy protection. MF Global brokered NYMEX hedges of natural gas futures on behalf of NiSource affiliates. At the date of bankruptcy, NiSource affiliates had contracts open with MF Global with settlement dates ranging from November 2011 to February 2014. On November 3, 2011, these contracts were measured at a mark-to-market loss of approximately $46.4 million. NiSource affiliates had posted initial margin to open these accounts of $6.9 million and additional maintenance margin for mark-to-market losses, for a total cash balance of $53.3 million. Within the first week after the filing, at the direction of the Bankruptcy Court, a transfer of assets was initiated on behalf of NiSource affiliates to a court-designated replacement broker for future trade activity. The existing futures positions were closed and then rebooked with the replacement broker at the new closing prices as of November 3, 2011. Initial margin on deposit at MF Global of $5.7 million was transferred to the court-designated replacement broker. The maintenance margin was retained by MF Global to offset the loss positions of the open contracts on November 3, 2011. NiSource affiliates are monitoring the activity in the bankruptcy case and have filed a proof of claim at the Court's direction. As of December 31, 2011, NiSource affiliates reserved the $1.2 million difference between the initial margin posted with MF Global and the cash transferred to the court-designated replacement broker as a loss contingency.

Fair Value Measurement

NiSource measures certain financial assets and liabilities at fair value. The level of the fair value hierarchy disclosed is based on the lowest level of input that is significant to the fair value measurement. NiSource's financial assets and liabilities include price risk assets and liabilities, available-for-sale securities and a deferred compensation plan obligation.

Exchange-traded derivative contracts are generally based on unadjusted quoted prices in active markets and are classified within Level 1. These financial assets and liabilities are secured with cash on deposit with the exchange; therefore nonperformance risk has not been incorporated into these valuations. Certain non-exchange-traded derivatives are valued using broker or over-the-counter, on-line exchanges. In such cases, these non-exchange-traded derivatives are classified within Level 2. Non-exchange-based derivative instruments include swaps, forwards, and options. In certain instances, these instruments may utilize models to measure fair value. NiSource uses a similar model to value similar instruments. Valuation models utilize various inputs that include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets

that are not active, other observable inputs for the asset or liability, and market-corroborated inputs, i.e., inputs derived principally from or corroborated by observable market data by correlation or other means. Where observable inputs are available for substantially the full term of the asset or liability, the instrument is categorized in Level 2. Certain derivatives trade in less active markets with a lower availability of pricing information and models may be utilized in the valuation. When such inputs have a significant impact on the measurement of fair value, the instrument is categorized in Level 3. Credit risk is considered in the fair value calculation of derivative instruments that are not exchange-traded. Credit exposures are adjusted to reflect collateral agreements which reduce exposures.

Price risk management assets also include fixed-to-floating interest-rate swaps, which are designated as fair value hedges, as a means to achieve its targeted level of variable-rate debt as a percent of total debt. NiSource uses a calculation of future cash inflows and estimated future outflows related to the swap agreements, which are discounted and netted to determine the current fair value. Additional inputs to the present value calculation include the contract terms, as well as market parameters such as current and projected interest rates and volatility. As they are based on observable data and valuations of similar instruments, the interest-rate swaps are categorized in Level 2 in the fair value hierarchy. Credit risk is considered in the fair value calculation of the interest rate swap.

Refer to Note 18, "Fair Value Disclosures," in the Notes to the Consolidated Financial Statements for additional information on NiSource's fair value measurements.

Market Risk Measurement

Market risk refers to the risk that a change in the level of one or more market prices, rates, indices, volatilities, correlations or other market factors, such as liquidity, will result in losses for a specified position or portfolio. NiSource calculates a one-day VaR at a 95% confidence level for the gas marketing group that utilizes a variance/covariance methodology. The daily market exposure for the gas marketing portfolio on an average, high and low basis was $0.1 million, $0.1 million and zero during 2011, respectively. Prospectively, management has set the VaR limit at $0.8 million for gas marketing. Exceeding this limit would result in management actions to reduce portfolio risk.

Refer to "Critical Accounting Policies" included in this Item 7 and Note 1-U, "Accounting for Risk Management and Energy Marketing Activities," and Note 9, "Risk Management and Energy Marketing Activities," in the Notes to Consolidated Financial Statements for further discussion of NiSource's risk management.

Other Information

Critical Accounting Policies

NiSource applies certain accounting policies based on the accounting requirements discussed below that have had, and may continue to have, significant impacts on NiSource's results of operations and Consolidated Balance Sheets.

Basis of Accounting for Rate-Regulated Subsidiaries. ASC Topic 980, *Regulated Operations* , provides that rate-regulated subsidiaries account for and report assets and liabilities consistent with the economic effect of the way in which regulators establish rates, if the rates established are designed to recover the costs of providing the regulated service and if the competitive environment makes it probable that such rates can be charged and collected. Certain expenses and credits subject to utility regulation or rate determination normally reflected in income are deferred on the Consolidated Balance Sheets and are recognized in income as the related amounts are included in service rates and recovered from or refunded to customers. The total amounts of regulatory assets and liabilities reflected on the Consolidated Balance Sheets were $2,147.9 million and $1,775.9 million at December 31, 2011, and $1,791.8 million and $1,688.7 million at December 31, 2010, respectively. For additional information, refer to Note 8, "Regulatory Matters," in the Notes to Consolidated Financial Statements.

In the event that regulation significantly changes the opportunity for NiSource to recover its costs in the future, all or a portion of NiSource's regulated operations may no longer meet the criteria for the application of ASC Topic 980, *Regulated Operations* . In such event, a write-down of all or a portion of NiSource's existing regulatory assets and liabilities could result. If transition cost recovery is approved by the appropriate regulatory bodies that would meet the requirements under generally accepted accounting principles for continued accounting as regulatory assets and liabilities during such recovery period, the regulatory assets and liabilities would be reported at the recoverable amounts. If unable to continue to apply the provisions of ASC Topic 980, *Regulated Operations* , NiSource would

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

required to apply the provisions of ASC Topic 980-20, *Discontinuation of Rate-Regulated Accounting* . In management's opinion, NiSource's regulated subsidiaries will be subject to ASC Topic 980, *Regulated Operations* for the foreseeable future.

Certain of the regulatory assets reflected on NiSource's Consolidated Balance Sheets require specific regulatory action in order to be included in future service rates. Although recovery of these amounts is not guaranteed, NiSource believes that these costs meet the requirements for deferral as regulatory assets. Regulatory assets requiring specific regulatory action amounted to $147.5 million at December 31, 2011. If NiSource determined that the amounts included as regulatory assets were not recoverable, a charge to income would immediately be required to the extent of the unrecoverable amounts.

Accounting for Risk Management Activities. Under ASC Topic 815, *Derivatives and Hedging* , the accounting for changes in the fair value of a derivative depends on the intended use of the derivative and resulting designation. Unrealized and realized gains and losses are recognized each period as components of accumulated other comprehensive income (loss), earnings, or regulatory assets and liabilities depending on the nature of such derivatives. For subsidiaries that utilize derivatives for cash flow hedges, the effective portions of the gains and losses are recorded to accumulated other comprehensive income (loss) and are recognized in earnings concurrent with the disposition of the hedged risks. For fair value hedges, the gains and losses are recorded in earnings each period along with the change in the fair value of the hedged item. As a result of the rate-making process, the rate-regulated subsidiaries generally record gains and losses as regulatory liabilities or assets and recognize such gains or losses in earnings when both the contracts settle and the physical commodity flows. These gains and losses recognized in earnings are then subsequently recovered or passed back in revenues through rates.

In order for a derivative contract to be designated as a hedge, the relationship between the hedging instrument and the hedged item or transaction must be highly effective. The effectiveness test is performed at the inception of the hedge and each reporting period thereafter, throughout the period that the hedge is designated. Any amounts determined to be ineffective are recorded currently in earnings.

Although NiSource applies some judgment in the assessment of hedge effectiveness to designate certain derivatives as hedges, the nature of the contracts used to hedge the underlying risks is such that there is a high correlation of the changes in fair values of the derivatives and the underlying risks. NiSource generally uses NYMEX exchange-traded natural gas futures and options contracts and over-the-counter swaps based on published indices to hedge the risks underlying its natural-gas-related businesses. NiSource had $348.5 million and $399.8 million of price risk management assets, of which $56.7 million and $61.1 million related to hedges, at December 31, 2011 and 2010, respectively, and $306.7 million and $355.5 million of price risk management liabilities, of which $0.5 million and $1.2 million related to hedges, at December 31, 2011 and 2010, respectively. There were no material unrealized gains or losses recorded to accumulated other comprehensive income (loss), net of taxes, as of December 31, 2011 and 2010.

Pensions and Postretirement Benefits. NiSource has defined benefit plans for both pensions and other postretirement benefits. The calculation of the net obligations and annual expense related to the plans requires a significant degree of judgment regarding the discount rates to be used in bringing the liabilities to present value, long-term returns on plan assets and employee longevity, among other assumptions. Due to the size of the plans and the long-term nature of the associated liabilities, changes in the assumptions used in the actuarial estimates could have material impacts on the measurement of the net obligations and annual expense recognition. For further discussion of NiSource's pensions and other postretirement benefits see Note 12, "Pension and Other Postretirement Benefits," in the Notes to Consolidated Financial Statements.

Goodwill. NiSource's goodwill assets at December 31, 2011 were $3,677.3 million, most of which resulted from the acquisition of Columbia on November 1, 2000. In addition, Northern Indiana Gas Distribution Operations' goodwill assets at December 31, 2011, related to the purchase of Northern Indiana Fuel and Light in March 1993 and Kokomo Gas in February 1992, were $18.8 million. As required, NiSource tests for impairment of goodwill on an annual basis and on an interim basis when events or circumstances indicate that a potential impairment may exist. NiSource's annual goodwill test takes place in the second quarter of each year and was most recently finalized as of June 30, 2011. The goodwill test utilized both an income approach and a market approach. In performing the goodwill test, NiSource made certain required key assumptions, such as long-term growth rates, discount rates and fair market values.

These key assumptions required significant judgment by management which are subjective and forward-looking in nature. To assist in making these judgments, NiSource utilized third-party valuation specialists in both determining and testing key assumptions used in the analysis. NiSource based its assumptions on projected financial information that it believes is reasonable; however, actual results may differ materially from those projections. NiSource used discount rates of 6.00% for both Columbia Transmission Operations and Columbia Distribution Operations, resulting in excess fair values of approximately $1,092 million and $412 million, respectively. The results of the impairment test indicated that each of the reporting units passed step 1 of the impairment test.

Goodwill at Northern Indiana Gas Distribution Operations related to the acquisition of Northern Indiana Fuel and Light and Kokomo Gas of $18.8 million was also tested for impairment as of June 30, 2011. The income approach was used to determine the fair value of the Northern Indiana Gas Distribution reporting unit. Key assumptions in the income approach were a discount rate of 6.00% and a growth rate based on the cash flow from operations. These cash flows factor in the regulatory environment and planned growth initiatives. The step 1 goodwill impairment test resulted in the fair value of the Northern Indiana Gas reporting unit to be above the carrying value by $319 million.

Although there was no goodwill asset impairment as of June 30, 2011, an interim impairment test could be triggered by the following: actual earnings results that are materially lower than expected, significant adverse changes in the operating environment, an increase in the discount rate, changes in other key assumptions which require judgment and are forward looking in nature, or if NiSource's market capitalization continues to stay below book value for an extended period of time. No impairment triggers were identified in the third or fourth quarter of 2011.

Refer to Notes 1-J and 6, "Goodwill and Other Intangible Assets," in the Notes to Consolidated Financial Statements for additional information.

Long-lived Asset Impairment Testing . NiSource's Consolidated Balance Sheets contain long-lived assets other than goodwill and intangible assets which are not subject to recovery under ASC Topic 980, *Regulated Operations* . As a result, NiSource assesses the carrying amount and potential earnings of these assets whenever events or changes in circumstances indicate that the carrying value could be impaired. When an asset's carrying value exceeds the undiscounted estimated future cash flows associated with the asset, the asset is considered to be impaired to the extent that the asset's fair value is less than its carrying value. Refer to Note 1 -K, "Long-lived Assets," and Note 3, "Impairments, Restructuring and Other Charges," in the Notes to Consolidated Financial Statements for additional information.

Contingencies. A contingent liability is recognized when it is probable that an environmental, tax, legal or other liability has been incurred and the amount of loss can reasonably be estimated. Accounting for contingencies requires significant management judgment regarding the estimated probabilities and ranges of exposure to a potential liability. Estimates of the loss and associated probability are made based on the current information available, including present laws and regulations. Management's assessment of the contingent liability could change as a result of future events or as more information becomes available. Actual amounts could differ from estimates and can have a material impact on NiSource's results of operations and financial position. Refer to Note 20, "Other Commitments and Contingencies," in the Notes to Consolidated Financial Statements for additional information.

Asset Retirement Obligations. Entities are required to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred. In the absence of quoted market prices, fair value of asset retirement obligations are estimated using present value techniques, using various assumptions including estimates of the amounts and timing of future cash flows associated with retirement activities, inflation rates and credit-adjusted risk free rates. When the liability is initially recorded, the entity capitalizes the cost, thereby increasing the carrying amount of the related long-lived asset. Over time, the liability is accreted, and the capitalized cost is depreciated over the useful life of the related asset. The rate-regulated subsidiaries defer the difference between the amounts recognized for depreciation and accretion and the amount collected, or expected to be collected, in rates. Refer to Note 7, "Asset Retirement Obligations," in the Notes to Consolidated Financial Statements for additional information.

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NISOURCE INC.

Revenue Recognition. Revenue is recorded as products and services are delivered. Utility revenues are billed to customers monthly on a cycle basis. Revenues are recorded on the accrual basis and include estimates for electricity and gas delivered but not billed.

Taxes. Deferred income taxes are recognized for all temporary differences between the financial statement and tax basis of assets and liabilities at currently enacted income tax rates. Additional deferred income tax assets and liabilities are required for temporary differences where regulators prohibit deferred income tax treatment for ratemaking purposes. Regulatory assets or liabilities, corresponding to such additional deferred tax assets or liabilities, may be recorded to the extent recoverable from or payable to customers through the ratemaking process. Amounts applicable to income taxes due from and due to customers primarily represent differences between the book and tax basis of net utility plant in service.

Recently Adopted Accounting Pronouncements

Refer to Note 2, "Recent Accounting Pronouncements," in the Notes to Consolidated Financial Statements for information on recently adopted accounting pronouncements.

Recently Issued Accounting Pronouncements

Refer to Note 2, "Recent Accounting Pronouncements," in the Notes to Consolidated Financial Statements for information on recently issued accounting pronouncements.

International Financial Reporting Standards

In December 2011, the SEC Chief Accountant, and in January 2012, the SEC Chairman both indicated that a determination on IFRS would be made in the next few months. In February 2010, the SEC expressed its commitment to the development of a single set of high quality globally accepted accounting standards and directed its staff to execute a work plan addressing specific areas of concern regarding the potential incorporation of IFRS for the U.S. In October 2010, the SEC staff issued its first public progress report on the work plan and in May 2011, a Staff Paper was issued outlining a possible endorsement approach for incorporation of IFRS into the U.S. financial reporting system, as opposed to a single-date approach, if the SEC were to decide that incorporation of IFRS is in the best interest of U.S. investors. Under this possible framework, IFRS would be incorporated into GAAP during a transition period (e.g., five to seven years) and the FASB would be retained as the United States standard setter. The SEC staff issued its third report on IFRS in November 2011, detailing an analysis of IFRS in practice.

In the fourth quarter of 2010, NiSource completed a comprehensive assessment of IFRS to understand the key accounting and reporting differences compared to U.S. GAAP and to assess the potential organizational, process and system impacts that would be required. The accounting differences between U.S. GAAP and IFRS are complex and significant in many aspects, and conversion to IFRS would have broad impacts across NiSource. In addition to financial statement and disclosure changes, converting to IFRS would involve changes to processes and controls, regulatory and management reporting, financial reporting systems, and other areas of the organization. As a part of the IFRS assessment project, a preliminary conversion roadmap was created for reporting IFRS. This IFRS conversion roadmap, and NiSource's strategy for addressing a potential mandate of IFRS, will be re-assessed when the SEC makes its determination on whether to require the use of IFRS and by what method.

Environmental Matters

NiSource is subject to regulation by various federal, state and local authorities in the areas of air quality, water quality, control of toxic substances and hazardous and solid wastes, and other environmental matters. NiSource believes that it is in substantial compliance with those environmental regulations currently applicable to NiSource's business and operations. Refer to Note 20-D, "Environmental Matters," in the Notes to Consolidated Financial Statements for additional information regarding environmental matters.

Bargaining Unit Contract

As of December 31, 2011 NiSource had 7,957 employees of whom 3,295 were subject to collective bargaining agreements. Agreements were reached with the respective unions whose collective bargaining agreements were set to expire during 2011. Ten additional collective bargaining contracts, covering approximately 513 employees, are set to expire during 2012. To date, an agreement has been reached and ratified with respect to one of those contracts. The remaining nine agreements, covering approximately 437 employees, expire between March 1, 2012 and June 18, 2012.

2010 Health Care Act

The 2010 Health Care Act includes a provision eliminating, effective January 1, 2013, the tax deductibility of retiree health care costs to the extent of federal subsidies received under the Retiree Drug Subsidy program. When the Retiree Drug Subsidy was created by the Medicare Prescription Drug, Improvement and Modernization Act of 2003, NiSource recorded a deferred tax asset reflecting the exclusion of the expected future Retiree Drug Subsidy from taxable income. At the same time, an offsetting regulatory liability was established to reflect NiSource's obligation to reduce income taxes collected in future rates. ASC Topic 740, *Income Taxes,* requires the impact of a change in tax law to be immediately recognized in continuing operations in the income statement for the period that includes the enactment date. In the first quarter of 2010, NiSource reversed its deferred tax asset of $6.2 million related to previously excludable Retiree Drug Subsidy payments expected to be received after January 1, 2013, which was completely offset by the reversal of the related regulatory liability. There was no impact on income tax expense recorded in the Statements of Consolidated Income for the period ended December 31, 2010.

A provision of the 2010 Health Care Act requires the elimination, effective January 1, 2011, of lifetime and restrictive annual benefit limits from certain active medical plans. The NiSource Consolidated Flex Medical Plan (the "Consolidated Flex Plan"), a component welfare benefit plan of the NiSource Life and Medical Benefits Program, covered both active and retired employees and capped lifetime benefits to certain retirees. NiSource examined the provisions of the 2010 Health Care Act and determined the enactment of the law in the first quarter of 2010 qualified as a significant event requiring remeasurement of other postretirement benefit obligations and plan assets as of March 31, 2010. Effective September 1, 2010, NiSource amended the Consolidated Flex Plan and established the NiSource Post-65 Retiree Medical Plan (the "Post-65 Retiree Plan") as a separate ERISA plan. In accordance with the amendment of the Consolidated Flex Plan and the establishment of the Post-65 Retiree Plan, Medicare supplement plan options for NiSource post-age 65 retirees and their eligible post-age 65 dependents are now offered under the Post-65 Retiree Plan, a retiree-only plan, and not under the Consolidated Flex Plan. The Post-65 Retiree Plan is not subject to the provisions of the 2010 Health Care Act requiring elimination of lifetime and restrictive annual benefit limits. The amendment of the Consolidated Flex Plan and the establishment of the Post-65 Retiree Plan required a second remeasurement of other postretirement benefit obligations and plan assets as of September 1, 2010. The effect of the change in the legislation and the plan amendment resulted in an increase to the other postretirement benefit obligation, net of plan assets, of $31.0 million and corresponding increases to regulatory assets and AOCI of $29.4 million and $1.6 million, respectively. Net periodic postretirement benefit cost for 2010 was also increased by approximately $2.2 million.

Dodd-Frank Financial Reform Act

The Dodd-Frank Wall Street Reform and Consumer Protection Act ("the Act") was passed by Congress on July 15, 2010 and was signed into law on July 21, 2010. The Act, among other things, establishes a Financial Stability Oversight Council ("FSOC") and a Consumer Financial Protection Bureau ("CFPB") whose duties will include the monitoring of domestic and international financial regulatory proposals and developments, as well as the protection of consumers. The FSOC may submit comments to the SEC and any standard-setting body with respect to an existing or proposed accounting principle, standard or procedure. The Act also creates increased oversight of the over-the-counter derivative market, requiring certain OTC transactions to be cleared through a clearing house and requiring cash margins to be posted for those transactions. Some regulations have been finalized and more will be issued to implement the Act over the next six months. NiSource is monitoring the rulemaking process under the Act. Although the Act and the new regulations are expected to have some impact on capital markets and derivatives markets generally, NiSource does not expect the Act to have any material effect on its operations.

RESULTS AND DISCUSSION OF SEGMENT OPERATIONS

Presentation of Segment Information

Operating segments are components of an enterprise for which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The NiSource Chief Executive Officer is the chief operating decision maker.

NiSource's operations are divided into three primary business segments. The Gas Distribution Operations segment provides natural gas service and transportation for residential, commercial and industrial customers in Ohio, Pennsylvania, Virginia, Kentucky, Maryland, Indiana and Massachusetts. The Gas Transmission and Storage Operations segment offers gas transportation and storage services for LDCs, marketers and industrial and commercial customers located in northeastern, mid-Atlantic, midwestern and southern states and the District of Columbia. The Electric Operations segment provides electric service in 20 counties in the northern part of Indiana.

NISOURCE INC.
Gas Distribution Operations

Year Ended December 31, *(in millions)*	2011	2010	2009
Net Revenues			
Sales Revenues	$ 3,498.7	$ 3,668.1	$ 3,902.4
Less: Cost of gas sold (excluding depreciation and amortization)	1,917.5	2,065.6	2,293.0
Net Revenues	1,581.2	1,602.5	1,609.4
Operating Expenses			
Operation and maintenance	845.4	871.2	871.6
Depreciation and amortization	174.0	239.3	248.1
Impairment and (gain)/loss on sale of assets, net	1.0		(1.5)
Other taxes	168.0	159.7	164.0
Total Operating Expenses	1,188.4	1,270.2	1,282.2
Operating Income	$ 392.8	$ 332.3	$ 327.2
Revenues ($ in Millions)			
Residential	$ 2,220.9	$ 2,134.8	$ 2,508.2
Commercial	724.8	707.7	864.6
Industrial	218.0	215.4	239.7
Off-System Sales	267.2	295.4	253.5
Other	67.8	314.8	36.4
Total	$ 3,498.7	$ 3,668.1	$ 3,902.4
Sales and Transportation (MMDth)			
Residential sales	254.5	258.0	2
Commercial sales	168.6	166.8	169.4
Industrial sales	431.8	385.9	335.9
Off-System Sales	62.4	71.9	59.7
Other	0.6	1.0	0.8
Total	917.9	883.6	831.0
Heating Degree Days	5,434	5,547	5,624
Normal Heating Degree Days	5,633	5,633	5,633
% Colder (Warmer) than Normal	(4%)	(2%)	0%
Customers			
Residential	3,039,579	3,039,874	3,032,597
Commercial	280,521	281,473	279,144
Industrial	7,861	7,668	7,895
Other	19	65	79
Total	3,327,980	3,329,080	3,319,715

Competition

Gas Distribution Operations competes with investor-owned, municipal, and cooperative electric utilities throughout its service area, and to a lesser extent, with other regulated natural gas utilities and propane and fuel oil suppliers. Gas Distribution Operations continues to be a strong competitor in the energy market as a result of strong customer preference for natural gas. Competition with providers of electricity is generally strongest in the residential and commercial markets of Kentucky, southern Ohio, central Pennsylvania and western Virginia where electric rates are primarily driven by low-cost, coal-fired generation. In Ohio and Pennsylvania, similar gas provider competition is also common. Gas competes with fuel oil and propane in the Massachusetts market mainly due to the installed base of fuel oil and propane-based heating which, over time, has comprised a declining percentage of the overall market.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

OURCE I NC .
Distribution Operations (continued)

Market Conditions

During 2011, Gas Distribution Operations gross revenues decreased due to lower natural gas commodity prices experienced throughout the year. Spot prices at the Henry Hub for the winter of 2011-2012 have primarily been in the $2.80 - $3.70/Dth range compared to prices in the $3.20 - $4.70/Dth range experienced during the winter of 2010-2011. Year over year demand reflected moderate recovery from the 2009-2010 lows, but the combination of strong supplies, unseasonably warm early winter temperatures and storage levels remaining at high levels kept gas prices in a narrow range.

Entering the 2011-2012 winter season, national storage levels were 6 Bcf below the prior year but 215 Bcf ahead of the 5 year average inventory levels (based on 11/10/2011 Energy Information Administration storage report as published in the 11/11/2011 Gas Daily). During the summer of 2011, prices ranged between $3.40 and $4.92/Dth which were consistent with those prices experienced in the summer of 2010.

All NiSource Gas Distribution Operations companies have state-approved recovery mechanisms that provide a means for full recovery of prudently incurred gas costs. Gas costs are treated as pass-through costs and have no impact on the net revenues recorded in the period. The gas costs included in revenues are matched with the gas cost expense recorded in the period and the difference is recorded on the Consolidated Balance Sheets as under-recovered or over-recovered gas cost to be included in future customer billings.

The Gas Distribution Operations companies have pursued non-traditional revenue sources within the evolving natural gas marketplace. These efforts include the sale of products and services upstream of the companies' service territory, the sale of products and services in the companies' service territories, and gas supply cost incentive mechanisms for service to their core markets. The upstream products are made up of transactions that occur between an individual Gas Distribution Operations company and a buyer for the sales of unbundled or rebundled gas supply and capacity. The on-system services are offered by NiSource to customers and include products such as the transportation and balancing of gas on the Gas Distribution Operations company system. The incentive mechanisms give the Gas Distribution Operations companies an opportunity to share in the savings created from such things as gas purchase prices paid below an agreed upon benchmark and its ability to reduce pipeline capacity charges with their customers. Certain Gas Distribution Operations companies continue to offer choice opportunities, where customers can choose to purchase gas from a third party supplier, through regulatory initiatives in their respective jurisdictions.

Capital Expenditures and Other Investing Activities

ble below reflects actual capital expenditures and other investing activities by category for 2009, 2010 and 2011 and estimates for 2012.

(in millions)	2012E	**2011**	2010	2009
System Growth	$ 82.5	$ **81.5**	$ 94.1	$ 86.1
Maintenance and Other	450.5	**457.9**	315.6	257.1
Total	$ 533.0	$ **539.4**	$ 409.7	$ 343.2

The Gas Distribution Operations segment's capital expenditures and other investing activities were $539.4 million in 2011 and are projected to be $533.0 million in 2012. Capital expenditures for 2011 were higher than 2010 by approximately $129.7 million primarily due to increased spending on infrastructure replacement projects. The estimated 2012 capital expenditures are comparable to 2011 and continue to reflect spending on infrastructure replacement programs in Ohio, Kentucky, Pennsylvania, Virginia and Massachusetts.

Capital expenditures for 2010 were higher than 2009 by approximately $66.5 million primarily due to increased spending on infrastructure replacement projects.

Bear Garden Station

In August 2008, Columbia of Virginia entered into an agreement with Dominion Virginia Power to install facilities to serve a 580 mw combined cycle generating station in Buckingham County, VA, known as the Bear Garden station. The project required approximately 13.3 miles of 24-inch steel pipeline and associated facilities to serve the station. In March 2009, the VSCC approved Dominion Virginia Power Company's planned Bear Garden station. Columbia of Virginia's facilities constructed to serve the Bear Garden station were placed into service in July 2010.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

N I S OURCE I NC .
Gas Distribution Operations (continued)

Regulatory Matters
Refer to Note 8, "Regulatory Matters," in the Notes to Consolidated Financial Statements for information on significant rate developments and cost recovery and trackers for the Gas Distribution Operations segment.

Customer Usage. The NiSource distribution companies had experienced declining usage by customers, due in large part to the sensitivity of sales to volatility in commodity prices. A significant portion of the LDCs' operating costs are fixed in nature. Historically, rate design at the distribution level has been structured such that a large portion of cost recovery is based upon throughput, rather than in a fixed charge. In addition, increased efficiency of natural gas appliances has caused a decline in average use per customer. Columbia of Ohio restructured its rate design through a base rate proceeding and has adopted a "de-coupled" rate design which more closely links the recovery of fixed costs with fixed charges. In regulatory proceedings in 2009, Columbia of Massachusetts and Columbia of Virginia received approval of decoupling mechanisms which adjust revenues to an approved benchmark level through a volumetric adjustment factor. In its 2011 rate case, Columbia of Pennsylvania implemented a higher fixed residential customer charge. Each of the states in which the NiSource LDCs operate has different requirements regarding the procedure for establishing such charges. In its 2010 rate case, Northern Indiana implemented a higher fixed customer charge for residential and small customer classes moving toward full straight fixed variable rate design. This rate design was also incorporated in the settlement of the 2011 merger of the three Indiana LDCs; Northern Indiana, Kokomo Gas and Northern Indiana Fuel and Light.

Environmental Matters
Currently, various environmental matters impact the Gas Distribution Operations segment. As of December 31, 2011, reserves have been recorded to cover probable environmental response actions. Refer to Note 20-D, "Environmental Matters," in the Notes to Consolidated Financial Statements for additional information regarding environmental matters for the Gas Distribution Operations segment.

Restructuring
Refer to Note 3, "Impairments, Restructuring and Other Charges," in the Notes to Consolidated Financial Statements for information regarding restructuring initiatives.

Weather
In general, NiSource calculates the weather related revenue variance based on changing customer demand driven by weather variance from normal heating degree-days. Normal is evaluated using heating degree days across the NiSource distribution region. While the temperature base measuring heating degree-days (i.e. the estimated average daily temperature at which heating load begins) varies slightly across the region, the NiSource composite measurement is based on 65 degrees. NiSource composite heating degree-days reported do not directly correlate to the weather related dollar impact on the results of Gas Distribution operations. Heating degree-days experienced during different times of the year or in different operating locations may have more or less impact on volume and dollars depending on when and where they occur. When the detailed results are combined for reporting, there may be weather related dollar impacts on operations when there is not an apparent or significant change in the aggregated NiSource composite heating degree-day comparison.

Weather in the Gas Distribution Operations service territories for 2011 was about 4% warmer than normal and was about 2% warmer than 2010, decreasing net revenues by approximately $6 million for the year ended December 31, 2011 compared to 2010.

Weather in the Gas Distribution Operations service territories for 2010 was about 2% warmer than normal and was about 1% warmer than 2009, decreasing net revenues by approximately $3 million for the year ended December 31, 2010 compared to 2009.

Throughput
Total volumes sold and transported for the year ended December 31, 2011 were 917.9 MMDth, compared to 883.6 MMDth for 2010. This increase reflected higher throughput to industrial customers attributable mainly to the improved economy. NiSource throughput reported does not directly correlate to the results of Gas Distribution Operations.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

OURCE I NC .
Distribution Operations (continued)

Total volumes sold and transported for the year ended December 31, 2010 were 883.6 MMDth, compared to 831.0 MMDth for 2009. This increase reflected higher sales to industrial customers attributable mainly to the improved economy and higher off-system sales.

Net Revenues

Net revenues for 2011 were $1,581.2 million, a decrease of $21.3 million from the same period in 2010, due primarily to a decrease in net regulatory and tax trackers of $51.8 million, which are offset in expense, lower off-system sales of $18.8 million primarily as a result of the standard service offer auction at Columbia of Ohio in the second quarter of 2010, and a decrease in industrial margins of $7.6 million. The decreases in net revenues were partially offset by an increase of $30.3 million for other regulatory and service programs, including impacts from the implementation of new rates under Columbia of Ohio's approved infrastructure replacement program and rate cases at various NiSource LDCs. Additionally, there was an increase of $14.1 million in residential and commercial margins. Net revenues also increased $5.7 million as the result of a contract accrual that was established in 2010, $2.8 million from Bear Garden Station which was placed into service in July of 2010, and $2.5 million related to a reserve for unaccounted for gas recorded in 2010.

Net revenues for 2010 were $1,602.5 million, a decrease of $6.9 million from 2009. This decrease in net revenues was primarily due to decreased regulatory and tax trackers of $20.4 million, offset in expense, and decreased residential and commercial margins of $20.1 million. Additionally, there was an accrual related to a prior period contract established at Columbia of Massachusetts of $5.7 million, additional customer credits of $5.6 million issued as the result of a rate case, a decrease in forfeited discounts and late payments of $5.0 million, and the impact of warmer weather of approximately $3 million. These decreases were partially offset by an increase in regulatory and service programs of $51.7 million. This includes impacts from rate cases at various utilities, the implementation of new rates under Columbia of Ohio's approved infrastructure replacement program, and for the revenue normalization program at Columbia of Virginia.

At Northern Indiana, sales revenues and customer billings are adjusted for amounts related to under and over-recovered purchased gas costs from prior periods per regulatory order. These amounts are primarily reflected in the "Other" gross revenues statistic provided at the beginning of this segment discussion. The adjustments to Other gross revenues for the twelve months ended December 31, 2011 and 2010 were a revenue decrease of $180.3 million and a revenue increase of $270.6 million, respectively.

Operating Income

011, Gas Distribution Operations reported operating income of $392.8 million, an increase of $60.5 million from the comparable 2010 period. ncrease in operating income was primarily attributable to lower operating expenses partially offset by lower net revenues described above. Operating expenses decreased $81.8 million as a result of a decrease of $65.3 million in depreciation costs primarily due to new approved depreciation rates at Northern Indiana and $55.0 million as a result of lower regulatory trackers, which are offset in net revenue. These decreases were partially offset by an increase in environmental costs of $25.8 million as a result of the increase in estimated MGP remediation costs and higher employee and administrative costs of $13.3 million.

For 2010, operating income for the Gas Distribution Operations segment was $332.3 million, an increase of $5.1 million compared to the same period in 2009 primarily attributable to lower operating expenses of $12.0 million, partially offset by decreased net revenues described above. Operating expenses decreased due to lower net regulatory and tax trackers, offset in revenue, of $20.4 million, decreased uncollectible expenses of $10.1 million and lower depreciation costs of $8.8 million primarily due to new approved depreciation rates. These decreases in operating expenses were partially offset by increased payroll and benefits expense of $20.1 million and environmental costs of $3.3 million.

NISOURCE INC.
Gas Transmission and Storage Operations

Year Ended December 31, *(in millions)*	2011	2010	2009
Operating Revenues			
Transportation revenues	$ 775.4	$ 728.4	$ 724.6
Storage revenues	196.1	198.7	190.8
Other revenues	34.1	22.1	15.3
Operating Revenues	1,005.6	949.2	930.7
Operating Expenses			
Operation and maintenance	473.5	399.6	382.8
Depreciation and amortization	130.0	130.7	121.5
Impairment and loss/(gain) on sale of assets, net	0.1	(0.1)	(1.4)
Other taxes	56.6	57.4	55.9
Total Operating Expenses	660.2	587.6	558.8
Equity Earnings in Unconsolidated Affiliates	14.6	15.0	16.0
Operating Income	$ 360.0	$ 376.6	$ 387.9
Throughput (MMDth)			
Columbia Transmission	1,117.5	1,092.4	1,029.8
Columbia Gulf	1,048.0	848.4	894.1
Crossroads Gas Pipeline	18.7	25.4	33.9
Intrasegment eliminations	(548.5)	(568.7)	(566.4)
Total	1,635.7	1,397.5	1,39

Growth Projects Placed into Service

Majorsville, PA Project. The Gas Transmission and Storage Operations segment executed three separate projects totaling approximately $80 million in the Majorsville, PA vicinity to aggregate Marcellus Shale gas production for downstream transmission. Fully contracted, the pipeline and compression assets allow the Gas Transmission and Storage Operations segment to gather and deliver more than 325,000 Dth per day of Marcellus production gas to the Majorsville MarkWest Liberty processing plants developed by MarkWest Liberty Midstream & Resources L.L.C.

In 2010, Columbia Transmission received approval from the FERC to refunctionalize certain transmission assets to gathering and transferred these pipeline facilities to a newly formed affiliate, NiSource Midstream Services, LLC. These facilities are included in providing non-FERC jurisdiction gathering services to producers in the Majorsville, PA vicinity. Two of the three projects were completed and placed into service on August 1, 2010, creating an integrated gathering and processing system serving Marcellus production in southwestern Pennsylvania and northern West Virginia. Precedent agreements were executed by anchor shippers in the fourth quarter of 2009, which were superseded by the execution of long-term service agreements in August and September 2010. In the fourth quarter, construction began on the third project on a pipeline to deliver residue gas from the Majorsville MarkWest Liberty processing plant to the Texas Eastern Wind Ridge compressor station in southwestern Pennsylvania to provide significant additional capacity to eastern markets. This project was placed into service in April 2011.

Clendenin Project. Construction began on this approximately $18 million capital project in 2010 to modify existing facilities in the Clendenin, West Virginia area to move Marcellus production to liquid market centers. The Clendenin project provides the Gas Transmission and Storage Operations segment the ability to meet incremental transportation demand of up to 150,000 Dth per day. Long-term firm transportation contracts for 133,100 Dth have been executed, some of which began in the third quarter 2010 and others that began in June 2011.

Cobb Compressor Station Project. This project continued the Gas Transmission and Storage Operations segment strategy to meet producers' near-term, incremental transportation demand in the Appalachian Basin. Shippers executed precedent agreements for a total of approximately 25,500 Dth per day of long-term firm transportation service associated with a facility expansion at Cobb Compressor Station in Kanawha County, West Virginia. The Cobb Expansion totaled approximately $15 million in construction costs and was placed into service in May 2010.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

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Transmission and Storage Operations (continued)

East Lateral Project. In 2010, the Gas Transmission and Storage Operations segment initiated a $5 million project to modify existing facilities on the Columbia Gulf East Lateral to provide firm transportation service for up to 300,000 Dth per day. Firm transportation contracts for 250,000 Dth per day were executed for five-year terms. This FERC-approved project was completed and put into service in May 2011.

Southern Appalachian Project. The Gas Transmission and Storage Operations segment invested nearly $4 million to expand Line SM-116 to transport approximately 38,500 Dth per day on a firm basis as a continuation of its strategy to provide transportation services to producers of Marcellus and Appalachian gas. This additional capacity is supported by executed, binding precedent agreements. These additional facilities were placed in service in April 2011.

Growth Projects in Progress

Power Plant Generation Project. The Gas Transmission and Storage Operations segment is planning to spend nearly $35 million on an expansion project, which includes new pipeline and modifications to existing compression assets, with Virginia Power Services Energy Corporation, Inc., the energy manager for Virginia Electric Power Company. This project will expand the Columbia Transmission system in order to provide up to nearly 250,000 Dth per day of transportation capacity under a long-term, firm contract. The project is expected to be ready for commercial operations by mid-2014.

Line WB Expansion Project. The Gas Transmission and Storage Operations segment expanded its WB system through investment in additional facilities, which provide transportation service on a firm basis from Loudoun, Virginia to Leach, Kentucky. The expansion totaled approximately $14 million, allowing producers to meet incremental transportation demand in the Marcellus/Appalachian Basin. Binding precedent agreements for approximately 175,000 Dth per day of firm transportation capacity were executed, some which began in January 2011. Final construction on all facilities will be completed and placed into service in the first quarter of 2012.

Smithfield Project. The Gas Transmission and Storage Operations segment made approximately $14 million of capital investments for modifications to existing pipeline and compressor facilities to accommodate receipt of up to 150,000 Dth per day of additional Marcellus gas from connections near Smithfield, West Virginia and Waynesburg, Pennsylvania. Three anchor shippers agreed to long-term, firm transportation contracts, one contract that began in April 2011 and others that began in August 2011. The project is expected to be fully in service in the first quarter 2012.

[redacted] **rsburg Expansion Project.** The Gas Transmission and Storage Operations segment has approved an investment of approximately $6 million for this project that will add capacity to north central Pennsylvania to meet the growing demands of producers in the area. The project will consist of the expansion of Line 134 from the Brinker compressor station to the Iowa regulator, adding approximately 19,000 Dth per day of additional capacity, all of which has been sold through precedent agreements. The project is expected to go into service in the first quarter of 2012.

Pennsylvania Marcellus Pipeline Project. The Gas Transmission and Storage Operations segment has approved an investment of approximately $150 million, which will include right-of-way acquisitions and constructing new pipeline with an initial combined capacity of 300,000 Dth per day. Natural gas will initially be sourced from a new third-party processing plant and delivered to Columbia Transmission and two other third-party pipelines in Pennsylvania. The project is expected to be placed in service in late 2012.

Regulatory Matters

Refer to Note 8, "Regulatory Matters," in the Notes to Consolidated Financial Statements for information on regulatory matters for the Gas Transmission and Storage Operations segment.

Capital Expenditures and Other Investing Activities

The table below reflects actual capital expenditures and other investing activities by category for 2009, 2010 and 2011 and estimates for 2012.

Gas Transmission and Storage Operations (continued)

(in millions)	2012E	2011	2010	2009
System Growth	$ 221.0	$ 81.5	$ 152.4	$ 171.2
Maintenance and Other	210.6	220.0	149.6	116.2
Total	$ 431.6	$ 301.5	$ 302.0	$ 287.4

Capital expenditures in the Gas Transmission and Storage Operations segment in 2011 decreased by $0.5 million relative to 2010. The capital expenditure program and other investing activities in 2012 are projected to be approximately $431.6 million, which is an increase of $130.1 million over 2011. The increase from 2011 to 2012 is attributable to system growth primarily in the Marcellus Shale area.

Capital expenditures in the Gas Transmission and Storage Operations segment in 2010 increased by $14.6 million relative to 2009, primarily due to increased expenditures on maintenance projects.

Sales and Percentage of Physical Capacity Sold

Columbia Transmission and Columbia Gulf compete for transportation customers based on the type of service a customer needs, operating flexibility, available capacity and price. Columbia Gulf and Columbia Transmission provide a significant portion of total transportation services under firm contracts and derive a smaller portion of revenues through interruptible contracts, with management seeking to maximize the portion of physical capacity sold under firm contracts.

Firm service contracts require pipeline capacity to be reserved for a given customer between certain receipt and delivery points. Firm customers generally pay a "capacity reservation" fee based on the amount of capacity being reserved regardless of whether the capacity is used, plus an incremental usage fee when the capacity is used. Annual capacity reservation revenues derived from firm service contracts generally remain constant over the life of the contract because the revenues are based upon capacity reserved and not whether the capacity is actually used. The high percentage of revenue derived from capacity reservation fees mitigates the risk of revenue fluctuations within the Gas Transmission and Storage Operations segment due to changes in near-term supply and demand conditions. For 2011, approximately 91.7% of the transportation revenues were derived from capacity reservation fees paid under firm contracts and 6.1% of the transportation revenues were derived from usage fees under firm contracts compared to approximately 91.2% and 5.6% respectively, for 2010.

Interruptible transportation service is typically short term in nature and is generally used by customers that either do not need firm service or have been unable to contract for firm service. These customers pay a usage fee only for the volume of gas actually transported. The ability to provide this service is limited to available capacity not otherwise used by firm customers, and customers receiving services under interruptible contracts are not assured capacity in the pipeline facilities. Gas Transmission and Storage Operations provides interruptible service at competitive prices in order to capture short-term market opportunities as they occur and interruptible service is viewed by management as an important strategy to optimize revenues from the gas transmission assets. For 2011 and 2010, approximately 2.2% and 3.2%, respectively, of the transportation revenues were derived from interruptible contracts.

Hartsville Compressor Station

In 2008, tornados damaged Columbia Gulf's Hartsville Compressor Station in Tennessee and immediately thereafter, construction began on both temporary and permanent facilities while installation of temporary horsepower was completed and capacity restored. Damage claims were settled with insurance companies in 2008. Late in 2009, construction of a permanent compression solution was completed. In early 2010, testing was completed and permanent, environmentally advantageous horsepower that is more efficient, cleaner-burning and quieter was placed into service. Replacement of the remaining temporary facilities that were constructed to restore system capabilities with a permanent solution was completed in 2010. Columbia Gulf incurred $0.4 million, $6.2 million and $12.2 million in reconstruction costs in 2011, 2010, and 2009, respectively.

Insurance proceeds attributable to capital replacement related to the aforementioned incident totaled $45.3 million in 2009. No proceeds were received in 2011 or 2010. At December 31, 2011, 2010 and 2009, there were no claims outstanding for tornado damages.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

[redacted]OURCE I NC .
Transmission and Storage Operations (continued)

Environmental Matters
Currently, various environmental matters impact the Gas Transmission and Storage Operations segment. As of December 31, 2011, reserves have been recorded to cover probable environmental response actions. Refer to Note 20-D, "Environmental Matters," in the Notes to Consolidated Financial Statements for additional information regarding environmental matters for the Gas Transmission and Storage Operations segment.

Restructuring Plan
Refer to Note 3, "Impairments, Restructuring and Other Charges," in the Notes to Consolidated Financial Statements for information regarding restructuring initiatives.

Throughput
Columbia Transmission provides transportation and storage services for LDCs and other customers within its market area, which covers portions of northeastern, mid-Atlantic, midwestern, and southern states and the District of Columbia. Billed throughput for Columbia Transmission consists of deliveries off of its system excluding gas delivered to storage for later delivery. Billed throughput for Columbia Gulf reflects transportation services for gas delivered through its mainline and laterals. Crossroads Pipeline's throughput comes from deliveries it makes to its customers and other pipelines that are located in northern Indiana and Ohio. Intersegment eliminations represent gas delivered to affiliated pipelines within the segment.

Throughput for the Gas Transmission and Storage Operations segment totaled 1,635.7 MMDth for 2011, compared to 1,397.5 MMDth for the same period in 2010. The increase of 238.2 MMDth was primarily due to increased transportation from the Marcellus, Haynesville and Barnett shale areas and increased deliveries to the power generation plants of the LDC's due to the more advantageous pricing of gas compared to coal. Additionally, there were increased deliveries to local utilities to satisfy heating demand during a colder than normal winter early in 2011.

Throughput for the Gas Transmission and Storage Operations segment totaled 1,397.5 MMDth for 2010, compared to 1,391.4 MMDth in 2009. The increase of 6.1 MMDth is due to increased production from the Marcellus Shale area being offset by reduced receipts elsewhere on the system. A warmer than normal summer and colder winter helped keep overall system volumes comparable with 2009. On the Columbia Gulf system, increased throughput out of the Haynesville, Fayetteville and Barnett shales have offset declining volumes from Gulf of Mexico area receipts. At the same time, the weather mentioned above helped keep demand for gas from Columbia Gulf to Columbia Transmission comparable with 2009.

[redacted]ating Revenues
[redacted]ting revenues were $1,005.6 million for 2011, an increase of $56.4 million from the same period in 2010, primarily due to higher demand [redacted]n revenue of $32.3 million as a result of new growth projects. Additionally, there was an increase of $14.8 million due to the net impact of the rate case filing at Columbia Gulf. Net revenues also increased due to increased midstream revenue of $10.6 million, higher mineral rights royalty revenues of $8.4 million, increased regulatory trackers of $5.9 million, which are offset in expense, and a one-time settlement of $2.8 million. These increases in net revenues were partially offset by the impact of $8.3 million related to the recognition in 2010 of revenue for a previously deferred gain for native gas contributed to Hardy Storage Company from Columbia Transmission following Hardy Storage securing permanent financing. Additionally, revenues decreased due to lower shorter term transportation and storage services of $6.7 million and the impact of $5.4 million of fees received from a contract buy-out during the second quarter of 2010.

Operating revenues were $949.2 million for 2010, an increase of $18.5 million from 2009. The increase in operating revenues was primarily due to increased demand and commodity margin revenues as a result of the growth projects of $22.9 million and an increase of $8.3 million due to the recognition of revenue for a previously deferred gain for native gas contributed to Hardy Storage from Columbia Transmission following Hardy Storage securing permanent financing. Additionally, there was a $5.6 million increase in regulatory trackers, which are offset in expense, $5.4 million of fees received from a contract buy-out during the period, and a $3.5 million increase in mineral rights royalty revenues. These increases in revenue were partially offset by a decrease in shorter term transportation and storage services of $23.1 million and a decrease of $9.1 million in mineral rights leasing revenues.

Gas Transmission and Storage Operations (continued)

Operating Income

Operating income was $360.0 million for 2011, a decrease of $16.6 million from the comparable period in 2010. Operating income decreased as a result of higher operating expenses and lower equity earnings partially offset by higher operating revenues, as described above. Operating expenses increased $72.6 million primarily due to an increase in employee and administrative costs of $50.8 million, driven largely by pension contributions, higher environmental costs of $12.4 million, and higher regulatory trackers of $5.9 million, which are offset in net revenues. Additionally, there was an increase of $4.9 million in software costs and $4.1 million in separation costs. These increases were partially offset by a decrease of $8.0 million in outside service costs. Equity earnings decreased $0.4 million compared to 2010 as a result of lower earnings at Millennium.

Operating income of $376.6 million in 2010 decreased $11.3 million from 2009, primarily due to increased operating expenses of $28.8 million and lower equity earnings of $1.0 million, partly offset by higher net operating revenues described above. Operating expenses increased as a result of higher maintenance and outside service costs of $22.0 million, including pipeline integrity management costs. Additionally, employee and administration expenses increased $18.5 million, primarily due to increased pension contributions, depreciation increased $9.2 million as a result of increased capital expenditures, regulatory trackers, which are offset in revenue, increased $5.6 million, and materials and supplies cost increased $3.2 million. These increases were partially offset by a decrease of $19.9 million in restructuring charges recorded in 2009 and lower environmental costs of $2.9 million. Equity earnings decreased $1.0 million primarily resulting from lower earnings from Columbia Transmission's investment in Millennium, driven by higher interest costs and hedge loss amortization related to Millennium's August 2010 debt refinancing.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

OURCE I NC.
tric Operations

Year Ended December 31, *(in millions)*	2011	2010	2009
Net Revenues			
Sales revenues	$ 1,435.4	$ 1,387.3	$ 1,222.4
Less: Cost of sales (excluding depreciation and amortization)	548.8	508.3	456.5
Net Revenues	886.6	879.0	765.9
Operating Expenses			
Operation and maintenance	405.5	387.8	391.7
Depreciation and amortization	214.7	211.8	206.2
Impairment and (gain)/loss on sale of assets, net	0.4		0.3
Other taxes	56.5	58.6	50.8
Total Operating Expenses	677.1	658.2	649.0
Operating Income	$ 209.5	$ 220.8	$ 116.9
Revenues ($ in millions)			
Residential	$ 393.9	$ 393.2	$ 360.2
Commercial	382.1	372.7	369.3
Industrial	582.1	508.9	452.8
Wholesale	27.6	30.4	19.3
Other	49.7	82.1	20.8
Total	$ 1,435.4	$ 1,387.3	$ 1,222.4
Sales (Gigawatt Hours)			
Residential	3,526.5	3,625.6	3,241.4
Commercial	3,886.5	3,919.9	3,833.9
Industrial	9,257.6	8,459.0	7,690.9
holesale	651.6	817.1	600.6
her	165.5	186.4	158.9
	17,487.7	17,008.0	15,525.7
Cooling Degree Days	907	977	515
Normal Cooling Degree Days	808	808	808
% Warmer (Colder) than Normal	12%	21%	(36%)
Electric Customers			
Residential	400,567	400,522	400,016
Commercial	54,029	53,877	53,617
Industrial	2,405	2,432	2,441
Wholesale	17	15	15
Other	737	740	746
Total	457,755	457,586	456,835

Electric Supply

On October 28, 2011, Northern Indiana filed its 2011 Integrated Resource Plan with the IURC. The plan evaluates demand-side and supply-side resource alternatives to reliably and cost-effectively meet Northern Indiana customers' future energy requirements over the next twenty years. Existing resources are expected to be sufficient, assuming favorable outcomes for environmental upgrades, to meet customers' needs for the next decade. Northern Indiana continues to monitor and assess economic, regulatory and legislative activity, and will update its resource plan as appropriate.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

NISOURCE INC.
Electric Operations (continued)

Market Conditions
Northern Indiana's mwh sales to steel-related industries accounted for approximately 64.0% and 63.6% of the total industrial mwh sales for the twelve months ended December 31, 2011 and 2010, respectively. Northern Indiana's industrial sales volumes and revenues improved in 2011 as compared to 2010 due to the economic recovery of the steel industry from its 2008-2009 recession lows. The U.S. steel industry continues to adjust to changing market conditions. Predominant factors are global and domestic manufacturing demand and industry consolidation. Steel-related mwh volumes and demands have stabilized considerably since the volatility of the 2008 -2009 period and the steel producers in Northern Indiana's service territory continue to see modest increases in production.

Capital Expenditures and Other Investing Activities
The table below reflects actual capital expenditures and other investing activities by category for 2009, 2010 and 2011 and estimates for 2012.

(in millions)	2012E	2011	2010	2009
System Growth	$ 25.3	$ 28.0	$ 25.8	$ 32.7
Maintenance and Other	388.3	239.7	164.5	129.9
Total	$ 413.6	$ 267.7	$ 190.3	$ 162.6

The Electric Operations' capital expenditure program and other investing activities in 2011 were higher by $77.4 million versus 2010. The increase in capital was primarily attributable to increased environmental tracker capital for FGD projects in the generation fleet. Capital expenditures in the segment are projected to be approximately $413.6 million in 2012, which is an increase of $145.9 million. This increase is mainly due to environmental tracker capital for FGD projects in the generation fleet.

The Electric Operations' capital expenditure program and other investing activities in 2010 increased by $27.7 million compared to 2009. The increase in capital expenditures was primarily attributable to increased maintenance projects in the generation fleet.

Regulatory Matters
Refer to Note 8, "Regulatory Matters," in the Notes to Consolidated Financial Statements for information on significant rate developments, MISO, and cost recovery and trackers for the Electric Operations segment.

Environmental Matters
Currently, various environmental matters impact the Electric Operations segment. As of December 31, 2011, reserves have been recorded to cover probable environmental response actions. Refer to Note 20-D, "Environmental Matters," in the Notes to Consolidated Financial Statements for additional information regarding environmental matters for the Electric Operations segment.

Restructuring
Refer to Note 3, "Impairments, Restructuring and Other Charges," in the Notes to Consolidated Financial Statements for information regarding restructuring initiatives.

Sales
Electric Operations sales were 17,487.7 gwh for the year 2011, an increase of 479.7 gwh compared to 2010. The increase occurred primarily from higher industrial volumes as a result of improvement in overall economic conditions.

Electric Operations sales were 17,008.0 gwh for the year 2010, an increase of 1,482.3 gwh compared to 2009. The increase occurred primarily from higher industrial volumes as a result of improvement in overall economic conditions. Additionally, warmer weather in 2010 resulted in an increase in sales.

OURCE I NC .
ric Operations (continued)

Net Revenues

Net revenues were $886.6 million for 2011, an increase of $7.6 million from the same period in 2010, primarily due to increased industrial usage and margins of $18.7 million resulting from improved economic conditions, $9.5 million in lower revenue credits compared to the prior year, and higher environmental trackers of $5.5 million, which are offset in expense. These increases were partially offset by a decrease in residential and commercial margins of $12.2 million, and lower environmental cost recovery of $12.0 million due to a decrease in net plant eligible for a return and a decrease in the allowed rate of return.

Net revenues were $879.0 million for 2010, an increase of $113.1 million from 2009. This increase was primarily the result of higher industrial usage and margins of $45.1 million due to improved economic conditions, warmer weather of approximately $35 million, and a $17.1 million increase in environmental trackers, which are partially offset in operating expenses. Additionally, there was an increase of $14.6 million in off-system sales, including a reduction of $8.2 million in off-system sales in 2009 resulting from a FAC settlement.

At Northern Indiana, sales revenues and customer billings are adjusted for amounts related to under and over-recovered purchased fuel costs from prior periods per regulatory order. These amounts are primarily reflected in the "Other" gross revenues statistic provided at the beginning of this segment discussion. The adjustment to Other gross revenues for the twelve months ended December 31, 2011 and 2010 was a revenue decrease of $20.6 million and a revenue increase of $46.5 million, respectively.

Operating Income

Operating income for 2011 was $209.5 million, a decrease of $11.3 million from the same period in 2010 due to higher operating expenses partially offset by higher net revenues described above. Operating expenses increased $18.9 million due primarily to increased employee and administrative costs of $14.8 million and higher outside service costs of $8.4 million. These increases were partially offset by a $4.9 million one-time inventory adjustment recorded in the prior period.

Operating income for 2010 was $220.8 million, an increase of $103.9 million from 2009. The increase in operating income was due to increased net revenues described above partially offset by an increase in operating expenses of $9.2 million. The increase in operating expenses was the result of an increase of $7.8 million in other taxes, primarily property, a charge of $5.9 million for inventory disposal and other costs associated with the rate case, higher electric generation costs of $5.5 million, and an increase of $5.6 million in depreciation costs. These were partially offset by $10.0 ›n for a legal reserve which was recorded in 2009, $3.6 million for lower restructuring costs, and $3.2 million in lower uncollectible costs.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Quantitative and Qualitative Disclosures about Market Risk are reported in Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations – Market Risk Disclosures."

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

OURCE I NC .

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DEFINED TERMS

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

NiSource Subsidiaries and Affiliates

Capital Markets	NiSource Capital Markets, Inc.
CER	Columbia Energy Resources, Inc.
CGORC	Columbia Gas of Ohio Receivables Corporation
CNR	Columbia Natural Resources, Inc.
Columbia	Columbia Energy Group
Columbia Gulf	Columbia Gulf Transmission Company
Columbia of Kentucky	Columbia Gas of Kentucky, Inc.
Columbia of Maryland	Columbia Gas of Maryland, Inc.
Columbia of Massachusetts	Bay State Gas Company
Columbia of Ohio	Columbia Gas of Ohio, Inc.
Columbia of Pennsylvania	Columbia Gas of Pennsylvania, Inc.
Columbia of Virginia	Columbia Gas of Virginia, Inc.
Columbia Transmission	Columbia Gas Transmission L.L.C.
CPRC	Columbia Gas of Pennsylvania Receivables Corporation
Crossroads Pipeline	Crossroads Pipeline Company
Granite State Gas	Granite State Gas Transmission, Inc.
Hardy Storage	Hardy Storage Company, L.L.C.
Kokomo Gas	Kokomo Gas and Fuel Company
Millennium	Millennium Pipeline Company, L.L.C.
NARC	NIPSCO Accounts Receivable Corporation
NDC Douglas Properties	NDC Douglas Properties, Inc.
NiSource	NiSource Inc.
NiSource Corporate Services	NiSource Corporate Services Company
NiSource Development Company	NiSource Development Company, Inc.
NiSource Finance	NiSource Finance Corporation
Northern Indiana	Northern Indiana Public Service Company
Northern Indiana Fuel and Light	Northern Indiana Fuel and Light Company Inc.
NiSource Midstream	NiSource Midstream Services, L.L.C.
PEI	PEI Holdings, Inc.
Whiting Clean Energy	Whiting Clean Energy, Inc.

Abbreviations

2010 Health Care Act	The Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 signed into law by the President on March 23, 2010 and March 30, 2010, respectively
AFUDC	Allowance for funds used during construction
AICPA	American Institute of Certified Public Accountants
AMRP	Accelerated Main Replacement Program
AOC	Administrative Order by Consent
AOCI	Accumulated other comprehensive income
ARP	Alternative Regulatory Plan
ARRs	Auction Revenue Rights
ASC	Accounting Standards Codification
BBA	British Banker Association
Bcf	Billion cubic feet
Board	Board of Directors
BPAE	BP Alternative Energy North America, Inc.
BTMU	The Bank of Tokyo-Mitsubishi UFJ, LTD.
BTU	British Thermal Unit
CAA	Clean Air Act
CAIR	Clean Air Interstate Rule

DEFINED TERMS

CAMR	Clean Air Mercury Rule
Ccf	Hundred cubic feet
CARE	Conservation and Ratemaking Efficiency
CCGT	Combined Cycle Gas Turbine
CCRs	Coal Combustion Residuals
CERCLA	Comprehensive Environmental Response Compensation and Liability Act (also known as Superfund)
Chesapeake	Chesapeake Appalachia, L.L.C.
CO_2	Carbon Dioxide
CSAPR	Cross-State Air Pollution Rule
Day 2	Began April 1, 2005 and refers to the operational control of the energy markets by MISO, including the dispatching of wholesale electricity and generation, managing transmission constraints, and managing the day-ahead, real-time and financial transmission rights markets
DPU	Department of Public Utilities
DSM	Demand Side Management
Dth	Dekatherm
ECR	Environmental Cost Recovery
ECRM	Environmental Cost Recovery Mechanism
ECT	Environmental cost tracker
EERM	Environmental Expense Recovery Mechanism
EPA	United States Environmental Protection Agency
EPS	Earnings per share
ERISA	Employee Retirement Income Security Act of 1974
F[redacted]	Fuel adjustment clause
[redacted]	Financial Accounting Standards Board
[redacted]	Federal Energy Regulatory Commission
FGD	Flue Gas Desulfurization
FTRs	Financial Transmission Rights
GAAP	Generally Accepted Accounting Principles
GCR	Gas cost recovery
GHG	Greenhouse gases
gwh	Gigawatt hours
hp	Horsepower
IBM	International Business Machines Corp.
IBM Agreement	The Agreement for Business Process & Support Services
IDEM	Indiana Department of Environmental Management
IFA	Indiana Finance Authority
IFRS	International Financial Reporting Standards
IIG	Indiana Industrial Group
IRP	Infrastructure Replacement Program
IRS	Internal Revenue Service
IURC	Indiana Utility Regulatory Commission
LDCs	Local distribution companies
LIBOR	London InterBank Offered Rate
LIFO	Last-in, first-out
LNG	Liquefied Natural Gas
MACT	Maximum Achievable Control Technology
Mcf	Million cubic feet
MGP	Manufactured Gas Plant
MISO	Midwest Independent Transmission System Operator
Mitchell	Dean H. Mitchell Coal Fired Generating Station
MMDth	Million dekatherms
mw	Megawatts

DEFINED TERMS

mwh	Megawatts hours
NAAQS	National Ambient Air Quality Standards
NLMK	Novolipetsk Steel
NOV	Notice of Violation
NO_2	Nitrogen dioxide
NOx	Nitrogen oxides
NSR	New Source Review
NYMEX	*New York Mercantile Exchange*
OCI	Other Comprehensive Income (Loss)
OPEB	Other Postretirement and Postemployment Benefits
OUCC	Indiana Office of Utility Consumer Counselor
PADEP	Pennsylvania Department of Environmental Protection
PCB	Polychlorinated biphenyls
Piedmont	Piedmont Natural Gas Company, Inc.
PIPP	Percentage of Income Plan
PJM	PJM Interconnection is a regional transmission organization (RTO) that coordinates the movement of wholesale electricity in all or parts *of 13 states and the District of Columbia.*
PM	particulate matter
PPS	Price Protection Service
PSC	Public Service Commission
PUC	Public Utility Commission
PUCO	Public Utilities Commission of Ohio
RBS	Royal Bank of Scotland PLC
RCRA	Resource Conservation and Recovery Act
RTO	Regional Transmission Organization
SEC	Securities and Exchange Commission
SIP	*State Implementation Plan*
SO_2	Sulfur dioxide
Sugar Creek	Sugar Creek electric generating plant
VaR	Value-at-risk and instrument sensitivity to market factors
VIE	Variable Interest Entity
VSCC	Virginia State Corporation Commission
WACOG	Weighted Average Cost of Gas

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

OURCE I NC .

ORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of NiSource Inc.:

We have audited the accompanying consolidated balance sheets and statements of consolidated long-term debt of NiSource Inc. and subsidiaries (the "Company") as of December 31, 2011 and 2010, and the related consolidated statements of income, of common stockholders' equity and comprehensive income (loss), and of cash flows for each of the three years in the period ended December 31, 2011. Our audits also included the financial statement schedules listed in the Index at Item 15. These financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedules based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain a reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2011 and 2010, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2011, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2011, based on the criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 24, 2012 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ ELOITTE & TOUCHE LLP
bus, Ohio
ary 24, 2012

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

NISOURCE INC.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of NiSource Inc.:

We have audited the internal control over financial reporting of NiSource Inc. and subsidiaries (the "Company") as of December 31, 2011, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting at Item 9A. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on the criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedules as of and for the year ended December 31, 2011, of the Company and our report dated February 24, 2012 expressed an unqualified opinion on those financial statements and financial statement schedules.

/s/ DELOITTE & TOUCHE LLP
Columbus, Ohio
February 24, 2012

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

OURCE I NC .
TEMENTS OF CONSOLIDATED INCOME

Year Ended December 31 , *(in millions, except per share amounts)*	2011	2010	2009
Net Revenues			
Gas Distribution	$ 2,917.9	$ 3,094.0	$ 3,296.2
Gas Transportation and Storage	1,354.6	1,261.4	1,239.5
Electric	1,427.7	1,379.3	1,214.2
Other	318.9	679.9	901.7
Gross Revenues	6,019.1	6,414.6	6,651.6
Cost of Sales (excluding depreciation and amortization)	2,556.4	2,974.1	3,318.0
Total Net Revenues	3,462.7	3,440.5	3,333.6
Operating Expenses			
Operation and maintenance	1,722.5	1,663.3	1,656.1
Depreciation and amortization	538.2	597.1	589.9
Impairment and (gain)/loss on sale of assets, net	16.8	2.0	19.7
Other taxes	294.7	287.4	283.9
Total Operating Expenses	2,572.2	2,549.8	2,549.6
Equity Earnings in Unconsolidated Affiliates	14.6	15.0	16.0
Operating Income	905.1	905.7	800.0
Other Income (Deductions)			
Interest expense, net	(376.8)	(392.3)	(399.3)
Other, net	(7.3)	(3.8)	(1.4)
Loss on early extinguishment of long-term debt	(53.9)	(96.7)	(4.5)
Total Other Deductions	(438.0)	(485.2)	(405.2)
Income from Continuing Operations before Income Taxes	467.1	420.5	394.8
Income Taxes	163.3	135.3	165.0
Income from Continuing Operations	303.8	285.2	229.8
from Discontinued Operations - net of taxes	(4.7)	(2.7)	(10.3)
(Loss) on Disposition of Discontinued Operations - net of taxes	-	0.1	(2.5)
Net Income	$ 299.1	$ 282.6	$ 217.0
Basic Earnings (Loss) Per Share ($)			
Continuing operations	$ 1.08	$ 1.03	$ 0.84
Discontinued operations	(0.02)	(0.01)	(0.05)
Basic Earnings Per Share	$ 1.06	$ 1.02	$ 0.79
Diluted Earnings (Loss) Per Share ($)			
Continuing operations	$ 1.05	$ 1.02	$ 0.83
Discontinued operations	(0.02)	(0.01)	(0.05)
Diluted Earnings Per Share	$ 1.03	$ 1.01	$ 0.78
Dividends Declared Per Common Share	$ 0.92	$ 0.92	$ 0.92
Basic Average Common Shares Outstanding (millions)	280.4	277.8	275.1
Diluted Average Common Shares (millions)	288.5	280.1	275.8

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

NISOURCE INC.
CONSOLIDATED BALANCE SHEETS

(in millions)	December 31, 2011	December 31, 2010
ASSETS		
Property, Plant and Equipment		
Utility Plant	$ 20,337.8	$ 19,494.9
Accumulated depreciation and amortization	(8,670.2)	(8,492.6)
Net utility plant	11,667.6	11,002.3
Other property, at cost, less accumulated depreciation	132.5	94.7
Net Property, Plant and Equipment	11,800.1	11,097.0
Investments and Other Assets		
Assets of discontinued operations and assets held for sale	0.2	7.9
Unconsolidated affiliates	204.7	200.9
Other investments	150.9	139.7
Total Investments and Other Assets	355.8	348.5
Current Assets		
Cash and cash equivalents	11.5	9.2
Restricted cash	160.6	202.9
Accounts receivable (less reserve of $30.5 and $37.4, respectively)	854.8	1,079.3
Income tax receivable	0.9	99.0
Gas inventory	427.6	298.2
Underrecovered gas and fuel costs	20.7	120.7
Materials and supplies, at average cost	87.6	83.8
Electric production fuel, at average cost	50.9	[illegible]
Price risk management assets	137.2	[illegible]
Exchange gas receivable	64.9	62.7
Regulatory assets	169.7	143.8
Prepayments and other	261.8	120.8
Total Current Assets	2,248.2	2,425.9
Other Assets		
Price risk management assets	188.7	240.3
Regulatory assets	1,978.2	1,648.0
Goodwill	3,677.3	3,677.3
Intangible assets	297.6	308.6
Postretirement and postemployment benefits assets	31.5	35.1
Deferred charges and other	130.9	132.7
Total Other Assets	6,304.2	6,042.0
Total Assets	$ 20,708.3	$ 19,913.4

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

[redacted]OURCE I NC.
[redacted]SOLIDATED BALANCE SHEETS (continued)

(in millions, except share amounts)	December 31, 2011	December 31, 2010
CAPITALIZATION AND LIABILITIES		
Capitalization		
Common Stockholders' Equity		
Common stock - $0.01 par value, 400,000,000 shares authorized; 281,853,571 and 278,855,291 shares issued and outstanding, respectively	$ 2.8	$ 2.8
Additional paid-in capital	4,167.7	4,103.9
Retained earnings	917.0	876.1
Accumulated other comprehensive loss	(59.7)	(57.9)
Treasury stock	(30.5)	(27.4)
Total Common Stockholders' Equity	4,997.3	4,897.5
Long-term debt, excluding amounts due within one year	6,267.1	5,936.1
Total Capitalization	11,264.4	10,833.6
Current Liabilities		
Current portion of long-term debt	327.3	34.2
Short-term borrowings	1,359.4	1,382.5
Accounts payable	434.8	581.8
Dividends payable	-	0.1
Customer deposits and credits	313.6	318.1
Taxes accrued	220.9	221.1
Interest accrued	111.9	114.4
Overrecovered gas and fuel costs	48.9	21.4
Price risk management liabilities	167.8	173.9
Exchange gas payable	168.2	266.1
[redacted]ferred revenue	10.1	6.8
[redacted]gulatory liabilities	112.0	92.9
Accrued liability for postretirement and postemployment benefits	26.6	23.3
Legal and environmental reserves	43.9	86.0
Other accruals	301.0	343.7
Total Current Liabilities	3,646.4	3,666.3
Other Liabilities and Deferred Credits		
Price risk management liabilities	138.9	181.6
Deferred income taxes	2,541.9	2,193.1
Deferred investment tax credits	29.0	33.7
Deferred credits	78.9	68.6
Deferred revenue	-	0.3
Accrued liability for postretirement and postemployment benefits	953.8	1,039.6
Regulatory liabilities and other removal costs	1,663.9	1,595.8
Asset retirement obligations	146.4	138.8
Other noncurrent liabilities	244.7	162.0
Total Other Liabilities and Deferred Credits	5,797.5	5,413.5
Commitments and Contingencies (Refer to Note 20)	-	-
Total Capitalization and Liabilities	$ 20,708.3	$ 19,913.4

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

NISOURCE INC.
STATEMENTS OF CONSOLIDATED CASH FLOWS

Year Ended December 31, *(in millions)*	2011	2010	2009
Operating Activities			
Net Income	$ 299.1	$ 282.6	$ 217.0
Adjustments to Reconcile Net Income to Net Cash from Continuing Operations:			
Loss on early extinguishment of debt	53.9	96.7	4.5
Depreciation and amortization	538.2	597.1	589.9
Net changes in price risk management assets and liabilities	38.1	(5.5)	(9.1)
Deferred income taxes and investment tax credits	178.4	193.9	377.8
Deferred revenue	2.5	(20.4)	4.3
Stock compensation expense and 401(k) profit sharing contribution	39.2	30.9	9.6
Loss (Gain) on sale of assets	0.1	(0.1)	(3.6)
Loss on impairment of assets	16.7	2.1	23.3
Income from unconsolidated affiliates	(13.7)	(14.8)	(15.1)
(Gain) Loss on disposition of discontinued operations - net of taxes	-	(0.1)	2.5
Loss from discontinued operations - net of taxes	4.7	2.7	10.3
Amortization of discount/premium on debt	8.9	10.3	13.0
AFUDC equity	(2.4)	(6.1)	(5.4)
Distribution Received from Equity Earnings	18.8	12.9	-
Changes in Assets and Liabilities:			
Accounts receivable	219.6	(243.9)	258.9
Income tax receivable	98.1	51.5	(24.9)
Inventories	(141.8)	103.3	128.7
Accounts payable	(154.8)	37.7	(191.4)
Customer deposits and credits	(4.5)	(25.0)	25.3
Taxes accrued	2.3	(117.0)	116.2
Interest accrued	(2.5)	(10.7)	5.3
Over (Under) recovered gas and fuel costs	127.5	(243.0)	323.4
Exchange gas receivable/payable	(100.1)	(14.2)	(10.0)
Other accruals	33.2	63.4	(6.8)
Prepayments and other current assets	(10.2)	(11.5)	23.9
Regulatory assets/liabilities	(322.9)	164.3	105.8
Postretirement and postemployment benefits	(92.7)	(146.6)	(49.1)
Deferred credits	(2.3)	(2.6)	6.2
Deferred charges and other noncurrent assets	6.9	17.9	(21.9)
Other noncurrent liabilities	82.0	(13.2)	[illegible]
Net Operating Activities from Continuing Operations	920.3	782.6	1[illegible]
Net Operating Activities used for Discontinued Operations	(50.1)	(57.2)	(2[illegible]
Net Cash Flows from Operating Activities	870.2	725.4	1,666.2
Investing Activities			
Capital expenditures	(1,125.2)	(803.8)	(777.2)
Insurance recoveries	-	5.0	62.7
Proceeds from disposition of assets	9.4	0.5	5.7
Restricted cash deposits (withdrawals)	42.3	(28.2)	111.9
Contributions to equity investees	(6.4)	(87.9)	(26.4)
Distributions from equity investees	-	23.8	2.9
Other investing activities	(69.4)	(53.1)	(42.0)
Net Investing Activities used for Continuing Operations	(1,149.3)	(943.7)	(662.4)
Net Investing Activities from Discontinued Operations	-	0.4	7.6
Net Cash Flows used for Investing Activities	(1,149.3)	(943.3)	(654.8)
Financing Activities			
Issuance of long-term debt	890.0	244.6	1,460.0
Retirement of long-term debt	(286.9)	(977.7)	(1,169.8)
Premium and other costs to retire debt	(62.1)	(93.0)	-
Change in short-term debt, net	(23.1)	1,279.5	(1,060.5)
Issuance of common stock	24.4	14.4	10.6
Acquisition of treasury stock	(3.1)	(1.5)	(2.6)
Dividends paid - common stock	(257.8)	(255.6)	(253.3)
Net Cash Flows from (used for) Financing Activities	281.4	210.7	(1,015.6)
Change in cash and cash equivalents from continuing operations	52.4	49.6	242.7
Cash contributions to discontinued operations	(50.1)	(56.8)	(246.9)
Cash and cash equivalents at beginning of period	9.2	16.4	20.6
Cash and Cash Equivalents at End of Period	$ 11.5	$ 9.2	$ 16.4

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

OURCE I NC.
EMENTS OF CONSOLIDATED LONG-TERM DEBT

As of December 31, *(in millions)*	2011	2010
Columbia of Massachusetts:		
Medium-Term Notes -		
Interest rates between 6.26% and 6.43%, with a weighted average interest rate of 6.30% and maturities between December 15, 2025 and February 15, 2028	$ 40.0	$ 40.0
Total long-term debt of Columbia of Massachusetts	**40.0**	40.0
Columbia Energy Group:		
Subsidiary debt - Capital lease obligations	**2.2**	0.5
Total long-term debt of Columbia Energy Group	**2.2**	0.5
NiSource Capital Markets, Inc.:		
Senior Notes - 6.78%, due December 1, 2027	**3.0**	3.0
Medium-term notes -		
Issued at interest rates between 7.82% and 7.99%, with a weighted average interest rate of 7.92% and various maturities between March 27, 2017 and May 5, 2027 (a)	**106.0**	106.0
Total long-term debt of NiSource Capital Markets, Inc.	**109.0**	109.0
NiSource Corporate Services, Inc.:		
Capital lease obligations -		
Interest rate of 3.290% due between June 30, 2015 and September 30, 2015	**6.1**	
Interest rate of 3.264% due September 30, 2015	**0.6**	2.3
Interest rate of 6.709% due between December 31, 2014 and January 31, 2018	**27.4**	30.1
Interest rate of 9.840% due June 30, 2015	**0.6**	0.8
Interest rate of 5.586% due between December 31, 2013 and September 30, 2015	**2.7**	0.8
Total long-term debt of NiSource Corporate Services, Inc.	**37.4**	34.0
NiSource Development Company, Inc.:		
NDC Douglas Properties, Inc. - Notes Payable--		
Interest rates between 4.000% and 8.385% with a weighted average interest rate of 6.22% and various maturities between May 1, 2013 and April 1, 2046 (a)	**11.2**	10.7
Total long-term debt of NiSource Development Company, Inc.	**11.2**	10.7

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

N I S OURCE I NC .
STATEMENTS OF CONSOLIDATED LONG-TERM DEBT (continued)

As of December 31, *(in millions)*	2011	2010
NiSource Finance Corporation:		
Long-Term Notes -		
5.21% - due November 28, 2012	-	315.0
6.15% - due March 1, 2013	420.3	545.0
5.40% - due July 15, 2014	500.0	500.0
5.36% - due November 28, 2015	230.0	230.0
10.75% - due March 15, 2016	201.5	326.9
5.41% - due November 28, 2016	90.0	90.0
5.25% - due September 15, 2017	450.0	450.0
6.40% - due March 15, 2018	800.0	800.0
6.80% - due January 15, 2019	500.0	500.0
5.45% - due September 15, 2020	550.0	550.0
4.45% - due December 1, 2021	250.0	-
6.125% - due March 1, 2022	500.0	500.0
5.89% - due November 28, 2025	265.0	265.0
6.25% - due December 15, 2040	250.0	250.0
5.95% - due June 15, 2041	400.0	-
5.80% - due February 1, 2042	250.0	-
Fair value adjustment of notes for interest rate swap agreements	56.7	61.1
Unamortized premium and discount on long-term debt	(36.8)	(32.5)
Total long-term debt of NiSource Finance Corporation	5,676.7	5,350.5
Northern Indiana:		
Pollution control bonds -		
Reoffered interest rates between 5.20% and 5.85%, with a weighted average interest rate of 5.64% and various maturities between June 1, 2013 and April 1, 2019 [a]	244.0	244.0
Medium-term notes -		
Issued at interest rates between 7.02% and 7.69%, with a weighted average interest rate of 7.45% and various maturities between July 8, 2013 and August 4, 2027 [a]	145.5	145.5
Wind generation projects notes -		
Variable rate of 3.25% at December 31, 2011 with amounts due at July 1, 2014 and October 28, 2014	1.7	2.6
Unamortized discount on long-term debt	(0.6)	(0.7)
Total long-term debt of Northern Indiana	390.6	391.4
Total long-term debt, excluding amount due within one year	$ 6,267.1	$ 5,936.1

(a) Interest rates and maturities shown are as of December 31, 2011. Refer to Note 16 "Long-Term Debt" for changes in debt outstanding.

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

OURCE I NC.
TEMENTS OF CONSOLIDATED COMMON STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME (LOSS)

(in millions)	Common Stock	Treasury Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income/(Loss)	Total	Comprehensive Income
Balance January 1, 2009	**$ 2.7**	**$ (23.3)**	**$ 4,020.3**	**$ 885.5**	**$ (172.0)**	**$ 4,713.2**	
Comprehensive Income:							
Net Income				217.0		217.0	$ 217.0
Other comprehensive income, net of tax:							
Gain on available for sale securities Unrealized [a]					2.3	2.3	2.3
Net unrealized gains on derivatives qualifying as cash flow hedges [b]	-	-	-	-	118.8	118.8	118.8
Unrecognized Pension Benefit and Other Postretirement Benefit Costs [d]					5.0	5.0	5.0
Total comprehensive income							$ 343.1
Dividends:							
Common stock	-	-	-	(253.3)	-	(253.3)	
Treasury stock acquired		(2.6)				(2.6)	
Issued:							
Common stock issuance	0.1					0.1	
Employee stock purchase plan	-	-	0.9	-	-	0.9	
Long-term incentive plan	-	-	11.1	-	-	11.1	
401(k) and profit sharing issuance	-	-	18.1	-	-	18.1	
Dividend reinvestment plan	-	-	6.8	-	-	6.8	
Amortization of unearned compensation	-	-	0.4	-	-	0.4	
Balance December 31, 2009	**$ 2.8**	**$ (25.9)**	**$ 4,057.6**	**$ 849.2**	**$ (45.9)**	**$ 4,837.8**	
Comprehensive Income (Loss):							
Net Income				282.6		282.6	$ 282.6
Other comprehensive income (loss), net of tax:							
Gain on available for sale securities Unrealized [a]					1.1	1.1	1.1
Net unrealized losses on derivatives qualifying as cash flow hedges [b]	-	-	-	-	(13.8)	(13.8)	(13.8)
Unrecognized Pension Benefit and Other Postretirement Benefit Costs [d]					0.7	0.7	0.7
Total comprehensive income							$ 270.6
Dividends:							
Common stock	-	-	-	(255.7)	-	(255.7)	
Treasury stock acquired		(1.5)				(1.5)	
Issued:							
Employee stock purchase plan			1.1			1.1	
Long-term incentive plan	-	-	12.1	-	-	12.1	
401(k) and profit sharing issuance	-	-	24.2	-	-	24.2	
Dividend reinvestment plan	-	-	8.9	-	-	8.9	
Balance December 31, 2010	**$ 2.8**	**$ (27.4)**	**$ 4,103.9**	**$ 876.1**	**$ (57.9)**	**$ 4,897.5**	

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

NISOURCE INC.

STATEMENTS OF CONSOLIDATED COMMON STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME (LOSS) (continued)

(in millions)	*Common* Stock	*Treasury* Stock	Additional *Paid-In* Capital	*Retained* Earnings	Accumulated Other *Comprehensive* Income/(Loss)	Total	*Comprehensive* Income (Loss)
Balance December 31, 2010	**$ 2.8**	**$ (27.4)**	**$ 4,103.9**	**$ 876.1**	**$ (57.9)**	**$ 4,897.5**	
Comprehensive Income (Loss):							
Net Income				299.1		299.1	$ 299.1
Other comprehensive income (loss), net of tax:							
Gain on available for sale securities:							
Unrealized [a]	-	-	-	-	1.2	1.2	1.2
Net unrealized losses on derivatives qualifying as cash flow hedges [b] [c]					3.0	3.0	3.0
Unrecognized Pension Benefit and Other Postretirement Benefit Costs [d]	-	-	-	-	(6.0)	(6.0)	(6.0)
Total comprehensive income							$ 297.3
Dividends:							
Common stock				(258.2)		(258.2)	
Treasury stock acquired	-	(3.1)	-	-	-	(3.1)	
Issued:							
Employee stock purchase plan	-	-	1.3	-	-	1.3	
Long-term incentive plan			21.4			21.4	
401K and profit sharing issuance	-	-	32.0	-	-	32.0	
Dividend reinvestment plan			8.9			8.9	
Tax benefits of options	-	-	0.2	-	-	0.2	
Balance December 31, 2011	**$ 2.8**	**$ (30.5)**	**$ 4,167.7**	**$ 917.0**	**$ (59.7)**	**$ 4,997.3**	

(a) Net unrealized gain/loss on available for sale securities, net of $0.7 million, $0.8 million and $1.6 million tax expense in 2011, 2010 and 2009, respectively.

(b) Net unrealized gain/loss on derivatives qualifying as cash flow hedges, net of $1.1 million tax benefit and $7.6 million tax expense and $78.3 million tax benefit in 2011, 2010, and 2009. During 2009, NiSource reclassified $126.4 million ($75.1 million, net of tax) related to its cash hedges from accumulated other comprehensive loss to earnings due to the probability that certain forecasted transactions would not occur related to the unregulated gas marketing business that NiSource had planned to sell.

(c) Net unrealized losses on cash flow hedged includes a gain of $1.4 million related to the unrealized loss on interest rate swaps held by NiSource's unconsolidated equity method investments for the twelve months ended December 31, 2011.

(d) Unrecognized Pension Benefit and Other Postretirement Benefit Costs recorded to accumulated other comprehensive income (loss), net of $3.7 million tax expense, $0.4 million tax expense and $3.2 million tax benefit in 2011, 2010 and 2009, respectively.

Shares *(in thousands)*	Common Shares	Treasury Shares	Outstanding Shares
Balance January 1, 2009	**275,379**	**(1,117)**	**274,262**
Treasury stock acquired		(192)	(192)
Issued:			
Employee stock purchase plan	80	-	80
Long-term incentive plan	480		480
Dividend reinvestment	546	-	546
Retirement savings plan	1,462		1,462
Balance December 31, 2009	**277,947**	**(1,309)**	**276,638**
Treasury stock acquired		(97)	(97)
Issued:			
Employee stock purchase plan	62	-	62
Long-term incentive plan	191	-	191
Dividend reinvestment	563		563
Retirement savings plan	1,498	-	1,498
Balance December 31, 2010	**280,261**	**(1,406)**	**278,855**
Treasury stock acquired		(165)	(165)
Issued:			
Employee stock purchase plan	67	-	67
Long-term incentive plan	1,064		1,064
Dividend reinvestment	439	-	439
Retirement savings plan	1,594		1,594
Balance December 31, 2011	**283,425**	**(1,571)**	**281,854**

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

OURCE I NC .
to Consolidated Financial Statements

1. **Nature of Operations and Summary of Significant Accounting Policies**

Immaterial Restatement

As discussed further below, NiSource is making correcting adjustments to its historical financial statements for the quarters of 2011 and 2010 (see Note 26 for selected quarterly financial data) and for the years of 2010 and 2009. NiSource does not believe these corrections are material, individually or in the aggregate, to its financial statements for any reported period. Refer to the tables below for the effects of these corrections on prior periods.

Deferred revenue- In the fourth quarter of 2011, NiSource identified a deferred revenue regulatory asset of $25.2 million that was not recoverable. The impact of the correction in 2010 and 2009 resulted in a decrease in electric revenue of $7.4 million and an increase of $1.0 million, respectively, with an offset to deferred revenue regulatory assets. The remaining decrease in electric revenue of $18.2 million impacted periods prior to 2009 and, thus, reduced beginning retained earnings in 2009. The correction reduced electric revenue by a total of $0.6 million for previously reported interim periods in 2011. There was no impact to customers as a result of this correction.

Environmental asset recovery- NiSource recorded an out of period charge of $3.4 million in operation and maintenance expense and $4.6 million in depreciation and amortization expense in the first quarter of 2011 to impair a regulatory environmental asset that was not recoverable, which impairment charge should have been recorded in a prior year. The impact of the correction in 2010 and 2009 resulted in an increase to expense of $1.4 million and $1.0 million, respectively, with an offset to regulatory assets. The remaining increase to expense of $5.6 million impacted periods prior to 2009 and, thus, reduced beginning retained earnings in 2009.

OPEB over-reimbursement- In the fourth quarter of 2011, NiSource identified an over-reimbursement of $8.0 million received by NiSource from an insurer related to other post-employment benefits. The impact of the correction in 2010 and 2009 resulted in an increase in operation and maintenance expense of $1.0 million and $1.1 million, respectively, with an offset to other accruals. The remaining increase in expense of $5.4 million impacted periods prior to 2009 and, thus, reduced beginning retained earnings in 2009. The correction increased expense by a total of $0.5 million for previously reported interim periods in 2011.

Environmental accrual- In the third quarter of 2010, NiSource recorded an out of period reduction to expense of $6.0 million to reduce an onmental liability that was incorrectly recorded in a prior year. To reverse the liability in the proper periods, NiSource recorded an increase in tion and maintenance expense of $6.0 million in 2010 and a decrease of $0.2 million in 2009 with an offset to legal and environmental als. The remaining decrease to expense of $5.8 million impacted periods prior to 2009 and, thus, increased beginning retained earnings in 2009.

OPEB regulatory asset- NiSource recorded an out of period charge of $2.4 million in operation and maintenance expense in the second quarter of 2011 to impair a regulatory asset related to OPEB that was not probable of recovery, which impairment charge should have been recorded in a prior year. The impact of the correction in 2010 and 2009 resulted in a decrease to operation and maintenance expense of $0.2 million and an increase of $0.1 million, respectively, with an offset to regulatory assets. The remaining increase to expense of $2.3 million impacted periods prior to 2009 and, thus, reduced beginning retained earnings in 2009.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

NISOURCE INC.
Notes to Consolidated Financial Statements

The following table sets forth the effects of the correcting adjustments to Net Income for 2010 and 2009:

Decrease in Net Income *(in millions)*	December 31, 2010	December 31, 2009
Previously reported Net Income	$ 292.0	$ 217.7
Deferred revenue	(7.4)	1.0
Environmental asset recovery	(1.4)	(1.0)
OPEB over-reimbursement	(1.0)	(1.1)
Environmental accrual	(6.0)	0.2
OPEB regulatory asset	0.2	(0.1)
Total corrections	(15.6)	(1.0)
Income taxes	(6.2)	(0.3)
Corrected Net Income	$ 282.6	$ 217.0

The following tables set forth the effects of the correcting adjustments on affected line items within our previously reported Statements of Consolidated Income for the years 2010 and 2009, Consolidated Balance Sheet as of December 31, 2010, Statements of Consolidated Cash Flows for the years 2010 and 2009 and Statements of Consolidated Common Stockholders' Equity for the years 2010 and 2009:

Statements of Consolidated Income

	Year Ended December 31,			
	2010		2009	
(in millions, except per share amounts)	As Previously Reported	As Corrected	As Previously Reported	As Corrected
Net Revenues				
Electric	$ 1,386.7	$ 1,379.3	$ 1,213.2	$ 1,214.2
Gross Revenues	6,422.0	6,414.6	6,650.6	6,651.6
Total Net Revenues	3,447.9	3,440.5	3,332.6	3,333.6
Operation and maintenance	1,655.9	1,663.3	1,654.7	1,656.1
Depreciation and amortization	596.3	597.1	589.3	589.9
Total Operating Expenses	2,541.6	2,549.8	2,547.6	2,549.6
Operating Income	921.3	905.7	801.0	800.0
Income from Continuing Operations before Income Taxes	436.1	420.5	395.8	394.8
Income Taxes	141.5	135.3	165.3	165.0
Income from Continuing Operations	294.6	285.2	230.5	229.8
Net Income	$ 292.0	$ 282.6	$ 217.7	$ 217.0
Basic Earnings Per Share ($)				
Continuing operations	$ 1.06	$ 1.03	$ 0.84	$ 0.84
Basic Earnings Per Share	$ 1.05	$ 1.02	$ 0.79	$ 0.79
Diluted Earnings Per Share ($)				
Continuing operations	$ 1.05	$ 1.02	$ 0.84	$ 0.83
Diluted Earnings Per Share	$ 1.04	$ 1.01	$ 0.79	$ 0.78

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

OURCE I NC .
s to Consolidated Financial Statements

Consolidated Balance Sheet

(in millions)	December 31, 2010 As Previously Reported	As Corrected
Current Assets		
Underrecovered gas and fuel costs	$ 135.7	$ 120.7
Regulatory Assets	151.8	143.8
Total Current Assets	2,448.9	2,425.9
Other Assets		
Regulatory Assets	1,650.4	1,648.0
Total Other Assets	6,044.4	6,042.0
Total Assets	$ 19,938.8	$ 19,913.4
Capitalization		
Retained Earnings	$ 901.8	$ 876.1
Total Common Stockholders' Equity	4,923.2	4,897.5
Total Capitalization	10,859.3	10,833.6
Current Liabilities		
Overrecovered gas and fuel costs	11.8	21.4
Other accruals	336.4	343.7
Total Current Liabilities	3,649.4	3,666.3
Other Liabilities and Deferred Credits		
Deferred income taxes	2,209.7	2,193.1
Total Other Liabilities and Deferred Credits	5,430.1	5,413.5
Capitalization and Liabilities	$ 19,938.8	$ 19,913.4

ements of Consolidated Cash Flows

(in millions)	Year Ended December 31, 2010 As Previously Reported	2010 As Corrected	2009 As Previously Reported	2009 As Corrected
Operating Activities				
Net Income	$ 292.0	$ 282.6	$ 217.7	$ 217.0
Adjustments to Reconcile Net Income to Net Cash from Continuing Operations:				
Depreciation and amortization	596.3	597.1	589.3	589.9
Deferred income taxes and investment tax credits	200.1	193.9	378.2	377.8
Changes in Assets and Liabilities:				
(Under) Overrecovered gas and fuel costs	(250.4)	(243.0)	324.4	323.4
Other accruals	56.4	63.4	(7.7)	(6.8)
Regulatory assets/liabilities	163.9	164.3	105.2	105.8

Statements of Consolidated Common Stockholders' Equity and Comprehensive Income

	Retained Earnings		Total		Comprehensive Income (Loss)	
(in millions)	As Previously Reported	As Corrected	As Previously Reported	As Corrected	As Previously Reported	As Corrected
Balance December 31, 2008	$ 901.1	$ 885.5	$ 4,728.8	$ 4,713.2		
Net Income	217.7	217.0	217.7	217.0	$ 217.7	$ 217.0
Total comprehensive income					$ 343.8	$ 343.1
Balance December 31, 2009	$ 865.5	$ 849.2	$ 4,854.1	$ 4,837.8		
Net Income	292.0	282.6	292.0	282.6	$ 292.0	$ 282.6
Total comprehensive income					$ 280.0	$ 270.6
Balance December 31, 2010	$ 901.8	$ 876.1	$ 4,923.2	$ 4,897.5		

The cumulative impact of the corrections referred to above was to reduce retained earnings as of January 1, 2009, by $15.6 million.

A. Company Structure and Principles of Consolidation . NiSource, a Delaware corporation, is a holding company whose subsidiaries provide 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. NiSource derives substantially all of its revenues and earnings from the operating results of its thirteen direct subsidiaries.

The consolidated financial statements include the accounts of NiSource and its majority-owned subsidiaries after the elimination of all intercompany accounts and transactions. Investments for which at least a 20% interest is owned, certain joint ventures and limited partnership interests of more than 3% are accounted for under the equity method. Except where noted above and in the event where NiSource has significant influence, investments with less than a 20% interest are accounted for under the cost method. NiSource also consolidates variable interest entities for which NiSource is the primary beneficiary.

B. Use of Estimates. The preparation of financial statements in conformity with GAAP in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

C. Cash, Cash Equivalents, and Restricted Cash . NiSource considers all investments with original maturities of three months or less to be cash equivalents. NiSource reports amounts deposited in brokerage accounts for margin requirements as restricted cash. In addition, NiSource has amounts deposited in trust to satisfy requirements for the provision of various property, liability, workers compensation, and long-term disability insurance, which is classified as restricted cash and disclosed as an investing cash flow on the Statements of Consolidated Cash Flows.

Restricted cash was $160.6 million and $202.9 million as of December 31, 2011 and 2010, respectively. The decrease in restricted cash was a result of the winding down of NiSource's unregulated natural gas marketing business and the settlement of positions at MF Global as a result of MF Global filing for Chapter 11 bankruptcy protection. MF Global brokered NYMEX hedges of natural gas futures on behalf of NiSource affiliates. At the date of bankruptcy, NiSource affiliates had contracts open with MF Global with settlement dates ranging from November 2011 to February 2014. On November 3, 2011, these contracts were measured at a mark-to-market loss of approximately $46.4 million. NiSource affiliates had posted initial margin to open these accounts of $6.9 million and additional maintenance margin for mark-to-market losses, for a total cash balance of $53.3 million. Within the first week after the filing, at the direction of the Bankruptcy Court, a transfer of these assets was initiated on behalf of NiSource affiliates to a court-designated replacement broker for future trade activity. The existing futures positions were closed and then rebooked with the replacement broker at the new closing prices as of November 3, 2011. The maintenance margin was retained by MF Global to offset the loss positions of the open contracts on November 3, 2011. NiSource affiliates are monitoring the activity in the bankruptcy case and have filed a proof of claim at the Court's direction.

D. Accounts Receivable and Unbilled Revenue. Accounts receivable on the Consolidated Balance Sheets includes both billed and unbilled amounts as NiSource believes that total accounts receivable is a more meaningful presentation, given the factors which impact both billed and unbilled accounts receivable. Unbilled revenue is based on estimated amounts of electric energy or natural gas delivered but not yet billed to its customers. Unbilled amounts of accounts receivable relate to a portion of a customer's consumption of gas or electricity from the date of the last cycle billing date through the last day of the month (balance sheet date). Factors taken into consideration when estimating unbilled revenue include historical usage, customer rates and weather. Accounts receivable fluctuates from year to year depending in large part on weather impacts and price volatility. NiSource's accounts receivable on the Consolidated Balance Sheets includes unbilled revenue, less reserves, in the amounts of $281.5 million and $458.6 million for the years ended December 31, 2011 and 2010, respectively. The reserve for uncollectible receivables is the Company's best estimate of the amount of probable credit losses in the existing accounts receivable. The Company determined the reserve based on historical experience and in consideration of current market conditions. Account balances are charged against the allowance when it is anticipated the receivable will not be recovered.

E. Investments in Debt and Equity Securities. NiSource's investments in debt and equity securities are carried at fair value and are designated as available-for-sale. These investments are included within "Other investments" on the Consolidated Balance Sheets. Unrealized gains and losses, net of deferred income taxes, are reflected as accumulated other comprehensive income (loss). These investments are monitored for other than temporary declines in market value. Realized gains and losses and permanent impairments are reflected in the Statements of Consolidated Income. No material impairment charges were recorded for the years ended December 31, 2011, 2010 and 2009.

F. Basis of Accounting for Rate-Regulated Subsidiaries . Rate-regulated subsidiaries account for and report assets and liabilities consistent with the economic effect of the way in which regulators establish rates, if the rates established are designed to recover the costs of providing the regulated service and it is probable that such rates can be charged and collected. Certain expenses and credits subject to utility regulation or rate determination normally reflected in income are deferred on the Consolidated Balance Sheets and are recognized in income as the related amounts are included in service rates and recovered from or refunded to customers.

In the event that regulation significantly changes the opportunity for NiSource to recover its costs in the future, all or a portion of NiSource's regulated operations may no longer meet the criteria for regulatory accounting. In such an event, a write-down of all or a portion of NiSource's existing regulatory assets and liabilities could result. If transition cost recovery was approved by the appropriate regulatory bodies that would meet quirements under generally accepted accounting principles for continued accounting as regulatory assets and liabilities during such recovery d, the regulatory assets and liabilities would be reported at the recoverable amounts. If unable to continue to apply the provisions of regulatory unting, NiSource would be required to apply the provisions of Discontinuation of Rate-Regulated Accounting. In management's opinion, NiSource's regulated subsidiaries will be subject to regulatory accounting for the foreseeable future. Refer to Note 8, "Regulatory Matters," in the Notes to Consolidated Financial Statements for additional information.

G. Utility Plant and Other Property and Related Depreciation and Maintenance . Property, plant and equipment (principally utility plant) is stated at cost. The rate-regulated subsidiaries record depreciation using composite rates on a straight-line basis over the remaining service lives of the electric, gas and common properties as approved by the appropriate regulators.

The weighted average depreciation provisions for utility plant, as a percentage of the original cost, for the periods ended December 31, 2011, 2010 and 2009 were as follows:

	2011	2010	2009
Electric Operations	3.5%	3.5%	3.4%
Gas Distribution and Transmission Operations	2.1%	2.8%	2.9%

For rate-regulated companies, AFUDC is capitalized on all classes of property except organization costs, land, autos, office equipment, tools and other general property purchases. The allowance is applied to construction costs for that period of time between the date of the expenditure and the date on which such project is completed and placed in service. The pre-tax rate for AFUDC was 3.6% in 2011, 4.9% in 2010 and 3.8% in 2009. Short-term borrowings were primarily used to fund construction efforts for all three years presented; however, long-term borrowings and equity funds were used more extensively in 2010 to fund construction than in the comparative periods.

Generally, NiSource's subsidiaries follow the practice of charging maintenance and repairs, including the cost of removal of minor items of property, to expense as incurred. When regulated property that represents a retired unit is replaced or removed, the cost of such property is credited to utility plant, and such cost, net of salvage, is charged to the accumulated provision for depreciation in accordance with composite depreciation.

H. Carrying Charges and Deferred Depreciation. Upon completion of units 17 and 18 at the R. M. Schahfer Generating Station, Northern Indiana capitalized the debt-based carrying charges and deferred depreciation in accordance with orders of the IURC, pending the inclusion of the cost of each unit in rates. Such carrying charges and deferred depreciation are being amortized over the remaining service life of each unit.

Northern Indiana has capitalized debt-based carrying charges and deferred depreciation related to Sugar Creek in accordance with the February 18, 2008 Order of the IURC. The deferred balances will be amortized over five years commencing January 2012.

In 2005, the PUCO authorized Columbia of Ohio to revise its depreciation accrual rates for the period beginning January 1, 2005. The revised depreciation rates are now higher than those which would have been utilized if Columbia of Ohio were not subject to regulation. The amount of depreciation that would have been recorded for 2005 through 2011 had Columbia of Ohio not been subject to rate regulation is a combined $286.7 million, a $41.0 million decrease over the $327.7 million reflected in rates. The regulatory asset was $90.7 million and $96.6 million as of December 31, 2011 and 2010, respectively. The amount of depreciation that would have been recorded for 2011 had Columbia of Ohio not been subject to rate regulation is $54.4 million, a $5.9 million decrease over the $60.3 million reflected in rates.

I. Amortization of Software Costs. External and internal costs associated with computer software developed for internal use are capitalized. Capitalization of such costs commences upon the completion of the preliminary stage of each project. Once the installed software is ready for its intended use, such capitalized costs are amortized on a straight-line basis generally over a period of five years. NiSource amortized $29.0 million in 2011, $25.9 million in 2010 and $27.7 million in 2009 related to software costs. NiSource's unamortized software balance was $120.8 million and $99.0 million at December 31, 2011 and 2010, respectively.

J. Goodwill and Other Intangible Assets. NiSource has approximately $4.0 billion in goodwill and other intangible assets. Substantially all goodwill relates to the excess of cost over the fair value of the net assets acquired in the Columbia acquisition. In addition, NiSource has other intangible assets consisting primarily of franchise rights apart from goodwill that were identified as part of the purchase price allocations associated with the acquisition of Columbia of Massachusetts, a wholly-owned subsidiary of NiSource, which is being amortized on a straight-line basis over forty years from the date of acquisition. Refer to Note 6, "Goodwill and Other Intangible Assets," in the Notes to Consolidated Financial Statements for additional information.

K. Long-lived Assets. NiSource's Consolidated Balance Sheets contain significant long-lived assets other than goodwill and intangible assets discussed above which are not subject to recovery under regulatory accounting. As a result, NiSource assesses the carrying amount and potential earnings of these assets whenever events or changes in circumstances indicate that the carrying value could be impaired. Refer to Note 3, "Impairments, Restructuring and Other Charges," in the Notes to Consolidated Financial Statements for further information.

L. Revenue Recognition. Revenue is recorded as products and services are delivered. Utility revenues are billed to customers monthly on a cycle basis. Revenues are recorded on the accrual basis and include estimates for electricity and gas delivered but not billed. Cash received in advance from sales of commodities to be delivered in the future is recorded as deferred revenue and recognized as income upon delivery of the commodities. For shorter term transportation and storage service revenues, cash is received at inception of the service period resulting in the recording of deferred revenues that are recognized in revenues over the period the services are provided.

M. Earnings Per Share. Basic EPS is computed by dividing income available to common stockholders by the weighted-average number of shares of common stock outstanding for the period. The weighted average shares outstanding for diluted EPS include the incremental effects of the various long-term incentive compensation plans and the Forward Agreements (see Note 14). The calculation of diluted earnings per share for 2011, 2010, and 2009 excludes out-of-the-money stock options of 2.8 million, 4.1 million and 4.3 million, respectively, that had an anti-dilutive effect.

The numerator in calculating both basic and diluted EPS for each year is reported net income. The computation of diluted average common shares follows:

Diluted Average Common Shares Computation	2011	2010	2009
Denominator *(thousands)*			
Basic average common shares outstanding	**280,442**	277,797	275,061
Dilutive potential common shares			
Nonqualified stock options	**9**	-	-
Shares contingently issuable under employee stock plans	**1,017**	910	330
Shares restricted under stock plans	**339**	697	424
Forward Agreements	**6,684**	684	
Diluted Average Common Shares	**288,491**	280,088	275,815

N. Estimated Rate Refunds . Certain rate-regulated subsidiaries collect revenues subject to refund pending final determination in rate proceedings. In connection with such revenues, estimated rate refund liabilities are recorded which reflect management's current judgment of the ultimate outcomes of the proceedings. No provisions are made when, in the opinion of management, the facts and circumstances preclude a reasonable estimate of the outcome.

O. Accounts Receivable Transfer Program. Certain of NiSource's subsidiaries entered into agreements with third parties to sell certain accounts receivable without recourse. These sales were reflected as reductions of accounts receivable in the December 31, 2009 Consolidated Balance Sheet and as operating cash flows in the December 31, 2009 Statement of Consolidated Cash Flows. The costs of these programs, which were based upon the purchasers' level of investment and borrowing costs, were charged to Other, net in the December 31, 2009 Statement of Consolidated Income. Beginning January 1, 2010 transfers of accounts receivable that previously qualified for sale accounting, no longer qualify and are accounted for as secured borrowings. The entire gross receivables balance remains on the December 31, 2011 and 2010 Consolidated Balance Sheet and short-term debt is recorded in the amount of proceeds received from the commercial paper conduits involved in the transactions. Fees associated with the securitization transactions are recorded as interest expense. Refer to Note 19, "Transfers of Financial Assets," in the Notes to Consolidated Financial Statements for further information.

P. Fuel Adjustment Clause. Northern Indiana defers most differences between fuel and power purchase costs and the recovery of such costs in revenue, and adjusts future billings for such deferrals on a basis consistent with applicable state-approved tariff provisions.

Q. Gas Cost Adjustment Clause. All of NiSource's Gas Distribution Operations subsidiaries defer most differences between gas purchase costs and the recovery of such costs in revenues, and adjust future billings for such deferrals on a basis consistent with applicable state-approved tariff provisions.

R. Gas Inventory. Both the LIFO inventory methodology and the weighted average cost methodology are used to value natural gas in storage, as approved by regulators for each of NiSource's regulated subsidiaries. Inventory valued using LIFO was $150.0 million and $151.6 million at December 31, 2011, and 2010, respectively. Based on the average cost of gas using the LIFO method, the estimated replacement cost of gas in storage at December 31, 2011 and December 31, 2010, exceeded the stated LIFO cost by $21.9 million and $91.7 million, respectively. Inventory valued using the weighted average cost methodology was $277.6 million at December 31, 2011 and $146.6 million at December 31, 2010.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

NISOURCE INC.
Notes to Consolidated Financial Statements

S. Accounting for Exchange and Balancing Arrangements of Natural Gas. NiSource's Gas Transmission and Storage and Gas Distribution Operations subsidiaries enter into balancing and exchange arrangements of natural gas as part of their operations and off-system sales programs. NiSource records a receivable or payable for its respective cumulative gas imbalances and for any gas inventory borrowed or lent under an exchange agreement for Gas Distribution Operations. These receivables and payables are recorded as "Exchange gas receivable" or "Exchange gas payable" on NiSource's Consolidated Balance Sheets, as appropriate.

T. Accounting for Emissions Allowances. Northern Indiana has obtained SO_2 and NOx emissions allowances from the EPA based upon its electric generation operations that the utility may sell, trade or hold for future use. Northern Indiana utilizes the inventory model in accounting for these emissions allowances, whereby these allowances were recognized at zero cost upon receipt from the EPA. Pursuant to the December 21, 2011 IURC Order, all purchases and sales of emission allowances will be recovered or refunded through the EERM.

U. Accounting for Risk Management and Energy Marketing Activities. NiSource accounts for its derivatives and hedging activities in accordance with ASC 815. NiSource recognizes all derivatives as either assets or liabilities on the Consolidated Balance Sheets at fair value, unless such contracts are exempted as a normal purchase normal sale under the provisions of the standard. The accounting for changes in the fair value of a derivative depends on the intended use of the derivative and resulting designation. Refer to Note 9, "Risk Management and Energy Marketing Activities," in the Notes to Consolidated Financial Statements for additional information.

V. Income Taxes and Investment Tax Credits. NiSource records income taxes to recognize full interperiod tax allocations. Under the liability method, deferred income taxes are provided for the tax consequences of temporary differences by applying enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and the tax basis of existing assets and liabilities. Previously recorded investment tax credits of the regulated subsidiaries were deferred on the balance sheet and are being amortized to book income over the regulatory life of the related properties to conform to regulatory policy.

To the extent certain deferred income taxes of the regulated companies are recoverable or payable through future rates, regulatory assets and liabilities have been established. Regulatory assets for income taxes are primarily attributable to property related tax timing differences for which deferred taxes had not been provided in the past, when regulators did not recognize such taxes as costs in the rate-making process. Regulatory liabilities for income taxes are primarily attributable to the regulated companies' obligation to refund to ratepayers deferred income taxes provided at rates higher than the current federal income tax rate. Such amounts are credited to ratepayers using either the average rate assumption method or the reverse South Georgia method.

Pursuant to the Internal Revenue Code and relevant state taxing authorities, NiSource and its subsidiaries file consolidated income tax returns for federal and certain state jurisdictions. NiSource and its subsidiaries are parties to an agreement (Tax Allocation Agreement) that provides for the allocation of consolidated tax liabilities. The Tax Allocation Agreement generally provides that each party is allocated an amount of tax similar to that which would be owed had the party been separately subject to tax. Any net benefit attributable to the parent is reallocated to other members.

W. Environmental Expenditures. NiSource accrues for costs associated with environmental remediation obligations when the incurrence of such costs is probable and the amounts can be reasonably estimated, regardless of when the expenditures are actually made. The undiscounted estimated future expenditures are based on currently enacted laws and regulations, existing technology and estimated site-specific costs where assumptions may be made about the nature and extent of site contamination, the extent of cleanup efforts, costs of alternative cleanup methods and other variables. The liability is adjusted as further information is discovered or circumstances change. The reserves for estimated environmental expenditures are recorded on the Consolidated Balance Sheets in "Legal and environmental reserves" for short-term portions of these liabilities and "Other noncurrent liabilities" for the respective long-term portions of these liabilities. Rate-regulated subsidiaries applying regulatory accounting establish regulatory assets on the Consolidated Balance Sheets to the extent that future recovery of environmental remediation costs is probable through the regulatory process.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

In addition, Northern Indiana received approval from the IURC in 2003 to recover costs associated with environmental compliance programs for NOx pollution-reduction equipment at Northern Indiana's generating stations. Refer to Note 20, "Other Commitments and Contingencies," in the Notes to Consolidated Financial Statements for further information.

X. Excise Taxes. NiSource accounts for excise taxes that are customer liabilities by separately stating on its invoices the tax to its customers and recording amounts invoiced as liabilities payable to the applicable taxing jurisdiction. These types of taxes, comprised largely of sales taxes collected, are presented on a net basis affecting neither revenues nor cost of sales. NiSource accounts for other taxes for which it is liable by recording a liability for the expected tax with a corresponding charge to "Other taxes" expense.

2. Recent Accounting Pronouncements

Recently Adopted Accounting Pronouncements

Fair Value Measurements and Disclosures. In January 2010, the FASB issued authoritative guidance that amends the disclosures about transfers into and out of Levels 1 and 2 and requires separate disclosures about purchases, sales, issuances, and settlements relating to Level 3 measurements. This guidance also clarifies existing fair value disclosures about the level of disaggregation and about inputs and valuation techniques used to measure fair value. This guidance is effective for the first reporting period, including interim periods, beginning after December 15, 2009, except for the requirement to provide Level 3 activity of purchases, sales, issuances, and settlements on a gross basis, which is effective for fiscal years beginning after December 15, 2010. Early adoption is permitted. NiSource adopted the guidance on January 1, 2010 with the exception of the requirement to provide Level 3 activity of purchases, sales, issuances, and settlements on a gross basis. The guidance pertaining to the gross presentation of Level 3 activity was adopted on January 1, 2011. Refer to Note 18, "Fair Value Disclosures," for additional information.

Recently Issued Accounting Pronouncements

Balance Sheet Disclosure. In December 2011, the FASB issued Accounting Standards Update 2011-11, which requires additional disclosures regarding the nature of an entity's rights to offset positions associated with its financial and derivative instruments. These new disclosures will provide additional information about the entity's gross and net financial exposure. The amendment is effective for fiscal years, and interim periods [redacted]n those years, beginning after January 1, 2013 with retrospective application required. NiSource is currently reviewing the provisions of this [redacted]tandard to determine the impact on its Consolidated Financial Statements and Notes to Consolidated Financial Statements.

Goodwill Impairment . In September 2011, the FASB issued Accounting Standards Update 2011-08, which gives entities testing goodwill for impairment the option of performing a qualitative assessment before calculating the fair value of a reporting unit for the goodwill impairment test. The amendment is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. NiSource is currently reviewing the provisions of this new standard to determine the impact on its Consolidated Financial Statements and Notes to Consolidated Financial Statements.

Comprehensive Income . In June 2011, the FASB issued Accounting Standards Update 2011-05, which revises the manner in which entities present comprehensive income in their financial statements. The new guidance removes the presentation options in ASC 220 and requires entities to report components of comprehensive income in either (1) a continuous statement of comprehensive income or (2) two separate but consecutive statements. The update does not change the items that must be reported in other comprehensive income. In December 2011, the FASB issued Accounting Standards Update 2011-12, which indefinitely defers the requirement to present reclassification adjustments out of accumulated other comprehensive income by component in both the Statements of Consolidated Income and Statements of Consolidated Common Stockholders' Equity and Comprehensive Income (Loss), as required by Accounting Standards Update 2011-05. For public entities, these amendments are effective for fiscal

years, and interim periods within those years, beginning after December 15, 2011. NiSource is currently reviewing the provisions of these new standards to determine the impact on its Consolidated Financial Statements and Notes to Consolidated Financial Statements.

3. Impairments, Restructuring and Other Charges

Impairments. An impairment loss shall be recognized only if the carrying amount of a long lived asset is not recoverable and exceeds its fair value. The first step of the test for impairment compares the carrying amount of the long lived asset to the fair value sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset.

Lake Erie Land, which is wholly-owned by NiSource and within the Company's Corporate and Other Segment, was in the process of selling real estate over a 10-year period as a part of an agreement reached in June 2006 with a private real estate development group. In 2009, the developer was unable to meet certain contractual obligations under the sale agreement. NiSource tested the assets for impairment and determined that the sum of expected undiscounted cash flows were less than the carrying value. The Company then compared the carrying value of the assets to the fair value, determined primarily through independent appraisals, and recorded an impairment loss of $16.6 million in the fourth quarter of 2009. The total impairment charge is comprised of $8.8 million recognized due to the uncollectability of certain receivables due from the acquirer of the property and $7.8 million due to the current book value exceeding the fair value of certain real estate property remaining to be sold under the installment sales agreement as of December 31, 2009. No material additional impairment charges were recorded during 2010.

In April 2011, NiSource settled a mortgage foreclosure action against the developer, reacquired the Sand Creek Country Club, and purchased additional properties owned by the developer to be marketed along with the existing Lake Erie Land properties to prospective purchasers. This transaction qualified as a business combination in accordance with GAAP. The properties were acquired at fair value and included the Sand Creek Country Club and additional commercial properties for a total of $15.8 million as well as $3.5 million of land. NiSource's total investment in Lake Erie Land after these acquisitions was $51.3 million. As a part of the process to sell the Lake Erie Land properties in 2011, independent appraisals were obtained. The Company compared the carrying value of the assets to the fair value, determined primarily through the independent appraisals, and recorded an impairment loss of $14.7 million. At December 31, 2011, the total book value of these properties was $36.6 million and is included in Other Investments and Other Property in the Consolidated Balance Sheet. NiSource is seeking to market the Lake Erie Land properties, but has determined they did not meet the criteria to be classified as assets held for sale in accordance with GAAP as of December 31, 2011. The revenue and earnings of Sand Creek Country Club are not material.

During 2009, NiSource recognized $4.4 million in expense for an impairment charge related to four properties NDC Douglas Properties owns which did not meet the assets held for sale criteria as their estimated sale date was greater than one year. Based on previous impairments recorded on other NDC Douglas Properties, the properties were tested for impairment during the third quarter of 2009. NDC Douglas Properties property, plant, and equipment assets were valued based on a discounted cash flow model utilizing estimated future cash flows. The book value of these assets at December 31, 2009, subsequent to the impairment charge, was $7.0 million. NiSource conducted similar impairment testing in the fourth quarter of 2010, and recorded an impairment charge of $0.3 million. No additional impairments were recorded in 2011.

During 2010 and 2009, NiSource recognized $1.4 million and $0.2 million, respectively, in expense for the impairment of the Marble Cliff facility discussed in Note 4, "Discontinued Operations and Assets and Liabilities Held for Sale."

Restructuring . During the first quarter of 2009, NiSource began an organizational restructuring initiative, beginning with Gas Transmission and Storage Operations, in response to the decline in overall economic conditions.

In February 2009, NiSource announced the restructuring of the Gas Transmission and Storage Operations segment. NiSource eliminated positions across the 16 state operating territory of Gas Transmission and Storage. The reductions occurred through voluntary programs and involuntary separations. In addition to employee reductions, the Gas Transmission and Storage Operations segment took steps to achieve additional cost savings by efficiently

managing its various business locations, reducing its fleet operations, creating alliances with third party service providers, and implementing other changes in line with its strategic plan for growth and maximizing value of existing assets. During 2009, NiSource recorded pre-tax restructuring charges of $19.9 million to "Operation and maintenance" expense on the Statement of Consolidated Income, which primarily includes costs related to severance and other employee related costs. No additional material charges have been recorded since the initial restructuring charge in the first quarter of 2009. The restructuring program was substantially completed in 2009.

In September 2009, NiSource announced the restructuring of Northern Indiana, which aimed to redefine business and operations strategies and achieve cost reductions, and impacted both Electric Operations and Gas Distribution Operations. During 2009, NiSource recorded a pre-tax restructuring charge related to this initiative, net of adjustments, of $5.4 million, which primarily included costs related to severance and other employee related costs and outside service costs. The initial restructuring charge consisted of a $3.7 million and $1.7 million expense to the Electric and Gas Distributions Operations' segments, respectively. During 2010, NiSource recorded a pre-tax restructuring charge related to this initiative of $1.1 million to "Operation and maintenance" expense on the Statements of Consolidated Income, which primarily included costs related to outside service costs. The restructuring program was completed in December 2010.

Changes in the restructuring reserve, included in "Other accruals" on the Consolidated Balance Sheets, were as follows:

(in millions)	Balance at December 31, 2009	Additions	Benefits Paid	Adjustments	Balance at December 31, 2010
Gas Transmission and Storage	$ 1.5	$ -	$ (1.4)	$ -	$ 0.1
Northern Indiana	1.1	1.1	(2.2)	-	-
Total	$ 2.6	$ 1.1	$ (3.6)	$ -	$ 0.1

4. Discontinued Operations and Assets and Liabilities Held for Sale

There were no significant assets or liabilities of discontinued operations and held for sale on the Consolidated Balance Sheet at December 31, 2011.

The assets and liabilities of discontinued operations and held for sale on the Consolidated Balance Sheet at December 31, 2010 were:

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Assets of discontinued operations and held for sale:	**Property, plant and equipment, net**
NiSource Corporate Services	$ 5.6
Columbia Transmission	2.3
Total	$ 7.9

Assets classified as discontinued operations and held for sale are no longer depreciated. There were no liabilities of discontinued operations and held for sale at December 31, 2010.

On June 18, 2009, Columbia Transmission received approval from the FERC to abandon certain natural gas pipeline facilities by sale of its Line R System in West Virginia. These assets were recorded as assets held for sale of $2.1 million at December 31, 2010. Due to unsuccessful negotiations to sell the property to a third party in 2011, the assets were reclassified to assets held for use during the fourth quarter of 2011 and an impairment charge of $0.1 million was recorded.

As of December 31, 2010, the Marble Cliff facility was recorded as an asset held for sale of $5.6 million. On February 22, 2011, NiSource Corporate Services sold the Marble Cliff facility for $6.0 million. The sale resulted in a net gain of $0.2 million after deducting the fees associated with the transaction.

NDC Douglas Properties, a subsidiary of NiSource Development Company, is in the process of exiting its low income housing investments. In 2009, based on the expected proceeds from the sale of five of its properties being less than the net book value, an impairment charge of $2.7 million, net of tax, was included in Loss on Disposition of Discontinued Operations in the Statement of Consolidated Income for the year ended December 31, 2009. Three of these properties were sold during the first quarter 2010 and two of these properties remained classified as assets and liabilities held for sale. Results of operations and cash flows for these properties remained classified as discontinued operations. Upon sale of three of the properties in the first quarter of 2010, a gain on sale of $0.1 million, net of taxes, was recorded in Discontinued Operations. During the second quarter of 2010, it was determined that the remaining properties no longer met the criteria as "assets held for sale" as NiSource could no longer assert that a sale would take place within the next twelve months. As such, the assets and liabilities were reclassified to assets held and used. Additionally, the results of operations and cash flows were reclassified to continuing operations for all periods presented. These reclassifications did not have a significant impact on overall results of NiSource.

Results from discontinued operations from Whiting Clean Energy, Granite State Gas, Northern Utilities, NDC Douglas Properties' low income housing investments, and reserve changes for NiSource's former exploration and production subsidiary, CER, are provided in the following table:

Year Ended December 31, *(in millions)*	**2011**	2010	2009
Revenues from Discontinued Operations	**$**	$ 0.7	$ 2.3
Loss from discontinued operations	**(7.6)**	(4.4)	(17.7)
Income tax benefit	**(2.9)**	(1.7)	(7.4)
Loss from Discontinued Operations - net of taxes	**$ (4.7)**	$ (2.7)	$ (10.3)
Gain (Loss) on Disposition of Discontinued Operations - net of taxes	**$**	$ 0.1	$ (2.5)

The gain on disposition of discontinued operations of $0.1 million for the year ended December 31, 2010 resulted from the sale of NDC Douglas Properties. The loss on disposition of discontinued operations for the year ended December 31, 2009 includes NDC Properties' disposition loss of $2.4 million.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

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5. Property, Plant and Equipment

NiSource's property, plant and equipment on the Consolidated Balance Sheets are classified as follows:

At December 31, *(in millions)*	2011	2010
Property, Plant and Equipment:		
Gas Distribution Utility [1]	$ 7,732.8	$ 7,251.0
Gas Transmission Utility	5,956.1	5,865.0
Electric Utility [1]	6,136.8	6,005.6
Common Utility	124.8	107.8
Construction Work in Process	387.3	265.5
Non-Utility and Other	180.7	138.6
Total Property, Plant and Equipment	$ 20,518.5	$ 19,633.5
Accumulated Depreciation and Amortization:		
Gas Distribution Utility [1]	$ (2,794.9)	$ (2,725.7)
Gas Transmission Utility	(2,747.8)	(2,784.9)
Electric Utility [1]	(3,073.4)	(2,939.4)
Common Utility	(54.1)	(42.6)
Non-Utility and Other	(48.2)	(43.9)
Total Accumulated Depreciation and Amortization	$ (8,718.4)	$ (8,536.5)
Net Property, Plant and Equipment	$ 11,800.1	$ 11,097.0

(1) Northern Indiana's common utility plant and associated accumulated depreciation and amortization are allocated between Gas Distribution Utility and Electric Utility Property, Plant and Equipment.

6. Goodwill and Other Intangible Assets

NiSource tests its goodwill for impairment annually as of June 30 each year unless indicators, events, or circumstances would require an immediate review. Goodwill is tested for impairment at a level of reporting referred to as a reporting unit, which generally is an operating segment or a component of an operating segment as defined by GAAP. In accordance with GAAP, certain components of an operating segment with similar economic characteristics are aggregated and deemed a single reporting unit. Goodwill is generally allocated to the reporting units based upon the amounts allocated at the time of their respective acquisition. The goodwill impairment test is a two-step process which requires NiSource to make estimates regarding the fair value of the reporting unit. The first step of the goodwill impairment test compares the fair value of the reporting unit with its carrying value, including goodwill. If the fair value of the reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not impaired, thus the second step of the impairment test is not required. However, if the carrying amount of the reporting unit exceeds its fair value, the second step of the goodwill impairment test is performed to measure the amount of impairment loss (if any), which compares the implied fair value of reporting unit goodwill with the carrying amount of that goodwill. If the carrying amount of reporting unit goodwill exceeds the implied fair value, an impairment loss is recognized in an amount equal to that excess.

NiSource has three reporting units that carry or are allocated goodwill. NiSource's goodwill assets at December 31, 2011 were $3.7 billion pertaining primarily to the acquisition of Columbia on November 1, 2000. Of this amount, approximately $2.0 billion is allocated to Columbia Transmission Operations and $1.7 billion is allocated to Columbia Distribution Operations. In addition, Northern Indiana Gas Distribution Operations' goodwill assets at December 31, 2011 related to the purchase of Northern Indiana Fuel and Light in March 1993 and Kokomo Gas in February 1992 were $18.8 million.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

NISOURCE INC.
Notes to Consolidated Financial Statements

In estimating the fair value of the Columbia Transmission Operations and Columbia Distribution Operations reporting units for the June 30, 2011 test, NiSource used a weighted average of the income and market approaches. The income approach utilized a discounted cash flow model. This model is based on management's short-term and long-term forecast of operating performance for each reporting unit. The two main assumptions used in the models are the growth rates, which are based on the cash flows from operations for each of the reporting units, and the weighted average cost of capital, or discount rate. The starting point for each reporting unit's cash flow from operations is the detailed five year plan, which takes into consideration a variety of factors such as the current economic environment, industry trends, and specific operating goals set by management. The discount rates are based on trends in the overall market as well as industry specific variables and include components such as the risk-free rate, cost of debt, and company volatility at June 30, 2011. Under the market approach, NiSource utilized three market-based models to estimate the fair value of the reporting units: (i) the comparable company multiples method, which estimated fair value of each reporting unit by analyzing EBITDA multiples of a peer group of publicly traded companies and applying that multiple to the reporting unit's EBITDA, (ii) the comparable transactions method, which valued the reporting unit based on observed EBITDA multiples from completed transactions of peer companies and applied that multiple to the reporting unit's EBITDA, and (iii) the market capitalization method, which used the NiSource share price and allocated NiSource's total market capitalization among both the goodwill and non-goodwill reporting units based on the relative EBITDA, revenues, and operating income of each reporting unit. Each of the three market approaches was calculated with the assistance of a third party valuation firm, using multiples and assumptions inherent in today's market. The degree of judgment involved and reliability of inputs into each model were considered in weighting the various approaches. The resulting estimate of fair value of the reporting units, using the weighted average of the income and market approaches, exceeded their carrying values, indicating that no impairment exists under step 1 of the annual impairment test.

Certain key assumptions used in determining the fair values of the reporting units included planned operating results, discount rates and the long-term outlook for growth. NiSource used discount rates of 6.00% for both Columbia Transmission Operations and Columbia Distribution Operations, resulting in excess fair values of approximately $1,092 million and $412 million, respectively. The results of the impairment test indicated that each of the reporting units passed step 1 of the impairment test.

Goodwill at Northern Indiana Gas Distribution Operations related to the acquisition of Northern Indiana Fuel and Light and Kokomo Gas of $18.8 million was also tested for impairment as of June 30, 2011. The income approach was used to determine the fair value of the Northern Indiana Gas Distribution reporting unit. Key assumptions in the income approach were a discount rate of 6.00% and a growth rate based on the cash flow from operations. These cash flows factor in the regulatory environment and planned growth initiatives. The step 1 goodwill impairment test resulted in the fair value of the Northern Indiana Gas reporting unit to be above the carrying value by $319 million.

NiSource considered whether there were any events or changes in circumstances during the second half of 2011 that would reduce the fair value of any of the reporting units below their carrying amounts and necessitate another goodwill impairment test. No such indicators were noted that would require goodwill impairment testing during the second half of 2011.

NiSource's intangible assets, apart from goodwill, consist of franchise rights, which were identified as part of the purchase price allocations associated with the acquisition in February 1999 of Columbia of Massachusetts. These amounts were $297.6 million and $308.6 million, net of accumulated amortization of $144.6 million and $133.6 million, at December 31, 2011, and 2010, respectively and are being amortized over forty years from the date of acquisition. NiSource recorded amortization expense of $11.0 million in 2011, 2010, and 2009 related to its intangible assets.

7. Asset Retirement Obligations

Changes in NiSource's liability for asset retirement obligations for the years 2011 and 2010 are presented in the table below:

(in millions)	2011	2010
Beginning Balance	$ 138.8	$ 138.2
Accretion expense	0.6	0.7
Accretion recorded as a regulatory asset	8.1	7.5
Additions	6.6	4.5
Settlements	(3.1)	(8.1)
Change in estimated cash flows	(4.6)	(4.0)
Ending Balance	$ 146.4	$ 138.8

NiSource has recognized asset retirement obligations associated with various obligations including costs to remove and dispose of certain construction materials located within many of NiSource's facilities, certain costs to retire pipeline, removal costs for certain underground storage tanks, removal of certain pipelines known to contain PCB contamination, closure costs for certain sites including ash ponds, solid waste management units and a landfill, as well as some other nominal asset retirement obligations. NiSource recognizes that there are obligations to incur significant costs to retire wells associated with gas storage operations; however, the lives of these wells are indeterminable until management establishes plans for closure. Additionally, NiSource has a significant obligation associated with the decommissioning of its two hydro facilities located in Indiana. These hydro facilities have an indeterminate life, and no asset retirement obligation has been recorded.

Certain costs of removal that have been, and continue to be, included in depreciation rates and collected in the service rates of the rate-regulated subsidiaries are classified as regulatory liabilities and other removal costs on the Consolidated Balance Sheets.

Gas Distribution Operations annual cut and cap additions and settlements for its pipe system for 2011 were $3.6 million and $1.3 million, respectively. In 2011, Northern Indiana reevaluated the estimated useful lives and costs for electric generating stations which resulted in a reduction in the present value of estimated cash flows of $4.1 million. Gas Transmission and Storage recorded additions of $1.9 million for legal obligations related to the future retirement of certain compressor stations.

Gas Distribution Operations annual cut and cap additions and settlements for its pipe system for 2010 were $1.8 million and $1.0 million, respectively. In 2010, Northern Indiana reevaluated the estimated useful lives and costs for electric generating stations which resulted in a reduction in the present value of estimated cash flows of $4.0 million. Northern Indiana performed activities associated with asbestos removal resulting in settlements of $1.4 million in 2010 and also recorded additions of $2.3 million related to underground gas storage wells whose lives became determinable. Gas Transmission and Storage recorded settlements of $5.0 million, primarily attributable to the retirement of certain pipeline assets.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

NISOURCE INC.
Notes to Consolidated Financial Statements

8. Regulatory Matters

Regulatory Assets and Liabilities

NiSource follows the accounting and reporting requirements of ASC Topic 980, which provides that regulated entities account for and report assets and liabilities consistent with the economic effect of regulatory rate-making procedures if the rates established are designed to recover the costs of providing the regulated service and it is probable that such rates can be charged and collected. Certain expenses and credits subject to utility regulation or rate determination normally reflected in income or expense are deferred on the balance sheet and are recognized in the income statement as the related amounts are included in service rates and recovered from or refunded to customers.

In the event that regulation significantly changes the opportunity for NiSource to recover its costs in the future, all or a portion of NiSource's regulated operations may no longer meet the criteria for regulatory accounting. In such event, a write-down of all or a portion of NiSource's existing regulatory assets and liabilities could result. If transition cost recovery was approved by the appropriate regulatory bodies that would meet the requirements under generally accepted accounting principles for continued accounting as regulatory assets and liabilities during such recovery period, the regulatory assets and liabilities would be reported at the recoverable amounts. If unable to continue to apply the provisions of regulatory accounting, NiSource would be required to apply the provisions of ASC Topic 980-20, *Discontinuation of Rate-Regulated Accounting* . In management's opinion, NiSource will be subject to regulatory accounting for the foreseeable future.

Regulatory assets were comprised of the following items:

At December 31, *(in millions)*	2011	2010
Assets		
Reacquisition premium on debt	$ 10.9	$ 13.3
R. M. Schahfer Unit 17 and Unit 18 carrying charges and deferred depreciation (see Note 1-H)	8.7	11.8
Unrecognized pension benefit and other postretirement benefit costs (see Note 12)	1,244.2	962.7
Other postretirement costs	76.1	92.2
Environmental costs (see Note 20-D)	84.7	32.5
Regulatory effects of accounting for income taxes (see Note 1-V)	254.5	2
Underrecovered gas and fuel costs (see Note 1-P and 1-Q)	20.7	12
Depreciation (see Note 1-H)	115.4	118.5
Uncollectible accounts receivable deferred for future recovery	8.0	8.5
Asset retirement obligations (see Note 7)	14.4	16.2
Losses on derivatives (see Note 9)	44.7	33.2
Post-in service carrying charges	51.6	46.4
EERM operation and maintenance and depreciation deferral	37.4	34.5
MISO (see Note 8)	42.4	36.6
Sugar Creek carrying charges and deferred depreciation (see Note 1-H)	85.5	57.7
Other	69.4	73.6
Total Assets	$ 2,168.6	$ 1,912.5
Less amounts included as Underrecovered gas and fuel cost	(20.7)	(120.7)
Total Regulatory Assets reflected in Current Regulatory Assets and Other Regulatory Assets	$ 2,147.9	$ 1,791.8

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

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Regulatory liabilities were comprised of the following items:

At December 31, *(in millions)*	2011	2010
Liabilities:		
Overrecovered gas and fuel costs (see Notes 1-P and 1-Q)	$ 48.9	$ 21.4
Cost of removal (see Note 7)	1,476.5	1,442.5
Regulatory effects of accounting for income taxes (see Note 1-V)	109.3	112.1
Unrecognized pension benefit and other postretirement benefit costs (see Note 12)	-	1.9
Percentage of income plan	12.0	9.9
Off-system sales margin sharing	5.1	42.9
Emission allowances (see Note 8)	7.4	19.8
Gains on derivatives (see Note 9)	0.3	0.3
Other	165.3	59.3
Total Liabilities	$ 1,824.8	$ 1,710.1
Less amounts included as Overrecovered gas and fuel cost	(48.9)	(21.4)
Total Regulatory Liabilities reflected in Current Regulatory Liabilities and Other Regulatory Liabilities and Other Removal Costs	$ 1,775.9	$ 1,688.7

Regulatory assets, including underrecovered gas and fuel cost, of approximately $1,178.4 million as of December 31, 2011 are not earning a return on investment. Regulatory assets of approximately $2,021.1 million include expenses that are recovered as components of the cost of service and are covered by regulatory orders. These costs are recovered over a remaining life of up to 43 years. Regulatory assets of approximately $147.5 million at December 31, 2011, require specific rate action.

As noted below, regulatory assets for which costs have been incurred or accrued are included (or expected to be included, for costs incurred subsequent to the most recently approved rate case) in certain companies' rate base, thereby providing a return on invested costs. Certain regulatory assets do not result from cash expenditures and therefore do not represent investments included in rate base or have offsetting liabilities that reduce r base.

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Reacquisition premium on debt – The unamortized premiums for debt redeemed by Northern Indiana are deferred, amortized and recovered over the term of the replacement issue.

R.M. Schahfer Unit 17 and Unit 18 carrying charges and deferred depreciation – Northern Indiana obtained approval from the IURC to capitalize the debt-based carrying charges and deferred depreciation for Schahfer Unit 17 and Unit 18 and to amortize such costs over the remaining service life of each unit.

Unrecognized pension benefit and other postretirement benefit costs – In 2007, NiSource adopted certain updates of ASC 715 which required, among other things, the recognition in other comprehensive income or loss of the actuarial gains or losses and the prior service costs that arise during the period but that are not immediately recognized as components of net periodic benefit costs. Certain subsidiaries defer the costs as a regulatory asset in accordance with regulatory orders or as a result of regulatory precedent, to be recovered through base rates.

Other postretirement costs – Primarily comprised of the transition obligation recorded with the adoption of ASC 715 and ASC 712, as well as other costs approved through rate orders to be collected through future base rates, revenue riders or tracking mechanisms.

Environmental costs – Includes certain recoverable costs of investigating, testing, remediating and other costs related to gas plant sites, disposal sites or other sites onto which material may have been migrated. Certain companies defer the costs as a regulatory asset in accordance with regulatory orders, to be recovered in future base rates, billing riders or tracking mechanisms.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

NISOURCE INC.
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Regulatory effects of accounting for income taxes – Represents the deferral and under collection of deferred taxes in the rate making process. In prior years, NiSource has lowered customer rates in certain jurisdictions for the benefits of accelerated tax deductions. Amounts are expensed for financial reporting purposes, as NiSource recovers deferred taxes in the rate making process.

Underrecovered gas and fuel costs – Represents the difference between the costs of gas and fuel and the recovery of such costs in revenue, and is used to adjust future billings for such deferrals on a basis consistent with applicable state-approved tariff provisions. Recovery of these costs is achieved through tracking mechanisms.

Depreciation – Relates to the difference between the depreciation expense recorded by Columbia of Ohio due to a regulatory order and the depreciation expense recorded in accordance with GAAP. The regulatory asset is currently being amortized over the life of the assets. Also included is depreciation associated with the Columbia of Ohio IRP program. Recovery of these costs is achieved through base rates and rider mechanisms. Refer to Note I-H for more information.

Uncollectible accounts receivable deferred for future recovery – Represents the difference between certain uncollectible expenses and the recovery of such costs to be collected through cost tracking mechanisms per regulatory orders.

Asset Retirement Obligations – Represents the timing difference between expense recognition for future obligations and current recovery in rates.

Derivatives – Certain companies are permitted by regulatory orders to participate in commodity price programs to protect customers against the volatility of commodity prices. Unrealized and realized gains or losses related to NiSource's commodity price risk programs may be deferred per specific orders and the recovery of changes in fair value is dependent upon the individual specific company's cost recovery or sharing mechanisms in place. Amounts for derivative gains and losses will continue to be deferred as long as the programs are in existence.

Post-in service carrying charges – Columbia of Ohio has approval from the PUCO by regulatory order to defer debt-based post-in service carrying charges as a regulatory asset for future recovery. As such, Columbia of Ohio capitalizes a carrying charge on eligible property, plant and equipment from the time it is placed into utility service until recovery of the property, plant and equipment is included in customer rates in base rates or through a rider mechanism. Inclusion in customer rates generally occurs when Columbia of Ohio files its next rate proceeding following the in-service date of the property, plant and equipment.

EERM operation and maintenance and depreciation deferral – Northern Indiana obtained approval from the IURC to recover certain environmental related costs including operation and maintenance and depreciation expense once the environmental facilities become operational. Recovery of these costs will continue until such assets are included in rate base through an electric base rate case. The EERM deferred charges represent expenses that will be recovered from customers through an annual EERM Cost Tracker which authorizes the collection of deferred balances over a twelve month period.

MISO – As part of Northern Indiana's participation in the MISO transmission service, wholesale energy and ancillary service markets, certain administrative fees and non-fuel costs have been deferred. The IURC authorized the deferral of certain non-fuel related costs until new electric rates were implemented on December 27, 2011. The deferred balances will be amortized over four years commencing January 2012.

Sugar Creek carrying charges and deferred depreciation – The IURC approved the deferral of debt-based carrying charges and depreciation expense for the Sugar Creek assets. Northern Indiana continued to defer such amounts until new electric rates were approved and implemented on December 27, 2011. The deferred balances will be amortized over five years commencing January 2012.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

Liabilities:

Overrecovered gas and fuel costs – Represents the difference between the costs of gas and fuel and the recovery of such costs in revenues, and is the basis to adjust future billings for such recoveries on a basis consistent with applicable state-approved tariff provisions. Refunding of these revenues is achieved through tracking mechanisms.

Cost of Removal – Represents anticipated costs of removal that have been, and continue to be, included in depreciation rates and collected in the service rates of the rate-regulated subsidiaries for future costs to be incurred.

Regulatory effects of accounting for income taxes – Represents amounts owed to customers for deferred taxes collected at a higher rate than the current statutory rates and liabilities associated with accelerated tax deductions owed to customers that are established during the rate making process.

Unrecognized pension benefit and other postretirement benefit revenues – In 2007, NiSource adopted certain updates of ASC 715 which required, among other things, the recognition in other comprehensive income or loss of the actuarial gains or losses and the prior service costs that arise during the period but that are not immediately recognized as components of net periodic benefit costs. Certain subsidiaries defer the gains as a regulatory liability in accordance with regulatory orders or as a result of regulatory precedent, to be refunded through base rates.

Percentage of Income Plan – Represents the difference between costs incurred under a customer assistance program by Columbia of Ohio for targeted low income customers and the recovery of such costs through cost tracking mechanisms per regulatory orders. For 2011 and 2010, Columbia of Ohio was in an overcollected position for this program, resulting in a regulatory liability to be refunded through future billings.

Off-system sales margin sharing – Revenue generated from off-system sales and capacity release programs are subject to incentive sharing mechanism in which NiSource shares a defined percentage of its margins with customers . Refunding of these revenues is achieved through rate refund mechanisms.

Emission allowances – Represents proceeds from the banked emission allowances sold into the EPA auction market.

D[illegible]vatives – Certain companies are permitted by regulatory orders to participate in commodity price programs to protect customers against the [illegible]lity of commodity prices. Unrealized and realized gains or losses related to NiSource's commodity price risk programs may be deferred per s[illegible]ic orders and the recovery of changes in fair value is dependent upon the individual specific company's cost recovery or sharing mechanisms in place. Amounts for derivative gains and losses will continue to be deferred as long as the programs are in existence.

Gas Distribution Operations Regulatory Matters

Significant Rate Developments . On June 27, 2011, Northern Indiana filed a settlement agreement with the IURC in which regulatory stakeholders agreed that Northern Indiana should adopt the WACOG accounting methodology instead of LIFO, Northern Indiana's historical method. On August 31, 2011, the IURC approved the settlement and Northern Indiana transitioned to WACOG accounting methodology beginning January 1, 2012.

Northern Indiana's current ARP will expire on March 31, 2012 unless extended by the IURC pursuant to the filing. On September 30, 2011 Northern Indiana filed a Petition with the IURC to extend the products and services contained in its current gas ARP, including Supplier Choice effective April 1, 2012. Northern Indiana and all participating parties filed a settlement with supporting testimony on December 22, 2011.

On December 28, 2011 the IURC issued an Order approving Northern Indiana's proposed gas energy efficiency programs and budgets, including a conservation program and recovery of all start-up and deferred cost. A three year budget of $42.4 million was approved. In its Order the IURC recognized that Northern Indiana was one of two utilities in the state in a position to integrate its gas and electric energy efficiency programs throughout its service territory footprint. Northern Indiana is presently working through implementation plans.

On June 1, 2011, Columbia of Virginia filed an application for approval of an infrastructure tracking mechanism pursuant to the Steps to Advance Virginia's Energy ("SAVE") Plan Act. Columbia of Virginia's SAVE Plan provides for recovery of costs associated with the accelerated replacement of certain facilities designed to improve system safety or reliability through a rate rider. The proposed replacement program would result in investments of $20 million per year from 2012 through 2016, as well as covering $2.9 million in investment occurring in 2011. The Staff of the VSCC filed responsive testimony on August 22, 2011 and a public hearing was held on September 7, 2011. The Hearing Examiner issued a Report on October 6, 2011 recommending approval of the SAVE Plan. The VSCC issued an Order on November 28, 2011 approving the SAVE Plan and the associated rider effective December 30, 2011.

On March 8, 2011, Columbia of Kentucky made its annual filing with the Kentucky PSC related to the AMRP Rider and requested an increase of $0.5 million in the rates related to the Rider. This filing was approved by the Kentucky PSC on April 29, 2011.

On January 14, 2011, Columbia of Pennsylvania filed a base rate case with the Pennsylvania PUC, seeking a revenue increase of approximately $37.8 million annually. The parties jointly filed a petition for approval of a partial settlement on July 1, 2011. The partial settlement resolved all issues except residential rate design and a challenge to the structure of one of Columbia of Pennsylvania's customer programs. The settlement provides for an annual revenue increase of $17 million. The Pennsylvania PUC issued an order on October 14, 2011 approving the annual revenue increase of $17 million. New rates went into effect on October 18, 2011. The Pennsylvania PUC's ruling increased the minimum residential customer charge from $12.25 to $18.73, which includes an allowance for 20 Ccf of distribution charges. However, the customer pays for gas commodity on all usage.

On November 30, 2010, Columbia of Ohio filed a notice of intent to file an application to adjust rates associated with Rider IRP and Rider DSM. On February 28, 2011, Columbia of Ohio filed its application to adjust rates associated with IRP and DSM Riders. The DSM Rider tracks and recovers costs associated with Columbia of Ohio's energy efficiency and conservation programs. The application sought to increase the annual revenue from the riders by approximately $24 million. On April 7, 2011, the parties filed a stipulation that settled this case, which was approved as filed by the PUCO on April 27, 2011. The Order allowed Columbia of Ohio to increase its annual revenues by approximately $24 million effective May 1, 2011.

On November 12, 2010, Columbia of Pennsylvania filed a petition for an order authorizing the Company to revise its accounting methodology for the gas it holds in storage. Columbia of Pennsylvania had historically used Last-In First-Out (LIFO) accounting but sought permission to move to Weighted Average Cost of Gas (WACOG) accounting methodology as a means of simplifying regulatory accounting and to realize the value of low-cost gas injected into storage decades ago. On February 4, 2011, Columbia of Pennsylvania filed a settlement agreement with the Pennsylvania PUC in which regulatory stakeholders agreed that Columbia of Pennsylvania should adopt the WACOG accounting methodology and provide the benefit of the low-cost gas supplies to its customers. On March 31, 2011, the Pennsylvania PUC approved the settlement and Columbia of Pennsylvania began to provide the projected benefit of $35.7 million as a credit to its customers as a reduction to the Gas Cost Recovery rate. The credit to customers ended in September 2011, and the experienced credit has since been determined to be $43.8 million.

On September 29, 2010, Columbia of Pennsylvania filed tariff modifications with the Pennsylvania PUC, seeking permission to apply a BTU content billing adjustment to customers' metered volumetric consumption. The filing sought to account for high BTU content gas that is produced from Marcellus Shale, which burns hotter than gas from other sources, resulting in lower volumes than assumed in the design of the Columbia of Pennsylvania's rates. The proposed billing adjustment was designed to produce revenues reflective of the BTU content underlying the demand forecast in the design of Columbia of Pennsylvania's most recently approved base rates by synchronizing the BTU content used for billing with the BTU content used for rate design. If the billing adjustment had been in place for the twelve months ended June 30, 2010, it would have produced additional revenues of approximately $3.7 million due to the difference between the BTU value used in the design of the recently approved rates and the actual BTU value at the time of billing. By an Order entered on January 26, 2011, the Pennsylvania PUC consolidated this matter with Columbia of Pennsylvania's base rate case filed on January 14, 2011. As described above, on October 14, 2011, the Pennsylvania PUC approved a partial settlement of the base rate case. The partial settlement resolved the issue of BTU content whereby the parties agreed that Columbia of Pennsylvania would convert from usage-based billing to heat content billing by no later than the June 2012 billing cycle. Columbia of Pennsylvania began heat content billing, with a therm billing unit, on January 31, 2012.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

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On September 7, 2010, Columbia of Ohio filed an application with the PUCO requesting authority to reduce its PIPP rider rate by $0.4215 per Mcf. The application was deemed approved on October 26, 2010, and Columbia of Ohio began billing the new rate effective with bills rendered on and after October 27, 2010. This resulted in a reduction in revenue of approximately $70.7 million and a corresponding reduction in expense of the same amount to better match current costs and revenues. As a result, this filing does not impact Columbia of Ohio's operating income, but does reduce future cash inflows.

On May 3, 2010, Northern Indiana filed a natural gas rate case with the IURC. Northern Indiana entered into a comprehensive settlement with all parties on August 24, 2010. The Settlement Agreement was approved in entirety by Order issued on November 4, 2010 and new rates were placed into effect November 5, 2010. The Order resulted in a decrease in revenue of approximately $14.9 million when compared to a normalized test year ended December 31, 2009. The IURC authorized Northern Indiana to increase the monthly fixed charge for residential customers from $6.36 to $11.00. The IURC also approved revised depreciation accrual rates for gas plant and authorized Northern Indiana to reduce current period gas plant depreciation expense by up to $25.7 million annually for the next four years or until further order of the IURC, whichever occurs first.

On September 1, 2010 Northern Indiana, Northern Indiana Fuel and Light and Kokomo Gas filed a petition for merger into one company (Northern Indiana). Northern Indiana Fuel and Light and Kokomo Gas also filed rate proceedings on September 1, 2010. On February 23, 2011, a stipulation and settlement agreement was filed with the IURC that provides for the merger and settlement of the rate proceedings. The settlement stipulated that all of Northern Indiana's existing services, rates and charges would be applicable in the former Northern Indiana Fuel and Light and Kokomo Gas territories, including one unified Gas Cost Adjustment mechanism. The application of Northern Indiana's rates in the former Northern Indiana Fuel and Light and Kokomo Gas territories will result in a decrease in revenue of approximately $0.8 million, when compared to a normalized test year ended March 31, 2010. This is primarily offset by reductions in depreciation expense. An uncontested settlement hearing was held on March 23, 2011. The IURC issued its Final Order on May 31, 2011, approving without change the earlier stipulation and settlement agreement agreed to by the parties. Rates and services provided by the merger agreement became effective July 1, 2011.

On May 3, 2010, Columbia of Virginia filed a base rate case with the VSCC seeking an annual revenue increase of $13.0 million to recover an updated level of costs upon the expiration of its Performance Based Regulation Plan on December 31, 2010. Columbia of Virginia also sought a Weather Normalization Adjustment ("WNA"), cost recovery of certain gas-related items through its Purchased Gas Adjustment ("PGA") mechanism rather than base rates, and forward looking adjustments predicted to occur during the rate year ending December 31, 2011. On ...mber 16, 2010, Columbia of Virginia, the VSCC Staff and the other parties filed a Proposed Stipulation and Recommendation ("Stipulation") ...ould result in an annual revenue increase of $4.9 million, including authorization of the WNA and recovery of certain gas-related items ...gh the PGA mechanism. The Chief Hearing Examiner issued a Report on December 2, 2010 recommending approval of the Stipulation. The VSCC issued a Final Order on December 17, 2010 adopting the Stipulation. New rates became effective January 1, 2011.

On February 26, 2010, Columbia of Ohio filed an application to adjust rates associated with IRP and DSM Riders. The DSM Rider tracks and recovers costs associated with Columbia of Ohio's energy efficiency and conservation programs. On April 14, 2010, Columbia of Ohio filed a Joint Stipulation and Recommendation that settled all issues. On April 28, 2010, the PUCO issued an Order approving the Stipulation. Rates associated with IRP and DSM Riders were increased by approximately $17.8 million annually, beginning April 29, 2010.

On January 28, 2010, Columbia of Pennsylvania filed a base rate case with the Pennsylvania PUC, seeking a revenue increase of approximately $32.0 million annually. On June 25, 2010, Columbia of Pennsylvania and the other active parties filed a Joint Petition for Settlement that would result in an annual revenue increase of $12.0 million. On August 18, 2010, the Pennsylvania PUC entered a final order approving the Joint Petition for Settlement and new rates went into effect on October 1, 2010.

On January 28, 2010, Columbia of Maryland filed a base rate case with the Maryland PSC, seeking a revenue increase of $2.2 million annually in order for Columbia of Maryland to earn the rate of return authorized by the PSC in its 2008 rate case. On May 10, 2010, the parties filed a Joint Motion for Approval of Stipulation and Settlement Agreement that would result in an annual revenue increase of approximately $1.7 million. The Maryland PSC issued a final order approving the Settlement, and new rates went into effect on May 28, 2010.

On October 21, 2009, the IURC issued an Order in the proceeding concerning Northern Indiana's annual gas recovery, rejecting the use of a four-year average to compute unaccounted for gas. This Order required Northern Indiana to refund an estimated $5.8 million to customers based on a calculation utilizing a one-year average of unaccounted for gas for the twelve month periods ended July 31, 2008 and July 31, 2009. A reserve was provided for the full amount of the refund, which Northern Indiana began returning to customers in March 2010, and was completed in May 2011.

On June 8, 2009, Columbia of Virginia filed an application with the VSCC for approval of a CARE Plan for a three-year period beginning January 1, 2010. The CARE Plan included incentives for residential and small general service customers to actively pursue conservation and energy efficiency measures, a surcharge designed to recover the costs of such measures on a real-time basis, and a performance-based incentive for the delivery of conservation and energy efficiency benefits. The CARE Plan also included a rate decoupling mechanism designed to mitigate the impact of declining customer usage. On October 28, 2009, Columbia of Virginia and other parties to the proceeding presented a unanimous settlement to the Hearing Examiner, which provided for approval of the CARE Plan application with modifications. The settlement was approved by the VSCC on December 4, 2009, with mechanisms becoming effective January 1, 2010.

On March 31, 2010, Columbia of Kentucky made its annual filing related to the AMRP Rider and requested an adjustment of those rates related to the Rider. On July 12, 2010, Kentucky PSC entered an order approving the requested annual amount of $1.1 million. The new rates associated with the AMRP Rider went into effect for bills rendered on or after July 29, 2010.

On May 19, 2008 Columbia of Ohio filed an application with the PUCO to defer environmental remediation expenses. By Entry dated September 24, 2008, the PUCO approved the application. Each year COH must report on the amounts deferred during the previous year. On December 6, 2011, COH filed its annual deferral report for the twelve months ended November 30, 2011. PUCO Staff filed its Comments on January 5, 2012, and objected to deferral of costs for a Toledo remediation project. As suggested by PUCO Staff, Columbia of Ohio capitalized $2.4 million in costs associated with the Toledo project which will be proposed for recovery as a component of future rate base. Staff did not object to the deferral of costs for five other projects, and those deferrals are deemed approved in the aggregate amount of approximately $0.7 million.

Columbia of Massachusetts filed an application to implement its Targeted Infrastructure Reinvestment Factor ("TIRF") on April 30, 2010. On October 29, 2010, the Massachusetts DPU approved Columbia of Massachusetts' proposed adjustment factor, to take effect November 1, 2010, subject to further investigation and reconciliation. On April 29, 2011, Columbia of Massachusetts filed its second annual application of its TIRF tracker for DPU approval for new rates to go into effect November 1, 2011. On October 31, 2011, the Massachusetts DPU approved Columbia of Massachusetts proposed adjustment factor subject to further investigation and reconciliation. On September 16, 2010, Columbia of Massachusetts filed a petition for approval to implement its first semi-annual revenue decoupling adjustment factor ("RDAF") for the Peak Period. That adjustment, which took effect on November 1, 2010, subject to further review and reconciliation, was approved by the DPU on March 23, 2011. Columbia of Massachusetts filed its application for approval of its Off-peak Period RDAF on March 15, 2011. The rate took effect on May 1, 2011, subject to further review and reconciliation by the DPU. On September 15, 2011, Columbia of Massachusetts filed a petition for approval of its second Peak Period RDAF, with a proposed effective date of November 1, 2011. On October 31, 2011, the Massachusetts DPU approved Columbia of Massachusetts' proposed adjustment factor subject to further investigation and reconciliation.

In March 2009, Indiana Governor Daniels signed Senate Bill 423 into law giving the IFA the ability to contract, on behalf of gas customers in the state of Indiana, with developers capable of building facilities that manufacture Substitute Natural Gas from coal. The IFA received one bid, from Indiana Gasification, by the April 9, 2009 deadline to initiate a Substitute Natural Gas plant in Southern Indiana under a 30 year contract. In March 2010, Governor Daniels signed into law House Enrolled Act 1086, which allows the IFA to enter into contracts for the sale of Substitute Natural Gas with third parties, with proceeds from and costs of those sales being reflected on customers' bills. The IURC must approve the final purchase contract between the IFA and Indiana Gasification as

well as the management agreement between IFA and the utilities for collection of funds or pass through of credits to customers related to the purchase contracts. On December 16, 2010, the IFA filed a Petition seeking approval of the purchase contract and the management agreement. The IURC issued an Order on November 22, 2011, approving the contract between IFA and Indiana Gasification and not ruling on the management agreement between IFA and the utilities, but rather encouraging the parties to engage in further negotiation and inviting the IFA to file a separately docketed petition, should they want the IURC to order the utilities to enter into a management agreement. On December 12, 2011, IIG requested clarification from the IURC on the definition of "retail end user" to assure that larger industrial customers would not be impacted by this project. On December 21, 2011 a number of parties (including the IIG, Vectren, a group of smaller gas utilities in the state and a citizens action group) filed an appeal of the November 22, 2011 Order.

On January 30, 2009, Columbia of Ohio filed an application with the PUCO to implement a gas supply auction. The auction replaced Columbia of Ohio's current GCR mechanism for providing commodity gas supplies to its sales customers. By Order dated December 2, 2009, the PUCO approved a stipulation that resolved all issues in the case. Pursuant to the stipulation, Columbia of Ohio conducted two consecutive one-year long standard service offer auction periods starting April 1, 2010 and April 1, 2011. On February 23, 2010, Columbia of Ohio held the first standard service offer auction which resulted in a final retail price adjustment of $1.93 per Mcf. On February 24, 2010 the PUCO issued an entry that approved the results of the auction and directed Columbia of Ohio to proceed with the implementation of the standard service offer process. On February 8, 2011, Columbia of Ohio held its second standard service offer auction which resulted in a retail price adjustment of $1.88 per Mcf. On February 9, 2011, the PUCO issued an entry that approved the results of the auction with the new retail price adjustment to become effective April 1, 2011. Several parties have challenged the transition from a standard service offer auction to a standard choice offer auction and on September 7, 2011, the PUCO issued an Order authorizing Columbia of Ohio to implement a standard choice offer auction in February 2012. On October 7, 2011, the OCC filed an application for rehearing of the PUCO's Order. By Entry on Rehearing dated November 1, 2011, the PUCO denied the OCC's Application for Rehearing. On February 14, 2012, Columbia of Ohio held its first standard choice offer auction which resulted in a retail price adjustment of $1.53 per Mcf. On February 14, 2012, the PUCO issued an entry that approved the results of the auction with the new retail price adjustment to become effective April 1, 2012. With the implementation of the standard choice offer, Columbia of Ohio will report lower gross revenues and lower cost of sales. There is no impact on net revenues.

On October 3, 2011, Columbia of Ohio filed an application with PUCO, requesting authority to defer incurred charges to a regulatory asset for debt-based post-in-service carrying charges, depreciation and property taxes associated with Columbia of Ohio's capital program. The PUCO directed ...sted parties to file comments on Columbia of Ohio's application by February 17, 2012.

...eptember 9, 2011, Columbia of Ohio filed an application with PUCO to continue and expand its DSM program. In its application, Columbia of Ohio proposed to spend $20 million annually (adjusted for inflation) on weatherization programs for residential and commercial customers for calendar years 2012 through 2016. Columbia of Ohio will continue to recover program expenses through Rider DSM and has proposed a shared savings incentive not to exceed $3.9 million over the five-year program. By Order dated December 14, 2011, the PUCO approved a stipulation filed in the case.

On November 30, 2011 Columbia of Ohio filed a Notice of Intent to file an application to adjust rates associated with Rider IRP and Rider DSM. Columbia of Ohio will file its application and supporting testimony on February 28, 2012.

On December 9, 2011 Columbia of Ohio filed a Notice of Intent to file an application to extend and expand its Infrastructure Replacement Program. On January 6, 2012, the OCC filed a Memorandum Contra, arguing that Columbia of Ohio's base rates should be reviewed as part of the IRP extension process. Columbia of Ohio filed a Reply Memorandum on January 11, 2012.

Cost Recovery and Trackers. A significant portion of the distribution companies' revenue is related to the recovery of gas costs, the review and recovery of which occurs via standard regulatory proceedings. All states require periodic review of actual gas procurement activity to determine prudence and to permit the recovery of prudently incurred costs related to the supply of gas for customers. NiSource distribution companies have historically been found prudent in the procurement of gas supplies to serve customers.

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NISOURCE INC.
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Certain operating costs of the NiSource distribution companies are significant, recurring in nature, and generally outside the control of the distribution companies. Some states allow the recovery of such costs via cost tracking mechanisms. Such tracking mechanisms allow for abbreviated regulatory proceedings in order for the distribution companies to implement charges and recover appropriate costs. Tracking mechanisms allow for more timely recovery of such costs as compared with more traditional cost recovery mechanisms. Examples of such mechanisms include GCR adjustment mechanisms, tax riders, and bad debt recovery mechanisms.

Comparability of Gas Distribution Operations line item operating results is impacted by regulatory trackers that allow for the recovery in rates of certain costs such as bad debt expenses. Increases in the expenses that are the subject of trackers, result in a corresponding increase in net revenues and therefore have essentially no impact on total operating income results.

Certain of the NiSource distribution companies have completed rate proceedings involving infrastructure replacement or are embarking upon regulatory initiatives to replace significant portions of their operating systems that are nearing the end of their useful lives. Each LDC's approach to cost recovery may be unique, given the different laws, regulations and precedent that exist in each jurisdiction.

Gas Transmission and Storage Operations Regulatory Matters

Columbia Gulf Rate Case. On October 28, 2010, Columbia Gulf filed a rate case with the FERC, proposing a rate increase and tariff changes. Among other things, the filing proposed a revenue increase of approximately $50 million to cover increases in the cost of services, which includes adjustments for operation and maintenance expenses, capital investments, adjustments to depreciation rates and expense, rate of return, and increased federal, state and local taxes. On November 30, 2010, the FERC issued an Order allowing new rates to become effective by May 2011, subject to refund. Columbia Gulf placed new rates into effect, subject to refund, on May 1, 2011. Columbia Gulf and the active parties to the case negotiated a settlement, which was filed with the FERC on September 9, 2011. On September 30, 2011, the Chief Judge severed the issues relating to a contesting party for separate hearing and decision. On October 4, 2011, the Presiding Administrative Law Judge certified the settlement agreement as uncontested to the FERC with severance of the contesting party from the settlement. On November 1, 2011, Columbia Gulf began billing interim rates to customers. On December 1, 2011, the FERC issued an order approving the settlement without change. The key elements of the settlement, which was a "black box agreement", include: (1) increased base rate to $0.1520 per Dth and (2) establishing a postage stamp rate design. No protests to the order were filed and therefore, pursuant to the Settlement, the order became final on January 1, 2012 which made the settlement effective on February 1, 2012. On February 2, 2012, the Presiding Administrative Law Judge issued an initial decision granting a motion terminating the remaining litigation with the contesting party and allowing it to become a settling party. Refunds of approximately $[redacted] million, accrued as of December 31, 2011, are to be issued before the end of March 2012.

Electric Operations Regulatory Matters

Significant Rate Developments . On June 27, 2008, Northern Indiana filed a petition with the IURC for new electric base rates and charges. On August 25, 2010, the IURC issued an Order authorizing electric rates to reflect investments in reliability, environmental technology and other infrastructure improvements. Certain parties appealed and some other parties sought reconsideration of the case. On January 18, 2012, the IURC issued an Order finding that Northern Indiana's compliance filing was moot and denying the petitions for reconsiderations or hearings.

Although rates were never implemented related to the 2008 Electric Rate Case, several aspects of the Order were implemented. The approved rate base includes the Sugar Creek Generating Station. The IURC approved two new tracking mechanisms, a Resource Adequacy Tracker and RTO Tracker. The Order requires that Northern Indiana, before declaring or paying any dividends to NiSource, must provide the IURC notice at least 20 business days prior. The IURC approved a rate base that excludes Dean H. Mitchell Generating Station and Michigan City Generating Station Units 2 and 3. Northern Indiana retired the Dean H. Mitchell Generating Station and Michigan City

Generating Station Units 2 and 3 during the third quarter of 2010 as the units are no longer used and useful. As a result of the August 25, 2010 Order, construction work-in-progress, materials and supplies and base coal of $0.6 million, $2.9 million and $0.8 million, respectively, were expensed during the third quarter of 2010 as there were no remaining future economic benefits associated with these assets.

On November 19, 2010, Northern Indiana filed a petition with the IURC for new electric base rates and charges. The filing requested an increase in base rates calculated to produce additional gross revenue of $75.7 million when compared to a normalized test year ended June 30, 2010. This is calculated to provide the opportunity to earn a return of 7.70% on net original cost rate base of $2,706 million.

On July 18, 2011, Northern Indiana filed with the IURC a settlement in its 2010 Electric Rate Case with the OUCC, Northern Indiana Industrial Group, NLMK Indiana and Indiana Municipal Utilities Group. The settlement agreement limited the proposed base rate impact to the residential customer class to a 4.5% increase. The parties have also agreed to a rate of return of 6.98% based upon a 10.2% return on equity. The settlement also resolves all pending issues related to compliance with the August 25, 2010 Order in the 2008 Electric Rate Case. On December 21, 2011, the IURC issued an Order approving the Settlement Agreement as filed, and new electric base rates became effective on December 27, 2011. On January 20, 2012, the City of Hammond filed an appeal of the IURC's December 21, 2011 Order. That appeal is pending.

Northern Indiana received a favorable regulatory order on February 18, 2009, related to its actions to increase its electric generating capacity and advance its electric rate case. Acting on a settlement reached among Northern Indiana and its regulatory stakeholders, the IURC ruled that Northern Indiana's Sugar Creek electric generating plant was in service for ratemaking purposes as of December 1, 2008. The IURC also approved the deferral of depreciation expenses and debt-based carrying costs associated with the $330.0 million Sugar Creek investment. Northern Indiana purchased Sugar Creek on May 30, 2008 and effective December 1, 2008, Sugar Creek was accepted as an internal designated network resource within the MISO. The annual deferral for Sugar Creek is reduced by the annual depreciation on the Mitchell plant of $4.5 million, pursuant to the FAC-71 settlement. On December 21, 2011 the IURC issued an Order in the Electric rate case and new customer rates became effective on December 27, 2011. The deferral of Sugar Creek debt based carrying charges and deferred depreciation ceased December 2011 and the deferred balances will be amortized over five years commencing January 2012.

During 2002, Northern Indiana settled certain regulatory matters related to an electric rate review. On September 23, 2002, the IURC issued an Order adopting most aspects of the settlement. The Order approving the settlement provided that certain electric customers of Northern Indiana l receive bill credits of approximately $55.1 million each year. The credits continued at approximately the same annual level and per the same dology, until the IURC approval and implementation of new customer rates, which occurred on December 27, 2011. A final reconciliation of credits will occur in a future fuel cost filing according to the terms of the approved settlement in the 2010 Electric Rate Case. Credits amounting to $51.0 million, $60.5 million and $56.1 million were recognized for electric customers for 2011, 2010 and 2009, respectively.

On December 9, 2009, the IURC issued an Order in its generic DSM investigation proceeding establishing an overall annual energy savings goal of 2% to be achieved by Indiana jurisdictional electric utilities in 10 years, with interim savings goals established in years one through nine. Under the Order, Northern Indiana and other jurisdictional electric utilities must file DSM plans on July 1, 2010, 2013, 2016, and 2019, with annual updates in the interim periods. The IURC requires that certain core programs be established and administered by an independent third party. The IURC did not make any specific findings with respect to cost recovery issues. In compliance with the December 9, 2009 Order, on March 16, 2010 Northern Indiana filed a proposal for a mechanism to recover the costs associated with these energy efficiency programs, including lost revenue. On June 17, 2010, Northern Indiana filed for approval of its energy efficiency programs, recovery of program costs and lost revenue, and its proposed performance incentive level and methodology. On May 25, 2011, the IURC issued an Order approving a tracker mechanism to recover the costs associated with these energy efficiency programs. On July 27, 2011, the IURC issued an Order approving the energy efficiency programs. However, the IURC denied lost revenue recovery at this time and Northern Indiana may consider filing with the IURC a request for the recovery of lost revenue once rates and charges become effective in the 2010 Electric Rate Case. The IURC also approved Northern Indiana's proposal to seek performance incentives after program results can be evaluated based upon evaluation, measurement and verification data. In August 2011, Northern Indiana made its initial filing for recovery

of costs incurred and estimated through June 2012. On October 25, 2011 the IURC issued an Order approving the recovery of actual and estimated expenses in the amount of approximately $20 million to be recovered over eight months commencing November 2011. On February 1, 2012, Northern Indiana submitted a petition to the IURC to recover lost margins.

On July 13, 2011, Northern Indiana received approval from the IURC to purchase customer-generated electricity from renewable energy projects. The program, supported by consumer and environmental groups, also allows customers to generate more of their own electricity using renewable energy to reduce their utility costs.

MISO. As part of Northern Indiana's participation in the MISO transmission service, wholesale energy and ancillary service markets, certain administrative fees and non-fuel costs have been incurred. IURC orders have been issued authorizing the deferral for consideration in a future rate case proceeding of certain non-fuel related costs incurred after Northern Indiana's rate moratorium, which expired on July 31, 2006. Northern Indiana proposed recovery of the cumulative amount of net non-fuel charges that were deferred as of June 30, 2011, and to recover, through the RTO tracker, charges deferred between July 1, 2011 and the IURC's approval of new electric base rates. The deferral of these costs ceased during December 2011 upon the IURC's approval of new electric base rates. The amortization of these costs will commence January 2012 and will be amortized over four years. During the twelve months ended December 31, 2011 and 2010, net MISO costs of $9.1 million and $7.8 million were deferred, respectively. As of December 31, 2011, Northern Indiana had deferred a total of $42.5 million of net MISO costs

MISO and PJM Interconnection undertook a joint effort in April and May 2009 to identify a source of unaccounted flows on several coordinated flowgates. The analysis found that certain PJM Interconnection generating units that were once associated with unit-specific capacity sales were erroneously excluded from PJM Interconnection's market flows, which significantly affected the congestion price on reciprocally coordinated flowgates on Northern Indiana systems. Higher PJM Interconnection market flows on congested flowgates would have resulted in higher payments to MISO by PJM Interconnection during market-to-market coordination since April 1, 2005. The model was fixed on June 18, 2009. On January 4, 2011, the MISO and PJM Interconnection jointly filed a settlement agreement, which FERC approved on June 16, 2011, to resolve the disputed market-to-market transactions that occurred prior to June, 2009. The settlement agreement provides for a review of existing procedures for implementing the joint operating agreement, a process for reviewing future changes to implementation procedures, and enhanced access to each party's data. In addition, there was a release and discharge of all claims by any market participant related to the joint operating agreement for all events that occurred prior to the filing of the January 4, 2011 settlement agreement.

Cost Recovery and Trackers. A significant portion of Northern Indiana's revenue is related to the recovery of fuel costs to generate power and the fuel costs related to purchased power. These costs are recovered through a FAC, a standard, quarterly, "summary" regulatory proceeding in Indiana. Various interveners, including the OUCC, had taken issue with the allocation of costs included in Northern Indiana's FAC-80, FAC-81 and FAC-82, which cover the reconciliation of April through December 2008. The IURC granted a sub-docket to consider such issues in those filings. The intervening parties and Northern Indiana discussed procedures to eliminate these concerns and to resolve them for the historical periods. On November 4, 2009, the IURC approved a settlement agreement which called for a credit of $8.2 million to be provided to FAC customers beginning in November 2009, less any amount for attorney's fees and expenses. This credit was completed in January 2011.

In the Order issued on August 25, 2010, the IURC approved an RTO tracker for recovery of MISO non-fuel costs and revenues and off-system sales sharing and ordered that purchased power costs and fuel-related MISO charge types be recovered in the FAC. The IURC also approved a purchase capacity tracker referred to as the Resource Adequacy Tracker. Similar treatment was requested in the 2010 Electric Rate Case filing and approved in the December 21, 2011 Order approving the Settlement Agreement. The implementation of such trackers coincides with the implementation of new customer rates.

As part of the August 25, 2010 Order, a new "purchase power benchmark" became effective. This purchase power benchmark superseded the one made effective by a settlement in October 2007. The benchmark is based upon the costs of power generated by a hypothetical natural gas fired unit using gas purchased and delivered to Northern Indiana. During 2011 and 2010, the amount of purchased power costs exceeding the benchmark amounted to zero and $0.4 million, respectively, which was recognized as a net reduction of revenues.

Northern Indiana has approval from the IURC to recover certain environmental related costs through an ECT. Under the ECT, Northern Indiana is permitted to recover (1) AFUDC and a return on the capital investment expended by Northern Indiana to implement IDEM's NOx SIP and CAIR and CAMR compliance plan projects through an ECRM and (2) related operation and maintenance and depreciation expenses once the environmental facilities become operational through an EERM. The IURC approved the continued use of the ECRM and the EERM trackers in its December 21, 2011 Order. As a result of new customer rates, the cost relating to environmental projects that were in service as of June 30, 2010, will be recovered through base rates and will no longer be tracked through the ECRM and EERM.

On March 22, 2011, Northern Indiana filed a petition with the IURC for a certificate of public convenience and necessity and associated relief for the construction of additional environmental projects required to comply with the NOV consent decree lodged in the United States District Court for the Northern District of Indiana on January 13, 2011. Refer to Note 20-D, "Environmental Matters," for additional information. This petition has since been trifurcated into three separate phases. In terms of Phase I, the evidentiary hearing was held at the IURC on August 31, 2011 addressing the relief regarding (i) the construction of a FGD unit at R.M. Schahfer Generating Station Unit 15 and (ii) a cost estimate increase for the projects approved by the December 29, 2010 Order, which included estimates for a FGD unit at R.M. Schahfer Generating Station Unit 14 and associated common facilities for Units 14 and 15. On December 28, 2011, the IURC issued an order for the Phase I projects estimated to cost $500 million and granting the requested ratemaking and accounting relief associated with these Phase I projects. On November 9, 2011, Northern Indiana filed with the IURC a stipulation and settlement agreement with the OUCC and the Industrial Group resolving all issues regarding the Phase II projects, which includes all remaining projects with the exception of those projects related to Michigan City Generating Station Unit 12. The motion also requested the establishment of and a procedural schedule for a new Phase III for the Unit 12 projects. The evidentiary hearing was held for the Phase II projects at the IURC on December 14, 2011. On February 15, 2012, the IURC approved the stipulation and settlement agreement. The establishment of a Phase III in this proceeding occurred in response to the fact that on October 20, 2011 and October 21, 2011, the OUCC and the Industrial Group, respectively, filed testimony in opposition of the proposed construction of a FGD unit on Michigan City Generating Station Unit 12.On February 14, 2012, the IURC set a procedural schedule for the Phase III projects.

On February 7, 2012, Northern Indiana filed ECR-19 and EER-9, the filing implementing the ECT, which included $109.6 million of net capital expenditures and operation and maintenance and depreciation expenses of $32.6 million for the period ended December 31, 2011.

9. Risk Management and Energy Marketing Activities

rce is exposed to certain risks relating to its ongoing business operations. The primary risks managed by using derivative instruments are odity price risk and interest rate risk. Derivative natural gas contracts are entered into to manage the price risk associated with natural gas and power price volatility and to secure forward natural gas and power prices. Interest rate swaps are entered into to manage interest rate risk associated with NiSource's fixed-rate borrowings. NiSource designates many of its commodity forward contracts as cash flow hedges of forecasted purchases of commodities and designates its interest rate swaps as fair value hedges of fixed-rate borrowings. Additionally, certain NiSource subsidiaries enter into forward physical contracts with various third parties to procure or sell natural gas or power. These forward physical contracts are derivatives which may qualify for the normal purchase and normal sales exception which would not require mark-to-market accounting.

Accounting Policy for Derivative Instruments. The ASC topic on accounting for derivatives and hedging requires an entity to recognize all derivatives as either assets or liabilities on the Consolidated Balance Sheets at fair value, unless such contracts are exempted such as a normal purchase and normal sale contract under the provisions of the ASC topic. The accounting for changes in the fair value of a derivative depends on the intended use of the derivative and resulting designation.

NiSource uses a variety of derivative instruments (exchange traded futures and options, physical forwards and options, basis contracts, financial commodity swaps, and interest rate swaps) to effectively manage its commodity price risk and interest rate risk exposure. If certain conditions are met, a derivative may be specifically designated as (a) a hedge of the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm

commitment, or (b) a hedge of the exposure to variable cash flows of a forecasted transaction. In order for a derivative contract to be designated as a hedge, the relationship between the hedging instrument and the hedged item or transaction must be highly effective. The effectiveness test is performed at the inception of the hedge and each reporting period thereafter, throughout the period that the hedge is designated. Any amounts determined to be ineffective are recognized currently in earnings. For derivative contracts that qualify for the normal purchase and normal sales exception, a contract's fair value is not recognized in the Consolidated Financial Statements until the contract is settled.

Unrealized and realized gains and losses are recognized each period as components of accumulated other comprehensive income (loss), regulatory assets and liabilities or earnings depending on the designation of the derivative instrument. For subsidiaries that utilize derivatives for cash flow hedges, the effective portions of the gains and losses are recorded to accumulated other comprehensive income (loss) and are recognized in earnings concurrent with the disposition of the hedged risks. If a forecasted transaction corresponding to a cash flow hedge is no longer probable to occur, the accumulated gains or losses on the derivative are recognized currently in earnings. For fair value hedges, the gains and losses are recorded in earnings each period together with the change in the fair value of the hedged item. As a result of the rate-making process, the rate-regulated subsidiaries generally record gains and losses as regulatory liabilities or assets and recognize such gains or losses in earnings when both the contracts settle and the physical commodity flows. These gains and losses recognized in earnings are then subsequently recovered or passed back to customers in revenues through rates. When gains and losses are recognized in earnings, they are recognized in revenues or cost of sales for derivatives that correspond to commodity risk activities and are recognized in interest expense for derivatives that correspond to interest-rate risk activities.

NiSource has elected not to net fair value amounts for its derivative instruments or the fair value amounts recognized for its right to receive cash collateral or obligation to pay cash collateral arising from those derivative instruments recognized at fair value, which are executed with the same counterparty under a master netting arrangement. NiSource discloses amounts recognized for the right to reclaim cash collateral within "Restricted cash" and amounts recognized for the right to return cash collateral within "Other accruals" on the Consolidated Balance Sheets.

Commodity Price Risk Programs . NiSource and NiSource's utility customers are exposed to variability in cash flows associated with natural gas purchases and volatility in natural gas prices. NiSource purchases natural gas for sale and delivery to its retail, commercial and industrial customers, and for most customers the variability in the market price of gas is passed through in their rates. Some of NiSource's utility subsidiaries offer programs where variability in the market price of gas is assumed by the respective utility. The objective of NiSource's commodity price risk programs is to mitigate this gas cost variability, for NiSource or on behalf of its customers, associated with natural gas purchases or sales, by economically hedging the various gas cost components by using a combination of futures, options, forward physical contracts, basis swap contracts or other derivative contracts. Northern Indiana also uses derivative contracts to minimize risk associated with power price volatility. These commodity price risk programs and their respective accounting treatment are described below.

Northern Indiana, Columbia of Pennsylvania, Columbia of Kentucky, Columbia of Maryland and Columbia of Virginia use NYMEX derivative contracts to minimize risk associated with gas price volatility. These derivative programs must be marked to fair value, but because these derivatives are used within the framework of the companies' GCR or FAC mechanism, regulatory assets or liabilities are recorded to offset the change in the fair value of these derivatives.

Northern Indiana and Columbia of Virginia offer a fixed price program as an alternative to the standard GCR mechanism. These services provide customers with the opportunity to either lock in their gas cost or place a cap on the gas costs that would be charged in future months. In order to hedge the anticipated physical purchases associated with these obligations, forward physical contracts, NYMEX futures and NYMEX options are used to secure forward gas prices. The accounting treatment elected for these contracts is varied whereby certain of these contracts have been accounted for as cash flow hedges while some contracts are not. The normal purchase and normal sales exception is elected for forward physical contracts associated with these programs where delivery of the commodity is probable to occur.

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Northern Indiana also offers a DependaBill program to its customers as an alternative to the standard tariff rate that is charged to residential customers. The program allows Northern Indiana customers to fix their total monthly bill in future months at a flat rate regardless of gas usage or commodity cost. In order to hedge the anticipated physical purchases associated with these obligations, forward physical contracts, NYMEX futures and NYMEX options have been used to secure forward gas prices. The accounting treatment elected for these contracts is varied whereby certain of these contracts have been accounted for as cash flow hedges while some contracts are not. The normal purchase and normal sales exception is elected for forward physical contracts associated with these programs where delivery of the commodity is probable to occur.

Northern Indiana enters into gas purchase contracts at first of the month prices that give counterparties the daily option to either sell an additional package of gas at first of the month prices or recall the original volume to be delivered. Northern Indiana charges a fee for this option. The changes in the fair value of these options are primarily due to the changing expectations of the future intra-month volatility of gas prices. These written options are derivative instruments, must be marked to fair value and do not meet the requirement for hedge accounting treatment. However, Northern Indiana records the related gains and losses associated with these transactions as a regulatory asset or liability.

Columbia of Kentucky, Columbia of Ohio and Columbia of Pennsylvania enter into contracts that allow counterparties the option to sell gas to them at first of the month prices for a particular month of delivery. These Columbia LDCs charge the counterparties a fee for this option. The changes in the fair value of the options are primarily due to the changing expectations of the future intra-month volatility of gas prices. These Columbia LDCs defer a portion of the change in the fair value of the options as either a regulatory asset or liability based on the regulatory customer sharing mechanisms in place, with the remaining changes in fair value recognized currently in earnings.

As part of the MISO Day 2 initiative, Northern Indiana was allocated or has purchased FTRs. These FTRs help Northern Indiana offset congestion costs due to the MISO Day 2 activity. The FTRs are marked to fair value and are not accounted for as a hedge, but since congestion costs are recoverable through the fuel cost recovery mechanism, the related gains and losses associated with marking these derivatives to market are recorded as a regulatory asset or liability. In the second quarter of 2008, MISO changed its allocation procedures from an allocation of FTRs to an allocation of ARRs, whereby Northern Indiana was allocated ARRs based on its historical use of the MISO administered transmission system. ARRs entitle the holder to a stream of revenues or charges based on the price of the associated FTR in the FTR auction, so ARRs can be used to purchase FTRs in the FTR auction. ARRs are not derivatives.

urce is in the process of winding down its unregulated natural gas marketing business, where gas financial contracts are utilized to mically hedge expected future gas purchases associated with forward gas agreements. These financial contracts, as well as the associated ard physical sales contracts, are derivatives and are marked-to-market with all associated gains and losses recognized to income. NiSource established a reserve of $25.6 million and $6.4 million against certain derivatives as of December 31, 2011 and December 31, 2010, respectively. This amount represents reserves related to the creditworthiness of certain customers, fair value of future cash flows, and the cost of maintaining significant amounts of restricted cash. The physical sales contracts marked-to-market had a fair value of approximately $136.8 million at December 31, 2011 and $154.4 million at December 31, 2010, while the financial derivative contracts marked-to-market had a fair value loss of $155.5 million at December 31, 2011, and $137.5 million at December 31, 2010. The $137.5 million loss at December 31, 2010 did not include approximately $10.3 million of January 2011 financial positions as these positions were settled in December 2010. During the fourth quarter of 2011, NiSource recorded a reserve of $22.6 million on certain assets related to the wind down of the unregulated natural gas marketing business.

On October 31, 2011, cash and derivatives broker-dealer MF Global filed for Chapter 11 bankruptcy protection. MF Global brokered NYMEX hedges of natural gas futures on behalf of NiSource. At the date of bankruptcy, NiSource affiliates had contracts open with MF Global with settlement dates ranging from November 2011 to February 2014. On November 3, 2011, these contracts were measured at a mark-to-market loss of approximately $46.4 million. NiSource affiliates had posted initial margin to open these accounts of $6.9 million and additional maintenance margin for mark-to-market losses of $46.4 million, for a total restricted cash balance of $53.3 million. Within the first week after the filing, at the direction of the Bankruptcy Court, a transfer of assets was initiated on behalf of

NiSource affiliates to a court-designated replacement broker for future trade activity. The existing futures positions were closed and then rebooked with the court-designated replacement broker at the new closing prices as of November 3, 2011. Initial margin on deposit at MF Global of $5.7 million was transferred to the court-designated replacement broker. The maintenance margin was retained by MF Global to offset the loss positions of the open contracts on November 3, 2011. NiSource affiliates are monitoring the activity in the bankruptcy case and have filed a proof of claim at the Court's direction. As of December 31, 2011, NiSource affiliates reserved the $1.2 million difference between the initial margin posted with MF Global and the cash transferred to the court-designated replacement broker as a loss contingency.

Commodity price risk program derivative contracted gross volumes are as follows:

	December 31, 2011	December 31, 2010
Commodity Price Risk Program:		
Gas price volatility program derivatives (MMDth)	**26.1**	28.4
Price Protection Service program derivatives (MMDth)	**1.0**	1.6
DependaBill program derivatives (MMDth)	**0.3**	0.4
Regulatory incentive program derivatives (MMDth)	**0.9**	2.0
Gas marketing program derivatives (MMDth) [a]	**28.5**	48.2
Gas marketing forward physical derivatives (MMDth) [b]	**27.1**	48.0
Electric energy program FTR derivatives (mw) [c]	**8,578.5**	8,279.1

(a) Basis contract volumes not included in the above table were 15.9 MMDth and 42.0 MMDth as of December 31, 2011 and December 31, 2010, respectively.

(b) Basis contract volumes not included in the above table were 29.9 MMDth and 52.1 MMDth as of December 31, 2011 and December 31, 2010, respectively.

(c) Megawatt hours reported in thousands

Interest Rate Risk Activities . NiSource recognizes that the prudent and selective use of derivatives may help it to lower its cost of debt capital manage its interest rate exposure. NiSource Finance has entered into various "receive fixed" and "pay floating" interest rate swap agreements *modify the interest rate characteristics of a portion of its outstanding long-term debt from fixed to variable rate. These interest rate swaps also serve* to hedge the fair market value of NiSource Finance's outstanding debt portfolio. As of December 31, 2011, NiSource had $6.6 billion of outstanding fixed rate debt, of which $500.0 million is subject to fluctuations in interest rates as a result of the fixed-to-variable interest rate swap transactions. These interest rate swaps are designated as fair value hedges. NiSource had no net gain or loss recognized in earnings due to hedging ineffectiveness for the twelve months ended December 31, 2011 and 2010.

On July 22, 2003, NiSource Finance entered into fixed-to-variable interest rate swap agreements in a notional amount of $500 million with four counterparties with an 11-year term. NiSource Finance receives payments based upon a fixed 5.40% interest rate and pays a floating interest amount based on U.S. 6-month BBA LIBOR plus an average of 0.78% per annum. There was no exchange of premium at the initial date of the swaps. In addition, each party has the right to cancel the swaps on July 15, 2013.

Contemporaneously with the issuance on September 16, 2005 of $1 billion of its 5.25% and 5.45% notes, NiSource Finance settled $900 million of forward starting interest rate swap agreements with six counterparties. NiSource paid an aggregate settlement payment of $35.5 million which is being amortized from accumulated other comprehensive loss to interest expense over the term of the underlying debt, resulting in an effective interest rate of 5.67% and 5.88%, respectively. As of December 31, 2011, accumulated other comprehensive loss includes $11.3 million related to forward starting interest rate swap settlement. These derivative contracts are accounted for as a cash flow hedge.

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As of December 31, 2011, NiSource holds a 47.5% interest in Millennium. During 2008, Millennium entered into various interest rate swap agreements in order to protect against the risk of increasing interest rates. During August 2010, Millennium completed the refinancing of its long-term debt, securing permanent fixed-rate financing through the private placement issuance of two tranches of notes totaling $725.0 million, $375.0 million at 5.33% due June 30, 2027, and $350.0 million at 6.00% due June 30, 2032. Upon the issuance of these notes, Millennium repaid all outstanding borrowings under its credit agreement, terminated the sponsor guarantee and cash settled the interest rate hedges. These interest rate hedges were primarily accounted for as cash flow hedges by Millennium. As NiSource accounts for Millennium as an equity method investment, NiSource is required to recognize a proportional share of Millennium's OCI. The remaining unrealized loss of $19.7 million, net of tax, related to these terminated interest rate swaps is being amortized over a 15 year period ending June 2025 into earnings using the effective interest method through interest expense as interest payments are made by Millennium. NiSource records its proportionate share of the amortization as Equity Earnings in Unconsolidated Affiliates at the Statements of Consolidated Income.

NiSource's location and fair value of derivative instruments on the Consolidated Balance Sheets were:

Asset Derivatives *(in millions)*	**December 31, 2011**	December 31, 2010
Balance Sheet Location	**Fair Value (a)**	Fair Value
Derivatives designated as hedging instruments		
Interest rate risk activities		
Price risk management assets (current)	**$ -**	$ -
Price risk management assets (noncurrent)	**56.7**	61.1
Total derivatives designated as hedging instruments	**$ 56.7**	$ 61.1
Derivatives not designated as hedging instruments		
Commodity price risk programs		
Price risk management assets (current)	**$ 141.8**	$ 159.5
Price risk management assets (noncurrent)	**150.0**	179.2
Total derivatives not designated as hedging instruments	**$ 291.8**	$ 338.7
Total Asset Derivatives	**$ 348.5**	$ 399.8

uring the fourth quarter of 2011, NiSource recorded a reserve of $22.6 million ($4.6 million current and $18.0 million noncurrent) on certain related to the wind down of the unregulated natural gas marketing business. The non-designated price risk asset amounts above are shown gross and have not been adjusted for the reserve.

Liability Derivatives *(in millions)*	**December 31, 2011**	December 31, 2010
Balance Sheet Location	**Fair Value**	Fair Value
Derivatives designated as hedging instruments		
Commodity price risk programs		
Price risk management liabilities (current)	**$ 0.4**	$ 1.0
Price risk management liabilities (noncurrent)	**0.1**	0.2
Total derivatives designated as hedging instruments	**$ 0.5**	$ 1.2
Derivatives not designated as hedging instruments		
Commodity price risk programs		
Price risk management liabilities (current)	**$ 167.4**	$ 172.9
Price risk management liabilities (noncurrent)	**138.8**	181.4
Total derivatives not designated as hedging instruments	**$ 306.2**	$ 354.3
Total Liability Derivatives	**$ 306.7**	$ 355.5

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The effect of derivative instruments on the Statements of Consolidated Income were:

Derivatives in Cash Flow Hedging Relationships

Twelve Months Ended *(in millions)*

Derivatives in Cash Flow Hedging Relationships	Amount of Gain Recognized in OCI on Derivative (Effective Portion)		
	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2009
Commodity price risk programs	$ -	$ 0.1	$ 117.3
Interest rate risk activities	1.6	1.5	1.5
Total	$ 1.6	$ 1.6	$ 118.8

Location of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Amount of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)		
	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2009
Cost of sales	$ 1.1	$ 1.2	$ (89.4)
Interest expense, net	(2.6)	(2.6)	-
Total	$ (1.5)	$ (1.4)	$ (89.4)

Twelve Months Ended *(in millions)*

Derivatives in Cash Flow Hedging Relationships	Location of Gain Recognized in Income on Derivative (Ineffective *Portion and Amount Excluded* from Effectiveness Testing)	Amount of Gain Recognized in Income of Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)		
		Dec. 31, 2011	*Dec.* 31, 2010	*Dec.* 31, 2009
Commodity price risk programs	Cost of Sales	$ -	$ -	$ -
Interest rate risk activities	Interest expense, net	-	-	-
Total		$ -	$ -	$ -

It is anticipated that during the next twelve months the expiration and settlement of cash flow hedge contracts will result in income statement recognition of amounts currently classified in accumulated other comprehensive income (loss) of approximately $0.7 million of loss, net of taxes.

Derivatives in Fair Value Hedging Relationships

Twelve Months Ended *(in millions)*

Derivatives in Fair Value Hedging Relationships	Location of Loss Recognized in Income on Derivatives	Amount of Loss Recognized in Income on Derivatives		
		Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2009
Interest rate risk activities	Interest expense, net	$ (4.4)	$ (8.7)	$ (29.5)
Total		$ (4.4)	$ (8.7)	$ (29.5)

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Twelve Months Ended (*in millions*)

Hedged Item in Fair Value Hedge Relationships	Location of Gain Recognized in Income on Related Hedged Item	Amount of Gain Recognized in Income on Related Hedged Items		
		Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2009
Interest rate risk activities	Interest expense, net	**$ 4.4**	$ 8.7	$ 29.5
Total		**$ 4.4**	$ 8.7	$ 29.5

Derivatives not designated as hedging instruments

Twelve Months Ended (*in millions*)

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income on Derivatives	Amount of Realized/Unrealized Gain (Loss) Recognized in Income on Derivatives *		
		Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2009
Commodity price risk programs	Gas Distribution revenues	**$**	$ (55.6)	$ (61.7)
Commodity price risk programs	Other revenues	**62.6**	115.3	172.0
Commodity price risk programs	Cost of Sales	**(66.9)**	(95.4)	70.5
Total		**$ (4.3)**	$ (35.7)	$ 180.8

* For the amounts of realized/unrealized gain (loss) recognized in income on derivatives disclosed in the table above, losses of $33.9 million, $36.7 million, and $64.4 million for 2011, 2010 and 2009, respectively, were deferred per regulatory orders. These amounts will be amortized to income over future periods up to twelve months per regulatory order.

NiSource has not made any material reclassifications to earnings from AOCI to Cost of Sales due to the probability that certain forecasted actions would not occur for the twelve months ended December 31, 2011 and 2010. During the second quarter of 2009, NiSource reclassified 4 million ($75.1 million, net of tax) related to its cash flow hedges from accumulated other comprehensive income (loss) to Cost of Sales due to the probability that certain forecasted transactions would not occur related to the unregulated natural gas marketing business that NiSource had planned to sell.

NiSource's derivative instruments measured at fair value as of December 31, 2011 and 2010 do not contain any credit-risk-related contingent features.

Certain NiSource affiliates have physical commodity purchase agreements that contain "ratings triggers" that require increases in collateral if the credit rating of NiSource or certain of its affiliates are rated below BBB- by Standard & Poor's or below Baa3 by Moody's. These agreements are primarily for the physical purchase or sale of natural gas and electricity. As of December 31, 2011, the collateral requirement from a downgrade below the ratings trigger levels would amount to approximately $1.9 million. In addition to agreements with ratings triggers, there are some agreements that contain "adequate assurance" or "material adverse change" provisions that could result in additional credit support such as letters of credit and cash collateral to transact business.

NiSource had $158.2 million and $198.3 million of cash on deposit with brokers for margin requirements associated with open derivative positions reflected within "Restricted cash" on the Consolidated Balance Sheets as of December 31, 2011 and December 31, 2010, respectively.

10. Variable Interest Entities and Equity Investments

A. Variable Interest Entities.

In June 2009, the FASB issued authoritative guidance to amend the manner in which entities evaluate whether consolidation is required for VIEs. NiSource adopted the guidance on January 1, 2010.

In general, a VIE is an entity which (1) has an insufficient amount of at-risk equity to permit the entity to finance its activities without additional financial subordinated support provided by any parties, (2) whose at-risk equity owners, as a group, do not have power, through voting rights or similar rights, to direct activities of the entity that most significantly impact the entity's economic performance or (3) whose at-risk owners do not absorb the entity's losses or receive the entity's residual return. A VIE is required to be consolidated by a company if that company is determined to be the primary beneficiary of the VIE.

NiSource consolidates those VIEs for which it is the primary beneficiary. Prior to the adoption of the new FASB guidance on consolidation of variable interest entities, the prevalent method for determining the primary beneficiary was through a quantitative method. With the adoption of the guidance, NiSource also considers qualitative elements in determining the primary beneficiary. These qualitative measures include the ability to control an entity and the obligation to absorb losses or the right to receive benefits.

NiSource's analysis under this standard includes an assessment of guarantees, operating leases, purchase agreements, and other contracts, as well as its investments and joint ventures. For items that have been identified as variable interests, or where there is involvement with an identified variable interest entity, an in-depth review of the relationship between the relevant entities and NiSource is made to evaluate qualitative and quantitative factors to determine the primary beneficiary, if any, and whether additional disclosures would be required under the current standard.

At December 31, 2011, consistent with prior periods, NiSource consolidated its low income housing real estate investments from which NiSource derives certain tax benefits. As of December 31, 2011, NiSource is a 99% limited partner with a net investment of approximately $1.5 million. Consistent with prior periods, NiSource evaluated the nature and intent of the low income housing investments when determining the primary beneficiary. NiSource concluded that it continues to be the primary beneficiary. Subject to certain conditions precedent, NiSource has the contractual right to take control of the low income housing properties. At December 31, 2011, gross assets of the low income housing real estate investments in continuing operations were $29.1 million. Current and non-current assets were $1.2 million and $27.9 million, respectively. At December 31, 2011, NiSource recorded long-term debt of approximately $11.3 million as a result of consolidating these investments. However, this debt is nonrecourse to NiSource and NiSource's direct and indirect subsidiaries. Approximately $0.7 million of the assets are restricted to settle the obligations of the entity.

Northern Indiana has a service agreement with Pure Air, a general partnership between Air Products and Chemicals, Inc. and First Air Partners LP, under which Pure Air provides scrubber services to reduce sulfur dioxide emissions for Units 7 and 8 at the Bailly Generating Station. Services under this contract commenced on July 1, 1992, and Northern Indiana pays for the services under a combination of fixed and variable charges. The agreement provides that, assuming various performance standards are met by Pure Air, a termination payment would be due if Northern Indiana terminated the agreement prior to the end of the twenty-year contract period. NiSource has made an exhaustive effort to obtain information needed from Pure Air to determine the status of Pure Air as a VIE. However, Northern Indiana had not been able to obtain this information and as a result, it is unclear whether Pure Air is a VIE and if Northern Indiana is the primary beneficiary. Northern Indiana will continue to request the information required to determine whether Pure Air is a VIE. Northern Indiana has no exposure to loss related to the service agreement with Pure Air.

B. Equity Investments. Certain investments of NiSource are accounted for under the equity method of accounting. Income and losses from Millennium and Hardy Storage are reflected in Equity Earnings in Unconsolidated Affiliates on NiSource's Statements of Consolidated Income. These investments are integral to the Gas Transmission and Storage Operations business. Income and losses from all other equity investments are reflected in Other, net on NiSource's Statements of Consolidated Income. All investments shown as limited partnerships are limited partnership interests.

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The following is a list of NiSource's equity investments at December 31, 2011:

Investee	Type of Investment	% of Voting Power or Interest Held
The Wellingshire Joint Venture	General Partnership	50.0
Hardy Storage Company, L.L.C.	LLC Membership	50.0
Millennium Pipeline Company, L.L.C.	LLC Membership	47.5
House Investments - Midwest Corporate Tax Credit Fund, L.P.	Limited Partnership	12.2
Nth Power Technologies Fund II, L.P.	Limited Partnership	4.2
Nth Power Technologies Fund II-A, L.P.	Limited Partnership	4.2
Nth Power Technologies Fund IV, L.P.	Limited Partnership	1.8

As the Millennium and Hardy Storage investments are considered integral to the Gas Transmission and Storage Operations business, the following table contains condensed summary financial data. These investments are accounted for under the equity method of accounting and, therefore, are not consolidated into NiSource's Consolidated Balance Sheets and Statements of Consolidated Income. These investments are recorded within Unconsolidated Affiliates on the Consolidated Balance Sheets and NiSource's portion of the results are reflected in Equity Earnings in Unconsolidated Affiliates on the Statements of Consolidated Income.

Given the immaterial nature of the other equity investments, a condensed summary of financial data was not determined to be necessary.

Year Ended December 31, *(in millions)*	2011	2010	2009
Millennium Pipeline			
Statement of Income Data:			
Net Revenues	$ 119.3	$ 103.9	$ 99.4
Operating Income	63.7	55.9	50.1
Net Income	20.5	22.1	25.5
Balance Sheet Data:			
tal Assets	1,045.0	1,060.6	1,096.1
tal Liabilities	703.4	725.5	867.9
otal Members' Equity	341.6	335.1	228.2
Hardy Storage			
Statement of Income Data:			
Net Revenues	$ 24.4	$ 23.9	$ 23.3
Operating Income	16.5	16.2	15.2
Net Income	9.7	9.0	7.9
Balance Sheet Data:			
Total Assets	176.1	184.8	206.7
Total Liabilities	114.8	124.1	129.2
Total Members' Equity	61.3	60.7	77.5

Equity in the retained earnings of Millennium and Hardy Storage at December 31, 2011 was $23.3 million and $6.0 million, respectively. Contributions to Millennium, Hardy Storage and other equity investees were $6.4 million, $87.9 million, and $26.4 million for 2011, 2010 and 2009, respectively. The decrease was the result of cash contributions required for Millennium's refinancing during 2010. Millennium returned $14.3 million and $23.8 million of capital to Columbia Transmission during 2011 and 2010, respectively. Hardy Storage distributed $4.5 million and $12.9 million of earnings to NiSource during 2011 and 2010, respectively. Included in Millennium liabilities is a $2.2 million payable to NiSource as of December 31, 2011.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

NISOURCE INC.
Notes to Consolidated Financial Statements

11. Income Taxes

The components of income tax expense were as follows:

Year Ended December 31, *(in millions)*	2011	2010	2009
Income Taxes			
Current			
Federal	$ -	(14.2)	$ (61.8)	$ (197.0)
State		(0.9)	3.2	(15.9)
Total Current		(15.1)	(58.6)	(212.9)
Deferred				
Federal		151.8	182.4	332.2
State		31.4	17.4	52.2
Total Deferred		183.2	199.8	384.4
Deferred Investment Credits		(4.8)	(5.9)	(6.5)
Income Taxes from Continuing Operations	$	163.3	$ 135.3	$ 165.0

Total income taxes from continuing operations were different from the amount that would be computed by applying the statutory federal income tax rate to book income before income tax. The major reasons for this difference were as follows:

Year Ended December 31, *(in millions)*	2011		2010		2009	
Book income from Continuing Operations before income taxes	$ 467.1		$ 420.5		$ 394.8	
Tax expense at statutory federal income tax rate	163.5	35.0%	147.2	35.0%	138.2	35.0%
Increases (reductions) in taxes resulting from:						
State income taxes, net of federal income tax benefit	20.1	4.3	12.5	3.0	23.7	6.0
Regulatory treatment of depreciation differences	(8.2)	(1.7)	(16.2)	(3.8)	5.6	1.4
Amortization of deferred investment tax credits	(4.8)	(1.0)	(5.9)	(1.4)	(6.5)	(1.6)
Nondeductible expenses	2.5	0.5	1.8	0.4	7.2	1.8
Employee Stock Ownership Plan Dividends	(3.1)	(0.7)	(2.9)	(0.7)	(2.2)	(0.6)
Regulatory treatment of AFUDC-Equity	(0.6)	(0.1)	(1.9)	(0.4)	(1.9)	(0.5)
Section 199 Electric Production Deduction	-	-	-	-	(1.2)	(0.3)
Tax accrual adjustments and other, net	(6.1)	(1.3)	0.7	0.1	2.1	0.6
Income Taxes from Continuing Operations	$ 163.3	35.0%	$ 135.3	32.2%	$ 165.0	41.8%

The effective income tax rates were 35.0%, 32.2% and 41.8% in 2011, 2010 and 2009, respectively. The 2.8% increase in overall effective tax rate in 2011 versus 2010 was due to 2010 rate settlements allowing the flow through of certain tax benefits in rates. In addition, the 2011 effective tax rate increased by 1.5% for the change in Indiana state taxes, discussed below. In 2009, the Company recorded in its tax provision the impact of certain nondeductible expenses, which increased tax expense $5.3 million, and additional deferred income tax expense of $9.7 million related primarily to state income tax apportionment changes.

During the third quarter of 2009, NiSource received permission from the IRS to change its tax method of capitalizing certain costs which it applied on a prospective basis to the federal and state income tax returns filed for its 2008 tax year. As a result of the new tax accounting method, NiSource recorded federal and state income tax receivables of $295.7 million. Refunds of $263.5 million were received in October 2009, with additional refunds of $25.3 million received in December 2009 and January and February 2010. The balance of the refunds was received during 2010.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

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On August 19, 2011, the IRS issued Revenue Procedure 2011-43, which provided a safe harbor method that taxpayers may use to determine whether certain expenditures related to electric transmission and distribution assets must be capitalized. This revenue procedure provided procedures for obtaining automatic consent from the IRS to adopt the safe harbor method for the first or second taxable year beginning after December 30, 2010. NiSource changed its method of tax accounting related to certain expenditures, including those related to electric transmission and distribution assets in 2008. At December 31, 2011 and 2010, NiSource had $80.9 million and $107.4 million, respectively, of unrecognized tax benefits related to this method change pending resolution on audit or further guidance from the IRS or United States Treasury Department. As a result of the issuance of the revenue procedure NiSource revised its estimates and recorded tax benefits of $12.9 million in the third quarter of 2011. Excluding minor amounts of interest, the revision of estimate did not impact total income tax expense.

On May 12, 2011, the governor of Indiana signed into law House Bill 1004, which among other things, lowers the corporate income tax rate from 8.5% to 6.5% over four years beginning on July 1, 2012. The reduction in the tax rate will impact deferred income taxes and tax related regulatory assets and liabilities recoverable in the rate making process. In addition, other deferred tax assets and liabilities, primarily deferred tax assets related to Indiana net operating loss carry forward, will be reduced to reflect the lower rate at which these temporary differences and tax benefits will be realized. In the second quarter 2011, NiSource recorded tax expense of $6.8 million to reflect the effect of this rate change. The expense is largely attributable to the re-measurement of the Indiana net operating loss at the 6.5% rate. The majority of the Company's tax temporary differences are related to Northern Indiana's utility plant. The re-measurement of these temporary differences at 6.5% was recorded as a reduction of a regulatory asset.

In the fourth quarter of 2010, NiSource received permission from the IRS to change its method of accounting for capitalized overhead costs under Section 263A of the Internal Revenue Code. The change was effective for the 2009 tax year. The Company recorded a net long-term receivable of $31.5 million, net of uncertain tax positions, in the fourth quarter of 2010 to reflect this change. There was no material impact on the effective tax rate as a result of this method change. In 2011, the Company revised its calculation related to the change in method and recorded an increase to the net long-term receivable of $3.3 million, net of uncertain tax positions, to reflect the change in estimate. Excluding minor amounts of interest, the revision in estimate did not impact total income tax expense. NiSource expects the IRS to complete the audit of this issue when it completes the audits for the 2008 and 2009 tax years.

In the third quarter of 2010, NiSource recorded a $15.2 million reduction to income tax expense in connection with the Pennsylvania PUC approval o e Columbia of Pennsylvania base rate case settlement on August 18, 2010. The adjustment to income tax expense resulted from the settlement ment to flow through in current rates the tax benefits related to a tax accounting method change for certain capitalized costs approved by the As a result of the Pennsylvania Commission Order on October 14, 2011, Columbia of Pennsylvania will continue to flow through in rates unamortized tax benefits of approximately $30 million through January 2014 related to the unit of property tax method change. The amortization of excess tax benefits was $6.0 million in 2011. On a prospective basis, Columbia of Pennsylvania will recognize deferred tax expense rather than flow through in rates the tax benefits resulting from this method change.

The 2010 Health Care Act includes a provision eliminating, effective January 1, 2013, the tax deductibility of retiree health care costs to the extent of federal subsidies received under the Retiree Drug Subsidy program. When the Retiree Drug Subsidy was created by the Medicare Prescription Drug, Improvement and Modernization Act of 2003, NiSource recorded a deferred tax asset reflecting the exclusion of the expected future Retiree Drug Subsidy from taxable income. At the same time, an offsetting regulatory liability was established to reflect NiSource's obligation to reduce income taxes collected in future rates. ASC Topic 740 – Income Taxes requires the impact of a change in tax law to be immediately recognized in continuing operations in the income statement for the period that includes the enactment date. In the first quarter of 2010, NiSource reversed its deferred tax asset of $6.2 million related to previously excludable Retiree Drug Subsidy payments expected to be received after January 1, 2013, which was completely offset by the reversal of the related regulatory liability.

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Deferred income taxes result from temporary differences between the financial statement carrying amounts and the tax basis of existing assets and liabilities. The principal components of NiSource's net deferred tax liability were as follows:

At December 31, *(in millions)*	2011	2010
Deferred tax liabilities		
Accelerated depreciation and other property differences	$ 2,943.0	$ 2,671.0
Unrecovered gas and fuel costs	14.6	49.8
Other regulatory assets	858.8	936.2
Premiums and discounts associated with long-term debt	12.8	14.2
Total Deferred Tax Liabilities	3,829.2	3,671.2
Deferred tax assets		
Deferred investment tax credits and other regulatory liabilities	(73.9)	(123.1)
Cost of removal	(557.9)	(503.3)
Pension and other postretirement/postemployment benefits	(369.8)	(539.0)
Environmental liabilities	(63.6)	(24.4)
Net operating loss carryforward	(250.3)	(121.6)
Other accrued liabilities	(45.7)	(80.5)
Other, net	(56.9)	(49.1)
Total Deferred Tax Assets	(1,418.1)	(1,441.0)
Net Deferred Tax Liabilities less Deferred Tax Assets	2,411.1	2,230.2
Less: Deferred income taxes related to current assets and liabilities (Note)	(130.8)	37.1
Non-Current Deferred Tax Liability	$ 2,541.9	$ 2,193.1

Note: Current deferred taxes is located in Prepayments and other for 2011 and in Other accruals for 2010 on the Consolidated Balance Sheets.

State income tax net operating loss benefits were recorded at their realizable value. NiSource anticipates it is more likely than not that it will realize *$35.8 million and $35.2 million of these benefits as of December 31, 2011 and December 31, 2010, respectively, prior to their expiration*. remaining net operating loss carry forward represents a Federal carry forward of $214.5 million that will expire in 2031. The state amou primarily for Indiana, Pennsylvania, West Virginia and Kentucky. The loss carryforward periods expire in various tax years from 2023 through 2031.

The following table reconciles the change in the net accumulated deferred income tax liability to the deferred income tax expense included in the income statement for the period:

(in millions)	2011	2010
Beginning net accumulated deferred tax liability	$ 2,230.2	$ 1,990.9
Deferred income tax expense for the period	183.2	199.8
Change in tax effects of income tax related regulatory assets and liabilities	3.2	27.1
Deferred taxes recorded to other comprehensive income/(loss)	1.0	(7.0)
Deferred taxes transferred to taxes accrued and other charges	(6.5)	19.4
Ending net accumulated deferred tax liability per above table	$ 2,411.1	$ 2,230.2

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A reconciliation of the beginning and ending amounts of unrecognized tax benefits is as follows:

Reconciliation of Unrecognized Tax Benefits *(in millions)*	2011	2010	2009
Unrecognized Tax Benefits - Opening Balance	**$ 129.2**	**$ 117.7**	**$ 3.5**
Gross increases - tax positions in prior period	5.7	1.2	-
Gross decreases - tax positions in prior period	(29.6)	(8.2)	(0.2)
Gross increases - current period tax positions	-	18.5	114.4
Unrecognized Tax Benefits - Ending Balance	**$ 105.3**	**$ 129.2**	**$ 117.7**
Offset for outstanding IRS refunds	(87.9)	(114.2)	(105.4)
Offset for state net operating loss carryforwards	(13.3)	(17.2)	(15.6)
Balance - Net of Refunds and NOL Carryforwards	**$ 4.1**	$ (2.2)	$ (3.3)

As discussed above, NiSource was granted permission to change its tax method of accounting for capitalizing certain costs and has taken certain positions related to this change in its 2008 income tax return. NiSource's determination of what constitutes a capital cost versus ordinary expense will be reviewed upon audit by the IRS and may be subject to subsequent adjustment. As such, the status of this tax return position is uncertain at this time. During 2009, NiSource added $114.4 million to its liability for unrecognized tax benefits for uncertain tax positions related to this issue. On August 19, 2011, the IRS issued Revenue Procedure 2011-43, which provided a safe harbor method that taxpayers may use to determine whether certain expenditures related to electric transmission and distribution assets must be capitalized. This revenue procedure provided procedures for obtaining automatic consent from the IRS to adopt the safe harbor method for the first or second taxable year beginning after December 30, 2010. As a result of the issuance of the revenue procedure, NiSource revised its estimates and recorded tax benefits of $12.9 million in the third quarter of 2011. Excluding minor amounts of interest, the revision in estimate did not impact total income tax expense. At December 31, 2011, unrecorded federal and state benefits, including interest, were $80.9 million for this position.

In 2010, NiSource received permission to change its method of accounting for capitalizing overhead costs. This method change will be subject to audit as well. The Company recorded an unrecognized tax benefit related to this uncertain tax position of $17.6 million in 2010. In 2011, this estimate was revised to $19.9 million.

tting the liability for unrecognized tax benefits are $101.2 million of related outstanding tax receivables and state net operating loss forwards resulting in a net balance of $4.8 million, including interest, related to the tax method change issues. NiSource anticipates it will the entire tax position, including interest, at the completion of the IRS audit of the 2008 and 2009 returns.

Except as discussed above, there have been no other material changes in 2011 to NiSource's uncertain tax positions recorded as of December 31, 2010.

The total amount of unrecognized tax benefits at December 31, 2011, 2010 and 2009 that, if recognized, would affect the effective tax rate is $2.4 million, $3.9 million and $2.9 million, respectively. As of December 31, 2010, NiSource did not anticipate any significant changes to its liability for unrecognized tax benefits over the twelve months ended December 31, 2011, and NiSource does not anticipate any significant changes to its December 31, 2011 liability for unrecognized tax benefits over the twelve months ended December 31, 2012.

NiSource recognizes accrued interest on unrecognized tax benefits, accrued interest on other income tax liabilities, and tax penalties in income tax expense. With respect to its unrecognized tax benefits, NiSource recorded $(0.1) million, $0.1 million and $0.1 million in interest expense in the Statement of Consolidated Income for the periods ended December 31, 2011, 2010 and 2009, respectively. For the periods ended December 31, 2011 and December 31, 2010, NiSource reported $0.7 million and $0.8 million, respectively, of accrued interest payable on unrecognized tax benefits on its Consolidated Balance Sheets. There were no accruals for penalties recorded in the Statement of

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

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Consolidated Income for the periods ended December 31, 2011, December 31, 2010 and December 31, 2009 and there were no balances for accrued penalties recorded on the Consolidated Balance Sheets as of December 31, 2011 and December 31, 2010.

NiSource is subject to income taxation in the United States and various state jurisdictions, primarily Indiana, West Virginia, Virginia, Pennsylvania, Kentucky, Massachusetts, Louisiana, Mississippi, Maryland, Tennessee, New Jersey and New York.

Because NiSource is part of the IRS's Large and Mid-Size Business program, each year's federal income tax return is typically audited by the IRS. As of December 31, 2011, tax years through 2007 have been audited and are effectively closed to further assessment. The audit of tax years 2008 and 2009 began on June 2, 2011.

The statute of limitations in each of the state jurisdictions in which NiSource operates remain open until the years are settled for federal income tax purposes, at which time amended state income tax returns reflecting all federal income tax adjustments are filed. As of December 31, 2011, there were no state income tax audits in progress that would have a material impact on the consolidated financial statements.

12. Pension and Other Postretirement Benefits

NiSource provides defined contribution plans and noncontributory defined benefit retirement plans that cover the majority of its employees. Benefits under the defined benefit retirement plans reflect the employees' compensation, years of service and age at retirement. Additionally, NiSource provides health care and life insurance benefits for certain retired employees. The majority of employees may become eligible for these benefits if they reach retirement age while working for NiSource. The expected cost of such benefits is accrued during the employees' years of service. Current rates of rate-regulated companies include postretirement benefit costs, including amortization of the regulatory assets that arose prior to inclusion of these costs in rates. For most plans, cash contributions are remitted to grantor trusts.

NiSource Pension and Other Postretirement Benefit Plans' Asset Management. NiSource employs a total return investment approach whereby a mix of equities and fixed income investments are used to maximize the long-term return of plan assets for a prudent level of risk. Risk tolerance is established through careful consideration of plan liabilities, plan funded status, and asset class volatility. The investment portfolio contains a diversified blend of equity and fixed income investments. Furthermore, equity investments are diversified across U.S. and non-U.S. stocks, as well as growth, value, small and large capitalizations. Other assets such as private equity and hedge funds are used judiciously to enhance long-term returns while improving portfolio diversification. Derivatives may be used to gain market exposure in an efficient and timely manner; however, derivatives may not be used to leverage the portfolio beyond the market value of the underlying assets. Investment risk is measured and monitored on an ongoing basis through quarterly investment portfolio reviews, annual liability measurements, and periodic asset/liability studies.

NiSource utilizes a building block approach with proper consideration of diversification and rebalancing in determining the long-term rate of return for plan assets. Historical markets are studied and long-term historical relationships between equities and fixed income are analyzed to ensure that they are consistent with the widely accepted capital market principle that assets with higher volatility generate greater return over the long run. Current market factors such as inflation and interest rates are evaluated before long-term capital market assumptions are determined. Peer data and historical returns are reviewed to check for reasonability and appropriateness.

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The most important component of an investment strategy is the portfolio asset mix, or the allocation between the various classes of securities available to the pension plan for investment purposes. The asset mix and acceptable minimum and maximum ranges established represents a long-term view and are as follows:

Asset Mix Policy of Funds:

	Defined Benefit Pension Plan		Postretirement Welfare Plan	
Asset Category	**Minimum**	**Maximum**	**Minimum**	**Maximum**
Domestic Equities	25%	45%	35%	55%
International Equities	15%	25%	15%	25%
Fixed Income	15%	45%	20%	50%
Real Estate/Alternative Investments	5%	20%	0%	0%
Short-Term Investments	0%	10%	0%	10%

Pension Plan and Postretirement Plan Asset Mix at December 31, 2011 and December 31, 2010:

(in millions)	Defined Benefit Pension Assets	12/31/2011	Postretirement Welfare Plan Assets	12/31/2011
Asset Class	**Asset Value**	**% of Total Assets**	**Asset Value**	**% of Total Assets**
Domestic Equities	$ 788.6	37.8%	$ 149.7	45.4%
International Equities	427.3	20.5%	60.0	18.2%
Fixed Income	618.7	29.6%	117.1	35.5%
Real Estate/Alternative Investments	219.8	10.5%	-	-
Cash/Other	33.4	1.6%	3.0	0.9%
Total	**$ 2,087.8**	100.0%	**$ 329.8**	100.0%

(in millions)	Defined Benefit Pension Assets	12/31/2010	Postretirement Welfare Plan Assets	12/31/2010
Asset Class	**Asset Value**	**% of Total Assets**	**Asset Value**	**% of Total Assets**
Domestic Equities	$ 730.5	38.5%	$ 148.8	45.5%
International Equities	416.3	21.9%	66.1	20.2%
Fixed Income	543.1	28.6%	110.0	33.7%
Real Estate/Alternative Investments	200.0	10.5%	-	-
Cash/Other	10.1	0.5%	1.9	0.6%
Total	**$ 1,900.0**	100.0%	**$ 326.8**	100.0%

The categorization of investments into the asset classes in the table above are based on definitions established by the NiSource Benefits Committee. Alternative investments consist primarily of private equity and hedge fund investments. As of December 31, 2011, $670.2 million of defined benefit pension assets and $21.3 million of other postretirement benefit assets included in international equities, domestic equities or fixed income asset classes in the table above would be considered alternative investments, in addition to those investments in the real estate/alternative investments asset class. As of December 31, 2010, $555.3 million of defined benefit pension assets and $22.1 million of other postretirement benefit assets included in international equities, domestic equities or fixed income asset classes in the table above would be considered alternative investments, in addition to those investments in the real estate/alternative investments asset class. Alternative investments are considered investments not listed on national exchanges or over-the-counter markets, or for which quoted market prices are not available from sources such as financial publications or the exchanges.

Alternative investment values are based on estimates developed by external investment managers and subject to a review process performed by management. In making such valuation determinations, the investment managers consider factors that may include the cost of the investment, developments since the acquisition of the investment, comparisons to similar publicly traded investments, subsequent purchases of the same investment by other investors, the current financial position and operating results of the issuer and such other factors as may be deemed relevant. A range of possible values exist for these securities, and therefore, the estimated values may differ from the values that would have been recorded had a ready market for these securities existed.

Fair Value Measurements. The following table sets forth, by level within the fair value hierarchy, the Master Trust and OPEB investment assets at fair value as of December 31, 2011 and 2010. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Total Master Trust and OPEB investment assets at fair value classified within Level 3 were $ 326.8 million and $ 314.1 million as of December 31, 2011 and December 31, 2010, respectively. Such amounts were approximately 14% of the Master Trust and OPEB's total investments as reported on the statement of net assets available for benefits at fair value as of December 31, 2011 and December 31, 2010.

Investments with maturities of three months or less when purchased are considered cash equivalents and are normally included in the fair value measurements hierarchy as Level 1. Equity securities, mutual funds, and U.S treasuries whose prices are obtained from quoted prices in active markets are also classified as Level 1. In cases where equity securities are not actively traded, they are reflected as Level 2 or Level 3 depending on the specific security and how active the market is for the respective security. The fair values of most fixed income securities are based on evaluated prices that reflect observable market information, such as actual trade information of similar securities, adjusted for observable differences and are generally categorized as Level 2. Commingled funds are maintained by investment companies that hold certain investments in accordance with a stated set of fund objectives, and the values of the majority of these commingled funds are not publicly quoted and must trade through a broker. Commingled funds that hold underlying investments that have prices which are derived from the quoted prices in active markets are classified as Level 2. Commingled funds that hold underlying investments that have prices which are not derived from the quoted prices in active markets are classified as Level 3. These investments are often valued by investment managers on a periodic basis using pricing models that use market, income, and cost valuation methods. In addition, NiSource's investment in hedge funds, private equity partnerships, and real estate assets are also valued by investment managers on a periodic basis using pricing models that use market, income, and cost valuation methods and are classified as Level 3.

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Fair Value Measurements at December 31, 2011:

(in millions)	December 31, 2011	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Pension plan assets:				
Cash	$ 10.4	$ 10.4	$ -	$ -
Equity securities				
U.S. equities	631.0	630.9	0.1	-
International equities	144.0	143.0	1.0	-
Fixed income securities				
Government	133.5	91.2	41.8	0.5
Corporate	101.7	-	101.7	-
Mortgages/Asset-backed securities	115.6	-	114.4	1.2
Other fixed income	0.4	-	0.3	0.1
Commingled funds				
Short-term money markets	66.5	-	66.5	-
U.S. equities	125.8	-	125.8	-
International equities	278.5	-	278.5	-
Fixed income	265.8	-	160.4	105.4
Hedge fund of funds				
Multi-strategy (a)	49.4	-	-	49.4
Equities-market neutral (b)	33.0	-	-	33.0
Private equity limited partnerships				
U.S. multi-strategy (c)	61.1	-	-	61.1
International multi-strategy (d)	42.5	-	-	42.5
stressed opportunities	12.7	-	-	12.7
estate	20.9	-	-	20.9
Pension plan assets subtotal	2,092.8	875.5	890.5	326.8
Other postretirement benefit plan assets:				
Commingled funds				
Short-term money markets	2.9	-	2.9	-
U.S. equities	21.3	-	21.3	-
Mutual funds				
U.S. equities	127.4	127.4	-	-
International equities	61.8	61.8	-	-
Fixed income	116.4	116.4	-	-
Other postretirement benefit plan assets subtotal:	329.8	305.6	24.2	-
Due to brokers, net (e)	(38.7)			
Accrued investment income/dividends	3.7			
Receivables/payables	30.0			
Total pension and other post-retirement benefit plan assets	$ 2,417.6	$ 1,181.1	$ 914.7	$ 326.8

(a) This class includes hedge fund of funds that invest in a diverse portfolio of strategies including relative value, event driven and long/short equities.

(b) This class includes hedge fund of funds that invest in long/short equities, which in total maintain a relatively net market neutral position.

(c) This class includes limited partnerships/fund of funds that invest in a diverse portfolio of private equity strategies, including buy-outs, venture capital, growth capital, special situations and secondary markets, primarily inside the Unites States.

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(d) This class includes limited partnerships/fund of funds that invest in diverse portfolio of private equity strategies, including buy-outs, venture capital, growth capital, special situations and secondary markets, primarily outside the United States.
(e) This class represents pending trades with brokers.

The table below sets forth a summary of changes in the fair value of the Plan's Level 3 assets for the year ended December 31, 2011:

	Balance at January 1, 2011	Total gains or losses (unrealized / realized)	Purchases	(Sales)	Transfers into/(out of) level 3	Balance at December 31, 2011
Equity securities						
U.S. equities	$ 0.1	$ -	$ -	$ -	$ (0.1)	$ -
Fixed income securities						
Government	0.6	-	-	(0.1)	-	0.5
Corporate	0.4	(0.5)	0.1	-	-	-
Mortgages/Asset backed securities	0.5	(0.2)	0.5	-	0.4	1.2
Other fixed income	0.5	-	0.5	(0.9)	-	0.1
Commingled funds						
Fixed income	111.4	(0.1)	2.0	(7.9)	-	105.4
Hedge fund of funds						
Multi-strategy	49.0	0.4	-	-	-	49.4
Equities-market neutral	31.5	1.5	-	-	-	33.0
Private equity limited partnerships						
U.S. multi-strategy	58.8	(4.6)	14.3	(7.4)	-	61.1
International multi-strategy	36.2	2.3	5.2	(1.2)	-	42.5
Distressed opportunities	9.3	(0.4)	4.5	(0.7)	-	12.7
Real estate	15.8	2.0	3.1	-	-	20.9
Total	$ 314.1	$ 0.4	$ 30.2	$ (18.2)	$ 0.3	$ 326.8

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

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Fair Value Measurements at December 31, 2010:

(in millions)	December 31, 2010	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Pension plan assets:				
Cash	$ 9.2	$ 9.2	$ -	$ -
Equity securities				
U.S. equities	627.0	626.9	-	0.1
International equities	141.3	140.6	0.7	-
Fixed income securities				
Government	85.3	46.5	38.2	0.6
Corporate	132.2	-	131.8	0.4
Mortgages/Asset backed securities	111.4	-	110.9	0.5
Other fixed income	4.1	0.2	3.4	0.5
Commingled funds				
Short-term money markets	50.5	-	50.5	-
U.S. equities	65.1	-	65.1	-
International equities	261.4	-	261.4	-
Fixed income	228.8	-	117.4	111.4
Hedge fund of funds				
Multi-strategy (a)	49.0	-	-	49.0
Equities-market neutral (b)	31.5	-	-	31.5
Private equity limited partnerships				
U.S. multi-strategy (c)	58.8	-	-	58.8
International multi-strategy (d)	36.2	-	-	36.2
Distressed opportunities	9.3	-	-	9.3
Estate	15.8	-	-	15.8
n plan assets subtotal	1,916.9	823.4	779.4	314.1
Other postretirement benefit plan assets:				
Commingled funds				
Short-term money markets	1.9	-	1.9	-
U.S. equities	22.2	-	22.2	-
Mutual funds				
U.S. equities	126.7	126.7	-	-
International equities	66.1	66.1	-	-
Fixed income	109.9	109.9	-	-
Other postretirement benefit plan assets subtotal	326.8	302.7	24.1	-
Due to brokers, net (e)	(20.2)			
Accrued investment income/dividends	4.0			
Receivables/payables	(0.7)			
Total pension and other post-retirement benefit plan assets	$ 2,226.8	$ 1,126.1	$ 803.5	$ 314.1

(a) This class includes hedge fund of funds that invest in a diverse portfolio of strategies including relative value, event driven and long/short equities.

(b) This class includes hedge fund of funds that invest in long/short equities, which in total maintain a relatively net market neutral position.

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(c) This class includes limited partnerships/fund of funds that invest in a diverse portfolio of private equity strategies, including buy-outs, venture capital, growth capital, special situations and secondary markets, primarily in the United States.
(d) This class includes limited partnerships/fund of funds that invest in a diverse portfolio of private equity strategies, including buy-outs, venture capital, growth capital, special situations and secondary markets, primarily outside the United States.
(e) This class represents pending trades with brokers.

The table below sets forth a summary of changes in the fair value of the Plan's Level 3 assets for the year ended December 31, 2010:

	Balance at January 1, 2010	Total gains or losses (unrealized / realized)	Purchases	(Sales)	Transfers into/(out of) level 3	Balance at December 31, 2010
Equity securities						
U.S. equities	$ -	$ 0.2	$ -	$ -	$ (0.1)	$ 0.1
Fixed income securities						
Government	1.2	-	-	(0.6)	-	0.6
Corporate	2.7	0.5	-	(1.0)	(1.8)	0.4
Mortgages/Asset backed securities	1.2	(0.6)	0.5	(0.3)	(0.3)	0.5
Other fixed income	1.6	0.1	0.8	(2.0)	-	0.5
Commingled funds						
Fixed income	111.8	10.6	-	(11.0)	-	111.4
Hedge fund of funds						
Multi-strategy	34.9	4.1	10.0	-	-	49.0
Equities-market neutral	33.3	(1.8)	-	-	-	31.5
Private equity limited partnerships						
U.S. multi-strategy	56.5	(0.7)	13.3	(10.3)	-	58.8
International multi-strategy	27.3	3.2	6.4	(0.7)	-	36.2
Distress opportunities	8.3	(0.9)	4.0	(2.1)	-	9.3
Real estate	8.9	0.4	7.7	(1.2)	-	15.8
Total	$ 287.7	$ 15.1	$ 42.7	$ (29.2)	$ (2.2)	$ 314.1

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NiSource Pension and Other Postretirement Benefit Plans' Funded Status and Related Disclosure . The following table provides a reconciliation of the plans' funded status and amounts reflected in NiSource's Consolidated Balance Sheets at December 31 based on a December 31 measurement date:

	Pension Benefits		Other Postretirement Benefits	
(in millions)	2011	2010	2011	2010
Change in projected benefit obligation (a)				
Benefit obligation at beginning of year	$ 2,478.4	$ 2,356.0	$ 756.0	$ 731.2
Service cost	37.5	39.1	9.9	9.8
Interest cost	119.5	125.7	38.6	41.4
Plan participants' contributions			7.0	6.3
Plan amendments	0.2	0.5	(0.5)	1.4
Actuarial loss (gain)	122.5	144.5	30.8	20.1
Benefits paid	(197.4)	(187.4)	(56.4)	(55.1)
Estimated benefits paid by incurred subsidy			0.9	0.9
Projected benefit obligation at end of year	$ 2,560.7	$ 2,478.4	$ 786.3	$ 756.0
Change in plan assets				
Fair value of plan assets at beginning of year	$ 1,900.0	$ 1,681.5	$ 326.8	$ 286.5
Actual return on plan assets	(8.3)	244.1	(1.2)	39.1
Employer contributions	393.5	161.8	53.6	50.0
Plan participants' contributions			7.0	6.3
Benefits paid	(197.4)	(187.4)	(56.4)	(55.1)
Fair value of plan assets at end of year	$ 2,087.8	$ 1,900.0	$ 329.8	$ 326.8
Funded Status at end of year	$ (472.9)	$ (578.4)	$ (456.5)	$ (429.2)
Amounts recognized in the statement of financial position consist of:				
Noncurrent assets	$ -	$ -	$ 31.5	$ 32.9
Current liabilities	(3.3)	(3.3)	(21.1)	(17.8)
Noncurrent liabilities	(469.6)	(575.1)	(466.9)	(444.3)
Net amount recognized at end of year (b)	$ (472.9)	$ (578.4)	$ (456.5)	$ (429.2)
nts recognized in accumulated othercomprehensive income or regulatory et/liability (c)				
Unrecognized transition asset obligation	$	$	$ 1.7	$ 2.9
Unrecognized prior service cost	(6.0)	(6.0)	(4.3)	(4.4)
Unrecognized actuarial loss	1,113.6	871.4	192.2	140.2
	$ 1,107.6	$ 865.4	$ 189.6	$ 138.7

(a) The change in benefit obligation for Pension Benefits represents the change in Projected Benefit Obligation while the change in benefit obligation for Other Postretirement Benefits represents the change in Accumulated Postretirement Benefit Obligation.

(b) NiSource recognizes in its Consolidated Balance Sheets the underfunded and overfunded status of its various defined benefit postretirement plans, measured as the difference between the fair value of the plan assets and the benefit obligation.

(c) NiSource determined that for certain rate-regulated subsidiaries the future recovery of pension and other postretirement benefits costs is probable. These rate-regulated subsidiaries recorded regulatory assets and liabilities of $1,244.2 million and zero, respectively, as of December 31, 2011, and $962.7 million and $1.9 million, respectively, as of December 31, 2010 that would otherwise have been recorded to accumulated other comprehensive income (loss).

NiSource's accumulated benefit obligation for its pension plans was $2,523.5 million and $2,429.5 million as of December 31, 2011 and 2010, respectively. The accumulated benefit obligation as of a date is the actuarial present value of benefits attributed by the pension benefit formula to employee service rendered prior to that date and based on current and past compensation levels. The accumulated benefit obligation differs from the projected benefit obligation disclosed in the table above in that it includes no assumptions about future compensation levels.

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NiSource pension plans were underfunded by $472.9 million at December 31, 2011 compared to being underfunded at December 31, 2010 by $578.4 million. The improvement in funded status was due primarily to an increase in employer contributions in 2011, partially offset by unfavorable asset returns and a decrease in the discount rate. NiSource contributed $393.5 million and $161.8 million to its pension plans in 2011 and 2010, respectively.

NiSource's funded status for its other postretirement benefit plans declined by $27.3 million to an underfunded status of $456.5 million due primarily to unfavorable asset returns and a decrease in discount rate. NiSource contributed approximately $53.6 million and $50.0 million to its other postretirement benefit plans in 2011 and 2010, respectively. No amounts of NiSource's pension or other postretirement plans' assets are expected to be returned to NiSource or any of its subsidiaries in 2012.

A provision of the 2010 Health Care Act requires the elimination, effective January 1, 2011, of lifetime and restrictive annual benefit limits from certain active medical plans. The NiSource Consolidated Flex Medical Plan (the "Consolidated Flex Plan"), a component welfare benefit plan of the NiSource Life and Medical Benefits Program, covered both active and retired employees and capped lifetime benefits to certain retirees. NiSource examined the provisions of the 2010 Health Care Act and determined the enactment of the law in the first quarter of 2010 qualified as a significant event requiring remeasurement of other postretirement benefit obligations and plan assets as of March 31, 2010. Effective September 1, 2010, NiSource amended the Consolidated Flex Plan and established the NiSource Post-65 Retiree Medical Plan (the "Post-65 Retiree Plan") as a separate ERISA plan. In accordance with the amendment of the Consolidated Flex Plan and the establishment of the Post-65 Retiree Plan, Medicare supplement plan options for NiSource post-age 65 retirees and their eligible post-age 65 dependents are now offered under the Post-65 Retiree Plan, a retiree-only plan, and not under the Consolidated Flex Plan. The Post-65 Retiree Plan is not subject to the provisions of the 2010 Health Care Act requiring elimination of lifetime and restrictive annual benefit limits. The amendment of the Consolidated Flex Plan and the establishment of the Post-65 Retiree Plan required a second remeasurement of other postretirement benefit obligations and plan assets as of September 1, 2010. The effect of the change in the legislation and the plan amendment resulted in an increase to the other postretirement benefit obligation, net of plan assets, of $31.0 million and corresponding increases to regulatory assets and AOCI of $29.4 million and $1.6 million, respectively. Net periodic postretirement benefit cost for 2010 was also increased by approximately $2.2 million, of which $1.3 million was recognized during the second quarter of 2010 and $0.9 million was recognized during the third quarter of 2010.

The following table provides the key assumptions that were used to calculate the pension and other postretirement benefits obligations for NiSource's various plans as of December 31:

	Pension Benefits		Other Postretirement Benefits	
	2011	2010	**2011**	2010
Weighted-average assumptions to Determine Benefit Obligation				
Discount Rate	**4.60%**	5.00%	**4.88%**	5.29%
Rate of Compensation Increases	**4.00%**	4.00%		
Health Care Trend Rates				
Trend for Next Year			**7.50%**	8.00%
Ultimate Trend			**5.00%**	5.00%
Year Ultimate Trend Reached			**2017**	2017

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Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

(in millions)	1% point increase	1% point decrease
Effect on service and interest components of net periodic cost	$ 4.2	$ (3.8)
Effect on accumulated postretirement benefit obligation	60.3	(54.8)

NiSource expects to make contributions of approximately $3.3 million to its pension plans and approximately $51.7 million to its postretirement medical and life plans in 2012.

The following table provides benefits expected to be paid in each of the next five fiscal years, and in the aggregate for the five fiscal years thereafter. The expected benefits are estimated based on the same assumptions used to measure NiSource's benefit obligation at the end of the year and includes benefits attributable to the estimated future service of employees:

(in millions)	Pension Benefits	Other Postretirement Benefits	Federal Subsidy Receipts
Year(s)			
2012	$ 212.1	$ 54.4	$ 1.4
2013	220.2	54.9	1.7
2014	223.8	55.7	1.9
2015	217.7	56.1	2.0
2016	230.3	56.6	2.1
2017-2021	1,063.0	291.8	9.8

The following table provides the components of the plans' net periodic benefits cost for each of the three years:

(in millions)	Pension Benefits			Other Postretirement Benefits		
	2011	2010	2009	**2011**	2010	2009
Components of Net Periodic Benefit Cost (Income)						
Service cost	**$ 37.5**	$ 39.2	$ 36.0	**$ 9.9**	$ 9.8	$ 8.8
Interest cost	**119.5**	125.7	143.1	**38.6**	41.4	47.7
Expected return on assets	**(167.0)**	(143.7)	(121.8)	**(26.6)**	(23.8)	(16.9)
Amortization of transitional obligation	**-**	-	-	**1.2**	1.3	8.0
Amortization of prior service cost	**0.2**	2.0	3.9	**(0.5)**	1.1	1.0
Recognized actuarial loss	**55.7**	57.8	65.8	**6.6**	6.7	7.8
Net Periodic Benefit Costs	**45.9**	81.0	127.0	**29.2**	36.5	56.4
Additional loss recognized due to:						
Settlement loss	**-**	1.3	-	**-**	-	-
Total Net Periodic Benefits Cost	**$ 45.9**	$ 82.3	$ 127.0	**$ 29.2**	$ 36.5	$ 56.4

NiSource recognized cost of $45.9 million for its pension plans in 2011 compared to cost of $82.3 million in 2010 due primarily to favorable long-term expected returns on plan assets in 2010 and increased employer contributions in 2010 compared to 2009. For its other postretirement benefit plans, NiSource recognized $29.2 million in cost in 2011 compared to $36.5 million in cost in 2010 due primarily to favorable returns on plan assets in 2010. For 2011

and 2010, pension and other postretirement benefit cost of approximately $58.3 million and $6.2 million, respectively, was capitalized as a component of plant or recognized as a regulatory asset or liability consistent with regulatory orders for certain of NiSource's regulated businesses.

The following table provides the key assumptions that were used to calculate the net periodic benefits cost for NiSource's various plans:

	Pension Benefits			Postretirement Benefits		
	2011	**2010**	**2009**	**2011**	**2010**	**2009**
Weighted-average Assumptions to Determine Net Periodic Benefit Cost						
Discount Rate	**5.00%**	5.54%	6.92%	**5.29%**	5.86%	6.92%
Expected Long-Term Rate of Return on Plan Assets	**8.75%**	8.75%	8.75%	**8.75%**	8.75%	8.75%
Rate of Compensation Increases	**4.00%**	4.00%	4.00%	-	-	-

NiSource believes it is appropriate to assume an 8.75% rate of return on pension plan assets for its calculation of 2011 pension benefits cost. This is primarily based on asset mix and historical rates of return.

The following table provides other changes in plan assets and projected benefit obligations recognized in other comprehensive income or regulatory asset or liability:

	Pension Benefits		Other Postretirement Benefits	
(in millions)	**2011**	2010	**2011**	2010
Other Changes in Plan Assets and Projected Benefit Obligations Recognized in Other Comprehensive Income or Regulatory Asset or Liability				
Settlements	-	(1.3)	-	-
Net prior service cost/(credit)	**0.2**	0.4	**(0.5)**	1.4
Net actuarial (gain)/loss	**297.9**	44.1	**58.7**	4.9
Less: amortization of transitional (asset)/obligation	-	-	**(1.3)**	-
Less: amortization of prior service cost	**(0.2)**	(2.0)	**0.5**	-
Less: amortization of net actuarial (gain)/loss	**(55.7)**	(57.8)	**(6.6)**	(6.8)
Total Recognized in Other Comprehensive Income or Regulatory Asset or Liability	**$ 242.2**	$ (16.6)	**$ 50.8**	$ (2.9)
Amount Recognized in Net Periodic Benefits Cost and Other Comprehensive Income or Regulatory Asset or Liability	**$ 288.1**	$ 65.7	**$ 80.0**	$ 33.6

Based on a December 31 measurement date, the net unrecognized actuarial loss, unrecognized prior service cost (credit), and unrecognized transition obligation that will be amortized into net periodic benefit cost during 2012 for the pension plans are $81.2 million, $0.2 million and zero, respectively, and for other postretirement benefit plans are $9.5 million, $(0.5) million and $1.2 million, respectively.

13. Authorized Classes of Cumulative Preferred and Preference Stocks

NiSource has 20,000,000 authorized shares of Preferred Stock with a $0.01 par value, of which 4,000,000 shares are designated Series A Junior Participating Preferred Shares.

The authorized classes of par value and no par value cumulative preferred and preference stocks of Northern Indiana are as follows: 2,400,000 shares of Cumulative Preferred with a $100 par value; 3,000,000 shares of Cumulative Preferred with no par value; 2,000,000 shares of Cumulative Preference with a $50 par value; and 3,000,000 shares of Cumulative Preference with no par value.

As of December 31, 2011, NiSource and Northern Indiana had no preferred shares outstanding. All of NiSource's retained earnings at December 31, 2011 are free of restrictions.

14. Common Stock

As of December 31, 2011, NiSource had 400,000,000 authorized shares of common stock with a $0.01 par value.

Common Stock Dividend. Holders of shares of NiSource's common stock are entitled to receive dividends when, as and if declared by the Board out of funds legally available. The policy of the Board has been to declare cash dividends on a quarterly basis payable on or about the 20th day of February, May, August and November. NiSource has paid quarterly common dividends totaling $0.92 per share for the 2011, 2010 and 2009 years. By unanimous written consent dated January 27, 2012, the Board declared a quarterly common dividend of $0.23 per share, payable on February 20, 2012 to holders of record on February 6, 2012.

Dividend Reinvestment and Stock Purchase Plan. NiSource offers a Dividend Reinvestment and Stock Purchase Plan which allows participants to reinvest dividends and make voluntary cash payments to purchase additional shares of common stock on the open market.

Forward Agreements. On September 14, 2010, NiSource and Credit Suisse Securities (USA) LLC, as forward seller, closed an underwritten registered public offering of 24,265,000 shares of NiSource's common stock. All of the shares sold were borrowed and delivered to the underwriters by the forward seller. NiSource did not receive any of the proceeds from the sale of the borrowed shares, but NiSource will receive proceeds upon settlement of the Forward Agreements referred to below.

In connection with the public offering, NiSource entered into forward sale agreements ("Forward Agreements") with an affiliate of the forward seller covering an aggregate of 24,265,000 shares of NiSource's common stock. Settlement of the Forward Agreements is expected to occur no later than September 10, 2012. Subject to certain exceptions, NiSource may elect cash or net share settlement for all or a portion of its obligations under the Forward Agreements. Upon any physical settlement of the Forward Agreements, NiSource will deliver shares of its common stock in exchange [illegible]sh proceeds at the forward sale price, which initially is $15.9638 and is subject to adjustment as provided in the Forward Agreements. The [illegible] forward initial forward price represents the public offering price of $16.50 per share, net of underwriting discounts and commissions. If the equity forward had been settled by delivery of shares at December 31, 2011, the Company would have received approximately $357.2 million based on a forward price of $14.7224 for the 24,265,000 shares. The Company currently anticipates settling the equity forward by delivering shares.

In accordance with ASC 815-40, *Derivatives and Hedging- Contracts in Entity's Own Equity,* NiSource has classified the Forward Agreements as an equity transaction. As a result of this classification, no amounts have been recorded in the consolidated financial statements as of and for the period ended December 31, 2011 in connection with the Forward Agreements. The only impact to the Consolidated Financial Statements is the inclusion of incremental shares within the calculation of fully diluted EPS under the treasury stock method. Refer to Note 1-M, "Earnings Per Share," for additional information.

15. Share-Based Compensation

Prior to May 11, 2010, NiSource issued long-term equity incentive grants to key management employees under a long-term incentive plan approved by stockholders on April 13, 1994 (1994 Plan). The 1994 Plan, as amended and restated, permits the following types of grants, separately or in combination: nonqualified stock options, incentive stock options, restricted stock awards, stock appreciation rights, restricted stock units, contingent stock units and dividend equivalents payable on grants of options, performance shares and contingent stock awards.

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NISOURCE INC.
Notes to Consolidated Financial Statements

The Stockholders approved and adopted the NiSource Inc. 2010 Omnibus Incentive Plan (the "Omnibus Plan"), at the Annual Meeting of Stockholders held on May 11, 2010. The Omnibus Plan provides that the number of shares of common stock of the Company available for awards is 8,000,000 plus the number of shares subject to outstanding awards granted under either the 1994 Plan or the Director Plan (described below) that expire or terminate for any reason and no further awards are permitted to be granted under the 1994 Plan or the Director Plan. The types of awards authorized under the Omnibus Plan do not significantly differ from those previously allowed under the 1994 Plan. As of December 31, 2011, there were 8,315,014 shares reserved for future awards under the Omnibus Plan.

NiSource recognized stock-based employee compensation expense of $13.4 million, $11.2 million and $9.6 million during the years of 2011, 2010 and 2009, respectively, as well as related tax benefits of $4.7 million, $3.7 million and $4.0 million, respectively.

As of December 31, 2011, the total remaining unrecognized compensation cost related to nonvested awards amounted to $13.8 million, which will be amortized over the weighted-average remaining requisite service period of 1.7 years.

Stock Options. Option grants may be awarded with an exercise price equal to the average of the high and low market price on the day of the grant. As of December 31, 2011, the weighted average remaining contractual life of the options outstanding and exercisable was 1.9 years. Stock option transactions for the year ended December 31, 2011 were as follows:

	Options	Weighted Average Option Price ($)
Outstanding at December 31, 2010	4,097,635	22.51
Granted	-	-
Exercised	(423,577)	20.70
Cancelled	(855,343)	24.81
Outstanding at December 31, 2011	2,818,715	22.09
Exercisable at December 31, 2011	2,818,715	22.09

No options were granted during the years ended December 31, 2011, 2010, and 2009. As of December 31, 2011, the aggregate intrinsic value for the options outstanding and exercisable was $4.9 million. During 2011, cash received from the exercise of options was $8.8 million and benefit of $0.2 million was realized. No options were exercised during 2010 and 2009.

Restricted Stock Units. In 2011, NiSource granted restricted stock units of 142,593, subject to service conditions. The total grant date fair value of the restricted units was $2.4 million, based on the average market price of NiSource's common stock at the date of each grant less the present value of dividends not received during the vesting period, which will be expensed, net of forfeitures, over the vesting period of approximately three years. The service conditions for 120,355 units lapse on January 2014 when 100% of the units vest. If before January 2014, the employee terminates employment due to (1) Retirement or Disability (as defined in the award agreement), or (2) the employment conditions will lapse with respect to a pro rata portion of the restricted units on the date of termination. In the event of a Change-in-Control (as defined in the award agreement), all unvested restricted unties will immediately vest. Termination due to any other reason will result in all restricted units awarded being forfeited effective on the employee's date of termination. The service conditions lapse for the remaining 22,236 units between March 2012 and July 2014. As of December 31, 2011, 139,540 nonvested restricted stock units were granted and outstanding for the 2011 award.

In 2010, NiSource granted restricted stock units of 265,134, subject to service conditions. The total grant date fair value of the restricted units was $3.5 million, based on the average market price of NiSource's common stock at the date of each grant less the present value of dividends not received during the vesting period, which will be expensed, net of forfeitures, over the vesting period of approximately three years. The service conditions for 212,428 units

lapse on January 2013 when 100% of the units vest. If before January 2013, the employee terminates employment due to (1) Retirement or Disability (as defined in the award agreement), or (2) the employment conditions will lapse with respect to a pro rata portion of the restricted units on the date of termination. In the event of a Change-in-Control (as defined in the award agreement), all unvested restricted units will immediately vest. Termination due to any other reason will result in all restricted units awarded being forfeited effective on the employee's date of termination. The service conditions lapse for the remaining 52,706 units between August 2012 and December 2014. As of December 31, 2011, 239,110 nonvested restricted stock units were granted and outstanding for the 2010 award.

In 2009, NiSource granted restricted stock units of 335,068, subject to service conditions. The total grant date fair value of the restricted units was $2.5 million, based on the average market price of NiSource's common stock at the date of each grant less the present value of dividends not received during the vesting period, which will be expensed, net of forfeitures, over the vesting period of approximately three years. The service conditions for 313,568 units lapsed on January 2012. The service conditions lapse for the remaining 21,500 units between August 2012 and June 2014. As of December 31, 2011, 275,904 nonvested restricted stock units were granted and outstanding for the 2009 award.

	Restricted Stock Units	Weighted Average Grant Date Fair Value ($)
Nonvested at December 31, 2010	762,541	11.26
Granted	142,593	17.13
Forfeited	(50,071)	9.95
Vested	(200,509)	14.62
Nonvested and expected to vest at December 31, 2011	**654,554**	**11.61**

Time-accelerated Awards . NiSource awarded restricted shares and restricted stock units that contain provisions for time-accelerated vesting to key executives under the 1994 Plan. Most of these awards were issued in January 2003 and January 2004. These awards of restricted stock or restricted stock units generally vested over a period of six years or, in the case of restricted stock units, at age 62 if an employee would become age 62 within six years, but not less than three years. If certain predetermined criteria involving measures of total shareholder return had been met, as measured at the end of the third year after the grant date, the awards would have vested at the end of the third year. The total shareholder return measures lished were not met; therefore, these grants did not have an accelerated vesting period. During the first quarter of 2010, all awards with time- erated vesting provisions vested due to the lapse of service conditions. There was no activity related to restricted shares and restricted stock s that contain provisions for time-accelerated vesting for the year ended December 31, 2011.

Performance Shares . In 2011, NiSource granted 749,237 performance shares subject to performance conditions. The grant date fair-value of the awards was $12.0 million, based on the average market price of NiSource's common stock at the date of each grant less the present value of dividends not received during the vesting period which will be expensed, net of forfeitures, over the three year requisite service period. The performance conditions are based on achievement of non-GAAP financial measures: cumulative net operating earnings, that NiSource defines as income from continuing operations adjusted for certain items; cumulative funds from operations that NiSource defines as net operating cash flows provided by continuing operations; and total debt that NiSource defines as total debt adjusted for significant movement in natural gas prices and other adjustments determined by the Board. The service conditions lapse on January 31, 2014 when the shares vest provided the performance criteria are satisfied. If the employee terminates employment before January 28, 2014 due to (1) Retirement or Disability (as defined in the award agreement), or (2) the employment conditions will lapse with respect to a pro rata portion of the performance shares on the date of termination. In the event of a Change-in-Control (as defined in the award agreement), all unvested performance shares will immediately vest. Termination due to any other reason will result in all performance shares awarded being forfeited effective on the employee's date of termination. As of December 31, 2011, 692,997 nonvested performance shares were granted and outstanding for the 2011 award.

In 2010, NiSource granted 662,969 contingent stock units subject to performance conditions. The grant date fair-value of the awards was $8.6 million, based on the average market price of NiSource's common stock at the date of each grant less the present value of dividends not received during the vesting period which will be expensed, net of

forfeitures, over the three year requisite service period. The performance conditions are based on achievement of non-GAAP financial measures: cumulative net operating earnings, that NiSource defines as income from continuing operations adjusted for certain items; cumulative funds from operations that NiSource defines as net operating cash flows provided by continuing operations; and total debt that NiSource defines as total debt adjusted for significant movement in natural gas prices and other adjustments determined by the Board. The service conditions lapse on January 31, 2013 when 100% of the shares vest provided the performance criteria is satisfied. If the employee terminates employment before January 31, 2013 due to (1) Retirement or Disability (as defined by the award agreement), or (2) the employment conditions will lapse with respect to a pro rata portion of the contingent units on the date of termination. In the event of a Change-in-Control (as defined by the award agreement), all unvested contingent stock units will immediately vest. Termination due to any other reason will result in all contingent units awarded being forfeited effective on the employee's date of termination. As of December 31, 2011, 601,041 nonvested contingent stock units were granted and outstanding for the 2010 award.

In 2009, NiSource granted 940,707 contingent stock units subject to performance conditions. The grant date fair-value of the awards was $7.0 million, based on the average market price of NiSource's common stock at the date of each grant less the present value of dividends not received during the vesting period which will be expensed, net of forfeitures, over the three year requisite service period. The performance conditions are based on achievement of non-GAAP financial measures: cumulative net operating earnings, that NiSource defines as income from continuing operations adjusted for certain items; cumulative funds from operations that NiSource defines as net operating cash flows provided by continuing operations; and total debt that NiSource defines as total debt adjusted for significant movement in natural gas prices and other adjustments determined by the Board. The service conditions lapse on January 31, 2012 when 100% of the shares vest provided the performance criteria are satisfied. If the employee terminates employment before January 31, 2012 due to (1) Retirement or Disability (as defined by the award agreement), or (2) the employment conditions will lapse with respect to a pro rata portion of the contingent units on the date of termination. In the event of a Change-in-Control (as defined by the award agreement), all unvestsed contingent stock units will immediately vest. Termination due to any other reason will result in all contingent units awarded being forfeited effective on the employee's date of termination. As of December 31, 2011, 774,082 nonvested contingent stock units were granted and outstanding for the 2009 award.

	Contingent Awards	Weighted Average Grant Date Fair Value ($)
Nonvested at December 31, 2010	1,977,628	
Granted	749,237	
Forfeited	(296,344)	13.07
Vested	(362,401)	13.62
Nonvested and expected to vest at December 31, 2011	**2,068,120**	**11.98**

Non-employee Director Awards . As of May 11, 2010, awards to non-employee directors may be made only under the Omnibus Plan. Currently, restricted stock units are granted annually to non-employee directors, subject to a non-employee director's election to defer receipt of such restricted stock unit award. The non-employee director's restricted stock units vest on the last day of the non-employee director's annual term corresponding to the year the restricted stock units were awarded subject to special pro-rata vesting rules in the event of Retirement of Disability (as defined in the award agreement), or death. The vested restricted stock units are payable as soon as practicable following vesting except as otherwise provided pursuant to the non-employee director's election to defer. As of December 31, 2011, 113,476 restricted stock units had been issued under the Omnibus Plan.

Only restricted stock units remain outstanding under the prior plan for non-employee directors, the Amended and Restated Non-employee Director Stock Incentive Plan (the "Director Plan"). All such awards are fully vested and shall be distributed to the directors upon their separation from the Board. As of December 31, 2011, 241,401 restricted stock units remain outstanding under the Director Plan and as noted above no further shares may be issued under the Director Plan.

401 (k) Match, Profit Sharing and Company Contribution. NiSource has a voluntary 401(k) savings plan covering eligible employees that allows for periodic discretionary matches as a percentage of each participant's contributions in newly issued shares of common stock. NiSource also has a retirement savings plan that provides for discretionary

profit sharing contributions of shares of common stock to eligible employees based on earnings results; and, effective January 1, 2010, eligible exempt employees hired after January 1, 2010, receive a non-elective company contribution of three percent of eligible pay in shares of common stock. For the years ended December 31, 2011, 2010 and 2009, NiSource recognized 401(k) match, profit sharing and non-elective contribution expense of $25.9 million, $19.7 million and $14.9 million, respectively.

16. Long-Term Debt

NiSource Finance is a 100% owned, consolidated finance subsidiary of NiSource that engages in financing activities to raise funds for the business operations of NiSource and its subsidiaries. NiSource Finance was incorporated in February 2000 under the laws of the state of Indiana. Prior to 2000, the function of NiSource Finance was performed by Capital Markets. NiSource Finance obligations are fully and unconditionally guaranteed by NiSource. Consequently no separate financial statements for NiSource Finance are required to be reported. No other NiSource subsidiaries guarantee debt.

On November 23, 2011, NiSource Finance issued $250.0 million of 4.45% senior unsecured notes that mature December 1, 2021 and $250.0 million of 5.80% senior unsecured notes that mature February 1, 2042.

On November 14, 2011, NiSource Finance commenced a cash tender offer for up to $250.0 million aggregate principal amount of its outstanding 10.75% notes due 2016 and 6.15% notes due 2013. A condition of the offering was that all validly tendered 2016 notes would be accepted for purchase before any 2013 notes were accepted. On December 13, 2011, NiSource Finance announced that approximately $125.3 million of the aggregate principal amount of its outstanding 10.75% notes due 2016 were validly tendered and accepted for purchase. In addition, approximately $228.7 million of the aggregate principal amount of outstanding 6.15% notes due 2013 were validly tendered, of which $124.7 million were accepted for purchase. In accordance with the provisions of ASC 470, *Debt,* NiSource Finance determined the debt issued on November 23, 2011, was substantially different from the tendered notes, and therefore the transaction qualified as a debt extinguishment. NiSource Finance recorded a $53.9 million loss on early extinguishment of long-term debt, primarily attributable to early redemption premiums and unamortized discounts and fees.

During July 2011, Northern Indiana redeemed $18.7 million of its medium-term notes, with an average interest rate of 7.30%.

June 10, 2011, NiSource Finance issued $400.0 million of 5.95% senior unsecured notes that mature June 15, 2041.

ecember 8, 2010, NiSource Finance issued $250.0 million of 6.25% senior unsecured notes that mature December 15, 2040.

On December 1, 2010, NiSource Finance commenced a cash tender offer for up to $250.0 million aggregate principal amount of its outstanding 10.75% notes due 2016 and 6.80% notes due 2019. A condition of the offering was that all validly tendered 2016 notes would be accepted for purchase before any 2019 notes were accepted. On December 14, 2010, NiSource Finance announced that approximately $272.9 million of the aggregate principal amount of its outstanding 10.75% notes due 2016 were validly tendered. Based upon the principal amount of the 2016 notes tendered, NiSource Finance increased the maximum aggregate principal amount of 2016 notes it would purchase from $250.0 million to $325.0 million and terminated the portion of the tender offer related to its 6.80% notes due 2019. On December 30, 2010, NiSource Finance announced that $273.1 million of these notes were successfully tendered and accepted for purchase. In accordance with the provisions of ASC 470, *Debt,* NiSource Finance determined the debt issued on December 8, 2010 was substantially different from the tendered notes, and therefore the transaction qualified as a debt extinguishment. NiSource Finance recorded a $96.7 million loss on early extinguishment of long-term debt, primarily attributable to early redemption premiums and unamortized discounts and fees.

On November 15, 2010, NiSource Finance redeemed $681.8 million of its 7.875% unsecured notes.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

NISOURCE INC.
Notes to Consolidated Financial Statements

Following are the outstanding long-term debt sinking fund requirements and maturities at December 31, 2011. The long-term debt maturities shown below include capital lease obligations and the debt of certain low-income housing real estate investments. NiSource does not guarantee the long-term debt obligations of the low-income housing real estate investments.

Year Ending December 31, *(in millions)*	
2012	$ 327.3
2013	501.4
2014	567.3
2015	237.0
2016	426.7
After	4,572.1
Total(1)	$ 6,631.8

(1) This amount excludes $37.4 million of unamortized discount and premium.

Unamortized debt expense, premium and discount on long-term debt applicable to outstanding bonds are being amortized over the life of such bonds. Reacquisition premiums have been deferred and are being amortized. These premiums are not earning a regulatory return during the recovery period.

Of NiSource's long-term debt outstanding at December 31, 2011, $109.0 million was issued by NiSource's subsidiary, Capital Markets. The financial obligations of Capital Markets are subject to a Support Agreement between NiSource and Capital Markets, under which NiSource has committed to make payments of interest and principal on Capital Markets' obligations in the event of a failure to pay by Capital Markets. Under the terms of the Support Agreement, in addition to the cash flow from cash dividends paid to NiSource by any of its consolidated subsidiaries, the assets of NiSource, other than the stock and assets of Northern Indiana, are available as recourse for the benefit of Capital Markets' creditors. The carrying value of the NiSource assets, excluding the assets of Northern Indiana, was $15.0 billion at December 31, 2011.

NiSource Finance maintains $500.0 million notional value of interest rate swap agreements relating to its outstanding long-term debt. The effect of these agreements is to modify the interest rate characteristics of a portion of their respective long-term debt from fixed to variable. Refer to N "Risk Management and Energy Marketing Activities," in the Notes to Consolidated Financial Statements for further information regarding in rate swaps.

NiSource is subject to one financial covenant under its four-year revolving credit facility. This covenant requires NiSource to maintain a debt to capitalization ratio that does not exceed 70%. A similar covenant in a 2005 private placement note purchase agreement requires NiSource to maintain a debt to capitalization ratio that does not exceed 75%. As of December 31, 2011, the ratio was 61.4%.

NiSource is also subject to certain other non-financial covenants under the revolving credit facility. Such covenants include a limitation on the creation or existence of new liens on NiSource's assets, generally exempting liens on utility assets, purchase money security interests, preexisting security interests and an additional subset of assets equal to $150 million. An asset sale covenant generally restricts the sale, lease and/or transfer of NiSource's assets to no more than 10% of its consolidated total assets and dispositions for a price not materially less than the fair market value of the assets disposed of that do not impair the ability of NiSource and NiSource Finance to perform obligations under the revolving credit facility, and that, together with all other such dispositions, would not have a material adverse effect. The revolving credit facility also include a cross-default provision, which triggers an event of default under the credit facility in the event of an uncured payment default relating to any indebtedness of NiSource or any of its subsidiaries in a principal amount of $50 million or more.

NiSource's indentures generally do not contain any financial maintenance covenants. However, NiSource's indentures are generally subject to cross default provisions ranging from uncured payment defaults of $5 million to $50 million, and limitations on the incurrence of liens on NiSource's assets, generally exempting liens on utility assets, purchase money security interests, preexisting security interests and an additional subset of assets capped at 10% of NiSource's consolidated net tangible assets.

17. Short-Term Borrowings

During June 2011, NiSource Finance implemented a new commercial paper program with a program limit of up to $500.0 million with a dealer group comprised of Barclays, Citigroup, Credit Suisse and Wells Fargo. Commercial paper issuances are supported by available capacity under NiSource's $1.5 billion unsecured revolving credit facility, which expires in March 2015. At December 31, 2011, NiSource had $402.7 million of commercial paper outstanding.

On March 3, 2011, NiSource Finance entered into a new $1.5 billion four-year revolving credit facility with a syndicate of banks led by Barclays Capital. The new facility has a termination date of March 3, 2015 and replaced an existing $1.5 billion five-year credit facility, which would have expired during July 2011. The purpose of the facility is to fund ongoing working capital requirements and for general corporate purposes, including supporting liquidity for NiSource's commercial paper program, and provides for the issuance of letters of credit. At December 31, 2011, NiSource had $725.0 million of outstanding borrowings under this facility.

As of December 31, 2011 and 2010, NiSource had $37.5 million and $32.5 million, respectively, of stand-by letters of credit outstanding, of which $19.2 million and $14.2 million, respectively, were under the revolving credit facility.

Beginning January 1, 2010, transfers of accounts receivable that previously qualified for sales accounting no longer qualify and are accounted for as secured borrowings resulting in the recognition of short-term debt on the Consolidated Balance Sheets in the amount of $231.7 million and $275.0 million as of December 31, 2011 and 2010, respectively. Refer to Note 19, "Transfers of Financial Assets," for additional information.

Short-term borrowings were as follows:

At December 31, *(in millions)*	2011	2010
Commercial Paper weighted average interest rate of 1.01% at December 31, 2011	$ 402.7	$
Credit facilities borrowings weighted average interest rate of 1.99% and 0.78% at December 31, 2011 and 2010, respectively	$ 725.0	$ 1,107.5
Accounts receivable securitization facility borrowings	231.7	275.0
Total short-term borrowings	$ 1,359.4	$ 1,382.5

short-term borrowings as of March 31, 2011, June 30, 2011 and September 30, 2011 were $1,263.0 million, $870.4 million and $1,234.0 n, respectively.

18. Fair Value Disclosures

A **Fair Value Measurements** . NiSource adopted the provisions of ASC Topic 820 – Fair Value Measurements and Disclosures for financial assets and liabilities on January 1, 2008 and non-financial assets and liabilities on January 1, 2009. There was no impact on retained earnings as a result of the adoption.

Recurring Fair Value Measurements . The following tables present financial assets and liabilities measured and recorded at fair value on NiSource's Consolidated Balance Sheet on a recurring basis and their level within the fair value hierarchy as of December 31, 2011 and December 31, 2010:

Recurring Fair Value Measurements December 31, 2011 (in millions)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of December 31, 2011
Assets				
Commodity price risk management assets:				
Physical price risk programs	$ -	$ 140.7	$ -	$ 140.7
Financial price risk programs (a)	148.3	2.5	0.3	151.1
Interest rate risk activities	-	56.7	-	56.7
Available-for-sale securities	32.9	63.1	-	96.0
Total	$ 181.2	$ 263.0	$ 0.3	$ 444.5
Liabilities				
Commodity price risk management liabilities:				
Physical price risk programs	$ -	$ 3.9	$ -	$ 3.9
Financial price risk programs	301.1	1.7	-	302.8
Total	$ 301.1	$ 5.6	$ -	$ 306.7

(a) During the fourth quarter of 2011, NiSource recorded a reserve of $22.6 million on certain assets related to the wind down of the unregulated natural gas marketing business. The financial price risk program amount above is shown gross and has not been adjusted for the reserve.

Recurring Fair Value Measurements December 31, 2010 (in millions)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of December 31, 2010
Assets				
Commodity Price risk management assets:				
Physical price risk programs	$ -	$ 161.4	$ -	$ 161.4
Financial price risk programs	173.8	3.2	0.3	177.3
Interest rate risk activities	-	61.1	-	61.1
Available-for-sale securities	43.5	37.9	-	81.4
Total	$ 217.3	$ 263.6	$ 0.3	$ 481.2
Liabilities				
Commodity Price risk management liabilities:				
Physical price risk programs	$ -	$ 3.6	$ -	$ 3.6
Financial price risk programs	348.5	3.3	0.1	351.9
Total	$ 348.5	$ 6.9	$ -	$ 355.5

Price risk management assets and liabilities include commodity exchange-traded and non-exchange-based derivative contracts. Exchange-traded derivative contracts are generally based on unadjusted quoted prices in active markets and are classified within Level 1. These financial assets and liabilities are secured with cash on deposit with the exchange; therefore nonperformance risk has not been incorporated into these valuations. Certain non-exchange-

traded derivatives are valued using broker or over-the-counter, on-line exchanges. In such cases, these non-exchange-traded derivatives are classified within Level 2. Non-exchange-based derivative instruments include swaps, forwards, and options. In certain instances, these instruments may utilize models to measure fair value. NiSource uses a similar model to value similar instruments. Valuation models utilize various inputs that include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, other observable inputs for the asset or liability, and market-corroborated inputs, i.e., inputs derived principally from or corroborated by observable market data by correlation or other means. Where observable inputs are available for substantially the full term of the asset or liability, the instrument is categorized in Level 2. Certain derivatives trade in less active markets with a lower availability of pricing information and models may be utilized in the valuation. When such inputs have a significant impact on the measurement of fair value, the instrument is categorized in Level 3. Credit risk is considered in the fair value calculation of derivative instruments that are not exchange-traded. Credit exposures are adjusted to reflect collateral agreements which reduce exposures.

To determine the fair value of derivatives associated with NiSource's unregulated natural gas marketing business, certain reserves were calculated. These reserves were primarily determined by evaluating the credit worthiness of certain customers, fair value of future cash flows, and the cost of maintaining restricted cash.

Price risk management assets also include fixed-to-floating interest-rate swaps, which are designated as fair value hedges, as a means to achieve its targeted level of variable-rate debt as a percent of total debt. NiSource uses a calculation of future cash inflows and estimated future outflows related to the swap agreements, which are discounted and netted to determine the current fair value. Additional inputs to the present value calculation include the contract terms, as well as market parameters such as current and projected interest rates and volatility. As they are based on observable data and valuations of similar instruments, the interest-rate swaps are categorized in Level 2 in the fair value hierarchy. Credit risk is considered in the fair value calculation of the interest rate swap.

Available-for-sale securities are investments pledged as collateral for trust accounts related to NiSource's wholly-owned insurance company. Available-for-sale securities are included within "Other investments" in the Consolidated Balance Sheets. Securities classified within Level 1 include U.S. Treasury debt securities which are highly liquid and are actively traded in over-the-counter markets. NiSource values corporate and mortgage-backed debt securities using a matrix pricing model that incorporates market-based information. These securities trade less frequently and are classified within Level 2. Unrealized gains and losses from available-for-sale securities are included in other comprehensive income. The amortized cost, gross unrealized gains and losses, and fair value of available-for-sale debt securities at December 31, 2011 and 2010 were:

(in millions)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale debt securities, December 31, 2011				
U.S. Treasury securities	$ 36.7	$ 1.7	$ -	$ 38.4
Corporate/Other bonds	56.3	1.6	(0.3)	57.6
Total Available-for-sale debt securities	**$ 93.0**	**$ 3.3**	**$ (0.3)**	**$ 96.0**

(in millions)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale debt securities, December 31, 2010				
U.S. Treasury securities	$ 43.4	$ 0.6	$ (0.5)	$ 43.5
Corporate/Other bonds	36.1	2.0	(0.2)	37.9
Total Available-for-sale debt securities	**$ 79.5**	**$ 2.6**	**$ (0.7)**	**$ 81.4**

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

NISOURCE INC.
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For the year ended December 31, 2011, 2010, and 2009 the realized gain on sale of available for sale U.S. Treasury debt securities was $0.5 million, $0.7 million and $1.1 million, respectively. For the year ended December 31, 2011, 2010, and 2009 the realized gain on sale of available for sale Corporate/Other bond debt securities was $0.9 million, $1.0 million, and $0.9 million.

The cost of maturities sold is based upon specific identification. At December 31, 2011, there are no U.S. Treasury debt securities with maturities of less than a year. At December 31, 2011 approximately $1.0 million of Corporate/Other bonds have maturities of less than a year while the remaining securities have maturities of greater than one year.

The following tables present the fair value reconciliation of Level 3 assets and liabilities measured at fair value on a recurring basis for the periods ended December 31, 2011 and December 31, 2010:

Period Ended December 31, 2011 *(in millions)*	Financial Transmission Rights	Other Derivatives	Total
Balance as of January 1, 2011	$ -	$ 0.2	$ 0.2
Total gains (losses) (unrealized/realized)			
Included in regulatory assets/liabilities	-	(1.1)	(1.1)
Purchases	-	1.2	1.2
Settlements	-		
Balance as of December 31, 2011	$ -	$ 0.3	$ 0.3
Change in unrealized gains/(losses) relating to instruments still held as of December 31, 2011	$ -	$ (0.4)	$ (0.4)

Period Ended December 31, 2010 *(in millions)*	Financial Transmission Rights	Other Derivatives	Total
Balance as of January 1, 2010	$ 1.9	$ 0.2	$ 2.1
Total gains (losses) (unrealized/realized)			
Included in regulatory assets/liabilities	(16.3)	-	(16.3)
Settlements	14.4	-	14.4
Balance as of December 31, 2010	$ -	$ 0.2	$ 0.2
Change in unrealized gains/(losses) relating to instruments still held as of December 31, 2010	$ -	$ -	$ -

As discussed in Note 9, Risk Management and Energy Marketing Activities, part of the MISO Day 2 initiative, Northern Indiana obtains FTRs, which help to offset congestion costs due to the MISO Day 2 activity. These instruments are considered derivatives and are classified as Level 3 and are reflected in the table above. FTRs are valued based on the value of allocated ARRs and forecasted congestion costs. Since congestion costs are recoverable through the fuel cost recovery mechanism, the related gains and losses associated with marking these derivatives to market are recorded as a regulatory asset or liability. Northern Indiana also writes options for regulatory incentive purposes which are also considered in the Level 3 valuations. Realized gains and losses for these Level 3 recurring items are included in income within Cost of Sales on the Statements of Consolidated Income. Unrealized gains and losses from Level 3 recurring items are included within Regulatory assets or Regulatory liabilities on the Consolidated Balance Sheets.

Non-recurring Fair Value Measurements . During the twelve months ended December, 31 2011, NiSource recorded $14.7 million of asset impairments as a result of third party appraisals. The fair value of these assets was determined based on unobservable inputs and is deemed to be a Level 3 fair value measurement under the fair value hierarchy. See Note 3, "Impairments, Restructuring and Other Charges", for further discussion.

There were no significant non-recurring fair value measurements recorded during the twelve months ended December 31, 2010.

B. Other Fair Value Disclosures for Financial Instruments . NiSource has certain financial instruments that are not measured at fair value on a recurring basis but nevertheless are recorded at amounts that approximate fair value due to their liquid or short-term nature, including cash and cash equivalents, restricted cash, accounts receivable, accounts payable, customer deposits and short-term borrowings. NiSource's long-term borrowings are recorded at historical amounts unless designated as a hedged item in a fair value hedge.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate fair value.

Long-term investments . NiSource has corporate owned life insurance which is measured and recorded at cash surrender value. NiSource's investments in corporate owned life insurance at December 31, 2011 and 2010 were $26.2 million and $26.0 million, respectively.

Long-term debt . The fair values of these securities are estimated based on the quoted market prices for the same or similar issues or on the rates offered for securities of the same remaining maturities. Certain premium costs associated with the early settlement of long-term debt are not taken into consideration in determining fair value.

The carrying amount and estimated fair values of financial instruments were as follows:

At December 31, *(in millions)*	**Carrying Amount 2011**	**Estimated Fair Value 2011**	Carrying Amount 2010	Estimated Fair Value 2010
Long-term investments	$ 26.7	$ 25.7	$ 26.7	$ 25.4
Long-term debt (including current portion)	**6,594.4**	**7,369.4**	5,970.3	6,482.4

19. Transfers of Financial Assets

Beginning January 1, 2010, transfers of accounts receivable that previously qualified for sales accounting no longer qualify and are accounted for as ed borrowings resulting in the recognition of short-term borrowings on the Consolidated Balance Sheets. The maximum amount of debt that e recognized related to NiSource's accounts receivable programs is $515 million.

Prior to January 1, 2010, NiSource's accounts receivable programs qualified for sale accounting based upon the conditions met in ASC Topic 860, *Transfers and Servicing* .

All accounts receivables sold to the commercial paper conduits are valued at face value, which approximates fair value due to their short-term nature. The amount of the undivided percentage ownership interest in the accounts receivables sold is determined in part by required loss reserves under the agreements. Below is information about the accounts receivable securitization agreements entered into by NiSource's subsidiaries.

On October 23, 2009, Columbia of Ohio entered into an agreement to sell, without recourse, substantially all of its trade receivables, as they originate, to CGORC, a wholly-owned subsidiary of Columbia of Ohio. CGORC, in turn, is party to an agreement with BTMU and RBS, also dated October 23, 2009, under the terms of which it sells an undivided percentage ownership interest in its accounts receivable to a commercial paper conduit sponsored by BTMU and RBS. On October 21, 2011, the agreement was renewed with an amendment increasing the maximum seasonal program limit from $200 million to $240 million. The amended agreement expires on October 19, 2012, and can be renewed if mutually agreed to by all parties. As of December 31, 2011, $102.5 million of accounts receivable had been transferred by CGORC. CGORC is a separate corporate entity from NiSource and Columbia of Ohio, with its own separate obligations, and upon a liquidation of CGORC, CGORC's obligations must be satisfied out of CGORC's assets prior to any value becoming available to CGORC's stockholder. Under the agreement, an event of termination occurs if NiSource's debt rating is withdrawn by either Standard & Poor's or Moody's, or falls below BB- or Ba3 at either Standard & Poor's or Moody's, respectively.

On October 23, 2009, Northern Indiana entered into an agreement to sell, without recourse, substantially all of its trade receivables, as they originate, to NARC, a wholly-owned subsidiary of Northern Indiana. NARC, in turn, is party to an agreement with RBS, also dated October 23, 2009, under the terms of which it sells an undivided percentage ownership interest in its accounts receivable to a commercial paper conduit sponsored by RBS. The maximum seasonal program limit under the terms of the agreement is $200 million. On August 31, 2011, the agreement was renewed, having a new scheduled termination date of August 29, 2012, and can further be renewed if mutually agreed to by both parties. As of December 31, 2011, $100.0 million of accounts receivable had been transferred by NARC. NARC is a separate corporate entity from NiSource and Northern Indiana, with its own separate obligations, and upon a liquidation of NARC, NARC's obligations must be satisfied out of NARC's assets prior to any value becoming available to NARC's stockholder. Under the agreement, an event of termination occurs if Northern Indiana's debt rating is withdrawn by either Standard & Poor's or Moody's, or falls below BB or Ba2 at either Standard & Poor's or Moody's, respectively.

On March 15, 2010, Columbia of Pennsylvania entered into an agreement to sell, without recourse, substantially all of its trade receivables, as they originate, to CPRC, a wholly-owned subsidiary of Columbia of Pennsylvania. CPRC, in turn, is party to an agreement with BTMU, also dated March 15, 2010, under the terms of which it sells an undivided percentage ownership interest in its accounts receivable to a commercial paper conduit sponsored by BTMU. The maximum seasonal program limit under the terms of the agreement is $75 million. On March 14, 2011, the agreement was renewed, having a new scheduled termination date of March 13, 2012, and can be further renewed if mutually agreed to by both parties. As of December 31, 2011, $29.2 million of accounts receivable has been transferred by CPRC. CPRC is a separate corporate entity from NiSource and Columbia of Pennsylvania, with its own separate obligations, and upon a liquidation of CPRC, CPRC's obligations must be satisfied out of CPRC's assets prior to any value becoming available to CPRC stockholder. Under the agreement, an event of termination occurs if NiSource's debt rating is withdrawn by either Standard & Poor's or Moody's, or falls below BB- or Ba3 at either Standard & Poor's or Moody's, respectively.

The following tables reflect the gross and net receivables transferred as well as short-term borrowings related to the securitization transactions as of December 31, 2011 and December 31, 2010 for Columbia of Ohio, Northern Indiana and Columbia of Pennsylvania:

(in millions)	**December 31, 2011**	December 31, 2010
Gross Receivables interest	$ 510.5	$ 655.6
Less: Receivables not transferred	278.8	
Net receivables transferred	$ 231.7	$
Short-term debt due to asset securitization	$ 231.7	$ 275.0

For the year ended December 31, 2009, NiSource received proceeds from receivables sold of $2,808.4 million, remitted collections to the commercial paper conduits of $2,923.4 million and repurchased receivables of $133.1 million. This resulted in a net use of operating cash flows of $248.1 million. Additionally, for the year ended December 31, 2009, $8.9 million of fees associated with the securitization transactions were recorded as other, net expense.

Beginning January 1, 2010, transfers of accounts receivable that previously qualified for sale accounting no longer qualify and are accounted for as secured borrowings. As such, at December 31, 2011 and 2010, the entire gross receivables balance remains on the Consolidated Balance Sheets and short-term borrowings are recorded in the amount of proceeds received from the commercial paper conduits involved in the transactions. During 2011 and 2010, $43.3 million and $275.0 million was recorded as cash from financing activities related to the change in short-term borrowings due to the securitization transactions, respectively. For the year ended December 2011 and 2010, $3.8 million and $6.3 million of fees associated with the securitization transactions were recorded as interest expense, respectively. Columbia of Ohio, Northern Indiana and Columbia of Pennsylvania remain responsible for collecting on the receivables securitized and the receivables cannot be sold to another party.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

NISOURCE INC.
Notes to Consolidated Financial Statements

20. Other Commitments and Contingencies

A. Guarantees and Indemnities . As a part of normal business, NiSource and certain subsidiaries enter into various agreements providing financial or performance assurance to third parties on behalf of certain subsidiaries. Such agreements include guarantees and stand-by letters of credit. These agreements are entered into primarily to support or enhance the creditworthiness otherwise attributed to a subsidiary on a stand-alone basis, thereby facilitating the extension of sufficient credit to accomplish the subsidiaries' intended commercial purposes. The total guarantees and indemnities in existence at December 31, 2011 and the years in which they expire are:

(in millions)	Total	2012	2013	2014	2015	2016	After
Guarantees of subsidiaries debt	$ 6,120.8	$ 315.0	$ 420.3	$ 500.0	$ 230.0	$ 291.5	$ 4,364.0
Guarantees supporting energy commodity contracts of subsidiaries	148.4	66.5	-	-	80.0	-	1.9
Accounts receivable securitization	231.7	231.7	-	-	-	-	-
Lines of credit	1,127.7	1,127.7	-	-	-	-	-
Letters of credit	37.5	36.2	0.3	1.0	-	-	-
Other guarantees	272.5	12.0	224.3	32.2	-	-	4.0
Total commercial commitments	$ 7,938.6	$ 1,789.1	$ 644.9	$ 533.2	$ 310.0	$ 291.5	$ 4,369.9

Guarantees of Subsidiaries Debt . NiSource has guaranteed the payment of $6.1 billion of debt for various wholly-owned subsidiaries including NiSource Finance and Columbia of Massachusetts, and through a support agreement, Capital Markets, which is reflected on NiSource's Consolidated Balance Sheets. The subsidiaries are required to comply with certain covenants under the debt indenture and in the event of default, NiSource would be obligated to pay the debt's principal and related interest. NiSource does not anticipate its subsidiaries will have any difficulty maintaining compliance. On October 3, 2011, NiSource executed a Second Supplemental Indenture to the original Columbia of Massachusetts Indenture dated April 1, 1991, for the specific purpose of guaranteeing Columbia of Massachusetts' outstanding medium-term notes.

Guarantees Supporting Commodity Transactions of Subsidiaries . NiSource has issued guarantees, which support up to $148.4 million of commodity-related payments for its current subsidiaries involved in energy marketing activities. These guarantees were provided to counterparties in order to facilitate physical and financial transactions involving natural gas services. To the extent liabilities exist under the commodity-related contracts subject to these guarantees, such liabilities are included in the Consolidated Balance Sheets.

s and Letters of Credit and Accounts Receivable Advances . On March 3, 2011, NiSource Finance entered into a new $1.5 billion four-year ving credit facility with a syndicate of banks led by Barclays Capital. The new facility replaced an existing $1.5 billion five-year credit facility which would have expired during July 2011. The new facility has a termination date of March 3, 2015. The purpose of the facility is to fund ongoing working capital requirements and for general corporate purposes, including supporting liquidity for NiSource's commercial paper program, and provides for the issuance of letters of credit. At December 31, 2011, NiSource had $725.0 million in borrowings under its four-year revolving credit facility, $402.7 million outstanding under its commercial paper program and $231.7 million outstanding under its accounts receivable securitization agreements. At December 31, 2011, NiSource had issued stand-by letters of credit of approximately $37.5 million for the benefit of third parties. See Note 17, "Short-term Borrowings," of the Notes to Consolidated Financial Statements for additional information.

Other Guarantees or Obligations . On June 30, 2008, NiSource's subsidiary, PEI, sold Whiting Clean Energy to BPAE for $216.7 million which included $16.1 million in working capital. The agreement with BPAE contains representations, warranties, covenants and closing conditions. NiSource has executed purchase and sales agreement guarantees totaling $220 million which guarantee performance of PEI's covenants, agreements, obligations, liabilities, representations and warranties under the agreement with BPAE. No amounts related to the purchase and sale agreement guarantees are reflected in the Consolidated Balance Sheet as of December 31, 2011. These guarantees are due to expire in June 2013.

NiSource has additional purchase and sale agreement guarantees totaling $30.0 million, which guarantee performance of the seller's covenants, agreements, obligations, liabilities, representations and warranties under the agreements. No amounts related to the purchase and sale agreement guarantees are reflected in the Consolidated Balance Sheets. Management believes that the likelihood NiSource would be required to perform or otherwise incur any significant losses associated with any of the aforementioned guarantees is remote.

In connection with Millennium's refinancing of its long-term debt in August 2010, NiSource provided a letter of credit to Union Bank N.A., as Collateral Agent for deposit into a debt service reserve account as required under the Deposit and Disbursement Agreement governing the Millennium notes offering. This account is to be drawn upon by the note holders in the event that Millennium is delinquent on its principal and interest payments. The value of NiSource's letter of credit represents 47.5% (NiSource's ownership percentage in Millennium) of the Debt Service Reserve Account requirement, or $16.2 million. The total exposure for NiSource is $16.2 million. NiSource recorded an accrued liability of $1.5 million related to the inception date fair value of this guarantee as of December 31, 2011.

NiSource has issued other guarantees supporting derivative related payments associated with interest rate swap agreements issued by NiSource Finance, operating leases for many of its subsidiaries and for other agreements entered into by its current and former subsidiaries.

B. Other Legal Proceedings . In the normal course of its business, NiSource and its subsidiaries have been named as defendants in various legal proceedings. In the opinion of management, the ultimate disposition of these currently asserted claims will not have a material impact on NiSource's consolidated financial position.

C. Tax Matters . NiSource records liabilities for potential income tax assessments. The accruals relate to tax positions in a variety of taxing jurisdictions and are based on management's estimate of the ultimate resolution of these positions. These liabilities may be affected by changing interpretations of laws, rulings by tax authorities, or the expiration of the statute of limitations. NiSource is part of the IRS's Large and Mid-Size Business program. As a result each year's federal income tax return is typically audited by the IRS. As of December 31, 2011, tax years through 2007 have been audited and are effectively closed to further assessment. The audit of tax years 2008 and 2009 began on June 2, 2011. As of December 31, 2011, there were no state income tax audits in progress that would have a material impact on the consolidated financial statements.

NiSource is currently being audited for sales and use tax compliance in the states of Virginia, Kentucky, Pennsylvania, Ohio, Maine and Massachusetts.

D. Environmental Matters.

NiSource operations are subject to environmental statutes and regulations related to air quality, water quality, hazardous waste and solid waste. NiSource believes that it is in substantial compliance with those environmental regulations currently applicable to its operations and believes that it has all necessary permits to conduct its operations.

It is management's continued intent to address environmental issues in cooperation with regulatory authorities in such a manner as to achieve mutually acceptable compliance plans. However, there can be no assurance that fines and penalties will not be incurred. Management expects a significant portion of environmental assessment and remediation costs to be recoverable through rates for certain NiSource companies.

As of December 31, 2011 and 2010, NiSource had recorded reserves of approximately $173.5 million and $79.8 million, respectively, to cover environmental remediation at various sites. See below for a discussion regarding the increase in the reserves in 2011. NiSource accrues for costs associated with environmental remediation obligations when the incurrence of such costs is probable and the amounts can be reasonably estimated. The original estimates for cleanup can differ materially from the amount ultimately expended. The actual future expenditures depend on many factors, including currently enacted laws and regulations, the nature and extent of contamination, the method of cleanup, and the availability of cost recovery from customers. These expenditures are not currently estimable at some sites. NiSource periodically adjusts its reserves as information is collected and estimates become more refined.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

Air

The actions listed below could require further reductions in emissions from various emission sources. NiSource will continue to closely monitor developments in these matters.

Climate Change. Future legislative and regulatory programs could significantly restrict emissions of GHGs or could impose a cost or tax on GHG emissions. Recently, proposals have been developed to implement Federal, state and regional GHG programs and to create renewable energy standards.

In 2009 and 2010, the United States Congress considered a number of legislative proposals to regulate GHG emissions. The United States House of Representatives passed a comprehensive climate change bill in June 2009 that would have created a GHG-cap-and trade system and implemented renewable energy standards. Bills on the same topics were introduced in the Senate in 2009 and 2010, but failed to garner enough support to pass.

If a Federal or state comprehensive climate change bill were to be enacted into law, the impact on NiSource's financial performance would depend on a number of factors, including the overall level of required GHG reductions, the renewable energy targets, the degree to which offsets may be used for compliance, the amount of recovery allowed from customers, and the extent to which NiSource would be entitled to receive CO_2 allowances at no cost. Comprehensive Federal or state GHG regulation could result in additional expense or compliance costs that may not be fully recoverable from customers and could materially impact NiSource's financial results.

National Ambient Air Quality Standards. The CAA requires EPA to set national air quality standards for particulate matter and five other pollutants (the NAAQS) considered harmful to public health and the environment. Periodically EPA imposes new or modifies existing NAAQS. States that contain areas that do not meet the new or revised standards must take steps to maintain or achieve compliance with the standards. These steps could include additional pollution controls on boilers, engines, turbines, and other facilities owned by electric generation, gas distribution, and gas transmission operations.

The following NAAQS were recently added or modified:

Particulate Matter: In 2006, the EPA issued revisions to the NAAQS for particulate matter. The final rule (1) increased the stringency of the current fine particulate (PM2.5) standard, (2) added a new standard for inhalable coarse particulate (particulate matter between 10 and 2.5 microns meter), and (3) revoked the annual standards for coarse particulate (PM10) while retaining the 24-hour PM10 standards. These actions were nged in a case before the DC Court of Appeals, *American Farm Bureau Federation et al. v. EPA.* In 2009, the appeals court granted portions of the plaintiffs' petitions challenging the fine particulate standards but denied portions of the petitions challenging the standards for coarse particulate. State plans implementing the new standard for inhalable coarse particulate and the modified 24-hour standard for fine particulate are expected in 2012. The annual and secondary PM2.5 standards have been remanded to the EPA for reconsideration.

Ozone (eight hour): On September 2, 2011, the EPA announced it would implement its 2008 eight-hour ozone NAAQS rather than tightening the standard in 2012. The EPA will review, and possibly revise, the standard in 2013 consistent with CAA requirements. Northern Indiana will continue to monitor this matter and cannot estimate the impact of any new rules at this time.

Nitrogen Dioxide (NO2): The EPA revised the NO2 NAAQS by adding a one-hour standard while retaining the annual standard. The new standard could impact some NiSource combustion sources. EPA will designate areas that do not meet the new standard beginning in 2012. States with areas that do not meet the standard will need to develop rules to bring areas into compliance within five years of designation. Additionally, under certain permitting circumstances emissions from some existing NiSource combustion sources may need to be assessed and compared to the revised NO2 standards before areas are designated. Petitions challenging the rule have been filed by various parties. NiSource will continue to monitor this matter and cannot estimate the impact of these rules at this time.

National Emission Standard for Hazardous Air Pollutants. On August 20, 2010, the EPA revised national emission standards for hazardous air pollutants for certain stationary reciprocating internal combustion engines. Compliance requirements vary by engine type and will generally be required within three years. NiSource is continuing its evaluation of the cost impacts of the final rule and estimates the cost of compliance to be $20 - $25 million.

Waste

NiSource subsidiaries are potentially responsible parties at waste disposal sites under the CERCLA (commonly known as Superfund) and similar state laws. Additionally, a program has been instituted to identify and investigate former MGP sites where Gas Distribution Operations subsidiaries or predecessors may have liability. The program has identified 67 such sites where liability is probable. Remedial actions at many of these sites are being overseen by state or federal environmental agencies through consent agreements or voluntary remediation agreements.

During the fourth quarter of 2011, NiSource completed a probabilistic model to estimate its future remediation costs related to its MGP sites. The model was prepared by a third party and incorporates NiSource and general industry experience with remediating MGP sites. NiSource accordingly increased its liability for estimated remediation costs by $71.1 million. The total liability at NiSource related to the facilities subject to remediation was $139.5 million and $66.7 million at December 31, 2011 and 2010, respectively. The liability represents NiSource's best estimate of the probable cost to remediate the facilities. NiSource believes that it is reasonably possible that remediation costs could vary by as much as $25 million in addition to the costs noted above. Remediation costs are estimated based on the best available information, applicable remediation standards at the balance sheet date, and experience with similar facilities.

Additional Issues Related to Individual Business Segments

The sections above describe various regulatory actions that affect Gas Transmission and Storage Operations, Electric Operations, and certain other discontinued operations for which NiSource has retained a liability. Specific information is provided below.

Gas Transmission and Storage Operations.

Waste

Columbia Transmission continues to conduct characterization and remediation activities at specific sites under a 1995 AOC (subsequently modified in 1996 and 2007). The 1995 AOC originally covered 245 major facilities, approximately 13,000 liquid removal points, approximately 2,200 mercury measurement stations and about 3,700 storage well locations. As a result of the 2007 amendment, approximately 50 facilities remain subject to the terms of the AOC. During the third quarter of 2011, Columbia Transmission completed a study to estimate its future remediation requirements related to the AOC. Columbia Transmission accordingly increased its liability for estimated remediation costs by $25.6 million. The total liability at Columbia Transmission related to the facilities subject to remediation was $30.0 million and $9.5 million at December 31, 2011 and 2010, respectively. The liability represents Columbia Transmission's best estimate of the cost to remediate the facilities or manage the site until retirement. A Response Action Work Plan consistent with this estimate was submitted to the EPA in the fourth quarter of 2011 and subsequently approved. Remediation costs are estimated based on the information available, applicable remediation standards, and experience with similar facilities. Columbia Transmission expects that the remediation for these facilities will be completed in 2015.

One of the facilities subject to the 1995 AOC is the Majorsville Operations Center, which was remediated under an EPA approved Remedial Action Work Plan in summer 2008. Pursuant to the Remedial Action Work Plan, Columbia Transmission completed a project that stabilized residual oil contained in soils at the site and in sediments in an adjacent stream. Columbia Transmission continues to monitor the site subject to EPA oversight. On April 23, 2009, PADEP issued an NOV to Columbia Transmission, alleging that the remediation did not fully address the contamination. The NOV asserts violations of the Pennsylvania Clean Streams Law and the Pennsylvania Solid Waste Management Act and includes a proposed penalty of $1 million. Columbia Transmission is unable to estimate the likelihood or cost of potential penalties or additional remediation at this time.

Electric Operations.

Air

Northern Indiana expects to become subject to a number of new air-quality mandates in the next several years.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

These mandates may require Northern Indiana to make capital improvements to its electric generating stations. The cost of capital improvements is estimated to be $620 million to $1.1 billion. This figure includes additional capital improvements associated with the New Source Review Consent decree, CSAPR and the proposed Utility Hazardous Air Pollutants Rule. Northern Indiana believes that the capital costs will likely be recoverable from ratepayers.

Sulfur dioxide: On December 8, 2009, the EPA revised the SO_2 NAAQS by adopting a new 1-hour primary NAAQS for SO_2. EPA expects to designate areas that do not meet the new standard by mid-2012. States with such areas would have until 2014 to develop attainment plans with compliance required by 2017. Northern Indiana will continue to monitor developments in these matters but does not anticipate a material impact.

Cross-State Air Pollution Rule / Clean Air Interstate Rule (CAIR) / Transport Rule: On July 6, 2011, the EPA announced its replacement for the 2005 CAIR to reduce the interstate transport of fine particulate matter and ozone. The CSAPR reduces overall emissions of SO_2 and NO_x by setting state-wide caps on power plant emissions. The CSAPR limits emissions, including Northern Indiana's, with restricted emission allowance trading programs were scheduled to begin in 2012. In a decision issued on December 30, 2011, the D.C. Circuit Court stayed the CSAPR and reinstated the CAIR trading program provisions and requirements, including reissuing CAIR emission allowances, pending resolution of the stay. This development does not significantly impact Northern Indiana's current emissions control plans. Northern Indiana utilizes the inventory model in accounting for emission allowances issued under the CAIR program whereby these allowances were recognized at zero cost upon receipt from the EPA. Northern Indiana believes its current multi-pollutant compliance plan and NOV capital investments will allow Northern Indiana to meet the emission requirements of CSAPR whenever final resolution of the stay is reached.

Utility Hazardous Air Pollutants: On February 8, 2008, the United States Court of Appeals for the District of Columbia Circuit vacated two EPA rules that are the basis for the Indiana Air Pollution Control Board's Clean Air Mercury Rule (CAMR) that established utility mercury emission limits in two phases (2010 and 2018) and a cap-and-trade program to meet those limits. In response to the vacatur, the EPA pursued a new Section 112 rulemaking to establish MACT standards for electric utilities. The EPA finalized the Mercury and Air Toxics Standards (MATS) Rule on December 16, 2011. Compliance for Northern Indiana's affected units will be required in early 2015, with the possibility of a one year extension. Northern Indiana is currently developing a plan for further environmental controls to comply with MATS.

New Source Review: On September 29, 2004, the EPA issued an NOV to Northern Indiana for alleged violations of the CAA and the Indiana SIP. The NOV alleges that modifications were made to certain boiler units at three of Northern Indiana's generating stations between the years 1985 and 2004 without obtaining appropriate air permits for the modifications. Northern Indiana, EPA, the Department of Justice, and IDEM have settled the matter through a consent decree.

Water

The Phase II Rule of the Clean Water Act Section 316(b), which requires all large existing steam electric generating stations to meet certain performance standards to reduce the effects on aquatic organisms at their cooling water intake structures, became effective on September 7, 2004. Under this rule, stations will either have to demonstrate that the performance of their existing fish protection systems meet the new standards or develop new systems, such as a closed-cycle cooling tower. Various court challenges and EPA responses ensued. The EPA announced a proposed rule and is obligated to finalize a rule in 2012. Northern Indiana will continue to monitor this matter but cannot estimate the cost of compliance at this time.

Waste

On March 31, 2005, the EPA and Northern Indiana entered into an AOC under the authority of Section 3008(h) of the RCRA for the Bailly Station. The order requires Northern Indiana to identify the nature and extent of releases of hazardous waste and hazardous constituents from the facility. Northern Indiana must also remediate any release of hazardous constituents that present an unacceptable risk to human health or the environment. The process to complete investigation and select appropriate remediation activities is ongoing.

On June 21, 2010, EPA published a proposed rule for CCRs through the RCRA. The proposal outlines multiple regulatory approaches that EPA is considering. These proposed regulations could negatively affect Northern Indiana's ongoing byproduct reuse programs and would impose additional requirements on its management of coal combustion residuals. Northern Indiana will continue to monitor developments in this matter and cannot estimate the cost of compliance at this time.

Other Operations.

Waste
NiSource affiliates have retained environmental liabilities, including cleanup liabilities associated with some of its former operations. Four sites are associated with its former propane operations and ten sites associated with former petroleum operations. At one of those sites, an AOC has been signed with EPA to address petroleum residue in soil and groundwater.

E. Operating and Capital Lease Commitments. NiSource leases assets in several areas of its operations. Payments made in connection with operating leases were $52.9 million in 2011, $56.7 million in 2010 and $56.2 million in 2009, and are primarily charged to operation and maintenance expense as incurred. Capital leases and related accumulated depreciation included in the Consolidated Balance Sheets were $92.7 million and $29.8 million at December 31, 2011, and $76.4 million and $22.5 million at December 31, 2010, respectively.

NiSource Corporate Services has a license agreement with Rational Systems, LLC for pipeline business software requiring annual payments of $5.8 million over 10 years, which began in January 2008. This agreement is recorded as a capital lease.

Future minimum rental payments required under operating and capital leases that have initial or remaining non-cancelable lease terms in excess of one year are:

(in millions)	Operating Leases	Capital Leases (a)
2012	$ 41.2	$ 14.3
2013	34.0	12.8
2014	29.1	[illegible]
2015	19.0	[illegible]
2016	14.1	9.9
After	24.6	86.1
Total future minimum payments	$ 162.0	$ 147.8

(a) Capital lease payments shown above are inclusive of interest totaling $58.4 million.

F. Purchase and Service Obligations . NiSource has entered into various purchase and service agreements whereby NiSource is contractually obligated to make certain minimum payments in future periods. NiSource's purchase obligations are for the purchase of physical quantities of natural gas, electricity and coal. NiSource's service agreements encompass a broad range of business support and maintenance functions which are generally described below.

NiSource's subsidiaries have entered into various energy commodity contracts to purchase physical quantities of natural gas, electricity and coal. These amounts represent minimum quantities of these commodities NiSource is obligated to purchase at both fixed and variable prices.

In July 2008, the IURC issued an order approving Northern Indiana's proposed purchase power agreements with subsidiaries of Iberdrola Renewables, Buffalo Ridge I LLC and Barton Windpower LLC. These agreements provided Northern Indiana the opportunity and obligation to purchase up to 100 mw of wind power commencing in early 2009. The contracts extend 15 and 20 years, representing 50 mw of wind power each. No minimum quantities are specified within these agreements due to the variability of electricity production from wind, so no amounts related to these contracts are included in the table below. Upon any termination of the agreements by Northern Indiana for any reason (other than material breach by Buffalo Ridge I LLC or Barton Windpower LLC), Northern Indiana may be required to pay a termination charge that could be material depending on the events giving rise to termination and the timing of the termination.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

NiSource Inc.
Notes to Consolidated Financial Statements

NiSource has pipeline service agreements that provide for pipeline capacity, transportation and storage services. These agreements, which have expiration dates ranging from 2011 to 2045, require NiSource to pay fixed monthly charges.

NiSource Corporate Services continues to pay IBM to provide business process and support functions to NiSource for amended services under a combination of fixed or variable charges, with the variable charges fluctuating based on the actual need for such services. Under the amended agreement, at December 31, 2011, NiSource Corporate Services expects to pay approximately $272 million to IBM in service fees over the remaining three and a half year term. In December 2011, NiSource elected to extend certain information technology services. Upon any termination of the agreement by NiSource for any reason, other than material breach by IBM, NiSource may be required to pay IBM a termination charge that could include a breakage fee, repayment of IBM's unrecovered capital investments, and IBM wind-down expense. This termination fee could be a material amount depending on the events giving rise to termination and the timing of the termination.

NiSource Corporate Services signed a service agreement with Vertex Outsourcing LLC, a business process outsourcing company, to provide customer contact center services for NiSource subsidiaries through June 2015. Services under this contract commenced on July 1, 2008, and NiSource Corporate Services pays for the services under a combination of fixed and variable charges, with the variable charges fluctuating based on actual need for such services. Based on the currently projected usage of these services, NiSource Corporate Services expects to pay approximately $42.6 million to Vertex Outsourcing LLC in service fees over the remaining three and a half year term. Upon termination of the agreement by NiSource for any reason (other than material breach by Vertex Outsourcing LLC), NiSource may be required to pay a termination charge not to exceed $10.8 million.

Northern Indiana has contracts with four major rail operators providing for coal transportation services for which there are certain minimum payments. These service contracts extend for various periods through 2015.

Northern Indiana has a service agreement with Pure Air, a general partnership between Air Products and Chemicals, Inc. and First Air Partners LP, under which Pure Air provides scrubber services to reduce sulfur dioxide emissions for Units 7 and 8 at the Bailly Generating Station. Services under this contract commenced on July 1, 1992, and Northern Indiana pays for the services under a combination of fixed and variable charges. The agreement provides that, assuming various performance standards are met by Pure Air, a termination payment would be due if Northern Indiana terminated the agreement prior to the end of the twenty-year contract period. With the expiration of this contract occurring on June 30, 2012, Northern Indiana is currently evaluating long term strategic options, including negotiations to renew this contract.

Estimated aggregate amounts of minimum fixed payments at December 31, 2011, were:

(in millions)	Energy Commodity Agreements	Pipeline Service Agreements	IBM Service Agreement	Vertex Outsourcing LLC Service Agreement	Other Service Agreements	Total
2012	$ 239.3	$ 256.9	$ 78.4	$ 12.3	$ 132.2	$ 719.1
2013	130.4	225.3	77.4	12.2	82.0	527.3
2014	120.2	185.7	75.1	12.1	78.3	471.4
2015	85.1	138.9	35.8	6.0	81.0	346.8
2016	1.5	121.3	3.4	-	-	126.2
After	5.9	565.2	1.8	-	-	572.9
Total purchase and service obligations	$ 582.4	$ 1,493.3	$ 271.9	$ 42.6	$ 373.5	$ 2,763.7

21. Accumulated Other Comprehensive Loss

The following table displays the components of Accumulated Other Comprehensive Loss:

Year Ended December 31, *(in millions)*	2011	2010
Other comprehensive income (loss):		
Unrealized gains on securities	$ 8.0	$ 6.1
Tax expense on unrealized gains on securities	(3.1)	(2.4)
Unrealized losses on cash flow hedges	(52.3)	(56.4)
Tax benefit on unrealized losses on cash flow hedges	20.5	21.6
Unrecognized pension benefit and OPEB costs	(53.0)	(43.3)
Tax benefit on unrecognized pension benefit and OPEB costs	20.2	16.5
Total Accumulated Other Comprehensive Loss, net of taxes	$ (59.7)	$ (57.9)

Equity Investment

During 2008, Millennium, in which Columbia Transmission has an equity investment, entered into three interest rate swap agreements with a notional amount totaling $420.0 million with seven counterparties. During August 2010, Millennium completed the refinancing of its long-term debt, securing permanent fixed-rate financing through the private placement issuance of two tranches of notes totaling $725.0 million, $375.0 million at 5.33% due June 30, 2027 and $350.0 million at 6.00% due June 30, 2032. Upon the issuance of these notes, Millennium repaid all outstanding borrowings under its credit agreement, terminated the sponsor guarantee, and cash settled the interest rate hedges. These interest rate swap derivatives were primarily accounted for as cash flow hedges by Millennium. As an equity method investment, NiSource is required to recognize a proportional share of Millennium's OCI. The remaining unrealized loss of $19.7 million, net of tax, related to these terminated interest rate swaps is being amortized over a 15 year period ending June 2025 into earnings using the effective interest method through interest expense as interest payments are made by Millennium. The unrealized loss of $19.7 million and $21.1 million at December 31, 2011 and December 31, 2010, respectively, is included in unrealized losses on cash flow hedges above.

22. Other, Net

Year Ended December 31, *(in millions)*	2011	2010	2009
Interest income	$ 4.4	$ 6.3	$ 6.8
Sales of accounts receivable (a)	-	-	(8.4)
Miscellaneous (b)	(11.7)	(2.5)	0.2
Total Other, net	$ (7.3)	$ 3.8	$ (1.4)

(a) Refer to Note 19, "Transfers of Financial Assets," for additional information.
(b) Miscellaneous for the year ended December 31, 2011 primarily consists of pre-tax charitable donations.

23. Interest Expense, Net

Year Ended December 31, *(in millions)*	2011	2010	2009
Interest on long-term debt	$ 362.9	$ 390.7	$ 386.7
Interest on short-term borrowings	13.5	1.9	2.3
Discount on prepayment transactions	7.1	8.5	13.0
Accounts receivable securitization (a)	3.8	6.3	-
Allowance for borrowed funds used and interest capitalized during construction	(3.1)	(2.7)	(1.9)
Other	(7.4)	(12.4)	(0.8)
Total Interest Expense, net	$ 376.8	$ 392.3	$ 399.3

(a) Refer to Note 19, "Transfers of Financial Assets," for additional information.

24. Segments of Business

Operating segments are components of an enterprise for which separate financial information is available and evaluated regularly by the chief operating decision maker in deciding how to allocate resources and assess performance. The NiSource Chief Executive Officer is the chief operating decision maker.

At December 31, 2011, NiSource's operations are divided into three primary business segments. The Gas Distribution Operations segment provides natural gas service and transportation for residential, commercial and industrial customers in Ohio, Pennsylvania, Virginia, Kentucky, Maryland, Indiana and Massachusetts. The Gas Transmission and Storage Operations segment offers gas transportation and storage services for LDCs, marketers and industrial and commercial customers located in northeastern, mid-Atlantic, midwestern and southern states and the District of Columbia. The Electric Operations segment provides electric service in 20 counties in the northern part of Indiana.

Prior to 2010, NiSource reported Other Operations, which primarily included ventures focused on its unregulated natural gas marketing business distributed power generation technologies, including fuel cells and storage systems, as a reporting segment. In the first quarter of 2010, urce made a decision to wind down the unregulated natural gas marketing activities as a part of the Company's long-term strategy of focusing on its core regulated businesses. As a result, Other Operations no longer met the definition of a reporting segment and, accordingly, has been included within Corporate and Other in the table below beginning in 2010 and for all periods presented.

The following table provides information about business segments. NiSource uses operating income as its primary measurement for each of the reported segments and makes decisions on finance, dividends and taxes at the corporate level on a consolidated basis. Segment revenues include intersegment sales to affiliated subsidiaries, which are eliminated in consolidation. Affiliated sales are recognized on the basis of prevailing market, regulated prices or at levels provided for under contractual agreements. Operating income is derived from revenues and expenses directly associated with each segment.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

NISOURCE INC.
Notes to Consolidated Financial Statements

Year Ended December 31, *(in millions)*	2011	2010	2009
REVENUES			
Gas Distribution Operations			
Unaffiliated	$ 3,497.3	$ 3,657.4	$ 3,885.3
Intersegment	1.4	10.7	17.1
Total	3,498.7	3,668.1	3,902.4
Gas Transmission and Storage Operations			
Unaffiliated	856.7	780.3	719.1
Intersegment	148.9	168.9	211.6
Total	1,005.6	949.2	930.7
Electric Operations			
Unaffiliated	1,434.6	1,386.6	1,221.6
Intersegment	0.8	0.7	0.8
Total	1,435.4	1,387.3	1,222.4
Corporate and Other			
Unaffiliated	230.5	590.3	825.6
Intersegment	464.6	435.9	422.1
Total	695.1	1,026.2	1,247.7
Eliminations	(615.7)	(616.2)	(651.6)
Consolidated Revenues	$ 6,019.1	$ 6,414.6	$ 6,651.6

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

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Year Ended December 31, *(in millions)*	2011	2010	2009
Operating Income (Loss)			
Gas Distribution Operations	$ 392.8	$ 332.3	$ 327.2
Gas Transmission and Storage Operations	360.0	376.6	387.9
Electric Operations	209.5	220.8	116.9
Corporate and Other	(57.2)	(24.0)	(32.0)
Consolidated	$ 905.1	$ 905.7	$ 800.0
Depreciation and Amortization			
Gas Distribution Operations	$ 174.0	$ 239.3	$ 248.1
Gas Transmission and Storage Operations	130.0	130.7	121.5
Electric Operations	214.7	211.8	206.2
Corporate and Other	19.5	15.3	14.1
Consolidated	$ 538.2	$ 597.1	$ 589.9
Assets			
Gas Distribution Operations	$ 7,467.4	$ 7,356.1	$ 7,000.1
Gas Transmission and Storage Operations	4,215.3	3,996.5	3,834.5
Electric Operations	4,306.4	4,153.8	4,176.5
Corporate and Other	4,719.2	4,407.0	4,251.4
Consolidated	$ 20,708.3	$ 19,913.4	$ 19,262.5
Capital Expenditures (a)			
Gas Distribution Operations	$ 498.9	$ 401.9	$ 349.2
Gas Transmission and Storage Operations	312.6	235.4	256.1
Electric Operations	296.3	158.7	165.2
Corporate and Other	17.4	7.8	6.7
Consolidated	$ 1,125.2	$ 803.8	$ 777.2

ludes investing activities in equity investments.

Hurricanes and Other Items

NiSource received insurance proceeds for capital repairs of $5.0 million and $62.7 million related to hurricanes and other items in 2010 and 2009, respectively, which are separately included in the investing activities section on the Statement of Consolidated Cash Flows. NiSource did not receive any insurance proceeds for capital repairs in 2011. As of December 31, 2011 there were no claims outstanding for these incidents.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

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Notes to Consolidated Financial Statements

26. Quarterly Financial Data (Unaudited)

Quarterly financial data does not always reveal the trend of NiSource's business operations due to nonrecurring items and seasonal weather patterns, which affect earnings, and related components of net revenues and operating income.

(in millions, except per share data)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2011				
Gross revenues	$ 2,231.6	$ 1,228.3	$ 1,068.7	$ 1,490.5
Operating Income	406.4	165.5	147.4	185.8
Income from Continuing Operations	209.1	40.8	36.3	17.6
Results from Discontinued Operations - net of taxes	0.4	(0.6)	(1.6)	(2.9)
Net Income	209.5	40.2	34.7	14.7
Basic Earnings (Loss) Per Share				
Continuing Operations	0.75	0.14	0.13	0.06
Discontinued Operations			(0.01)	(0.01)
Basic Earnings Per Share	$ 0.75	$ 0.14	$ 0.12	$ 0.05
Diluted Earnings (Loss) Per Share				
Continuing Operations	0.73	0.14	0.13	0.05
Discontinued Operations			(0.01)	(0.01)
Diluted Earnings Per Share	$ 0.73	$ 0.14	$ 0.12	$ 0.04
2010				
Gross revenues	$ 2,356.8	$ 1,170.1	$ 1,135.7	$ 1,752.0
Operating Income	401.1	137.9	114.0	252.7
Income from Continuing Operations	196.0	27.2	27.8	34.6
Results from Discontinued Operations - net of taxes	(0.1)	0.1	(0.2)	(3.0)
Net Income	195.9	27.3	27.6	31.6
Basic Earnings (Loss) Per Share				
Continuing Operations	0.71	0.10	0.10	0.12
Discontinued Operations				(0.01)
Basic Earnings Per Share	$ 0.71	$ 0.10	$ 0.10	$ 0.11
Diluted Earnings (Loss) Per Share				
Continuing Operations	0.71	0.10	0.10	0.11
Discontinued Operations				(0.01)
Diluted Earnings Per Share	$ 0.71	$ 0.10	$ 0.10	$ 0.10

• On November 14, 2011, NiSource Finance commenced a cash tender offer for up to $250.0 million aggregate principal amount of its outstanding 10.75% notes due 2016 and 6.15% notes due 2013. A condition of the offering was that all validly tendered 2016 notes would be accepted for purchase before any 2013 notes were accepted. On December 13, 2011, NiSource Finance announced that approximately $125.3 million of the aggregate principal amount of its outstanding 10.75% notes due 2016 were validly tendered and accepted for purchase. In addition, approximately $228.7 million of the aggregate principal amount of outstanding 6.15% notes due 2013 were validly tendered, of which $124.7 million were accepted for purchase. In accordance with the provisions of ASC 470, *Debt*, NiSource Finance determined the debt issued on November 23, 2011, was substantially different from the tendered notes, and, therefore, the transaction qualified as a debt extinguishment. NiSource Finance recorded a $53.9 million loss on early extinguishment of long-term debt, primarily attributable to early redemption premiums and unamortized discounts and fees.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

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s to Consolidated Financial Statements

• During the fourth quarter of 2011, NiSource reviewed its current estimates for future environmental remediation costs related to the Company's MGP sites. Following the review, NiSource revised its estimates based on expected remediation activities and experience with similar facilities and recorded $35.5 million of expense at subsidiaries for which environmental expense is not probable of recovery from customers.

• During the fourth quarter of 2011, NiSource recorded a reserve of $22.6 million on certain assets related to the wind down of the unregulated natural gas marketing business.

• During the first quarter of 2010, NDC Douglas Properties, a subsidiary of NiSource Development Company reported some if its low income housing investments as discontinued operations. During the second quarter of 2010, these investments were reclassified to held and used and continuing operations and prior quarters were accordingly restated as continuing operations.

• In the fourth quarter of 2010, NiSource repurchased 273.1 million aggregate principal amount of its outstanding 10.75% notes due 2016 pursuant to a cash tender offer. As a result of this tender offer, NiSource incurred $96.7 million in early redemption fees, primarily attributable to early redemption premiums and unamortized discounts and fees which is recorded as a loss on the early extinguishment of long-term debt within income from continuing operations.

As discussed further in Note 1, NiSource made correcting adjustments to its historical financial statements for the quarters of 2011 and 2010. NiSource does not believe these correcting adjustments are material to its financial statements for any reported period.

The following tables set forth the effects of the correcting adjustments to Net Income for the quarterly periods in 2011 and 2010:

	Three Months Ended						
Increase (Decrease) in Net Income	September 30, 2011	June 30, 2011	March 31, 2011	December 31, 2010	September 30, 2010	June 30, 2010	March 31, 2010
(in millions)							
Previously reported Net Income	$ 34.7	$ 38.9	$ 205.2	$ 33.4	$ 33.2	$ 28.1	$ 197.3
Deferred revenue	-	-	(0.6)	(2.1)	(2.4)	(1.0)	(1.9)
Environmental asset recovery	-	-	8.0	(0.5)	(0.3)	(0.3)	(0.3)
OPEB over-reimbursement	(0.1)	(0.2)	(0.2)	(0.2)	(0.2)	(0.3)	(0.3)
Environmental accrual	-	-	-	-	(6.4)	0.2	0.2
OPEB regulatory asset	-	2.4	-	0.1	-	0.1	-
Total corrections	(0.1)	2.2	7.2	(2.7)	(9.3)	(1.3)	(2.3)
Income taxes	(0.1)	0.9	2.9	(1.1)	(3.7)	(0.5)	(0.9)
Corrected Net Income	$ 34.7	$ 40.2	$ 209.5	$ 31.8	$ 27.6	$ 27.3	$ 195.9

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

NISOURCE INC.
Notes to Consolidated Financial Statements

The following tables set forth the effects of the correcting adjustments on affected line items within the Statements of Consolidated Income for the quarters in 2011 and 2010:

	Three Months Ended					
	September 30 2011		June 30, 2011		March 31, 2011	
(in millions, except per share amounts)	As Previously Reported	As Corrected	As Previously Reported	As Corrected	As Previously Reported	As Corrected
Net Revenues						
Electric	$ 404.7	$ 404.7	$ 349.2	$ 349.2	$ 347.1	$ 346.5
Gross Revenues	1,068.7	1,068.7	1,228.3	1,228.3	2,232.2	2,231.6
Total Net Revenues	745.6	745.6	765.8	765.8	1,061.3	1,060.7
Operation and maintenance	407.1	407.2	402.5	400.3	432.5	429.3
Depreciation and amortization	134.9	134.9	134.5	134.5	138.9	134.3
Total Operating Expenses	601.6	601.7	604.8	602.6	665.1	657.3
Operating Income	147.5	147.4	163.3	165.5	399.2	406.4
Income from Continuing Operations before Income Taxes	53.4	53.3	69.5	71.7	312.7	319.9
Income Taxes	17.1	17.0	30.0	30.9	107.9	110.8
Income from Continuing Operations	36.3	36.3	39.5	40.8	204.8	209.1
Net Income	$ 34.7	$ 34.7	$ 38.9	$ 40.2	$ 205.2	$ 209.5
Basic Earnings (Loss) Per Share ($)						
Continuing operations	$ 0.13	$ 0.13	$ 0.14	$ 0.14	$ 0.73	$ 0.75
Basic Earnings Per Share	$ 0.12	$ 0.12	$ 0.14	$ 0.14	$ 0.73	$ 0.75
Diluted Earnings (Loss) Per Share ($)						
Continuing operations	$ 0.13	$ 0.13	$ 0.14	$ 0.14	$ 0.72	$ 0.73
Diluted Earnings Per Share	$ 0.12	$ 0.12	$ 0.14	$ 0.14	$ 0.72	$ 0.73

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	Three Months Ended							
	December 31, 2010		September 30 2010		June 30, 2010		March 31, 2010	
(in millions, except per share amounts)	As Previously Reported	As Corrected	As Previously Reported	As Corrected	As Previously Reported	As Corrected	As Previously Reported	As Corrected
Net Revenues								
Electric	$ 330.6	$ 328.5	$ 397.7	$ 395.3	$ 340.5	$ 339.5	$ 317.9	$ 316.0
Gross Revenues	1,754.1	1,752.0	1,138.1	1,135.7	1,171.1	1,170.1	2,358.7	2,356.8
Total Net Revenues	925.4	923.3	718.1	715.7	732.0	731.0	1,072.4	1,070.5
Operation and maintenance	457.1	457.5	382.1	388.8	377.1	377.2	439.6	439.8
Depreciation and amortization	141.8	142.0	153.1	153.3	151.6	151.8	149.8	150.0
Total Operating Expenses	673.7	674.3	598.3	605.2	593.2	593.5	676.4	676.8
Operating Income	255.4	252.7	123.3	114.0	139.2	137.9	403.4	401.1
Income from Continuing Operations before Income Taxes	57.7	55.0	27.8	18.5	43.4	42.1	307.2	304.9
Income Taxes	21.9	20.8	(5.6)	(9.3)	15.4	14.9	109.8	108.9
Income from Continuing Operations before Income Taxes	35.8	34.2	33.4	27.8	28.0	27.2	197.4	196.0
Net Income	$ 33.4	$ 31.8	$ 33.2	$ 27.6	$ 28.1	$ 27.3	$ 197.3	$ 195.9
Basic Earnings (Loss) Per Share ($)								
Continuing operations	$ 0.13	$ 0.12	$ 0.12	$ 0.10	$ 0.10	$ 0.10	$ 0.71	$ 0.71
Basic Earnings Per Share	$ 0.12	$ 0.11	$ 0.12	$ 0.10	$ 0.10	$ 0.10	$ 0.71	$ 0.71
Diluted Earnings (Loss) Per Share ($)								
Continuing operations	$ 0.12	$ 0.11	$ 0.12	$ 0.10	$ 0.10	$ 0.10	$ 0.71	$ 0.71
Diluted Earnings Per Share	$ 0.11	$ 0.10	$ 0.12	$ 0.10	$ 0.10	$ 0.10	$ 0.71	$ 0.71

27. Supplemental Cash Flow Information

The following tables provide additional information regarding NiSource's Consolidated Statements of Cash Flows for the years ended December 31, 2011, 2010 and 2009:

Ended December 31, *(in millions)*	2011	2010	2009
lemental Disclosures of Cash Flow Information			
Non-cash transactions:			
Capital expenditures included in current liabilities	$ 98.3	$ 106.0	$ 62.2
Change in equity investments related to unrealized gains (losses)	-	(24.1)	38.8
Stock issuance to employee saving plans	25.8	19.7	15.3
Schedule of interest and income taxes paid:			
Cash paid for interest, net of interest capitalized amounts	$ 369.2	$ 393.0	$ 380.7
Cash paid for income taxes	9.3	68.9	33.9

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

NISOURCE INC.

SCHEDULE I
CONDENSED FINANCIAL INFORMATION OF REGISTRANT

BALANCE SHEET

As of December 31, *(in millions)*	2011	2010
ASSETS		
Investments and Other Assets:		
Investments in subsidiary companies	$ 9,249.7	$ 9,215.7
Total Investments and Other Assets	9,249.7	9,215.7
Current Assets:		
Other current assets	353.7	244.8
Total Current Assets	353.7	244.8
Other non-current assets	53.3	56.6
TOTAL ASSETS	9,656.7	9,517.1
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common stock equity	4,997.3	4,897.5
Total Capitalization	4,997.3	4,897.5
Current liabilities	613.3	644.2
Notes payable to subsidiaries	3,996.2	3,932.4
Other non-current liabilities	49.9	43.0
TOTAL CAPITALIZATION AND LIABILITIES	$ 9,656.7	$ 9,517.1

The accompanying Notes to Condensed Financial Statements are an integral part of these statements.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

NISOURCE INC.

SCHEDULE I
CONDENSED FINANCIAL INFORMATION OF REGISTRANT

STATEMENT OF INCOME

Year Ended December 31, *(in millions, except per share amounts)*	2011	2010	2009
Equity in net earnings of consolidated subsidiaries	$ 437.4	$ 431.2	$ 362.4
Other income (deductions):			
Administrative and general expenses	(13.5)	(11.3)	(12.6)
Interest income	1.2	0.7	0.5
Interest expense	(206.1)	(230.3)	(207.6)
Other, net	(10.0)	(4.0)	(4.0)
Total Other income (deductions)	(228.4)	(244.9)	(223.7)
Income from continuing operations before income taxes	209.0	186.3	138.7
Income taxes	(94.8)	(98.9)	(91.1)
Income from continuing operations	303.8	285.2	229.8
Loss from discontinued operations - net of taxes	(4.7)	(2.7)	(10.3)
Gain (Loss) on Disposition of discontinued operations - net of taxes	-	0.1	(2.5)
NET INCOME	$ 299.1	$ 282.6	$ 217.0
Average common shares outstanding (millions)	280.4	277.8	275.1
Diluted average common shares (millions)	288.5	280.1	275.8
earnings (loss) per share			
ntinuing operations	$ 1.08	$ 1.03	$ 0.84
Discontinued operations	(0.02)	(0.01)	(0.05)
Basic earnings per share	$ 1.06	$ 1.02	$ 0.79
Diluted earnings (loss) per share			
Continuing operations	$ 1.05	$ 1.02	$ 0.83
Discontinued operations	(0.02)	(0.01)	(0.05)
Diluted earnings per share	$ 1.03	$ 1.01	$ 0.78

The accompanying Notes to Condensed Financial Statements are an integral part of these statements.

NISOURCE INC.

SCHEDULE I
CONDENSED FINANCIAL INFORMATION OF REGISTRANT

STATEMENT OF CASH FLOWS

Year Ended December 31, *(in millions)*	2011	2010	2009
Net cash provided by operating activities	$ 313.6	$ 212.9	$ 217.2
Cash flows provided by (used in) investing activities:			
Proceeds (loss) from disposition of assets	-	-	(0.4)
(Increase) decrease in notes receivable from subsidiaries	(139.3)	31.4	39.1
Net cash (used in) provided by investing activities	(139.3)	31.4	38.7
Cash flows provided by (used in) financing activities:			
Issuance of common shares	24.4	14.4	10.6
Increase (decrease) in notes payable to subsidiaries	63.8	(1.6)	(10.8)
Cash dividends paid on common shares	(257.8)	(255.6)	(253.3)
Acquisition of treasury shares	(3.1)	(1.5)	(2.6)
Net cash used in financing activities	(172.7)	(244.3)	(256.1)
Net decrease in cash and cash equivalents	1.6	-	(0.2)
Cash and cash equivalents at beginning of year	-	-	0.2
Cash and cash equivalents at end of year	$ 1.6	$ -	$ -

The accompanying Notes to Condensed Financial Statements are an integral part of these statements.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

NISOURCE INC.

SCHEDULE I
CONDENSED FINANCIAL INFORMATION OF REGISTRANT

NOTES TO CONDENSED FINANCIAL STATEMENTS

1. Dividends from Subsidiaries

Cash dividends paid to NiSource by its consolidated subsidiaries were: $440.0 million, $232.0 million and $510.9 million in 2011, 2010 and 2009, respectively.

2. Commitments and Contingencies

NiSource, Inc. and its subsidiaries are parties to litigation, environmental and other matters. Refer to Note 20, "Other Commitments and Contingencies," in the Notes to Consolidated Financial Statements for additional information. As a part of normal business, NiSource and certain subsidiaries enter into various agreements providing financial or performance assurance to third parties on behalf of certain subsidiaries. Such agreements include guarantees and stand-by letters of credit. These agreements are entered into primarily to support or enhance the creditworthiness otherwise attributed to a subsidiary on a stand-alone basis, thereby facilitating the extension of sufficient credit to accomplish the subsidiaries' intended commercial purposes. The maximum potential amount of future payments NiSource could have been required to make under these guarantees as of December 31, 2011 was approximately $7.9 billion. Of this amount, approximately $6.3 billion relates to guarantees of wholly-owned consolidated entities.

3. Related Party Transactions

Balances due to or due from related parties included in the Balance Sheets as of December 31, 2011 and 2010 are as follows:

At December 31, *(in millions)*	2011	2010
Current assets due from subsidiaries [a]	$ 288.6	$ 167.2
Current liabilities due to subsidiaries [b]	602.6	582.3
Non-current liabilities due to subsidiaries [c]	3,996.2	3,932.4

(a) balances at December 31, 2011 and 2010 are classified as Current assets on the Balance Sheets.

(b) balances at December 31, 2011 and 2010 are classified as Current liabilities on the Balance Sheets. At December 31, 2011 and 2010, $573.7 million and $532.8 million related to interest on affiliated notes payable, respectively.

(c) The balances at December 31, 2011 and 2010 are classified as Notes payable to subsidiaries on the Balance Sheets.

4. Notes to Financial Statements

See Item 8 "Notes to Consolidated Financial Statements," for the full text of notes to the Consolidated Financial Statements.

As discussed further in Note 1, NiSource is making correcting adjustments its historical condensed financial information of registrant for 2010 and 2009. NiSource does not believe these corrections are material to its condensed financial information of registrant for any reported period. Refer to Note 1 for the effects of each correction on Net Income.

The following tables set forth the effects of the correcting adjustments on affected line items within NiSource's previously reported Balance Sheet as of December 31, 2010 and Statement of Income for the years 2010 and 2009. There was no effect to the Statement of Cash Flows for the years 2010 and 2009:

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

NISOURCE INC.

SCHEDULE I
CONDENSED FINANCIAL INFORMATION OF REGISTRANT

NOTES TO CONDENSED FINANCIAL STATEMENTS

Balance Sheet

(in millions)	December 31, 2010 As Previously Reported	As Corrected
ASSETS		
Investments and Other Assets:		
Investments in subsidiary companies	$ 9,241.0	$ 9,215.7
Total Investments and Other Assets	9,241.0	9,215.7
TOTAL ASSETS	9,542.5	9,517.1
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common stock equity	4,923.2	4,897.5
Total Capitalization	4,923.2	4,897.5
Other non-current liabilities	42.7	43.0
TOTAL CAPITALIZATION AND LIABILITIES	$ 9,542.5	$ 9,517.1

Statement of Income

(in millions, except per share amounts)	Year Ended December 31, 2010 As Previously Reported	2010 As Corrected	2009 As Previously Reported	2009 As Corrected
Equity in net earnings of consolidated subsidiaries	$ 440.6	$ 431.2	$ 363.1	$ 362.4
Other income (deductions)				
Administrative and general expenses	(11.4)	(11.3)	(12.6)	(12.6)
Total Other income (deductions)	(245.0)	(244.9)	(223.7)	(223.7)
Income from continuing operations before income taxes	195.6	186.3	139.4	138.7
Income taxes	(99.0)	(98.9)	(91.1)	(91.1)
Income from continuing operations	294.6	285.2	230.5	229.8
NET INCOME	$ 292.0	$ 282.6	$ 217.7	$ 217.0
Basic Earnings Per Share ($)				
Continuing operations	$ 1.06	$ 1.03	$ 0.84	$ 0.84
Basic Earnings Per Share	$ 1.05	$ 1.02	$ 0.79	$ 0.79
Diluted Earnings Per Share ($)				
Continuing operations	$ 1.05	$ 1.02	$ 0.84	$ 0.83
Diluted Earnings Per Share	$ 1.04	$ 1.01	$ 0.79	$ 0.78

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

NISOURCE INC.

SCHEDULE II – VALUATION AND QUALIFYING ACCOUNTS

Twelve months ended December 31, 2011

($ in millions)	Balance Jan. 1, 2011	Additions: Charged to Costs and Expenses	Additions: Charged to Other Account *	Sale of Assets	Deductions for Purposes for which Reserves were Created	Balance Dec. 31, 2011
Reserves Deducted in Consolidated Balance Sheet from Assets to Which They Apply:						
Reserve for accounts receivable	$ 37.4	$ 13.8	$ 76.6	$ -	$ 97.3	$ 30.5
Reserve for other investments	3.0					3.0
Reserves Classified Under Reserve Section of Consolidated Balance Sheet:						
Reserve for cost of operational gas	2.7					2.7

Twelve months ended December 31, 2010

($ in millions)	Balance Jan. 1, 2010	Additions: Charged to Costs and Expenses	Additions: Charged to Other Account *	Sale of Assets	Deductions for Purposes for which Reserves were Created	Balance Dec. 31, 2010
Reserves Deducted in Consolidated Balance Sheet from Assets to Which They Apply:						
Reserve for accounts receivable	$ 39.6	$ 17.6	$ 72.5	$ -	$ 92.3	$ 37.4
Reserve for other investments	3.0					3.0
Reserves Classified Under Reserve Section of Consolidated Balance Sheet:						
Reserve for cost of operational gas	5.7	(2.9)			0.1	2.7

Twelve months ended December 31, 2009

($ in millions)	Balance Jan. 1, 2009	Additions: Charged to Costs and Expenses	Additions: Charged to Other Account *	Sale of Assets	Deductions for Purposes for which Reserves were Created	Balance Dec. 31, 2009
Reserves Deducted in Consolidated Balance Sheet from Assets to Which They Apply:						
Reserve for accounts receivable	$ 45.3	$ 68.9	$ 75.7	$ -	$ 150.3	$ 39.6
Reserve for other investments	3.0					3.0
Reserves Classified Under Reserve Section of Consolidated Balance Sheet:						
Reserve for cost of operational gas	5.7					5.7

* Charged to Other Accounts reflects the deferral of bad debt expense to a regulatory asset.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

NISOURCE INC.

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

NiSource's chief executive officer and its principal financial officer, after evaluating the effectiveness of NiSource's disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)), have concluded based on the evaluation required by paragraph (b) of Exchange Act Rules 13a-15 and 15d-15 that, as of the end of the period covered by this report, NiSource's disclosure controls and procedures were effective to provide reasonable assurance that financial information was processed, recorded and reported accurately.

Management's Report on Internal Control over Financial Reporting

NiSource management, including NiSource's principal executive officer and principal financial officer, are responsible for establishing and maintaining NiSource's internal control over financial reporting, as such term is defined under Rule 13a-15(f) promulgated under the Securities Exchange Act of 1934, as amended. However, management would note that a control system can provide only reasonable, not absolute, assurance that the objectives of the control system are met. NiSource's management has adopted the framework set forth in the Committee of Sponsoring Organizations of the Treadway Commission report, Internal Control - Integrated Framework, the most commonly used and understood framework for evaluating internal control over financial reporting, as its framework for evaluating the reliability and effectiveness of internal control over financial reporting. During 2011, NiSource conducted an evaluation of its internal control over financial reporting. Based on this evaluation, NiSource management concluded that NiSource's internal control over financial reporting was effective as of the end of the period covered by this annual report.

Disclosure controls and procedures include, without limitation, controls and procedures designed to provide reasonable assurance that information required to be disclosed by NiSource in the reports that it files or submits under the Exchange Act is accumulated and communicated to NiSource's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Deloitte & Touche LLP, NiSource's independent registered public accounting firm, issued an attestation report on NiSource's internal controls over financial reporting which is contained in Item 8, "Financial Statements and Supplementary Data."

Changes in Internal Controls

There have been no changes in NiSource's internal control over financial reporting during the fiscal year covered by this report that has mat affected, or is reasonably likely to affect, NiSource's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

Not applicable.

ITEM 10. DIRECTOR S, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

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rmation regarding executive officers is included as a supplemental item at the end of Item 4 of Part I of the Form 10-K.

Information regarding directors will be included in the Notice of Annual Meeting and Proxy Statement for the Annual Meeting of Stockholders to be held on May 15, 2012, which information is incorporated by reference.

Information regarding NiSource's code of ethics, the audit committee and the audit committee financial expert and procedures for shareholder recommendations for director nominations will be included in the Notice of Annual Meeting and Proxy Statement for the Annual Meeting of Stockholders to be held on May 15, 2012, which information is incorporated by reference.

ITEM 11. EXECUTIVE COMPENSATIO N

Information regarding executive compensation will be included in the Notice of Annual Meeting and Proxy Statement for the Annual Meeting of Stockholders to be held on May 15, 2012, which information is incorporated by reference.

ITEM 12. SECURITY OW NERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information regarding security ownership of certain beneficial owners and management and the Equity Compensation Plan Information will be included in the Notice of Annual Meeting and Proxy Statement for the Annual Meeting of Stockholders to be held on May 15, 2012, which information is incorporated by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information required under this Item with respect to certain relationships and related transactions and director independence will be included in the Notice of Annual Meeting and Proxy Statement for the Annual Meeting of Stockholders to be held on May 15, 2012, which information is incorporated by reference.

ITEM 14. PRINCIPAL ACC OUNTING FEES AND SERVICES

Information regarding principal accounting fees and services will be included in the Notice of Annual Meeting and Proxy Statement for the Annual Meeting of Stockholders to be held on May 15, 2012, which information is incorporated by reference.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

NISOURCE INC.

Financial Statements and Financial Statement Schedules
All of the financial statements and financial statement schedules filed as a part of the Annual Report on Form 10-K are included in Item 8.

Exhibits
The exhibits filed herewith as a part of this report on Form 10-K are listed on the Exhibit Index immediately following the signature page. Each management contract or compensatory plan or arrangement of NiSource, listed on the Exhibit Index, is separately identified by an asterisk.

Pursuant to Item 601(b), paragraph (4)(iii)(A) of Regulation S-K, certain instruments representing long-term debt of NiSource's subsidiaries have not been included as Exhibits because such debt does not exceed 10% of the total assets of NiSource and its subsidiaries on a consolidated basis. NiSource agrees to furnish a copy of any such instrument to the SEC upon request.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, hereunto duly authorized.

NiSource Inc.
(Registrant)

Date February 24, 2012

By: /s/ Robert C. Skaggs, Jr.
Robert C. Skaggs, Jr.
President, Chief Executive Officer and Director
(Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

/s/ Robert C. Skaggs, Jr. Robert C. Skaggs, Jr.	President, Chief Executive Officer and Director (Principal Executive Officer)	February 24, 2012
/s/ Stephen P. Smith Stephen P. Smith	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	February 24, 2012
/s/ Jon D. Veurink Jon D. Veurink	Vice President and Chief Accounting Officer (Principal Accounting Officer)	February 24, 2012
/s/ Ian M. Rolland Ian M. Rolland	Chairman and Director	February 24, 2012
/s/ Richard A. Abdoo Richard A. Abdoo	Director	February 24, 2012
/s/ Steven C. Beering Steven C. Beering	Director	February 24, 2012
/s/ Sigmund L. Cornelius Sigmund L. Cornelius	Director	February 24, 2012
/s/ Michael E. Jesanis Michael E. Jesanis	Director	February 24, 2012
/s/ Marty R. Kittrell Marty R. Kittrell	Director	February 24, 2012
/s/ W. Lee Nutter W. Lee Nutter	Director	February 24, 2012
/s/ Deborah S. Parker Deborah S. Parker	Director	February 24, 2012
/s/ Richard L. Thompson Richard L. Thompson	Director	February 24, 2012
/s/ Carolyn Y. Woo Carolyn Y. Woo	Director	February 24, 2012

EXHIBIT INDEX

EXHIBIT NUMBER	DESCRIPTION OF ITEM
(3.1)	Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the NiSource Inc. Form 10-Q filed on August 4, 2008).
(3.2)	Bylaws of NiSource Inc., as amended and restated through May 11, 2010 (incorporated by reference to Exhibit 3.1 to the NiSource Inc. Form 8-K filed on May 14, 2010).
(4.1)	Indenture dated as of March 1, 1988, between Northern Indiana and Manufacturers Hanover Trust Company, as Trustee (incorporated by reference to Exhibit 4 to the Northern Indiana Registration Statement (Registration No. 33-44193)).
(4.2)	First Supplemental Indenture dated as of December 1, 1991, between Northern Indiana and Manufacturers Hanover Trust Company, as Trustee (incorporated by reference to Exhibit 4.1 to the Northern Indiana Registration Statement (Registration No. 33-63870)).
(4.3)	Indenture Agreement between NIPSCO Industries, Inc., NIPSCO Capital Markets, Inc. and Chase Manhattan Bank as trustee dated February 14, 1997 (incorporated by reference to Exhibit 4.1 to the NIPSCO Industries, Inc. Registration Statement (Registration No. 333-22347)).
(4.4)	Second Supplemental Indenture, dated as of November 1, 2000 among NiSource Capital Markets, Inc., NiSource Inc., New NiSource Inc., and The Chase Manhattan Bank, as trustee (incorporated by reference to Exhibit 4.45 to the NiSource Inc. Form 10-K for the period ended December 31, 2000).
(4.5)	Indenture, dated November 14, 2000, among NiSource Finance Corp., NiSource Inc., as guarantor, and The Chase Manhattan Bank, as Trustee (incorporated by reference to Exhibit 4.1 to the NiSource Inc. Form S-3, dated November 17, 2000 (Registration No. 333-49330)).
(10.1)	2010 Omnibus Incentive Plan (incorporated by reference to Exhibit B to NiSource Inc. Definitive Proxy Statement to Shareholders held on May 11, 2010, filed on April 2, 2010).*
(10.2)	NiSource Inc. Nonemployee Director Stock Incentive Plan as amended and restated effective May 13, 2008 (incorporated by reference to Exhibit 10.1 to the NiSource Inc. Form 10-K filed on February 27, 2009).*
(10.3)	NiSource Inc. Nonemployee Director Retirement Plan, as amended and restated effective May 13, 2008. (incorporated by reference to Exhibit 10.2 to the NiSource Inc. Form 10-K filed on February 27, 2009).*
(10.4)	Amended and Restated NiSource Inc. Directors' Charitable Gift Program effective May 13, 2008. (incorporated by reference to Exhibit 10.3 to the NiSource Inc. Form 10-K filed on February 27, 2009).*
(10.5)	Supplemental Life Insurance Plan effective January 1, 1991, as amended, (incorporated by reference to Exhibit 2 to the NIPSCO Industries, Inc. Form 8-K filed on March 25, 1992). *
(10.6)	NiSource Inc. Executive Deferred Compensation Plan, as amended and restated, effective January 1, 2008 (incorporated by reference to Exhibit 10.3 to the NiSource Inc. Form 10-Q filed on November 4, 2008). *
(10.7)	Form of Change in Control and Termination Agreement (applicable to each named executive officer)(incorporated by reference to Exhibit 10.7 to the NiSource Inc. Form 10-Q filed on November 4, 2008). *
(10.8)	Form of Agreement between NiSource Inc. and certain officers of Columbia Energy Group and schedule of parties to such Agreements (incorporated by reference to Exhibit 10.33 to the NiSource Inc. Form 10-K for the period ended December 31, 2002). *
(10.9)	NiSource Inc. 1994 Long-Term Incentive Plan, as amended and restated effective January 1, 2005 (incorporated by reference to Exhibit 10.4 to the NiSource Inc. Form 8-K filed on December 2, 2005). *
(10.10)	1st Amendment to NiSource Inc. 1994 Long Term Incentive Plan, effective January 22, 2009. (incorporated by reference to Exhibit 10.10 to the NiSource Inc. Form 10-K filed on February 27, 2009). *

EXHIBIT INDEX

(10.11)	Form of Nonqualified Stock Option Agreement under the NiSource Inc. 1994 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.2 to the NiSource Inc. Form 8-K filed on January 3, 2005). *
(10.12)	Form of Contingent Stock Agreement under the NiSource Inc. 1994 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.1 to NiSource Inc. Form 10-Q filed on May 4, 2010).*
(10.13)	Form of Performance Share Agreement under the 2010 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.15 to the NiSource Inc. Form 10-K for the period ended December 31, 2010).*
(10.14)	Form of Restricted Stock Unit Award Agreement for Nonemployee Directors under the 2010 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.16 to the NiSource Inc. Form 10-K for the period ended December 31, 2010).*
(10.15)	Form of Restricted Stock Unit Agreement under the NiSource Inc. 1994 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.17 to the NiSource Inc. Form 10-K for the period ended December 31, 2010). *
(10.16)	Form of Restricted Stock Agreement under the 2010 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.18 to the NiSource Inc. Form 10-K for the period ended December 31, 2010) *
(10.17)	Form of Restricted Stock Unit Award Agreement for Non-employee directors under the Non-employee Director Stock Incentive Plan. (incorporated by reference to Exhibit 10.19 to the NiSource Inc. Form 10-K for the period ended December 31, 2010)*
(10.18)	Form of Restricted Stock Unit Award Agreement for Nonemployee Directors under the 2010 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.1 to NiSource Inc. Form 10-Q filed on August 2, 2011).
(10.19)	Amended and Restated NiSource Inc. Supplemental Executive Retirement Plan effective May 13, 2011 (incorporated by reference to Exhibit 10.3 to NiSource Inc. Form 10-Q filed on October 28, 2011) .
(10.20)	Amended and Restated Pension Restoration Plan for NiSource Inc. and Affiliates effective May 13, 2011 (incorporated by reference to Exhibit 10.4 to NiSource Inc. Form 10-Q filed on October 28, 2011).
(10.21)	Amended Restated Savings Restoration Plan for NiSource Inc. and Affiliates effective May 13, 2011 (incorporated by reference to Exhibit 10.1 to NiSource Inc. Form 10-Q filed on October 28, 2011).
(10.22)	Amended and Restated NiSource Inc. Executive Deferred Compensation Plan effective May 13, 2011 (incorporated by reference to Exhibit 10.2 to NiSource Inc. Form 10-Q filed on October 28, 2011).
(10.23)	NiSource Inc. Executive Severance Policy, as amended and restated, effective January 1, 2010 (incorporated by reference to Exhibit 10.3 to the NiSource Inc. Form 10-Q filed on May 4, 2010).
(10.24)	Letter Agreement between NiSource Corporate Services Company and Christopher A. Helms dated March 15, 2005 (incorporated by reference to Exhibit 10.2 to the NiSource Inc. Quarterly Report on Form 10-Q for the period ended June 30, 2005). *
(10.25)	Letter Agreement dated August 29, 2011 between Christopher A. Helms and NiSource Inc. or any of its affiliates or subsidiaries (incorporated by reference to Exhibit 10.5 to NiSource Inc. Form 10-Q filed on October 28, 2011). *
(10.26)	Letter Agreement between NiSource Corporate Services Company and Jimmy Staton dated December 13, 2007 (incorporated by reference to Exhibit 10.23 to the NiSource Inc. Form 10-K filed on February 27, 2009).*
(10.27)	Letter Agreement between NiSource Corporate Services Company and Stephen P. Smith dated May 14, 2008. (incorporated by reference to Exhibit 10.24 to the NiSource Inc. Form 10-K filed on February 27, 2009).*

EXHIBIT INDEX

(10.28)	Revolving Credit Agreement among NiSource Finance Corp., as Borrower, NiSource Inc., as Guarantor, the lender parties thereto as Lenders, Credit Suisse AG, Cayman Islands Branch as Syndication Agent, The Bank Of Tokyo-Mitsubishi UFJ, Ltd., Citibank, N.A., and JPMorgan Chase Bank, N.A. as Co-Documentation Agents and Barclays Bank PLC, as Administrative Agent dated March 3, 2011 (incorporated by reference to Exhibit 10.1 to the NiSource Inc. Form 10-Q for the period ended March 30, 2011).
(10.29)	Note Purchase Agreement, dated August 23, 2005, by and among NiSource Finance Corp., as issuer, NiSource Inc., as guarantor, and the purchasers named therein (incorporated by reference to Exhibit 10.1 to the NiSource Inc. Current Report on Form 8-K filed on August 26, 2005).
(10.30)	Amendment No. 1, dated as of November 10, 2008, to the Note Purchase Agreement by and among NiSource Finance Corp., as issuer, NiSource Inc., as guarantor, and the purchasers whose names appear on the signature page thereto. (incorporated by reference to Exhibit 10.30 to the NiSource Inc. Form 10-K filed on February 27, 2009).
(10.31)	Guaranty of NiSource Inc. in favor of JPMorgan Chase Bank, N.A., as administrative agent (incorporated by reference to Exhibit 10.1 to the NiSource Inc. Form 8-K filed on August 30, 2007).
(10.32)	Agreement for Business Process and Support Services between NiSource Corporate Services Company and IBM, effective June 20, 2005 (incorporated by reference to Exhibit 10.1 to the NiSource Inc. Form 10-Q for the period ended June 30, 2005).
(10.33)	Amendment #4 to Agreement for Business Process and Support Services between NiSource Corporate Services Company and IBM, effective December 1, 2007 (incorporated by reference to Exhibit 10.30 to the NiSource Inc. Form 10-K for the period ended December 31, 2007).*
(10.34)	Letter agreement, dated September 8, 2010 between NiSource Inc. and Credit Suisse International (incorporated by reference to Exhibit 1.2 to the NiSource Inc. Current Report on Form 8-K filed on September 14, 2010).
(10.35)	Letter agreement, dated September 9, 2010 between NiSource Inc. and Credit Suisse International (incorporated by reference to Exhibit 1.3 to the NiSource Inc. Current Report on Form 8-K filed on September 14, 2010).
(12)	Ratio of Earnings to Fixed Charges. **
(21)	List of Subsidiaries. **
(23)	Consent of Deloitte & Touche LLP. **
(31.1)	Certification of Robert C. Skaggs, Jr., Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. **
(31.2)	Certification of Stephen P. Smith, Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. **
(32.1)	Certification of Robert C. Skaggs, Jr., Chief Executive Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith). **
(32.2)	Certification of Stephen P. Smith, Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith). **
(101.INS)	XBRL Instance Document**
(101.SCH)	XBRL Schema Document**
(101.CAL)	XBRL Calculation Linkbase Document**
(101.LAB)	XBRL Labels Linkbase Document**
(101.PRE)	XBRL Presentation Linkbase Document**
(101.DEF)	XBRL Definition Linkbase Document**

* Management contract or compensatory plan or arrangement of NiSource Inc.
** Exhibit filed herewith.

References made to Northern Indiana filings can be found at Commission File Number 001-04125. References made to NiSource Inc. filings made prior to November 1, 2000 can be found at Commission File Number 001-09779.

Exhibit 12

Ratio of Earnings to Fixed Charges

	December 31, 2011	December 31, 2010	December 31, 2009	December 31, 2008	December 31, 2007
Earnings as defined in item 503(d) of Regulation S-K:					
Add:					
Pretax income from continuing Operations (b)(e)	$452,321,955	$405,669,857	$380,711,851	$535,956,665	$484,335,772
Fixed Charges	424,873,958	442,730,583	423,724,907	422,708,986	436,701,099
Amortization of capitalized interest (c)					
Distributed income of equity investees	18,800,143	36,741,190	2,924,805	7,941,413	44,134,385
Share of pre-tax losses of equity investees for which charges arising guarantees are included in fixed charges					
Deduct:					
Interest capitalized (c)					
Preference security dividend requirements of consolidated subsidiaries (d)	-	-	-	-	-
Non-controlling interest in pre-tax income of subsidiaries that have not incurred fixed charges		(11,762)	(46,769)	(5,307)	(2,708)
	$895,996,056	$885,153,392	$807,408,332	$966,612,371	$965,173,964
Fixed charges as defined in item 503(d) of Regulation S-K:					
Interest on long-term debt	$362,913,295	$390,690,947	$386,737,382	$358,736,132	$353,404,387
Other interest	35,399,618	22,851,904	5,268,937	37,561,475	58,214,067
Capitalized interest during period (c)					
Amortization of premium, reacquisition premium, discount and expense on debt, net	8,941,809	10,287,487	13,020,255	7,682,146	7,284,066
Interest portion of rent expense	17,619,236	18,912,006	18,745,102	18,734,540	17,801,287
Non-controlling interest		(11,762)	(46,769)	(5,307)	(2,708)
	$424,873,958	$442,730,583	$423,724,907	$422,708,986	$436,701,099
Plus preferred stock dividends: Preferred dividend requirements of subsidiary	$ -	$ -	$ -	$ -	$ -
Preferred dividend requirements factor	0.65	0.68	0.58	0.67	0.65
Preference security dividend requirements of consolidated subsidiaries (d)					
Fixed charges	424,873,958	442,730,583	423,724,907	422,708,986	436,701,099
	$424,873,958	$442,730,583	$423,724,907	$422,708,986	$436,701,099
Ratio of earnings to fixed charges	2.11	2.00	1.91	2.29	2.21

(a) Income Statement amounts have been adjusted for discontinued operations.

(b) Excludes adjustment for minority interest in consolidated subsidiaries or income or loss from equity investees.

(c) NiSource is a public utility following SFAS 71 and therefore does not add amortization of capitalized interest or subtract interest capitalized in determining earnings, nor reduces fixed charges for Allowance for Funds Used During Construction.

(d) Preferred dividends, as defined by SEC regulation S-K, are computed by dividing the preferred dividend requirement by one minus the effective income tax rate applicable to continuing operations.

(e) NiSource made correcting adjustments for the years ended December 31, 2010, 2009, 2008 and 2007. NiSource does not believe these corrections are material for any reported period. Refer to Form 10-K for the period ended December 31, 2011 for additional information.

SUBSIDIARIES OF NISOURCE

as of December 31, 2011

Segment/Subsidiary	State of Incorporation
GAS DISTRIBUTION OPERATIONS	
Bay State Gas Company d/b/a Columbia Gas of Massachusetts	Massachusetts
Columbia Gas of Kentucky, Inc.	Kentucky
Columbia Gas of Maryland, Inc.	Delaware
Columbia Gas of Ohio, Inc.	Ohio
Columbia Gas of Pennsylvania, Inc.	Pennsylvania
Columbia Gas of Virginia, Inc.	Virginia
Kokomo Gas and Fuel Company	Indiana
NiSource Retail Services, Inc.	Delaware
ELECTRIC OPERATIONS	
Northern Indiana Public Service Company*	Indiana
GAS TRANSMISSION AND STORAGE OPERATIONS	
Columbia Gas Transmission, LLC.	Delaware
Columbia Gulf Transmission Company	Delaware
Crossroads Pipeline Company	Indiana
Central Kentucky Transmission Company	Delaware
NiSource Gas Transmission & Storage Company	Delaware

Segment/Subsidiary	State of Incorporation
ER OPERATIONS	
NiSource Energy Technologies, Inc.	Indiana
NiSource Development Company, Inc.	Indiana
EnergyUSA, Inc.	Indiana
EnergyUSA-TPC Corp.	Indiana
CORPORATE	
Columbia Energy Group	Delaware
NiSource Finance Corp.	Indiana
NiSource Capital Markets, Inc.	Indiana
NiSource Corporate Services Company	Delaware
NiSource Insurance Corporation, Inc.	Utah
NIPSCO Accounts Receivable Corporation	Indiana
Columbia Gas of Ohio Receivables Corporation	Delaware
Columbia Gas of Pennsylvania Receivables Corporation	Delaware

* Reported under Gas Distribution Operations and Electric Operations.

Exhibit 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-157943, 333-170385 and 333-170385-01 on Forms S-3, and Registration Statement Nos. 333-127811, 333-127812, 333-107743, 333-166888 and 333-170706 on Forms S-8 of our reports dated February 24, 2011, *relating to the consolidated financial statements and financial statement schedules of NiSource Inc. and subsidiaries (the "Company"), a* effectiveness of the Company's internal control over financial reporting, appearing in this Annual Report on Form 10-K of the Company for t year ended December 31, 2011.

/s/ Deloitte & Touche LLP

Columbus, Ohio
February 24, 2012

Exhibit 31.1

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Robert C. Skaggs, Jr., certify that:

1. I have reviewed this Annual Report of NiSource Inc. on Form 10-K for the year ended December 31, 2011;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 24, 2011

By: /s/ Robert C. Skaggs, Jr
Robert C. Skaggs, Jr.
Chief Executive Officer

Exhibit 31.2

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Stephen P. Smith, certify that:

1. I have reviewed this Annual Report of NiSource Inc. on Form 10-K for the year ended December 31, 2011;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 24, 2012

By: /s/ Stephen P. Smith
Stephen P. Smith
Executive Vice President and Chief Financial Officer

Exhibit 32.1

Certification Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of NiSource Inc. (the "Company") on Form 10-K for the year ending December 31, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robert C. Skaggs, Jr., Chief Executive Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Robert C. Skaggs, Jr
Robert C. Skaggs, Jr.
Chief Executive Officer

Date: February 24, 2012

Exhibit 32.2

Certification Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of NiSource Inc. (the "Company") on Form 10-K for the year ending December 31, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Stephen P. Smith Stephen P. Smith, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Stephen P. Smith
Stephen P. Smith
Executive Vice President and Chief Financial Officer

Date: February 24, 2012