Columbia Gas of Pennsylvania, Inc.
2012 General Rate Case
Docket No. R-2012-2321748
Standard Data Request
GASROR No. 01-09
Volume 1 of 2

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Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Rate of Return

Question No. GAS-ROR-001:

Please supply copies of the following documents for the Company and, if applicable, its parent:

a. Most recent Annual Report to shareholders (including any statistical supplements);
b. Most recent SEC Form 10K;
c. All SEC Form 10Q reports issued within last year.

Response:

a. See Exhibit No. 403 for a copy of the December 31, 2011 NiSource Inc. Annual Report to Shareholders.

b. See Exhibit No. 403 for a copy of the December 31, 2011 10K.

c. See GAS-ROR-001, Attachment A through C for the NiSource Inc. March 31, 2012 SEC Form 10Q (Attachment A), September 30, 2011 SEC Form 10Q (Attachment B) and June 30, 2011 SEC Form 10Q (Attachment C).

See Exhibit No. 402 for a copy of the June 30, 2012 NiSource Inc. 10Q.

EDGAR Online

NISOURCE INC/DE

FORM 10-Q
(Quarterly Report)

Filed 05/01/12 for the Period Ending 03/31/12

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 March 31, 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: 284,092,190 shares outstanding at April 26, 2012.

NISOURCE INC.
FORM 10-Q QUARTERLY REPORT
FOR THE QUARTER ENDED MARCH 31, 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 Services, L.L.C.
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
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
LIFO	Last in first out
M[redacted]	Million cubic feet
[redacted]	Manufactured Gas Plant
[redacted]O	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
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
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
RTO	Regional Transmission Organization
SEC	Securities and Exchange Commission
S[redacted]	State Implementation Plan
[redacted]	Sulfur dioxide
VaR	Value-at-risk and instrument sensitivity to market factors

DEFINED TERMS (continued)

VIE	Variable Interest Entities
VSCC	Virginia State Corporation Commission

PART I

M 1. FINANCIAL STATEMENTS

NiSource Inc.
Condensed Statements of Consolidated Income (unaudited)

Three Months Ended March 31, (*in millions, except per share amounts*)	2012	2011
Net Revenues		
Gas Distribution	$ 873.7	$ 1,372.0
Gas Transportation and Storage	409.2	403.0
Electric	352.6	346.5
Other	23.2	110.1
Gross Revenues	1,658.7	2,231.6
Cost of Sales (excluding depreciation and amortization)	630.3	1,170.9
Total Net Revenues	1,028.4	1,060.7
Operating Expenses		
Operation and maintenance	405.4	429.3
Depreciation and amortization	146.1	134.3
Impairment and (gain)/loss on sale of assets, net	(1.6)	0.7
Other taxes	86.8	93.0
Total Operating Expenses	636.7	657.3
Equity Earnings in Unconsolidated Affiliates	7.7	3.0
Operating Income	399.4	406.4
Other Income (Deductions)		
Interest expense, net	(103.3)	(89.8)
Other, net	0.3	3.3
Total Other Deductions	(103.0)	(86.5)
ne from Continuing Operations before Income Taxes	296.4	319.9
me Taxes	102.9	110.8
Income from Continuing Operations	193.5	209.1
(Loss) Income from Discontinued Operations - net of taxes	(0.1)	0.4
Net Income	$ 193.4	$ 209.5
Basic Earnings Per Share		
Continuing operations	$ 0.68	$ 0.75
Discontinued operations		
Basic Earnings Per Share	$ 0.68	$ 0.75
Diluted Earnings Per Share		
Continuing operations	$ 0.66	$ 0.73
Discontinued operations		
Diluted Earnings Per Share	$ 0.66	$ 0.73
Dividends Declared Per Common Share	$ 0.46	$ 0.46
Basic Average Common Shares Outstanding	282.9	279.3
Diluted Average Common Shares	293.1	285.0

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)

Three Months Ended March 31, (*in millions, net of taxes*)	2012	2011
Net Income	$ 193.4	$ 209.5
Other comprehensive (loss) income		
Net loss on available for sale securities [a]	(2.8)	(0.3)
Net unrealized gains on cash flow hedges [b]	1.0	1.1
Unrecognized pension benefit and OPEB costs [c]	0.6	0.4
Total other comprehensive (loss) income	(1.2)	1.2
Total Comprehensive Income	$ 192.2	$ 210.7

(a) Net unrealized losses on available-for-sale securities, net of $2.0 million and $0.2 million tax benefit in the first quarter of 2012 and 2011.

(b) Net unrealized gains on derivatives qualifying as cash flow hedges, net of $0.6 million and $0.7 million tax expense in the first quarter of 2012 and 2011, respectively. Net unrealized gains on cash flow hedges includes realization of unrealized losses of $0.3 million and $0.2 million related to the unrealized losses of interest rate swaps held by NiSource's unconsolidated equity method investments for the first quarter of 2012 and 2011, respectively.

(c) Unrecognized pension benefit and OPEB costs, net of $0.5 million and $0.4 million tax expense in the first quarter of 2012 and 2011.

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

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ITEM 1. FINANCIAL STATEMENTS (continued)

OURCE I NC.

Condensed Consolidated Balance Sheets (unaudited)

(in millions)	March 31, 2012	December 31, 2011
ASSETS		
Property, Plant and Equipment		
Utility Plant	$ 20,571.1	$ 20,337.8
Accumulated depreciation and amortization	(8,805.9)	(8,670.2)
Net utility plant	11,765.2	11,667.6
Other property, at cost, less accumulated depreciation	136.8	132.5
Net Property, Plant and Equipment	11,902.0	11,800.1
Investments and Other Assets		
Assets of discontinued operations and assets held for sale	0.2	0.2
Unconsolidated affiliates	204.8	204.7
Other investments	156.5	150.9
Total Investments and Other Assets	361.5	355.8
Current Assets		
Cash and cash equivalents	38.5	11.5
Restricted cash	149.7	160.6
Accounts receivable (less reserve of $45.6 and $30.5, respectively)	730.3	854.8
Income tax receivable	0.7	0.9
Gas inventory	181.1	427.6
Underrecovered gas and fuel costs	15.0	20.7
aterials and supplies, at average cost	89.8	87.6
ectric production fuel, at average cost	83.3	50.9
Price risk management assets	141.9	137.2
Exchange gas receivable	76.4	64.9
Regulatory assets	186.2	169.7
Prepayments and other	277.4	261.8
Total Current Assets	1,970.3	2,248.2
Other Assets		
Price risk management assets	114.7	188.7
Regulatory assets	1,940.1	1,978.2
Goodwill	3,677.3	3,677.3
Intangible assets	294.9	297.6
Postretirement and postemployment benefits assets	34.9	31.5
Deferred charges and other	150.2	130.9
Total Other Assets	6,212.1	6,304.2
Total Assets	$ 20,445.9	$ 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 Sheet (unaudited) (continued)

(in millions, except share amounts)	March 31, 2012	December 31, 2011
CAPITALIZATION AND LIABILITIES		
Capitalization		
Common Stockholders' Equity		
Common stock - $0.01 par value; 400,000,000 shares authorized; 283,890,607 and 281,853,571 shares issued and outstanding, respectively	$ 2.9	$ 2.8
Additional paid-in capital	4,198.9	4,167.7
Retained earnings	980.0	917.0
Accumulated other comprehensive loss	(60.9)	(59.7)
Treasury stock	(40.4)	(30.5)
Total Common Stockholders' Equity	5,080.5	4,997.3
Long-term debt, excluding amounts due within one year	5,834.4	6,267.1
Total Capitalization	10,914.9	11,264.4
Current Liabilities		
Current portion of long-term debt	750.8	327.3
Short-term borrowings	1,264.2	1,359.4
Accounts payable	380.7	434.8
Dividends payable	65.3	-
Customer deposits and credits	215.1	313.6
Taxes accrued	237.3	220.9
Interest accrued	70.2	111.9
Overrecovered gas and fuel costs	74.3	48.9
Price risk management liabilities	180.4	167.8
Exchange gas payable	66.3	168.[illegible]
Deferred revenue	10.6	10.[illegible]
Regulatory liabilities	99.9	112.0
Accrued liability for postretirement and postemployment benefits	26.6	26.6
Legal and environmental reserves	37.0	43.9
Other accruals	239.7	301.0
Total Current Liabilities	3,718.4	3,646.4
Other Liabilities and Deferred Credits		
Price risk management liabilities	94.9	138.9
Deferred income taxes	2,650.7	2,541.9
Deferred investment tax credits	27.9	29.0
Deferred credits	80.7	78.9
Accrued liability for postretirement and postemployment benefits	946.0	953.8
Regulatory liabilities and other removal costs	1,616.2	1,663.9
Asset retirement obligations	148.4	146.4
Other noncurrent liabilities	247.8	244.7
Total Other Liabilities and Deferred Credits	5,812.6	5,797.5
Commitments and Contingencies (Refer to Note 19)	-	-
Total Capitalization and Liabilities	$ 20,445.9	$ 20,708.3

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

ITEM 1. FINANCIAL STATEMENTS (continued)

[redacted]OURCE I NC.

Condensed Statements of Consolidated Cash Flows (unaudited)

Three Months Ended March 31, (*in millions*)	2012	2011
Operating Activities		
Net Income	$ 193.4	$ 209.5
Adjustments to Reconcile Net Income to Net Cash from Continuing Operations:		
Depreciation and amortization	146.1	134.3
Net changes in price risk management assets and liabilities	24.9	14.3
Deferred income taxes and investment tax credits	92.2	102.3
Deferred revenue	0.5	0.7
Stock compensation expense and 401(k) profit sharing contributions	8.9	7.8
Gain on sale of assets	(1.6)	-
Loss on impairment of assets	-	0.7
Income from unconsolidated affiliates	(6.6)	(3.1)
Loss (Gain) from discontinued operations - net of taxes	0.1	(0.4)
Amortization of debt related costs	2.3	2.1
AFUDC equity	(1.0)	(1.4)
Distributions of earnings received from equity investees	12.9	1.8
Changes in Assets and Liabilities:		
Accounts receivable	127.9	16.0
Income tax receivable	0.2	78.6
Inventories	211.2	208.5
Accounts payable	(41.3)	(119.9)
Customer deposits and credits	(98.5)	(136.5)
Taxes accrued	16.6	24.1
Interest accrued	(41.7)	(53.0)
Overrecovered gas and fuel costs	31.1	191.0
Exchange gas receivable/payable	(113.4)	(129.6)
Other accruals	(54.3)	(34.0)
Prepayments and other current assets	(4.7)	1.3
Regulatory assets/liabilities	(1.2)	15.2
Postretirement and postemployment benefits	(6.9)	(94.4)
Deferred credits	2.6	3.5
Deferred charges and other noncurrent assets	(23.3)	(3.6)
[redacted]ther noncurrent liabilities	4.0	1.0
[redacted] Operating Activities from Continuing Operations	480.4	436.8
Net Operating Activities used for Discontinued Operations	(0.4)	(14.7)
Net Cash Flows from Operating Activities	480.0	422.1
Investing Activities		
Capital expenditures	(292.6)	(209.4)
Proceeds from disposition of assets	2.1	5.5
Restricted cash withdrawals	11.5	38.0
Contributions to equity investees	(5.3)	-
Other investing activities	(10.4)	(9.2)
Net Cash Flow used for Investing Activities	(294.7)	(175.1)
Financing Activities		
Retirement of long-term debt	(5.9)	(2.8)
Premiums and other debt related costs	-	(8.2)
Change in short-term borrowings, net	(94.8)	(119.5)
Issuance of common stock	17.4	3.7
Acquisition of treasury stock	(9.9)	(2.7)
Dividends paid - common stock	(65.1)	(64.2)
Net Cash Flow used for Financing Activities	(158.3)	(193.7)
Change in cash and cash equivalents from continuing operations	27.4	68.0
Cash contributions to discontinued operations	(0.4)	(14.7)
Cash and cash equivalents at beginning of period	11.5	9.2
Cash and Cash Equivalents at End of Period	$ 38.5	$ 62.5

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

[redacted]

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 first quarter of 2011 relating to deferred revenue, environmental asset recovery and OPEB over-reimbursement. NiSource does not believe that these corrections, individually or in the aggregate, are material to its financial statements (unaudited) for the quarterly period ended March 31, 2011. 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 months ended March 31, 2011:

Increase/(Decrease) in Net Income *(in millions)*	Three Months Ended March 31, 2011
Previously reported Net Income	$ 205.2
Deferred revenue	(0.6)
Environmental asset recovery	8.0
OPEB over-reimbursement	(0.2)
Total corrections	7.2
Income taxes	2.9
Corrected Net Income	$ 209.5

ITEM 1. FINANCIAL STATEMENTS (continued)

[redacted]OURCE I NC.
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 months ended March 31, 2011:

Condensed Statements of Consolidated Income (unaudited)

	Three Months ended March 31, 2011	
(in millions, except per share amounts)	As Previously Reported	As Corrected
Net Revenues		
Electric	$ 347.1	$ 346.5
Gross Revenues	2,232.2	2,231.6
Total Net Revenues	1,061.3	1,060.7
Operation and maintenance	432.5	429.3
Depreciation and amortization	138.9	134.3
Total Operating Expenses	665.1	657.3
Operating Income	399.2	406.4
Income from Continuing Operations before Income Taxes	312.7	319.9
Income Taxes	107.9	110.8
Income from Continuing Operations	204.8	209.1
Net Income	$ 205.2	$ 209.5
Basic Earnings Per Share ($)		
Continuing operations	$ 0.73	$ 0.75
Basic Earnings Per Share	$ 0.73	$ 0.75
Diluted Earnings Per Share ($)		
Continuing operations	$ 0.72	$ 0.73
Diluted Earnings Per Share	$ 0.72	$ 0.73

These corrections affected certain line items within net cash flows from operating activities on the Condensed Statement of Consolidated Cash Flows (unaudited) for the three months ended March 31, 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 statements.

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).

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 is currently reviewing the provisions of this new standard to determine if it will elect the option for the second quarter of 2012.

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 for March 31, 2012 and 2011 excludes out-of-the-money stock options of 2.1 million and 3.5 million, respectively, which had an anti-dilutive effect. 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 March 31, *(in thousands)*	2012	2011
Denominator		
Basic average common shares outstanding	**282,925**	279,339
Dilutive potential common shares		
Nonqualified stock options	**126**	-
Shares contingently issuable under employee stock plans	**158**	1,112
Shares restricted under stock plans	**615**	317
Forward agreements	**9,275**	4,203
Diluted Average Common Shares	**293,099**	284,971

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 March 31, 2012, NiSource would have received approximately $351.2 million based on a forward price of $14.4744 for the 24,265,000 shares. NiSource currently anticipates settling the equity forward by delivering shares.

ITEM 1. FINANCIAL STATEMENTS (continued)

[redacted]OURCE I NC.
Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

In accordance with ASC 815-40, NiSource has classified the Forward Agreement as an equity transaction. As a result of this classification, no amounts have been recorded in the Condensed Consolidated Financial Statements (unaudited) as of and for the three months ended March 31, 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 $21.7 million recorded for the three months ended March 31, 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 at March 31, 2012 and December 31, 2011.

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

Three Months Ended March 31, *(in millions)*	2012	2011
[redacted]nues from Discontinued Operations	**$**	**$**
(Loss) Income from discontinued operations	**(0.2)**	0.6
Income tax (benefit) expense	**(0.1)**	0.2
(Loss) Income from Discontinued Operations - net of taxes	**$ (0.1)**	$ 0.4
Gain on Disposition of Discontinued Operations - net of taxes	**$**	**$**

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 three months ended March 31, 2012 and 2011 are presented in the table below:

(in millions)	2012	2011
Balance as of January 1,	**$ 146.4**	$ 138.8
Accretion expense	**0.2**	0.2
Accretion recorded as a regulatory asset/liability	**2.1**	1.7
Settlements	**(0.3)**	(0.6)
Balance as of March 31,	**$ 148.4**	$ 140.1

ITEM 1. FINANCIAL STATEMENTS (continued)

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

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 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 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 a 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 as a credit to its customers as a reduction to the Gas Cost Recovery rate. The credit to customers of $43.8 million was totally refunded by September 2011.

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.

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 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.

ITEM 1. FINANCIAL STATEMENTS (continued)

[redacted]OURCE I NC.
Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

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. On March 19, 2012, Columbia of Massachusetts filed its Off-Peak RDAF to take effect May 1, 2012. The filing is under review by the Massachusetts DPU.

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 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 $[redacted]8 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 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. 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. It is anticipated that the PUCO will approve the settlement to become effective May 1, 2012.

ITEM 1. FINANCIAL STATEMENTS (continued)

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

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 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.

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.

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 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.

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 $(0.9) million and $13.0 million were recognized for electric customers for the first quarter 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, and an evidentiary hearing is scheduled for July 31, 2012.

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

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 date is set for May 14, 2012.

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 the quarters ended March 31, 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 I 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. On February 14, 2012, the IURC issued a procedural schedule for the Phase III projects, which includes an evidentiary hearing scheduled on May 10, 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.

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 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 depe 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.

ITEM 1. FINANCIAL STATEMENTS (continued)

OURCE I NC .
s to Condensed Consolidated Financial Statements (unaudited) (continued)

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 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.

ITEM 1. FINANCIAL STATEMENTS (continued)

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

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.

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 $3.5 million and $25.6 million against certain derivatives as of March 31, 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 $72.9 million at March 31, 2012 and $136.8 million at December 31, 2011, while the financial derivative contracts marked-to-market had a fair value loss of $115.8 million at March 31, 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 the first quarter of 2012, NiSource settled a majority of the contracts related to the reserve noted above. As a result, NiSource wrote off $43.8 million of price risk assets and recorded notes receivable of $20.7 million.

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 direct of the Bankruptcy Court, a transfer of assets was initiated on behalf of NiSource affiliates to a court-designated replacement broker for fut 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 March 31, 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.

ITEM 1. FINANCIAL STATEMENTS (continued)

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

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

	March 31, 2012	December 31, 2011
Commodity Price Risk Program:		
Gas price volatility program derivatives (MMDth)	23.3	26.1
Price Protection Service program derivatives (MMDth)	0.5	1.0
DependaBill program derivatives (MMDth)	0.2	0.3
Regulatory incentive program derivatives (MMDth)		0.9
Gas marketing program derivatives (MMDth) (a)	16.4	28.5
Gas marketing forward physical derivatives (MMDth) (b)	16.0	27.1
Electric energy program FTR derivatives (mw) (c)	4,478.5	8,578.5

(a) Basis contract volumes not included in the above table were 16.5 MMDth and 15.9 MMDth as of March 31, 2012 and December 31, 2011, respectively.

(b) Basis contract volumes not included in the above table were 24.1 MMDth and 29.9 MMDth as of March 31, 2012 and December 31, 2011, 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 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 March 31, 2012, 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 three months ended March 31, 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 March 31, 2012, AOCI includes $10.9 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 March 31, 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 $19.4 million, net of tax, as of March 31, 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).

ITEM 1. FINANCIAL STATEMENTS (continued)

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

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

Asset Derivatives *(in millions)*	**March 31, 2012**	December 31, 2011
Balance Sheet Location	**Fair Value (a)**	Fair Value (a)
Derivatives designated as hedging instruments		
Interest rate risk activities		
Price risk management assets (current)	**$**	$
Price risk management assets (noncurrent)	**47.7**	56.7
Total derivatives designated as hedging instruments	**$ 47.7**	$ 56.7
Derivatives not designated as hedging instruments		
Commodity price risk programs		
Price risk management assets (current)	**$ 143.1**	$ 141.8
Price risk management assets (noncurrent)	**67.5**	150.0
Total derivatives not designated as hedging instruments	**$ 210.6**	$ 291.8
Total Asset Derivatives	**$ 258.3**	$ 348.5

(a) During the fourth quarter of 2011, NiSource recorded reserves of $22.6 million ($4.6 million current and $18.0 million noncurrent) on certain assets related to the wind down of the unregulated natural gas marketing business. As of March 31, 2012, $1.7 million ($1.2 million current and $0.5 million noncurrent) of these reserves remain. The non-designated price risk asset amounts above are shown gross and have not been adjusted for the reserves.

Liability Derivatives *(in millions)*	**March 31, 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)	**$ 0.3**	$ 0.4
Price risk management liabilities (noncurrent)	**0.1**	0.1
Total derivatives designated as hedging instruments	**$ 0.4**	$ 0.5
Derivatives not designated as hedging instruments		
Commodity price risk programs		
Price risk management liabilities (current)	**$ 180.1**	$ 167.4
Price risk management liabilities (noncurrent)	**94.8**	138.8
Total derivatives not designated as hedging instruments	**$ 274.9**	$ 306.2
Total Liability Derivatives	**$ 275.3**	$ 306.7

ITEM 1. FINANCIAL STATEMENTS (continued)

SOURCE I NC.
Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

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)		Location of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Amount of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	
	March 31, 2012	March 31, 2011		**March 31, 2012**	March 31, 2011
Commodity price risk programs	**$ 0.3**	$ 0.5	Cost of Sales	**$ 0.5**	$ 0.6
Interest rate risk activities	**0.4**	0.4	Interest expense, net	**(0.7)**	(0.7)
Total	**$ 0.7**	$ 0.9		**$ (0.2)**	$ (0.1)

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)	
		March 31, 2012	March 31, 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 recognition of amounts currently classified in AOCI of approximately $0.4 million of loss, net of taxes.

Derivatives in Fair Value Hedging Relationships

Three 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	
		March 31, 2012	March 31, 2011
Interest rate risk activities	Interest expense, net	**$ (9.0)**	$ (10.3)
Total		**$ (9.0)**	$ (10.3)

Three 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	
		March 31, 2012	March 31, 2011
Fixed-rate debt	Interest expense, net	**$ 9.0**	$ 10.3
Total		**$ 9.0**	$ 10.3

ITEM 1. FINANCIAL STATEMENTS (continued)

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

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 *	
		March 31, 2012	March 31, 2011
Commodity price risk programs	Gas Distribution revenues	**$ 0.2**	$ (21.7)
Commodity price risk programs	Other revenues	**(1.7)**	10.6
Commodity price risk programs	Cost of Sales	**(21.1)**	(2.4)
Total		**$ (22.6)**	$ (13.5)

* For the amounts of realized/unrealized gain (loss) recognized in income on derivatives disclosed in the table above, losses of $19.8 million and $22.6 million for the first quarter 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.

NiSource's derivative instruments measured at fair value as of March 31, 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. The agreements are primarily for the physical purchase or sale of natural gas and electricity. The collateral requirement from a downgrade be the ratings trigger levels would amount to approximately $2.1 million. In addition to agreements with ratings triggers, there are so 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 $148.2 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 March 31, 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 March 31, 2012 and December 31, 2011:

Recurring Fair Value Measurements March 31, 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 March 31, 2012
Assets				
Commodity Price risk management assets:				
Physical price risk programs	$ -	$ 75.3	$ -	$ 75.3
Financial price risk programs (a)	133.6	1.6	0.1	135.3
Interest rate risk activities	-	47.7	-	47.7
Available-for-sale securities	29.7	66.8	-	96.5
Total	$ 163.3	$ 191.4	$ 0.1	$ 354.8
Liabilities				
Commodity Price risk management liabilities:				
[redacted]ysical price risk programs	$ -	$ 0.7	$ -	$ 0.7
[redacted]ancial price risk programs	273.3	1.3	-	274.6
Total	$ 273.3	$ 2.0	$ -	$ 275.3

(a) The financial price risk program amount above is shown gross and has not been adjusted for a reserve of $1.7 million on certain assets related to the wind down of the unregulated natural gas marketing business.

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

ITEM 1. FINANCIAL STATEMENTS (continued)

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

(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.

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 March 31, 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 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 March 31, 2012 and December 31, 2011 were:

(in millions)	Amortized Cost	Total Gains	Total Losses	Fair Value
Available-for-sale debt securities, March 31, 2012				
U.S. Treasury	$ 33.9	$ 1.4	$ -	$ 35.3
Corporate/Other	59.5	1.8	(0.1)	61.2
Total Available-for-sale debt securities	**$ 93.4**	**$ 3.2**	**$ (0.1)**	**$ 96.5**

ITEM 1. FINANCIAL STATEMENTS (continued)

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

(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
Total Available-for-sale debt securities	**$ 93.0**	**$ 3.3**	**$ (0.3)**	**$ 96.0**

For the three months ended March 31, 2012 and 2011, the net realized gain on the sale of available-for-sale U.S. Treasury debt securities was zero and $0.1 million, respectively. For the three months ended March 31, 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.

The cost of maturities sold is based upon specific identification. At March 31, 2012, all of the U.S. Treasury debt securities have maturities of greater than one year. At March 31, 2012, approximately $1.2 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 three months ended March 31, 2012 and 2011:

Three Months Ended March 31, 2012 *(in millions)*	Other Derivatives
Balance as of January 1, 2012	$ 0.3
Total gains or (losses) (unrealized/realized)	
Included in regulatory assets/liabilities	(0.2)
Balance as of March 31, 2012	$ 0.1
Change in unrealized gains/(losses) relating to instruments still held as of March 31, 2012	$ -

Three Months Ended March 31, 2011 *(in millions)*	Other Derivatives
Balance as of January 1, 2011	$ 0.2
Total gains or losses (unrealized/realized)	
Included in regulatory assets/liabilities	(0.4)
Purchases	(0.4)
Settlements	0.5
Balance as of March 31, 2011	$ (0.1)
Change in unrealized gains/(losses) relating to instruments still held as of March 31, 2011	$ (0.9)

Non-recurring Fair Value Measurements. There were no significant non-recurring fair value measurements recorded during the three months ended March 31, 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, 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 March 31, 2012 and 2011, there were no changes in the method or significant assumptions used to estimate the fair value of the financial instruments.

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

(in millions)	Carrying Amount as of March 31, 2012	Estimated Fair Value as of March 31, 2012	Carrying Amount as of Dec. 31, 2011	Estimated Fair Value as of Dec. 31, 2011
Long-term debt (including current portion)	6,585.2	7,420.5	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 receivables 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 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 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 March 31, 2012, $161.4 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 be further renewed if mutually agreed to by both parties. As of March 31, 2012, $169.3 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

ITEM 1. FINANCIAL STATEMENTS (continued)

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

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 March 31, 2012, $45.9 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.

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

(in millions)	**March 31, 2012**	December 31, 2011
Gross Receivables	$ 446.4	$ 510.5
Less: Receivables not transferred	69.8	278.8
Net receivables transferred	$ 376.6	$ 231.7
Short-term debt due to asset securitization	$ 376.6	$ 231.7

For the three months ended March 31, 2012 and 2011, $1.1 million and $1.5 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

In accordance with the provisions for goodwill accounting under GAAP, 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 the FASB.

NiSource's goodwill assets as of March 31, 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 March 31, 2012 related to the purchase of Northern Indiana Fuel and Light in March 1993 and Kokomo Gas in February 1992 were $18.8 million.

The test performed at June 30, 2011 indicated that the fair value of each of the reporting units that carry or are allocated goodwill exceeded their carrying values, indicating that no impairment exists under Step 1 of the annual impairment test.

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 during the first quarter.

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 March 31, 2012 and 2011 were 34.7% and 34.6%, 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 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 recognize a tax benefit for this issue in the amount of $80.9 million. NiSource believes these adjustments will not have a significant effect on the income statement.

There were no material changes recorded in the first 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 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.

For the three months ended March 31, 2012, NiSource has contributed $0.9 million to its pension plans and $13.1 million to its other postretirement benefit plans.

The following table provides the components of the plans' net periodic benefits cost for the three months ended March 31, 2012 and 2011:

	Pension Benefits		Other Postretirement Benefits	
Three Months Ended March 31, *(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

For the quarters ended March 31, 2012 and 2011, pension and other postretirement benefit cost of approximately $5.6 million and $7.1 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.

NiSource 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 March 31, 2012, consistent with prior periods, NiSource consolidated its low income housing real estate investments from which NiSource derives certain tax benefits. As of March 31, 2012, NiSource is a 99% limited partner with a net investment of approximately $3.0 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 March 31, 2012, gross assets of the low income housing real estate investments in continuing operations were $28.6 million. Current and non-current assets were $0.5 million and $28.1 million, respectively. As of March 31, 2012, NiSource has long-term debt of approximately $9.7 million as a result of consolidating these investments. However, this debt is nonrecourse to NiSource and NiSource's direct and indirect subsidiaries. Approximately $0.5 million of the assets are restricted to settle 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.

16. Long-Term Debt

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 March 2015. At March 31, 2012, NiSource had $496.6 million of commercial paper outstanding.

ITEM 1. FINANCIAL STATEMENTS (continued)

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

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 March 31, 2012, NiSource had $391.0 million of outstanding borrowings under this facility.

As of March 31, 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 $376.6 million and $231.7 million as of March 31, 2012 and December 31, 2011, respectively. Refer to Note 11, "Transfers of Financial Assets," for additional information.

(in millions)	**March 31, 2012**	December 31, 2011
Commercial Paper weighted average interest rate of 1.01% at March 31, 2012 and December 31, 2011	**$ 496.6**	$ 402.7
Credit facilities borrowings weighted average interest rate of 2.07% and 1.99% at March 31, 2012 and December 31, 2011, respectively	**391.0**	725.0
Accounts receivable securitization facility borrowings	**376.6**	231.7
Total short-term borrowings	**$ 1,264.2**	$ 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).

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 March 31, 2012, there were 7,513,387 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 $3.2 million and $3.0 million for the three months ended March 31, 2012 and 2011, respectively, as well as related tax benefits of $1.1 million and $1.0 million.

As of March 31, 2012, the total remaining unrecognized compensation cost related to nonvested awards amounted to $25.8 million, which will be amortized over the weighted-average remaining requisite service period of 2.3 years.

Stock Options. As of March 31, 2012, approximately 2.2 million options were outstanding and exercisable with a weighted average strike price of $22.11. No options were granted during the three months ended March 31, 2012 and 2011. As of March 31, 2012, the aggregate intrinsic value for the options outstanding and exercisable was $4.9 million. During the three months ended March 31, 2012, cash received from the exercise of options was $13.4 million. No options were exercised during the three months ended March 31, 2011.

ITEM 1. FINANCIAL STATEMENTS (continued)

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

Restricted Awards. During the three months ended March 31, 2012, NiSource granted restricted stock units and shares of restricted stock of 151,999, subject to service conditions. The total grant date fair value of the shares of restricted stock and restricted stock units was $3.3 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 March 31, 2012, 595,593 nonvested shares (all of which are expected to vest) of restricted stock and restricted stock units were granted and outstanding.

Performance Shares. During the three months ended March 31, 2012, NiSource granted 709,193 performance shares subject to performance conditions. The grant date fair-value of the awards was $14.6 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 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, 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 March 31, 2012, 1,433 nonvested (all of which are expected to vest) 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 March 31, 2012, 116,906 restricted stock units had been issued 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 March 31, 2012, 241,401 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 March 31, 2012 and 2011, NiSource recognized 401(k) match, profit sharing and non-elective contribution expense of $5.8 million and $3.9 million, respectively.

ITEM 1. FINANCIAL STATEMENTS (continued)

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

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 March 31, 2012 and the years in which they expire were:

(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 commodity transactions of subsidiaries	141.9	45.5	14.5	-	80.0	-	1.9
Accounts receivable securitization	376.6	376.6	-	-	-	-	-
Lines of credit	887.6	887.6	-	-	-	-	-
Letters of credit	37.5	33.9	2.6	1.0	-	-	-
Other guarantees	273.7	10.5	224.0	32.2	3.0	-	4.0
Total commercial commitments	$ 7,838.1	$ 1,669.1	$ 661.4	$ 533.2	$ 313.0	$ 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 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 $141.9 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 of Credit and Accounts Receivable Advances. 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 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 the Company's commercial paper program, and provides for the issuance of letters of credit. At March 31, 2012, NiSource had $391.0 million in borrowings under its four-year revolving credit facility, $496.6 million in commercial paper outstanding and $376.6 million outstanding under its accounts receivable securitization agreements. At March 31, 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 March 31, 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 March 31, 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.

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.

anagement'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 March 31, 2012 and December 31, 2011, NiSource had recorded reserves of approximately $168.8 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 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 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 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 $137.6 million and $139.5 million at March 31, 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.

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 [illegible]cilities remain subject to the terms of the AOC. During the third quarter of 2011, Columbia Transmission completed a study to estimate its [illegible] 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 $27.7 million and $30.0 million at March 31, 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. 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. 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 Utility Mercury and Air Toxics Standards Rule. Northern Indiana believes that the capital costs will likely be recoverable from ratepayers.

ITEM 1. FINANCIAL STATEMENTS (continued)

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

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.

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 alleges that modifications were made to certain boiler units at three of Northern Indiana's generating stations between the y 1985 and 1995 without obtaining appropriate air permits for the modifications. Northern Indiana, EPA, the Department of Justice, and IDE 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.

ITEM 1. FINANCIAL STATEMENTS (continued)

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

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.

20. Accumulated Other Comprehensive Loss

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

(in millions)	March 31, 2012	December 31, 2011
Other comprehensive income (loss), before tax:		
Unrealized gains on securities	$ 3.2	$ 8.0
Tax expense on unrealized gains on securities	(1.1)	(3.1)
Unrealized losses on cash flow hedges	(50.7)	(52.3)
Tax benefit on unrealized losses on cash flow hedges	19.9	20.5
Unrecognized pension and OPEB costs	(51.9)	(53.0)
Tax benefit on unrecognized pension and OPEB costs	19.7	20.2
Total Accumulated Other Comprehensive Loss, net of taxes	**$ (60.9)**	$ (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 March 31, 2012 of $19.4 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 $ million and $19.7 million at March 31, 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 March 31, 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.

ITEM 1. FINANCIAL STATEMENTS (continued)

NISOURCE INC.
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 March 31, *(in millions)*	2012	2011
REVENUES		
Gas Distribution Operations		
Unaffiliated	$ 1,069.1	$ 1,584.8
Intersegment	0.2	0.7
Total	1,069.3	1,585.5
Gas Transmission and Storage Operations		
Unaffiliated	233.0	213.4
Intersegment	42.4	42.0
Total	275.4	255.4
Electric Operations		
Unaffiliated	354.4	348.2
Intersegment	0.2	0.2
Total	354.6	348.4
Corporate and Other		
Unaffiliated*	2.2	85.2
Intersegment	110.7	110.5
Total	112.9	195
Eliminations	(153.5)	(153.4)
Consolidated Revenues	$ 1,658.7	$ 2,231.6
Operating Income		
Gas Distribution Operations	$ 212.0	$ 241.5
Gas Transmission and Storage Operations	138.6	118.4
Electric Operations	46.2	50.6
Corporate and Other	2.6	(4.1)
Consolidated Operating Income	$ 399.4	$ 406.4

* 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.

22. Supplemental Cash Flow Information

The following table provides additional information regarding NiSource's Condensed Statements of Consolidated Cash Flows (unaudited) for the three months ended March 31, 2012 and 2011:

Three Months Ended March 31, *(in millions)*	2012	2011
Supplemental Disclosures of Cash Flow Information		
Non-cash transactions:		
Capital expenditures included in current liabilities	$ 71.0	$ 58.7
Stock issuance to employee saving plans	5.7	9.6
Schedule of interest and income taxes paid:		
Cash paid for interest, net of interest capitalized amounts	$ 142.7	$ 140.9
Cash paid for income taxes	1.7	0.7

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

NISOURCE INC.

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

Executive 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 three months ended March 31, 2012, NiSource reported income from continuing operations of $193.5 million, or $0.68 per basic share, compared to $209.1 million, or $0.75 per basic share reported for the same period in 2011.

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

— Warmer weather in the current quarter resulted in a decrease in income from continuing operations of $45.7 million compared to the prior year. Weather statistics are provided in the Gas Distribution Operations' segment discussion.

— NiSource incurred higher interest expense of $13.5 million resulting from the issuance of long-term debt of $400.0 million in June 2011 and $500.0 million in November 2011, the expiration of the Sugar Creek deferral, as well as higher average short-term borrowings and rates. 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.

— Depreciation and amortization increased $11.8 million due primarily to higher capital spend 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 spend is projected to be approximately $1.4 billion in 2012.

These decreases were partially offset by the following:

— Electric Operations' net revenues increased $22.2 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 $11.5 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.

— Higher demand margin revenues at Gas Transmission and Storage Operations increased net revenues by $8.6 million primarily due to growth projects placed into service since the first quarter of 2011. Refer below and to the Gas Transmission and Storage Operations segment discussion for a list of growth projects in progress. Additionally, the implementation of the rate case at Columbia Gulf increased net revenues by $7.2 million.

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 gas 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 the Company's Schahfer generating station. The improvements are part of a nearly $850 million environmental investment program over the next six to eight years.

— On April 5, 2012, Northern Indiana introduced its IN-Charge Electric Vehicle Program. The pilot program provides a credit for residential electric customers to offset the cost of installing a home-based electric vehicle charging system. The program also offers customers free overnight charging for their vehicles at home.

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

NISOURCE INC.

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, part of a $4 billion plus long-term investment program, along with the new rates in effect contributed to an increase of $11.5 million in net revenues compared to the same period in the prior year.

— 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 a rate-year, rate base treatment, as well as modification to the Targeted Infrastructure Reinvestment Factor. 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.

— At Columbia of Pennsylvania, the state's General Assembly passed HB1294 on February 7, 2012, and was approved as "Act 11" by the Governor on February 14, 2012. The law supports the company's infrastructure modernization initiatives by authorizing the Pennsylvania PUC to approve a distribution system improvement charge. In addition, it allows Pennsylvania utilities to base their rates on a forecasted test year, which will allow recovery of infrastructure investments as they are made. A similar law was passed in Ohio in 2011.

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 emerging and existing markets. The company is active in midstream, mineral leasing and traditional pipeline projects, particularly in areas encompassed by Company's strategic footprint in the Utica and Marcellus shale production areas.

— Work is progressing on NiSource Midstream's Big Pine Gathering System. Anchored by a long-term agreement with XTO Energy Inc., the 70-mile, $150-million project is located in the hydrocarbon-rich area of western Pennsylvania. It will offer an initial capacity of approximately 425,000 Dth per day with interconnections to multiple interstate pipeline markets. The project's targeted in-service date is December 2012.

— NiSource Midstream also is pursuing opportunities in the liquids-rich fairway of the Utica play in eastern Ohio, including proposals to provide gathering services, as well as cryogenic natural gas liquids processing. In addition, NiSource Midstream is in advanced discussions with a producer counterparty regarding a potential joint venture that would optimize NiSource Midstream's minerals position in this area, which could include downstream infrastructure investment opportunities.

— NiSource Gas Transmission and Storage Operations is successfully pursuing growth opportunities within its existing pipeline system. For example, it recently completed open seasons on two supply- and market-driven expansions of its Columbia Transmission and Columbia Gulf systems. The approximately $220 million West Side Expansion Project will transport approximately 500,000 Dth per day of Marcellus production originating in southwest Pennsylvania and north-central West Virginia to Gulf Coast markets. Binding long-term precedent agreements have been signed with two shippers. The East Side Expansion Project would connect up to 500,000 Dth per day of northern Pennsylvania Marcellus production with growing mid-Atlantic markets. Discussions with customers for binding transportation agreements are currently underway.

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

NISOURCE INC.

- Columbia Transmission received approval from the FERC to construct facilities to serve Virginia Electric and Power Company's 1,329-megawatt, gas-fired generation facility under construction in Warren County, Va. The approximately $35 million project will provide up to nearly 250,000 Dth per day of long-term, firm transportation starting in mid-2014.
- During the first quarter 2012, Columbia Transmission continued discussions with customers regarding a long-term infrastructure modernization program. Similar to the modernization programs in place at NiSource's gas utilities, this effort would 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 could 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 first quarter, NiSource maintained approximately $632 million in net available liquidity. Additionally, during the first quarter of 2012, Standard & Poor's reaffirmed NiSource's stable credit rating.

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.

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 for all employees.

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

Results of Operations

Quarter Ended March 31, 2012

Net Income

NiSource reported net income of $193.4 million, or $0.68 per basic share, for the three months ended March 31, 2012, compared to a net income of $209.5 million, or $0.75 per basic share, for the first quarter of 2011. Income from continuing operations was $193.5 million, or $0.68 per basic share, for the three months ended March 31, 2012, compared to income from continuing operations of $209.1 million, or $0.75 per basic share, for the first quarter of 2011. Operating income was $399.4 million, a decrease of $7.0 million from the same period in 2011. All per share amounts are basic earnings per share. Basic average shares of common stock outstanding at March 31, 2012 were 282.9 million compared to 279.3 million at March 31, 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 first quarter of 2011 relating to deferred revenue, environmental asset recovery and OPEB over-reimbursement. NiSource does not believe that these corrections, individually or in the aggregate, are material to its financial statements (unaudited) for the quarterly period ended March 31, 2011. 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.

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

NISOURCE INC.

The following table sets forth the effects of the correcting adjustments to Net Income for the three months ended March 31, 2011:

Increase/(Decrease) in Net Income *(in millions)*	Three Months Ended March 31, 2011
Previously reported Net Income	$ 205.2
Deferred revenue	(0.6)
Environmental asset recovery	8.0
OPEB over-reimbursement	(0.2)
Total corrections	7.2
Income taxes	2.9
Corrected Net Income	$ 209.5

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 months ended March 31, 2011:

Condensed Statements of Consolidated Income (unaudited)	Three Months ended March 31, 2011	
(in millions, except per share amounts)	As Previously Reported	As Corrected
Net Revenues		
Electric	$ 347.1	$ 346.5
Gross Revenues	2,232.2	2,231.6
Total Net Revenues	1,061.3	1,060.7
Operation and maintenance	432.5	429.3
Depreciation and amortization	138.9	134.3
Total Operating Expenses	665.1	657.3
Operating Income	399.2	406.4
Income from Continuing Operations before Income Taxes	312.7	319.9
Income Taxes	107.9	110.8
Income from Continuing Operations	204.8	209.1
Net Income	$ 205.2	$ 209.5
Basic Earnings Per Share ($)		
Continuing operations	$ 0.73	$ 0.75
Basic Earnings Per Share	$ 0.73	$ 0.75
Diluted Earnings Per Share ($)		
Continuing operations	$ 0.72	$ 0.73
Diluted Earnings Per Share	$ 0.72	$ 0.73

These corrections affected certain line items within net cash flows from operating activities on the Condensed Statement of Consolidated Cash Flows (unaudited) for the three months ended March 31, 2011, with no net effect on total net cash flows from operating activities.

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

NISOURCE INC.

Net Revenues

Total consolidated net revenues (gross revenues less cost of sales) for the quarter ended March 31, 2012, were $1,028.4 million, a $32.3 million decrease from the same period last year. This decrease in net revenues was primarily due to decreased Gas Distribution Operations' net revenues of $73.9 million partially offset by increased Electric Operations' net revenues of $22.2 million and increased Gas Transmission and Storage Operations' net revenues of $19.1 million.

— Gas Distribution Operations' net revenues decreased due primarily to lower regulatory and tax trackers, which are offset in expense, of $46.4 million and the effects of warmer weather of $39.0 million. These decreases in net revenues were partially offset by an increase of $11.5 million for regulatory and service programs, including impacts from the rate case at Columbia of Pennsylvania and the implementation of rates under Columbia of Ohio's approved infrastructure replacement program.

— Electric Operations' net revenues increased primarily due to increased industrial, commercial and residential margins of $20.6 million mainly due to the implementation of the electric rate case. Additionally, there were lower revenue credits of $13.9 million in the current period as the electric rate case discontinued these credits and an increase in RTO tracker revenues of $4.4 million. These increases were partially offset by a decrease in environmental cost recovery of $11.0 million due to the plant balance eligible for recovery being reset to zero as a result of the electric rate case and a decrease of $6.7 million due to the impact of weather.

— Gas Transmission and Storage Operations' net revenues increased primarily due to higher demand margin revenue of $8.6 million as a result of growth projects placed into service since the first quarter of 2011. Additionally, there was an increase of $7.2 million due to the impact of the rate case at Columbia Gulf and higher regulatory trackers of $2.6 million, which are offset in expense.

Expenses

Operating expenses for the first quarter 2012 were $636.7 million, a decrease of $20.6 million from the 2011 period. This decrease was primarily due to lower operation and maintenance expenses of $23.9 million and a decrease in other taxes of $6.2 million partially offset by an increase in depreciation and amortization of $11.8 million. The decrease in operation and maintenance expenses is due to a decrease in regulatory trackers, which are offset in revenue, of $33.7 million, a mark-to-market adjustment of corporate owned life insurance assets of $7.9 million, and a decrease in outside service costs of $3.8 million. This was partially offset by higher electric generation costs of $6.8 million and an increase in MISO fees 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 the additional depreciation 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 $7.7 million during the first quarter of 2012 compared to $3.0 million for the first 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 earnings at Millennium.

Other Income (Deductions)

Other Income (Deductions) reduced income by $103.0 million in 2012 compared to a reduction in income of $86.5 million in the prior year. The increase in deductions is primarily due to an increase in interest expense of $13.5 million resulting from the issuance of long-term debt of $400.0 million in June 2011 and $500.0 million in November 2011, the expiration of the Sugar Creek deferral, as well as higher average short-term borrowings and rates. 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 2013 notes in November 2011. Other-net income of $0.3 million was recorded in 2012 compared to $3.3 million in 2011.

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

NISOURCE INC.

Income Taxes

Income tax expense for the first quarter of 2012 was $102.9 million compared to $110.8 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 March 31, 2012 and 2011 were 34.7% and 34.6%, 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 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 recognize a tax benefit for this issue in the amount of $80.9 million. NiSource believes these adjustments will not have a significant effect on the income statement.

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 $0.1 million in the first quarter of 2012 from discontinued operations compared to net income of $0.4 million in the first quarter of 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 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 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 three months ended March 31, 2012 was $480.0 million, an increase of $57.9 million compared to the three months ended March 31, 2011. The increase in cash from operating activities was the result of a decrease in pension and other postretirement plan funding of $87.5 million, which is discussed below. Additionally, there was a decrease of $78.6 million in the use of working capital from accounts payable resulting from lower gas prices and volumes in 2012 compared to 2011. These increases were partially offset by a decrease in working capital from income tax receivables of $78.4 million as there was a refund received in 2011 which did not occur in 2012.

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 three months ended March 31, 2012, NiSource has contributed $0.9 million to its pension plans and $13.1 million to its other postretirement benefit plans.

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

NISOURCE INC.

Investing Activities

NiSource's capital expenditures for the three months ended March 31, 2012 were $292.6 million, compared to $209.4 million for the comparable period in 2011. The increase is the result of increased spending for Gas Transmission and Storage Operations' system growth and Electric Operations' maintenance and other. NiSource projects 2012 capital expenditures to be approximately $1.4 billion.

Restricted cash was $149.7 million and $160.6 million as of March 31, 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.

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's $1.5 billion unsecured revolving credit facility, which expires in March 2015.

NiSource Finance had $391.0 million in outstanding borrowings under its four-year revolving credit facility at March 31, 2012, at a weighted average interest rate of 2.07% and borrowings of $725.0 million at December 31, 2011, at a weighted average interest rate of 1.99%. In addition, NiSource Finance had $496.6 million in commercial paper outstanding at March 31, 2012, at a weighted average interest rate of 0.3% and $402.7 million in commercial paper outstanding at December 31, 2011, at a weighted average interest rate of 1.01%.

As of March 31, 2012 and December 31, 2011, NiSource had $376.6 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 March 31, 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 March 31, 2012, an aggregate of $593.2 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

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

NISOURCE INC.

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 $23.0 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. 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 months ended March 31, 2012 to NiSource's uncertain tax positions recorded as of December 31, 2011.

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.

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.

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.

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

NISOURCE INC.

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 $4.4 million for the three months ended March 31, 2012 and $4.4 million for the three months ended March 31, 2011.

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 [illegible]es of natural gas futures on behalf of NiSource affiliates. At the date of bankruptcy, NiSource affiliates had contracts open with MF Global [illegible] settlement dates ranging from November 2011 to February 2014. On November 3, 2011, these contracts were measured at a mark-to-[illegible]ket 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 March 31, 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

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

NISOURCE INC.

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 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, $0.2 million and $0.1 million, respectively, for the first quarter of 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 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 $141.9 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 March 31, 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 at June 30, 2011 related to the purchase of Northern Indiana Fuel and Light and Kokomo Gas 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 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 March 31, 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 2012, the SEC Chief Accountant advised that SEC commissioners will receive a proposal on IFRS in the coming months when the SEC Staff produces their final report on IFRS. 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. 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. 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.

Dodd-Frank Financial Reform Bill

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 transactions in swaps, options, and other derivatives to be cleared through a clearing house, requiring cash margins to be posted for those transactions, and requiring substantial reporting and regulatory oversight for entities engaged as a dealer in derivatives and swaps. Some regulations to implement the Act have been finalized and others are scheduled to be issued later this year. 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.

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

NISOURCE INC.

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.

Gas Distribution Operations

Three Months Ended March 31, *(in millions)*	2012	2011
Net Revenues		
Sales Revenues	$ 1,069.3	$ 1,585.5
Less: Cost of gas sold (excluding depreciation and amortization)	555.6	997.9
Net Revenues	513.7	587.6
Operating Expenses		
Operation and maintenance	204.2	242.2
Depreciation and amortization	46.7	42.9
Loss on sale or impairment of assets	-	0.1
Other taxes	50.8	60.9
Total Operating Expenses	301.7	346.1
Operating Income	$ 212.0	$ 241.5

Revenues ($ in Millions)		
Residential	726.5	1,075.7
Commercial	241.7	360.2
Industrial	60.3	77.8
Off System	35.1	76.8
Other	5.7	(5.0)
Total	1,069.3	1,585.5
Sales and Transportation (MMDth)		
Residential	102.9	134.5
Commercial	61.2	77.6
Industrial	131.3	118.9
Off System	13.5	17.5
Other	0.1	0.3
Total	309.0	348.8
Heating Degree Days	2,262	3,014
Normal Heating Degree Days	2,931	2,900
% (Warmer) Colder than Normal	(23%)	4%
Customers		
Residential	3,050,576	3,047,157
Commercial	281,539	282,044
Industrial	7,859	7,705
Other	18	65
Total	3,339,992	3,336,971

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 74% 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.

Regulatory Matters

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

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

NISOURCE INC.

Gas Distribution Operations (continued)

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 quarter 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 March 31, 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.

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 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 first quarter of 2012 was 23% warmer than normal and 25% warmer than the first quarter in 2011.

Throughput

Total volumes sold and transported of 309.0 MMDth for the first quarter of 2012 decreased by 39.8 MMDth from the same period last year. This 11.4% decrease in volume was primarily due to warmer weather.

Net Revenues

Net revenues for the first quarter of 2012 were $513.7 million, a decrease of $73.9 million from the same period in 2011, due primarily to lower regulatory and tax trackers, which are offset in expense, of $46.4 million and the effects of warmer weather of $39.0 million. These decreases in net revenues were partially offset by an increase of $11.5 million for regulatory and service programs, including impacts from the rate case at Columbia of Pennsylvania and the implementation of rates under Columbia of Ohio's approved infrastructure replacement program.

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 months ended March 31, 2012 was a revenue decrease of $36.2 million compared to a decrease of $34.9 million for the three months ended March 31, 2011.

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

NISOURCE INC.

Gas Distribution Operations (continued)

Operating Income

For the first quarter of 2012, Gas Distribution Operations reported operating income of $212.0 million, a decrease of $29.5 million from the comparable 2011 period. Operating income decreased as a result of lower net revenues, as described above, partially offset by lower operating expenses. Operating expenses were $44.4 million lower than the comparable period reflecting a decrease of $46.4 million in regulatory and tax trackers, which are offset in net revenue. This was partially offset by an increase of $3.8 million in depreciation costs due to an increase in capital expenditures.

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

NISOURCE INC.

Gas Transmission and Storage Operations

Three Months Ended March 31, *(in millions)*	2012	2011
Net Revenues		
Transportation revenues	$ 218.1	$ 199.7
Storage revenues	49.3	50.5
Other revenues	8.0	5.2
Total Operating Revenues	275.4	255.4
Less: Cost of sales (excluding depreciation and amortization)	0.9	-
Net Revenues	274.5	255.4
Operating Expenses		
Operation and maintenance	94.7	94.6
Depreciation and amortization	33.0	32.7
Other taxes	15.9	12.7
Total Operating Expence	143.6	140.0
Equity Earnings in Unconsolidated Affiliates	7.7	3.0
Operating Income	$ 138.6	$ 118.4
Throughput (MMDth):		
Columbia Transmission	379.4	426.6
Columbia Gulf	227.5	244.0
Crossroads Gas Pipeline	4.3	5.1
Intrasegment eliminations	(105.7)	(152.6)
Total	505.5	523.1

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, 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.

Growth Projects in Progress

Smithfield Project. The Gas Transmission and Storage Operations segment is making 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 July 2012.

Pinnersburg Expansion Project. The Gas Transmission and Storage Operations segment is investing approximately $7 million for this project to add capacity to north central Pennsylvania to meet the growing demands of producers in the area. The project expands Line 134 from the Parker 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 will be placed into service in the second quarter of 2012.

Line WB Expansion Project. The Gas Transmission and Storage Operations segment is expanding 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 May 2012.

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 a new processing plant owned by XTO Energy Inc., a subsidiary of ExxonMobil, 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.

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.

Westside Expansion. The Gas Transmission and Storage Operations segment is planning to invest $220 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 500,000 Dth per day transporting Marcellus production under long-term, firm contracts. The project is expected to be in service by the fourth quarter 2014.

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

NISOURCE INC.

Gas Transmission and Storage Operations (continued)

Equity Investments

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 between Corning, New York and Ramapo, New York, as well as to the New York City market through its pipeline interconnections. Columbia Transmission owns a 47.5% interest in Millennium and acts as operator for the pipeline in partnership with DTE Millennium Company and National Grid Millennium LLC, which each own an equal remaining share of the company.

Columbia Transmission made a contribution of $5.2 million and received distributions of earnings of $12.4 million from Millennium in the first quarter 2012. No contributions were made nor distributions received during the first quarter of 2011.

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 a total of $0.5 million and $1.8 million of available accumulated earnings in the first quarter 2012 and 2011, respectively, to NiSource. NiSource made no contributions during the first quarter 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.

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 March 31, 2012, approximately 91.8% of the transportation revenues were derived from capacity reservation fees paid under firm contracts and 6.5% of the transportation revenues were derived from usage fees under firm contracts compared to approximately 91.7% and 6.8%, respectively, for the quarter ended March 31, 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 March 31, 2012 and 2011, approximately 1.7% and 1.5%, respectively, of the transportation revenues were derived from interruptible contracts.

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

NISOURCE INC.

Gas Transmission and Storage Operations (continued)

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 March 31, 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.

Throughput for the Gas Transmission and Storage Operations segment totaled 505.5 MMDth for the first quarter of 2012, compared to 523.1 MMDth for the same period in 2011. The decrease of 17.6 MMDth for the three-month period was attributable to the 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 winter 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 backhaul services to serve demand in the Florida markets.

Net Revenues
Net revenues were $274.5 million for the first quarter of 2012, an increase of $19.1 million from the same period in 2011, primarily due to higher demand margin revenue of $8.6 million as a result of growth projects placed into service since the first quarter of 2011. Additionally, there was an increase of $7.2 million due to the impact of the rate case at Columbia Gulf and higher regulatory trackers of $2.6 million, which are offset in expense.

Operating Income
Operating income was $138.6 million for the first quarter of 2012, an increase of $20.2 million from the first quarter of 2011. This increase is due to an increase in operating revenues, as described above, and higher equity earnings, partially offset by higher operating expenses. Equity earnings increased $4.7 million primarily from increased earnings at Millennium. Operating expenses increased as a result of higher other taxes of $3.2 million and an increase in regulatory trackers of $2.6 million, which are offset in operating revenues. These increases were partially offset by a decrease in outside service costs of $3.8 million and lower employee and administrative expenses of $2.6 million, primarily pension costs.

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

NISOURCE INC.

Electric Operations

Three Months Ended March 31, *(in millions)*	2012	2011
Net Revenues		
Sales revenues	$ 354.6	$ 348.4
Less: Cost of sales (excluding depreciation and amortization)	117.2	133.2
Net Revenues	237.4	215.2
Operating Expenses		
Operation and maintenance	114.1	93.8
Depreciation and amortization	60.9	54.5
Other taxes	16.2	16.3
Total Operating Expenses	191.2	164.6
Operating Income	$ 46.2	$ 50.6
Revenues ($ in millions)		
Residential	96.0	97.5
Commercial	100.4	92.5
Industrial	158.0	155.2
Wholesale	0.4	2.2
Other	(0.2)	1.0
Total	354.6	348.4
Sales (Gigawatt Hours)		
Residential	781.2	855.1
Commercial	907.8	924.9
Industrial	2,385.0	2,442.4
Wholesale	19.1	67.1
Other	32.5	44.5
Total	4,125.6	4,334.7
Electric Customers		
Residential	400,348	400,169
Commercial	53,928	53,826
Industrial	2,457	2,424
Wholesale	16	15
Other	717	739
Total	457,466	457,173

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.

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

NISOURCE 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 March 31, 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 first quarter of 2012 were 4,125.6 gwh, a decrease of 209.1 gwh compared to the first quarter of 2011.

Net Revenues
Net revenues were $237.4 million for the first quarter of 2012, an increase of $22.2 million from the same period in 2011, primarily due to increased industrial, commercial and residential margins of $20.6 million mainly due to the implementation of the electric rate case. Additionally, there were lower revenue credits of $13.9 million in the current period as the electric rate case discontinued these credits and an increase in RTO tracker revenues of $4.4 million. These increases were partially offset by a decrease in environmental cost recovery of $11.0 million due to the plant balance eligible for recovery being reset to zero as a result of the electric rate case and a decrease of $6.7 million due to the impact of weather.

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 months ended March 31, 2012 was a revenue decrease of $20.1 million, compared to a decrease of $10.8 million for the three months ended March 31, 2011.

Operating Income
Operating income for the first quarter of 2012 was $46.2 million, a decrease of $4.4 million from the same period in 2011 due to higher operating expenses partially offset by the increase in net revenues described above. Operating expenses increased $26.6 million due primarily to and higher employee and administrative costs of $7.7 million and an increase in electric generation costs of $6.8 million. Additionally, there was an increase in depreciation costs of $6.4 million primarily due to depreciation for Sugar Creek and higher MISO fees of $5.5 million, both of which were previously deferred and the electric rate case resulted in the expiration of those deferrals.

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.

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.

ITEM 6. EXHIBITS

NISOURCE INC.

(10.1)	Savings Restoration Plan for NiSource Inc. and Affiliates as amended and restated, effective January 1, 2012.
(10.2)	NiSource Inc. Executive Deferred Compensation Plan as amended and restated effective January 1, 2012.
(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 rig of holders of long-term debt of NiSource not filed as an exhibit herein. No such instrument authorizes long-term debt securities in excess 10% 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: May 1, 2012

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

SAVINGS RESTORATION PLAN

FOR NISOURCE INC. AND AFFILIATES

As Amended and Restated Effective January 1, 2012

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ARTICLE I.

BACKGROUND AND PURPOSE

1.1 **Background.** Prior to January 1, 2004, Columbia Energy Group sponsored the Savings Restoration Plan for Columbia Energy Group for eligible executives of Columbia Energy Group and certain Affiliates. Effective January 1, 2004, NiSource Inc., the parent company of Columbia Energy Group, assumed sponsorship of the Savings Restoration Plan for Columbia Energy Group, renamed the Plan the Savings Restoration Plan for NiSource Inc. and Affiliates, and broadened the Plan to include all employees of NiSource Inc. and Affiliates.

The Plan was amended and restated effective January 1, 2004, and amended effective January 1, 2005. The Plan was then amended and restated again effective January 1, 2005, to comply with Code Section 409A, and guidance and regulations thereunder, with respect to benefits earned under the Plan from and after January 1, 2005. Benefits under the Plan earned and vested prior to January 1, 2005 shall be administered without giving effect to Code Section 409A, and guidance and regulations thereunder. The provisions of the Plan as set forth herein apply only to Participants who actively participate in the Plan on or after January 1, 2005. Any Participant who retired or otherwise terminated employment with the Company and all Affiliates prior to January 1, 2005 shall have his or her rights determined under the provision of the Plan as it existed when his or her employment relationship terminated.

The Plan was further amended and restated, effective January 1, 2008, to provide for mandatory lump sum payments of small account balances in accordance with Code Section 409A. The Plan was amended and restated again, effective January 1, 2010, to contain provisions that eliminate mid-year enrollment into the Plan and to allow Participants who make Roth Contributions to a Basic Plan to participate in this Plan. The plan was further amended and restated, effective January 1, 2010, to restore certain Employer Contributions given to Participants who are classified as "exempt employees" by the Employer and who are hired or rehired on or after January 1, 2010.

The Plan was amended and restated again, effective May 13, 2011, to restore Profit Sharing Contributions that otherwise would have been contributed to Participants under the Basic Plan (if not subject to the Limits, defined below) and to transfer all administrative authority with respect to the Plan (including the authority to render decisions on claims and appeals and make administrative or ministerial amendments) from the ONC Committee to the Benefits Committee. The Plan is hereby amended and restated again, effective January 1, 2012, to (1) remove the ability of participants to make elective deferrals to the Plan; (2) change eligibility to receive Employer credits under the Plan to those employees who are in job scope level C2 and above; (3) provide for investment options in addition to the fixed interest credits currently available for the crediting of earnings on Accounts under the Plan; and (4) clarify other administrative matters related to the Plan.

1.2 **Purpose**. The purpose of the Plan is to provide for the payment of savings restoration benefits to employees of NiSource Inc. and Affiliates, whose benefits under the Basic Plan are subject to the Limits or affected by deferrals into the DCP, so that the total savings plan benefits of such employees shall be determined on the same basis as is applicable to all other employees of the Company. The Plan is adopted solely (1) for the purpose of providing benefits to Participants in the Plan and their Beneficiaries in excess of the Limits imposed on qualified by Code Section 401(a)(17) and any other Code Sections, by restoring benefits to such Plan Participants and Beneficiaries that are no er available under the Basic Plan as a result of the Limits, and (2) for the purpose of restoring benefits to Plan Participants and eficiaries that are no longer available under the Basic Plan as a result of the Participant's deferrals into the DCP.

ARTICLE II.

DEFINITIONS

For the purposes of the Plan, the following terms shall have the meanings indicated, unless the context clearly indicates otherwise. Except when otherwise required by the context, any masculine terminology in this document shall include the feminine, and any singular terminology shall include the plural. Defined terms used in the Plan that are not defined in this Article or elsewhere in the Plan but are defined in the Basic Plan shall have the meanings assigned to them in the Basic Plan. The headings of Articles and Sections are included solely for convenience, and if there is any conflict between such headings and the text of the Plan, the text shall control.

2.1 **Account.** The device used by an Employer to measure and determine the amount to be paid under the Plan. Each Account shall be divided into a Pre-2005 Account containing contributions to the Plan earned and vested prior to January 1, 2005, and a Post-2004 Account containing contributions to the Plan earned and/or vested on or after January 1, 2005.

2.2 **Affiliate**. Any corporation that is a member of a controlled group of corporations (as defined in Code Section 414(b)) that includes the Company; any trade or business (whether or not incorporated) that is under common control (as defined in Code Section 414(c)) with the Company; any organization (whether or not incorporated) that is a member of an affiliated service group (as defined in Code Section 414(m)) that includes the Company; any leasing organization, to the extent that its employees are required to be treated as if they were employed by the Company pursuant to Code Section 414(n) and the regulations thereunder; and any other entity required to be aggregated with the Company pursuant to regulations under Code Section 414(o). An entity shall be an Affiliate only with respect to the existing period as described in the preceding sentence.

2.3 **Basic Plan.** The NiSource Inc. Retirement Savings Plan, as amended and restated effective January 1, 2010, and as further amended from time to time (or as amended and restated for any prior period to the extent the provisions of the Plan refer to such prior period for the Basic Plan).

2.4 **Beneficiary**. The person, persons or entity entitled to receive any Plan benefits payable after a Participant's death, as elected by a Participant under the Basic Plan.

2.5 **Benefits Committee**. The NiSource Benefits Committee.

2.6 **Board**. The Board of Directors of NiSource. Inc.

2.7 **Code**. The Internal Revenue Code of 1986, as amended from time to time.

2.8 **Company**. NiSource Inc.

2.9 **Compensation**. Compensation as defined under the Basic Plan for purposes of determining Pre-Tax Contributions, Roth Contributions, and Matching Contributions under the Basic Plan. For purposes of calculating Employer credits to Participant Accounts under this Plan, Compensation may exceed the Compensation Limit under Code Section 401(a)(17)(B) and shall not be impacted by any other Limit.

2.10 **DCP**. The Columbia Energy Group Deferred Compensation Plan on or prior to December 31, 2003, and, thereafter, the NiSource Inc. Executive Deferred Compensation Plan, as further amended from time to time.

2.11 **Disability**. A condition that (a) causes a Participant to be unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, (b) causes a Participant, by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, to receive income replacement benefits for a period of not less than three months under an accident and health plan covering employees of the Company or an Affiliate or (c) causes a Participant to be eligible to receive Social Security disability payments.

2.12 **Effective Date**. January 1, 2012, the date on which the provisions of this amended and restated Plan become effective, except as otherwise provided herein.

2.13 **Eligible Employee**. A select group of management or highly compensated employees of the Employer who satisfy the criteria established by the ONC Committee in accordance with this Plan.

2.14 **Employer**. The Company or any Affiliate that maintains or adopts the Basic Plan for the benefit of its eligible Employees.

2.15 **ERISA**. The Employee Retirement Income Security Act of 1974, as amended.

2.16 **In-Service Withdrawal**. A distribution from a Participant's Pre-2005 Account before that Participant's Separation from Service made in accordance with the Participant's written election under Article V of this Plan.

2.17 **Limits**. The limits imposed on tax qualified retirement plans by Code Sections 415 and 401(a)(17) and any other Code Sections.

2.18 **ONC Committee**. The Officer Nomination and Compensation Committee of the Board of Directors of the Company.

2.19 **Participant**. Any Eligible Employee who is participating in the Plan in accordance with its provisions.

2.20 **Plan**. The Savings Restoration Plan for NiSource Inc. and Affiliates (formerly known as the Savings Restoration Plan for the Columbia Energy Group, and before that as the Thrift Restoration Plan for the Columbia Energy Group), as set forth herein and as amended from time to time.

2.21 **Plan Administrator**. The Benefits Committee or such delegate of the Benefits Committee delegated to carry out the administrative functions of the Plan.

2.22 **Plan Year**. The 12-month period commencing each January 1 and ending the following December 31.

2.23 **Post-2004 Account**. The portion of a Participant's Account equal to the excess of (1) the balance of the Participant's Account determined as of a Participant's date of Separation from Service after December 31, 2004, over (2) the Pre-2005 Account, to which the Participant would be entitled under the Plan if he voluntarily separated from service without cause as of such date and received a full payment of benefits from the Plan on the earliest possible date allowed under the Plan following his Separation from Service.

2.24 **Pre-2005 Account**. The portion of a Participant's Savings Account determined as of December 31, 2004, adjusted to reflect earnings (or losses) credited to such balance from and after such date.

2.25 **Separation from Service**. A termination of services provided by a Participant to his or her Employer, whether voluntarily or involuntarily, consistent with Code Section 409A and the guidance promulgated thereunder.

2.26 **Specified Employee**. A Participant who is in job scope level C2 or above with respect to any Employer that employs him or her; provided that if at any time the total number of employees in job category C2 and above is less than 50, a Specified Employee shall include any employee who meets the definition of "key employee" set forth in Code Section 416(i) (without reference to paragraph 5 of Code Section 416 (i)). A Participant shall be deemed to be a Specified Employee with respect to a Separation from Service that occurs during a calendar year if he or she is a Specified Employee on September 30 of the preceding calendar year. The Benefits Committee shall determine which Participants are Specified Employees in accordance with the guidance promulgated under Code Section 409A.

2.27 **Unforeseeable Emergency**. A severe financial hardship to a Participant resulting from an illness or accident of the Participant, the Participant's spouse or a dependent (as defined in Code Section 152(a)), of the Participant, loss of the Participant's property due to casualty or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant.

2.28 **Valuation Date**. The close of business of each business day.

ARTICLE III.

ELIGIBILITY AND PARTICIPATION

3.1 **Eligibility**. On and after January 1, 2012, eligibility to participate in the Plan shall be limited to an employee in job scope level C2 or above.

3.2 **Participation**. The Plan Administrator shall inform each Employee of his or her eligibility to participate in the Plan as soon as practicable but before the earliest date such Employee's participation could become effective. An Eligible Employee becomes a Participant when the Employer credits the Participant's Account with the Employer credits described in Article IV of this Plan.

3.3 **Continuation of Participation**. A Participant shall remain a Participant so long as his or her Account has not been fully distributed to him or her.

3.4 **Amendment of Eligibility Criteria**. The ONC Committee may, in its discretion, change the criteria for eligibility for any reason, provided, however, that no change in the criteria for eligibility shall be effective unless such changes are (a) within guidelines established by the ONC Committee or (b) approved by the ONC Committee. Eligibility for participation in one year does not guarantee eligibility to participate in any future year.

ARTICLE IV.

ACCOUNTS

4.1 **Account.** The Employer credits, as described in Sections 4.2 and 4.3, and earnings thereon, shall be credited to the Participant's Account. The Account shall be a bookkeeping device utilized for the sole purpose of determining the benefits payable under the Plan and shall not constitute a separate fund of assets.

4.2 **Employer Credits .**

(a) Matching Contribution Credits . The amount of Employer credits related to Matching Contributions for a participant shall equal (1) minus (2) below:

(1) The total amount of Matching Contributions that would otherwise have been contributed to the Basic Plan for the Participant during all years in which the Participant participated in the Basic Plan without regard to the Limits;

(2) The actual amount of Matching Contributions that have been contributed to the Basic Plan for the Participant.

In addition to making the credits related to Matching Contributions described above, the Employer also will make the following true-up credit. If (i) the allocation period under the Basic Plan is shorter than the Plan Year, and (ii) on the last day of the Plan Year, the amount of Matching Contributions under the Basic Plan is less than the amount of Matching Contributions that would have been made had the allocation period for Matching Contributions been the Plan Year, then the Employer will make an additional credit to a Participant's Account. This credit will be in the amount necessary to make the Employer credit related to Matching Contributions equal to the amount of Employer credits related to Matching Contributions that would have been made had the allocation period been the Plan Year. Notwithstanding the foregoing, an Employer shall make this true-up credit only for Participants who are employed with the Employer on the last day of the Plan Year and Participants who experienced a Separation from Service before the last day of the Plan Year due to death, Disability, or retirement.

(b) Profit Sharing Contribution Credits . Employer credits pursuant to this Section 4.2(b) shall be reflected in the Plan for all Participants in the Plan on or after such date, including the following: (1) those who received Profit Sharing Contributions to the Basic Plan for 2010 or later that were subject to the Limits, or (2) those who otherwise had Profit Sharing Contributions limited or adjusted under the Basic Plan on or after January 1, 2011. The amount of Employer credits related to Profit Sharing Contributions for a participant shall equal (1) minus (2) below:

(1) The total amount of Profit Sharing Contributions that otherwise would have been contributed to the Basic Plan for the Participant during all years in which the Participant participated in the Basic Plan, as determined by Compensation as defined under this Plan without regards to the Limits;

(2) The actual amount of Profit Sharing Contributions that have been contributed to the Basic Plan for the Participant.

(c) Next-Gen Contribution Credits. With respect to a Participant who is classified by the Employer as an "Exempt Employee" and who is hired or rehired on or after January 1, 2010, the amount of Employer credits for a Participant shall equal (1) minus (2) below:

(1) The total amount of the Employer Contribution that otherwise would have been contributed to the Basic Plan in an amount equal to 3% of the Participant's Compensation (as defined under this Plan) without regard to the Limits;

(2) The actual amount of the Employer Contribution under the Basic Plan that was contributed to the Participant in an amount equal to 3% of the Participant's Compensation (as defined under the Basic Plan).

This amount shall be payable to any applicable Participant in addition to any amounts he or she may be entitled to under Sections 4.2(a) and 4.2(b) of this Plan and regardless of whether such Participant has signed a written agreement to participate in this Plan.

4.3 **Timing of Credits; Withholding**. The Employer credits shall be made to the Participant's Account annually, at such time determined by the Plan Administrator. Any withholding of taxes or other amounts that is required by federal, state, or local law shall be withheld from the Participant's nondeferred Compensation to the maximum extent possible and any remaining amount shall reduce the amount credited to the Participant's Account.

4.4 **Determination of Account**. Each Participant's Account as of each Valuation Date shall consist of the balance of the Account as of the immediately preceding Valuation Date, adjusted as follows:

(a) New Employer Credits. The Account shall be increased by any Employer credits made in accordance with Sections 4.2 or 4.3, as applicable, since such preceding Valuation Date.

(b) Distributions. The Account shall be reduced by any benefits distributed from the Account to the Participant since such preceding Valuation Date.

(c) Valuation of Account. The Account shall be increased or decreased by the aggregate earnings, gains and losses on such Account since such preceding Valuation Date, based on the manner in which the Participant's Account has been hypothetically allocated among the investment options selected by the Participant.

4.5 **Statement of Account**. The Plan Administrator shall give to each Participant a statement showing the balance in the Participant's Account periodically at such times as may be determined by the Plan Administrator, in written or electronic form.

ARTICLE V.

INVESTMENTS

5.1 **Investment Options**. Amounts credited hereunder to the Account of a Participant shall be invested as such Participant elects among the investment choices provided to the Participant. The investment options shall be determined by the Plan Administrator from time to time in its sole and absolute discretion. As necessary, the Plan Administrator may, in its sole discretion, discontinue, substitute or add an investment option. Each such action will take effect on such date established by the Plan Administrator.

5.2 **Election of Investment Options**. A Participant, in connection with his or her payment election under Article VI of this Plan, shall elect one or more of the previously described investment options, as applicable, to be used to determine the amounts to be credited or debited to his or her Account. If a Participant does not elect any investment options, the Participant's Account shall automatically be allocated into the lowest-risk investment option, as determined by the Plan Administrator, in its sole discretion. The Participant may (but is not required to) elect to add or delete one or more investment options to be used to determine the amounts to be credited or debited to his or her Account, or to change the portion of his or her Account allocated to each previously or newly elected investment option. If an election is made in accordance with the previous sentence, it shall apply as of the first business day deemed reasonably practicable by the Plan Administrator, in its sole discretion, and shall continue thereafter for each subsequent day in which the Participant participates in the Plan, unless changed in accordance with the previous sentence. Notwithstanding the foregoing, the Plan Administrator, in its sole discretion, may impose limitations on the frequency with which one or more of the investment options elected in accordance with this Section may be added or deleted by such Participant; furthermore, the Plan Administrator, in its sole discretion, may impose limitations on the frequency with which the Participant may change the portion of his or her Account allocated to each previously or newly elected investment option.

5.3 **Allocation of Investment Options**. In making any election related to investment options, the Participant shall specify, in increments specified by the Plan Administrator, the percentage of his or her Account or investment option, as applicable, to be allocated or reallocated.

5.4 **No Actual Investment**. Notwithstanding any other provision of this Plan that may be interpreted to the contrary, the investment options are to be used for measurement purposes only, and a Participant's election of any such investment option, the allocation of his or her Account thereto, the calculation of additional amounts and the crediting or debiting of such amounts to a Participant's Account shall not be considered or construed in any manner as an actual investment of his or her Account in any such investment option. In the event that the

Company, in its own discretion, decides to invest funds in any or all of the investments on which the investment options are based, no Participant shall have any rights in or to such investments themselves. Without limiting the foregoing, a Participant's Account shall at all times be a bookkeeping entry only and shall not represent any investment made on his or her behalf by the Company; the Participant shall at all times remain an unsecured creditor of the Company.

ARTICLE VI.

PAYMENTS AND DISTRIBUTIONS

6.1 **Distributions/Events Generally** . Participants generally will not be entitled to receive a distribution of their Account balance until they experience a Separation from Service with the Employer for any reason. A Participant may receive a distribution before Separation from Service, however, in accordance with this Article VI, upon (1) an Unforeseeable Emergency that occurs before Separation from Service, or (2) a year that has been designated by the Participant only with respect to his Pre-2005 Account balance that occurs before Separation from Service.

6.2 **In-Service Withdrawals** . This section applies only to a Participant's Pre-2005 Account balance.

(a) General Payments . Subject to the limitations of paragraph (b) below, a Participant, by filing a written request with the Plan Administrator, may, while employed by an Employer or an Affiliate, elect to withdraw 33%, 67% or 100% of his or her Pre-2005 Account.

(b) Limitation on In-Service Withdrawals . Any In-Service Withdrawal under paragraph (a) of this Section 6.2 shall be subject to a 10% early distribution penalty. In addition, the following conditions shall apply to In-Service Withdrawals:

(1) Only one In-Service Withdrawal shall be permitted in any 12-month period.

(2) In-Service Withdrawals shall require suspension of Employer credits (but not credits of earnings or losses) under the Plan for a period of time varying with the percentage of the value of the Participant's Pre-2005 Account that is withdrawn, according to the following schedule:

Percentage	Suspension
Up to 33%	2 months
34 — 67%	4 months
68 — 100%	6 months

This suspension shall not affect a Participant's participation in the Basic Plan nor the basis for determining the Employer contributions or Participant Pre-tax Contributions under the Basic Plan.

6.3 **Distributions After Separation from Service.**

(a) Generally. If a Participant experiences a Separation from Service, the provisions of this Section 6.3 shall apply to the distribution of the Participant's Account. The Participant may elect to receive such benefits as either a lump sum or in equal annual installments over a period not to exceed 15 years. If no such election is made, payment shall be made as a lump sum.

(b) Pre-2005 Account.

(1) Form of Payment of Pre-2005 Account. The Pre-2005 Account payable under the Plan to a Participant or his or her spouse, Beneficiary, or legal representative shall be paid in the same form under which the Basic Plan benefit is payable to the Participant or his or her spouse, Beneficiary, or legal representative. The Participant's election under the Basic Plan of any optional form of payment of his or her Basic Plan benefit (with the valid consent of his or her surviving spouse where required under the Basic Plan) shall also be applicable to the payment of his or her Pre-2005 Account under the Plan.

(2) Timing of Payment of Pre-2005 Account. Payment of the Pre-2005 Account under the Plan to a Participant or his or her spouse, Beneficiary, or legal representative under the Plan shall commence on the same date as payment of the benefit to the Participant or his or her spouse, Beneficiary, or legal representative under the Basic Plan commences. Any election under the Basic Plan made by the Participant with respect to the commencement of payment of his or her benefit under the Basic Plan shall also be applicable with respect to the commencement of payment of his or her Pre-2005 Account under the Plan.

(3) Approval by Plan Administrator. Notwithstanding the provisions of paragraphs (i) and (ii) above, an election made by the Participant under the Basic Plan with respect to the form of payment of his or her Pre-2005 Account thereunder (with the valid consent of his or her surviving spouse where required under the Basic Plan), or the date for commencement of payment thereof, shall not be effective with respect to the form of payment or date for commencement of payment of his or her Pre-2005 Account under the Plan unless such election is expressly approved in

writing by the Plan Administrator. If the Plan Administrator shall not approve such election in writing, then the form of payment or date for commencement of payment of the Participant's Pre-2005 Account under the Plan shall be selected by the Plan Administrator at its sole discretion.

(c) Post-2004 Account.

(1) Form of Payment of Post-2004 Account. The Post-2004 Account shall be payable in a form elected by a Participant no later than December 31, 2005. Notwithstanding the preceding sentence, in the case of an Eligible Employee who becomes a Participant on or after January 1, 2005, the aforementioned election with respect to the form of payment of a Post-2004 Account shall be made at such time prescribed by the Plan Administrator, which shall end no later than December 31 st of the year preceding the Plan Year in which the Participant is first eligible to participate in the Plan. The form of payment shall be elected by the Participant at the time he makes the election described in the first or second sentence of this paragraph (ii) from among those forms of payment available at that time under the Basic Plan. If a timely payment election is not made by a Participant, payment shall be made in a lump sum.

(2) Timing of Payment of Post-2004 Account. Payment of a Post-2004 Account in accordance with this Section 6.3 shall commence within 45 days after the Participant's date of Separation from Service, or, if later, within such timeframe permitted under Code Section 409A, and guidance and regulations thereunder.

(3) Modifications to Time and Form of Payment. A Participant cannot change the time or form of payment of a Post-2004 Account under this Subsection 6.3(b) unless (A) such election does not take effect until at least 12 months after the date the election is made, (B) in the case of an election related to a payment not related to the Participant's Disability or death, the first payment with respect to which such new election is effective is deferred for a period of not less than five years from the date such payment would otherwise have been made, and (C) any election related to a payment based upon a specific time or pursuant to a fixed schedule may not be made less than 12 months prior to the date of the first scheduled payment.

(4) Time of Payment for Specified Employees. Notwithstanding any other provision of the Plan, in no event can a payment of a Post-2004 Account to a Participant who is a Specified Employee, at a time during which the Company's capital stock or capital stock of an Affiliate is publicly traded on an established securities market,

in the calendar year of his or her Separation from Service be made before the date that is six months after the date of the Participant's Separation from Service, unless such Separation from Service is due to death or Disability.

6.4 **Unforeseeable Emergency Distributions.**

(a) Pre-2005 Account. Upon a finding that a Participant has suffered an Unforeseeable Emergency, the Plan Administrator may, in its sole discretion, make distributions from the Participant's Pre-2005 Account. The amount of such a distribution shall be limited to the amount reasonably necessary to meet the Participant's needs resulting from the Unforeseeable Emergency. Any distribution pursuant to this Subsection shall be payable in a lump sum. The distribution shall be paid within 30 days after the determination of an Unforeseeable Emergency.

(b) Post-2004 Account. Upon a finding that a Participant has suffered an Unforeseeable Emergency, the Plan Administrator may, in its sole discretion, make distributions from the Participant's Post-2004 Account and/or suspend Employer credits entirely in accordance with the guidance under Code Section 409A. The amount of such distribution shall be limited to the amount necessary to satisfy such Unforeseeable Emergency plus amounts necessary to pay taxes reasonably anticipated as a result of the distribution, after taking into account the extent to which such hardship is or may be relieved through reimbursement or compensation by insurance or otherwise or by liquidation of the Participant's assets (to the extent the liquidation of such assets would not itself cause severe financial hardship). Any distribution pursuant to this Subsection shall be payable in a lump sum. The distribution shall be paid within 30 days after the determination of an Unforeseeable Emergency.

6.5 **Automatic Cash-Out.** Notwithstanding any other provision in the Plan, if (1) the sum of the Participant's Pre-2005 Account and Post-2004 Account does not exceed the applicable dollar limit under code Section 402(g)(1)(B) and (2) this sum is the entirety of the Participant's interest in the Plan and all other arrangements that are considered a single nonqualified deferred compensation plan under Code Section 409A and applicable guidance thereunder, the Employer, in its sole discretion may distribute the Participant's entire Pre-2005 Account and Post-2004 Account (and the Participant's entire interest under any other arrangement that is required to be aggregated with this Plan under Code Section 409A), regardless whether the Participant has otherwise had a distributable event under this Plan. The form of payment of both the Pre-2005 Account and Post-2004 Account shall be a single lump sum.

6.6 **Special Payment Election by December 31, 2006, for Code Section 409A Transition Relief.** Notwithstanding any preceding provision of this Section 6.3(b), a Participant may change an election with respect to the time and form of payment of a Post-2004 Account, without regard to the restrictions imposed under paragraph (iii) next above, on or before

December 31, 2006; provided that such election (A) applies only to amounts that would not otherwise be payable in calendar year 2006, and (B) shall not cause an amount to be paid in calendar year 2006 that would not otherwise be payable in such year.

6.7 **Withholding for Taxes**. To the extent required by the law in effect at the time payments are made, an Employer shall withhold from the payments made hereunder any taxes required to be withheld by the federal or any state or local government, including any amounts which the Employer determines is reasonably necessary to pay any generation-skipping transfer tax which is or may become due. A Beneficiary, however, may elect not to have withholding of federal income tax pursuant to Code Section 3405(a)(2).

6.8 **Payment to Guardian**. The Plan Administrator may direct payment to the duly appointed guardian, conservator or other similar legal representative of a Participant or Beneficiary to whom payment is due. In the absence of such a legal representative, the Plan Administrator may, in its sole and absolute discretion, make payment to a person having the care and custody of a minor, incompetent or person incapable of handling the disposition of property upon proof satisfactory to the Plan Administrator of incompetency, status as a minor, or incapacity. Such distribution shall completely discharge the Company from all liability with respect to such benefit.

ARTICLE VII.

BENEFICIARY DESIGNATION

7.1 **Beneficiary Designation**. Each Participant's Beneficiary (both primary as well as secondary) to whom benefits under the Plan shall be paid in the event of the Participant's death prior to complete distribution of the Participant's Account, shall be the Beneficiary that the Participant has selected under the Basic Plan. A Participant may designate a Beneficiary or change a prior Beneficiary designation only by designating or changing a Beneficiary under the Basic Plan.

7.2 **No Beneficiary Designation**. If any Participant fails to designate a Beneficiary in the manner provided above, if the designation is void or if the Beneficiary designated by a deceased Participant dies before the Participant or before complete distribution of the Participant's benefits, the Participant's Beneficiary shall be the person identified in accordance with the procedures under the Basic Plan.

ARTICLE VIII.

PLAN ADMINISTRATION

8.1 **Allocation of Duties to Committees**. The Plan shall be administered by the Benefits Committee, as delegated by the ONC Committee. The Benefits Committee shall have the authority to make, amend, interpret, and enforce all appropriate rules and regulations for

administration of the Plan and decide or resolve any and all questions, including interpretations of the Plan, as may arise in such administration, except as otherwise reserved to the ONC Committee herein, or by resolution or charter of the respective committees.

In its discretion, the Plan Administrator may delegate to any division or department of the Company the discretionary authority to make decisions regarding Plan administration, within limits and guidelines from time to time established by the Plan Administrator. The delegated discretionary authority shall be exercised by such division or department's senior officer, or his/her delegate. Within the scope of the delegated discretionary authority, such officer or person shall act in the place of the Plan Administrator and his/her decisions shall be treated as decisions of the Plan Administrator.

8.2 **Agents**. The Plan Administrator may, from time to time, employ agents and delegate to them such administrative duties as it sees fit, and may from time to time consult with counsel who may be counsel to the Company.

8.3 **Information Required by Plan Administrator.** The Company shall furnish the Plan Administrator with such data and information as the Plan Administrator may deem necessary or desirable in order to administer the Plan. The records of the Company as to an employee's or Participant's period or periods of employment, separation from Service and the reason therefore, reemployment and Compensation will be conclusive on all persons unless determined to the Plan Administrator's satisfaction to be incorrect. Participants and other persons entitled to benefits under the Plan also shall furnish the Plan Administrator with such evidence, data or information as the Plan Administrator considers necessary or desirable to administer the Plan.

8.4 **Binding Effect of Decisions**. Subject to applicable law, and the provisions of Article VIII, any interpretation of the provisions of the Plan and any decision on any matter within the discretion of the Benefits Committee and/or the ONC Committee (or any duly authorized delegate of either such committee) and made in good faith shall be binding on all persons.

ARTICLE IX.

CLAIMS PROCEDURE

9.1 **Claim**. Claims for benefits under the Plan shall be made in writing to the Plan Administrator. The Plan Administrator shall establish rules and procedures to be followed by Participants and Beneficiaries in filing claims for benefits, and for furnishing and verifying proof necessary to establish the right to benefits in accordance with the Plan, consistent with the remainder of this Article.

9.2 **Review of Claim**. The Plan Administrator shall review all claims for benefits. Upon receipt by the Plan Administrator of such a claim, it shall determine all facts that are necessary to establish the right of the claimant to benefits under the provisions of the Plan and the amount thereof as herein provided within 90 days of receipt of such claim. If prior to the

expiration of the initial 90 day period, the Plan Administrator determines additional time is needed to come to a determination on the claim, the Plan Administrator shall provide written notice to the Participant, Beneficiary or other claimant of the need for the extension, not to exceed a total of 180 days from the date the application was received. If the Plan Administrator fails to notify the claimant in writing of the denial of the claim within 90 days after the Plan Administrator receives it, the claim shall be deemed denied.

9.3 **Notice of Denial of Claim** . If the Plan Administrator wholly or partially denies a claim for benefits, the Plan Administrator shall, within a reasonable period of time, but no later than 90 days after receiving the claim (unless extended as noted above), notify the claimant in writing of the denial of the claim. Such notification shall be written in a manner reasonably expected to be understood by such claimant and shall in all respects comply with the requirements of ERISA, including but not limited to inclusion of the following:

(a) the specific reason or reasons for denial of the claim;

(b) a specific reference to the pertinent Plan provisions upon which the denial is based;

(c) a description of any additional material or information necessary for the claimant to perfect the claim, together with an explanation of why such material or information is necessary; and

(d) an explanation of the Plan's review procedure.

9.4 **Reconsideration of Denied Claim** . Within 60 days of the receipt by the claimant of the written notice of denial of the claim, or within 60 days after the claim is deemed denied as set forth above, if applicable, the claimant or duly authorized representative may file a written request with the Benefits Committee that it conduct a full and fair review of the denial of the claimant's claim for benefits. If the claimant or duly authorized representative fails to request such a reconsideration within such 60 day period, it shall be conclusively determined for all purposes of the Plan that the denial of such claim by the Benefits Committee is correct. In connection with the claimant's appeal of the denial of his or her benefit, the claimant may review pertinent documents and may submit issues and comments in writing.

The Benefits Committee shall render a decision on the claim appeal promptly, but not later than 60 days after receiving the claimant's request for review, unless, in the discretion of the Benefits Committee, special circumstances require an extension of time for processing, in which case the 60-day period may be extended to 120 days. The Benefits Committee shall notify the claimant in writing of any such extension. The notice of decision upon review shall be in writing and shall include specific reasons for the decision, written in a manner calculated to be understood by the claimant, as well as specific references to the pertinent Plan provisions upon which the decision is based. If the decision on review is not furnished within the time period set forth above, the claim shall be deemed denied on review.

If such determination is favorable to the claimant, it shall be binding and conclusive. If such determination is adverse to such claimant, it shall be binding and conclusive unless the claimant or his duly authorized representative notifies the Benefits Committee within 90 days

after the mailing or delivery to the claimant by the Benefits Committee of its determination that claimant intends to institute legal proceedings challenging the determination of the Benefits Committee and actually institutes such legal proceedings within 180 days after such mailing or delivery.

9.5 **Employer to Supply Information**. To enable the Benefits Committee to perform its functions, each Employer shall supply fully and y information to the Benefits Committee of all matters relating to the retirement, death, or other cause for Separation from Service of all cipants, and such other pertinent facts as the Benefits Committee may require.

ARTICLE X.

PLAN AMENDMENT AND TERMINATION

10.1 **Plan Amendment**. While the Company intends to maintain the Plan in conjunction with the Basic Plan, the Company or the ONC Committee reserves the right to amend the Plan at any time and from time to time with respect to eligibility for the Plan, the level of benefits awarded under the Plan and the time and form of payment for benefits from the Plan. The Benefits Committee, the ONC Committee, or the Board shall have the authority to amend the Plan as described herein. The ONC Committee or the Board shall have the exclusive authority to amend the Plan regarding eligibility for the Plan, the amount or level of benefits awarded under the Plan, and the time and form of payments for benefits from the Plan. In addition, the ONC Committee or the Board shall also have the exclusive authority to make amendments that constitute a material increase in Compensation, any change requiring action or consent by a committee of the Board pursuant to the rules of the Securities and Exchange Commission, the New York Stock Exchange or other applicable law, or such other material changes to the Plan such that approval of the Board is required. Unless otherwise determined by the ONC Committee, the Benefits Committee shall have the authority to amend the Plan in all respects that are not exclusively reserved to the ONC Committee or the Board.

The respective committee may at any time amend the Plan by written instrument, notice of which is given to all Participants and to Beneficiaries. Notwithstanding the preceding sentence, no amendment shall reduce the amount accrued in any Account prior to the date such notice of the amendment is given.

10.2 **Partial Plan Termination**. The ONC Committee or the Company at any time may partially terminate the Plan provided that such partial termination of the Plan shall not impair or alter any Participant's or Beneficiary's right to the applicable Participant's Account balance as of the effective date of such partial termination. If such a partial termination occurs, no additional Employer credits shall be made after the date of such partial termination other than the crediting of earnings (or losses) until the date of distribution of Participant Account balances. Further, the Plan shall otherwise continue to be administered with respect to Account balances credited before the effective date of such partial termination, and distribution shall be made at such times as specified under this Plan.

ARTICLE XI.

MISCELLANEOUS PROVISIONS

11.1 **Unfunded Plan**. The Plan is an unfunded plan maintained primarily to provide deferred compensation benefits for a select group "management or highly-compensated employees" within the meaning of Sections 201, 301 and 401 of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and therefore is exempt from the provisions of Parts 2, 3 and 4 of Title I of ERISA. Nothing contained in the Plan shall constitute a guaranty by the Company or any other Employer or any other entity or person that the assets of the Company or any other Employer shall be sufficient to pay any benefit hereunder.

11.2 **Company and Employer Obligations**. The obligation to make benefit payments to any Participant under the Plan shall be a joint and several liability of the Company and the Employer that employed the Participant.

11.3 **Unsecured General Creditor**. Participants and Beneficiaries shall be unsecured general creditors, with no secured or preferential right to any assets of the Company, any other Employer, or any other party for payment of benefits under the Plan. Any life insurance policies, annuity contracts or other property purchased by the Employer in connection with the Plan shall remain its general, unpledged and unrestricted assets. Obligations of the Company and each other Employer under the Plan shall be an unfunded and unsecured promise to pay money in the future.

11.4 **Trust Fund**. Subject to Section 12.3, the Company may establish separate subtrusts for deferrals by employees of each Employer, pursuant to a trust agreement entered into with such trustees as the Benefits Committee may approve, for the purpose of providing for the payment of benefits owed under the Plan. At its discretion, each Employer may contribute deferrals under the Plan for its employees to the subtrust established with respect to such Employer under such trust agreement. To the extent any benefits provided under the Plan are paid from any such subtrust, the Employer shall have no further obligation to pay them. If not paid from a subtrust, such benefits shall remain the obligation of the Employer. Although such subtrusts may be irrevocable, their assets shall be held for payment of all the Company's general creditors in the event of insolvency or bankruptcy.

11.5 **Nonalienation of Benefits**. Neither a Participant nor any other person shall have any right to commute, sell, assign, transfer, pledge, anticipate, mortgage, or otherwise encumber, transfer, hypothecate, or convey in advance of actual receipt the amounts, if any, payable hereunder, or any part thereof or rights to, which are expressly declared to be unassignable and nontransferable. No part of the amounts payable shall, prior to actual payment, be subject to seizure or sequestration for the payment of any debts, judgments, alimony, or separate maintenance owed by a Participant or any other person, nor be transferable by operation of law in the event of a Participant's or any other person's bankruptcy or insolvency.

Notwithstanding the preceding paragraph, the Account of any Participant shall be subject to and payable in the amount determined in accordance with any qualified domestic relations order, as that term is defined in Section 206(d)(3) of ERISA. The Retirement Committee shall

provide for payment in a lump sum from a Participant's Account to an alternate payee (as defined in Code Section 414(p)(8)) as soon as administratively practicable following receipt of such order. Any federal, state or local income tax associated with such payment shall be the responsibility of the alternate payee. The balance of an Account that is subject to any qualified domestic relations order shall be reduced by the amount of any payment made pursuant to such order.

Notwithstanding the preceding paragraph, the Account of any Participant shall be subject to and payable in the amount determined in accordance with any qualified domestic relations order, as that term is defined in Section 206(d)(3) of ERISA. The Plan Administrator shall provide for payment of such portion of an Account to an alternate payee (as defined in Section 206(d)(3) of ERISA) as soon as administratively possible following receipt of such order. Any federal, state or local income tax associated with such payment shall be the responsibility of the alternate payee. The balance of any Account that is subject to any qualified domestic relations order shall be reduced by the amount of any payment made pursuant to such order.

11.6 **Indemnification**.

(a) Limitation of Liability. Notwithstanding any other provision of the Plan or any trust established under the Plan, none of the Company, any other Employer, any member of the Benefits Committee or the ONC Committee, nor any individual acting as an employee, or agent or delegate of any of them, shall be liable to any Participant, former Participant, Beneficiary, or any other person for any claim, loss, liability or expense incurred in connection with the Plan or any trust established under the Plan, except when the same shall have been judicially determined to be due to the willful misconduct of such person.

(b) Indemnity. The Company shall indemnify and hold harmless each member of the Benefits Committee and the ONC Committee, or any employee of the Company or any individual acting as an employee or agent of either of them (to the extent not indemnified or saved harmless under any liability insurance or any other indemnification arrangement with respect to the Plan or any trust established under the Plan) from any and all claims, losses, liabilities, costs and expenses (including attorneys' fees) arising out of any actual or alleged act or failure to act made in good faith pursuant to the provisions of the Plan, including expenses reasonably incurred in the defense of any claim relating thereto with respect to the administration of the Plan or any trust established under the Plan, except that no indemnification or defense shall be provided to any person with respect to any conduct that has been judicially determined, or agreed by the parties, to have constituted willful misconduct on the part of such person, or to have resulted in his or her receipt of personal profit or advantage to which he or she is not entitled. In connection with the indemnification provided by the preceding sentence, expenses incurred in defending a civil or criminal action, suit or proceeding, or incurred in connection with a civil or criminal investigation, may be paid by the

Company in advance of the final disposition of such action, suit, proceeding, or investigation, as authorized by the Benefits Committee or the ONC Committee in the specific case, upon receipt of an undertaking by or on behalf of the party to be indemnified to repay such amount unless it shall ultimately be determined that the person is entitled to be indemnified by the Company pursuant to this paragraph.

11.7 **No Enlargement of Employee Rights**. No Participant or Beneficiary shall have any right to a benefit under the Plan except in accordance with the terms of the Plan. The Plan shall not constitute a contract of employment between an Employer and the Participant. Nothing in the Plan shall give any Participant or Beneficiary the right to be retained in the service of an Employer or to interfere with the right of an Employer to discipline or discharge a Participant at any time.

11.8 **Protective Provisions**. A Participant shall cooperate with his Employer by furnishing any and all information requested by the Employer in order to facilitate the payment of benefits hereunder, and by taking such physical examinations as the Employer may deem necessary and taking such other action as may be requested by the Employer.

11.9 **Governing Law**. The Plan shall be construed and administered under the laws of the State of Indiana, except to the extent preempted by applicable federal law.

11.10 **Validity**. In case any provision of the Plan shall be held illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining parts hereof, but the Plan shall be construed and enforced as if such illegal and invalid provision had never been inserted herein.

11.11 **Notice**. Any notice required or permitted under the Plan shall be sufficient if in writing and hand delivered or sent by registered or certified mail. Such notice shall be deemed as given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark on the receipt for registration or certification. Mailed notice to the Benefits Committee shall be directed to the Company's address. Mailed notice to a Participant or Beneficiary shall be directed to the individual's last known address in the applicable Employer's records.

11.12 **Successors**. The provisions of the Plan shall bind and inure to the benefit of the Employers and their successors and assigns. The term successors as used herein shall include any corporate or other business entity that shall, whether by merger, consolidation, purchase, or otherwise, acquire all or substantially all of the business and assets of an Employer, and successors of any such corporation or other business entity.

11.13 **Incapacity of Recipient**. If any person entitled to a benefit payment under the Plan is deemed by the Plan Administrator to be incapable of personally receiving and giving a valid receipt for such payment, then, unless and until a claim shall have been made by a duly appointed guardian or other legal representative of such person, the Plan Administrator may provide for such payment or any part thereof to be made to any other person or institution then contributing toward or providing for the care and maintenance of such person. Any such payment shall be a payment for the account of such person and a complete discharge of any liability of the Company, any other Employer, the Plan Administrator and the Plan.

11.14 **Unclaimed Benefit**. Each Participant shall keep the Plan Administrator informed of his or her current address and the current address of his or her Beneficiaries. The Plan Administrator shall not be obligated to search for the whereabouts of any person. If the location of a Participant is not made known to the Plan Administrator within three years after the date on which payment of the Participant's benefit may first be made, payment may be made as though the Participant had died at the end of the three-year period. If, within one additional year after three-year period has elapsed or within three years after the actual death of a Participant, the Plan Administrator is unable to locate any ficiary of the Participant, then the Plan Administrator shall have no further obligation to pay any benefit hereunder to such Participant, eficiary, or any other person and such benefit shall be irrevocably forfeited.

11.15 **Tax Compliance and Payouts**.

(a) It is intended that the Plan comply with the provisions of Code Section 409A of the Code, so as to prevent the inclusion in gross income of any amounts deferred hereunder in a taxable year that is prior to the taxable year or years in which such amounts would otherwise actually be paid or made available to Participants or Beneficiaries. This Plan shall be construed, administered, and governed in a manner that affects such intent, and neither any Participant, Beneficiary, nor Plan Administrator shall not take any action that would be inconsistent with such intent.

(b) Although the Plan Administrator shall use its best efforts to avoid the imposition of taxation, interest and penalties under Code Section 409A, the tax treatment of deferrals under this Plan is not warranted or guaranteed. Neither the Company, the other Affiliates, the Plan Administrator, the Retirement Committee, nor any designee shall be held liable for any taxes, interest, penalties or other monetary amounts owed by any Participant, Beneficiary or other taxpayer as a result of the Plan.

(c) Notwithstanding anything to the contrary contained herein, (1) in the event that the Internal Revenue Service prevails in its claim that any amount of a Pre-2005 Account, payable pursuant to the Plan and held in the general assets of the Company or any other Employer, constitutes taxable income to a Participant or his or her Beneficiary for a taxable year prior to the taxable year in which such amount is distributed to him or her, or (2) in the event that legal counsel satisfactory to the Company, and the applicable Participant or his or her Beneficiary, renders an opinion that the Internal Revenue Service would likely prevail in such a claim, the amount of such Pre-2005 Account held in the general assets of the Company or any other Employer, to the extent constituting taxable income, shall be immediately distributed to the Participant or his or her Beneficiary. For purposes of this Section, the Internal Revenue Service shall be deemed to have prevailed in a claim if such claim is upheld by a court of final jurisdiction, or if the Participant or Beneficiary, based upon an opinion of legal counsel satisfactory to the Company and the Participant or his or her Beneficiary, fails to appeal a decision of the Internal Revenue Service, or a court of applicable jurisdiction, with respect to such claim, to an appropriate Internal Revenue Service appeals authority or to a court of higher jurisdiction within the appropriate time period.

(d) Notwithstanding anything to the contrary contained herein, (1) in the event that the Internal Revenue Service prevails in its claim that any amount of a Post-2004 Account, payable pursuant to the Plan and held in the general assets of the Company or any other Employer, constitutes taxable income under Code Section 409A, and guidance and regulations thereunder, to a Participant or his or her Beneficiary for a taxable year prior to the taxable year in which such amount is distributed to him or her, or (2) in the event that legal counsel satisfactory to the Company, and the applicable Participant or his or her Beneficiary, renders an opinion that the Internal Revenue Service would likely prevail in such a claim, the amount of such Post-2004 Account held in the general assets of the Company or any other Employer, to the extent constituting such taxable income, shall be immediately distributed to the Participant or his or her Beneficiary. For purposes of this Section, the Internal Revenue Service shall be deemed to have prevailed in a claim if such claim is upheld by a court of final jurisdiction, or if the Participant or Beneficiary, based upon an opinion of legal counsel satisfactory to the Company and the Participant or his or her Beneficiary, fails to appeal a decision of the Internal Revenue Service, or a court of applicable jurisdiction, with respect to such claim, to an appropriate Internal Revenue Service appeals authority or to a court of higher jurisdiction within the appropriate time period.

11.16 **General Conditions**. Except as otherwise expressly provided herein, all terms and conditions of the Basic Plan applicable to a Basic Plan benefit shall also be applicable to a benefit payable hereunder. Any Basic Plan benefit shall be paid solely in accordance with the terms and conditions of the Basic Plan and nothing in the Plan shall operate or be construed in any way to modify, amend or affect the terms and provisions of the Basic Plan.

[signature block follows on next page]

IN WITNESS WHEREOF , NiSource Inc. has caused this amended and restated Savings and Restoration Plan for NiSource Inc. and Affiliates to be executed in its name, by its duly authorized officer, effective as of January 1, 2012.

NISOURCE INC.

By: /s/ Joel Hoelzer
Its: Vice President, HR
Date: 3/14/12

NISOURCE INC.

EXECUTIVE DEFERRED COMPENSATION PLAN

Amended and Restated Effective January 1, 2012

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NISOURCE INC.

EXECUTIVE DEFERRED COMPENSATION PLAN

ARTICLE I

BACKGROUND AND PURPOSE

1.1 **Background**. Effective November 1, 2000, the Bay State Gas Company Key Employee Deferred Compensation Plan (the "Bay State Plan") was merged into the NIPSCO Plan and the NIPSCO Plan was renamed the NiSource Inc. Executive Deferred Compensation Plan (the "Plan"). Effective January 1, 2004, the Columbia Energy Group Deferred Compensation Plan (the "Columbia Plan") was merged into the Plan. Effective January 1, 2005, the Plan was amended and restated to comply with Code Section 409A, and guidance and regulations thereunder. Deferred Compensation, Discretionary Contributions, and earnings thereon, earned and vested prior to January 1, 2005 shall be administered without giving effect to Code Section 409A, and guidance and regulations thereunder. Effective January 1, 2008, the Plan was amended and restated to incorporate the provisions of amendments to the Plan since the January 1, 2005, amendment and restatement and to allow participants to elect to participate in the Plan only during the applicable enrollment period or at such later date allowed under Code Section 409A for certain performance based bonuses. The Plan was amended and restated again effective as of May 13, 2011 to transfer all administrative authority with respect to the Plan (including the authority to render decisions on claims and appeals and make administrative or ministerial amendments) from the ONC Committee to the Benefits Committee.

The Plan is hereby amended and restated again, effective as of January 1, 2012, to (1) change eligibility to defer Compensation under the Plan; (2) limit the amount of annual incentive compensation that may be deferred under the Plan to 80% of such annual incentive compensation; and (3) clarify other administrative matters related to the Plan.

1.2 **Purpose**. The purpose of this Plan is to provide current tax planning opportunities as well as supplemental funds for retirement or death for selected employees of an Employer. It is intended that the Plan will aid in attracting and retaining employees of exceptional ability by providing them with these benefits.

ARTICLE II

DEFINITIONS

For the purposes of the Plan, the following terms shall have the meanings indicated, unless the context clearly indicates otherwise. Except as otherwise required by the context, any masculine terminology in this document shall include the feminine, and any singular terminology shall include the plural. The headings of Articles and Sections are included solely for convenience, and if there is any conflict between such headings and the text of the Plan, the text shall control.

2.1 **Account**. The device used by an Employer to measure and determine the amount to be paid to a Participant under the Plan. Each Account shall be divided into a Pre-2005 Account containing contributions to the Plan earned and vested prior to January 1, 2005, a Post-2004 Account containing contributions to the Plan earned and/or vested on or after January 1, 2005, and, if applicable, a Transferred Bay State Account containing any amount transferred from the Bay State Plan or a Transferred Columbia Account containing any amount transferred from the Columbia Plan.

2.2 **Affiliate**. Any corporation that is a member of a controlled group of corporations (as defined in Code Section 414(b)) that includes the Company; any trade or business (whether or not incorporated) that is under common control (as defined in Code Section 414(c)) with the Company; any organization (whether or not incorporated) that is a member of an affiliated service group (as defined in Code Section 414(m)) that includes the Company; any leasing organization, to the extent that its employees are required to be treated as if they were employed by the Company pursuant to Code Section 414(n) and the regulations thereunder; and any other entity required to be aggregated with the Company pursuant to regulations under Code Section 414(o). An entity shall be an Affiliate only with respect to the existing period as described in the preceding sentence.

2.3 **Annual Deferral Amount**. The portion of a Participant's Compensation that a Participant elects to defer under this Plan for any one Plan Year.

2.4 **Beneficiary**. The person, persons or entity entitled to receive any Plan benefits payable after a Participant's death.

2.5 **Benefits Committee**. The NiSource Benefits Committee, or any delegate thereof.

2.6 **Board**. The Board of Directors of NiSource Inc.

2.7 **Code**. The Internal Revenue Code of 1986, as amended from time to time.

2.8 **Company**. NiSource Inc.

2.9 **Compensation**. Aggregate basic annual salary or wage and annual incentive awards paid to a Participant by his Employer. Compensation shall include the following: (1)

amounts deferred and excluded from the Participant's taxable income pursuant to Code Sections 125, 132(f)(4), 402(e)(3), or 402(h)(1)(B), and (2) amounts deferred to a nonqualified plan maintained by an Employer. Compensation earned on or after January 1, 2005 shall not include incentive payments other than annual incentive awards. Compensation does not include expense reimbursements, any form of noncash compensation, or benefits. Compensation does not include lump sum severance payments or lump sum vacation payouts.

2.10 **Discretionary Contribution**. The Employer contribution credited to a Participant's Account under Section 5.3.

2.11 **Effective Date** January 1, 2012, the date on which the provisions of this amended and restated Plan become effective, except as otherwise provided herein.

2.12 **Election Form**. The agreement properly submitted by a Participant to the Retirement Committee or Benefits Committee prior to the beginning of a Plan Year, with respect to a Deferral Commitment made for such Plan Year.

2.13 **Eligible Employee**. A select group of management or highly compensated employees of the Employer selected by the ONC Committee in accordance with this Plan.

2.14 **Employer**. The Company and any subsidiary or Affiliate of the Company designated by the ONC Committee to participate in the Plan.

2.15 **ONC Committee**. The Officer Nomination and Compensation Committee of the Board of Directors of the Company.

2.16 **Participant**. Any Eligible Employee who is participating in the Plan in accordance with its provisions.

2.17 **Plan**. The NiSource Inc. Executive Deferred Compensation Plan, as set forth herein and as amended from time to time.

2.18 **Plan Administrator**. The Benefits Committee, or such delegate of the Benefits Committee delegated to carry out the administrative functions of the Plan as provided under Article IX.

2.19 **Plan Year**. The 12-month period commencing each January 1 and ending the following December 31.

2.20 **Post-2004 Account**. The excess of (1) the total balance of the Participant's Account determined as of a Participant's date of Separation from Service after December 31, 2004 over (2) his Pre-2005 Account, to which the Participant would be entitled under the Plan if he voluntarily separated from service without cause as of such date and received a full payment of benefits from the Plan on the earliest possible date allowed under the Plan following his Separation from Service.

2.21 **Pre-2005 Account**. The balance of a Participant's Account determined as of December 31, 2004, adjusted to reflect earnings credited to such balance from and after such date.

2.22 **Retirement Committee**. A committee consisting of the Company's Senior Vice President of Human Resources and the Vice President of Human Resources (in charge of Total Rewards), or such other offices as shall be deemed equivalent to such positions, or the delegates thereof.

2.23 **Separation from Service**. A termination of services provided by a Participant to his or her Employer, whether voluntarily or involuntarily, as determined by the Benefits Committee in accordance with Code Section 409A and the guidance promulgated thereunder.

2.25 **Specified Employee**. A Participant who is in job scope level C2 or above with respect to any Employer that employs him or her; provided that if at any time the total number of employees in job category C2 and above is less than 50, a Specified Employee shall include any employee who meets the definition of "key employee" set forth in Code Section 416(i) (without reference to paragraph 5 of Code Section 416 (i)). A Participant shall be deemed to be a Specified Employee with respect to a Separation from Service that occurs during a calendar year if he or she is a Specified Employee on September 30 of the preceding calendar year. The Benefits Committee shall determine which Participants are Specified Employees in accordance with the guidance promulgated under Code Section 409A.

2.26 **Transferred Bay State Account**. The balance of a Participant's Account containing any amount transferred from the Bay State Plan. The Bay State Plan was merged into the Plan as of November 1, 2000. The balance of the account of each Bay State Plan participant, determined as of November 1, 2000, was transferred to the Plan and became the initial balance in such Participant's Transferred Bay State Account in the Plan. A Participant's Transferred Bay State Account shall be held, administered, invested, and distributed pursuant to the terms of the Plan.

2.27 **Transferred Columbia Account**. The balance of a Participant's Account containing any amount transferred from the Columbia Plan. The Columbia Plan was merged into the Plan as of January 1, 2004. The balance of the account of each Columbia Plan participant, determined as of December 31, 2003, was transferred to the Plan and became the initial balance in such Participant's Transferred Columbia Account in the Plan. A Participant's Transferred Columbia Account shall be held, administered, invested, and distributed pursuant to the terms of the Plan.

2.28 **Unforeseeable Emergency**. A severe financial hardship to the Participant resulting from an illness or accident of the Participant, the Participant's spouse, or a dependent (as defined in Code Section 152(a)) of the Participant, loss of the Participant's property due to casualty, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant.

2.29 **Valuation Date**. The close of business of each business day.

ARTICLE III

ELIGIBILITY AND PARTICIPATION

3.1 **Eligibility**. On and after January 1, 2012, eligibility to participate in the Plan for a Plan Year shall be limited to (1) an employee in job scope level C2 or above, (2) an employee in job scope level D2 or above who completed an Election Form in 2011 with respect to an Annual Deferral Amount related to services performed in the Plan Year beginning January 1, 2012; provided however, that such an employee will remain eligible to defer Compensation after the 2012 Plan Year only if he or she completes an Election Form in each successive Plan Year after 2012, and (3) any other key employee of an Employer who is designated from time to time by the ONC Committee.

3.2 **Participation**. An Eligible Employee shall become a Participant in the Plan by electing to defer Compensation in accordance with Article IV. An Eligible Employee also becomes a participant if the Employer credits the Participant's Account with a Discretionary Contribution.

3.3 **Continuation of Participation**. A Participant shall remain a Participant so long as his or her Account has not been fully distributed.

3.4 ***Amendment of Eligibility Criteria***. *The ONC Committee may, in its discretion, change the criteria for eligibility for any reason,* provided, however, that no change in the criteria for eligibility shall be effective unless such changes are (a) within guidelines established by the ONC Committee or (b) approved by the ONC Committee. Eligibility for participation in one year does not guarantee eligibility to participate in any future year.

ARTICLE IV

DEFERRAL COMMITMENTS

4.1 **Timing of Deferral Elections**. An Eligible Employee may elect to defer Compensation for services performed in any Plan Year by submitting an Election Form to the Retirement Committee only during the annual enrollment period established by the Retirement Committee, which shall end no later than December 31st, of the year preceding such Plan Year. Thus, for any salary to be paid for services performed in a Plan Year, an election to defer such salary must be made no later than December 31, of the prior Plan Year. Further, an election to defer such annual incentive award must be made no later than December 31, of the prior Plan Year. To illustrate these provisions, an election to defer salary payable for services performed in 2013 must be made by December 31, 2012. Further, an election to defer annual incentive awards that are (1) not "performance-based compensation" as described under Code Section 409A, (2) earned for the 2013 calendar year, and (3) to be paid in March 2014, must be made by December 31, 2012.

4.2 **Amount of Deferral**. A Participant may elect an Annual Deferral Amount in the Election Form as follows:

(a) Base Salary Deferral Amount. The amount of Compensation related to base salary that a Participant may elect to defer in an Election Form shall be stated as a whole percentage of base Compensation from 5% to 80%; provided, however, that the Company may reduce the amount deferred to the extent necessary to satisfy federal, state, local, or other tax withholding obligations and employee benefit plan withholding requirements.

(b) Annual Incentive Deferral Amount. The amount of Compensation related to any annual incentive award that a Participant may elect to defer in an Election Form shall be stated as a whole percentage of the annual incentive award from 5% to 80%; provided, however, that the Company may reduce the amount deferred to the extent necessary to satisfy federal, state, local, or other tax withholding obligations and employee benefit plan withholding requirements.

No amount of Compensation may be deferred after the date of a Participant's Separation from Service.

4.3 **Distribution Options**. Each Election Form with respect to a Plan Year shall specify the date on which the applicable deferred amount and earnings thereon shall be distributed. Such date shall be the first to occur of (1) the date of the Participant's Separation from Service; or (2) a date selected by the Participant, provided that a selected date must be at least one year after the date the deferred amount would have been paid to the Participant in cash in the absence of the election to make the deferral, except as otherwise provided under Article VII.

4.4 **Duration of Election Form**. A Participant shall make an election in his Election Form as to the time and form of payment of the Annual Deferral Amount for each Plan Year. A Participant's Election Form for any Plan Year is effective only for such Plan Year. In order to defer Compensation for a subsequent Plan Year, an Eligible Employee must file a new Election Form with respect to such Compensation. A Participant shall not be required to designate the same time and form of payment for each Plan Year.

4.5 **Modification of Election Form**. Except as provided otherwise in this Plan, Election Forms shall be irrevocable.

4.6 **Change in Employment Status**. If the Plan Administrator determines that a Participant has experienced a change in job scope level or employment status that no longer is eligible for participation in the Plan, but the Participant's employment with an Employer is not terminated, the Participant's existing Election Form shall terminate at the end of the current Plan Year, and no new Election Form may be submitted by such Participant for any Plan Year..

ARTICLE V

ACCOUNTS

5.1 **Account t**. The Compensation deferred by a Participant under the Plan, including any Discretionary Contributions and earnings thereon, shall be credited to the Participant's Account. Separate subaccounts may be maintained to reflect different forms of distribution, investment options, levels of vesting, and forms of payment. The Account shall be a bookkeeping device utilized for the sole purpose of determining the benefits payable under the Plan and shall not constitute a separate fund of assets.

5.2 **Timing of Credits; Withholding**. A Participant's deferred Compensation shall be credited to the Participant's Account at the time it would have been payable to the Participant. Any withholding of taxes or other amounts with respect to deferred Compensation that is required by federal, state or local law shall be withheld from the Participant's nondeferred Compensation to the maximum extent possible and any remaining amount shall reduce the amount credited to the Participant's Account.

5.3 **Discretionary Contributions**. An Employer may make Discretionary Contributions to a Participant's Account. Discretionary Contributions shall be credited at such times and in such amounts as the ONC Committee in its sole discretion shall determine. The amount so credited to a Participant may be smaller or larger than the amount credited to any other Participant, and the amount credited to any Participant for a Plan Year may be zero, even though one or more other Participants receive a Discretionary Contribution for that Plan Year.

5.4 **Determination of Account**. Each Participant's Account as of each Valuation Date shall consist of the balance of the Account as of the immediately preceding Valuation Date, adjusted as follows:

(a) New Deferrals. The Account shall be increased by any deferred Compensation credited since such preceding Valuation Date.

(b) Discretionary Contributions. The Account shall be increased by any Discretionary Contributions credited since such preceding Valuation Date.

(c) Distributions. The Account shall be reduced by any benefits distributed from the Account to the Participant since such preceding Valuation Date.

(d) Valuation of Account. The Account shall be increased or decreased by the aggregate earnings, gains and losses on such Account since such preceding Valuation Date, based on the manner in which the Participant's Account has been hypothetically allocated among the investment options selected by the Participant.

5.5 **Vesting of Account**. Each Participant shall be vested in the amounts credited to such Participant's Account and earnings thereon as follows:

(a) Amounts Deferred. A Participant shall be 100% vested at all times in the amount of Compensation elected to be deferred under the Plan, and earnings thereon.

(b) Discretionary Contributions. A Participant's Discretionary Contributions, and earnings thereon, shall become vested as determined by the ONC Committee.

(c) Transferred Account. A Participant shall be 100% vested at all times in the balance of his Transferred Bay State Account or Transferred Columbia Account, if any.

5.6 **Statement of Account**. The Retirement Committee shall give to each Participant a statement showing the balance in the Participant's Account periodically, at such times as may be determined by the Retirement Committee, in written or electronic form.

ARTICLE VI

INVESTMENTS

6.1 **Investment Options**. Amounts credited hereunder to the Account of a Participant shall be invested as such Participant elects among the investment choices provided to the Participant. The investment options shall be determined by the Plan Administrator from time to time in its sole and absolute discretion. As necessary, the Plan Administrator may, in its sole discretion, discontinue, substitute or add an investment option. Each such action will take effect on such date established by the Plan Administrator.

6.2 **Special Investment Option for Former Participants in the Bay State Plan and Participants in the Plan**. Former participants in the Bay State Plan who became Participants in the Plan, or Participants in the Plan on November 1, 2000, shall have an additional special investment option applicable solely to their Transferred Bay State Account balances, or their Account balances in the Plan, valued as of November 1, 2000, and any subsequent amounts contributed to such Participant's Account. Such Participants may invest their Transferred Bay State Account balances, or their Account balances in the Plan as of November 1, 2000, and any subsequent amounts contributed to such Participant's Account, in a subaccount which shall be credited with earnings equal to one percentage point higher than the effective annual yield of the average of the Moody's Average Corporate Bond Yield Index for the previous calendar month as published by Moody's Investor Services, Inc. (or any successor publisher thereto), or, if such index is no longer published, a substantially similar index selected by the Plan Administrator. A Participant's Transferred Bay State Account balance, or his Account balance in the Plan on November 1, 2000, shall be invested pursuant to this special investment option from and after November 1, 2000, and until such time as another investment choice is designated by him under this Plan with respect to all or a portion of his Transferred Bay State Account, or his Account balance in the Plan on November 1, 2000. Subsequent amounts contributed to any such Participant's Account may be invested pursuant to this option as designated by the Participant pursuant to this Plan. However, any portion of a Transferred Bay State Account, or an Account balance in the Plan, s[illegible]quently transferred from the investment option described in this Section to another investment option may not be reinvested under this [illegible]n.

6.3 **Special Investment Option for Former Participants in the Columbia Plan**. Former participants in the Columbia Plan who become Participants in the Plan on January 1, 2004 shall have an additional special investment option applicable solely to their Transferred Columbia Account balances, valued as of January 1, 2004. Such Participants may invest all or any portion of their Transferred Columbia Account balances in a subaccount that shall be credited with earnings equal to the prime rate of interest, as listed in The Wall Street Journal. All or the designated portion of a Participant's Transferred Columbia Account balance shall be invested pursuant to this special investment option from and after January 1, 2004, and until such time as another investment choice is designated by him pursuant to this Plan with respect to all or a portion of his Transferred Columbia Account. Any portion of a Transferred Columbia Account subsequently transferred from the investment option described in this Section to another investment option may not be reinvested under the investment option described in this Section. Amounts contributed to any such Participant's Account on or after January 1, 2004 shall not be eligible for the investment option described in this Section.

6.4 **Election of Investment Options**. A Participant, in connection with completing his or her Election Form, shall elect one or more of the previously described investment options, as applicable, to be used to determine the amounts to be credited or debited to his or her Account. No Election Form of a Participant shall be effective until such time as the Participant submits his initial investment election to the Company. The Participant may (but is not required to) elect to add or delete one or more investment options to be used to determine the amounts to be credited or debited to his or her Account, or to change the portion of his or her Account allocated to each previously or newly elected investment option. If an election is made in accordance with the previous sentence, it shall apply as of the first business day deemed reasonably practicable by the Plan Administrator, in its sole discretion, and shall continue thereafter for each subsequent day in which the Participant participates in the Plan, unless changed in accordance with the previous sentence. Notwithstanding the foregoing, the Plan Administrator, in its sole discretion, may impose limitations on the frequency with which one or more of the investment options elected in accordance with this Section may be added or deleted by such Participant; furthermore, the Plan Administrator, in its sole discretion, may impose limitations on the frequency with which the Participant may change the portion of his or her Account allocated to each previously or newly elected investment option.

6.5 **Allocation of Investment Options**. In making any election related to investment options, the Participant shall specify, in increments specified by the Plan Administrator, the percentage of his or her Account or investment option, as applicable, to be allocated or reallocated.

6.6 **No Actual Investment**. Notwithstanding any other provision of this Plan that may be interpreted to the contrary, the investment options are to be used for measurement purposes only, and a Participant's election of any such investment option, the allocation of his or her Account thereto, the calculation of additional amounts and the crediting or debiting of such amounts to a Participant's Account shall not be considered or construed in any manner as an actual investment of his or her Account in any such investment option. In the event that the Company, in its own discretion, decides to invest funds in any or all of the investments on which the investment options are based, no Participant shall have any rights in or to such investments themselves. Without limiting the foregoing, a Participant's Account shall at all times be a bookkeeping entry only and shall not represent any investment made on his or her behalf by the Company; the Participant shall at all times remain an unsecured creditor of the Company.

ARTICLE VII

PAYMENTS AND DISTRIBUTIONS

7.1 **Distributions/Events Generally**. Participants generally will not be entitled to receive a distribution of their Account balance until experience a Separation from Service for any reason. A Participant may receive a distribution before Separation from Service, however, in rdance with this Article VII, upon (1) an Unforeseeable Emergency that occurs before Separation from Service, or (2) a year that has been designated by the Participant in an Election Form and that occurs before Separation from Service.

7.2 **In-Service Distributions.**

(a) General Payments. A Participant may elect in his or her Election Form to receive his or her Compensation deferred for a Plan Year, and all amounts credited or debited thereto, in a specified year while employed with an Employer. The Participant, in an Election Form, may elect to receive such an in-service distribution as either a lump sum or equal annual installments over a period of not more than 15 years. If a Participant does not make such an election, the payment shall be made in a lump sum.

If a Participant elects to receive an in-service distribution as a lump sum, the amount of the lump sum payment will be based on the value of the Participant's account as of March 15 of the designated year. The distribution date generally shall be on or as soon as administratively practicable after the March 31 st of such year, or, if later, within such time frame permitted under Code Section 409A and the guidance and regulations thereunder.

If a Participant elects to receive installments, the amount of each installment payment will be based on the value of the participant's account as of the March 15 preceding the distribution of each installment payment. The distribution date generally shall be each subsequent March 31, or if later, within such time frame permitted under Code Section 409A, and the guidance and regulations thereunder.

(b) Modifying In-Service Distributions.

(1) Pre-2005 Account. Notwithstanding any other provision of the Plan, a Participant may modify his election as to the form or time of distribution of his entire Pre-2005 Account, and earnings thereon, by a writing filed with the Retirement Committee at any time prior to the commencement of payment. A Participant's modification of his election as to the form or time of commencement of payment shall be ineffective, unless (1) the modification election is filed with the Retirement Committee more than 12 months prior to the time of commencement of payment, or (2) a

Participant elects by written instrument delivered to the Company prior to the time of commencement of payment to have his Pre-2005 Account reduced by 10%. This reduction shall be forfeited and used by the Plan to reduce expenses of administration. This reduction is intended to discourage a Participant from modifying his election as to the form or time of commencement of payment within the period set forth in clause (1) above and prevent him from being deemed in constructive receipt of his Pre-2005 Account prior to its actual payment to him.

(2) Post-2004 Account. The Company, in its discretion, may allow a Participant to modify his election as to the form or time of distribution of his entire Post-2004 Account, and earnings thereon, or of any portion of his or her Post-2004 Account and earnings thereon, if (1) such election does not take effect until at least 12 months after the date on which the election is made, (2) the first payment with respect to which such election is made is deferred for a period of not less than five (5) years from the date on which such payment would otherwise have been made, and (3) any election related to a payment to be made at a specified date is made at least 12 months prior to the date of the first scheduled payment. For purposes of the Plan, the term "payment" means each separate installment and not the collective group of installment payments.

(3) Precedence of Distributions. With respect to both Pre-2005 Accounts and Post-2004 Accounts in the event a Participant has a Separation from Service, Unforeseable Emergency, or other event that triggers distribution of benefits under Article VII of this Plan, all amounts subject to an in-service distribution shall be paid in accordance with other applicable provisions of the Plan and not under this Section 7.2. If, however, a Participant made an election to postpone an in-service distribution under Section 7.2(b), and the Participant experiences a Separation from Service, the distribution will be made in accordance with Section 7.2(b) and not Section 7.3.

7.3 **Distributions After Separation from Service**.

(a) Generally. If a Participant experiences a Separation from Service, the provisions of this Section 7.3 shall apply to the distribution of the Participant's Account. The Participant may elect, in his or her Election Form to receive such benefits as either a lump sum or in equal annual installments over a period not to exceed 15 years. If no such election is made, payment shall be made as a lump sum.

(b) Pre-2005 Account.

(1) Lump Sum. If payment of a Participant's Pre-2005 Account is to be made in a lump sum, the lump sum payment generally shall be made on or as soon as administratively practicable after the March 31st immediately after the date in which the Participant experiences a Separation from Service.

(2) Installments. If payment of a Participant's Pre-2005 Account is to be made in annual installments, the distribution of the first annual installment payment generally shall be made on or as soon as administratively practicable after the March 31st immediately after the date in which the Participant experiences a Separation from Service. The amount of this first installment payment shall be based on the value of the Participant's Account as of the March 15 preceding the distribution date of this installment payment. Each subsequent installment payment generally shall be paid on or as soon as administratively practicable after each subsequent March 31. The amount of each such installment shall be based on the value of the Participant's Account as of the March 15 preceding the distribution date of such installment.

(3) Modifications to Time and Form of Payment. Notwithstanding any other provision of the Plan, a Participant may modify his election as to the form or time of distribution of his entire Pre-2005 Account, and earnings thereon, by a writing filed with the Retirement Committee at any time prior to the commencement of payment. A Participant's modification of his election as to the form or time of commencement of payment shall be ineffective, unless (1) the modification election is filed with the Retirement Committee more than 12 months prior to the time of commencement of payment, or (2) a Participant elects by written instrument delivered to the Company prior to the time of commencement of payment to have his Pre-2005 Account reduced by 10%. To clarify how these provisions operate with respect to a Participant who originally elected to commence distribution upon Separation from Service, such a Participant may elect to be paid on or as soon as administratively practicable after one of the following permitted times: (a) the March 31st immediately after the one-year anniversary date of the request to modify the election (regardless of whether the Participant experiences a Separation from Service before such date), or (b) the March 31st immediately after the date of the modified election, provided however, that under this option the Participant's Pre-2005 Account shall be reduced by 10%. This reduction shall be forfeited and used by the Plan to reduce expenses of administration. This reduction is intended to discourage a Participant from modifying his election as to the form or time of commencement of payment within the period set forth in clause (1) above and prevent him from being deemed in constructive receipt of his Pre-2005 Account prior to its actual payment to him.

(c) Post-2004 Account.

(1) Lump Sum.

(i) Non-Specified Employees. If payment of a Participant's Post-2004 Account is to be made to the Participant in a lump sum, and the Participant is not a Specified Employee of any Employer, the

lump sum payment generally shall be made on or as soon as administratively practicable after the March 31 st immediately after the date in which the Participant experiences a Separation from Service.

(ii) Specified Employees. If payment of a Participant's Post-2004 Account is to be made to the Participant in a lump sum, and the Participant is a Specified Employee of any Employer, the lump sum payment generally shall be made on or as soon as administratively practicable after the later of (1) the March 31 st immediately after the date in which the Participant experiences a Separation from Service, or (2) the date that is six (6) months after the date in which the Participant experiences a Separation from Service, unless due to such Participant's death, in which case payment generally shall be made to the Beneficiary as soon as practicable after the date of the Participant's death.

(2) Installments.

(i) Non-Specified Employees. If payment of a Participant's Post- 2004 Account is to be made to the Participant in annual installments, the distribution of the first annual installment payment generally shall be made on or as soon as administratively practicable after the March 31 st immediately after the date in which the Participant experiences a Separation from Service. The amount of this first installment payment shall be based on the value of the Participant's Account as of the March 15 preceding the distribution date of this installment payment. Each subsequent installment payment generally shall be paid on or as soon as administratively practicable after each subsequent March 31. The amount of each such installment shall be based on the value of the Participant's account as of the March 15 preceding the distribution date of such installment.

(ii) Specified Employees. If payment of a Participant's Post-2004 Account is to be made to the Participant in annual installments, and the Participant is a Specified Employee of any Employer, the distribution of the first annual installment payment generally shall be made on or as soon as administratively practicable after the later of (1) the March 31 st immediately after the date in which the Participant experiences a Separation from Service, or (2) the date that is six (6) months after the date in which the Participant experiences a Separation from Service, unless due to such Participant's death, in which case such installment payment generally shall be made to the Beneficiary as soon as practicable

after the date of the Participant's death. The amount of this first installment payment shall be based on the value of the Participant's Account as of the March 15 preceding the distribution date of this installment payment. Each subsequent installment payment generally shall be paid on or as soon as administratively practicable after each subsequent March 31. The amount of each such installment shall be based on the value of the Participant's account as of the March 15 preceding the distribution date of such installment.

(3) Modifications to Time and Form of Payment. The Company, in its discretion, may allow a Participant to modify his election as to the form or time of distribution of his entire Post-2004 Account, and earnings thereon, or of any portion of his or her Post-2004 Account and earnings thereon, if (1) such election does not take effect until at least 12 months after the date on which the election is made, (2) the first payment with respect to which such election is made is deferred for a period of not less than five (5) years from the date on which such payment would otherwise have been made, and (3) any election related to a payment to be made at a specified date is made at least 12 months prior to the date of the first scheduled payment. For purposes of the Plan, the term "payment" means each separate installment and not the collective group of installment payments.

7.4 **Unforeseeable Emergency/Hardship Distributions**.

(a) Pre-2005 Account. Upon a finding that a Participant has suffered an Unforeseeable Emergency, the Retirement Committee may, in its sole discretion, make distributions from the Participant's Pre-2005 Account (including his Transferred Bay State Account or Transferred Columbia Account, if applicable). The amount of such a distribution shall be limited to the amount reasonably necessary to meet the Participant's needs resulting from the Unforeseeable Emergency. Any distribution pursuant to this Subsection shall be payable in a lump sum. The distribution shall be paid within 30 days after the determination of an Unforeseeable Emergency.

(b) Post-2004 Account. Upon a finding that a Participant has suffered an Unforeseeable Emergency, the Retirement Committee may, in its sole discretion, make distributions from the Participant's Post-2004 Account and/or allow a Participant to suspend his Annual Deferral Amount entirely in accordance with the guidance under Code Section 409A. The amount of such distribution shall be limited to the amount necessary to satisfy such Unforeseeable Emergency plus amounts necessary to pay taxes reasonably anticipated as a result of the distribution, after taking into account the extent to which such hardship is or may be relieved through reimbursement or compensation by insurance or otherwise or by

liquidation of the Participant's assets (to the extent the liquidation of such assets would not itself cause severe financial hardship). Any distribution pursuant to this Section 7.4(b) shall be payable in a lump sum. The distribution shall be paid within 30 days after the determination of an Unforeseeable Emergency.

7.5 **Distribution Provisions Applicable to a Transferred Bay State Account**. Notwithstanding any other provision in the Plan, the following provisions shall apply to the form and time of payment of the balance of a Transferred Bay State Account:

(a) General Payment Rules. The portion of a Transferred Bay State Account not paid pursuant to Section 7.2 shall be paid to a Participant following his separation from service, or to his Beneficiary in the case of death, in the form selected by the Participant, by written instrument delivered to the Retirement Committee before November 1, 2000. If no form is selected by the Participant, payment shall be made in a lump sum. The provisions of Section 7.2(b) shall apply with respect to the election of the form of payment of a Transferred Bay State Account and the modification of such election.

(b) Modifications to General Payment Rules. Any former employee of Bay State Gas Company who (1) was a participant in the Bay State Plan immediately prior to November 1, 2000, (2) terminated employment with Bay State Gas Company prior to November 1, 2000, for any reason other than Retirement, death or Disability (as such terms were defined in the Bay State Plan immediately prior to November 1, 2000), and (3) as of November 1, 2000, had not commenced payment of his Account shall not commence payment of his Transferred Bay State Account until the earlier of the Participant's attainment of age 65, Disability or death. Notwithstanding the preceding sentence, the Retirement Committee may, in its sole discretion, vary the manner and time of making the payment of a Participant's Transferred Bay State Account to such former Bay State employee, and may make such distributions over a longer or shorter period of time or in a lump sum.

7.6 **Automatic Cash-Out**. In the event a Participant's Account balance at the time distribution begins, or following a distribution of an installment payment is $15,000 or less, that balance shall be paid to the Participant or his Beneficiary in a lump sum on the next annual installment distribution date notwithstanding any form of benefit payment elected by the Participant.

7.7 **Withholding for Taxes**. To the extent required by the law in effect at the time payments are made, an Employer shall withhold from the payments made hereunder any taxes required to be withheld by the federal or any state or local government, including any amounts which the Employer determines is reasonably necessary to pay any generation-skipping transfer tax which is or may become due. A Beneficiary, however, may elect not to have withholding of federal income tax pursuant to Code Section 3405(a)(2).

7.8 **Payment to Guardian**. The Retirement Committee may direct payment to the duly appointed guardian, conservator or other similar legal representative of a Participant or Beneficiary to whom payment is due. In the absence of such a legal representative, the Retirement Committee may, in its sole and absolute discretion, make payment to a person having the care and custody of a minor, incompetent or person incapable of handling the disposition of property upon proof satisfactory to the Retirement Committee of incompetency, status as a minor, or capacity. Such distribution shall completely discharge the Company from all liability with respect to such benefit.

ARTICLE VIII
BENEFICIARY DESIGNATION

8.1 **Beneficiary Designation**. Subject to Section 8.3, each Participant shall have the right, at any time, to designate one or more persons or an entity as Beneficiary (both primary as well as secondary) to whom benefits under the Plan shall be paid in the event of the Participant's death prior to complete distribution of the Participant's Account. Each Beneficiary designation shall be in a written form prescribed by the Retirement Committee and shall be effective only when filed with the Retirement Committee during the Participant's lifetime.

8.2 **Changing Beneficiary**. Subject to Section 8.3, any Beneficiary designation may be changed by a Participant without the consent of the previously named Beneficiary by the filing of a new designation with the Retirement Committee. The filing of a new designation shall cancel all designations previously filed.

8.3 **Community Property**. If the Participant resides in a community property state, the following rules shall apply:

(a) Designation by a married Participant of a Beneficiary other than the Participant's spouse shall not be effective unless the spouse executes a written consent that acknowledges the effect of the designation, or it is established that the consent cannot be obtained because the spouse cannot be located.

(b) A married Participant's Beneficiary designation may be changed by a Participant with the consent of the Participant's spouse as provided for in Section 8.3(a) by the filing of a new designation with the Retirement Committee.

(c) If the Participant's marital status changes after the Participant has designated a Beneficiary, the following shall apply:

(1) If the Participant is married at the time of death but was unmarried when the designation was made, the designation shall be void unless the spouse has consented to it in the manner prescribed in Section 8.3(a).

(2) If the Participant is unmarried at the time of death but was married when the designation was made:

(i) The designation shall be void if the spouse was named as Beneficiary, unless the designation is reaffirmed when the Participant is unmarried.

(ii) The designation shall remain valid if a nonspouse Beneficiary was named.

(3) If the Participant was married when the designation was made and is married to a different spouse at death, the designation shall be void unless the new spouse has consented to it in the manner prescribed above.

8.4 **No Beneficiary Designation**. If any Participant fails to designate a Beneficiary in the manner provided above, if the designation is void or if the Beneficiary designated by a deceased Participant dies before the Participant or before complete distribution of the Participant's benefits, the Participant's Beneficiary shall be the person in the first of the following classes in which there is a survivor:

(a) The Participant's spouse;

(b) The Participant's children in equal shares, except that if any of the children predeceases the Participant but leaves issue surviving, then such issue shall take, by right of representation, the share the parent would have taken if living;

(c) The Participant's estate.

ARTICLE IX

PLAN ADMINISTRATION

9.1 **Allocation of Duties to Committees**. The Plan shall be administered by the Benefits Committee, as delegated by the ONC Committee. The Benefits Committee shall have the authority to make, amend, interpret, and enforce all appropriate rules and regulations for the administration of the Plan and decide or resolve any and all questions, including interpretations of the Plan, as may arise in such administration, except as otherwise reserved to the ONC Committee herein, or by resolution or charter of the respective committees. Members of the Retirement Committee or Benefits Committee may be Participants under the Plan.

In its discretion, the Plan Administrator may delegate to any division or department of the Company the discretionary authority to make decisions regarding Plan administration, within limits and guidelines from time to time established by the Plan Administrator. The delegated discretionary authority shall be exercised by such division or department's senior officer, or his/her delegate. Within the scope of the delegated discretionary authority, such officer or person shall act in the place of the Plan Administrator and his/her decisions shall be treated as decisions of the Plan Administrator.

Specifically, the Plan Administrator hereby delegates certain of its discretionary authority with respect to the Plan to the Retirement Committee. Pursuant to the foregoing sentence, the

delegation by the Plan Administrator to the Retirement Committee includes, but shall not be limited to, the ability to solicit and receive deferral elections, establish enrollment periods, distribute account statements, receive distribution elections and any permitted modifications thereto, make distributions, and determine claims under the Plan.

9.2 **Agents**. The Retirement Committee, Benefits Committee or ONC Committee may, from time to time, employ agents and delegate to such administrative duties as it sees fit, and may from time to time consult with counsel who may be counsel to the Company.

9.3 **Information Required by Plan Administrator**. The Company shall furnish the Plan Administrator with such data and information as the Plan Administrator may deem necessary or desirable in order to administer the Plan. The records of the Company as to an employee's or Participant's period or periods of employment, Separation from Service and the reason therefore, reemployment and Compensation will be conclusive on all persons unless determined to the Plan Administrator's satisfaction to be incorrect. Participants and other persons entitled to benefits under the Plan also shall furnish the Plan Administrator with such evidence, data or information as the Plan Administrator considers necessary or desirable to administer the Plan.

9.4 **Binding Effect of Decisions**. The decision or action of the Retirement Committee, Benefits Committee and/or the ONC Committee (or any duly authorized delegate of any such committee) with respect to any question arising out of or in connection with the administration, interpretation and application of the Plan and the rules and regulations promulgated hereunder shall be final, conclusive and binding upon all persons having any interest in the Plan.

9.5 **Section 16 Compliance**.

(a) In General. This Plan is intended to be a formula plan for purposes of Section 16 of the Securities Exchange Act (the "Act"). Accordingly, in the case of a deferral or other action under the Plan that constitutes a transaction that could be covered by Rule 16b-3(d) or (e), if it were approved by the ONC Committee ("Board Approval"), it is intended that the Plan shall be administered by delegates of the Board, in the case of a Participant who is subject to Section 16 of the Act, in a manner that will permit the Board Approval of the Plan to avoid any additional Board Approval of specific transactions to the maximum possible extent.

(b) Approval of Distributions: This Subsection shall govern the distribution of a deferral that (i) is being distributed to a Participant in cash, (ii) is made to a Participant who is subject to Section 16 of the Act at the time the interest in phantom Company Common Stock, if any, would be liquidated in connection with the distribution, and (iii) if paid at the time the distribution would be made without regard to this subsection, could result in a violation of Section 16 of the Act because there is an opposite way transaction that would be matched with the liquidation of the Participant's interest in phantom Company Common Stock (either as a "discretionary transaction," within the meaning of Rule 16b-3(b)(l), or as a regular transaction, as applicable) ("Covered Distribution"). In the case of

a Covered Distribution, if the liquidation of the Participant's interest in the phantom Company Common Stock in connection with the distribution has not received Board Approval by the time the distribution would be made if it were not a Covered Distribution, or if it is a discretionary transaction, then the actual distribution to the Participant shall be delayed only until the earlier of:

(1) In the case of a transaction that is not a discretionary transaction, Board Approval of the liquidation of the Participant's interest in the phantom Company Common Stock in connection with the distribution, or

(2) The date the distribution would no longer violate Section 16 of the Act, e.g., when the Participant is no longer subject to Section 16 of the Act, or when the time between the liquidation and an opposite way transaction is sufficient.

ARTICLE X

CLAIMS PROCEDURE

10.1 **Claim**. Claims for benefits under the Plan shall be made in writing to the Retirement Committee. The Retirement Committee shall establish rules and procedures to be followed by Participants and Beneficiaries in filing claims for benefits, and for furnishing and verifying proof necessary to establish the right to benefits in accordance with the Plan, consistent with the remainder of this Article.

10.2 **Review of Claim**. The Retirement Committee shall review all claims for benefits. Upon receipt by the Retirement Committee of such a claim, it shall determine all facts that are necessary to establish the right of the claimant to benefits under the provisions of the Plan and the amount thereof as herein provided within 90 days of receipt of such claim. If prior to the expiration of the initial 90 day period, the Retirement Committee determines additional time is needed to come to a determination on the claim, the Retirement Committee shall provide written notice to the Participant, Beneficiary or other claimant of the need for the extension, not to exceed a total of 180 days from the date the application was received. If the Retirement Committee fails to notify the claimant in writing of the denial of the claim within 90 days after the Retirement Committee receives it, the claim shall be deemed denied.

10.3 **Notice of Denial of Claim**. If the Retirement Committee wholly or partially denies a claim for benefits, the Retirement Committee shall, within a reasonable period of time, but no later than 90 days after receiving the claim (unless extended as provided above), notify the claimant in writing of the denial of the claim. Such notification shall be written in a manner reasonably expected to be understood by such claimant and shall in all respects comply with the requirements of ERISA, including but not limited to inclusion of the following:

(a) the specific reason or reasons for denial of the claim;

(b) a specific reference to the pertinent sections of the Plan on which the denial is based;

(c) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; and, where appropriate,

(d) an explanation of the Plan's review procedures.

10.4 **Reconsideration of Denied Claim**. Within 60 days after receipt of the notice of the denial of a claim or within 60 days after the claim is deemed denied as set forth above, if applicable, such claimant or duly authorized representative may request, by mailing or delivery of such written notice to the Benefits Committee, a reconsideration by the Benefits Committee of the decision denying the claim. If the claimant or duly authorized representative fails to request such a reconsideration within such 60 day period, it shall be conclusively determined for all purposes of the Plan that the denial of such claim by the Benefits Committee is correct. In connection with the claimant's appeal of the denial of his or her benefit, the claimant may review pertinent documents and may submit issues and comments in writing.

After such reconsideration request, the Benefits Committee shall determine within 60 days of receipt of the claimant's request for reconsideration whether such denial of the claim was correct and shall notify such claimant in writing of its determination. In the event of special circumstances determined by the Benefits Committee, the time for the Benefits Committee to make a decision may be extended by an additional 60 days upon written notice to the claimant prior to the commencement of the extension. The notice of decision shall be in writing and shall include specific reasons for the decision, written in a manner calculated to be understood by the claimant, as well as specific references to the pertinent Plan provisions on which the decision is based. If the decision on review is not furnished within the time period set forth above, the claim shall be deemed denied on review.

If such determination is favorable to the claimant, it shall be binding and conclusive. If such determination is adverse to such claimant, it shall be binding and conclusive unless the claimant or his duly authorized representative notifies the Benefits Committee within 90 days after the mailing or delivery to the claimant by the Benefits Committee of its determination that claimant intends to institute legal proceedings challenging the determination of the Benefits Committee and actually institutes such legal proceedings within 180 days after such mailing or delivery.

10.5 **Employer to Supply Information**. To enable the Retirement Committee or the Benefits Committee to perform its functions, each Employer shall supply full and timely information to the respective committee of all matters relating to the retirement, death or other cause for Separation from Service of all Participants, and such other pertinent facts as the respective committee may require.

ARTICLE XI

AMENDMENT AND TERMINATION OF PLAN

11.1 **Plan Amendment**. The Benefits Committee, the ONC Committee or the Board shall have the authority to amend the Plan. The ONC Committee or the Board shall have the exclusive authority to amend the Plan regarding eligibility for the Plan, the amount or level of benefits awarded under the Plan, and the time and form of payments for benefits from the Plan. In addition, the ONC Committee or the Board shall also have the exclusive authority to make amendments that constitute a material increase in compensation, any change requiring action or consent by a committee of the Board pursuant to the rules of the Securities and Exchange Commission, the New York Stock Exchange or other applicable law, or such other material changes to the Plan such that approval of the Board is required. Unless otherwise determined by the ONC Committee, the Benefits Committee shall have the authority to amend the Plan in all respects that are not exclusively reserved to the ONC Committee or the Board.

The respective committee may at any time amend the Plan by written instrument, notice of which is given to all Participants, and to Beneficiaries. Notwithstanding the preceding sentence, no amendment shall reduce the amount accrued in any Account prior to the date such notice of the amendment is given.

11.2 **Plan Termination**. The ONC Committee or the Company at any time may partially or completely terminate the Plan if, in its judgment, the tax, accounting or other effects of the continuance of the Plan, or potential payments thereunder, would not be in the best interests of the Employers.

(a) Partial Termination. The ONC Committee may partially terminate the Plan by instructing the Retirement Committee not to accept any additional Annual Deferral Amounts. If such a partial termination occurs, the Plan shall otherwise continue to be administered with respect to Account balances credited before the effective date of such partial termination, and distribution shall be made at such times as specified under this Plan.

(b) Complete Termination. The ONC Committee may completely terminate the Plan by instructing the Retirement Committee not to accept any additional Annual Deferral Amounts, and by terminating all ongoing Annual Deferral Amounts. If such a complete termination occurs, the Plan shall cease to operate and the Employers shall pay out each Pre-2005 Account in equal monthly installments over the following period, based on the Pre-2005 Account balance:

Account Balance	Payout Period
Less than $50,000	Lump Sum
$50,000 but less than $100,000	3 Years
More than $100,000	5 Years

Payments shall commence within 65 days after the ONC Committee terminates the Plan, and earnings shall continue to be credited on the unpaid Account balance. Employers shall pay out each Post-2004 Account in a manner consistent with Treasury Regulation Section 1.409A-3(j)(4)(ix) or any successor guidance under Code Section 409A.

ARTICLE XII
MISCELLANEOUS

12.1 **Unfunded Plan**. The Plan is an unfunded plan maintained primarily to provide deferred compensation benefits for a select group of "management or highly-compensated employees" within the meaning of Sections 201, 301 and 401 of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and therefore is exempt from the provisions of Parts 2, 3 and 4 of Title I of ERISA. Nothing contained in the Plan shall constitute a guaranty by the Company or any other Employer or any other entity or person that the assets of the Company or any other Employer shall be sufficient to pay any benefit hereunder.

12.2 **Company and Employer Obligations**. The obligation to make benefit payments to any Participant under the Plan shall be a joint and several liability of the Company and the Employer that employed the Participant.

12.3 **Unsecured General Creditor**. Participants and Beneficiaries shall be unsecured general creditors, with no secured or preferential right to any assets of the Company, any other Employer, or any other party for payment of benefits under the Plan. Any life insurance policies, annuity contracts or other property purchased by the Employer in connection with the Plan shall remain its general, unpledged and unrestricted assets. Obligations of the Company and each other Employer under the Plan shall be an unfunded and unsecured promise to pay money in the future.

12.4 **Trust Fund**. Subject to Section 12.3, the Company may establish separate subtrusts for deferrals by employees of each Employer, pursuant to a trust agreement entered into with such trustees as the Benefits Committee may approve, for the purpose of providing for the payment of benefits owed under the Plan. At its discretion, each Employer may contribute deferrals under the Plan for its employees to the subtrust established with respect to such Employer under such trust agreement. To the extent any benefits provided under the Plan are paid from any such subtrust, the Employer shall have no further obligation to pay them. If not paid from a subtrust, such benefits shall remain the obligation of the Employer. Although such subtrusts may be irrevocable, their assets shall be held for payment of all the Company's general creditors in the event of insolvency or bankruptcy.

12.5 **Nonalienation/Nonassignability**. Neither a Participant nor any other person shall have any right to commute, sell, assign, transfer, pledge, anticipate, mortgage, or otherwise encumber, transfer, hypothecate, or convey in advance of actual receipt the amounts, if any, payable hereunder, or any part thereof or rights to, which are expressly declared to be unassignable and nontransferable. No part of the amounts payable prior to actual payment, be subject to seizure or sequestration for the payment of any debts, judgments, alimony, or separate maintenance by a Participant or any other person, nor be transferable by operation of law in the event of a Participant's or any other person's bankruptcy or insolvency.

Notwithstanding the preceding paragraph, the Account of any Participant shall be subject to and payable in the amount determined in accordance with any qualified domestic relations order, as that term is defined in Section 206(d)(3) of ERISA. The Retirement Committee shall provide for payment in a lump sum from a Participant's Account to an alternate payee (as defined in Code Section 414(p)(8)) as soon as administratively practicable following receipt of such order. Any federal, state or local income tax associated with such payment shall be the responsibility of the alternate payee. The balance of an Account that is subject to any qualified domestic relations order shall be reduced by the amount of any payment made pursuant to such order.

12.6 ***Indemnification***.

(a) Limitation of Liability. Notwithstanding any other provision of the Plan or any trust established under the Plan, none of the Company, any other Employer, any member of the Retirement Committee, the Benefits Committee or the ONC Committee, nor an individual acting as an employee or agent or delegate of any of them, shall be liable to any Participant, former Participant, Beneficiary, or any other person for any claim, loss, liability or expense incurred in connection with the Plan or any trust established under the Plan, except when the same shall have been judicially determined to be due to the willful misconduct of such person.

(b) Indemnity. The Company shall indemnify and hold harmless each member of the Retirement Committee, the Benefits Committee and the ONC Committee, or any employee of the Company or any individual acting as an employee or agent of either of them (to the extent not indemnified or saved harmless under any liability insurance or any other indemnification arrangement with respect to the Plan or any trust established under the Plan) from any and all claims, losses, liabilities, costs and expenses (including attorneys' fees) arising out of any actual or alleged act or failure to act made in good faith pursuant to the provisions of the Plan, including expenses reasonably incurred in the defense of any claim relating thereto with respect to the administration of the Plan or any trust established under the Plan, except that no indemnification or defense shall be provided to any person with respect to any conduct that has been judicially determined, or agreed by the parties, to have constituted willful misconduct on the part of such person, or to have resulted in his or her receipt of personal profit or advantage to which he or she is not entitled. In connection with the indemnification provided by the preceding sentence, expenses incurred in defending a civil or criminal action, suit or proceeding, or incurred in connection with a civil or criminal investigation, may be paid by the Company in advance of the final disposition of such action, suit, proceeding, or investigation, as authorized by the Retirement Committee, the Benefits Committee or the ONC Committee in the specific case, upon receipt of an undertaking by or on behalf of the party to be indemnified to repay such amount unless it shall ultimately be determined that the person is entitled to be indemnified by the Company pursuant to this paragraph.

12.7 **No Enlargement of Employment Rights**. The Plan shall not constitute a contract of employment between an Employer and the Participant. Nothing in the Plan shall give any Participant or Beneficiary the right to be retained in the service of an Employer or to interfere with the right of an Employer to discipline or discharge a Participant at any time.

12.8 **Protective Provisions**. A Participant shall cooperate with his Employer by furnishing any and all information requested by the Employer in order to facilitate the payment of benefits hereunder, and by taking such physical examinations as the Employer may deem necessary and taking such other action as may be requested by the Employer.

12.9 **Governing Law**. The Plan shall be construed and administered under the laws of the State of Indiana, except as preempted by federal law.

12.10 **Validity**. In case any provision of the Plan shall be held illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining parts hereof, but the Plan shall be construed and enforced as if such illegal and invalid provision had never been inserted herein.

12.11 **Notice**. Any notice required or permitted under the Plan shall be sufficient if in writing and hand delivered or sent by registered or certified mail. Such notice shall be deemed as given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark on the receipt for registration or certification. Mailed notice to the Retirement Committee or the Benefits Committee shall be directed to the Company's address. Mailed notice to a Participant or Beneficiary shall be directed to the individual's last known address in the applicable Employer's records.

12.12 **Successors**. The provisions of the Plan shall bind and inure to the benefit of the Employers and their successors and assigns. The term successors as used herein shall include any corporate or other business entity that shall, whether by merger, consolidation, purchase, or otherwise, acquire all or substantially all of the business and assets of an Employer, and successors of any such corporation or other business entity.

12.13 **Incapacity of Recipient**. If any person entitled to a benefit payment under the Plan is deemed by the Plan Administrator to be incapable of personally receiving and giving a valid receipt for such payment, then, unless and until a claim shall have been made by a duly appointed guardian or other legal representative of such person, the Plan Administrator may provide for such payment or any part thereof to be made to any other person or institution then contributing toward or providing for the care and maintenance of such person. Any such payment shall be a payment for the account of such person and a complete discharge of any liability of the Company, any other Employer, the Plan Administrator and the Plan.

12.14 **Unclaimed Benefit**. Each Participant shall keep the Plan Administrator informed of his or her current address and the current address of his or her Beneficiaries. The Plan Administrator shall not be obligated to search for the whereabouts of any person. If the location of a Participant is not made known to the Plan Administrator within three years after the date on which payment of the Participant's benefit may be made, payment may be made as though

the Participant had died at the end of the three-year period. If, within one additional year after such three-year period has elapsed or within three years after the actual death of a Participant, the Plan Administrator is unable to locate any Beneficiary of the Participant, then the Plan Administrator shall have no further obligation to pay any benefit hereunder to such Participant, Beneficiary, or any other person and such benefit shall be irrevocably forfeited.

12.15 Tax Compliance and Payouts .

(a) It is intended that the Plan comply with the provisions of Code Section 409A of the Code, so as to prevent the inclusion in gross income of any amounts deferred hereunder in a taxable year that is prior to the taxable year or years in which such amounts would otherwise actually be paid or made available to Participants or Beneficiaries. This Plan shall be construed, administered, and governed in a manner that affects such intent, and neither any Participant, Beneficiary, nor Plan Administrator shall not take any action that would be inconsistent with such intent.

(b) Although the Plan Administrator shall use its best efforts to avoid the imposition of taxation, interest and penalties under Code Section 409A, the tax treatment of deferrals under this Plan is not warranted or guaranteed. Neither the Company, the other Affiliates, the Plan Administrator, the Retirement Committee, nor any designee shall be held liable for any taxes, interest, penalties or other monetary amounts owed by any Participant, Beneficiary or other taxpayer as a result of the Plan.

(c) Notwithstanding anything to the contrary contained in the Plan, (1) in the event that the Internal Revenue Service prevails in its claim that amounts contributed to the Plan for the benefit of a Participant, and/or earnings thereon, constitute taxable income under Code Section 409A, and guidance and regulations thereunder, to the Participant or his Beneficiary for a taxable year prior to the taxable year in which such contributions and/or earnings are distributed to him, or (2) in the event that legal counsel satisfactory to the Company, and the applicable Participant or his Beneficiary, renders an opinion that the Internal Revenue Service would likely prevail in such a claim, the Post-2004 Account, to the extent constituting such taxable income, shall be immediately distributed to the Participant or his Beneficiary. For purposes of this Section, the Internal Revenue Service shall be deemed to have prevailed in a claim if such claim is upheld by a court of final jurisdiction, or, if based upon an opinion of legal counsel satisfactory to the Company and the Participant or his Beneficiary, the Plan fails to appeal a decision of the Internal Revenue Service, or a court of applicable jurisdiction, with respect to such claim to an appropriate Internal Revenue Service appeals authority or to a court of higher jurisdiction within the appropriate time period.

{Signature on following page}

IN WITNESS WHEREOF , the Company has caused the NiSource Inc. Executive Deferred Compensation Plan to be executed in its name by its duly authorized officer, effective as of January 1, 2012.

NISOURCE INC.

By: /s/ Joel Hoelzer
Its: Vice President, HR
Date: 3/14/12

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 March 31, 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: May 1, 2012

By: /s/ Robert C. Skaggs, Jr.
Robert C. Skaggs, Jr.
Chief Executive Officer

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 March 31, 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: May 1, 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 March 31, 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: May 1, 2012

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 March 31, 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: May 1, 2012

EDGAR Online

NISOURCE INC/DE

FORM 10-Q
(Quarterly Report)

Filed 10/28/11 for the Period Ending 09/30/11

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-Q

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

For the quarterly period ended September 30, 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 (Address of principal executive offices)	**46410** (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: 281,111,006 shares outstanding at September 30, 2011.

NISOURCE INC.
FORM 10-Q QUARTERLY REPORT
FOR THE QUARTER ENDED September 30, 2011

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DEFIN ED 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 Services, LLC
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)
Chesapeake	Chesapeake Appalachia, L.L.C.
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

DEFINED TERMS

DPU	Department of Public Utilities
DSM	Demand Side Management
Dth	Dekatherm
ECRM	Environmental Cost Recovery Mechanism
ECT	Environmental Cost Tracker
EERM	Environmental Expense Recovery Mechanism
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
LIFO	Last in first out
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
NAAQS	National Ambient Air Quality Standards
NOV	Notice of Violation
NO2	Nitrogen dioxide
NOx	Nitrogen oxide
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
Piedmont	Piedmont Natural Gas Company, Inc.
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
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
SO2	Sulfur dioxide
VaR	Value-at-risk and instrument sensitivity to market factors
VIE	Variable Interest Entities
VSCC	Virginia State Corporation Commission

PART I

ITEM 1. FINANCIAL STATEMENTS

NiSource Inc.
Condensed Statements of Consolidated Income (unaudited)

(in millions, except per share amounts)	Three Months Ended September 30, 2011	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
Net Revenues				
Gas Distribution	$ 326.7	$ 327.0	$2,199.1	$2,122.4
Gas Transportation and Storage	283.3	270.7	993.6	905.5
Electric	404.7	397.7	1,101.0	1,056.1
Other	54.0	142.7	235.5	583.9
Gross Revenues	1,068.7	1,138.1	4,529.2	4,667.9
Cost of Sales (excluding depreciation and amortization)	323.1	420.0	1,956.5	2,145.4
Total Net Revenues	745.6	718.1	2,572.7	2,522.5
Operating Expenses				
Operation and maintenance	407.1	382.1	1,242.1	1,198.8
Depreciation and amortization	134.9	153.1	408.3	454.5
Impairment and loss on sale of assets, net	0.4	1.1	1.1	1.2
Other taxes	59.2	62.0	220.0	213.4
Total Operating Expenses	601.6	598.3	1,871.5	1,867.9
Equity Earnings in Unconsolidated Affiliates	3.5	3.5	8.8	11.3
Operating Income	147.5	123.3	710.0	665.9
Other Income (Deductions)				
Interest expense, net	(95.7)	(97.6)	(279.9)	(294.8)
Other, net	1.6	2.1	5.5	7.3
Total Other Deductions	(94.1)	(95.5)	(274.4)	(287.5)
Income from Continuing Operations before Income Taxes	53.4	27.8	435.6	378.4
Income Tax Expense (Benefit)	17.1	(5.6)	155.0	119.6
Income from Continuing Operations	36.3	33.4	280.6	258.8
Loss from Discontinued Operations—net of taxes	(1.6)	(0.2)	(1.8)	(0.3)
Gain on Disposition of Discontinued Operations—net of taxes	—	—	—	0.1
Net Income	$ 34.7	$ 33.2	$ 278.8	$ 258.6
Basic Earnings (Loss) Per Share				
Continuing operations	$ 0.13	$ 0.12	$ 1.00	$ 0.93
Discontinued operations	(0.01)	—	(0.01)	—
Basic Earnings Per Share	$ 0.12	$ 0.12	$ 0.99	$ 0.93
Diluted Earnings (Loss) Per Share				
Continuing operations	$ 0.13	$ 0.12	$ 0.98	$ 0.93
Discontinued operations	(0.01)	—	(0.01)	—
Diluted Earnings Per Share	$ 0.12	$ 0.12	$ 0.97	$ 0.93
Dividends Declared Per Common Share	$ 0.23	$ 0.23	$ 0.92	$ 0.92
Basic Average Common Shares Outstanding	280.8	278.1	280.1	277.5
Diluted Average Common Shares	289.0	279.9	287.4	278.9

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

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ITEM 1. FINANCIAL STATEMENTS (continued)

NiSource Inc.
Condensed Consolidated Balance Sheets (unaudited)

(in millions)	September 30, 2011	December 31, 2010
ASSETS		
Property, Plant and Equipment		
Utility Plant	$ 20,095.5	$ 19,494.9
Accumulated depreciation and amortization	(8,672.3)	(8,492.6)
Net utility plant	11,423.2	11,002.3
Other property, at cost, less accumulated depreciation	125.5	94.7
Net Property, Plant and Equipment	11,548.7	11,097.0
Investments and Other Assets		
Assets of discontinued operations and assets held for sale	2.3	7.9
Unconsolidated affiliates	200.2	200.9
Other investments	164.3	139.7
Total Investments and Other Assets	366.8	348.5
Current Assets		
Cash and cash equivalents	22.2	9.2
Restricted cash	180.1	202.9
Accounts receivable (less reserve of $29.7 and $37.4, respectively)	512.5	1,079.3
Income tax receivable	1.2	99.0
Gas inventory	467.0	298.2
Underrecovered gas and fuel costs	57.7	135.7
Materials and supplies, at average cost	87.0	83.8
Electric production fuel, at average cost	41.3	46.0
Price risk management assets	136.7	159.
Exchange gas receivable	92.7	62.
Regulatory assets	142.4	151.8
Prepayments and other	119.7	120.8
Total Current Assets	1,860.5	2,448.9
Other Assets		
Price risk management assets	191.4	240.3
Regulatory assets	1,618.8	1,650.4
Goodwill	3,677.3	3,677.3
Intangible assets	300.4	308.6
Postretirement and postemployment benefits assets	43.6	35.1
Deferred charges and other	134.6	132.7
Total Other Assets	5,966.1	6,044.4
Total Assets	$ 19,742.1	$19,938.8

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

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ITEM 1. FINANCIAL STATEMENTS (continued)

[redacted]urce Inc.
Condensed Consolidated Balance Sheets (unaudited) (continued)

(in millions, except share amounts)	September 30, 2011	December 31, 2010
CAPITALIZATION AND LIABILITIES		
Capitalization		
Common Stockholders' Equity		
Common stock - $0.01 par value, 400,000,000 shares authorized; 281,111,006 and 278,855,291 shares issued and outstanding, respectively	$ 2.8	$ 2.8
Additional paid-in capital	4,149.4	4,103.9
Retained earnings	922.6	901.8
Accumulated other comprehensive loss	(54.4)	(57.9)
Treasury stock	(30.4)	(27.4)
Total Common Stockholders' Equity	4,990.0	4,923.2
Long-term debt, excluding amounts due within one year	6,337.3	5,936.1
Total Capitalization	11,327.3	10,859.3
Current Liabilities		
Current portion of long-term debt	8.2	34.2
Short-term borrowings	1,234.0	1,382.5
Accounts payable	244.4	581.8
Dividends payable	64.7	0.1
Customer deposits and credits	281.3	318.1
Taxes accrued	157.8	221.1
Interest accrued	67.7	114.4
Overrecovered gas and fuel costs	80.2	11.8
Price risk management liabilities	171.6	173.9
Exchange gas payable	178.3	266.1
Deferred revenue	3.5	6.8
Regulatory liabilities	88.8	92.9
Accrued liability for postretirement and postemployment benefits	23.3	23.3
Legal and environmental reserves	28.9	86.0
Other accruals	254.5	336.4
Total Current Liabilities	2,887.2	3,649.4
Other Liabilities and Deferred Credits		
Price risk management liabilities	136.6	181.6
Deferred income taxes	2,430.2	2,209.7
Deferred investment tax credits	30.1	33.7
Deferred credits	79.0	68.6
Deferred revenue	—	0.3
Accrued liability for postretirement and postemployment benefits	874.4	1,039.6
Regulatory liabilities and other removal costs	1,643.7	1,595.8
Asset retirement obligations	140.5	138.8
Other noncurrent liabilities	193.1	162.0
Total Other Liabilities and Deferred Credits	5,527.6	5,430.1
Commitments and Contingencies (Refer to Note 18)	—	—
Total Capitalization and Liabilities	$ 19,742.1	$19,938.8

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 Consoli dated Cash Flows (unaudited)

Nine Months Ended September 30, *(in millions)*	2011	2010
Operating Activities		
Net Income	$ 278.8	$ 258.6
Adjustments to Reconcile Net Income to Net Cash from Continuing Operations:		
Depreciation and amortization	408.3	454.5
Net changes in price risk management assets and liabilities	14.1	(4.2)
Deferred income taxes and investment tax credits	165.2	130.6
Deferred revenue	(4.2)	(22.7)
Stock compensation expense and 401(k) profit sharing contribution	27.4	23.2
Gain on sale of assets	(0.1)	(0.1)
Loss on impairment of assets	1.2	1.1
Income from unconsolidated affiliates	(8.0)	(11.1)
Gain on disposition of discontinued operations—net of taxes	—	(0.1)
Loss from discontinued operations—net of taxes	1.8	0.3
Amortization of debt related costs	6.6	8.1
AFUDC equity	(3.2)	(4.9)
Distributions of earnings received from equity investees	10.9	7.9
Changes in Assets and Liabilities:		
Accounts receivable	561.4	299.2
Income tax receivable	97.8	24.9
Inventories	(171.4)	(32.8)
Accounts payable	(325.1)	(266.8)
Customer deposits and credits	(36.8)	(10.7)
Taxes accrued	(62.8)	(96.1)
Interest accrued	(46.6)	(40
Over (Under) recovered gas and fuel costs	146.4	(289
Exchange gas receivable/payable	(117.9)	(12.9)
Other accruals	(32.2)	(22.7)
Prepayments and other current assets	31.1	32.4
Regulatory assets/liabilities	39.2	103.9
Postretirement and postemployment benefits	(163.5)	(142.3)
Deferred credits	(2.0)	(0.2)
Deferred charges and other noncurrent assets	(6.3)	9.9
Other noncurrent liabilities	32.6	(9.7)
Net Operating Activities from Continuing Operations	842.7	387.4
Net Operating Activities used for Discontinued Operations	(48.6)	(54.9)
Net Cash Flows from Operating Activities	794.1	332.5
Investing Activities		
Capital expenditures	(774.2)	(553.7)
Insurance recoveries	—	3.5
Proceeds from disposition of assets	9.4	0.3
Restricted cash withdrawals (deposits)	22.8	(101.8)
Contributions to equity investees	(0.2)	(87.7)
Distributions from equity investees	—	23.8
Other investing activities	(59.7)	(45.9)
Net Investing Activities used for Continuing Operations	(801.9)	(761.5)
Net Investing Activities from Discontinued Operations	—	0.4
Net Cash Flow used for Investing Activities	(801.9)	(761.1)
Financing Activities		
Issuance of long-term debt	395.3	—
Retirement of long-term debt	(36.5)	(16.3)
Premiums and other debt-related costs	(8.2)	—
Change in short-term borrowings, net	(148.5)	621
Issuance of common stock	15.1	10.
Acquisition of treasury stock	(3.1)	(1.4)
Dividends paid—common stock	(193.3)	(191.4)
Net Cash Flows from Financing Activities	20.8	423.1

Change in cash and cash equivalents from continuing operations	61.6	49.0
Cash contributions to discontinued operations	(48.9)	(54.5)
Cash and cash equivalents at beginning of period	9.5	16.4
Cash and Cash Equivalents at End of Period	$ 22.2	$10.9

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Attachment 5
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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 Cons olidated Comprehensive Income (unaudited)

(in millions, net of taxes)	Three Months Ended September 30, 2011	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
Net Income	$ 34.7	$ 33.2	$278.8	$ 258.6
Other comprehensive income (loss)				
Net unrealized (loss) gain on available-for-sale securities [a]	(0.7)	1.5	0.1	1.9
Net unrealized gain (loss) on cash flow hedges [b],[c]	0.4	(0.7)	2.1	(14.1)
Unrecognized pension benefit and OPEB costs [d]	0.4	2.3	1.3	0.7
Total other comprehensive income (loss)	0.1	3.1	3.5	(11.5)
Total Comprehensive Income	$ 34.8	$ 36.3	$282.3	$247.1

(a) Net unrealized gains (losses) on available-for-sale securities, net of $0.6 million tax benefit and $0.9 million tax expense in the third quarter of 2011 and 2010, respectively, and zero and $1.1 million tax expense for the nine months ended September 30, 2011 and 2010, respectively.

(b) Net unrealized gains (losses) on derivatives qualifying as cash flow hedges, net of $0.3 million tax expense and $0.5 million tax benefit in the third quarter of 2011 and 2010, respectively, and $1.4 million tax expense and $8.9 million tax benefit for the nine months ended September 30, 2011 and 2010, respectively.

(c) Net unrealized gains (losses) on cash flow hedges includes gains of $0.2 million and losses of $0.6 million related to the unrealized gains and losses of interest rate swaps held by NiSource's unconsolidated equity method investments for the three months ended September 30, 2011 and 2010, respectively. Net unrealized gains (losses) on cash flow hedges include gains of $0.6 million and losses of $15.0 million related to the unrealized gains and losses of interest rate swaps held by NiSource's unconsolidated equity method investments for the nine months ended September 30, 2011 and 2010, respectively.

(d) Unrecognized pension benefit and OPEB costs, net of $0.3 million and $1.1 million tax expense in the third quarter of 2011 and 2010, and $0.9 million tax expense and $0.1 million tax benefit for the nine months ended September 30, 2011 and 2010, respectively.

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 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, 2010. 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.

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 9, "Fair Value Disclosures," for additional information.

Recently Issued Accounting Pronouncements

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 Condensed Consolidated Financial Statements (unaudited) and Notes to Condensed Consolidated Financial Statements (unaudited).

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. For public entities, the amendments are 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 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

ITEM 1. FINANCIAL STATEMENTS (continued)

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

share for September 30, 2011 and 2010 excludes out-of-the-money stock options that had an anti-dilutive effect. The numerator in calculating both basic and diluted EPS for each period is reported net income. The computation of diluted average common shares follows:

(in thousands)	Three Months Ended September 30, 2011	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
Denominator:				
Basic average common shares outstanding	280,765	278,088	280,112	277,538
Dilutive potential common shares:				
Stock options	19	—	—	—
Shares contingently issuable under employee stock plans	1,119	957	1,087	903
Shares restricted under employee stock plans	376	410	342	368
Forward Agreements	6,731	415	5,814	138
Diluted Average Common Shares	289,010	279,870	287,355	278,947

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 September 30, 2011, NiSource would have received approximately $363.3 million based on a forward price of $14.972 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 Agreement as an equity transaction. As a result of this classification, no amounts have been recorded in the Condensed Consolidated Financial Statements (unaudited) as of and for the nine months ended September 30, 2011 and the year ended December 31, 2010 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. Discontinued Operations and Assets and Liabilities Held for Sale

The assets of discontinued operations and held for sale on the Condensed Consolidated Balance Sheets (unaudited) at September 30, 2011 were:

(in millions)	Property, plant and equipment, net
Assets of discontinued operations and held for sale:	
Columbia Transmission	$ 2.3
Total	**$ 2.3**

There were no liabilities of discontinued operations held for sale at September 30, 2011.

ITEM 1. FINANCIAL STATEMENTS (continued)

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

The assets of discontinued operations and held for sale on the Condensed Consolidated Balance Sheets (unaudited) at December 31, 2010 were:

(in millions)

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 or held for sale are no longer depreciated. There were no liabilities of discontinued operations held for sale at December 31, 2010.

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.

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. Assets held for sale related to the Line R System have a net book value of $2.1 million, the sale of which continues to be negotiated with a third party.

Lake Erie Land, which is a wholly-owned subsidiary of NiSource Development Company, 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 the second quarter of 2009, the developer was unable to meet certain contractual obligations under the sale agreement and consequently NiSource sought remedial actions. 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 and $3.5 million of land and are included in Other Investments and Other Property in the Condensed Consolidated Balance Sheet (unaudited) at September 30, 2011. NiSource's total investment in Lake Erie Land after these acquisitions is $51.3 million as of September 30, 2011. NiSource is seeking to market the Lake Erie Land properties, but has determined they do not meet the criteria to be classified as assets held for sale in accordance with GAAP as of September 30, 2011. The revenue and earnings of Sand Creek Country Club are not material.

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

(in millions)	Three Months Ended September 30, 2011	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
Revenues from Discontinued Operations	$ —	$ —	$ —	$ 0.7
Loss from discontinued operations	(2.7)	(0.4)	(2.8)	(0.5)
Income tax benefit	(1.1)	(0.2)	(1.0)	(0.2)
Loss from Discontinued Operations—net of taxes	$ (1.6)	$ (0.2)	$ (1.8)	$ (0.3)
Gain on Disposition of Discontinued Operations—net of taxes	$ —	$ —	$ —	$ 0.1

ITEM 1. FINANCIAL STATEMENTS (continued)

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

6. 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 nine months ended September 30, 2011 and 2010 are presented in the table below:

(in millions)	2011	2010
Balance as of January 1,	$138.8	$138.2
Accretion expense	0.5	0.6
Accretion recorded as a regulatory asset/liability	5.8	5.6
Settlements	(1.7)	(5.6)
Change in estimated cash flows (a)	(2.9)	(4.5)
Balance as of September 30,	$140.5	$134.3

(a) The change in estimated cash flows for 2010 is attributed to changes in the estimated useful lives and costs for electric generating stations.

7. Regulatory Matters

Gas Distribution Operations Regulatory Matters

Significant Rate Developments. 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 that would commence on December 30, 2011. 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 substantive provisions of the SAVE Plan. A VSCC Order is due to be issued by November 28, 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, and seeking to implement a levelized distribution charge for its residential class that would feature the recovery of all fixed costs through a flat monthly charge. The parties jointly filed a petition for approval of a partial settlement on July 1, 2011. The partial settlement resolved all issues except Columbia of Pennsylvania's proposed 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 charges for a 20 Ccf monthly usage allowance for residential customers before a volumetric distribution charge is applied.

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.

ITEM 1. FINANCIAL STATEMENTS (continued)

SOURCE I NC.

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

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 a 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 benefit of $35.7 million as a credit to its customers as a reduction of the GCR rate.

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. 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. 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 resolves the issue of BTU content whereby Columbia of Pennsylvania will convert from volumetric billing to heat content billing by no later than the June 2012 billing cycle. Columbia of Pennsylvania projects that heat content billing will commence by the February 2012 billing cycle.

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 former Northern Indiana Fuel and Light and Kokomo Gas territories will result in a decrease in revenue of approximately $0.8 million, 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, 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 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 November 16, 2010, Columbia of Virginia, the VSCC Staff and the other parties filed a Proposed Stipulation and Recommendation ("Stipulation") that would result in an annual revenue increase of $4.9 million, including

ITEM 1. FINANCIAL STATEMENTS (continued)

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

authorization of the WNA and recovery of certain gas-related items through 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 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 and provide the benefit of the low-cost gas supplies to its customers. Northern Indiana had historically used LIFO accounting methodology. On August 31, 2011, the IURC approved the settlement and Northern Indiana will transition to WACOG accounting methodology beginning January 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 has been in settlement discussions with the parties and anticipates a final settlement in the fourth quarter of 2011.

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.

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, and is currently awaiting review and approval by the DPU. 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, and is awaiting DPU action with respect to that filing.

In March 2009, Indiana Governor Daniels signed Senate Bill 423 into law giving the Indiana Finance Authority 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 Indiana Finance Authority ("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 held a Prehearing Conference on January 27, 2011, in which a procedural schedule was established. All hearings in this proceeding occurred during two weeks in May 2011 and based upon the schedule it is anticipated that an order will be issued in 2011.

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

ITEM 1. FINANCIAL STATEMENTS (continued)

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

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. Columbia of Ohio is scheduled to conduct its first standard choice offer auction in February 2012. 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. Columbia of Ohio filed a memorandum contra on October 17, 2011. NiSource is currently reviewing the impact on its Condensed Consolidated Financial Statements (unaudited) and Notes to Condensed Consolidated Financial Statements (unaudited) related to this Order.

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.

On September 9, 2011, Columbia of Ohio filed an application with PUCO to continue and expand its DSM program. In its application, Columbia of Ohio proposes 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.

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.

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.

ITEM 1. FINANCIAL STATEMENTS (continued)

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

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 Judge certified the settlement to the FERC as uncontested, and the settlement is now pending a ruling from the FERC.

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. The filing requested an increase in base rates calculated to produce additional gross margin of $85.7 million when compared to a normalized test year ended December 31, 2007. On August 25, 2010, the IURC issued an Order authorizing electric rates to reflect investments in reliability, environmental technology and other infrastructure improvements.

Upon review of the Order, NiSource concluded that the overall impact is in line with the company's expected outcome for the case and its financial outlook. The IURC approved a rate base of $2,639.0 million and an overall rate of return of 7.29%, which results in an allowed net operating income of $192.4 million. In conjunction with approved expenses, the Order approves rates designed to produce a margin of $899.0 million based on 2007 test year volumes. The approved rate base includes the Sugar Creek Generating Station. Among other findings, the IURC also approved revised depreciation accrual rates for electric and common plant, amortization of deferrals, and two new tracking mechanisms, a Resource Adequacy Tracker and RTO Tracker. The IURC also found that Northern Indiana, before declaring or paying any dividends to NiSource must provide the IURC notice at least 20 business days prior. Northern Indiana provided such notice prior to making any dividend declaration subsequent to the receipt of the August 25, 2010 Order.

Consistent with Northern Indiana's proposal, the IURC also approved a rate base that excludes Dean H. Mitchell Generating Station and Michigan City Generating Station Units 2 and 3. In accordance with ASC 980, 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 stations are no longer used and useful. As a result of the 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.

Some parties sought reconsideration or rehearing of specific aspects of the case. On April 25, 2011, the IURC issued a docket entry to extend the deemed denied date for reconsideration or rehearing to be 30 days following the IURC's Order on Northern Indiana's November 19, 2010 petition for new electric base rates and charges. Several parties have also filed an appeal of the IURC Order to the Indiana Court of Appeals. The appeals are still pending.

As part of the Order, the IURC required Northern Indiana to file a compliance filing with updated tariffs and Northern Indiana made such filing on September 14, 2010. New rates cannot be implemented until the IURC approves the filed tariff. As part of the April 25, 2011 docket entry, the IURC also suspended the compliance filing schedule. Based on this docket entry, Northern Indiana does not believe that rates from the August 25, 2010 IURC Order will be implemented.

Northern Indiana filed a petition for reconsideration with the IURC on September 14, 2010 to clarify that the effective date of certain aspects of the 2008 case including the new depreciation rates, commencement of amortization of deferred balances and discontinuance of further regulatory deferrals and the annual bill credit in effect since 2002 should coincide with the IURC's approval of new customer rates. On October 22, 2010, the IURC issued a docket entry clarifying that this interpretation is correct.

On November 19, 2010, Northern Indiana filed a petition with the IURC for new electric base rates and charges. The filing requests 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. If approved, the rates from this new petition would replace any other existing rates, including those that may be approved by effect of the August 25, 2010 Order. The proposed rates would ease bill impacts on residential customers, while still allowing Northern Indiana to continue investing in service, reliability and infrastructure improvements. Northern Indiana filed the proceeding under the

ITEM 1. FINANCIAL STATEMENTS (continued)

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

IURC's minimum standard filing requirements prescribing timeframes for issuance of an order if required information is supplied as part of the rate case filing. The IURC held its prehearing conference on December 17, 2010 and issued a prehearing conference order on January 5, 2011. The parties agreed to and the IURC ordered a procedural schedule that includes a bifurcated hearing. The evidentiary hearing on the revenue requirement portion of Northern Indiana's case-in-chief was held on February 28 – March 4, 2011, and the evidentiary hearing on the cost allocation portion of the case was held the week of May 16, 2011.

On July 18, 2011, Northern Indiana filed with the IURC a collaborative settlement in its 2010 Electric Rate Case with the OUCC, Northern Indiana Industrial Group, NLMK Indiana and Indiana Municipal Utilities Group. The provisions of the stipulation and settlement agreement are subject to the review and approval of the IURC. The provisions of the settlement include a revenue requirement of $1,401 million, including other revenue of $46 million for a net revenue requirement of $1,355 million from base rates. The margin, embedded in the $1,401 million, is $926.5 million, as compared to test year actual of $817 million. If the settlement is approved, it would terminate the current customer credit ($59 million reduction in margins during the test year), include two new tracking mechanisms, a Resource Adequacy Tracker and RTO Tracker and lead to the expiration of certain industrial special contracts ($32.8 million reduction in margins during the test year). The settlement agreement will limit 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, if approved, would also resolve all pending issues related to compliance with the August 25, 2010 Order in the 2008 Electric Rate Case. On August 19, 2011, the City of Hammond filed testimony in opposition to the settlement. A final hearing was held on September 12, 2011 and September 13, 2011. The settling parties filed their proposed order on September 20, 2011 and the City of Hammond was the only party to file a response which seeks a rejection of the settlement agreement. The settling parties filed a joint reply to the City of Hammond's response on October 14, 2011. The settlement includes a request by the parties for the IURC to issue an order approving the settlement by December 31, 2011. Northern Indiana is awaiting the Commission order.

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 Sugar Creek investment was included in the rate base as part of the IURC's August 25, 2010 Order. Northern Indiana will continue to defer depreciation expenses and debt-based carrying costs associated with the $330.0 million Sugar Creek investment until the IURC's approval and implementation of new customer rates. 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. The IURC also approved a five year amortization of balances that were deferred as of December 31, 2009 and such amortization will commence with the IURC's approval and implementation of new customer rates. The same treatment was requested in the 2010 Electric rate case filing.

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 provides that certain electric customers of Northern Indiana will receive bill credits of approximately $55.1 million each year. The credits will continue at approximately the same annual level and per the same methodology, until the IURC approval and implementation of new customer rates. Credits amounting to $38.6 million and $46.0 million were recognized for electric customers for the nine months ended September 30, 2011 and 2010, 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

ITEM 1. FINANCIAL STATEMENTS (continued)

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

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 the 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.

On July 13, 2011, Northern Indiana received approval from the IURC to significantly improve its ability 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 December 31, 2008, and to recover, through a tracker, charges deferred between December 31, 2008 and the IURC's approval of new customer rates. During the nine months ended September 30, 2011 and 2010, net MISO costs of $6.6 million and $5.8 million were deferred, respectively. As of September 30, 2011, Northern Indiana had deferred a total of $40.0 million of net MISO costs. 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. The implementation of such trackers coincides with the IURC's approval and implementation of new customer rates.

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.

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

ITEM 1. FINANCIAL STATEMENTS (continued)

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

costs of power generated by a hypothetical natural gas fired unit using gas purchased and delivered to Northern Indiana. During the nine months ended September 30, 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 the August 25, 2010 Order and Northern Indiana has requested similar treatment in the November 19, 2010 filing. Upon IURC approval 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.

The IURC has authorized Northern Indiana to recover costs relating to qualified pollution control projects estimated to cost $514 million, which includes new projects at the R.M. Schahfer Generating Station approved by the IURC's December 29, 2010 Order. On August 5, 2011 Northern Indiana filed ECR-18, which included $278 million (capital expenditure net of accumulated depreciation) of such capital costs for the period ended June 30, 2011. 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 18-C, "Environmental Matters," for additional information. 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. The evidentiary hearing is scheduled at the IURC for December 14 and 15, 2011, for the balance of the projects associated with the relief requested on March 22, 2011. This includes potential consideration of relief associated with the construction of a FGD unit on Michigan City Generating Station Unit 12. 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.

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 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 Condensed Consolidated Balance Sheets (unaudited) 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

ITEM 1. FINANCIAL STATEMENTS (continued)

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

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 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 current liabilities 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 are 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 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

ITEM 1. FINANCIAL STATEMENTS (continued)

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

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 are 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 whereby 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.

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 reserves of $3.3 million at September 30, 2011 and $6.4 million at December 31, 2010, against certain of these physical sale contract derivatives. These amounts represent reserves related to the creditworthiness of certain customers, the 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 gain of approximately $128.9 million at September 30, 2011 and $154.4 million at December 31, 2010, while the financial derivative contracts marked-to-market had a fair value loss of $124.1 million at September 30, 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.

ITEM 1. FINANCIAL STATEMENTS (continued)

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

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

	September 30, 2011	December 31, 2010
Commodity Price Risk Program:		
Gas price volatility program derivatives (MMDth)	35.7	28.4
Price Protection Service program derivatives (MMDth)	1.5	1.6
DependaBill program derivatives (MMDth)	0.4	0.4
Regulatory incentive program derivatives (MMDth)	4.6	2.0
Gas marketing program derivatives (MMDth) [a]	32.9	48.2
Gas marketing forward physical derivatives (MMDth) [b]	32.4	48.0
Electric energy program FTR derivatives (mw) [c]	11,846.7	8,279.1

(a) Basis contract volumes not included in the above table were 26.5 MMDth and 42.0 MMDth as of September 30, 2011 and December 31, 2010, respectively.
(b) Basis contract volumes not included in the above table were 34.4 MMDth and 52.1 MMDth as of September 30, 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 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 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 September 30, 2011, NiSource had $6.3 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 nine months ended September 30, 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, 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 September 30, 2011, AOCI includes $11.7 million related to forward starting interest rate swap settlement. These derivative contracts are accounted for as a cash flow hedge.

As of September 30, 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 the credit agreement, terminated the sponsor guarantee and cash settled the interest rate hedges. These interest rate hedges were accounted for as cash flow hedges by Millennium. As it 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 is $20.4 million, net of tax. 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 at the Condensed Statements of Consolidated Income (unaudited).

ITEM 1. FINANCIAL STATEMENTS (continued)

NISOURCE INC.

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

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

(in millions)	September 30, 2011 Fair Value	December 31, 2010 Fair Value
Asset Derivatives		
Balance Sheet Location		
Derivatives designated as hedging instruments		
Interest rate risk activities		
Price risk management assets (current)	$ —	$ —
Price risk management assets (noncurrent)	57.7	61.1
Total derivatives designated as hedging instruments	$ 57.7	$ 61.1
Derivatives not designated as hedging instruments		
Commodity price risk programs		
Price risk management assets (current)	$ 136.7	$ 159.5
Price risk management assets (noncurrent)	133.7	179.2
Total derivatives not designated as hedging instruments	$ 270.4	$ 338.7
Total Asset Derivatives	$ 328.1	$ 399.8

(in millions)	September 30, 2011 Fair Value	December 31, 2010 Fair Value
Liability Derivatives		
Balance Sheet Location		
Derivatives designated as hedging instruments		
Commodity price risk programs		
Price risk management liabilities (current)	$ 0.9	$ 1.0
Price risk management liabilities (noncurrent)	0.1	0.2
Total derivatives designated as hedging instruments	$ 1.0	$ 1.2
Derivatives not designated as hedging instruments		
Commodity price risk programs		
Price risk management liabilities (current)	$ 170.7	$ 172.9
Price risk management liabilities (noncurrent)	136.5	181.4
Total derivatives not designated as hedging instruments	$ 307.2	$ 354.3
Total Liability Derivatives	$ 308.2	$ 355.5

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 (Loss) Recognized in OCI on Derivative (Effective Portion) Sept. 30, 2011	Sept. 30, 2010	Location of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Amount of Gain (Loss) Reclassified from AOCI into Income (Effective Portion) Sept. 30, 2011	Sept. 30, 2010
Commodity price risk programs	$ (0.2)	$ (0.5)	Cost of Sales	$ 0.1	$ 0.1
Interest rate risk activities	0.4	0.4	Interest expense, net	(0.7)	(0.7)
Total	$ 0.2	$ (0.1)		$ (0.6)	$ (0.6)

ITEM 1. FINANCIAL STATEMENTS (continued)

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

Nine Months Ended *(in millions)* :

Derivatives in Cash Flow Hedging Relationships	Amount of Gain (Loss) Recognized in OCI on Derivative (Effective Portion) Sept. 30, 2011	Amount of Gain (Loss) Recognized in OCI on Derivative (Effective Portion) Sept. 30, 2010	Location of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Amount of Gain (Loss) Reclassified from AOCI into Income (Effective Portion) Sept. 30, 2011	Amount of Gain (Loss) Reclassified from AOCI into Income (Effective Portion) Sept. 30, 2010
Commodity price risk programs	$ 0.3	$ (0.3)	Cost of Sales	$ 0.9	$ 0.9
Interest rate risk activities	1.2	1.2	Interest expense, net	(2.0)	(2.0)
Total	$ 1.5	$ 0.9		$ (1.1)	$ (1.1)

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) Sept. 30, 2011	Amount of Gain (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing) Sept. 30, 2010
Commodity price risk programs	Cost of Sales	$ —	$ —
Interest rate risk activities	Interest expense, net	—	—
Total		$ —	$ —

Nine 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) Sept. 30, 2011	Amount of Gain (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing) Sept. 30, 2010
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 AOCI of approximately $0.5 million of loss, net of taxes.

Derivatives in Fair Value Hedging Relationships

Three Months Ended, *(in millions)*

Derivatives in Fair Value Hedging Relationships	Location of Gain (Loss) Recognized in Income on Derivatives	Amount of Gain (Loss) Recognized in Income on Derivatives Sept. 30, 2011	Amount of Gain (Loss) Recognized in Income on Derivatives Sept. 30, 2010
Interest rate risk activities	Interest expense, net	$ (3.0)	$ 2.9
Total		$ (3.0)	$ 2.9

ITEM 1. FINANCIAL STATEMENTS (continued)

SOURCE I NC.

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

Nine Months Ended, *(in millions)*

Derivatives in Fair Value Hedging Relationships	Location of (Loss) Gain Recognized in Income on Derivatives	Amount of (Loss) Gain Recognized in Income on Derivatives	
		Sept. 30, 2011	Sept. 30, 2010
Interest rate risk activities	Interest expense, net	$ (3.5)	$ 9.0
Total		$ (3.5)	$ 9.0

Three Months Ended, *(in millions)*

Hedged Item in Fair Value Hedge Relationships	Location of Gain (Loss) Recognized in Income on Related Hedged Item	Amount of Gain (Loss) Recognized in Income on Related Hedged Items	
		Sept. 30, 2011	Sept. 30, 2010
Fixed-rate debt	Interest expense, net	$ 3.0	$ (2.9)
Total		$ 3.0	$ (2.9)

Nine Months Ended, *(in millions)*

Hedged Item in Fair Value Hedge Relationships	Location of Gain (Loss) Recognized in Income on Related Hedged Item	Amount of Gain (Loss) Recognized in Income on Related Hedged Items	
		Sept. 30, 2011	Sept. 30, 2010
Fixed-rate debt	Interest expense, net	$ 3.5	$ (9.0)
Total		$ 3.5	$ (9.0)

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 *	
		Sept. 30, 2011	Sept. 30, 2010
Commodity price risk programs	Gas Distribution revenues	$ (0.1)	$ (0.1)
Commodity price risk programs	Other revenues	16.6	43.4
Commodity price risk programs	Cost of Sales	(7.4)	(38.8)
Total		$ 9.1	$ 4.5

* For the amounts of realized/unrealized gain (loss) recognized in income on derivatives disclosed in the table above, gains of $9.4 million and $7.4 million for the third quarter of 2011 and 2010, 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.

ITEM 1. FINANCIAL STATEMENTS (continued)

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

Nine 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 *	
		Sept. 30, 2011	Sept. 30, 2010
Commodity price risk programs	Gas Distribution revenues*	$ (21.8)	$ (21.6)
Commodity price risk programs	Other revenues	35.0	116.1
Commodity price risk programs	Cost of Sales	(15.3)	(106.4)
Total		$ (2.1)	$ (11.9)

* For the amounts of realized/unrealized gain (loss) recognized in income on derivatives disclosed in the table above, losses of $9.8 million and $8.8 million for the third quarter of 2011 and 2010, 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.

NiSource has not reclassified earnings from AOCI to Cost of Sales due to the probability that certain forecasted transactions would not occur for the nine months ended September 30, 2011 and 2010.

NiSource's derivative instruments measured at fair value as of September 30, 2011 and December 31, 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. The collateral requirement from a downgrade below the ratings trigger levels would amount to approximately $1.8 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 $176.6 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 Condensed Consolidated Balance Sheets (unaudited) as of September 30, 2011 and December 31, 2010, respectively.

M 1. FINANCIAL STATEMENTS (continued)

OURCE I NC.

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

9. 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 September 30, 2011 and December 31, 2010:

Recurring Fair Value Measurements September 30, 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 Sept. 30, 2011
Assets				
Commodity Price risk management assets:				
Physical price risk programs	$ —	$ 133.1	$ —	$ 133.1
Financial price risk programs	134.0	3.3	—	137.3
Interest rate risk activities	—	57.7	—	57.7
Available-for-sale securities	36.3	60.9	—	97.2
Total	$ 170.3	$ 255.0	$ —	$ 425.3
Liabilities				
Commodity Price risk management liabilities:				
Physical price risk programs	$ —	$ 3.4	$ —	$ 2.4
Financial price risk programs	302.0	2.4	0.4	305.8
Total	$ 302.0	$ 5.8	$ 0.4	$ 308.2

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	$ 0.1	$ 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-

ITEM 1. FINANCIAL STATEMENTS (continued)

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

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. Refer to Note 8, "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 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 September 30, 2011 and December 31, 2010 were:

(in millions)	Amortized Cost	Total Gains	Total Losses	Fair Value
Available-for-sale debt securities, Sept. 30, 2011				
U.S. Treasury	$ 40.2	$1.6	$—	$41.8
Corporate/Other	54.2	1.5	(0.3)	55.4
Total Available-for-sale debt securities	**$ 94.4**	**$3.1**	**$(0.3)**	**$97.2**

(in millions)	Amortized Cost	Total Gains	Total Losses	Fair Value
Available-for-sale debt securities, Dec. 31, 2010				
U.S. Treasury	$ 43.4	$0.6	$(0.5)	$43.5
Corporate/Other	36.1	2.0	(0.2)	37.9
Total Available-for-sale debt securities	**$ 79.5**	**$2.6**	**$(0.7)**	**$81.4**

For the three months ended September 30, 2011 and 2010, the net realized gain on the sale of available-for-sale U.S. Treasury debt securities was $0.1 million and $0.3 million, respectively. For the three months ended September 30, 2011 and 2010, the realized gain on sale of available-for-sale Corporate/Other bond debt securities was $0.1 million and $0.3 million, respectively.

ITEM 1. FINANCIAL STATEMENTS (continued)

NISOURCE INC.

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

For the nine months ended September 30, 2011 and 2010, the net realized gain on the sale of available-for-sale U.S. Treasury debt securities was $0.4 million. For the nine months ended September 30, 2011 and 2010, the realized gain on sale of available-for-sale Corporate/Other bond debt securities was $1.0 million.

The cost of maturities sold is based upon specific identification. At September 30, 2011, approximately $2.7 million of U.S. Treasury debt securities have maturities of less than a year while the remaining securities have maturities of greater than one year. At September 30, 2011, approximately $0.6 million of Corporate/Other bonds have maturities of less than a year while the remaining securities have maturities of greater than one year.

NiSource adopted 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, during the first quarter of 2011. The following tables present the fair value reconciliation of Level 3 assets and liabilities measured at fair value on a recurring basis for the three and nine months ended September 30, 2011 and 2010:

Three Months Ended September 30, 2011 *(in millions)*	Financial Transmission Rights	Other Derivatives	Total
Balance as of July 1, 2011	$ —	$ (0.8)	$(0.8)
Total gains or (losses) (unrealized/realized)			
Included in regulatory assets/liabilities	—	0.4	0.4
Purchases	—	(0.2)	(0.2)
Settlements	—	0.2	0.2
Balance as of September 30, 2011	$ —	$ (0.4)	$(0.4)
Change in unrealized gains/(losses) relating to instruments still held as of September 30, 2011	$ —	$ (1.1)	$(1.1)

Three Months Ended September 30, 2010 *(in millions)*	Financial Transmission Rights	Other Derivatives	Total
Balance as of July 1, 2010	$ —	$ 0.2	$ 0.2
Total gains or losses (unrealized/realized)			
Included in regulatory assets/liabilities	(6.4)	(0.1)	(6.5)
Settlements	6.4	(0.6)	5.8
Balance as of September 30, 2010	$ —	$ (0.5)	$(0.5)
Change in unrealized gains/(losses) relating to instruments still held as of September 30, 2010	$ —	$ (0.1)	$(0.1)

ITEM 1. FINANCIAL STATEMENTS (continued)

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

Nine Months Ended, September 30, 2011 *(in millions)*	Financial Transmission Rights	Other Derivatives	Total
Balance as of January 1, 2011	$ —	$ 0.2	$ 0.2
Total gains or (losses) (unrealized/realized)			
Included in regulatory assets/liabilities	—	(0.7)	(0.7)
Purchases	—	(1.1)	(1.1)
Settlements	—	1.2	1.2
Balance as of September 30, 2011	$ —	$ (0.4)	$(0.4)
Change in unrealized gains/(losses) relating to instruments still held as of September 30, 2011	$ —	$ (1.1)	$(1.1)

Nine Months Ended, September 30, 2010 *(in millions)*	Financial Transmission Rights	Other Derivatives	Total
Balance as of January 1, 2010	$ 19	$ 0.2	$ 21
Total gains or losses (unrealized/realized)			
Included in regulatory assets/liabilities	(10.6)	(0.1)	(10.7)
Settlements	8.7	(0.6)	8.1
Balance as of September 30, 2010	$ —	$ (0.5)	$ (0.5)
Change in unrealized gains/(losses) relating to instruments still held as of September 30, 2010	$ —	$ (0.1)	$ (0.1)

As discussed in Note 8 "Risk Management Activities," as 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 reflected in the table above. FTRs are valued using a valuation model 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 Level 3 valuations. Realized gains and losses for these Level 3 recurring items are included in income within Cost of Sales on the Condensed Statements of Consolidated Income (unaudited). Unrealized gains and losses from Level 3 recurring items are included within Regulatory assets or Regulatory liabilities on the Condensed Consolidated Balance Sheets (unaudited).

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

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 September 30, 2011 and December 31, 2010 were $24.6 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.

ITEM 1. FINANCIAL STATEMENTS (continued)

NISOURCE INC.

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 Sept. 30, 2011	Estimated Fair Value as of Sept. 30, 2011	Carrying Amount as of Dec. 31, 2010	Estimated Fair Value as of Dec. 31, 2010
Long-term investments	$ 25.2	$ 24.0	$ 26.7	$ 25.4
Long-term debt (including current portion)	6,345.5	7,149.7	5,970.3	6,482.4

10. 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 receivables 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 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 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 September 30, 2011, $60.0 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 be further renewed if mutually agreed to by both parties. As of September 30, 2011, $125.0 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 September 30, 2011, $8.2 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.

ITEM 1. FINANCIAL STATEMENTS (continued)

N I S OURCE I NC.
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 September 30, 2011 and December 31, 2010 for Columbia of Ohio, Northern Indiana and Columbia of Pennsylvania:

(in millions)	September 30, 2011	December 31, 2010
Gross Receivables	$ 311.4	$ 655.6
Less: Receivables not transferred	118.2	380.6
Net receivables transferred	$ 193.2	$ 275.0
Short-term debt due to asset securitization	$ 193.2	$ 275.0

For the three months ended September 30, 2011 and 2010, $0.7 million and $1.5 million of fees associated with the securitization transactions were recorded as interest expense, respectively. For the nine months ended September 30, 2011 and 2010, $3.0 million and $5.2 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.

11. Goodwill Assets

In accordance with the provisions for goodwill accounting under GAAP, 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 the FASB.

NiSource's goodwill assets as of September 30, 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 September 30, 2011 related to the purchase of Northern Indiana Fuel and Light in March 1993 and Kokomo Gas in February 1992 were $18.8 million.

The test performed at June 30, 2011 indicated that the fair value of each of the reporting units that carry or are allocated goodwill exceeded their carrying values, indicating that no impairment exists under Step 1 of the annual impairment test.

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 during the third quarter.

12. Income Taxes

NiSource's interim effective tax rates reflect the estimated annual effective tax rates for 2011 and 2010, adjusted for tax expense associated with certain discrete items. The effective tax rates for the three months ended September 30, 2011 and 2010 were 32.0% and (20.1)%, respectively. The effective tax rates for the nine months ended September 30, 2011 and 2010 were 35.6% and 31.6%, 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 such as the electric production tax deduction provided under Internal Revenue Code Section 199.

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 results 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 Internal Revenue Services

ITEM 1. FINANCIAL STATEMENTS (continued)

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

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 carryforward, 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 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 31, 2011. 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, 2010, NiSource had $107.4 million of unrecorded 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.

There were no material changes recorded in the third quarter of 2011 to NiSource's uncertain tax positions as of December 31, 2010 except as noted above.

13. 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 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.

For the nine months ended September 30, 2011, NiSource has contributed $142.7 million to its pension plans and $41.4 million to its other postretirement benefit plans.

The following table provides the components of the plans' net periodic benefits cost for the three and nine months ended September 30, 2011 and 2010:

	Pension Benefits		Other Postretirement Benefits	
Three Months Ended September 30, *(in millions)*	2011	2010	2011	2010
Components of Net Periodic Benefit Cost				
Service cost	$ 9.4	$ 9.8	$ 2.5	$ 2.5
Interest cost	29.9	31.5	9.6	10.6
Expected return on assets	(41.8)	(36.0)	(6.7)	(6.1)
Amortization of transition obligation	—	—	0.3	0.3
Amortization of prior service cost	0.1	0.5	(0.1)	0.5
Recognized actuarial loss	13.9	14.4	1.7	1.7
Total Net Periodic Benefit Costs	$ 11.5	$ 20.2	$ 7.3	$ 9.5

ITEM 1. FINANCIAL STATEMENTS (continued)

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

Nine Months Ended September 30, *(in millions)*	Pension Benefits 2011	Pension Benefits 2010	Other Postretirement Benefits 2011	Other Postretirement Benefits 2010
Components of Net Periodic Benefit Cost				
Service cost	$ 28.2	$ 29.3	$ 7.5	$ 7.3
Interest cost	89.7	94.3	28.8	31.8
Expected return on assets	(125.4)	(107.8)	(20.1)	(18.0)
Amortization of transition obligation	—	—	0.9	0.9
Amortization of prior service cost	0.3	1.5	(0.3)	1.2
Recognized actuarial loss	41.7	43.4	5.1	4.7
Total Net Periodic Benefit Costs	$ 34.5	$ 60.7	$ 21.9	$ 27.9

For the quarters ended September 30, 2011 and 2010, pension and other postretirement benefit cost of approximately $13.1 million and $8.3 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 nine months ended September 30, 2011 and 2010, pension and other postretirement benefit cost of approximately $21.9 million and $15.4 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 business.

On September 1, 2011, NiSource announced that effective August 31, 2011, Christopher A. Helms retired from his position as Executive Vice President and Group CEO of the NiSource Gas Transmission and Storage Group, as well as any other offices or directorships with NiSource or any affiliate. In connection with his retirement from NiSource, NiSource and Mr. Helms entered into a letter agreement on August 30, 2011 (the "Agreement"). The Agreement provided, among other things, for a separation payment plus a lump sum payment for health and welfare benefits, which were accrued at September 30, 2011.

14. 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.

NiSource consolidates those VIEs for which it is the primary beneficiary. Prior to the adoption of the new FASB guidance on consolidation of VIEs, 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 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 September 30, 2011, consistent with prior periods, NiSource consolidated its low income housing real estate investments from which NiSource derives certain tax benefits. Based on the newly adopted guidance on the consolidation of variable interest entities, these investments met the definition of a VIE. As of September 30, 2011, NiSource is a 99% limited partner with a net investment of approximately $1.2 million. Consistent with prior periods, NiSource evaluated the nature and intent of the low income housing investments when determining the

ITEM 1. FINANCIAL STATEMENTS (continued)

NISOURCE INC.

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

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 September 30, 2011, gross assets of the low income housing real estate investments in continuing operations were $29.0 million. Current and non-current assets were $1.4 million and $27.6 million, respectively. As of September 30, 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.

15. Long-Term Debt

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.

On December 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 announced that it was commencing 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. In accordance with the provisions of ASC 470, *Debt*, NiSource determined the new 6.25% notes due 2040 to be substantially different from the old debt instrument, and therefore the transaction qualified as a debt extinguishment. NiSource 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.

16. 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 September 30, 2011, NiSource had $425.8 million of commercial paper outstanding.

ITEM 1. FINANCIAL STATEMENTS (continued)

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

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 September 30, 2011, NiSource had $615.0 million of outstanding borrowings under this facility.

As of September 30, 2011 and December 31, 2010, NiSource had $37.4 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 Condensed Consolidated Balance Sheet in the amount of $193.2 million and $275.0 million as of September 30, 2011 and December 31, 2010, respectively. Refer to Note 10, "Transfers of Financial Assets," for additional information.

(in millions)	September 30, 2011	December 31, 2010
Commercial Paper weighted average interest rate of 0.98% at September 30, 2011	$ 425.8	$
Credit facilities borrowings weighted average interest rate of 1.96% and 0.78% at September 30, 2011 and December 31, 2010, respectively	615.0	1,107.5
Accounts receivable securitization facility borrowings	193.2	275.0
Total short-term borrowings	$ 1,234.0	$ 1,382.5

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

17. Share-Based Compensation

Prior to May 11, 2010, NiSource issued long-term 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 units and contingent stock awards.

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 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 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. At September 30, 2011, there were 7,992,445 shares reserved for future awards under the Omnibus Plan.

NiSource recognized stock-based employee compensation expense of $4.0 million and $3.0 million for the three months ended September 30, 2011 and 2010, respectively, as well as related tax benefits of $1.3 million and $0.7 million. For the nine months ended September 30, 2011 and 2010, stock-based employee compensation expense of $10.2 million and $9.0 million was recognized, respectively, as well as related tax benefits of $3.6 million and $2.8 million, respectively.

As of September 30, 2011, the total remaining unrecognized compensation cost related to nonvested awards amounted to $17.8 million, which will be amortized over the weighted-average remaining requisite service period of 1.9 years.

ITEM 1. FINANCIAL STATEMENTS (continued)

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

Stock Options. As of September 30, 2011, approximately 3.2 million options were outstanding and exercisable with a weighted average strike price of $22.01.

Restricted Awards. During the nine months ended September 30, 2011, NiSource granted 141,544 restricted stock units, subject to service conditions, at a total grant date fair value of $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 119,308 units lapse in January 2014 when 100% of the shares vest. If before January 2014, the employee terminates employment (1) due to retirement, having attained age 55 and completed ten years of service, or (2) due to death or disability, the employment conditions will lapse with respect to a pro rata portion of the restricted units on the date of termination. Termination due to any other reason will result in all restricted units awarded being forfeited effective the employee's date of termination. Employees will be entitled to receive dividends upon vesting. The service conditions lapse for the remaining 22,236 units between March 2012 and July 2014. As of September 30, 2011, 702,298 nonvested restricted stock units were granted and outstanding.

Contingent Stock Units. During the nine months ended September 30, 2011, NiSource granted 745,042 contingent stock units subject to performance conditions, at a grant date fair-value of $11.9 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. The service conditions lapse on January 31, 2014 when 100% of the shares vest. If the employee terminates employment before January 31, 2014 (1) due to retirement, having attained age 55 and completed ten years of service, or (2) due to death or disability, the employment conditions will lapse with respect to a pro rata portion of the contingent units on the date of termination. Termination due to any other reason will result in all contingent units awarded being forfeited effective the employee's date of termination. Employees will be entitled to receive dividends upon vesting. As of September 30, 2011, 2,234,744 nonvested contingent stock units were granted and outstanding.

Non-employee Director Awards. As of May 11, 2010, awards to non-employee directors may be made only under the NiSource Inc. 2010 Omnibus Incentive Plan (the "Omnibus Plan"). 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. 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 September 30, 2011, 110,178 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 September 30, 2011, 274,315 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 Non-Discretionary Employer Contribution for Certain Employees. 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 a non-discretionary employer contribution of 3% for salaried employees hired after January 1, 2010 payable in shares of common stock. For the quarter ended September 30, 2011 and 2010, NiSource recognized 401(k) match, profit sharing and non-discretionary employer contribution expense of $6.5 million and $4.4 million, respectively. For the nine months ended September 30, 2011 and 2010, NiSource recognized 401(k) match, profit sharing and non-discretionary employer contribution expense of $17.2 million and $14.2 million, respectively.

ITEM 1. FINANCIAL STATEMENTS (continued)

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

18. 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 commercial commitments in existence at September 30, 2011 and the years in which they expire were:

(in millions)	Total	2011	2012	2013	2014	2015	After
Guarantees of subsidiaries debt	$5,870.9	$—	$315.0	$545.0	$500.0	$230.0	$4,280.9
Guarantees supporting commodity transactions of subsidiaries	149.9	6.1	61.9	—	—	80.0	1.9
Accounts receivable securitization	193.2	193.2	—	—	—	—	—
Lines of credit	1,040.8	1,040.8	—	—	—	—	—
Letters of credit	37.4	0.4	35.8	0.2	1.0	—	—
Other guarantees	272.7	2.0	11.9	222.6	32.2	—	4.0
Total commercial commitments	$7,564.9	$1,242.5	$424.6	$767.8	$533.2	$310.0	$4,286.8

Guarantees of Subsidiaries Debt. NiSource has guaranteed the payment of $5.9 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 guarantying Columbia of Massachusetts' outstanding medium-term notes.

Guarantees Supporting Commodity Transactions of Subsidiaries. NiSource has issued guarantees, which support up to $149.9 million of commodity-related payments for its current subsidiaries involved in energy related activities. These guarantees were provided to counterparti in order to facilitate physical and financial transactions involving natural gas. 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. 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 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 the Company's commercial paper program, and provides for the issuance of letters of credit. At September 30, 2011, NiSource had $615.0 million in borrowings under its four-year revolving credit facility, $425.8 million in commercial paper outstanding and $193.2 million outstanding under its accounts receivable securitization agreements. At September 30, 2011, NiSource issued stand-by letters of credit of approximately $37.4 million for the benefit of third parties. See Note 16, "Short-Term Borrowings," for additional information.

Other Guarantees or Obligations. On June 30, 2008, NiSource 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 September 30, 2011. These guarantees are due to expire in June 2013.

ITEM 1. FINANCIAL STATEMENTS (continued)

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

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 recorded an accrued liability of $1.5 million related to the inception date fair value of this guarantee as of September 30, 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.

Tawney, et al. v. Columbia Natural Resources, Inc., Roane County, WV Circuit Court

The Plaintiffs, who are West Virginia landowners, filed a lawsuit in early 2003 in the West Virginia Circuit Court for Roane County, West Virginia (the "Trial Court") against CNR alleging that CNR underpaid royalties on gas produced on their land by improperly deducting post-production costs and not paying a fair value for the gas. Plaintiffs also claimed that Defendants fraudulently concealed the deduction of post-production charges. In December 2004, the Trial Court granted Plaintiffs' motion to add NiSource and Columbia as Defendants. The Trial Court later certified the case as a class action that includes any person who, after July 31, 1990, received or is due royalties from CNR (and its predecessors or successors) on lands lying within the boundary of the state of West Virginia. Although NiSource sold CNR in 2003, NiSource remained obligated to manage this litigation and was responsible for the majority of any damages awarded to Plaintiffs. On January 27, 2007, the jury hearing the case returned a verdict against all Defendants in the amount of $404.3 million inclusive of both compensatory and punitive damages; Defendants subsequently filed their Petition for Appeal, which was later amended, with the West Virginia Supreme Court of Appeals (the "Appeals Court"), which refused the petition on May 22, 2008. On August 22, 2008, Defendants filed Petitions to the United States Supreme Court for writ of certiorari. Given the Appeals Court's earlier refusal of the appeal, NiSource adjusted its reserve in the second quarter of 2008 to reflect the portion of the Trial Court judgment for which NiSource would be responsible, inclusive of interest. This amount was included in "Legal and environmental reserves," on the Consolidated Balance Sheet as of December 31, 2008. On October 24, 2008, the Trial Court preliminarily approved a Settlement Agreement with a total settlement amount of $380 million. The settlement received final approval by the Trial Court on November 22, 2008. NiSource's share of the settlement liability is up to $338.8 million. On June 21, 2011, the Court issued the Second Supplemental Order to conclude administration of settlement. The Order sets forth the specific steps to be taken by the Parties to close administration of the settlement and terminate the settlement fund. As of September 30, 2011, NiSource funded all claims tendered by the Claims Administrator. NiSource does not expect to make additional material payments in this matter.

Environmental Protection Agency Notice of Violation

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 1995 without obtaining appropriate air permits for the modifications. Northern Indiana, EPA, Department of Justice, and IDEM have settled the matter.

ITEM 1. FINANCIAL STATEMENTS (continued)

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

The consent decree was entered by the United States District Court for the Northern District of Indiana on July 22, 2011. The consent decree covers Northern Indiana's four coal generating stations: Bailly, Michigan City, R.M. Schahfer, and D.H. Mitchell. Northern Indiana must surrender environmental permits for D.H. Mitchell's coal-fired boilers, which have not been used to generate power since 2002. At the other generating stations, Northern Indiana must install additional control equipment, including three new SO2 control devices and one new NOx control device. The consent decree also imposes emissions limits for NOx, SO2, and particulate, and annual tonnage limits for NOx and SO2. In addition, Northern Indiana paid fines of $3.5 million in the third quarter of 2011, must surrender certain NOx and SO2 allowances, and invest $9.5 million in environmental mitigation projects. Northern Indiana estimates the cost of NSR related capital improvements at $570 to $845 million, which will be expended between 2010 and 2018. Northern Indiana believes the capital costs will likely be recoverable from ratepayers.

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 September 30, 2011 and December 31, 2010, NiSource had recorded reserves of approximately $105.7 million and $79.8 million, respectively, to cover environmental remediation at various sites. 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, and the method of cleanup. 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 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.

ITEM 1. FINANCIAL STATEMENTS (continued)

NISOURCE INC.
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.

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 the 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 to $25 million.

Environmental

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 up to 84 such sites and initial investigations have been conducted at 56 sites. Follow-up investigation activities have been completed or are in progress at 50 sites and remedial measures have been implemented or completed at 37 sites. Remedial actions at many of these sites are being overseen by state or federal environmental agencies through consent agreements or voluntary remediation agreements. The final costs of cleanup have not yet been determined. In the fourth quarter of 2011, NiSource plans to evaluate of all such sites for which remediation is not yet complete. As the evaluations, site investigations and cleanups proceed, reserves could increase or otherwise be adjusted to reflect new information.

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 we have retained a liability. Specific information is provided below.

ITEM 1. FINANCIAL STATEMENTS (continued)

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

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 $33.7 million and $9.5 million at September 30, 2011 and December 31, 2010, respectively. The liability represents Columbia Transmission's best estimate of the cost to remediate the facilities or manage the sites until retirement. A Response Action Work Plan consistent with this estimate was submitted to the EPA in October 2011. 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 the summer of 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 $620 to $995 million. This figure includes additional capital improvements associated with the Cross-State Air Pollution Rule (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 SO2 NAAQS by adopting a new 1-hour primary NAAQS for sulfur dioxide (SO2). 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.

Clean Air Interstate Rule (CAIR) / Transport Rule/ Cross-State Air Pollution 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 SO2 and NOx by setting state-wide caps on power plant emissions. The CSAPR limits emissions, including Northern Indiana's, with restricted emission allowance trading programs beginning in 2012. Emission allowances issued under the CAIR program will be eliminated as of January 1, 2012. Northern Indiana utilized 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 in 2012.

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 is pursuing a new Section 112 rulemaking to establish MACT standards for electric utilities. EPA announced its proposal on March 16, 2011 and intends to finalize the rule by November 2011. Northern Indiana will continue its evaluation and monitoring of this matter.

ITEM 1. FINANCIAL STATEMENTS (continued)

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

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 1995 without obtaining appropriate air permits for the modifications. Northern Indiana, EPA, the Department of Justice, and IDEM have settled the matter.

The consent decree was entered by the United States District Court for the Northern District of Indiana on July 22, 2011. The consent decree covers Northern Indiana's four coal generating stations: Bailly, Michigan City, R.M. Schahfer, and D.H. Mitchell. Northern Indiana must surrender environmental permits for D.H. Mitchell's coal-fired boilers, which have not been used to generate power since 2002. At the other generating stations, Northern Indiana must install additional control equipment, including three new scrubbers to control sulfur dioxide ("SO2") and one new nitrogen oxide ("NOx") control device. The consent decree also imposes emissions limits for NOx, SO2, and particulate matter, and annual tonnage limits for NOx and SO2. In addition, Northern Indiana paid fines of $3.5 million in the third quarter of 2011, must surrender certain NOx and SO2 allowances, and invest $9.5 million in environmental mitigation projects. Northern Indiana is estimating the cost of NSR related capital improvements at $570 to $845 million which will be expended between 2010 and 2018. Northern Indiana believes the capital costs will likely be recoverable from ratepayers.

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

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 ...n. 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. The final costs of cleanup could change based on EPA review.

On June 21, 2010, EPA published a proposed rule for coal combustion residuals 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 but 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 their former operations. Four sites are associated with 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)

19. Accumulated Other Comprehensive Loss

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

(in millions)	September 30, 2011	December 31, 2010
Other comprehensive income (loss), before tax:		
Unrealized gains on securities	$ 6.2	$ 6.1
Tax expense on unrealized gains on securities	(2.4)	(2.4)
Unrealized losses on cash flow hedges	(52.9)	(56.4)
Tax benefit on unrealized losses on cash flow hedges	20.2	21.6
Unrecognized pension and OPEB costs	(41.1)	(43.3)
Tax benefit on unrecognized pension and OPEB costs	15.6	16.5
Total Accumulated Other Comprehensive Loss, net of taxes	$ (54.4)	$ (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 the credit agreement, terminated the sponsor guarantee, and cash settled the interest rate hedges. These interest rate swap derivatives were accounted for as cash flow hedges by Millennium. As Millennium is an equity method investment, NiSource is required to recognize a proportional share of Millennium's OCI. 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 at the Condensed Statements of Consolidated Income (unaudited). NiSource's proportionate share of the remaining unrealized loss, net of tax, was $20.4 million as of September 30, 2011 and $21.1 million as of December 31, 2010, which are included in unrealized losses on cash flow hedges above.

20. 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 September 30, 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. The Electric Operations segment provides electric service in 20 counties in the northern part of Indiana.

ITEM 1. FINANCIAL STATEMENTS (continued)

NISOURCE INC.

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 September 30,		Nine Months Ended September 30,	
(in millions)	2011	2010	2011	2010
REVENUES				
Gas Distribution Operations				
Unaffiliated	$ 418.2	$ 428.8	$2,632.7	$2,526.2
Intersegment	0.2	1.3	1.1	9.8
Total	418.4	430.1	2,633.8	2,536.0
Gas Transmission and Storage Operations				
Unaffiliated	202.4	185.7	616.3	565.8
Intersegment	31.1	31.8	106.1	125.6
Total	233.5	217.5	722.4	691.4
Electric Operations				
Unaffiliated	406.6	399.5	1,106.2	1,061.6
Intersegment	0.2	0.1	0.6	0.5
Total	406.8	399.6	1,106.8	1,062.1
Corporate and Other				
Unaffiliated	41.5	124.1	174.0	514.3
Intersegment	113.2	109.6	345.9	319.5
Total	154.7	233.7	519.9	833.8
Eliminations	(144.7)	(142.8)	(453.7)	(455.4)
Consolidated Revenues	$1,068.7	$1,138.1	$4,529.2	$4,667.9
Operating Income (Loss)				
Gas Distribution Operations	$ 7.9	$ (42.5)	$ 295.9	$ 211.1
Gas Transmission and Storage Operations	68.2	76.2	271.4	277.0
Electric Operations	78.8	95.9	161.8	190.6
Corporate and Other	(7.4)	(6.3)	(19.1)	(12.8)
Consolidated Operating Income	$ 147.5	$ 123.3	$ 710.0	$ 665.9

ITEM 1. FINANCIAL STATEMENTS (continued)

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

21. Supplemental Cash Flow Information

The following table provides additional information regarding NiSource's Condensed Statements of Consolidated Cash Flows (unaudited) for the nine months ended September 30, 2011 and 2010:

Nine Months Ended September 30, *(in millions)*	2011	2010
Supplemental Disclosures of Cash Flow Information		
Non-cash transactions:		
Capital expenditures included in current liabilities	$ 92.5	$ 74.3
Change in equity investments related to unrealized (losses) gains	—	24.5
Stock issuance to employee saving plans	17.2	14.2
Schedule of interest and income taxes paid:		
Cash paid for interest, net of interest capitalized amounts	$319.9	$326.6
Cash paid for income taxes	6.8	38.4

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

NISOURCE INC.

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 2010 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, 2010.

CONSOLIDATED REVIEW

Executive Summary

NiSource 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 nine months ended September 30, 2011, NiSource reported income from continuing operations of $280.6 million, or $1.00 per basic share, compared to $258.8 million, or $0.93 per basic share reported for the same period in 2010.

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

- Gas Transmission and Storage Operations' net revenues increased $31.0 million primarily due to higher demand margin revenues as a result of growth projects placed into service since the third quarter of 2010.

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

NISOURCE INC.

- Gas Distributions Operations' net revenues increased $9.9 million primarily due to regulatory and service programs, including impacts from rate cases at various other utilities and the implementation of new rates under Columbia of Ohio's approved infrastructure replacement program.
- Electric Operations' net revenues increased $8.3 million primarily due to increased industrial usage and margins resulting from improved economic conditions.
- Depreciation and amortization decreased $46.2 million primarily due to new approved rates at Northern Indiana's Gas Distribution operations.
- NiSource incurred lower interest expense of $14.9 million primarily due to the $681.8 million November 2010 long-term debt maturity and the December 2010 tender offer repurchase of long-term debt of $273.1 million. The benefits were partially offset by incremental interest expense associated with the issuance of long-term debt of $400.0 million in June 2011, the issuance of long-term debt of $250.0 million in December 2010, reduced savings associated with interest rate swaps and higher average short-term borrowings and rates.

These increases were partially offset by the following:

- Operation and maintenance expenses increased $43.3 million as a result primarily of higher employee and administrative expenses, environmental costs and electric generation expenses.

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 gas transmission and storage business; and financial management of the balance sheet.

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's electric business continues to advance a broad business agenda designed to deliver exceptional customer service, enhance operational and environmental performance, and establish a robust platform for ongoing earnings growth.

- On July 18, 2011, Northern Indiana filed a nearly unanimous settlement with the IURC to resolve the company's 2010 electric base rate case. Hearings on the settlement were conducted in September 2011 and, pending approval by the IURC, the company anticipates new rates could be effective in late 2011 or early 2012.
- Northern Indiana also continues to invest in environmental improvements, with construction on schedule for a new FGD unit at the company's Schahfer generating station. The project is part of the Northern Indiana's commitment to invest up to nearly $850 million in environmental improvements over the next six to eight years.
- In July 2011, Northern Indiana received approval from the IURC to significantly broaden its offering of electric energy efficiency programs. The new programs are in addition to the Northern Indiana's natural gas conservation programs, which have helped customers save about 13.1 million therms, equating to about $12.4 million, over the last several years.

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

NISOURCE INC.

NiSource's Gas Distribution Operations continues to execute its strategy of combining long-term infrastructure replacement and customer programs with complementary regulatory initiatives.

- NiSource's Gas Distribution Operations' companies continued to execute on a series of long-term infrastructure modernization and replacement programs. Through the third quarter, NiSource is on track to invest more than $300 million for 2011 in gas distribution modernization programs. These investments are part of a more than $4 billion modernization program that spans the next two and a half decades.
- NiSource's Gas Distribution Operations' companies also continue to introduce or expand programs to help customers reduce energy usage and manage monthly bills. For example, on September 12, 2011, Columbia of Ohio filed a proposal with the PUCO to extend and expand its energy efficiency programs for an additional five years starting in 2012.
- On the regulatory front, on October 14, 2011, the Pennsylvania PUC approved a settlement of Columbia of Pennsylvania's base rate case. The Order authorizes an annual revenue increase of $17 million effective for service rendered beginning October 18, 2011, including an additional $1 million annually for payment assistance programs available to certain income eligible customers. Notably, the Pennsylvania PUC approved a new rate design incorporating a higher minimum monthly charge, including a fixed customer charge and usage allowance.

Refer to Note 7, "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's Gas Transmission & Storage Operations continues to make progress on key strategies to enhance system reliability, develop new growth projects, and leverage the company's strategic footprint in emerging shale gas production areas.

- Under the leadership of new business unit CEO Jimmy Staton, NiSource's Gas Transmission & Storage Operations is working closely with customers, natural gas producers and other key stakeholders to develop a comprehensive strategy for meeting customer needs and maximizing the value of NiSource's extensive natural gas pipeline and storage assets overlaying the Marcellus and Utica shale production regions.
- Having successfully completed several growth projects in the Marcellus production area with more in progress and on schedule, NiSource's Gas Transmission & Storage Operations is developing a range of additional supply-driven growth initiatives, including mineral leasing and traditional pipeline expansion opportunities.
- NiSource's Gas Transmission & Storage Operations also continues to actively develop infrastructure projects to serve new natural gas-fueled electric generation markets, involving both new generation facilities as well as coal conversion opportunities. NiSource's Gas Transmission & Storage Operations is in active discussions with a number of large power generators to meet their need for new natural gas infrastructure.
- Progress also continues on the regulatory front. On September 9, 2011, Columbia Gulf filed a settlement with the FERC to resolve the company's 2010 base rate case. The settlement, which was certified to the FERC on October 4, 2011, is pending approval.

Financial Management of the Balance Sheet

At the end of the third quarter, NiSource maintained approximately $462 million in net available liquidity. The company is actively evaluating a number of financing options that could be executed as early as the fourth quarter of 2011.

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

NISOURCE INC.

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 for all employees.

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

Results of Operations

Quarter Ended September 30, 2011

Net Income

NiSource reported net income of $34.7 million, or $0.12 per basic share, for the three months ended September 30, 2011, compared to a net income of $33.2 million, or $0.12 per basic share, for the third quarter of 2010. Income from continuing operations was $36.3 million, or $0.13 per basic share, for the three months ended September 30, 2011, compared to income from continuing operations of $33.4 million, or $0.12 per basic share, for the third quarter of 2010. Operating income was $147.5 million, an increase of $24.2 million from the same period in 2010. All per share amounts are basic earnings per share. Basic average shares of common stock outstanding at September 30, 2011 were 280.8 million compared to 278.1 million at September 30, 2010.

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.

Net Revenues

Total consolidated net revenues (gross revenues less cost of sales) for the quarter ended September 30, 2011, were $745.6 million, a $27.5 million increase from the same period last year. This increase in net revenues was primarily due to increased Gas Distribution Operations' net revenues of $17.7 million and increased Gas Transmission and Storage Operations' net revenues of $16.0 million. This was partially offset by a decrease in Electric Operations' net revenues of $6.8 million.

- Gas Distribution Operations' net revenues increased primarily due to the impact of increased residential and commercial margins of $15.4 million as a result of Northern Indiana's change from a volumetric-based rate design to one with a higher fixed charge. The new rate design provides a greater proportion of recovery through the monthly fixed customer charge as opposed to the volumetric charge for certain customer classes. The revenue variance experienced in the third quarter from Northern Indiana's rate design change will be offset during the periods of higher usage throughout the year. Additionally, there was an increase of $7.2 million for other regulatory and service programs, including impacts from the implementation of rates under Columbia of Ohio's approved infrastructure replacement program and rate cases at other NiSource utilities. The increase in net revenues was partially offset by a decrease in net regulatory and tax trackers of $7.9 million, which are offset in expense.
- Gas Transmission and Storage Operations' net revenues increased primarily due to higher demand margin revenue of $7.2 million as a result of growth projects placed into service since the third quarter of 2010. Additionally, there was an increase of $5.2 million in regulatory trackers, which are offset in expense, and an increase of $3.5 million due to the net impact of the rate case filing at Columbia Gulf.
- Electric Operations' net revenues decreased primarily due to a decrease of $3.8 million related to weather, a decrease of $3.7 million in environmental trackers that are partly offset in operating expenses and a decrease of $3.5 million in residential and commercial margins. Additionally, there was a decrease of $2.8 million in off-system sales. These decreases were partially offset by an increase in industrial usage and margins of $3.5 million and lower revenue credits of $3.5 million compared to the prior year.

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

NISOURCE INC.

Expenses

Operating expenses for the third quarter 2011 were $601.6 million, an increase of $3.3 million from the 2010 period. This increase was primarily due to higher environmental costs of $9.8 million and the current period effects of a $6.0 million environmental reserve adjustment in the prior period. Additionally, there was an increase in employee and administrative costs of $4.7 million predominantly as a result of an increased headcount. These increases were partially offset by decreased depreciation costs of $18.2 million primarily due to new approved depreciation rates at Northern Indiana within the Gas Distributions Operations' segment.

Equity Earnings in Unconsolidated Affiliates

Equity Earnings in Unconsolidated Affiliates were $3.5 million in both the third quarter of 2011 and 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 remained flat due to lower hedge ineffectiveness charges at Millennium, which was offset by higher interest costs associated with the August 2010 debt refinancing at Millennium.

Other Income (Deductions)

Other Income (Deductions) reduced income by $94.1 million in 2011 compared to a reduction in income of $95.5 million in the prior year. The decrease in deductions is primarily due to lower interest expense of $1.9 million due to the $681.8 million November 2010 long-term debt maturity and the December 2010 tender offer repurchase of long-term debt of $273.1 million. The benefits were partially offset by incremental interest expense associated with the issuance of long-term debt of $400.0 million in June 2011 and $250.0 million in December 2010, reduced savings associated with interest rate swaps and higher average short-term borrowings and rates. Other-net income of $1.6 million was recorded in 2011 compared to $2.1 million in 2010.

Income Taxes

Income tax expense for the third quarter of 2011 was $17.1 million compared to a benefit of $5.6 million in the prior year. The effective tax rates for the three months ended September 30, 2011 and 2010 were 32.0% and (20.1)%, respectively. The effective tax rate differs 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 such as the electric production tax deduction provided under Internal Revenue Code Section 199.

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 results 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 Internal Revenue Services

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 31, 2011. 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, 2010, NiSource had $107.4 million of unrecorded 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.

Refer to Note 12, "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 $1.6 million in the third quarter of 2011 from discontinued operations compared to a net loss of $0.2 million in the third quarter of 2010.

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

NISOURCE INC.

Results of Operations

Nine Months Ended September 30, 2011

Net Income

NiSource reported net income of $278.8 million, or $0.99 per basic share, for the nine months ended September 30, 2011, compared to net income of $258.6 million, or $0.93 per basic share, for the first nine months of 2010. Income from continuing operations was $280.6 million, or $1.00 per basic share, for the first nine months ended September 30, 2011, compared to income from continuing operations of $258.8 million, or $0.93 per basic share, for the comparable 2010 period. Operating income was $710.0 million, an increase of $44.1 million from the same period in 2010. All per share amounts are basic earnings per share. Basic average shares of common stock outstanding at September 30, 2011 were 280.1 million compared to 277.5 million at September 30, 2010.

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 nine months ended September 30, 2011, were $2,572.7 million, a $50.2 million increase from the same period last year. This increase in net revenues was primarily due to increased Gas Transmission and Storage Operations' net revenues of $31.0 million, increased Gas Distribution Operations' net revenues of $9.9 million and increased Electric Operations' net revenues of $8.3 million.

- Gas Transmission and Storage Operations' net revenues increased primarily due to higher demand margin revenue of $21.1 million as a result of growth projects placed into service since the third quarter of 2010. Additionally, there was an increase of $9.2 million due to the net impact of the rate case filing at Columbia Gulf. Net revenues also increased due to higher regulatory trackers of $6.3 million, which are offset in expense, increased mineral rights royalty revenues of $5.6 million, higher condensate revenue of $4.4 million, increased commodity margin revenue of $3.6 million, 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 the impact of $5.4 million of fees received from a contract buy-out during the second quarter of 2010 and lower shorter term transportation and storage services of $5.2 million.
- Gas Distribution Operations' net revenues increased due primarily to an increase of $21.6 million for other regulatory and service programs, including impacts from rate cases at other NiSource utilities and the implementation of new rates under Columbia of Ohio's approved infrastructure replacement program. Additionally, there were increases of approximately $14.4 million due to the impact of colder weather and a $10.6 million increase in residential and commercial margins due primarily to Northern Indiana's change from a volumetric-based rate design to one with a higher fixed charge. The new rate design provides a greater proportion of recovery through the monthly fixed customer charge as opposed to the volumetric charge for certain customer classes. The revenue variance experienced from Northern Indiana's rate design change will be offset in periods of higher usage. Net revenues also increased $5.7 million as the result of a contract reserve 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. The increases in net revenues were partially offset by a decrease in net regulatory and tax trackers of $26.5 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 $6.6 million.
- Electric Operations' net revenues increased primarily due to increased industrial usage and margins of $19.9 million resulting from improved economic conditions and $7.4 million in lower revenue credits compared to the prior year. These increases were partially offset by a decrease of $11.2 million in residential and commercial margins, a decrease of $3.7 million in environmental trackers that are partly offset in operating expense, and lower off-system sales of $3.6 million.

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

NISOURCE INC.

Expenses

Operating expenses for the nine months ended September 30, 2011 were $1,871.5 million, an increase of $3.6 million from the 2010 period. This increase was primarily due to higher employee and administrative costs of $35.8 million predominantly as a result of an increased headcount, an increase in environmental costs of $12.1 million and higher electric generation costs of $10.0 million due to more outage weeks in the current period. Additionally, there was an increase in outside service costs of $9.1 million. These increases were partially offset by decreased depreciation costs of $46.2 million new approved depreciation rates at Northern Indiana within the Gas Distributions Operations' segment and lower regulatory and tax trackers, which are offset in revenue, of $17.4 million.

Equity Earnings in Unconsolidated Affiliates

Equity Earnings in Unconsolidated Affiliates were $8.8 million for the nine months ended September 30, 2011, a decrease of $2.5 million compared to 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 Millennium incurring higher interest costs associated with the August 2010 debt refinancing partially offset by lower hedge ineffectiveness charges at Millennium.

Other Income (Deductions)

Other Income (Deductions) reduced income by $274.4 million for the nine months ended September 30, 2011 compared to a reduction in income of $287.5 million in the prior year. The decrease in deductions is primarily due to lower interest expense of $14.9 million due to the $681.8 million November 2010 long-term debt maturity and the December 2010 tender offer repurchase of long-term debt of $273.1 million. The benefits were partially offset by incremental interest expense associated with the issuance of long-term debt of $400.0 million in June of 2011 and $250.0 million in December 2010, reduced savings associated with interest rate swaps and higher average short-term borrowings and rates. Other-net income of $5.5 million was recorded in 2011 compared to $7.3 million in 2010.

Income Taxes

Income taxes for the first nine months of 2011 were $155.0 million, an increase of $35.4 million compared to the first nine months of 2010, primarily attributable to higher pre-tax income.

The effective tax rates for the nine months ended September 30, 2011 and 2010 were 35.6% and 31.6%, 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 such as the electric production tax deduction provided under Internal Revenue Code Section 199.

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 results 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 Internal Revenue Services

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 carryforward, 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 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 31, 2011. NiSource changed its method of tax accounting related to certain expenditures, including those related to electric transmission

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

NISOURCE INC.

and distribution assets in 2008. At December 31, 2010, NiSource had $107.4 million of unrecorded 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.

Refer to Note 12, "Income Taxes," in the Notes to the Condensed Consolidated Financial Statements (unaudited) for more detail about income taxes.

Discontinued Operations

There was a $1.8 million net loss from discontinued operations for the nine months ended September 30, 2011, compared to a $0.2 million net loss from discontinued operations in 2010.

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 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 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 2011.

Operating Activities

Net cash from operating activities for the nine months ended September 30, 2011 was $794.1 million, an increase of $461.6 million compared to the nine months ended September 30, 2010. Gas price fluctuations and the related approved rates for recovery significantly impacted working capital when comparing the two periods. During 2011, under-collected gas costs from 2010 were received from customers providing a source of working capital. Conversely, during the comparable period in 2010 over-collected gas costs from 2009 were returned to the customers resulting in a use of working capital.

Pension and Other Postretirement Plan Funding. For the nine months ended September 30, 2011, NiSource has contributed $142.7 million to its pension plans and $41.4 million to its other postretirement benefit plans. NiSource is considering significant contributions to the pension plans in 2011 but such additional contributions are dependent on market conditions and other factors.

Investing Activities

NiSource's capital expenditures for the nine months ended September 30, 2011 were $774.2 million, compared to $553.7 million for the comparable period in 2010. The increase is the result of increased spending for the Gas Distribution Operations' infrastructure replacement programs and Electric Operations' system growth. NiSource projects 2011 capital expenditures to be approximately $1.1 billion.

Restricted cash was $180.1 million and $202.9 million as of September 30, 2011 and December 31, 2010, respectively. The decrease in restricted cash was due to a change in investment positions within NiSource's risk management and energy marketing activities, partially offset by a decrease in forward gas prices which resulted in increased net margin deposits on open derivative contracts.

Financing Activities

Long-term Debt. Refer to Note 15, "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. 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's $1.5 billion unsecured revolving credit facility, which expires in March 2015.

NiSource Finance had $615.0 million in outstanding borrowings under its four-year revolving credit facility at September 30, 2011, at a weighted average interest rate of 1.96%. Under its previous revolving credit facility, NiSource Finance had borrowings of $1,107.5 million at December 31, 2010, at a weighted average interest rate of 0.78%. In addition, NiSource Finance had $425.8 million in commercial paper outstanding at September 30, 2011, at a weighted average interest rate of 0.98%.

As of September 30, 2011 and December 31, 2010, NiSource had $193.2 million and $275.0 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 10, "Transfers of Financial Assets."

As of September 30, 2011 and December 31, 2010, NiSource had $37.4 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 September 30, 2011, an aggregate of $440.0 million of credit was available under the credit facility.

Sale of Trade Accounts Receivables. Refer to Note 10, "Transfers of Financial Assets," in the Notes to Condensed Consolidated Financial Statements (unaudited) for information on the sale of accounts receivable.

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 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. On December 14, 2010, 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 19, 2010, 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. NiSource is scheduled for their annual credit reviews with all three rating agencies in November 2011.

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. The additional collateral requirement that would be required in the event of a downgrade below the ratings trigger levels would amount to approximately $20.8 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.

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

NISOURCE INC.

Contractual Obligations. Refer to Note 12, "Income Taxes," in the Notes to Condensed Consolidated Financial Statements (unaudited) for material changes recorded during the nine months ended September 30, 2011 to NiSource's uncertain tax positions recorded as of December 31, 2010.

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.

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.

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 mark 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, 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 $3.9 million and $12.2 million for the three and nine months ended September 30, 2011, respectively, and $3.6 million and $10.3 million for the three and nine months ended September 30, 2010, 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.

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 9, "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 $0.1 million for the third quarter of 2011, respectively. The daily market exposure for the unregulated gas marketing portfolio for the nine months ended September 30, 2011 on an average, high and low basis was $0.1 million, $0.1 million and zero, 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.

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

NISOURCE INC.

Refer to Note 8, "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 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 $149.9 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 and electricity. 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 18-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 September 30, 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 June 30, 2011 related to the purchase of Northern Indiana Fuel and Light and Kokomo Gas 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 fair value of each reporting unit exceeded the carrying value based on this impairment test. Refer to Note 11, "Goodwill Assets," in the Notes to Condensed Consolidated Financial Statements (unaudited) for additional information concerning NiSource's annual goodwill test.

There were no other significant changes to critical accounting policies for the period ended September 30, 2011.

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 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, 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 US standard setter. The SEC is expected to vote by the end of 2011 on whether to require the use of IFRS and by what method. Additionally, in December 2010 the SEC chairman publicly stated that companies would be allowed a minimum of four years to adjust if the use of IFRS is mandated.

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.

Dodd-Frank Financial Reform Bill

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. Many regulations will be issued to implement the Act over the next twelve to twenty four months. NiSource is currently reviewing the Act and is unable to determine the final impact that the Act will have on its operations until these regulations have been issued.

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

NISOURCE INC.

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 September 30, 2011	2010	Nine Months Ended September 30, 2011	2010
Net Revenues				
Sales Revenues	$418.4	$430.1	$ 2,633.8	$ 2,536.0
Less: Cost of gas sold (excluding depreciation and amortization)	158.9	188.3	1,473.7	1,385.8
Net Revenues	259.5	241.8	1,160.1	1,150.2
Operating Expenses				
Operation and maintenance	178.6	191.1	608.0	634.1
Depreciation and amortization	43.7	63.8	130.3	189.8
Gain on sale of assets	0.3	—	0.4	—
Other taxes	29.0	29.4	125.5	115.2
Total Operating Expenses	251.6	284.3	864.2	939.1
Operating Income	$ 7.9	$ (42.5)	$ 295.9	$ 211.1
Revenues ($ in Millions)				
Residential	$226.1	$230.4	$ 1,673.5	$ 1,423.9
Commercial	67.9	68.9	538.5	474.0
Industrial	44.9	41.7	169.0	156.3
Off System	62.5	61.6	232.2	233.5
Other	17.0	27.5	20.6	248.3
Total	$418.4	$430.1	$ 2,633.8	$ 2,536.0
Sales and Transportation (MMDth)				
Residential	13.8	15.0	181.9	170.2
Commercial	17.6	19.1	121.9	115.1
Industrial	102.5	98.3	322.2	284.3
Off System	14.4	13.7	52.3	56.8
Other	—	0.1	0.5	0.8
Total	148.3	146.2	678.8	627.2
Heating Degree Days	112	72	3,692	3,370
Normal Heating Degree Days	88	88	3,596	3,596
% Colder (Warmer) than Normal	27%	(18%)	3%	(6%)
Customers				
Residential			2,987,202	2,980,557
Commercial			275,677	273,371
Industrial			7,724	7,686
Other			18	81
Total			3,270,621	3,261,695

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 74% 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.

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

NISOURCE INC.
Gas Distribution Operations (continued)

Regulatory Matters

Refer to Note 7, "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. The NiSource distribution companies have 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. 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.

Environmental Matters

Various environmental matters occasionally impact the Gas Distribution Operations segment. As of September 30, 2011, a reserve has been recorded to cover probable and estimable environmental response actions. Refer to Note 18-C, "Environmental Matters," in the Notes to Condensed Consolidated Financial Statements (unaudited) for additional information regarding environmental matters for the Gas Distribution Operations segment.

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 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 third quarter of 2011 was 27% colder than normal and 56% colder than the third quarter in 2010.

Weather in the Gas Distribution Operations' territories for the nine months ended September 30, 2011 was 3% colder than normal and 10% colder compared to the same period in 2010.

Throughput

Total volumes sold and transported of 148.3 MMDth for the third quarter of 2011 increased by 2.1 MMDth from the same period last year. This 1.4% increase in volume was primarily due to higher industrial usage and colder weather.

Total volumes sold and transported of 678.8 MMDth for the first nine months of 2011 increased by 51.6 MMDth from the same period last year. This 8.2% increase in volume was primarily due to higher industrial usage and colder weather.

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 third quarter of 2011 were $259.5 million, an increase of $17.7 million from the same period in 2010, primarily due to the impact of increased residential and commercial margins of $15.4 million as a result of Northern Indiana's change from a volumetric-based rate design to one with a higher fixed charge. The new rate design provides a greater proportion of recovery through the monthly fixed customer charge as opposed to the volumetric charge for certain customer classes. The revenue variance experienced in the third quarter from Northern Indiana's rate design change will be offset during the periods of higher usage throughout the year. Additionally, there was an increase of $7.2 million for other regulatory and service programs, including impacts from the implementation of rates under Columbia of Ohio's approved infrastructure replacement program and rate cases at other NiSource utilities. The increase in net revenues was partially offset by a decrease in net regulatory and tax trackers of $7.9 million, which are offset in expense.

At Northern Indiana, customer billings and related gross sales revenues 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 nine months ended September 30, 2011 was a revenue increase of $3.8 million and a decrease of $45.9 million, respectively, compared to an increase of $0.9 million and $114.8 million for the three and nine months ended September 30, 2010, respectively.

Net revenues for the nine months ended September 30, 2011 were $1,160.1 million, an increase of $9.9 million from the same period in 2010, due primarily to an increase of $21.6 million for other regulatory and service programs, including impacts from rate cases at other NiSource utilities and the implementation of new rates under Columbia of Ohio's approved infrastructure replacement program. Additionally, there were increases of approximately $14.4 million due to the impact of colder weather and $10.6 million in residential and commercial margins due primarily to Northern Indiana's change from a volumetric-based rate design to one with a higher fixed charge. The new rate design provides a greater proportion of recovery through the monthly fixed customer charge as opposed to the volumetric charge for certain customer classes. The revenue variance experienced from Northern Indiana's rate design change will be offset in periods of higher usage. Net revenues also increased $5.7 million as the result of a contract reserve that was established in 2010, $2.8 million from Bear Garden Station which was placed in service in July of 2010, and $2.5 million related to a reserve for unaccounted for gas recorded in 2010. The increases in net revenues were partially offset by a decrease in net regulatory and tax trackers of $26.5 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 $6.6 million.

Operating Income

For the third quarter of 2011, Gas Distribution Operations reported operating income of $7.9 million, an increase of $50.4 million from the comparable 2010 period. Operating income increased as a result of lower operating expenses and higher net revenues, as described above. Operating expenses were $32.7 million lower than the comparable period reflecting a decrease of $20.1 million in depreciation costs primarily due to new approved depreciation rates at Northern Indiana and $7.5 million as a result of regulatory trackers, which are offset in net revenue. Additionally, there was a $3.0 million decrease in employee and administrative costs and lower uncollectible accounts of $1.5 million. These decreases were partially offset by an increase in outside service costs of $3.0 million.

For the nine months ended September 30, 2011, Gas Distribution Operations reported operating income of $295.9 million, an increase of $84.8 million from the comparable 2010 period. The increase in operating income was primarily attributable to lower operating expenses and higher net revenues described above. Operating expenses decreased $74.9 million as a result of a decrease of $59.5 million in depreciation costs primarily due to new approved depreciation rates at Northern Indiana and $34.1 million as a result of lower regulatory trackers, which are offset in net revenue. Additionally, there was a decrease in uncollectible costs of $7.4 million. These decreases were partially offset by an increase in employee and administrative costs of $14.2 million, an increase in other taxes, including trackers offset in net revenue, of $10.3 million, and higher outside service costs of $5.7 million.

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

NISOURCE INC.

Gas Transmission and Storage Operations

(in millions)	Three Months Ended September 30, 2011	2010	Nine Months Ended September 30, 2011	2010
Operating Revenues				
Transportation revenues	$ 179.7	$ 163.7	$ 554.1	$ 522.6
Storage revenues	48.1	49.9	148.0	149.0
Other revenues	5.7	3.9	20.3	19.8
Total Operating Revenues	233.5	217.5	722.4	691.4
Operating Expenses				
Operation and maintenance	122.1	98.8	319.8	287.0
Depreciation and amortization	32.6	31.9	98.1	94.9
Gain on sale of assets	—	—	—	(0.1)
Other taxes	14.1	14.1	41.9	43.9
Total Operating Expenses	168.8	144.8	459.8	425.7
Equity Earnings in Unconsolidated Affiliates	3.5	3.5	8.8	11.3
Operating Income	$ 68.2	$ 76.2	$ 271.4	$ 277.0
Throughput (MMDth)				
Columbia Transmission	184.6	191.1	816.1	750.1
Columbia Gulf	270.3	225.0	777.4	625.0
Crossroads Gas Pipeline	4.0	6.5	14.7	20.2
Intrasegment eliminations	(124.2)	(141.6)	(424.5)	(423.2)
Total	334.7	281.0	1,183.7	972.1

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:

Majorsville, PA. 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 of 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 third project was placed into service in April 2011.

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

NISOURCE INC.
Gas Transmission and Storage Operations (continued)

Power Plant Generation Project. The Gas Transmission and Storage Operations segment is moving forward with this nearly $35 million 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.

Clendenin, West Virginia. 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 Columbia Transmission the ability to meet incremental transportation demand of up to 150,000 Dth per day. Long-term firm transportation contracts for 130,000 Dth per day have been executed, some of which began in the third quarter 2010 and others that began in June 2011.

Smithfield. 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 fourth quarter of 2011.

Line WB Expansion. 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. Construction on all facilities was completed and placed into service in the third quarter of 2011.

East Lateral. 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 services 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. 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.

Rimersburg Expansion. The Gas Transmission and Storage Operations segment has approved an investment of $6 million for the first phase of this project that will ultimately add up to 200,000 Dth per day of capacity to north central Pennsylvania to meet the growing demands of producers in the area. The first phase of the project will consist of the expansion of Line 134 from the Brinker compressor station to the Iowa regulator. This will add approximately 19,000 Dth per day of additional capacity, all of which has been sold through precedent agreements. The second phase of this project is still under commercial development and will require management approval. The project's first phase is currently scheduled to go into service in the first quarter of 2012.

Equity Investments

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 between Corning, New York and Ramapo, New York, as well as to the New York City market through its pipeline interconnections. Columbia Transmission owns a 47.5% interest in Millennium and acts as operator for the pipeline in partnership with DTE Millennium Company and National Grid Millennium LLC, which each own an equal remaining share of the company.

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

NISOURCE INC.
Gas Transmission and Storage Operations (continued)

Distributions of available accumulated earnings during the nine months ended September 30, 2011 were $15.0 million made to its partners, each sharing based upon their respective ownership percentages. Millennium returned $23.8 million of capital to Columbia Transmission during the same period in 2010. Columbia Transmission made no contributions during the nine months ended September 30, 2011 and $88.1 million during the same period in 2010.

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 $7.5 million and $15.8 million of available accumulated earnings during the nine months ended September 30, 2011 and 2010, respectively, to its partners, each sharing equally in the distribution. Columbia Transmission made no contributions during 2011 or 2010.

During the first quarter 2010, Hardy Storage converted its outstanding borrowings of $123.4 million, which were partially guaranteed by Columbia Transmission, under its temporary financing agreement to a secured permanent financing. As a result, Columbia Transmission was released from its underlying guarantee.

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 custom 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 September 30, 2011, approximately 92.3% of the transportation revenues were derived from capacity reservation fees paid under firm contracts and 5.7% of the transportation revenues were derived from usage fees under firm contracts compared to approximately 91.1% and 7.6%, respectively, for the quarter ended September 30, 2010. For the nine months ended September 30, 2011, approximately 91.7% of the transportation revenues were derived from capacity reservation fees paid under firm contracts and 6.4% of the transportation revenues were derived from usage fees under firm contracts compared to approximately 91.5% and 4.8%, respectively, for the nine months ended September 30, 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 the quarters ended September 30, 2011 and 2010, approximately 2.0% and 1.3%, respectively, of the transportation revenues were derived from interruptible contracts. For the nine months ended September 30, 2011 and 2010, approximately 1.9% and 3.7%, respectively, of the transportation revenues were derived from interruptible contracts.

Regulatory Matters

Refer to Note 7, "Regulatory Matters," in the Notes to Condensed Consolidated Financial Statements (unaudited) for information on regulatory matters for the Gas Transmission and Storage Operations segment.

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

NISOURCE INC.

Gas Transmission and Storage Operations (continued)

Environmental Matters

Various environmental matters occasionally impact the Gas Transmission and Storage Operations segment. As of September 30, 2011, a reserve has been recorded to cover probable and estimable environmental response actions. Refer to Note 18-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 city gate deliveries of 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. Throughput for Columbia Gulf reflects mainline transportation services delivered to Leach, Kentucky and short-haul transportation services for gas delivered south of Leach, Kentucky. Crossroads Pipeline serves customers in Northern Indiana and Ohio. Intra-segment eliminations represent gas delivered to an affiliated pipeline within this segment.

Throughput for the Gas Transmission and Storage Operations segment totaled 334.7 MMDth for the third quarter of 2011, compared to 281.0 MMDth for the same period in 2010. The increase of 53.7 MMDth for the three-month period was attributable 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.

Throughput for the Gas Transmission and Storage Operations segment totaled 1,183.7 MMDth for the first nine months of 2011, compared to 972.1 MMDth for the same period in 2010. The increase of 211.6 MMDth was primarily due 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.

Revenues

Net revenues were $233.5 million for the third quarter of 2011, an increase of $16.0 million from the same period in 2010, primarily due to higher demand margin revenue of $7.2 million as a result of growth projects placed into service since the third quarter of 2010. Additionally, there was an increase of $5.2 million in regulatory trackers, which are offset in expense, and an increase of $3.5 million due to the net impact of the rate case filing at Columbia Gulf.

Net revenues were $722.4 million for the first nine months of 2011, an increase of $31.0 million from the same period in 2010, primarily due to higher demand margin revenue of $21.1 million as a result of growth projects placed into service since the third quarter of 2010. Additionally, there was an increase of $9.2 million due to the net impact of the rate case filing at Columbia Gulf. Net revenues also increased due to higher regulatory trackers of $6.3 million, which are offset in expense, increased mineral rights royalty revenues of $5.6 million, higher condensate revenue of $4.4 million, increased commodity margin revenue of $3.6 million, 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 the impact of $5.4 million of fees received from a contract buy-out during the second quarter of 2010 and lower shorter term transportation and storage services of $5.2 million.

Operating Income

Operating income was $68.2 million for the third quarter of 2011, a decrease of $8.0 million from the third quarter of 2010. This decrease is due to higher operating expenses partially offset by higher net revenues, as described above. Operating expenses increased $24.0 million as a result of higher environmental costs of $11.2 million, increased regulatory trackers of $5.2 million, which are offset in revenue, increased employee and administrative costs of $5.1 million, and executive separation costs of $3.5 million.

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

NISOURCE INC.
Gas Transmission and Storage Operations (continued)

Operating income was $271.4 million for the nine months ended September 30, 2011, a decrease of $5.6 million from the comparable period in 2010. Operating income decreased as a result of higher operating expenses and lower equity earnings partially offset by the increase in net revenues, as described above. Operating expenses increased $34.1 million primarily due to higher environmental costs of $13.2 million, an increase in employee and administrative costs of $9.9 million, higher regulatory trackers of $6.3 million, which are offset in net revenues, and higher depreciation costs of $3.2 million. Equity earnings decreased $2.5 million as a result of higher interest costs associated with the August 2010 debt refinancing at Millennium partially offset by lower hedge ineffectiveness charges at Millennium.

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

NISOURCE INC.

Electric Operations

(in millions)	Three Months Ended September 30, 2011	2010	Nine Months Ended September 30, 2011	2010
Net Revenues				
Sales revenues	$ 406.8	$ 399.6	$ 1,106.8	$ 1,062.1
Less: Cost of sales (excluding depreciation and amortization)	156.4	142.4	426.3	389.9
Net Revenues	250.4	257.2	680.5	672.2
Operating Expenses				
Operation and maintenance	104.6	91.9	309.9	277.9
Depreciation and amortization	53.7	53.8	166.1	159.0
Impairment and loss on sale of assets, net	0.1	—	0.1	—
Other taxes	13.2	15.6	42.6	44.7
Total Operating Expenses	171.6	161.3	518.7	481.6
Operating Income	$ 78.8	$ 95.9	$ 161.8	$ 190.6
Revenues ($ in millions)				
Residential	123.9	124.7	310.8	301.7
Commercial	106.9	103.5	294.4	278.7
Industrial	142.3	130.4	445.1	372.2
Wholesale	9.1	13.5	18.1	24.6
Other	24.6	27.5	38.4	84.9
Total	406.8	399.6	1,106.8	1,062.1
Sales (Gigawatt Hours)				
Residential	1,120.7	1,175.7	2,760.9	2,833.2
Commercial	1,083.7	1,103.8	2,955.2	2,991.1
Industrial	2,242.0	2,180.0	7,010.1	6,321.8
Wholesale	239.9	330.0	507.2	635.7
Other	39.7	47.0	121.3	128.2
Total	4,726.0	4,836.5	13,354.7	12,910.0
Cooling Degree Days	649	700	907	977
Normal Cooling Degree Days	578	578	808	808
% Warmer than Normal	12%	21%	12%	21%
Electric Customers				
Residential			399,525	399,556
Commercial			53,879	53,696
Industrial			2,411	2,435
Wholesale			16	15
Other			737	741
Total			456,568	456,443

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.

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

NISOURCE INC.
Electric Operations (continued)

Electric Supply

On October 29, 2009, Northern Indiana filed its 2009 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. With the effects of the present economy, existing resources are projected to be sufficient through 2012 to serve customers' needs. Therefore, Northern Indiana's two requests for proposals to secure additional new sources of electric power issued on October 24, 2008 were not acted upon. With numerous variables contributing to uncertainty in the near-term outlook, Northern Indiana continues to monitor and assess economic, regulatory and legislative activity, and will update its resource plan in the fourth quarter of 2011.

Regulatory Matters

Refer to Note 7, "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 September 30, 2011, a reserve has been recorded to cover probable and estimable environmental response actions. Refer to Note 18-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 third quarter of 2011 were 4,726.0 gwh, a decrease of 110.5 gwh compared to the third quarter of 2010. The 2.3% decrease occurred primarily from lower wholesale, residential and commercial volumes. These decreases were partially offset by higher industrial volumes as a result of improvement in overall economic conditions.

Electric Operations sales quantities for the nine months ended September 30, 2011 were 13,354.7 gwh, an increase of 444.7 gwh compared to *the same period in 2010. The 3.4% increase occurred primarily from higher industrial volumes as a result of improvement in overall economic* conditions.

Net Revenues

Net revenues were $250.4 million for the third quarter of 2011, a decrease of $6.8 million from the same period in 2010, primarily due to a decrease of $3.8 million related to weather, a decrease of $3.7 million in environmental trackers that are partly offset in operating expenses and a decrease of $3.5 million in residential and commercial margins. Additionally, there was a decrease of $2.8 million in off-system sales. These decreases were partially offset by an increase in industrial usage and margins of $3.5 million and lower revenue credits of $3.5 million compared to the prior year.

At Northern Indiana, customer billings and the related gross sales 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 nine months ended September 30, 2011 was a revenue increase of $12.1 million and $2.7 million, respectively, compared to an increase of $12.9 million and $44.0 million for the three and nine months ended September 30, 2010, respectively.

Net revenues were $680.5 million for the nine months ended September 30, 2011, an increase of $8.3 million from the same period in 2010, primarily due to increased industrial usage and margins of $19.9 million resulting from improved economic conditions and $7.4 million in lower revenue credits compared to the prior year. These increases were partially offset by a decrease of $11.2 million in residential and commercial margins, a decrease of $3.7 million in environmental trackers that are partly offset in operating expense, and lower off-system sales of $3.6 million.

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

NISOURCE INC.
Electric Operations (continued)

Operating Income

Operating income for the third quarter of 2011 was $78.8 million, a decrease of $17.1 million from the same period in 2010 due to higher operating expenses and lower net revenues described above. Operating expenses increased $10.3 million due primarily to the current period effects of a $6.0 million environmental reserve adjustment in the prior period, a $4.7 million write-off of rate case costs, and increased employee and administrative costs of $3.1 million. These increases were partially offset by a $4.9 million one-time inventory adjustment recorded in the prior period.

Operating income for the nine months ended September 30, 2011 was $161.8 million, a decrease of $28.8 from the same period in 2010, due to higher operating expenses partially offset by an increase in net revenues, as described above. Operating expenses increased $37.1 million due primarily to higher employee and administrative costs of $10.8 million, higher electric generation costs of $10.0 million as there were more outage weeks in the current period, a regulatory adjustment of $9.0 million, the current period effects of a $6.0 million environmental reserve adjustment in the prior period, and a $4.7 million write-off of rate case costs. These increases were partially offset by a $4.9 million one time inventory adjustment recorded in the prior period.

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

M 1. LEGAL PROCEEDINGS

N I S OURCE I NC .

1. Tawney, et al. v. Columbia Natural Resources, Inc., Roane County, WV Circuit Court

The Plaintiffs, who are West Virginia landowners, filed a lawsuit in early 2003 in the West Virginia Circuit Court for Roane County, West Virginia (the "Trial Court") against CNR alleging that CNR underpaid royalties on gas produced on their land by improperly deducting post-production costs and not paying a fair value for the gas. Plaintiffs also claimed that Defendants fraudulently concealed the deduction of post-production charges. In December 2004, the Trial Court granted Plaintiffs' motion to add NiSource and Columbia as Defendants. The Trial Court later certified the case as a class action that includes any person who, after July 31, 1990, received or is due royalties from CNR (and its predecessors or successors) on lands lying within the boundary of the state of West Virginia. Although NiSource sold CNR in 2003, NiSource remained obligated to manage this litigation and was responsible for the majority of any damages awarded to Plaintiffs. On January 27, 2007, the jury hearing the case returned a verdict against all Defendants in the amount of $404.3 million inclusive of both compensatory and punitive damages; Defendants subsequently filed their Petition for Appeal, which was later amended, with the West Virginia Supreme Court of Appeals (the "Appeals Court"), which refused the petition on May 22, 2008. On August 22, 2008, Defendants filed Petitions to the United States Supreme Court for writ of certiorari. Given the Appeals Court's earlier refusal of the appeal, NiSource adjusted its reserve in the second quarter of 2008 to reflect the portion of the Trial Court judgment for which NiSource would be responsible, inclusive of interest. This amount was included in "Legal and environmental reserves," on the Consolidated Balance Sheet as of December 31, 2008. On October 24, 2008, the Trial Court preliminarily approved a Settlement Agreement with a total settlement amount of $380 million. The settlement received final approval by the Trial Court on November 22, 2008. NiSource's share of the settlement liability is up to $338.8 million. On June 21, 2011, the Court issued the Second Supplemental Order to conclude administration of settlement. The Order sets forth the specific steps to be taken by the Parties to close administration of the settlement and terminate the settlement fund. As of September 30, 2011, NiSource funded all claims tendered by the Claims Administrator. NiSource does not expect to make additional material payments in this matter.

2. Environmental Protection Agency Notice of Violation

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 1995 without ining appropriate air permits for the modifications. Northern Indiana, EPA, Department of Justice, and IDEM have settled the matter.

consent decree was entered by the United States District Court for the Northern District of Indiana on July 22, 2011. The consent decree covers Northern Indiana's four coal generating stations: Bailly, Michigan City, R.M. Schahfer, and D.H. Mitchell. Northern Indiana must surrender environmental permits for D.H. Mitchell's coal-fired boilers, which have not been used to generate power since 2002. At the other generating stations, Northern Indiana must install additional control equipment, including three new SO2 control devices and one new NOx control device. The consent decree also imposes emissions limits for NOx, SO2, and particulate, and annual tonnage limits for NOx and SO2. In addition, Northern Indiana paid fines of $3.5 million in the third quarter of 2011, must surrender certain NOx and SO2 allowances, and invest $9.5 million in environmental mitigation projects. Northern Indiana is estimating the cost of NSR related capital improvements at $570 to $845 million, which will be expended between 2010 and 2018. Northern Indiana believes the capital costs will likely be recoverable from ratepayers.

3. 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 1A. RISK FACTORS

There were no material changes from the risk factors disclosed in NiSource's 2010 10-K filed on February 28, 2011.

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

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. (REMOVED AND RESERVED)

ITEM 5. OTHER INFORMATION

None.

16. EXHIBITS

OURCE I NC .

(10.1)	Amended Restated Savings Restoration Plan for NiSource Inc. and Affiliates.
(10.2)	Amended and Restated NiSource Inc. Executive Deferred Compensation Plan effective.
(10.3)	Amended and Restated NiSource Inc. Supplemental Executive Retirement Plan effective.
(10.4)	Amended and Restated Pension Restoration Plan for NiSource Inc. and Affiliates effective.
(10.5)	Letter Agreement dated August 29, 2011 between Christopher A. Helms and NiSource Inc. or any of its affiliates or subsidiaries.
(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

ant 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 10% 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: October 28, 2011

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

SAVINGS RESTORATION PLAN

FOR NISOURCE INC. AND AFFILIATES

As Amended and Restated Effective May 13, 2011

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SAVINGS RESTORATION PLAN
FOR NISOURCE INC. AND AFFILIATES

As Amended and Restated Effective May 13, 2011

ARTICLE I

BACKGROUND AND PURPOSE

1.1 **Background**. Prior to January 1, 2004, Columbia Energy Group sponsored the Savings Restoration Plan for Columbia Energy Group for eligible executives of Columbia Energy Group and certain Affiliates. Effective January 1, 2004, NiSource Inc., the parent company of Columbia Energy Group, assumed sponsorship of the Savings Restoration Plan for Columbia Energy Group, renamed the Plan the Savings Restoration Plan for NiSource Inc. and Affiliates, and broadened the Plan to include all employees of NiSource Inc. and Affiliates.

The Plan was amended and restated effective January 1, 2004, and amended effective January 1, 2005. The Plan was then amended and restated again effective January 1, 2005, to comply with Code Section 409A, and guidance and regulations thereunder, with respect to benefits earned under the Plan from and after January 1, 2005. Benefits under the Plan earned and vested prior to January 1, 2005 shall be administered without giving effect to Code Section 409A, and guidance and regulations thereunder. The provisions of the Plan as set forth herein apply only to Participants who actively participate in the Plan on or after January 1, 2005. Any Participant who retired or otherwise terminated employment with the Company and all Affiliates prior to January 1, 2005 shall have his or her rights determined under the provision of the Plan as it existed when his or her employment relationship terminated.

The Plan was further amended and restated, effective January 1, 2008, to provide for mandatory lump sum payments of small account balances in accordance with Code Section 409A. The Plan was amended and restated again, effective January 1, 2010, to contain provisions that eliminate mid-year enrollment into the Plan and to allow Participants who make Roth Contributions to a Basic Plan to participate in this Plan. The plan was further amended and restated, effective January 1, 2010, to restore certain Employer Contributions given to Participants who are classified as "exempt employees" by the Employer and who are hired or rehired on or after January 1, 2010.

The Plan is amended and restated again, effective May 13, 2011 or as otherwise stated herein, to restore Profit Sharing Contributions that otherwise would have been contributed to Participants under the Basic Plan (if not subject to the Limits, defined below) and to transfer all administrative authority with respect to the Plan (including the authority to render decisions on claims and appeals and make administrative or ministerial amendments) from the ONC Committee to the Benefits Committee.

1.2 **Purpose**. The purpose of the Plan is to provide for the payment of savings restoration benefits to employees of NiSource Inc. and Affiliates, whose benefits under the Basic Plan are subject to the Limits or affected by deferrals into the DCP, so that the total savings plan benefits of such employees shall be determined on the same basis as is applicable to all other employees of the Company. The Plan is adopted solely (1) for the purpose of providing benefits to Participants in the Plan and their Beneficiaries in excess of the Limits imposed on qualified [illegible] by Code Section 401(a)(17) and any other Code Sections, by restoring benefits to such Plan Participants and Beneficiaries that are no [illegible]er available under the Basic Plan as a result of the Limits, and (2) for the purpose of restoring benefits to Plan Participants and [illegible]eficiaries that are no longer available under the Basic Plan as a result of the Participant's deferrals into the DCP.

ARTICLE II

DEFINITIONS

For the purposes of the Plan, the following terms shall have the meanings indicated, unless the context clearly indicates otherwise. Except when otherwise required by the context, any masculine terminology in this document shall include the feminine, and any singular terminology shall include the plural. The headings of Articles and Sections are included solely for convenience, and if there is any conflict between such headings and the text of the Plan, the text shall control.

2.1 **Affiliate**. Any corporation that is a member of a controlled group of corporations (as defined in Code Section 414(b)) that includes the Company; any trade or business (whether or not incorporated) that is under common control (as defined in Code Section 414(c)) with the Company; any organization (whether or not incorporated) that is a member of an affiliated service group (as defined in Code Section 414(m)) that includes the Company; any leasing organization, to the extent that its employees are required to be treated as if they were employed by the Company pursuant to Code Section 414(n) and the regulations thereunder; and any other entity required to be aggregated with the Company pursuant to regulations under Code Section 414(o). An entity shall be an Affiliate only with respect to the existing period as described in the preceding sentence.

2.2 **Annual Addition**. With respect to any Participant, the sum in any Plan Year of:

(a) the Company's or any Affiliate's, matching or profit sharing contributions to the Basic Plan on behalf of the Participant; plus

(b) all Participant deposits to the Basic Plan, including before-tax and after-tax deposits.

For purposes of the Plan, the determination of a Participant's Annual Addition shall be made without regard to the Limits.

2.3 **Basic Plan**. The NiSource Inc. Retirement Savings Plan, as amended and restated effective January 1, 2010, and as further amended from time to time (or as amended and restated for any prior period to the extent the provisions of the Plan refer to such prior period for the [illegible] Plan).

2.4 **Beneficiary**. The person, persons or entity entitled to receive any Plan benefits payable after a Participant's death.

2.5 **Benefits Committee**. The NiSource Benefits Committee.

2.6 **Code**. The Internal Revenue Code of 1986, as amended.

2.7 **Company**. NiSource Inc., a Delaware Corporation.

2.8 **DCP**. The Columbia Energy Group Deferred Compensation Plan on or prior to December 31, 2003, and, thereafter, the NiSource Inc. Executive Deferred Compensation Plan, as further amended from time to time.

2.9 **Disability**. A condition that (a) causes a Participant to be unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, (b) causes a Participant, by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, to receive income replacement benefits for a period of not less than three months under an accident and health plan covering employees of the Company or an Affiliate or (c) causes a Participant to be eligible to receive Social Security disability payments.

2.10 **Employee**. Any individual who is employed by an Employer on a basis that involves payment of salary, wages or commissions.

2.11 **Employer**. The Company or any Affiliate that maintains or adopts the Basic Plan for the benefit of its eligible Employees.

2.12 **ERISA**. The Employee Retirement Income Security Act of 1974, as amended.

2.13 **Interest**. The average of the prime rates of interest charged as of the last business day of a month, determined under procedures established by the Plan Administrator.

2.14 **Limits**. The limits imposed on tax qualified retirement plans by Code Sections 415 and 401(a)(17) and any other Code Sections.

2.15 **ONC Committee**. The Officer Nomination and Compensation Committee of the Board of Directors of the Company.

2.16 **Participant**. Any Employee who is participating in the Plan in accordance with its provisions.

2.17 **Plan**. The Savings Restoration Plan for NiSource Inc. and Affiliates (formerly known as the Savings Restoration Plan for the Columbia Energy Group, and before that as the Thrift Restoration Plan for the Columbia Energy Group), as set forth herein.

2.18 **Plan Administrator**. The Benefits Committee or such delegate of the Benefits Committee delegated to carry out the administrative functions of the Plan.

2.19 **Plan Year**. The 12-month period commencing each January 1 and ending the following December 31.

2.20 **Post-2004 Benefit**. The portion of a Participant's Supplemental Savings Account equal to the excess of (1) the balance of the Participant's Supplemental Savings Account determined as of a Participant's date of separation from service with the Company and all Affiliates after December 31, 2004 over (2) the Pre-2005 Benefit, to which the Participant would be entitled under the Plan if he voluntarily separated from service without cause as of such date and received a full payment of benefits from the Plan on the earliest possible date allowed under the Plan following his separation from service.

2.21 **Pre-2005 Benefit**. The portion of a Participant's Savings Account determined as of December 31, 2004, adjusted to reflect Interest credited to such balance from and after such date.

2.22 **Supplemental Savings Account**. The sum of credits accrued under Article IV on behalf of a Participant, adjusted to reflect Interest credited to the Account, and reduced by any withdrawals under Article V.

2.23 **Unforeseeable Emergency**. A severe financial hardship to a Participant resulting from an illness or accident of the Participant, the Participant's spouse or a dependent (as defined in Code Section 152(a)), of the Participant, loss of the Participant's property due to casualty or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. The amount distributed with respect to an Unforeseeable Emergency shall not exceed the amount necessary to satisfy the Emergency, plus amounts necessary to pay taxes reasonably anticipated as a result of the distribution, after taking into account the extent to which such hardship is or may be relieved through reimbursement or compensation by insurance or otherwise, or by liquidation of the Participant's assets (to the extent the liquidation of such assets would not itself cause severe financial hardship).

ARTICLE III

ELIGIBILITY

3.1 **Eligibility**. Any Employee who is not a Participant in the Plan on December 31, 2004, who is participating in the Basic Plan and (i) whose Compensation in a Plan Year will exceed the Limits, or (ii) who has deferrals in the DCP excluded for purposes of benefit

allocations in the Basic Plan, shall be eligible to become a Participant in the Plan as of January 1 of such Plan Year. Any Participant in the Plan on December 31, 2004 shall continue as a Participant after that date. If an Employee who was not expected to be eligible to become a Participant in a given Plan Year subsequently qualifies because his or her Compensation exceeds the Limits for that Plan Year, or because he or she becomes eligible for, or begins to participate in, the DCP, such Employee shall be eligible to participate in the Plan as soon as practicable after this determination has been made or deferrals begin.

3.2 **Notice of Eligibility to Participants**. The Plan Administrator shall inform each Employee of his or her eligibility to participate in the Plan as soon as practicable but before the earliest date such Employee's participation could become effective.

3.3 **Method of Becoming a Participant**. In order to become a Participant, each eligible Employee must sign a written agreement with his or her Employer providing for a reduction of his or her Compensation and a corresponding direction of Employer contributions or Participant Pretax Contributions or Roth Contributions that would normally be made to the Basic Plan, except for the Limits or deferrals into the DCP, to be credited to his or her Supplemental Savings Account under the Plan, to the extent necessary to satisfy the Limits with respect to the Basic Plan or deferrals into the DCP. Notwithstanding the foregoing, eligible Employees may receive the Employer credits described in Sections 4.2(b) and 4.2(c) of this Plan without having signed such a written agreement.

Employees who are notified of their eligibility to participate in the Plan shall become a Participant by delivering to the Plan Administrator the written agreement referenced in the preceding paragraph. The written agreement will be effective with respect to the Employee's Compensation earned for services performed beginning January 1 st of the Plan Year after the Plan Year in which the written agreement is delivered.

3.4 **Continuation of Participation**. A Participant shall remain a Participant so long as his or her Supplemental Savings Account has not been fully distributed to him or her.

ARTICLE IV

SUPPLEMENTAL SAVINGS ACCOUNT

4.1 **Supplemental Savings Account**. A Supplemental Savings Account shall be established for each Participant. The amounts to be credited to a Participant's Supplemental Savings Account shall be determined under procedures established by the Plan Administrator and shall consist of:

(a) Employer credits, as described in Sections 4.2 and 4.3; plus

(b) Participant credits, as described in Section 4.4; plus

(c) Interest credits under Section 4.5.

A Participant's Supplemental Savings Account shall be reduced by any withdrawals made under Article V.

4.2 **Employer Credits**.

(a) Credits Related to Matching Contributions. The amount of Employer credits related to Matching Contributions for a Participant shall equal (1) minus (2) below:

(1) The total amount of Matching Contributions that would otherwise have been contributed to the Basic Plan for the Participant during all years in which the Participant participated in the Basic Plan without regard to the Limits or deferrals into the DCP;

(2) The actual amount of Matching Contributions that have been contributed to the Basic Plan for the Participant.

(b) Credits Related to Profit Sharing Contributions. Effective January 1, 2011, Employer credits pursuant to this Section 4.2(b) shall be reflected in the Plan for all Participants in the Plan on or after such date, including the following: (1) those who received Profit Sharing Contributions to the Basic Plan for 2010 or later that were subject to the Limits, or (2) those who otherwise had Profit Sharing Contributions limited or adjusted under the Basic Plan on or after January 1, 2011. The amount of Employer credits related to Profit Sharing Contributions for a participant shall equal (1) minus (2) below:

(1) The total amount of Profit Sharing Contributions that would otherwise have been contributed to the Basic Plan for the Participant during all years in which the Participant participated in the Basic Plan without regards to the Limits or deferrals into the DCP.

(2) The actual amount of Profit Sharing Contributions that have been contributed to the Basic Plan for the Participant.

(c) Credits Related to Certain Employer Contributions for Exempt Employees Hired or Rehired on or After January 1, 2010. Effective as of January 1, 2010, and only with respect to a Participant who is classified by the Employer as an "exempt employee" and who is hired or rehired on or after January 1, 2010, the amount of Employer credits for a Participant shall equal (1) minus (1) below:

(1) The total amount of the Employer Contribution under the Basic Plan that otherwise would have been contributed in an amount equal to 3% of the Participant's Compensation without regard to the Limits;

(2) The actual amount of the Employer Contribution under the Basic Plan that was contributed to the Participant in an amount equal to 3% of the Participant's Compensation.

This amount shall be payable to any applicable Participant in addition to any amounts he or she may be entitled to under Sections 4.2(a) and 4.2(b) of this Plan and regardless of whether such Participant has signed a written agreement to participate in this Plan.

4.3 **Special Employer Credits**. Any Participant who (1) during the 2003 and/or 2004 Plan Years had a Matching Contribution allocated to his Matching Contribution Account under the Basic Plan that was less than the maximum Matching Contribution available under the Basic Plan, (2) authorized After-tax Contributions and/or Pre-tax Contributions under the Basic Plan equal to at least 6% of his Compensation for such Plan Year(s), (3) commenced employment with an Employer prior to January 1, 2002 and was still employed by an Employer on January 1, 2005 and (4) participated in the Account Balance Option of the NiSource Salaried Pension Plan, the NiSource Subsidiary Pension Plan or the Bay State Gas Company Pension Plan, as applicable, shall be eligible for an additional Employer credit hereunder. The additional Employer credit shall be calculated as the difference between (i) the Matching Contributions that would have been allocated to the Participant's Matching Contribution Account under the Basic Plan during the 2003 and/or 2004 Plan Year(s) if his or her total After-tax Contributions, if any, and Pre-tax Contributions under the Basic Plan for such Plan Year(s) had been contributed evenly over each pay period throughout the Plan Year(s) and (ii) the Matching Contribution actually allocated to the Participant's Matching Contribution Account under the Basic Plan for such Plan Year(s).

The additional Employer credit, plus interest (calculated using a rate equal to 4.5% from January 1, 2005 to the date the additional Employer credit is credited to his or her Supplemental Savings Account as provided herein) shall be credited to the Participant's Supplemental Savings Account in accordance with Section 4.1. The additional Employer credit shall be credited to his or her Supplemental Savings Account as soon as administratively practicable after September 1, 2005, but in any event no later than December 31, 2005.

Except where inconsistent with this Section 4.3, the additional Employer credit shall be subject to all provisions of the Plan applicable to Employer credits.

4.4 **Participant Credits**. The amount of Participant credits for a Participant shall equal (a) minus (b) below:

(a) The total amount of Pre-tax Contributions and Roth Contributions that would otherwise have been contributed to the Basic Plan for the Participant without regard to the Limits or deferrals into the DCP;

(b) The actual amount of Pre-tax Contributions and Roth Contributions contributed to the Basic Plan for the Participant.

4.5 **Interest Credits**.

(a) Interest credits to a Participant's Supplemental Savings Account, if applicable, shall be considered made on a monthly basis.

(b) All credits shall accrue Interest starting with the first full calendar month in which they are deemed to be a part of the applicable Supplemental Savings Account and ending with the last full calendar month in which credits are still deemed to be part of the Supplemental Savings Account.

(c) Interest shall be based on the balance of the value of the Participant's Supplemental Savings Account as of the first working day of the calendar month and credited as of the last working day of the calendar month.

(d) In the event there is a withdrawal by a Participant from his or her Supplemental Savings Account, the value of such Supplemental Savings Account, prior to the withdrawal, shall be credited with Interest to the end of the calendar month in which the withdrawal is actually made. The amount of the withdrawal shall then be subtracted from the balance so determined.

(e) Interest shall be earned only on monies held under reserve by an Employer. If the Plan Administrator has invested any portion of a Participant's Supplemental Savings Account, Interest shall not be earned on such portion, but such Account shall be adjusted for actual earnings, gains, and losses on such investment.

ARTICLE V

IN-SERVICE WITHDRAWALS

5.1 **Pre-2005 Benefit**. This section applies only to a Pre-2005 Benefit.

(a) In-Service Withdrawals. Subject to the limitations of Section 5.3, a Participant, by filing a written request with the Plan Administrator, may, while employed by an Employer or an Affiliate, elect to withdraw 33%, 67% or 100% of his or her Pre-2005 Benefit.

(b) Limitation on In-Service Withdrawals. Any In-Service withdrawal under paragraph (a) of this Section 5.1 shall be subject to a 10% early distribution penalty.

(c) Unforeseeable Emergency. At the written request of a Participant, and in the written discretion of the Plan Administrator, up to 100% of the balance of a Participant's Pre-2005 Benefit, determined as of the last day of the calendar month prior to the date of distribution may be distributed to a Participant in a lump sum in the case of an Unforeseeable Emergency.

5.2 **Post-2004 Benefit**. A Participant shall be entitled to withdraw all or any portion of his or her Post-2004 Benefit, as he or she may request in a direction delivered to the Plan Administrator, in the case of an Unforeseeable Emergency.

5.3 **Limitations on In-Service Withdrawals**. Any In-Service Withdrawal under this Article V shall be subject to the following provisions:

(a) Only one In-Service Withdrawal shall be permitted in any 12-month period.

(b) In-Service Withdrawals under this Article V shall require suspension of Employer credits and Participant credits (but not Interest credits) under the Plan for a period of time varying with the percentage of the value of the Participant's Supplemental Savings Account which is withdrawn, according to the following schedule:

Percentage	Suspension
Up to 33%	2 months
34 - 67%	4 months
68 - 100%	6 months

This suspension shall not affect a Participant's participation in the Basic Plan nor the basis for determining the Employer contributions or Participant Pre-tax Contributions under the Basic Plan.

ARTICLE VI

TERMINATION OF PARTICIPATION AND PAYMENT OF BENEFITS

6.1 **Termination of Participation**. A Participant's participation in the Plan shall terminate at separation from service with the Company and all Affiliates for any reason, including Disability or death.

6.2 **Benefits at Termination of Participation**. Upon his or her separation from service, a Participant, his or her spouse, or his or her Beneficiary or legal representative shall be entitled to 100% of the Participant's Supplemental Savings Account credited with Interest, if applicable, through the calendar month preceding the date payment is made to the Participant (or to his or her spouse, legal representative or Beneficiary in the case of his or her incapacity or death).

6.3 **Method and Time of Payment**.

(a) Pre-2005 Benefit.

(i) The Pre-2005 Benefit payable under the Plan to a Participant or his or her spouse, Beneficiary, or legal representative shall be paid in the same form under which the Basic Plan benefit is payable to the Participant or his or her spouse, Beneficiary, or legal representative. The Participant's election under the Basic Plan of any optional form of payment of his or her Basic Plan benefit (with the valid consent of his or her surviving spouse where required under the Basic Plan) shall also be applicable to the payment of his or her Pre-2005 Benefit under the Plan.

(ii) Payment of the Pre-2005 Benefit under the Plan to a Participant or his or her spouse, Beneficiary, or legal representative under the Plan shall commence on the same date as payment of the benefit to the Participant or his or her spouse, Beneficiary, or legal representative under the Basic Plan commences. Any election under the Basic Plan made by the Participant with respect to the commencement of payment of his or her benefit under the Basic Plan shall also be applicable with respect to the commencement of payment of his or her Pre-2005 Benefit under the Plan.

(iii) Notwithstanding the provisions of paragraphs (i) and (ii) above, an election made by the Participant under the Basic Plan with respect to the form of payment of his or her Pre-2005 Benefit thereunder (with the valid consent of his or her surviving spouse where required under the Basic Plan), or the date for commencement of payment thereof, shall not be effective with respect to the form of payment or date for commencement of payment of his or her Pre-2005 Benefit under the Plan unless such election is expressly approved in writing by the Plan

Administrator. If the Plan Administrator shall not approve such election in writing, then the form of payment or date for commencement of payment of the Participant's Pre-2005 Benefit under the Plan shall be selected by the Plan Administrator at its sole discretion.

(b) Post-2004 Benefit.

(i) Payment of a Post-2004 Benefit in accordance with this Section 6.3 shall commence within 45 days after the Participant's date of separation from service with the Company and all Affiliates, or, if later, within such timeframe permitted under Code Section 409A, and guidance and regulations thereunder.

(ii) The Post-2004 Benefit shall be payable in a form elected by a Participant no later than December 31, 2005. Notwithstanding the preceding sentence, in the case of an Employee who becomes a Participant on or after January 1, 2005, the aforementioned election with respect to the form of payment of a Post-2004 Benefit shall be made within 30 days after the date the Participant first becomes eligible to participate, and such election shall be effective with respect to Compensation related to services to be performed subsequent to the election; provided that such a Participant shall not be considered first eligible if on the date he becomes a Participant he participates in any other nonqualified account balance plan that is subject to Code Section 409A, maintained by the Company or an Affiliate. The form of payment shall be elected by the Participant at the time he makes the election described in the first or second sentence of this paragraph (iii) from among those forms of payment available at that time under the Basic Plan. If a timely payment election is not made by a Participant, payment shall be made in a lump sum.

(iii) A Participant cannot change the time or form of payment of a Post-2004 Benefit under this Section 6.3(b) unless (A) such election does not take effect until at least 12 months after the date the election is made, (B) in the case of an election related to a payment not related to the Participant's Disability or death, the first payment with respect to which such new election is effective is deferred for a period of not less than five years from the date such payment would otherwise have been made, and (C) any election related to a payment based upon a specific time or pursuant to a fixed schedule may not be made less than 12 months prior to the date of the first scheduled payment.

(iv) Notwithstanding any preceding provision of this Section 6.3(b), a Participant may change an election with respect to the time and form of payment of a Post-2004 Benefit, without regard to the restrictions imposed under paragraph (iii) next above, on or before December 31, 2006; provided that such election (A) applies only to amounts that would not otherwise be payable in calendar year 2006, and (B) shall not cause an amount to be paid in calendar year 2006 that would not otherwise be payable in such year.

(v) Notwithstanding any other provision of the Plan, in no event can a payment of a Post-2004 Benefit to a Participant who is a Specified Employee of the Company or an Affiliate, at a time during which the Company's capital stock or capital stock of an Affiliate is publicly traded on an established securities market, in the calendar year of his or her separation from service be made before the date that is six months after the date of the Participant's separation from service with the Company and all Affiliates, unless such separation is due to death or Disability.

A Participant shall be deemed to be a Specified Employee for purposes of this subparagraph (v) if he or she is in job category C2 or above with respect to the Company or the Affiliate that employs him or her; provided that if at any time the total number of Employees in job category C2 and above is less than 50, a Specified Employee shall include any person who meets the definition of a Key Employee set forth in Code Section 416(i) without reference to paragraph (5). A Participant shall be deemed to be a Specified Employee with respect to a calendar year if he is a Specified Employee on September 30th of the preceding calendar year. If a Specified Employee will receive payments hereunder in the form of installments or an annuity, the first payment made as of the date six months after the date of the Participant's separation from service with the Company and all Affiliates shall be a lump sum, paid as soon as practicable after the end of such six-month period, that includes all payments that would otherwise have been made during such six-month period. From and after the end of such six month period, any such installment or annuity payments shall be made pursuant to the terms of the applicable installment or annuity form of payment.

(c) Mandatory Lump Sum Payments.

Notwithstanding any other provision in this Section 6.3, if (1) the sum of the Participant's Pre-2005 Benefit and Post-2004 Benefit does not exceed the applicable dollar limit under code Section 402(g)(1)(B) and (2) this sum is the entirety of the Participant's interest in the Plan and all other arrangements with respect to which deferrals of compensation are treated as having been deferred under a single nonqualified deferred compensation plan under Code Section 409A and applicable guidance thereunder *(i.e.,* this Plan and the NiSource Inc. Executive Deferred Compensation Plan), then the form of payment of both the Pre-2005 Benefit and Post-2004 Benefit shall be a single lump sum.

ARTICLE VII

ADMINISTRATION OF PLAN

7.1 **Allocation of Duties to Committees**. The Plan shall be administered by the Benefits Committee, as delegated by the ONC Committee. The Benefits Committee shall have the authority to make, amend, interpret, and enforce all appropriate rules and regulations for the administration of the Plan and decide or resolve any and all questions, including interpretations of the Plan, as may arise in such administration, except as otherwise reserved to the ONC Committee herein, or by resolution or charter of the respective committees.

In its discretion, the Plan Administrator may delegate to any division or department of the Company the discretionary authority to make decisions regarding Plan administration, within limits and guidelines from time to time established by the Plan Administrator. The delegated discretionary authority shall be exercised by such division or department's senior officer, or his/her delegate. Within the scope of the delegated discretionary authority, such officer or person shall act in the place of the Plan Administrator and his/her decisions shall be treated as decisions of the Plan Administrator.

7.2 **Agents**. The Plan Administrator may, from time to time, employ agents and delegate to them such administrative duties as it sees fit, and may from time to time consult with counsel who may be counsel to the Company.

7.3 **Information Required by Plan Administrator**. The Company shall furnish the Plan Administrator with such data and information as the Plan Administrator may deem necessary or desirable in order to administer the Plan. The records of the Company as to an employee's or Participant's period or periods of employment, separation from Service and the reason therefore, reemployment and Compensation will be conclusive on all persons unless determined to the Plan Administrator's satisfaction to be incorrect. Participants and other persons entitled to benefits under the Plan also shall furnish the Plan Administrator with such evidence, data or information as the Plan Administrator considers necessary or desirable to administer the Plan.

7.4 **Binding Effect of Decisions**. Subject to applicable law, and the provisions of Article VIII, any interpretation of the provisions of the Plan and any decision on any matter within the discretion of the Benefits Committee and/or the ONC Committee (or any duly authorized delegate of either such committee) and made in good faith shall be binding on all persons.

ARTICLE VIII

CLAIMS PROCEDURE

8.1 **Claims Procedure**. Claims for benefits under the Plan shall be made in writing to the Plan Administrator. The Plan Administrator establish rules and procedures to be followed by Participants and Beneficiaries in filing claims for benefits, and for furnishing and ying proof necessary to establish the right to benefits in accordance with the Plan, consistent with the remainder of this Article.

8.2 **Review of Claim**. The Plan Administrator shall review all claims for benefits. Upon receipt by the Plan Administrator of such a claim, it shall determine all facts that are necessary to establish the right of the claimant to benefits under the provisions of the Plan and the amount thereof as herein provided within 90 days of receipt of such claim. If prior to the expiration of the initial 90 day period, the Plan Administrator determines additional time is needed to come to a determination on the claim, the Plan Administrator shall provide written notice to the Participant, Beneficiary or other claimant of the need for the extension, not to exceed a total of 180 days from the date the application was received. If the Plan Administrator fails to notify the claimant in writing of the denial of the claim within 90 days after the Plan Administrator receives it, the claim shall be deemed denied.

8.3 **Notice of Denial of Claim**. If the Plan Administrator wholly or partially denies a claim for benefits, the Plan Administrator shall, within a reasonable period of time, but no later than 90 days after receiving the claim (unless extended as noted above), notify the claimant in writing of the denial of the claim. Such notification shall be written in a manner reasonably expected to be understood by such claimant and shall in all respects comply with the requirements of ERISA, including but not limited to inclusion of the following:

(a) the specific reason or reasons for denial of the claim;

(b) a specific reference to the pertinent Plan provisions upon which the denial is based;

(c) a description of any additional material or information necessary for the claimant to perfect the claim, together with an explanation of why such material or information is necessary; and

(d) an explanation of the Plan's review procedure,

8.4 **Reconsideration of Denied Claim**. Within 60 days of the receipt by the claimant of the written notice of denial of the claim, or within 60 days after the claim is deemed denied as set forth above, if applicable, the claimant or duly authorized representative may file a written request with the Benefits Committee that it conduct a full and fair review of the denial of the claimant's claim for benefits. If the claimant or duly authorized representative fails to request such a reconsideration within such 60 day period, it shall be conclusively determined for all purposes of the Plan that the denial of such claim by the Benefits Committee is correct. In connection with the claimant's appeal of the denial of his or her benefit, the claimant may review pertinent documents and may submit issues and comments in writing.

The Benefits Committee shall render a decision on the claim appeal promptly, but not later than 60 days after receiving the claimant's request for review, unless, in the discretion of the Benefits Committee, special circumstances require an extension of time for processing, in which case the 60-day period may be extended to 120 days. The Benefits Committee shall notify the claimant in writing of any such extension. The notice of decision upon review shall be in writing and shall include specific reasons for the decision, written in a manner calculated to be understood by the claimant, as well as specific references to the pertinent Plan provisions upon which the decision is based. If the decision on review is not furnished within the time period set forth above, the claim shall be deemed denied on review.

If such determination is favorable to the claimant, it shall be binding and conclusive. If such determination is adverse to such claimant, it shall be binding and conclusive unless the claimant or his duly authorized representative notifies the Benefits Committee within 90 days after the mailing or delivery to the claimant by the Benefits Committee of its determination that claimant intends to institute legal proceedings challenging the determination of the Benefits Committee and actually institutes such legal proceedings within 180 days after such mailing or delivery.

ARTICLE IX

PLAN AMENDMENT AND TERMINATION

9.1 **Plan Amendment**. While the Company intends to maintain the Plan in conjunction with the Basic Plan, the Company or the ONC Committee reserves the right to amend the Plan at any time and from time to time with respect to eligibility for the Plan, the level of benefits awarded under the Plan and the time and form of payment for benefits from the Plan. The ONC Committee or the Board shall have the authority to amend the Plan. The ONC Committee or the Board shall have the exclusive authority to amend the Plan regarding eligibility for the Plan, the amount or level of benefits awarded under the Plan, and the time and form of payments for benefits from the Plan. In addition, the ONC Committee or the Board shall also have the exclusive authority to make amendments that constitute a material increase in compensation, any change requiring action or consent by a committee of the Board pursuant to the rules of the Securities and Exchange Commission, the New York Stock Exchange or other applicable law, or such other material changes to the Plan such that approval of the Board is required. Unless otherwise determined by the ONC Committee, the Benefits Committee shall have the authority to amend the Plan in all respects that are not exclusively reserved to the ONC Committee or the Board.

The respective committee may at any time amend the Plan by written instrument, notice of which is given to all Participants and to Beneficiaries. Notwithstanding the preceding sentence, no amendment shall impair or alter such right to a benefit accrued under the Plan as of the effective date of such amendment to or with respect to any Employee who has become a Participant in the Plan before the effective date of such amendment or with respect to his or her Beneficiary.

9.2 **Plan Termination**. The ONC Committee or the Company may terminate the Plan at any time provided that termination of the Plan shall not impair or alter such right to a benefit accrued under the Plan as of the effective date of such termination to or with respect to any Employee who has become a Participant in the Plan before the effective date of such termination or with respect to his or her Beneficiary.

Upon termination of the Plan, distribution of Plan benefits shall be made to Participants, surviving spouses and beneficiaries in the manner and at the time described in Article VI of the Plan. No additional benefits shall be earned after termination of the Plan other than the crediting of Interest until the date of distribution of a Participant's Supplemental Savings Account.

ARTICLE X

MISCELLANEOUS PROVISIONS

10.1 **Unsecured General Creditor**. Participants and Beneficiaries shall be unsecured general creditors, with no secured or preferential right to any assets of the Company, any other Employer, or any other party for payment of benefits under the Plan. Obligations of the Company and each other Employer under the Plan shall be an unfunded and unsecured promise to pay money in the future.

10.2 **Income Tax Payout**.

(a) Notwithstanding anything to the contrary contained herein, (1) in the event that the Internal Revenue Service prevails in its claim that any amount of a Pre-2005 Benefit, payable pursuant to the Plan and held in the general assets of the Company or any other Employer, constitutes taxable income to a Participant or his or her Beneficiary for a taxable year prior to the taxable year in which such amount is distributed to him or her, or (2) in the event that legal counsel satisfactory to the Company, and the applicable Participant or his or her Beneficiary, renders an opinion that the Internal Revenue Service would likely prevail in such a claim, the amount of such Benefit held in the general assets of the Company or any other Employer, to the extent constituting taxable income, shall be immediately distributed to the Participant or his or her Beneficiary. For purposes of this Section, the Internal Revenue Service shall be deemed to have prevailed in a claim if such claim is upheld by a court of final jurisdiction, or if the Participant or Beneficiary, based upon an opinion of legal counsel satisfactory to the Company and the Participant or his or her Beneficiary, fails to appeal a decision of the Internal Revenue Service, or a court of applicable jurisdiction, with respect to such claim, to an appropriate Internal Revenue Service appeals authority or to a court of higher jurisdiction within the appropriate time period.

(b) Notwithstanding anything to the contrary contained herein, (1) in the event that the Internal Revenue Service prevails in its claim that any amount of a Post-2004 Benefit, payable pursuant to the Plan and held in the general assets of the Company or any other Employer, constitutes taxable income under Code Section 409A, and guidance and regulations thereunder, to a Participant or his or her Beneficiary for a taxable year prior to the taxable year in which such amount is distributed to him or her, or (2) in the event that legal counsel satisfactory to the Company, and the applicable Participant or his or her Beneficiary, renders an opinion that the Internal Revenue Service would likely prevail in such a claim, the amount of such Benefit held in the general assets of the Company or any other Employer, to the extent constituting such taxable income, shall be immediately distributed to the Participant or his or her Beneficiary. For purposes of this Section, the Internal Revenue Service shall be deemed to have prevailed in a claim if such claim is upheld by a court of final jurisdiction, or if the Participant or Beneficiary, based upon an opinion of legal counsel satisfactory to the Company and the Participant or his or her Beneficiary, fails to appeal a decision of the Internal Revenue Service, or a court of applicable jurisdiction, with respect to such claim, to an appropriate Internal Revenue Service appeals authority or to a court of higher jurisdiction within the appropriate time period.

10.3 **General Conditions**. Except as otherwise expressly provided herein, all terms and conditions of the Basic Plan applicable to a Basic Plan benefit shall also be applicable to a benefit payable hereunder. Any Basic Plan benefit shall be paid solely in accordance with the terms and conditions of the Basic Plan and nothing in the Plan shall operate or be construed in any way to modify, amend or affect the terms and provisions of the Basic Plan. Defined terms used in the Plan that are not defined in this Article or elsewhere in the Plan but are defined in the Basic Plans shall have the meanings assigned to them in the Basic Plans.

10.4 **No Guaranty of Benefits**. Nothing contained in the Plan shall constitute a guaranty by the Company or any other Employer or any other entity or person that the assets of the Company or any other Employer shall be sufficient to pay any benefit hereunder.

10.5 **No Enlargement of Employee Rights**. No Participant or Beneficiary shall have any right to a benefit under the Plan except in accordance with the terms of the Plan. Establishment of the Plan shall not be construed to give any Participant or Beneficiary the right to be retained in the service of the Company or any other Employer.

10.6 **Nonalienation of Benefits**. No interest of any person or entity in, or right to receive a benefit under, the Plan shall be subject in any manner to sale, transfer, assignment, pledge, attachment, garnishment, or other alienation or encumbrance of any kind; nor may such interest or right to receive a benefit be taken, either voluntarily or involuntarily, for the satisfaction of the debts of, or other obligations or claims against, such person or entity, including claims for alimony, support, separate maintenance, and claims in bankruptcy proceedings.

Notwithstanding the preceding paragraph, the Supplemental Savings Account of any Participant shall be subject to and payable in the amount determined in accordance with any qualified domestic relations order, as that term is defined in Section 206(d)(3) of ERISA. The Plan Administrator shall provide for payment of such portion of a Supplemental Savings Account to an alternate payee (as defined in Section 206(d)(3) of ERISA) as soon as administratively possible following receipt of such order. Any federal, state or local income tax associated with such payment shall be the responsibility of the alternate payee. The balance of any Supplemental Savings Account that is subject to any qualified domestic relations order shall be reduced by the amount of any payment made pursuant to such order.

10.7 **Applicable Law**. The Plan shall be construed and administered under the laws of the State of Indiana, except to the extent preempted by applicable federal law.

10.8 **Incapacity of Recipient**. If any person entitled to a benefit payment under the Plan is deemed by the Plan Administrator to be incapable of personally receiving and giving a valid receipt for such payment, then, unless and until claim therefor shall have been made by a duly appointed guardian or other legal representative of such person, the Plan Administrator may provide for such payment or any part thereof to be made to any other person or institution then contributing toward or providing for the care and maintenance of such person. Any such payment shall be a payment for the account of such person and a complete discharge of any liability of the Company, any other Employer, the Plan Administrator and the Plan therefor.

10.9 **Unclaimed Benefit**. Each Participant shall keep the Plan Administrator informed of his or her current address and the current address of his or her Beneficiaries. The Plan Administrator shall not be obligated to search for the whereabouts of any person. If the location of a Participant is not made known to the Plan Administrator within three years after the date on which payment of the Participant's benefit may first be made, payment may be made as though the Participant had died at the end of the three-year period. If, within one additional year after such three-year period has elapsed or within three years after the actual death of a Participant, the Plan Administrator is unable to locate any Beneficiary of the Participant, then the Plan Administrator shall have no further obligation to pay any benefit hereunder to such Participant, Beneficiary, or any other person and such benefit shall be irrevocably forfeited.

10.10 **Limitations on Liability**. Notwithstanding any of the preceding provisions of the Plan, none of the Company, any other Employer, or any individual acting as an employee, or agent at the direction of the Company or any other Employer, or any member of the Benefits Committee, the ONC Committee or any delegate of such committees, shall be liable to any Participant, former Participant, Beneficiary, or any other person for any claim, loss, liability or expense incurred in connection with the Plan.

[signature block follows on next page]

IN WITNESS WHEREOF, NiSource Inc. has caused this amended and restated Savings and Restoration Plan for NiSource Inc. and Affiliates to be executed in its name, by its duly authorized officer, effective as of May 13, 2011.

NISOURCE INC.

By: /s/ Joel Hoelzer
Its: V.P. Human Resources
Date: July 28, 2011

NISOURCE INC.

EXECUTIVE DEFERRED COMPENSATION PLAN

Amended and Restated Effective May 13, 2011

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NISOURCE INC.

EXECUTIVE DEFERRED COMPENSATION PLAN

ARTICLE I

BACKGROUND AND PURPOSE

1.1 **Background**. Effective November 1, 2000, the Bay State Gas Company Key Employee Deferred Compensation Plan (the "Bay State Plan") was merged into the NIPSCO Plan and the NIPSCO Plan was renamed the NiSource Inc. Executive Deferred Compensation Plan (the "Plan"). Effective January 1, 2004, the Columbia Energy Group Deferred Compensation Plan (the "Columbia Plan") was merged into the Plan. Effective January 1, 2005, the Plan was amended and restated to comply with Code Section 409A, and guidance and regulations thereunder. Deferred Compensation, Discretionary Contributions, and earnings thereon, earned and vested prior to January 1, 2005 shall be administered without giving effect to Code Section 409A, and guidance and regulations thereunder. Effective January 1, 2008, the Plan was amended and restated to incorporate the provisions of amendments to the Plan since the January 1, 2005, amendment and restatement and to allow participants to elect to participate in the Plan only during the applicable enrollment period or at such later date allowed under Code Section 409A for certain performance based bonuses.

The Plan is hereby amended and restated effective as of May 13, 2011 to transfer all administrative authority with respect to the Plan (including the authority to render decisions on claims and appeals and make administrative or ministerial amendments) from the ONC Committee to the Benefits Committee.

1.2 **Purpose**. The purpose of this Plan is to provide current tax planning opportunities as well as supplemental funds for retirement or death for selected employees of an Employer. It is intended that the Plan will aid in attracting and retaining employees of exceptional ability by providing them with these benefits.

ARTICLE II

DEFINITIONS

For the purposes of the Plan, the following terms shall have the meanings indicated, unless the context clearly indicates otherwise. Exc when otherwise required by the context, any masculine terminology in this document shall include the feminine, and any singular terminolog shall include the plural. The headings of Articles and Sections are included solely for convenience, and if there is any conflict between such headings and the text of the Plan, the text shall control.

2.1 Account. *The device used by an Employer to measure and determine the amount to be paid to a Participant under the Plan. Each* Account shall be divided into a Pre-2005 Account containing contributions to the Plan earned and vested prior to January 1, 2005, a Post-2004 Account containing contributions to the Plan earned and/or vested on or after January 1, 2005, and, if applicable, a Transferred Bay State Account containing any amount transferred from the Bay State Plan or a Transferred Columbia Account containing any amount transferred from the Columbia Plan.

2.2 Affiliate. Any corporation that is a member of a controlled group of corporations (as defined in Code Section 414(b)) that includes the Company; any trade or business (whether or not incorporated) that is under common control (as defined in Code Section 414(c)) with the Company; any organization (whether or not incorporated) that is a member of an affiliated service group (as defined in Code Section 414(m)) that includes the Company; any leasing organization, to the extent that its employees are required to be treated as if they were employed by the Company pursuant to Code Section 414(n) and the regulations thereunder; and any other entity required to be aggregated with the Company pursuant to regulations under Code Section 414(o). An entity shall be an Affiliate only with respect to the existing period as described in the preceding sentence.

2.3 Beneficiary. The person, persons or entity entitled under Article VIII to receive any Plan benefits payable after a Participant's death.

2.4 Benefits Committee. The NiSource Benefits Committee.

2.5 Board. The Board of Directors of NiSource Inc.

2.6 Code. The Internal Revenue Code of 1986, as amended from time to time.

2.7 Company. NiSource Inc.

2.8 Compensation. Base salary and annual incentive awards paid to a Participant during the calendar year, before reduction for amounts deferred under the Plan or any other salary reduction program. Compensation earned on or after January 1, 2005 shall not include incentive payments other than annual incentive awards. Compensation does not include expense reimbursements, any form of noncash compensation, benefits. Compensation does not include lump sum severance payments or lump sum vacation payouts.

2.9 Deferral Commitment. A commitment made by a Participant to defer Compensation pursuant to Article III.

2.10 Deferral Period. Each calendar year.

2.11 Determination Date. Each business day.

2.12 Discretionary Contribution. The Employer contribution credited to a Participant's Account under Section 5.3.

2.13 Effective Date May 13, 2011, the date on which the provisions of this amended and restated Plan become effective, except as otherwise provided herein.

2.14 Election Form. The agreement submitted by a Participant to the Retirement Committee or Benefits Committee prior to the beginning of a Deferral Period, with respect to a Deferral Commitment made for such Deferral Period.

2.15 Eligible Employee. A select group of management or highly compensated employees of the Employer selected by the ONC Committee in accordance with this Plan.

2.16 Employer. The Company and any subsidiary or Affiliate of the Company designated by the ONC Committee to participate in the Plan.

2.17 ONC Committee. The Officer Nomination and Compensation Committee of the Board of Directors of the Company.

2.18 Participant. Any eligible individual who has elected to defer Compensation under the Plan.

2.19 Plan. The NiSource Inc. Executive Deferred Compensation Plan, as set forth herein and as amended from time to time.

2.20 Plan Administrator. The Benefits Committee, or such delegate of the Benefits Committee delegated to carry out the administrative functions of the Plan as provided under Article IX.

2.21 Post-2004 Account. The excess of (1) the total balance of the Participant's Account determined as of a Participant's date of separation from service with all Employers (provided that such separation from service occurred after December 31, 2004) over (2) his Pre-2005 Account, to which the Participant would be entitled under the Plan if he voluntarily separated from service without cause as of such date and received a full payment of benefits from the Plan on the earliest possible date allowed under the Plan following his separation from service.

2.22 Pre-2005 Account. The balance of a Participant's Account determined as of December 31, 2004, adjusted to reflect earnings credited to such balance from and after such date.

2.23 Retirement Committee. A committee consisting of the Company's Senior Vice President of Human Resources and the Vice President of Human Resources (in charge of Total Rewards), or such other offices as shall be deemed equivalent to such positions.

2.24 Transferred Bay State Account. The balance of a Participant's Account containing any amount transferred from the Bay State Plan. The Bay State Plan was merged into the Plan as of November 1, 2000. The balance of the account of each Bay State Plan participant, determined as of November 1, 2000, was transferred to the Plan and became the initial balance in such Participant's Transferred Bay State Account in the Plan. A Participant's Transferred Bay State Account shall be held, administered, invested, and distributed pursuant to the terms of the Plan.

2.25 Transferred Columbia Account. The balance of a Participant's Account containing any amount transferred from the Columbia Plan. The Columbia Plan was merged into the Plan as of January 1, 2004. The balance of the account of each Columbia Plan participant, determined as of December 31, 2003, was transferred to the Plan and became the initial balance in such Participant's Transferred Columbia Account in the Plan. A Participant's Transferred Columbia Account shall be held, administered, invested, and distributed pursuant to the terms of the Plan.

2.26 Unforeseeable Emergency. A severe financial hardship to the Participant resulting from an illness or accident of the Participant, the Participant's spouse, or a dependent (as defined in Code Section 152(a)) of the Participant, loss of the Participant's property due to casualty, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant.

ARTICLE III

ELIGIBILITY AND PARTICIPATION

3.1 Eligibility. From and after January 1, 2005, eligibility to participate in the Plan for a Deferral Period shall be limited to (1) an employee in job scope level D2 or above, and (2) any other key employee of an Employer who is designated from time to time by the ONC Committee.

3.2 Participation. An Eligible Employee shall become a Participant in the Plan by electing to defer Compensation in accordance with Article IV. An Eligible Employee also becomes a participant if the Employer credits the Participant's Account with a Discretionary Contribution.

3.3 Amendment of Eligibility Criteria. The ONC Committee may, in its discretion, change the criteria for eligibility for any reason, provided, however, that no change in the criteria for eligibility shall be effective unless such changes are (a) within guidelines established by the ONC Committee or (b) approved by the ONC Committee. Eligibility for participation in one year does not guarantee eligibility to participate in any future year.

ARTICLE IV

DEFERRAL COMMITMENTS

4.1 Timing of Deferral Elections. An Eligible Employee may elect to defer Compensation for services performed in any Deferral Period by submitting an Election Form to the Retirement Committee only during the annual enrollment period, established by the Retirement Committee, which shall end no later than December 31, of the year preceding such Deferral Period. Thus, for any salary to be paid for services performed in a year, an election to defer such salary must be made no later than December 31, of the prior year. Further, except as provided in Section 4.1(b) below, for annual incentive awards paid for services performed in a year, an election to defer such annual incentive award must be made no later than December 31, of the prior year. To illustrate these provisions, an election to defer salary payable for services performed in 2008 must be made by December 31, 2007. Further, an election to defer annual incentive awards that are (1) not performance-based compensation described in Section 4.1(b) below, (2) earned for the 2009 calendar year, and (3) to be paid in March 2010, must be made by December 31, 2008.

4.2 Amount of Deferral. A Participant may make a Deferral Commitment in the Election Form as follows:

(a) Base Compensation Deferral Commitment. The amount of base Compensation that a Participant may elect to defer in a Compensation Deferral Commitment shall be stated as a whole percentage of base Compensation from five percent (5%) to 80%; provided, however, that the Company may reduce the amount deferred to the extent necessary to satisfy federal, state, local, or other tax withholding obligations and employee benefit plan withholding requirements.

(b) Annual Incentive Deferral Commitment. The amount of any annual incentive award that a Participant may elect to defer in a Compensation Deferral Commitment shall be stated as a whole percentage of the annual incentive award from five percent (5%) to 100%; provided, however, that the Company may reduce the amount deferred to the extent necessary to satisfy federal, state, local, or other tax withholding obligations and employee benefit plan withholding requirements.

(c) No Deferral Commitment shall be made subsequent to the date of a Participant's separation from service with all Employers.

4.3 Distribution Options. Each Deferral Commitment with respect to a calendar year shall specify the date on which the applicable deferred amount and earnings thereon shall be distributed. Such date shall be the first to occur of (1) the date of the Participant's separation service with all Employers; or (2) a date selected by the Participant, provided that a selected date must be at least one year after the date eferred amount would have been paid to the Participant in cash in the absence of the election to make the deferral.

4.4 Duration of Deferral Commitment. A Participant shall make an election in his Election Form as to the time and form of payment of the Deferral Commitment for each Deferral Period. A Participant's Deferral Commitment for any Deferral Period is effective only for such Deferral Period in order to defer Compensation for a subsequent Deferral Period, an Eligible Employee must file a new deferral election with respect to such Compensation. A Participant shall not be required to designate the same time and form of payment for each Deferral Period.

4.5 Modification of Deferral Commitment. Except as provided otherwise in this Plan, Deferral Commitments shall be irrevocable.

4.6 Change in Employment Status. If the Plan Administrator determines that a Participant's performance is no longer at a level that deserves reward through participation in the Plan, but does not terminate the Participant's employment with an Employer, the Participant's existing Deferral Commitment shall terminate at the end of the current Deferral Period, and no new Deferral Commitment may be made by such Participant for any Deferral Period beginning after notice of such determination is given by the Plan Administrator.

ARTICLE V

DEFERRED COMPENSATION ACCOUNT

5.1 Account. The Compensation deferred by a Participant under the Plan, including any Discretionary Contributions and earnings thereon, shall be credited to the Participant's Account. Separate subaccounts may be maintained to reflect different forms of distribution, investment options, levels of vesting, and forms of payment. The Account shall be a bookkeeping device utilized for the sole purpose of determining the benefits payable under the Plan and shall not constitute a separate fund of assets.

5.2 Timing of Credits; Withholding. A Participant's deferred Compensation shall be credited to the Participant's Account at the time it would have been payable to the Participant. Any withholding of taxes or other amounts with respect to deferred Compensation that is required by federal, state or local law shall be withheld from the Participant's nondeferred Compensation to the maximum extent possible and any remaining amount shall reduce the amount credited to the Participant's Account.

5.3 Discretionary Contributions. An Employer may make Discretionary Contributions to a Participant's Account. Discretionary Contributions shall be credited at such times and in such amounts as the ONC Committee in its sole discretion shall determine.

5.4 Determination of Account. Each Participant's Account as of each Determination Date shall consist of the balance of the Account as of the immediately preceding Determination Date, adjusted as follows:

(a) New Deferrals. The Account shall be increased by any deferred Compensation credited since such preceding Determination Date.

(b) Discretionary Contributions. The Account shall be increased by any Discretionary Contributions credited since such preceding Determination Date.

(c) Distributions. The Account shall be reduced by any benefits distributed from the Account to the Participant since such preceding Determination Date.

(d) Valuation of Account. The Account shall be increased or decreased by the aggregate earnings, gains and losses on such Account since such preceding Determination Date.

5.5 Vesting of Account. Each Participant shall be vested in the amounts credited to such Participant's Account and earnings thereon as follows:

(a) Amounts Deferred. A Participant shall be 100% vested at all times in the amount of Compensation elected to be deferred under the Plan, and earnings thereon.

(b) Discretionary Contributions. A Participant's Discretionary Contributions, and earnings thereon, shall become vested as determined by the ONC Committee.

(c) Transferred Account. A Participant shall be 100% vested at all times in the balance of his Transferred Bay State Account or Transferred Columbia Account, if any.

5.6 Statement of Account. The Retirement Committee shall give to each Participant a statement showing the balance in the Participant's Account periodically, at such times as may be determined by the Retirement Committee, in written or electronic form.

ARTICLE VI

INVESTMENTS

6.1 Investment Options. Amounts credited hereunder to the Account of a Participant shall be invested as such Participant elects among the investment choices provided to the Participant. The investment options shall be determined by the Company from time to time in its sole and absolute discretion. No election of a Deferral Commitment by a Participant shall be effective until such time as the Participant submits his initial investment election to the Company. Such investment election shall continue to apply to subsequent Deferral Commitments made by the Participant until changed by the Participant.

6.2 Special Investment Option for Former Participants in the Bay State Plan and Participants in the Plan. Former participants in the Bay State Plan who became Participants in the Plan, or Participants in the Plan on November 1, 2000, shall have an additional special investment option applicable solely to their Transferred Bay State Account balances, or their Account balances in the Plan, valued as of November 1, 2000, and any subsequent amounts contributed to such Participant's Account. Such Participants may invest their Transferred Bay State Account balances, or their Account balances in the Plan as of November 1, 2000, and any subsequent amounts contributed to such Participant's Account, in a subaccount which shall be credited with earnings equal to one percentage point higher than the effective annual yield of the average of the Moody's Average Corporate Bond Yield Index for the previous calendar month as published by Moody's Investor Services, Inc. (or any successor publisher thereto), or, if such index is no longer published, a substantially similar index selected by the Plan Administrator. A Participant's Transferred Bay State Account balance, or his Account balance in the Plan on November 1, 2000, shall be invested pursuant to this special investment option from and after November 1, 2000, and until such time as another investment choice is designated by him pursuant to Section 6.1 with respect to all or a portion of his Transferred Bay State Account, or his Account balance in the Plan on November 1, 2000. Subsequent amounts contributed to any such Participant's Account may be invested pursuant to this option as designated by the Participant pursuant to Section 6.1. However, any portion of a Transferred Bay State Account, or an Account balance in the Plan, subsequently transferred from the investment option described in this Section 6.2 to another investment option may not be reinvested under this Section 6.2.

6.3 Special Investment Option for Former Participants in the Columbia Plan . Former participants in the Columbia Plan who become Participants in the Plan on January 1, 2004 shall have an additional special investment option applicable solely to their Transferred Columbia Account balances, valued as of January 1, 2004, Such Participants may invest all or any portion of their Transferred Columbia Account balances in a subaccount that shall be credited each day with earnings equal to the prime rate of interest in effect as of such business day, as listed in The Wall Street Journal. All or the designated portion of a Participant's Transferred Columbia Account balance shall be invested pursuant to this special investment option from and after January 1, 2004, and until such time as another investment choice is designated by him pursuant to Section 6.1 with respect to all or a portion of his Transferred Columbia Account. Any portion of a Transferred Columbia Account subsequently transferred from the investment option described in this Section 6.3 to another investment option may not be reinvested under the investment option described in this Section 6.3. Amounts contributed to any such Participant's Account on or after January 1, 2004 shall not be eligible for the investment option described in this Section 6.3.

ARTICLE VII

PAYMENTS AND DISTRIBUTIONS

7.1 **Distributions/Events Generally**. Participants generally will not be entitled to receive a distribution of their Account balance until separate from service with the Employer for any reason, as provided in Section 7.3. A Participant may receive a distribution before ration from service, however, in accordance with this Article VII, upon (1) an Unforeseeable Emergency that occurs before separation from service, or (2) a year that has been designated by the Participant in a Deferral Commitment and that occurs before separation from service.

7.2 **In-Service Distributions**.

(a) General Payments. A Participant, in connection with a Deferral Commitment, may elect to receive his or her Compensation deferred for a Deferral Period, and all amounts credited or debited thereto, in a specified year while employed with an Employer. The Participant, in a Deferral Commitment, may elect to receive such an in-service distribution as either a lump sum or equal annual installments over a period of not more than 15 years. If a Participant does not make such an election, the payment shall be made in a lump sum.

If a Participant elects to receive an in-service distribution as a lump sum, the amount of the lump sum payment will be based on the value of the Participant's account as of March 15 of the designated year. The distribution date generally shall be March 31 of such year, or, if later, within such time frame permitted under Code Section 409A and the guidance and regulations thereunder.

If a Participant elects to receive installments, the amount of each installment payment will be based on the value of the participant's account as of the March 15 preceding the distribution of each installment payment. The distribution date generally shall be each subsequent March 31, or if later, within such time frame permitted under Code Section 409A, and the guidance and regulations thereunder.

(b) Modifying In-Service Distributions.

(1) Pre-2005 Account. Notwithstanding any other provision of the Plan, a Participant may modify his election as to the form or time of distribution of his entire Pre-2005 Account, and earnings thereon, by a writing filed with the Retirement Committee at any time prior to the commencement of payment. A Participant's modification of his election as to the form or time of commencement of payment shall be ineffective, unless (1) the modification election is filed with the Retirement Committee more than 12 months prior to the time of commencement of payment, or (2) a Participant elects by written instrument delivered to the Company prior to the time of commencement of payment to have his Pre-2005 Account reduced by 10%. This reduction shall be forfeited and used by the Plan to reduce expenses of administration. This reduction is intended to discourage a Participant from modifying his election as to the form or time of commencement of payment within the period set forth in clause (1) above and prevent him from being deemed in constructive receipt of his Pre-2005 Account prior to its actual payment to him.

(2) Post-2004 Account. The Company, in its discretion, may allow a Participant to modify his election as to the form or time of distribution of his entire Post-2004 Account, and earnings thereon, or of any Post-2004 Deferral Commitment under the Plan and earnings thereon, if (1) such election does not take effect until at least 12 months after the date on which the election is made, (2) the first payment with respect to which such election is made is deferred for a period of not less than five (5) years from the da on which such payment would otherwise have been made, and (3) any election related to a payment to be made at a specified dat made at least 12 months prior to the date of the first scheduled payment. For purposes of the Plan, the term "payment" means each separate installment and not the collective group of installment payments.

(c) Precedence of Distributions. In the event a Participant has a separation from service, Severe Financial Hardship, or other event that triggers distribution of benefits under Article VII of this Plan, all amounts subject to an in-service distribution shall be paid in accordance with other applicable provisions of the Plan and not under this Section 7.2. If, however, a Participant made an election to postpone an in-service distribution under Section 7.2(b), and the Participant separates from service, the distribution will be made in accordance with Section 7.2(b) and not Section 7.3.

7.3 Distributions After Separation from Service.

(a) Generally. If a Participant separates from service with an Employer, the provisions of this Section 7.3 shall apply to the distribution of the Participant's account. The Participant may elect, in his or her, Deferral Commitment, to receive such benefits as either a lump sum or in equal annual installments over a period not to exceed 15 years. If no such election is made, payment shall be made as a lump sum.

(b) Lump Sum.

(1) Pre-2005 Account. If payment of a Participant's Pre-2005 Account is to be made in a lump sum, the lump sum payment generally shall be made on or as soon as administratively practicable after the March 31 st immediately after the date in which the Participant separates from service.

(2) Post-2004 Account.

(a) Non-Specified Employees. If payment of a Participant's Post-2004 Account is to be made to the Participant in a lump sum, and the Participant is not a Specified Employee of any Employer as defined in Section 7.3(d) of this Plan and consistent with the guidance under Code Section 409A, the lump sum payment generally shall be made on or as soon as administratively practicable after the March 31 st immediately after the date in which the Participant separates from service.

(b) Specified Employees. If payment of a Participant's Post-2004 Account is to be made to the Participant in a lump sum, and the Participant is a Specified Employee of any Employer, as defined in Section 7.3(d) of this Plan and consistent with the guidance under Code Section 409A, the lump sum payment generally shall be made on or as soon as administratively practicable after the later of (1) the March 31 st immediately after the date in which the Participant separates from service, or (2) the date that is six (6) months after the date in which the Participant separates from service, unless due to such Participant's death, in which case payment generally shall be made to the Beneficiary as soon as practicable after the date of the Participant's death.

(c) Installments.

(1) Pre-2005 Account. If payment of a Participant's Pre-2005 Account is to be made in annual installments, the distribution of the first annual installment payment generally shall be made on or as soon as administratively practicable after the March 31 st immediately after the date in which the Participant separates from service. The amount of this first installment payment shall be based on the value of the Participant's Account as of the March 15 preceding the distribution date of this installment payment. Each subsequent installment payment generally shall be paid on or as soon as administratively practicable after each subsequent March 31. The amount of each such installment shall be based on the value of the Participant's account as of the March 15 preceding the distribution date of such installment.

(2) Post-2004 Account.

(a) Non-Specified Employees. If payment of a Participant's Post-2004 Account is to be made to the Participant in annual installments, the distribution of the first annual installment payment generally shall be made on or as soon as administratively practicable after the March 31 st immediately after the date in which the Participant separates from service. The amount of this first installment payment shall be based on the value of the Participant's Account as of the March 15 preceding the distribution date of this installment payment. Each subsequent installment payment generally shall be paid on or as soon as administratively practicable after each subsequent March 31. The amount of each such installment shall be based on the value of the Participant's account as of the March 15 preceding the distribution date of such installment.

(b) Specified Employees. If payment of a Participant's Post- 2004 Account is to be made to the Participant in annual installments, and the Participant is a Specified Employee of any Employer, as defined in Section 7.3(d) of this Plan and consistent with the guidance under Code Section 409A, the distribution of the first annual installment payment generally shall be made on or as soon as administratively practicable after

the later of (1) the March 31 st immediately after the date in which the Participant separates from service, or (2) the date that is six (6) months after the date in which the Participant separates from service, unless due to such Participant's death, in which case such installment payment generally shall be made to the Beneficiary as soon as practicable after the date of the Participant's death. The amount of this first installment payment shall be based on the value of the Participant's Account as of the March 15 preceding the distribution date of this installment payment. Each subsequent installment payment generally shall be paid on or as soon as administratively practicable after each subsequent March 31. The amount of each such installment shall be based on the value of the Participant's account as of the March 15 preceding the distribution date of such installment.

(d) Specified Employee Determination. A Participant shall be deemed to be a Specified Employee for purposes of this Section 7.3 if he or she is in job scope level C2 or above with respect to any Employer that employees him; provided that if at any time the total number of Employees in job category C2 and above is less than 50, a Specified Employee shall include any employee who meets the definition of Key Employee set forth in Code Section 416(i) without reference to paragraph (5). A Participant shall be deemed to be a Specified Employee with respect to a calendar year if he or she is a Specified Employee on September 30 of the preceding calendar.

(e) Modifying Separation from Service Distributions.

(i) Pre-2005 Account. Notwithstanding any other provision of the Plan, a Participant may modify his election as to the form or time of distribution of his entire Pre-2005 Account, and earnings thereon, by a writing filed with the Retirement Committee at any time prior to the commencement of payment. A Participant's modification of his election as to the form or time of commencement of payment shall be ineffective, unless (1) the modification election is filed with the Retirement Committee more than 12 months prior to the time of commencement of payment, or (2) a Participant elects by written instrument delivered to the Company prior to the time of commencement of payment to have his Pre-2005 Account reduced by 10%. This reduction shall be forfeited and used by the Plan to reduce expenses of administration. This reduction is intended to discourage a Participant from modifying his election as to the form or time of commencement of payment within the period set forth in clause (1) above and prevent him from being deemed in constructive receipt of his Pre-2005 Account prior to its actual payment to him.

(ii) Post-2004 Account. The Company, in its discretion, may allow a Participant to modify his election as to the form or time of distribution of his entire Post-2004 Account, and earnings thereon, or of any Post-2004 Deferral Commitment under the Plan and earnings thereon, if (1) such election does not take effect until at least 12 months after the date on which the election is made,

(2) the first payment with respect to which such election is made is deferred for a period of not less than five (5) years from the date on which such payment would otherwise have been made, and (3) any election related to a payment to be made at a specified date is made at least 12 months prior to the date of the first scheduled payment. For purposes of the Plan, the term "payment" means each separate installment and not the collective group of installment payments.

7.4 **Unforeseeable Emergency/Hardship Distributions**.

(a) Upon a finding that a Participant has suffered an Unforeseeable Emergency, the Retirement Committee may, in its sole discretion, make distributions from the Participant's Pre-2005 Account (including his Transferred Bay State Account or Transferred Columbia Account, if applicable). The amount of such a distribution shall be limited to the amount reasonably necessary to meet the Participant's needs resulting from the Unforeseeable Emergency. Any distribution pursuant to this Section 7.4(a) shall be payable in a lump sum. The distribution shall be paid within 30 days after the determination of an Unforeseeable Emergency.

(b) Upon a finding that a Participant has suffered an Unforeseeable Emergency, the Retirement Committee may, in its sole discretion, make distributions from the Participant's Post-2004 Account and/or allow a Participant to suspend his Deferred Commitment entirely. The amount of such distribution shall be limited to the amount necessary to satisfy such Unforeseeable Emergency plus amounts necessary to pay taxes reasonably anticipated as a result of the distribution, after taking into account the extent to which such hardship is or may be relieved through reimbursement or compensation by insurance or otherwise or by liquidation of the Participant's assets (to the extent the liquidation of such assets would not itself cause severe financial hardship). Any distribution pursuant to this Section 7.4(b) shall be payable in a lump sum. The distribution shall be paid within 30 days after the determination of an Unforeseeable Emergency.

7.5 **Distribution Provisions Applicable to a Transferred Bay State Account**. Notwithstanding any other provision in the Plan, the following provisions shall apply to the form and time of payment of the balance of a Transferred Bay State Account:

(a) The portion of a Transferred Bay State Account not paid pursuant to Section 7.2 shall be paid to a Participant following his separation from service, or to his Beneficiary in the case of death, in the form selected by the Participant, by written instrument delivered to the Retirement Committee before November 1, 2000. If no form is selected by the Participant, payment shall be made in a lump sum. The provisions of Section 7.2(b) shall apply with respect to the election of the form of payment of a Transferred Bay State Account and the modification of such election.

(b) Any former employee of Bay State Gas Company who (1) was a participant in the Bay State Plan immediately prior to November 1, 2000, (2) terminated employment with Bay State Gas Company prior to November 1, 2000, for any

reason other than Retirement, death or Disability (as such terms were defined in the Bay State Plan immediately prior to November 1, 2000), and (3) as of November 1, 2000, had not commenced payment of his Account shall not commence payment of his Transferred Bay State Account until the earlier of the Participant's attainment of age 65, Disability or death. Notwithstanding the preceding sentence, the Retirement Committee may, in its sole discretion, vary the manner and time of making the payment of Participant's Transferred Bay State Account to such former Bay State employee, and may make such distributions over a longer or shorter period of time or in a lump sum.

7.6 Automatic Cash-Out. In the event a Participant's Account balance at the time distribution begins, or following a distribution of an installment payment is $15,000 or less, that balance shall be paid to the Participant or his Beneficiary in a lump sum on the next annual installment distribution date notwithstanding any form of benefit payment elected by the Participant.

7.7 Special Payment Election by December 31, 2006, for Code Section 409A Transition Relief. Notwithstanding any other provision of this Plan, a Participant may change an election with respect to the time and form of payment of Post-2004 Benefit, without regard to the restrictions imposed under paragraph (i) next above, on or before December 31, 2006; provided that such election (1) applies only to amounts that would not otherwise be payable in calendar year 2006, and (2) shall not cause an amount to be paid in calendar year 2006 that would not otherwise be payable in such year.

7.8 Withholding for Taxes. To the extent required by the law in effect at the time payments are made, an Employer shall withhold from the payments made hereunder any taxes required to be withheld by the federal or any state or local government, including any amounts which the Employer determines is reasonably necessary to pay any generation-skipping transfer tax which is or may become due. A Beneficiary, however, may elect not to have withholding of federal income tax pursuant to Code Section 3405(a)(2).

7.9 Payment to Guardian. The Retirement Committee may direct payment to the duly appointed guardian, conservator or other similar legal representative of a Participant or Beneficiary to whom payment is due. In the absence of such a legal representative, the Retirement Committee may, in its sole and absolute discretion, make payment to a person having the care and custody of a minor, incompetent or person incapable of handling the disposition of property upon proof satisfactory to the Retirement Committee of incompetency, status as a minor, or incapacity. Such distribution shall completely discharge the Company from all liability with respect to such benefit.

ARTICLE VIII

BENEFICIARY DESIGNATION

8.1 Beneficiary Designation. Subject to Section 8.3, each Participant shall have the right, at any time, to designate one or more persons or entity as Beneficiary (both primary as well as secondary) to whom benefits under the Plan shall be paid in the event of the Participant's death prior to complete distribution of the Participant's Account, Each Beneficiary designation shall be in a written form prescribed by the Retirement Committee and shall be effective only when filed with the Retirement Committee during the Participant's lifetime.

8.2 Changing Beneficiary. Subject to Section 8.3, any Beneficiary designation may be changed by a Participant without the consent of the previously named Beneficiary by the filing of a new designation with the Retirement Committee. The filing of a new designation shall cancel all designations previously filed.

8.3 Community Property. If the Participant resides in a community property state, the following rules shall apply:

(a) Designation by a married Participant of a Beneficiary other than the Participant's spouse shall not be effective unless the spouse executes a written consent that acknowledges the effect of the designation, or it is established that the consent cannot be obtained because the spouse cannot be located.

(b) A married Participant's Beneficiary designation may be changed by a Participant with the consent of the Participant's spouse as provided for in Section 8.3(a) by the filing of a new designation with the Retirement Committee.

(c) If the Participant's marital status changes after the Participant has designated a Beneficiary, the following shall apply:

(i) If the Participant is married at the time of death but was unmarried when the designation was made, the designation shall be void unless the spouse has consented to it in the manner prescribed in Section 8.3(a).

(ii) If the Participant is unmarried at the time of death but was married when the designation was made:

(A) The designation shall be void if the spouse was named as Beneficiary, unless the designation is reaffirmed when the Participant is unmarried.

(B) The designation shall remain valid if a nonspouse Beneficiary was named.

(iii) If the Participant was married when the designation was made and is married to a different spouse at death, the designation shall be void unless the new spouse has consented to it in the manner prescribed above.

8.4 No Beneficiary Designation. If any Participant fails to designate a Beneficiary in the manner provided above, if the designation is void or if the Beneficiary designated by a deceased Participant dies before the Participant or before complete distribution of the Participant's benefits, the Participant's Beneficiary shall be the person in the first of the following classes in which there is a survivor:

(a) The Participant's spouse;

(b) The Participant's children in equal shares, except that if any of the children predeceases the Participant but leaves issue surviving, then such issue shall take, by right of representation, the share the parent would have taken if living;

(c) The Participant's estate.

ARTICLE IX

PLAN ADMINISTRATION

9.1 Allocation of Duties to Committees. The Plan shall be administered by the Benefits Committee, as delegated by the ONC Committee. The Benefits Committee shall have the authority to make, amend, interpret, and enforce all appropriate rules and regulations for the administration of the Plan and decide or resolve any and all questions, including interpretations of the Plan, as may arise in such administration, except as otherwise reserved to the ONC Committee herein, or by resolution or charter of the respective committees. Members of the Retirement Committee or Benefits Committee may be Participants under the Plan.

In its discretion, the Plan Administrator may delegate to any division or department of the Company the discretionary authority to make decisions regarding Plan administration, within limits and guidelines from time to time established by the Plan Administrator. The delegated discretionary authority shall be exercised by such division or department's senior officer, or his/her delegate. Within the scope of the delegated discretionary authority, such officer or person shall act in the place of the Plan Administrator and his/her decisions shall be treated as decisions of the Plan Administrator.

Specifically, the Plan Administrator hereby delegates certain of its discretionary authority with respect to the Plan to the Retirement Committee. Pursuant to the foregoing sentence, the delegation by the Plan Administrator to the Retirement Committee includes, but shall not be limited to, the ability to solicit and receive deferral elections, establish enrollment periods, distribute account statements, receive distribution elections and any permitted modifications thereto, make distributions, and determine claims under the Plan.

9.2 Agents. The Retirement Committee, Benefits Committee or ONC Committee may, from time to time, employ agents and delegate to them such administrative duties as it sees fit, and may from time to time consult with counsel who may be counsel to the Company.

9.3 Binding Effect of Decisions. The decision or action of the Retirement Committee, Benefits Committee and/or the ONC Committee (or any duly authorized delegate of any such committee) with respect to any question arising out of or in connection with the administration, interpretation and application of the Plan and the rules and regulations promulgated hereunder shall be final, conclusive and binding upon all persons having any interest in the Plan.

9.4 Section 16 Compliance.

(a) In General. This Plan is intended to be a formula plan for purposes of Section 16 of the Securities Exchange Act (the "Act"). Accordingly, in the case of a deferral or other action under the Plan that constitutes a transaction that could be covered by Rule 16b-3(d) or (e), if it were approved by the ONC Committee ("Board Approval"), it is intended that the Plan shall be administered by delegates of the Board, in the case of a Participant who is subject to Section 16 of the Act, in a manner that will permit the Board Approval of the Plan to avoid any additional Board Approval of specific transactions to the maximum possible extent.

(b) Approval of Distributions: This Subsection shall govern the distribution of a deferral that (i) is being distributed to a Participant in cash, (ii) is made to a Participant who is subject to Section 16 of the Act at the time the interest in phantom Company Common Stock, if any, would be liquidated in connection with the distribution, and (iii) if paid at the time the distribution would be made without regard to this subsection, could result in a violation of Section 16 of the Act because there is an opposite way transaction that would be matched with the liquidation of the Participant's interest in phantom Company Common Stock (either as a "discretionary transaction," within the meaning of Rule 16b-3(b)(l), or as a regular transaction, as applicable) ("Covered Distribution"). In the case of a Covered Distribution, if the liquidation of the Participant's interest in the phantom Company Common Stock in connection with the distribution has not received Board Approval by the time the distribution would be made if it were not a Covered Distribution, or if it is a discretionary transaction, then the actual distribution to the Participant shall be delayed only until the earlier of:

(1) In the case of a transaction that is not a discretionary transaction, Board Approval of the liquidation of the Participant's interest in the phantom Company Common Stock in connection with the distribution, or

(2) The date the distribution would no longer violate Section 16 of the Act, e.g., when the Participant is no longer subject to Section 16 of the Act, or when the time between the liquidation and an opposite way transaction is sufficient.

ARTICLE X

CLAIMS PROCEDURE

10.1 Claim. Claims for benefits under the Plan shall be made in writing to the Retirement Committee. The Retirement Committee sh establish rules and procedures to be followed by Participants and Beneficiaries in filing claims for benefits, and for furnishing and verifying proof necessary to establish the right to benefits in accordance with the Plan, consistent with the remainder of this Article.

10.2 Review of Claim. The Retirement Committee shall review all claims for benefits. Upon receipt by the Retirement Committee of such a claim, it shall determine all facts that are necessary to establish the right of the claimant to benefits under the provisions of the Plan and the amount thereof as herein provided within 90 days of receipt of such claim. If prior to the expiration of the initial 90 day period, the Retirement Committee determines additional time is needed to come to a determination on the claim, the Retirement Committee shall provide written notice to the Participant, Beneficiary or other claimant of the need for the extension, not to exceed a total of 180 days from the date the application was received. If the Retirement Committee fails to notify the claimant in writing of the denial of the claim within 90 days after the Retirement Committee receives it, the claim shall be deemed denied.

10.3 Notice of Denial of Claim. If the Retirement Committee wholly or partially denies a claim for benefits, the Retirement Committee shall, within a reasonable period of time, but no later than 90 days after receiving the claim (unless extended as provided above), notify the claimant in writing of the denial of the claim. Such notification shall be written in a manner reasonably expected to be understood by such claimant and shall in all respects comply with the requirements of ERISA, including but not limited to inclusion of the following;

(a) the specific reason or reasons for denial of the claim;

(b) a specific reference to the pertinent sections of the Plan on which the denial is based;

(c) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; and, where appropriate,

(d) an explanation of the Plan's review procedures.

10.4 Reconsideration of Denied Claim. Within 60 days after receipt of the notice of the denial of a claim or within 60 days after the claim is deemed denied as set forth above, if applicable, such claimant or duly authorized representative may request, by mailing or delivery of such written notice to the Benefits Committee, a reconsideration by the Benefits Committee of the decision denying the claim. If the claimant or duly authorized representative fails to request such a reconsideration within such 60 day period, it shall be conclusively determined for all purposes of the Plan that the denial of such claim by the Benefits Committee is correct. In connection with the claimant's appeal of the denial of his or her benefit, the claimant may review pertinent documents and may submit issues and comments in writing.

After such reconsideration request, the Benefits Committee shall determine within 60 days of receipt of the claimant's request for reconsideration whether such denial of the claim was correct and shall notify such claimant in writing of its determination. In the event of special circumstances determined by the Benefits Committee, the time for the Benefits Committee to make a decision may be extended by an additional 60 days upon written notice to the claimant prior to the commencement of the extension. The notice of decision shall be in writing and shall include specific reasons for the decision, written in a manner calculated to be understood by the claimant, as well as specific references to the pertinent Plan provisions on which the decision is based. If the decision on review is not furnished within the time period set forth above, the claim shall be deemed denied on review.

If such determination is favorable to the claimant, it shall be binding and conclusive. If such determination is adverse to such claimant, it shall be binding and conclusive unless the claimant or his duly authorized representative notifies the Benefits Committee within 90 days after the mailing or delivery to the claimant by the Benefits Committee of its determination that claimant intends to institute legal proceedings challenging the determination of the Benefits Committee and actually institutes such legal proceedings within 180 days after such mailing or delivery.

10.5 Employer to Supply Information . To enable the Retirement Committee or the Benefits Committee to perform its functions, each Employer shall supply full and timely information to the respective committee of all matters relating to the retirement, death or other cause for separation from service of all Participants, and such other pertinent facts as the respective committee may require.

ARTICLE XI

AMENDMENT AND TERMINATION OF PLAN

11.1 Plan Amendment . The ONC Committee or the Board shall have the authority to amend the Plan. The ONC Committee or the Board shall have the exclusive authority to amend the Plan regarding eligibility for the Plan, the amount or level of benefits awarded under the Plan, and the time and form of payments for benefits from the Plan. In addition, the ONC Committee or the Board shall also have the exclusive authority to make amendments that constitute a material increase in compensation, any change requiring action or consent by a committee of the Board pursuant to the rules of the Securities and Exchange Commission, the New York Stock Exchange or other applicable law, or such other material changes to the Plan such that approval of the Board is required. Unless otherwise determined by the ONC Committee, the Benefits Committee shall have the authority to amend the Plan in all respects that are not exclusively reserved to the ONC Committee or the Board.

The respective committee may at any time amend the Plan by written instrument, notice of which is given to all Participants, and to Beneficiaries receiving installment payments.

Notwithstanding the preceding sentence, no amendment shall reduce the amount accrued in any Account prior to the date such notice of the amendment is given.

11.2 Plan Termination. The ONC Committee or the Company may at any time partially or completely terminate the Plan if, in its judgment, the tax, accounting or other effects of the continuance of the Plan, or potential payments thereunder, would not be in the best interests of the Employers.

(a) Partial Termination. The ONC Committee may partially terminate the Plan by instructing the Retirement Committee not to accept any additional Deferral Commitments. If such a partial termination occurs, the Plan shall continue to operate and be effective with regard to Deferral Commitments entered into prior to the effective date of such partial termination.

(b) Complete Termination. The ONC Committee may completely terminate the Plan by instructing the Retirement Committee not to accept any additional Deferral Commitments, and by terminating all ongoing Deferral Commitments. If such a complete termination occurs, the Plan shall cease to operate and the Employers shall pay out each Pre-2005 Account in equal monthly installments over the following period, based on the Pre-2005 Account balance:

Account Balance	Payout Period
Less than $50,000	Lump Sum
$50,000 but less than $100,000	3 Years
More than $100,000	5 Years

Payments shall commence within 65 days after the ONC Committee terminates the Plan, and earnings shall continue to be credited on the unpaid Account balance. Employers shall pay out each Post-2004 Account in the manner and at the time described in Articles IV and VII.

ARTICLE XII

MISCELLANEOUS

12.1 Unfunded Plan. The Plan is an unfunded plan maintained primarily to provide deferred compensation benefits for a select group of "management or highly-compensated employees" within the meaning of Sections 201, 301 and 401 of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and therefore is exempt from the provisions of Parts 2, 3 and 4 of Title I of ERISA.

12.2 Company and Employer Obligations. The obligation to make benefit payments to any Participant under the Plan shall be a joint and several liability of the Company and the Employer that employed the Participant.

12.3 Unsecured General Creditor. Participants and Beneficiaries shall be unsecured general creditors, with no secured or preferential right to any assets of the Employer or any other party for payment of benefits under the Plan. Any life insurance policies, annuity contracts or other property purchased by the Employer in connection with the Plan shall remain its general, unpledged and unrestricted assets. The Employer's obligation under the Plan shall be an unfunded and unsecured promise to pay money in the future.

12.4 Trust Fund. Subject to Section 12.3, the Company may establish separate subtrusts for deferrals by employees of each Employer, pursuant to a trust agreement entered into with such trustees as the Benefits Committee may approve, for the purpose of providing for the payment of benefits owed under the Plan. At its discretion, each Employer may contribute deferrals under the Plan for its employees to the subtrust established with respect to such Employer under such trust agreement. To the extent any benefits provided under the Plan are paid from any such subtrust, the Employer shall have no further obligation to pay them. If not paid from a subtrust, such benefits shall remain the obligation of the Employer. Although such subtrusts may be irrevocable, their assets shall be held for payment of all the Company's general creditors in the event of insolvency or bankruptcy.

12.5 Nonalienation/Nonassignability. Neither a Participant nor any other person shall have any right to commute, sell, assign, transfer, pledge, anticipate, mortgage, or otherwise encumber, transfer, hypothecate, or convey in advance of actual receipt the amounts, if any, payable hereunder, or any part thereof or rights to, which are expressly declared to be unassignable and nontransferable. No part of the amounts payable shall, prior to actual payment, be subject to seizure or sequestration for the payment of any debts, judgments, alimony, or separate maintenance owed by a Participant or any other person, nor be transferable by operation of law in the event of a Participant's or any other person's bankruptcy or insolvency.

Notwithstanding the preceding paragraph, the Account of any Participant shall be subject to and payable in the amount determined in accordance with any qualified domestic relations order, as that term is defined in Section 206(d)(3) of ERISA. The Retirement Committee shall provide for payment in a lump sum from a Participant's Account to an alternate payee (as defined in Code Section 414(p)(8)) as soon as administratively practicable following receipt of such order. Any federal, state or local income tax associated with such payment shall be the responsibility of the alternate payee. The balance of an Account that is subject to any qualified domestic relations order shall be reduced by the amount of any payment made pursuant to such order.

12.6 Indemnification.

(a) Limitation of Liability. Notwithstanding any other provision of the Plan or the Trust, none of the Company, any member of the Retirement Committee, the Benefits Committee or the ONC Committee, nor an individual acting as an employee or agent of any of them, shall be liable to any Participant or former Participant, or any surviving spouse or other designated beneficiary of any Participant or former Participant, for any claim, loss, liability or expense incurred in connection with the Plan or the Trust, except when the same shall have been judicially determined to be due to the willful misconduct of such person.

(b) Indemnity. The Company shall indemnify and hold harmless each member of the Retirement Committee, the Benefits Committee and the ONC Committee, or any employee of the Company or any individual acting as an employee or agent of either of them (to the extent not indemnified or saved harmless under any liability insurance or any other indemnification arrangement with respect to the Plan or the Trust) from any and all claims, losses, liabilities, costs and expenses (including attorneys' fees) arising out of any actual or alleged act or failure to act made in good faith pursuant to the provisions of the Plan, including expenses reasonably incurred in the defense of any claim relating thereto with respect to the administration of the Plan or the Trust, except that no indemnification or defense shall be provided to any person with respect to any conduct that has been judicially determined, or agreed by the parties, to have constituted willful misconduct on the part of such person, or to have resulted in his or her receipt of personal profit or advantage to which he or she is not entitled. In connection with the indemnification provided by the preceding sentence, expenses incurred in defending a civil or criminal action, suit or proceeding, or incurred in connection with a civil or criminal investigation, may be paid by the Company in advance of the final disposition of such action, suit, proceeding, or investigation, as authorized by the Retirement Committee, the Benefits Committee or the ONC Committee in the specific case, upon receipt of an undertaking by or on behalf of the party to be indemnified to repay such amount unless it shall ultimately be determined that the person is entitled to be indemnified by the Company pursuant to this paragraph.

12.7 Not a Contract of Employment. The Plan shall not constitute a contract of employment between an Employer and the Participant. Nothing in the Plan shall give a Participant the right to be retained in the service of an Employer or to interfere with the right of an Employer to discipline or discharge a Participant at any time.

12.8 Protective Provisions. A Participant shall cooperate with his Employer by furnishing any and all information requested by the Employer in order to facilitate the payment of benefits hereunder, and by taking such physical examinations as the Employer may deem necessary and taking such other action as maybe requested by the Employer.

12.9 Governing Law. The provisions of the Plan shall be construed and interpreted according to the laws of the State of Indiana, except as preempted by federal law.

12.10 Validity. In case any provision of the Plan shall be held illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining parts hereof, but the Plan shall be construed and enforced as if such illegal and invalid provision had never been inserted herein.

12.11 Notice. Any notice required or permitted under the Plan shall be sufficient if in writing and hand delivered or sent by registered or certified mail. Such notice shall be deemed as given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark on the receipt for registration or certification. Mailed notice to the Retirement Committee or the Benefits Committee shall be directed to the Company's address. Mailed notice to a Participant or Beneficiary shall be directed to the individual's last known address in the applicable Employer's records.

12.12 Successors. The provisions of the Plan shall bind and inure to the benefit of the Employers and their successors and assigns. The term successors as used herein shall include any corporate or other business entity that shall, whether by merger, consolidation, purchase, or otherwise, acquire all or substantially all of the business and assets of an Employer, and successors of any such corporation or other business entity.

12.13 Tax Savings Clause. Notwithstanding anything to the contrary contained in the Plan, (1) in the event that the Internal Revenue Service prevails in its claim that amounts contributed to the Plan for the benefit of a Participant, and/or earnings thereon, constitute taxable income under Code Section 409A, and guidance and regulations thereunder, to the Participant or his Beneficiary for a taxable year prior to the taxable year in which such contributions and/or earnings are distributed to him, or (2) in the event that legal counsel satisfactory to the Company, and the applicable Participant or his Beneficiary, renders an opinion that the Internal Revenue Service would likely prevail in such a claim, the Post-2004 Account, to the extent constituting such taxable income, shall be immediately distributed to the Participant or his Beneficiary. For purposes of this Section, the Internal Revenue Service shall be deemed to have prevailed in a claim if such claim is upheld by a court of final jurisdiction, or, if based upon an opinion of legal counsel satisfactory to the Company and the Participant or his Beneficiary, the Plan fails to appeal a decision of the Internal Revenue Service, or a court of applicable jurisdiction, with respect to such claim to an appropriate Internal Revenue Service appeals authority or to a court of higher jurisdiction within the appropriate time period.

IN WITNESS WHEREOF, the Company has caused the NiSource Inc. Executive Deferred Compensation Plan to be executed in its name by its duly authorized officer, effective as of May 13, 2011.

NISOURCE INC.

By: /s/ Joel Hoelzer
Its: V. P. Human Resources
Date: August 11, 2011

NISOURCE INC.

SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

As Amended and Restated Effective May 13, 2011

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NISOURCE INC.
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN
As Amended and Restated Effective January 1, 2010

ARTICLE I

Background and Purpose

1.1 Background. Northern Indiana Public Service Company adopted the Northern Indiana Public Service Company Supplemental Executive Retirement Plan effective as of December 23, 1982. The Plan was amended as of January 1, 1989. The Plan was subsequently adopted by NIPSCO Industries, Inc., the successor to Northern Indiana Public Service Company, effective as of January 1, 1991. The Plan was amended and restated, effective January 1, 1993 and September 1, 1994. Effective June 1, 2002, NiSource Inc., the parent company of NIPSCO Industries, Inc., assumed sponsorship of the Plan and the Plan was further amended and restated to make administrative and technical changes. The Plan was further amended, effective January 1, 2004, to reflect changes in the structure of benefits under the Plan. The Plan was again amended and restated, effective January 1, 2005, to comply with Internal Revenue Code Section 409A with respect to benefits earned under the Plan from and after January 1, 2005. Benefits under the Plan earned and vested prior to January 1, 2005 shall be administered without giving effect to Code Section 409A, and guidance and regulations thereunder. The Plan was again amended and restated, effective January 1, 2008, to incorporate special transition relief under Internal Revenue Service Notice 2007-86 to allow Participants to elect to change the time and form of payment of certain Post-2004 Benefits. The Plan was further amended and restated, effective January 1, 2010, to clarify how certain supplemental death benefits will be paid to Participants who have reached Retirement.

The Plan is now further amended and restated effective May 13, 2011 to transfer all administrative authority with respect to the Plan (including the authority to render decisions on claims and appeals and make administrative or ministerial amendments) from the ONC Committee to the Benefits Committee.

1.2 Purpose. The purpose of the Plan is to provide selected key executives and employees with additional security in order to aid the Company (as defined herein and including its predecessors) in retaining its present management and, should circumstances require it, to aid the Company in attracting additions to management. The Company, by providing such additional benefits, expects such key executives and employees to be available for consulting assignments to the Company after retirement, at the Company's request.

It is intended that the Plan be exempt from the reporting and disclosure requirements of Title I of the Employee Retirement Income Security Act of 1974 because it is an unfunded plan maintained by an employer for the purpose of providing benefits for a select group of management or highly compensated employees.

ARTICLE II

Definitions

For the purposes of the Plan, the following terms shall have the meanings indicated, unless the context clearly indicates otherwise. Exc when otherwise required by the context, any masculine terminology in this document shall include the feminine, and any singular terminolog shall include the plural, The headings of Articles and Sections are included solely for convenience, and if there is any conflict between such headings and the text of the Plan, the text shall control.

2.1 Affiliate. Any corporation that is a member of a controlled group of corporations (as defined in Code Section 414(b)) that includes the Company; any trade or business (whether or not incorporated) that is under common control (as defined in Code Section 414(c)) with the Company; any organization (whether or not incorporated) that is a member of an affiliated service group (as defined in Code Section 414(m)) that includes the Company; any leasing organization, to the extent that its employees are required to be treated as if they were employed by the Company pursuant to Code Section 414(n) and the regulations thereunder; and any other entity required to be aggregated with the Company pursuant to regulations under Code Section 414(o). An entity shall be an Affiliate only with respect to the existing period as described in the preceding sentence.

2.2 Benefits Committee. The NiSource Benefits Committee.

2.3 Board. The Board of Directors of NiSource Inc.

2.4 Code. The Internal Revenue of Code of 1986, as amended.

2.5 Company. NiSource Inc. and its subsidiaries and affiliates that adopt the Plan for the benefit of key employees, or its successor or successors.

2.6 Compensation. As defined in the NiSource Pension Plan, but disregarding the definition of Taxable Compensation and the limitations required by Code Section 401(a)(17), or any successor Section. In addition, for purposes of the Plan, bonuses shall be considered in full as Compensation and not limited to 50% of base pay.

2.7 Disability or Disabled. A Participant has a Disability or is Disabled if he or she has a condition that (a) causes a Participant to be unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, (b) causes a Participant, by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, to receive income replacement benefits for a period of not less than three months under an accident and health plan covering employees of the Company or an Affiliate or (c) causes a Participant to be eligible to receive Social Security disability payments.

2.8 Early Retirement. Separation from Service for reasons other than death or Disability after the Participant has both attained age 55 and completed at least 10 years of Service, but before the Participant's Normal Retirement, except as otherwise provided.

2.9 Effective Date. May 13, 2011, the date on which the provisions of this amended and restated Plan become effective, except as otherwise provided herein. The original Effective Date of the Plan was December 23,1982.

2.10 Final Average Compensation. The result obtained by dividing the total Compensation paid to a Participant during a considered period by the number of months for which such Compensation was received. The considered period shall be the 60 consecutive calendar months within the last 120 months of service that produces the highest result.

2.11 NiSource Pension Plan, The NiSource Salaried Pension Plan, as amended from time to time.

2.12 Normal Retirement. Separation from Service for reasons other than death or Disability after a Participant has: (1) attained age 62; or (2) attained age 60 and completed at least 25 years of Service, except as otherwise provided.

2.13 ONC Committee. The Officer Nomination and Compensation Committee of the Board, which has certain specific duties with respect to the Plan.

2.14 Participant. An employee or retiree participating in the Plan in accordance with the provisions of Article III. Pension. A series of monthly amounts that are payable to a person who is entitled to receive benefits under the Plan.

2.16 Pension Restoration Plan. Pension Restoration Plan for NiSource Inc. and Affiliates, as amended from time to time.

2.17 Plan. NiSource Inc. Supplemental Executive Retirement Plan.

2.18 Plan Administrator. The Benefits Committee, or such delegate of the Benefits Committee delegated to carry out the administrative functions of the Plan.

2.19 Post-2004 Benefit. The portion of a Participant's Supplemental Retirement Pension or Supplemental Retirement Account, as applicable, equal to the present value, determined as of a Participant's date of separation from Service after December 31, 2004, of the excess of such benefit or account balance to which a Participant would be entitled under the Plan if he or she voluntarily separated from Service without cause after December 31, 2004 over his or her Pre-2005 Benefit and received a full payment of benefits from the Plan on the earliest possible date allowed under the Plan following the separation from Service, pursuant to Articles IV and V, calculated from and after January 1, 2005 to the date of separation from Service.

2.20 Pre-2005 Benefit. The portion of a Participant's Supplemental Retirement Pension or Supplemental Retirement Account, as applicable, equal to the present value of the benefit or account balance, determined as of December 31, 2004, to which a Participant would be

entitled under the Plan if he or she voluntarily separated from Service without cause on December 31, 2004 and received a full payment of benefits from the Plan on the earliest possible date allowed under the Plan following separation from Service, pursuant to Articles IV and V, calculated as of December 31, 2004.

2.21 Primary Social Security Benefit. The monthly amount available to a Participant at age 65 (or at Retirement, if later) under the provisions of Title II of the Social Security Act in effect at the time of separation from Service, assuming the following:

(a) The Participant attained age 65 in the year of Retirement, and

(b) The Participant earned maximum taxable wages under Code Section 3121(a)(l) in all years prior to the year of Retirement. A Participant's Primary Social Security Benefit will be deducted in accordance with Article IV, even though he or she may not be receiving or may not be eligible to receive Social Security benefits.

2.22 Qualified Pension Plan. The NiSource Pension Plan and any other tax-qualified defined benefit pension plan maintained by the Company or any Affiliate.

2.23 Retirement. A Participant's Normal or Early Retirement.

2.24 Service. A Participant's or employee's employment or service with the Company, as defined in the NiSource Pension Plan, or such other employment or service date as determined by the Board.

ARTICLE III

Eligibility and Participation

The ONC Committee shall select which key employees of the Company will be eligible to participate in the Plan. In accordance with Article I, it is intended that officers and certain other employees be eligible for participation.

After the ONC Committee approves participation for an individual, the Company or the Benefits Committee shall provide the individual with a notice of participation in the Plan and a description of the Plan.

ARTICLE IV

Supplemental Retirement Pension

4.1 Applicability. This Article IV shall apply to each Participant or former Participant who first participated in the Plan prior to January 23, 2004.

4.2 Supplemental Retirement Pension. Upon Normal Retirement, a Participant shall receive a monthly Supplemental Retirement Pension calculated on a single-life basis equal to the larger of (a) or (b) below, reduced in each case by the accrued benefit (stated in the form of a single-life pension and excluding any supplements related to eligibility for a Social Security benefit) the Participant is eligible to receive under (1) either the FAP Benefit or the AB I or AB II Benefit Option, as applicable, of the NiSource Pension Plan or other Qualified Pension Plan (as terms are defined in the respective plan) and (2) the Pension Restoration Plan.

(a) The sum of:

(i) 1.7% of the Participant's Final Average Compensation multiplied by the Participant's Service to a maximum of 30 years; plus

(ii) 0.6% of the Participant's Final Average Compensation multiplied by the Participant's Service in excess of 30 years.

(b) The sum of:

(i) 3% of the Participant's Final Average Compensation multiplied by the Participant's Service to a maximum of 20 years; plus

(ii) 0.5% of the Participant's Final Average Compensation multiplied by the Participant's Service in excess of 20 years, to a maximum of 30 years;

(iii) less 5% of the Participant's Primary Social Security Benefit, multiplied by the Participant's Service to a maximum of 20 years.

Upon Early Retirement, a Participant shall receive a monthly Supplemental Retirement Pension in a reduced amount (as described in Section 4.3 below).

4.3 Reduction for Early Retirement. A Participant who experiences a separation from Service prior to Normal Retirement, but after Early Retirement, shall receive a monthly Supplemental Retirement Pension in an amount determined in accordance with Section 4.2 above, but reduced as follows: (1) by 6% for each of the first two (2) years and 4% for each of the next five years that commencement of the Participant's Supplemental Retirement Pension precedes the date that the Participant would attain age 62; or (2) if the Participant had completed 25 years of Service at the time of his or her separation, by 6% for the first year and 4% for each of the next four years that commencement of the Participant's Supplemental Retirement Pension precedes the date that the Participant would attain age 60, with a pro rata reduction for any fraction of a year.

Payment of the Participant's monthly reduced Supplemental Retirement Pension shall normally commence within 45 days following a separation from Service, or, if later, within such timeframe permitted under Code Section 409A, and guidance and regulations thereunder. Notwithstanding the preceding sentence, a Participant may elect to defer the commencement of the portion of his or her reduced Supplemental Retirement Pension that constitutes the Pre-2005 Benefit to any date between Early Retirement and attainment of age 62 by a written election delivered to the Plan Administrator on or before the last day of the calendar year preceding the calendar year of Early Retirement A Participant may elect to defer the commencement of the

portion of his or her reduced Supplemental Retirement Pension that constitutes the Post-2004 Benefit to any date between Early Retirement and attainment of age 62 by a written election delivered to the Plan Administrator only if such election (i) constitutes a delay in payment or change in the form of payment, (ii) does not take effect until at least 12 months after the date on which the election is made, (iii) defers the first payment with respect to which such new election is effective for a period of not less than five years from the date such payment would otherwise have been made, and (iv) is not made less than 12 months prior to the date of the first scheduled payment.

4.4 Separation from Service Prior to Early Retirement. Upon separation from Service prior to Early Retirement, a Participant shall receive a monthly Supplemental Retirement Pension, calculated on a single-life basis equal to the excess, if any, of the single-life pension the Participant would be eligible to receive under either the FAP Benefit option or the Account Balance Option of the NiSource Pension Plan, or any other Qualified Pension Plan, if the limitations required by Code Sections 401(a)(17) and 415, or any other limitation imposed by the Code, the limitation on bonuses to 50% of base pay and the potential limitations relating to Taxable Compensation were not applied, reduced by the single-life pension the Participant is eligible to receive under (1) either such option of the NiSource Pension Plan, or any other Qualified Pension Plan and (2) the Pension Restoration Plan.

Payment of the Pre-2005 Benefit to a Participant or his or her beneficiary in accordance with this Section shall commence on the same date as the pension under the NiSource Pension Plan or any other Qualified Pension Plan. Payment of the Post-2004 Benefit to a Participant or his or her beneficiary in accordance with this Section, shall commence within 45 days after (i) the Participant attains (or would have attained) age 62, if the Participant has not completed at least 25 years of Service, or (ii) if the Participant has completed at least 25 years of Service, the Participant attains (or would have attained) age 60, or, if later, within such timeframe permitted under Code Section 409A, and guidance and regulations thereunder.

4.5 Supplemental Disability Pension. If a Participant becomes Disabled while in the active employment of the Company prior to age 65, the Participant shall be eligible for a monthly Supplemental Disability Pension commencing on the date the Disability begins and continuing to the first to occur of the Participant's death or attainment of age 65, calculated on a single-life basis, and equal to the larger of (a) or (b) below, reduced in each case by the basic benefit the Participant is eligible to receive under the long-term group disability insurance coverage provided under any long term disability plan maintained by the Company or any Affiliate.

(a) The sum of:

  (i) 1.7% of the Participant's Final Average Compensation multiplied by the Participant's Service to a maximum of 30 years, plus

  (ii) 0.6% of the Participant's Final Average Compensation multiplied by the Participant's Service in excess of 30 years.

(b) The sum of:

(i) 3% of the Participant's Final Average Compensation multiplied by the Participant's Service to a maximum of 30 years; plus

(ii) 0.5% of the Participant's Final Average Compensation multiplied by the Participant's Service in excess of 20 years, to a maximum of 30 years; less

(iii) 5% of the Participant's Primary Social Security Benefit, multiplied by the Participant's Service to a maximum of 20 years.

After age 65, the Participant shall be eligible for a monthly Supplemental Retirement Pension in accordance with Section 4.2, based on Service the Participant would have had if the Participant had continued working for the Company or an Affiliate to age 65, the Participant's Final Average Compensation at the time he or she became Disabled, the Primary Social Security Benefit determined at the time the Participant became Disabled, and the single-life pension the Participant is entitled to receive at age 65 from the NiSource Pension Plan, or any other Qualified Pension Plan, and the Pension Restoration Plan, determined at the time he or she became Disabled.

4.6 Supplemental Spouse Pension. Upon the death of a Participant in active employment or while receiving a Supplemental Disability Pension, his or her surviving spouse, if any, shall be eligible to receive a monthly Supplemental Spouse Pension equal to the greater of:

(a) 25% of the Participant's Final Average Compensation; or

(b) the monthly amount that would have been payable to such surviving spouse if the Participant had elected payment of his or her monthly Supplemental Retirement Pension in the form of a reduced 50% joint and survivor Pension, with his or her spouse as the contingent annuitant, terminated employment (on the date of his or her actual death) and then died immediately prior to the commencement of payments.

The Supplemental Spouse Pension shall commence in the month next following the month of the Participant's death and continue for the life of such spouse. In the event that the Supplemental Spouse Pension calculated under option (a) of this Section will provide a greater benefit to the spouse immediately following the Participant's death, but option (b) of this Section will provide a greater monthly benefit as of the date the Participant would have attained age 55, the amount of monthly Supplemental Spouse Pension payable to the surviving spouse shall be: (1) calculated and payable under option (a) during the period immediately following the Participant's death; and (2) recalculated and payable according to option (b) beginning on the date the Participant would have attained age 55. Beginning on the earliest date that the surviving spouse could have begun receiving a benefit under the NiSource Pension Plan, or any other Qualified Pension Plan, the Supplemental Spouse Pension payable under this Section shall be reduced by the amount of benefit under the NiSource Pension Plan, or any other Qualified Pension Plan, and the Pension Restoration Plan that the spouse is (or would have been) entitled to receive.

4.7 Retiree Death Benefit. Upon the death of a Participant who has reached Retirement (including a former Participant who reached Retirement and was paid his or her benefits under this Plan), a lump sum death benefit equal to 50% of his or her retiree group life insurance coverage shall be paid to such Participant's spouse or other beneficiaries designated with respect to such coverage.

4.8 Cost of Living Adjustment. For Participants in the FAP Benefit of the NiSource Pension Plan, the benefits payable under Sections 4.2 through 4.7 shall be increased in the same percentage and at the same time as cost of living adjustments are made to the pensions of salaried employees of the Company or an Affiliate under the NiSource Pension Plan, or any other Qualified Pension Plan.

4.9 Separate Agreement. Notwithstanding prior provisions pertaining to Compensation and Service, each Participant who first becomes eligible to participate in the Plan on and after January 1, 2004 and prior to January 23, 2004 shall have his or her Supplemental Retirement Pension determined based upon his or her Service and Compensation as set forth in a separate, written agreement, if any, between the Company and such Participant.

ARTICLE V

Supplemental Retirement Account

5.1 Applicability. This Article V shall apply to each Participant who first participates the Plan on and after January 23, 2004.

5.2 Supplemental Retirement Account. A Participant's Supplemental Retirement Account is a notional account equal to the sum of his or her Compensation Credits, Supplemental Credits, if any, and Interest Credits. Compensation Credits shall be credited to a Participant's Supplemental Retirement Account as of the last day of each Plan Year beginning on or after January 1, 2004 equal to five percent of the Participant's Compensation for such Plan Year. Supplemental Credits, if any, shall be credited pursuant to Section 5.3. Interest Credits shall be calculated in the same manner and shall be credited to a Participant's Supplemental Retirement Account at the same time as provided under the NiSource Pension Plan or any other Qualified Pension Plan.

5.3 Supplemental Credits. The ONC Committee, subject to approval of the Board, may authorize Supplemental Credits to a Participant's Supplemental Retirement Account in such amounts and at such times, and subject to such specific terms and provisions, as authorized by the ONC Committee.

5.4 Separation from Service . Upon separation from Service, for any reason other than death, with five or more years of Service, unless a shorter period is provided in a separate, written agreement between the Company and the Participant and approved by the Plan Administrator, a Participant shall receive the balance of his or her Supplemental Retirement Account distributed in accordance with Sections 6.1 and 6.2 within 45 days after such separation from Service, or, if later, within such timeframe permitted under Code Section 409A, and guidance and 'ations thereunder.

5.5 Death . Upon the death of a Participant prior to final distribution of his or her Supplemental Retirement Account after completing five or more years of Service, unless a shorter period is provided in a separate, written agreement between the Company and the Participant and approved by the Board, the Participant's beneficiary, designated in such manner as provided by the Plan Administrator, shall receive the balance of the Participant's Supplemental Retirement Account distributed in accordance with Sections 6.1 and 6.2.

ARTICLE VI

Distributions

6.1 Pre-2005 Benefit . This Section 6.1 applies only to a Pre-2005 Benefit.

(a) Form of Payment . Notwithstanding Sections 4.2, 4.3 and 4.4, a Participant shall receive distribution of his or her Pre-2005 Benefit, pursuant to Articles IV or V, in the same form as his or her distribution under the NiSource Pension Plan, computed in the same manner as in the NiSource Pension Plan, or under any other Qualified Pension Plan, computed in the same manner as in such Qualified Pension Plan. Any election under the NiSource Pension Plan or any other Qualified Pension Plan shall apply to his or her Pre-2005 Benefit pursuant to the preceding sentence only if it is made by written instrument delivered to the Plan Administrator at least 30 days prior to the date of such distribution. If such election is not so made at least 30 days prior to the date of distribution of his or her Pre-2005 Benefit, the Participant's Pre-2005 Benefit shall be paid as a 50% joint and survivor Pension if such Participant is married, or as a single-life Pension if such Participant is unmarried. If a Participant who makes an election pursuant to this subsection 6.1(a) at least 30 days prior to the date of distribution dies prior to distribution pursuant to such election, such election shall be revoked and the provisions of Article IV and subsection 6.1(b) shall apply.

(b) Small Benefit Amounts . At the discretion of the Plan Administrator, the present value of any Pre-2005 Benefit payable under the Plan that does not exceed $5,000 may be paid to the Participant or his or her surviving spouse or other designated beneficiary in quarterly, semi-annual or annual installments, or in a single lump sum.

6.2 Post-2004 Benefit . This Section 6.2 applies only to a Post-2004 Benefit.

(a) Form of Payment , The Post-2004 Benefit shall be payable in a form available under the NiSource Pension Plan, computed in the same manner as in the NiSource Pension Plan, or under any other Qualified Pension Plan, computed in the same manner as in such Qualified Pension Plan, as elected by a Participant by written notice delivered to the Plan Administrator on or before December 31, 2005. Notwithstanding the preceding sentence, in the case of an employee who first becomes a Participant on or after January 1, 2005, the aforementioned election with respect to a Post-2004 Benefit shall be made by written notice delivered to the Plan Administrator within 30 days after the date the Participant first becomes eligible to participate in the Plan and such election shall be effective with respect to Compensation related to services to be performed subsequent to the election; provided, however, that a Participant shall not be considered first eligible if, on the date he or she becomes a Participant, he or she participates in any other nonqualified plan of the same category (account balance or nonaccount balance, as applicable), which is subject to Code Section 409A, maintained by the Company or any Affiliate. If payment in the form of an annuity is elected, the annuity type shall be elected by the Participant at the time he or she makes the election described in the first or second sentence of this paragraph from among those annuities available at that time under the NiSource Pension Plan or under any other Qualified Pension Plan. If a Participant fails to elect a form of distribution, the Participant's Post-2004 Benefit shall be payable in a lump sum.

If a Participant who makes an election pursuant to this subsection 6.2(a) dies prior to distribution pursuant to such election, such election shall be revoked and the provisions of Article IV and subsection 6.2(b) shall apply.

Any change in an election of a form of distribution available under the NiSource Pension Plan or any other Qualified Pension Plan shall apply to his or her Post-2004 Benefit pursuant to the preceding paragraph only if it is made by written instrument delivered to the Plan Administrator and if (i) such new election does not take effect until at least 12 months after the date on which the election is made, (ii) the first payment with respect to which such new election is effective is deferred for a period of not less than five (5) years from the date such payment would otherwise have been made, and (iii) such new election is not made less than 12 months prior to the date of the first scheduled payment; provided, however, that an election to change from one type of annuity payment to a different, actuarially equivalent, type of annuity payment shall not be considered a change to the method of payment for purposes of applying the restrictions in clauses (i), (ii) and (iii).

Notwithstanding the preceding paragraph of this Section 6.2(a), a Participant may change an election with respect to the form of payment of a Post-2004 Benefit, without regard to the restrictions imposed under the preceding paragraph, on or before December 31, 2006; provided that such election (i) applies only to amounts that would not otherwise be payable in calendar year 2006, and (ii) shall not cause an amount to be paid in calendar year 2006 that would not otherwise be payable

in such year. Additionally, a Participant may change an election with respect to the form of payment of a Post-2004 Benefit, without regard to the restrictions imposed under the preceding paragraph, on or before December 31, 2007; provided that such election (i) applies only to amounts that would not otherwise be payable in calendar year 2007, and (ii) shall not cause an amount to be paid in calendar year 2007 that would not otherwise be paid in such year. Additionally, a Participant may change an election with respect to the form of payment of a Post-2004 Benefit, without regard to the restrictions imposed by the preceding paragraph, on or before December 31, 2008; provided that such election (i) applies only to amounts that would not otherwise be payable before January 1, 2009, and (ii) shall not cause an amount to be paid in calendar year 2007 or 2008 that would not otherwise be paid in such years.

(b) Specified Employees. Notwithstanding any other provision of the Plan, in no event can a payment of a Post-2004 Benefit, pursuant to Article IV or Section 5.4, to a Participant who is a Specified Employee of the Company or an Affiliate, at a time during which the Company's capital stock or capital stock of an Affiliate is publicly traded on an established securities market, in the calendar year of his or her separation from Service be made before the date that is six months after the date of the Participant's separation from Service with the Company and all Affiliates, unless such separation is due to his or her death or Disability.

A Participant shall be deemed to be a Specified Employee for purposes of this paragraph (b) if he or she is in job category C2 or above with respect to the Company or any Affiliate that employs him or her; provided that if at any time the total number of employees in job category C2 and above is less than 50, a Specified Employee shall include any person who meets the definition of Key Employee set forth in Code Section 416(i) without reference to paragraph (5). A Participant shall be deemed to be a Specified Employee with respect to a calendar year if he or she is a Specified Employee on September 30th of the preceding calendar year. If a Specified Employee will receive payments hereunder in the form of installments or an annuity, the first payment made as of the date six months after the date of the Participant's separation from Service with the Company and all Affiliates shall be a lump sum, paid as soon as practicable after the end of such six-month period, that includes all payments that would otherwise have been made during such six-month period. From and after the end of such six month period, any such installment or annuity payments shall be made pursuant to the terms of the applicable installment or annuity form of payment.

ARTICLE VII

Change in Contro l

7.1 Change in Control . A "Change in Control" shall be deemed to take place on the occurrence of either a "Change in Ownership," "*Change in Effective Control*" or a "*Change of Ownership of a Substantial Portion of Assets,*" *as defined below:*

(a) Change- in Ownership . A Change in Ownership of the Company occurs on the date that any one person, or more than one Person Acting as a Group (as defined below), acquires ownership of stock of the Company that, together with stock held by such person or group, constitutes more than 50% of the total fair market value or total voting power of the stock of the Company. However, if any one person or more than one Person Acting as a Group, is considered to own more than 50% of the total fair market value or total voting power of the stock of the Company, the acquisition of additional stock by the same person or persons is not considered to cause a Change in Ownership of the Company, as applicable (or to cause a Change in Effective Control of the Company). An increase in the percentage of stock owned by any one person, or Persons Acting as a Group, as a result of a transaction in which the Company acquires its stock in exchange for property's be treated as an acquisition of stock. This paragraph (a) applies only when there is a transfer of stock of the Company (or issuance of stock of the Company) and stock in the Company remains outstanding after the transaction.

(b) Change in Effective Control . A Change in Effective Control of the Company occurs on the date that either

(i) Any one person, or more than one Person Acting as a Group, acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) ownership of stock of the Company possessing 35% or more of the total voting power of the stock of the Company; or

(ii) a majority of members of the Board is replaced during any 12-month period by directors whose appointment or election is not endorsed by a majority of the members of the Board prior to the date of the appointment or election,

In the absence of an event described in paragraph (i) or (ii), a Change in Effective Control of the Company will not have occurred.

Acquisition of additional control . If any one person, or more than one Person Acting as a Group, is considered to effectively control the Company, the acquisition of additional control of the Company by the same person or persons is not considered to cause a Change in Effective Control of the Company (or to cause a Change in Ownership of the Company).

(c) Change of Ownersh i p of a Substantial Portion of Assets , A Change of Ownership of a Substantial Portion of Assets occurs on the date that any one person, or more than one Person Acting as a Group, acquires (or has acquired during the 12-month

period ending on the date of the most recent acquisition by such person or persons) assets from the Company that have a total gross fair market value equal to or more than 40% of the total gross fair market value of all of the assets of the Company immediately prior to such acquisition or acquisitions. For this purpose, gross fair market value means the value of the assets of the Company, or the value of the assets being disposed of, determined without regard to any liabilities associated with such assets.

Transfers to a related person. There is no Change in Control when there is a transfer to an entity that is controlled by the shareholders of the Company immediately after the transfer. A transfer of assets by the Company is not treated as a Change of Ownership of a Substantial Portion of Assets if the assets are transferred to –

(i) A shareholder of the Company (immediately before the asset transfer) in exchange for or with respect to its stock;

(ii) An entity, 50% or more of the total value or voting power of which is owned, directly or indirectly, by the Company;

(iii) A person, or more than one Person Acting as a Group, that owns, directly or indirectly, 50% or more of the total value or voting power of all the outstanding stock of the Company; or

(iv) An entity, at least 50% of the total value or voting power of which is owned, directly or indirectly, by a person described in paragraph (iii).

A person's status is determined immediately after the transfer of the assets. For example, a transfer to a corporation in which the Company has no ownership interest before the transaction, but which is a majority-owned subsidiary of the Company after the transaction is not treated as a Change of Ownership of a Substantial Portion of Assets of the Company.

(d) Persons Acting as a Group. Persons shall not be considered to be acting as a group solely because they purchase or own stock of the same corporation at the same time or as a result of the same public offering. However, persons shall be considered to be acting as a group if they are owners of a corporation that enters into a merger, consolidation, purchase or acquisition of stock, or similar business transaction with the Company. If a person, including an entity, owns stock in both corporations that enter into a merger, consolidation, purchase or acquisition of stock, or similar transaction, such shareholder is considered to be acting as a group with other shareholders in a corporation prior to the transaction giving rise to the change and not with respect to the ownership interest in the other corporation.

7.2 Potential Change in Control. A "Potential Change in Control" shall include any of the following:

(a) The delivery to the Company by any "person," as defined in Section 13(d)(3) of The Securities Exchange Act of 1934 (the "Act"), of a statement containing the information required by Schedule 13-D under the Act, or any amendment to any such statement, that shows that such person has acquired, directly or indirectly, the beneficial ownership of (1) more than twenty percent (20%) of any class of equity security of the Company entitled to vote as a class in the election or removal from office of directors, or (2) more than twenty percent (20%) of the voting power of any group of classes of equity securities of the Company entitled to vote as a single class in the election or removal from office of directors.

(b) The Company becomes aware that preliminary or definitive copies of a proxy statement and information statement or other information have been filed with the Securities and Exchange Commission pursuant to Rule 14a-6, Rule 14c-5 or Rule 14f-l under the Act relating to a proposed change in control of the Company.

(c) The delivery to the Company pursuant to Rule 14d-3 under the Act of a Tender Offer Statement relating to equity securities of the Company.

(d) The Board adopts a resolution to the effect that for purposes of the Plan a Potential Change in Control has occurred.

7.3 Additional Service and Compensation Upon Change in Control. With respect to a Participant who, pursuant to contract with the Company, is entitled to compensation from the Company for an additional 36 months in the event that after a Change in Control the Participant's employment is terminated by the Company or an Affiliate under circumstances described in the contract, such Participant's years of Service under Article II, and Supplemental Retirement Pension under Section 4.2 or Supplemental Retirement Account under Section 5.2, as applicable, shall be calculated as if the Participant had continued in employment with the Company for an additional 36 months at the rate of Compensation in effect immediately prior to his or her employment termination; provided that, in no event shall the counting of a Participant's Compensation during this 36-month period reduce his or her Final Average Compensation figure below its highest level prior to the Participant's separation from Service.

7.4 Waiver of Service and Age Requirements Upon Change in Control. A Participant who separates from service within 24 months following a Change in Control for any reason other than a termination by the Company for Good Cause, but prior to Early Retirement, shall be eligible for the Supplemental Retirement Pension specified in Section 4.2, rather than the Supplemental Retirement Pension specified in Section 4.4, commencing at Normal Retirement. Notwithstanding the previous sentence, such a Participant may elect to begin receiving the portion of his or her Supplemental Retirement Pension that constitutes his or her Pre-2005 Benefit pursuant to this Section 7.4 at any time after attaining age 55 years, subject to the reduction specified in Section 4.3. Such election shall have no effect on the distribution of his or her Post-2004 Benefit at his or her Normal Retirement Date.

7.5 Funding of Plan Benefits Upon Potential Change in Control. Upon a Potential Change in Control, the Plan Administrator shall identify the amount by which the present value of all benefits earned to date under the Plan (after offsets) exceeds the then fair market value of the applicable Trust assets, calculated using the Pension Benefit Guaranty Corporation immediate annuity interest rate as of the date of the Potential Change in Control, the 1983 GAM mortality tables, and the most valuable optional payment form (the "Full Funding Amount"), and Company shall contribute such Full Funding Amount to the Trust. Each Participant's benefits for purposes of calculating present value shall e highest benefit the Participant would have under the Plan within the six months following a Potential Change in Control, assuming that the Participant's employment continues for six months at the same rate of Compensation, and that the Participant receives any benefit enhancement provided by the Plan, or any other agreement, upon a Change in Control.

7.6 Plan Administration and Amendment Upon a Change in Control. Upon and after a Change in Control, the Company no longer shall have the power to appoint or remove members of the Benefits Committee or ONC Committee, nor the power to approve legal counsel or actuaries employed by such committees. Upon and after a Change in Control, only the respective committee members shall have the power to appoint or remove members. If, at any time after a Change in Control, all members of the Benefits Committee or ONC Committee have been removed or resigned, then all of the powers, rights and duties vested in such committee by Article IX below shall be vested in the trustee of the Trust.

7.7 Plan Administrator Discretion to Pay Lump Sum After a Change in Control. Upon and after a Change in Control, the Plan Administrator may, in its sole discretion, distribute, or cause the trustee under the Trust to distribute, to a Participant or a surviving spouse, the present value (determined in accordance with the assumptions in Section 12.11) of the Participant's Pre-2005 Benefit, or the portion of Supplemental Disability Pension or the surviving spouse's Supplemental Spouse Pension attributable to his or her Pre-2005 Benefit, payable under the Plan in a lump sum payment. The Plan Administrator shall distribute, or cause the trustee under the Trust to distribute, the present value of the Participant's Post-2004 Benefit.

7.8 Lump Sum Election. Each calendar year, a Participant shall have the right to elect to receive the present value (determined in accordance with the assumptions in Section 12.11) of the portion of the Participant's Supplemental Retirement Pension or the balance of the Participant's Supplemental Retirement Account that constitutes the Participant's Pre-2005 Benefit or the Participant's Supplemental Disability Pension, in a lump sum if:

(a) a Change in Control occurs in the calendar year subsequent to the calendar year in which the election is made; and

(b) (i) within 24 months following the Change in Control any one of the payment triggering conditions set forth in the Change in Control and Termination Agreement between the Company and the Participant shall have occurred; or

(ii) if no Change in Control and Termination Agreement is in effect between the Company and the Participant on the date of the Change in Control and within 24 months following the Change in Control the employment of the Participant with the Company is terminated by the Company for any reason other than Good Cause or the Participant terminates his or her employment with the Company for Good Reason.

Such election shall be irrevocable for the calendar year to which it applies. A distribution pursuant to this Section shall be made as soon as practicable following the Participant's separation from Service. Notwithstanding the preceding provisions of this Section, a Participant had the right to make the election set forth in this Section at any time during the first three (3) months of calendar year 2003 with respect to a Change in Control that occurred during the last nine (9) months of calendar year 2003. Any such election was irrevocable for calendar year 2003 and was subject to the other provisions of this Section.

7.9 Definitions .

(a) "Good Cause" shall be deemed to exist if, and only if:

(i) the Participant engages in acts or omissions constituting dishonesty, intentional breach of fiduciary obligation or intentional wrongdoing or malfeasance, in each case that results in substantial harm to the Company; or

(ii) the Participant is convicted of a criminal violation involving fraud or dishonesty.

(b) "Good Reason" shall be deemed to exist if, and only if:

(i) there is a significant change in the nature or the scope of the Participant's authorities or duties;

(ii) there is a significant reduction in the Participant's monthly rate of base salary, his or her opportunity to earn a bonus under an incentive bonus compensation plan maintained by the Company or his or her benefits; or

(iii) the Company changes by 100 miles or more the principal location in which the Participant is required to perform services.

ARTICLE VIII

Beneficiary Designation

8.1 Beneficiary Designation . Each Participant shall have the right, at any time, to designate one or more persons or an entity as Beneficiary (both primary as well as secondary) to whom benefits under the Plan shall be paid in the event of the Participant's death prior to complete distribution of the Participant's interest under the Plan. Each Beneficiary designation shall be in a written form prescribed by the Benefits Committee and shall be effective only when filed with the Benefits Committee during the Participant's lifetime.

If the Participant designates multiple beneficiaries, he or she shall designate the percentage, in whole numbers, allocated to each such beneficiary.

8.2 Changing Beneficiary. Any Beneficiary designation may be changed by a Participant without the consent of the previously named beneficiary by the filing of a new designation with the Benefits Committee. The filing of a new designation shall cancel all designations previously filed.

8.3 No Beneficiary Designation. If any Participant fails to designate a beneficiary in the manner provided above, if the designation is void or if the beneficiary designated by a deceased Participant dies before the Participant or before complete distribution of the Participant's benefits, the Participant's beneficiary shall be the person in the first of the following classes in which there is a survivor:

(a) The Participant's spouse;

(b) The Participant's children in equal shares, except that if any of the children predeceases the Participant but leaves issue surviving, then such issue shall take, by right of representation, the share the parent would have taken if living;

(c) The Participant's estate.

ARTICLE IX

Plan Administration

9.1 Allocation of Duties to Committees. The Plan shall be administered by the Benefits Committee, as delegated by the ONC Committee. The Benefits Committee shall have the authority to make, amend, interpret, and enforce all appropriate rules and regulations for the administration of the Plan and decide or resolve any and all questions, including interpretations of the Plan, as may arise in such administration, except as otherwise reserved to the ONC Committee herein, or by resolution or charter of the respective committees. Members of the Benefits Committee may be Participants under the Plan.

In its discretion, the Plan Administrator may delegate to any division or department of the Company the discretionary authority to make decisions regarding Plan administration, within limits and guidelines from time to time established by the Plan Administrator. The delegated discretionary authority shall be exercised by such division or department's senior officer, or his/her delegate. Within the scope of the delegated discretionary authority, such officer or person shall act in the place of the Plan Administrator and his/her decisions shall be treated as decisions of the Plan Administrator.

9.2 Agents. The Plan Administrator may, from time to time, employ agents and delegate to them such administrative duties as it sees fit, and may from time to time consult with counsel who may be counsel to the Company.

9.3 Information Required by Plan Administrator. The Company shall furnish the Plan Administrator with such data and information as the Plan Administrator may deem necessary or desirable in order to administer the Plan. The records of the Company as to an employee's or Participant's period or periods of employment, separation from Service and the reason therefore, reemployment and Compensation will be conclusive on all persons unless determined to the Plan Administrator's satisfaction to be incorrect. Participants and other persons entitled to benefits under the Plan also shall furnish the Plan Administrator with such evidence, data or information as the Plan Administrator considers necessary or desirable to administer the Plan.

9.4 Binding Effect of Decisions. Subject to applicable law, and the provisions of Article X, any interpretation of the provisions of the Plan and any decision on any matter within the discretion of the Benefits Committee and/or the ONC Committee (or any duly authorized delegate of either such committee) and made in good faith shall be binding on all persons.

ARTICLE X

Claims Procedure

10.1 Claim. Claims for benefits under the Plan shall be made in writing to the Plan Administrator. The Plan Administrator shall establish rules and procedures to be followed by Participants and Beneficiaries in filing claims for benefits, and for furnishing and verifying proof necessary to establish the right to benefits in accordance with the Plan, consistent with the remainder of this Article.

10.2 Review of Claim. The Plan Administrator shall review all claims for benefits. Upon receipt by the Plan Administrator of such a claim, it shall determine all facts that are necessary to establish the right of the claimant to benefits under the provisions of the Plan and the amount thereof as herein provided within 90 days of receipt of such claim. If prior to the expiration of the initial 90 day period, the Plan Administrator determines additional time is needed to come to a determination on the claim, the Plan Administrator shall provide written notice to the Participant, Beneficiary or other claimant of the need for the extension, not to exceed a total of 180 days from the date the application was received. If the Plan Administrator fails to notify the claimant in writing of the denial of the claim within 90 days after the Plan Administrator receives it, the claim shall be deemed denied.

10.3 Notice of Denial of Claim. If the Plan Administrator wholly or partially denies a claim for benefits, the Plan Administrator shall, within a reasonable period of time, but no later than 90 days after receiving the claim (unless extended as provided above), notify the claimant in writing of the denial of the claim. Such notification shall be written in a manner reasonably expected to be understood by such claimant and shall in all respects comply with the requirements of ERISA, including but not limited to inclusion of the following:

(a) the specific reason or reasons for denial of the claim;

(b) a specific reference to the pertinent Plan provisions upon which the denial is based;

(c) a description of any additional material or information necessary for the claimant to perfect the claim, together with an explanation of why such material or information is necessary; and

(d) an explanation of the Plan's review procedure.

10.4 Reconsideration of Denied Claim. Within 60 days of the receipt by the claimant of the written notice of denial of the claim, or within 60 days after the claim is deemed denied as set forth above, if applicable, the claimant or duly authorized representative may file a written request with the Benefits Committee that it conduct a full and fair review of the denial of the claimant's claim for benefits. If the claimant or duly authorized representative fails to request such a reconsideration within such 60 day period, it shall be conclusively determined for all purposes of the Plan that the denial of such claim by the Benefits Committee is correct. In connection with the claimant's appeal of the denial of his or her benefit, the claimant may review pertinent documents and may submit issues and comments in writing.

The Benefits Committee shall render a decision on the claim appeal promptly, but not later than 60 days after receiving the claimant's request for review, unless, in the discretion of the Benefits Committee, special circumstances require an extension of time for processing, in which case the 60-day period may be extended to 120 days. The Benefits Committee shall notify the claimant in writing of any such extension. The notice of decision shall be in writing and shall include specific reasons for the decision, written in a manner calculated to be understood by the claimant, as well as specific references to the pertinent Plan provisions on which the decision is based. If the decision on review is not furnished within the time period set forth above, the claim shall be deemed denied on review.

If such determination is favorable to the claimant, it shall be binding and conclusive. If such determination is adverse to such claimant, it shall be binding and conclusive unless the claimant or his duly authorized representative notifies the Benefits Committee within 90 days after the mailing or delivery to the claimant by the Benefits Committee of its determination that claimant intends to institute legal proceedings challenging the determination of the Benefits Committee and actually institutes such legal proceedings within 180 days after such mailing or delivery.

ARTICLE XI

Plan Amendment and Termination

11.1 Plan Amendment. The ONC Committee or the Board shall have the authority to amend the Plan. The ONC Committee or the Board shall have the exclusive authority to amend the Plan regarding eligibility for the Plan, the amount or level of benefits awarded under the Plan, and the time and form of payments for benefits from the Plan. In addition, the ONC Committee or the Board shall also have the exclusive authority to make amendments that constitute a material increase in compensation, any change requiring action or consent by a committee of the Board pursuant to the rules of the Securities and Exchange Commission, the New York Stock Exchange or other applicable law, or such other material changes to the Plan such that approval of the Board is required. Unless otherwise determined by the ONC Committee, the Benefits Committee shall have the authority to amend the Plan in all respects that are not exclusively reserved to the ONC Committee or the Board.

The respective committee may at any time amend the Plan by written instrument, notice of which is given to all Participants, and to Beneficiaries receiving installment payments. Notwithstanding the preceding sentence, no amendment shall reduce the amount accrued in any Account prior to the date such notice of the amendment is given.

11.2 Plan Termination. The ONC Committee or the Company may terminate the Plan at any time, except that any benefits that are payable due to a Retirement, death, Disability, or other separation from Service occurring prior to the amendment or termination shall not be reduced or discontinued. No amendment or termination of the Plan shall directly or indirectly deprive any current or former Participant (or surviving spouse) of all or any portion of any Supplemental Retirement Benefit, Supplemental Disability Pension, Supplemental Spouse Pension, or Supplemental Retirement Account, the payment of which has commenced prior to the effective date of such amendment or termination, or which would be payable if the Participant experienced a separation from Service for any reason on such effective date. Upon termination of the Plan, distribution of a Participant's Supplemental Retirement Benefits, Supplemental Disability Pension, Supplemental Retirement Account, or Supplemental Spouse Pension shall be made to the Participant or his or her surviving spouse or beneficiary in the manner and at the time described in Articles IV, V and VI of the Plan. In addition, no additional Supplemental Retirement Benefits, Supplemental Disability Pension, Supplemental Spouse Pension, or Compensation Credits or Supplemental Credits under a Supplemental Retirement Account, shall be earned after termination of the Plan, except as provided in Section 7.3.

ARTICLE XII

Miscellaneous

12.1 Plan Financing. Except as set forth below in this Section and in Section 7.5, benefits under the Plan shall be paid from the general assets of the Company. To the extent any Participant or surviving spouse or other designated beneficiary acquires a right to receive payments hereunder, such right shall be no greater than the right of any other unsecured creditor of the Company. Notwithstanding the foregoing, the Company has entered into a trust agreement ("Trust Agreement") whereby the Company agrees to contribute to a trust ("Trust") for the purpose of accumulating assets to assist the Company in fulfilling its obligations to Participants and surviving spouses or other designated beneficiaries hereunder. Such Trust includes the provision that all assets of the Trust shall be subject to the creditors of the Company in the event of its insolvency.

12.2 Non-Compete and Related Provisions. Benefits under the Plan may be forfeited if:

(a) A Participant, while employed by the Company or within a period of three years after the Participant's Separation from Service for any reason, including Retirement (the "Restrictive Period"), engages in activity or employment that directly or indirectly competes with the business of the Company or its Affiliates, including, but not by way of limitation, by directly or indirectly owning, managing, operating, controlling, financing, or by directly or indirectly serving as an employee, officer or director of or consultant to, or by soliciting or inducing, or attempting to solicit or induce, any employee or agent of the Company or its Affiliates to terminate employment with the Company or its Affiliates, and become employed by, any person, firm, partnership, corporation, trust or other entity that provides commodities, products or services to customers of the Company or its Affiliates of the same type as commodities, products or services provided by the Company or its Affiliates (the "Restrictive Covenant"). The foregoing Restrictive Covenant shall not prohibit a Participant from owning directly or indirectly capital stock or similar securities which are listed on a securities exchange or quoted on the National Association of Securities Dealers Automated Quotation System which do not represent more than 1% of the outstanding capital stock of any such entity; or

(b) A Participant performs any action or makes any statement that is detrimental to the Company or its Affiliates, unless such action or statement is retracted to the Company's satisfaction after the Participant is notified regarding such action or statement.

12.3 Nonguarantee of Employment. Participation in the Plan does not limit the right of the Company or an Affiliate to discharge any individual with or without cause.

12.4 Nonalienation of Benefits. Neither a Participant nor any other person shall have any right to commute, sell, assign, transfer, pledge, anticipate, mortgage, or otherwise encumber, transfer, hypothecate, or convey in advance of actual receipt the amounts, if any, payable hereunder, or any part thereof or rights to, which are expressly declared to be unassignable and nontransferable. No part of the amounts payable shall, prior to actual payment, be subject to seizure or sequestration for the payment of any debts, judgments, alimony, or separate maintenance owed by a Participant or any other person, nor be transferable by operation of law in the event of a Participant's or any other person's bankruptcy or insolvency.

Notwithstanding the preceding paragraph, the benefit of any Participant shall be subject to and payable in the amount determined in accordance with any qualified domestic relations order, as that term is defined in Section 206(d)(3) of ERISA. The Plan Administrator shall

provide for payment in a lump sum from a Participant's benefit to an alternate payee (as defined in Code Section 414(p)(8)) as soon as administratively practicable following receipt of such order. Any federal, state or local income tax associated with such payment shall be the responsibility of the alternate payee. The balance of a benefit that is subject to any qualified domestic relations order shall be reduced by the amount of any payment made pursuant to such order.

12.5 Indemnification.

(a) Limitation of Liability. Notwithstanding any other provision of the Plan or the Trust, none of the Company, any member of the Benefits Committee or ONC Committee, nor an individual acting as an employee or agent of any of them, shall be liable to any Participant or former Participant, or any surviving spouse or other designated beneficiary of any Participant or former Participant, for any claim, loss, liability or expense incurred in connection with the Plan or the Trust, except when the same shall have been judicially determined to be due to the willful misconduct of such person.

(b) Indemnity. The Company shall indemnify and hold harmless each member of the Benefits Committee and the ONC Committee, or any employee of the Company or any individual acting as an employee or agent of either of them (to the extent not indemnified or saved harmless under any liability insurance or any other indemnification arrangement with respect to the Plan or the Trust) from any and all claims, losses, liabilities, costs and expenses (including attorneys' fees) arising out of any actual or alleged act or failure to act made in good faith pursuant to the provisions of the Plan, including expenses reasonably incurred in the defense of any claim relating thereto with respect to the administration of the Plan or the Trust, except that no indemnification or defense shall be provided to any person with respect to any conduct that has been judicially determined, or agreed by the parties, to have constituted willful misconduct on the part of such person, or to have resulted in his or her receipt of personal profit or advantage to which he or she is not entitled. In connection with the indemnification provided by the preceding sentence, expenses incurred in defending a civil or criminal action, suit or proceeding, or incurred in connection with a civil or criminal investigation, may be paid by the Company in advance of the final disposition of such action, suit, proceeding, or investigation, as authorized by the Plan Administrator in the specific case, upon receipt of an undertaking by or on behalf of the party to be indemnified to repay such amount unless it shall ultimately be determined that the person is entitled to be indemnified by the Company pursuant to this paragraph.

12.6 Severability. Each of the Sections contained in the Plan, and each provision in each Section, shall be enforceable independently of every other Section or provision in the Plan, and the invalidity or unenforceability of any Section or provision shall not invalidate or render unenforceable any other Section or provision contained herein. If any Section or provision in a Section is found invalid or unenforceable, it is the intent of the parties that a court of competent jurisdiction shall reform the Section or provision to produce its nearest enforceable economic equivalent.

12.7 Action by Company. Any action required of, or permitted by, the Company under the Plan shall be by resolution of the respective committee identified herein, or by a person or persons authorized by resolution of the such committee.

12.8 Protective Provisions. A Participant shall cooperate with the Company by furnishing any and all information requested by the Company and its Affiliates in order to facilitate the payment of benefits hereunder, and by taking such physical examinations as the Company and its Affiliates may deem necessary and taking such other action as may be requested by the Company and its Affiliates.

12.9 Governing Law. The provisions of the Plan shall be construed and interpreted according to the laws of the State of Indiana, except as preempted by federal law.

12.10 Notice. Any notice required or permitted under the Plan shall be sufficient if in writing and hand delivered or sent by registered or certified mail. Such notice shall be deemed as given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark on the receipt for registration or certification. Mailed notice to the Plan Administrator shall be directed to the Company's address. Mailed notice to a Participant, a surviving spouse or other designated beneficiary shall be directed to the individual's last known address in the Company's records.

12.11 Successors. The provisions of the Plan shall bind and inure to the benefit of the Company, its Affiliates and their successors and assigns. The term successors as used herein shall include any corporate or other business entity that shall, whether by merger, consolidation, purchase, or otherwise, acquire all or substantially all of the business and assets of the Company, and successors of any such corporation or other business entity.

12.12 Actuarial Assumptions. Unless otherwise provided in the Plan, all actuarial adjustments necessary to determine the amount, form or timing of any distribution shall be based on the same actuarial assumptions used for the pension a Participant is eligible to receive under the NiSource Pension Plan.

12.13 Tax Savings.

(a) Notwithstanding anything to the contrary contained in the Plan, (1) in the event that the Internal Revenue Service prevails in its claim that benefits under the Plan constitute taxable income to a Participant; his or her spouse or other designated beneficiary, for any taxable year, prior to the taxable year in which such benefits are distributed to him or her, or (2) in the event that legal counsel satisfactory to the Company and the applicable Participant, his or her spouse or other designated beneficiary, renders an opinion that the Internal Revenue Service would likely prevail in such a claim, the Pre-2005 Benefit, to the extent constituting taxable income, shall be immediately distributed to the Participant, his or her spouse or other designated beneficiary. For purposes of this Section, the Internal Revenue

Service shall be deemed to have prevailed in a claim if such claim is upheld by a court of final jurisdiction, or, if based upon an opinion of legal counsel satisfactory to the Company and the Participant, his or her spouse or other designated beneficiary, the Plan fails to appeal a decision of the Internal Revenue Service, or a court of applicable jurisdiction, with respect to such claim to an appropriate Internal Revenue Service appeals authority or to a court of higher jurisdiction within the appropriate time period.

(b) Notwithstanding anything to the contrary contained in the Plan, (I) in the event that the Internal Revenue Service prevails in its claim that benefits under the Plan constitute taxable income under Code Section 409A, and guidance and regulations thereunder, to a Participant, his or her spouse or other designated beneficiary, for any taxable year prior to the taxable year in which such benefits are distributed to him or her, or (2) in the event that legal counsel satisfactory to the Company and the applicable Participant, his or her spouse or other designated beneficiary, renders an opinion that the Internal Revenue Service would likely prevail in such a claim, the Post-2004 Benefit or Supplemental Spouse Pension, to the extent constituting taxable income, shall be immediately distributed to the Participant, his or her spouse or other designated beneficiary. For purposes of this Section, the Internal Revenue Service shall be deemed to have prevailed in a claim if such claim is upheld by a court of final jurisdiction, or, if based upon an opinion of legal counsel satisfactory to the Company and the Participant, his or her spouse or other designated beneficiary, the Plan fails to appeal a decision of the Internal Revenue Service, or a court of applicable jurisdiction, with respect to such claim to an appropriate Internal Revenue Service appeals authority or to a court of higher jurisdiction within the appropriate time period.

[signature block follows on next page]

IN WITNESS WHEREOF , the Company has caused this amendment and restatement of the NiSource Inc. Supplemental Executive Retirement Plan to be executed in its name by its duly authorized officer, effective as of May 13, 2011.

NISOURCE INC.

By: /s/ Joel Hoelzer
Its: V.P. Human Resources
Date: August 11, 2011

PENSION RESTORATION PLAN

FOR NISOURCE INC. AND AFFILIATES

As Amended and Restated Effective May 13, 2011

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PENSION RESTORATION PLAN
FOR NISOURCE INC. AND AFFILIATES

As Amended and Restated Effective May 13, 2011

ARTICLE I

BACKGROUND AND PURPOSE

1.1 **Background**. The Columbia Gas System, Inc. adopted The Pension Restoration Plan for The Columbia Gas System, Inc., as amended and restated effective March 1, 1997. The Plan was amended and restated, effective January 1, 2002, by Columbia Energy Group, successor to Columbia Gas System, Inc., and renamed the Pension Restoration Plan for the Columbia Energy Group. Effective January 1, 2004, NiSource Inc., the parent company of Columbia Energy Group, assumed sponsorship of the Pension Restoration Plan for Columbia Energy Group, renamed the Plan the Pension Restoration Plan for NiSource Inc. and Affiliates, and broadened the Plan to allow participation by employees of NiSource Inc. and Affiliated Companies from and after January 1, 2004. The Plan was further amended and restated, effective January 1, 2005, to comply with Internal Revenue Code Section 409A with respect to benefits earned under the Plan. The Plan was amended and restated again, effective January 1, 2008, to revise certain election procedures. The Plan was further amended and restated, effective January 1, 2010, to clarify the calculation of benefits under the Plan and to reflect Plan benefits parallel to the benefit structures under applicable Basic Plans, including the AB Benefit.

The Plan is amended and restated again, effective May 13, 2011 to transfer all administrative authority with respect to the Plan (including the authority to render decisions on claims and appeals and make administrative or ministerial amendments) from the ONC Committee to the Benefits Committee.

1 . 2 **Purpose** . The purpose of the Plan is to provide for the payment of pension restoration benefits to employees of the Employer, whose benefits under the Basic Plans are subject to the Limits, or affected by deferrals into the DCP, so that the total pension benefits of such employees will be determined on the same basis as is applicable to all other employees of the Employer. The Plan is adopted solely (1) for the purpose of providing benefits to Participants in the Plan and their Beneficiaries in excess of the Limits imposed on qualified plans by Code Sections 415 and 401(a)(17), and any other Code Sections, by restoring benefits to such Plan Participants and Beneficiaries that are not available under the Basic Plans as a result of the Limits, and (2) for the purpose of restoring benefits to Plan Participants and Beneficiaries that are no longer available under the Basic Plans as a result of the Participant's deferrals into the DCP. The provisions of the Plan as stated herein apply only to Participants who actively participate in the Plan on or after the Effective Date. Any Participant who retired or otherwise terminated employment with the Company and Affiliates prior to the Effective Date shall have his or her rights determined under the provision of the Plan, as it existed when his or her employment relationship terminated.

ARTICLE II

DEFINITIONS

For the purposes of the Plan, the following terms shall have the meanings indicated, unless the context clearly indicates otherwise. Exc when otherwise required by the context, any masculine terminology in this document shall include the feminine, and any singular terminology shall include the plural. The headings of Articles and Sections are included solely for convenience, and if there is any conflict between such headings and the text of the Plan, the text shall control.

2.1 **AB Account**. The hypothetical account created for a Participant under the Plan who has an AB Benefit under a Basic Plan.

2.2 **AB Benefit**. A Participant's AB I Benefit or AB II Benefit that is accrued for the benefit of the Participant under a Basic Plan.

2.3 **Affiliate**. Any corporation that is a member of a controlled group of corporations (as defined in Code Section 414(b)) that includes the Company; any trade or business (whether or not incorporated) that is under common control (as defined in Code Section 414(c)) with the Company; any organization (whether or not incorporated) that is a member of an affiliated service group (as defined in Code Section 414(m)) that includes the Company; any leasing organization, to the extent that its employees are required to be treated as if they were employed by the Company pursuant to Code Section 414(n) and the regulations thereunder; and any other entity required to be aggregated with the Company pursuant to regulations under Code Section 414(o). An entity shall be an Affiliate only with respect to the existing period as described in the preceding sentence.

2.4 **Basic Plans**. The tax-qualified defined benefit retirement plan(s) maintained by the Company and Affiliates listed on Schedule A, attached hereto.

2.5 **Beneficiary**. The person, persons or entity entitled to receive any plan benefits payable after a Participant's death.

2.6 **Benefits Committee**. The NiSource Benefits Committee.

2.7 **Code**. The Internal Revenue Code of 1986, as amended.

2.8 **Company**. NiSource Inc., a Delaware corporation.

2.9 **DCP**. The Columbia Energy Group Deferred Compensation Plan, on or prior to December 31, 2003, and, thereafter, the NiSource Inc. Executive Deferred Compensation Plan.

2.10 **Disability**. A condition that (a) causes a Participant to be unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, (b) causes a Participant, by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, to receive income replacement benefits for a period of not less than three months under an accident and health plan covering Employees of the Company or an Affiliate or (c) causes a Participant to be eligible to receive Social Security disability payments.

2.11 **Effective Date**. May 13, 2011, the date on which this amendment and restatement of the Plan is effective.

2.12 **Employee**. Any individual who is employed by an Employer on a basis that involves payment of salary, wages or commissions.

2.13 **Employer**. The Company or any Affiliate who maintains or adopts for its Eligible Employees a Basic Plan.

2.14 **ERISA**. The Employee Retirement Income Security Act of 1974, as amended.

2.15 **Limits**. The limits imposed on the payment, accrual or calculation of tax-qualified retirement plans by Code Sections 415 and 401 (a)(17) and any other Code Sections.

2.16 **ONC Committee**. The Officer Nomination and Compensation Committee of the Board of Directors of the Company.

2.17 **Participant**. Any Employee who is participating in the Plan in accordance with its provisions.

2.18 **Plan**. The Pension Restoration Plan for NiSource Inc. and Affiliates (formerly known as the Pension Restoration Plan for the Columbia Energy Group, formerly known as the Pension Restoration Plan for The Columbia Gas System, Inc.), as set forth herein.

2.19 **Plan Administrator**. The Benefits Committee or such delegate of the Benefits Committee delegated to carry out the administrative functions of the Plan.

ARTICLE III

PARTICIPATION AND BENEFIT ACCRUAL

3.1 **Eligibility for Participation and Accrual of Benefit**. Except as provided in Section 3.2 below, each Employee of an Employer shall be eligible to participate in the Plan as of the date he or she is eligible to participate in a Basic Plan. For purposes of accruing a benefit under the Plan, each employee shall be eligible to accrue a benefit under the Plan for any plan year in which his or her benefits under a Basic Plan are limited by the Limits or by his or her deferrals under the DCP.

The ONC Committee (or its delegate) shall determine the eligibility of each Employee to participate in the Plan based on information furnished by the Employer. Such determination shall be within the discretion of the Plan Administrator (or its delegate) and shall be conclusive and binding upon all persons as long as such determination is made pursuant to the Plan and applicable law.

3.2 **Special Provisions for Participants with Basic Plan Benefits Accrued Prior to 2004.**

(a) Eligibility. As set forth in Article I, prior to January 1, 2004, only Employees of Columbia Energy Group (or its predecessor) who had benefits under a Basic Plan affected by the Limits, or by his or her deferrals under the DCP, participated in the Plan. Pursuant to the extension of participation in the Plan as explained in Article I, on or after January 1, 2004, each Employee meeting the participation requirements set forth in Section 3.1 shall participate in the Plan as of January 1, 2004, and shall be eligible to accrue a benefit under the Plan as of such date or, if later, as of the date that an Employee's benefits under a Basic Plan are affected by the Limits or by his or her deferrals under the DCP.

(b) Benefit Accrual. With respect to any Participant who was first eligible to participate in the Plan on January 1, 2004 in accordance with this Section, but who had accrued benefits under a Basic Plan prior to such date, such Participant shall have benefits under the Plan calculated in accordance with the Plan's general provisions, except that the Plan shall only consider the Participant's Credited Service, Point Service, Compensation or Accrued Benefit under the Basic Plan earned on or after the date participation in the Plan begins *(i.e.,* January 1, 2004), as further described in Section 4.2, Section 4.4(b), Section 4.5(b), Section 4.6(b) and Section 4.7(b).

3.3 **Service Crediting.** A Participant's service used under the Basic Plan for purposes of determining eligibility for any retirement benefit shall also be used for similar purposes under the Plan. For any Participant described in Section 3.2, the Plan shall only consider such Participant's Credited Service (or, if applicable, Point Service) as of the date of participation in the Plan for purposes of calculating the benefit under the Plan; however, the Plan shall continue to consider such Participant's Credited Service (or, if applicable, Point Service) under the Basic Plan for purposes of determining early retirement eligibility or the application of the Pay-Based Credit scale for the Participant as described in Section 4.6.

ARTICLE IV

DETERMINATION OF BENEFIT AMOUNT

4.1 **Amount of Benefit - General Principle**. The benefit payable under the Plan to a Participant (or to his or her Beneficiary under a Plan) shall be equal to the excess (if any) of the benefit determined under subsection (a) below over the benefit determined under section (b) below:

(a) The benefit that would have been payable under a Basic Plan to a Participant, or to his or her Beneficiary, determined under a Basic Plan without regard to (i) the Limits or (ii) the Participant's deferrals into the DCP, if any.

(b) The benefit actually payable to the Participant, or to his or her Beneficiary, determined under a Basic Plan after applying the Limits and considering deferrals into the DCP, if any.

To the extent that the AB Benefit provisions of the Basic Plan apply to a Participant, such Participant shall have an AB Account created and shall have his or her benefit under the Plan calculated in accordance with the provisions of this Article IV. Specifically, such Participant shall be subject to the conversion, Opening Balance, Pay-Based and Interest Credits and Protected Benefit provisions provided under this Article.

4.2 **Amount of Benefit For Participant Who Accrued a Benefit under a Basic Plan Prior to Participating in the Plan on January 1, 2004**. Notwithstanding the foregoing, the calculation of the benefit payable under Section 4.1 above shall be limited for any Participant described in Section 3.2. For such Participants, the benefit payable under the Plan shall be determined as follows:

(a) FAP Participant. For a Participant whose Accrued Benefit under a Basic Plan is a FAP Benefit, the benefit payable under the Plan to the Participant, or to his or her Beneficiary under the Basic Plan, shall be equal to the excess (if any) of the benefit determined under paragraph (1) below over the benefit determined under paragraph (2) below:

(1) The benefit that would have been payable under a Basic Plan to a Participant, or to his or her Beneficiary determined under a Basic Plan, considering only the Participant's Credited Service and Compensation from and after the date the Participant first becomes eligible to participate in the Plan, determined without regard to (i) the Limits or (ii) the Participant's deferrals into the DCP, if any.

(2) The benefit actually payable to the Participant, or to his or her Beneficiary determined under a Basic Plan, calculated based upon the Participant's Credited Service and Compensation from and after the date the Participant first becomes eligible to participate in the Plan, determined after applying the Limits and considering deferrals into the DCP, if any.

(b) AB Participant. For a Participant whose Accrued Benefit under a Basic Plan is an AB Benefit, the benefit payable under the Plan to the Participant, or to his or her Beneficiary under a Basic Plan, shall be equal to the excess (if any) of the benefit determined under paragraph (1) below over the benefit determined under paragraph (2) below:

(1) The benefit that would have been payable under a Basic Plan to a Participant or his or her Beneficiary, determined as if the Participant's Opening Balance under the Basic Plan was $0 as of the date the Participant first becomes eligible to participate in the Plan, and considering only the Participant's Pay-Based Credits, Interest Credits and Compensation from and after such date, and determined without regard to (i) the Limits or (ii) the Participant's deferrals into the DCP, if any.

(2) The benefit actually payable under a Basic Plan to the Participant, or to his or her Beneficiary, determined as if the Participant's Opening Balance under the Basic Plan was $0 as of the date the Participant first becomes eligible to participate in the Plan, and considering only the Participant's Pay-Based Credits, Interest Credits and Compensation from and after such date, and determined after applying the Limits and considering deferrals into the DCP, if any.

4.3 **Form of Benefit Accrual**. The form of benefit accrual for a Participant in the Plan shall be the form of benefit accrual applicable for such Participant under the relevant Basic Plan.

4.4 **Conversion of Benefits**.

(a) In General. Upon the conversion of any Participant's Accrued Benefit in a Basic Plan from a FAP Benefit to an AB II Benefit or from an AB I Benefit to an AB II Benefit, any benefit under the Plan shall, except as provided below, also be converted upon such date according to the conversion procedures set forth in the relevant Basic Plan, including determination of an Opening Balance.

(b) Exception to the General Provision. Notwithstanding the foregoing, with respect to any Participant in the Plan who is described in Section 3.2, such Participant's benefit under the Plan shall be converted according to the conversion procedures in the relevant Basic Plan, provided that any consideration of Credited Service and Compensation in the calculation of the Participant's Opening Balance shall be limited to Credited Service and Compensation earned from and after the date the Participant first becomes eligible to participate in the Plan.

4.5 **Opening Balance**. For purposes of determining the Opening Balance for Participants in the Plan, the following provisions shall apply:

(a) In General. The Opening Balance shall be calculated using the same methodology and factors as provided in the relevant Basic Plan. The Opening Balance under the Plan shall be determined as the excess of the Opening Balance determined in (1) below over the Opening Balance determined in (2) below:

(1) The Participant's Opening Balance under the Basic Plan determined without regard to (i) the Limits or (ii) the Participant's deferrals into the DCP, if any.

(2) The Participant's Opening Balance under the Basic Plan determined after applying the Limits and considering deferrals into the DCP, if any.

(b) Exception to the General Provision. For the purpose of determining the Opening Balance for any Participant in the Plan who is described in Section 3.2, the Opening Balance under the Plan shall be determined in accordance with Section 4.5(a) above, but considering a calculation of the Opening Balance under the Basic Plan using only the Participant's Credited Service (or, if applicable, Point Service) and Compensation from and after the date the Participant first becomes eligible to participate in the Plan.

4.6 **Pay-Based Credits and Interest Credits**. For purposes of determining Pay-Based Credits and Interest Credits under the Plan, the following provisions shall apply:

(a) Pay-Based Credits Generally. Pay-Based Credits under the Plan shall be calculated using the same methodology and factors as provided in the relevant Basic Plan. Pay-Based Credits under the Plan shall be determined as the excess of the Pay-Based Credits determined in (1) below over the Pay-Based Credits determined in (2) below:

(1) The Participant's Pay-Based Credits under the Basic Plan determined without regard to (i) the Limits or (ii) the Participant's deferrals into the DCP, if any.

(2) The Participant's Pay-Based Credits under the Basic Plan determined after applying the Limits and considering deferrals into the DCP, if any.

(b) Exception to the General Pay-Based Credits Provision. For the purpose of determining the Pay-Based Credits for any Participant in the Plan who is described in Section 3.2, the Pay-Based Credits under the Plan shall be determined in accordance with Section 4.6 (a) above, but considering a calculation of Pay-Based Credits under the Basic Plan using only Compensation from and after the date the Participant first becomes eligible to participate in the Plan.

(c) Interest Credits, Interest Credits under the Plan shall be calculated using the same methodology and factors as provided in the relevant Basic Plan.

4.7 **Protected Benefit**. Effective for any Participant terminating employment with the Employer on or after January 1, 2011, the benefit payable under the Plan may never be less than the benefit set forth in this section. For purposes of determining the Protected Benefit under the Plan, the following provisions shall apply:

(a) Protected Benefit Generally. The Protected Benefit under the Plan shall be calculated using the same methodology and factors as provided in the relevant Basic Plan. The Protected Benefit under the Plan shall be determined as the excess of the benefit determined in (1) below over the benefit determined in (2) below:

(1) The Protected Benefit under the Basic Plan for the Participant, or for his or her Beneficiary, determined without regard to (i) the Limits or (ii) the Participant's deferrals into the DCP, if any.

(2) The Protected Benefit under the Basic Plan for the Participant, or for his or her Beneficiary, determined after applying the Limits and considering deferrals into the DCP, if any.

In accordance with the methodology provided in the applicable Basic Plan, a Participant with an AB Benefit shall be entitled to benefit under the Plan equal to the greater of (1) the AB Account under the Plan or (2) the sum of the AB Account under the Plan (determined without regard to the Opening Balance calculation) *plus* the portion of the FAP Benefit that is calculated in accordance with the Plan as of the date of conversion to the AB Benefit as set forth in Section 4.4.

(b) Exception to the General Protected Benefit Provision. For the purpose of determining the Protected Benefit for any Participant in the Plan who is described in Section 3.2, the Protected Benefit under the Plan shall be determined in accordance with Section 4.7 (a) above, but considering calculation of the Protected Benefit under the Basic Plan using only Credited Service and Compensation from and after the date the Participant first becomes eligible to participate in the Plan.

ARTICLE V

TIME AND METHOD OF PAYMENT OF BENEFIT

5.1 **Method of Payment**.

(a) The benefit earned under the Plan shall be payable to a Participant in a form available under the Basic Plan, as elected by the Participant by notice delivered to the Plan Administrator on or before December 31, 2005. Notwithstanding the preceding sentence, in the case of an Employee who becomes a Participant on or after January 1, 2005, the aforementioned election with respect to a benefit shall be made no later than January 31 of the calendar year after the calendar year in which the Participant first becomes eligible to participate in the Plan, and such election shall be effective with respect to Compensation related to services to be performed subsequent to the election; provided, however, that a Participant shall not be considered first eligible if, on the date he or she becomes a Participant, he or she participates in any other nonqualified plan of the same category that is subject to Code Section 409A, maintained by the Company or an Affiliate.

(b) If payment in the form of an annuity is elected, the annuity type shall be elected by the Participant at the time he or she makes the election described in the first or second sentence of subsection (a) above from among those annuities available at that time under the Basic Plan. If a benefit hereunder is paid in an annuity form other than a straight life annuity, the amount of the benefit under the Plan shall be reduced by the Basic Plan's factors in effect at the time of such election for payment in a form other than a straight life annuity. If payment in the form of a lump sum is elected, the lump sum amount payable will be calculated in the same manner and according to the same interest rates and mortality tables as under the Basic Plan at the time of such election.

(c) If the Participant fails to elect a form of payment as required under subsections (a) and (b) above, the Participant's benefit shall be payable in a lump sum.

5.2 **Timing of Payment**. A benefit payable in accordance with Section 5.1 will commence within 45 days after: (i) if the Participant qualifies for Early Retirement under a Basic Plan, when the Participant separates from service, or (ii) if the Participant does not qualify for Early Retirement under a Basic Plan, the later of when the Participant separates from service or attains (or would have attained) age 65, or, if later, within such timeframe permitted under Code Section 409A, and guidance and regulations thereunder.

5.3 **Changes to the Form of Payment**. A Participant cannot change the form of payment of a benefit elected under Section 5.1 or this Section 5.3 unless (i) such election does not take effect until at least 12 months after the date on which the election is made, (ii) in the case of an election related to a payment not due to the Participant's Disability or death, the first

payment with respect to which such new election is effective is deferred for a period of not less than five years from the date such payment would otherwise have been made, and (iii) any election related to a payment based upon a specific time or pursuant to a fixed schedule may not be made less than 12 months prior to the date of the first scheduled payment; provided, however, that an election to change from one type of annuity payment to a different, actuarially equivalent, type of annuity payment shall not be considered a change to the form of payment for purposes of applying the restrictions in clauses (i), (ii) and (iii).

Notwithstanding the preceding paragraphs of this Section 5.3, a Participant may change an election with respect to the form of payment of a benefit, without regard to the restrictions imposed under the preceding paragraph, on or before December 31, 2006; provided that such election (i) applies only to amounts that would not otherwise be payable in calendar year 2006, and (ii) shall not cause an amount to be paid in calendar year 2006 that would not otherwise be payable in such year.

5.4 **Specified Employees**. Notwithstanding any other provision of the Plan, in no event can a payment of a benefit to a Participant who is a Specified Employee of the Company or an Affiliate, at a time during which the Company's capital stock or capital stock of an Affiliate is publicly traded on an established securities market, in the calendar year of his or her separation from service, be made before the date that is six months after the date of the Participant's separation from service with the Company and all Affiliates, unless such separation is due to his or her death or Disability.

A Participant shall be deemed to be a Specified Employee for purposes of this Section 5.4 if he or she is in a job category C2 or above with respect to the Company or Affiliate that employs him or her; provided if at any time the total number of Employees in job category C2 and above is less than 50, a Specified Employee shall include any person who meets the definition of Key Employee set forth in Code Section 416(i) without reference to paragraph (5). A Participant shall be deemed to be a Specified Employee with respect to a calendar year if he or she is a Specified Employee on September 30th of the preceding calendar year. If a Specified Employee will receive payments hereunder in the form of installments or an annuity, the first payment made as of the date six months after the date of the Participant's separation from service with the Company and all Affiliates shall be a lump sum, paid as soon as practicable after the end of such six-month period, that includes all payments that would otherwise have been made during such six-month period. From and after the end of such six month period, any such installment or annuity payments shall be made pursuant to the terms of the applicable installment or annuity form of payment.

5.5 **Interest and Mortality Assumptions**. Determinations under the Plan shall be based on the interest and mortality assumptions used in the applicable Basic Plan on the date of such determination.

ARTICLE VI

ADMINISTRATION OF PLAN

6.1 **Allocation of Duties to Committees**. The Plan shall be administered by the Benefits Committee, as delegated by the ONC mittee. The Benefits Committee shall have the authority to make, amend, interpret, and enforce all appropriate rules and regulations for the inistration of the Plan and decide or resolve any and all questions, including interpretations of the Plan, as may arise in such administration, except as otherwise reserved to the ONC Committee herein, or by resolution or charter of the respective committees.

In its discretion, the Plan Administrator may delegate to any division or department of the Company the discretionary authority to make decisions regarding Plan administration, within limits and guidelines from time to time established by the Plan Administrator. The delegated discretionary authority shall be exercised by such division or department's senior officer, or his/her delegate. Within the scope of the delegated discretionary authority, such officer or person shall act in the place of the Plan Administrator and his/her decisions shall be treated as decisions of the Plan Administrator.

6.2 **Agents**. The Plan Administrator may, from time to time, employ agents and delegate to them such administrative duties as it sees fit, and may from time to time consult with counsel who may be counsel to the Company.

6.3 **Information Required by Plan Administrator**. The Company shall furnish the Plan Administrator with such data and information as the Plan Administrator may deem necessary or desirable in order to administer the Plan. The records of the Company as to an employee's or Participant's period or periods of employment, separation from Service and the reason therefore, reemployment and Compensation will be conclusive on all persons unless determined to the Plan Administrator's satisfaction to be incorrect. Participants and other persons entitled to benefits under the Plan also shall furnish the Plan Administrator with such evidence, data or information as the Plan Administrator considers necessary or desirable to administer the Plan.

6.4 **Binding Effect of Decisions**. Subject to applicable law, and the provisions of Article VIII, any interpretation of the provisions of the Plan and any decision on any matter within the discretion of the Benefits Committee and/or the ONC Committee (or any duly authorized delegate of either such committee) and made in good faith shall be binding on all persons.

ARTICLE VII

CLAIMS PROCEDURE

7.1 **Claims Procedure**. Claims for benefits under the Plan shall be made in writing to the Plan Administrator. The Plan Administrator establish rules and procedures to be followed by Participants and Beneficiaries in filing claims for benefits, and for furnishing and ving proof necessary to establish the right to benefits in accordance with the Plan, consistent with the remainder of this Article.

7.2 **Review of Claim**. The Plan Administrator shall review all claims for benefits. Upon receipt by the Plan Administrator of such a claim, it shall determine all facts that are necessary to establish the right of the claimant to benefits under the provisions of the Plan and the amount thereof as herein provided within 90 days of receipt of such claim. If prior to the expiration of the initial 90 day period, the Plan Administrator determines additional time is needed to come to a determination on the claim, the Plan Administrator shall provide written noti to the Participant, Beneficiary or other claimant of the need for the extension, not to exceed a total of 180 days from the date the application was received. If the Plan Administrator fails to notify the claimant in writing of the denial of the claim within 90 days after the Plan Administrator receives it, the claim shall be deemed denied.

7.3 **Notice of Denial of Claim**. If the Plan Administrator wholly or partially denies a claim for benefits, the Plan Administrator shall, within a reasonable period of time, but no later than 90 days after receiving the claim (unless extended as noted above), notify the claimant in writing of the denial of the claim. Such notification shall be written in a manner reasonably expected to be understood by such claimant and shall in all respects comply with the requirements of ERISA, including but not limited to inclusion of the following:

(a) the specific reason or reasons for denial of the claim;

(b) a specific reference to the pertinent Plan provisions upon which the denial is based;

(c) a description of any additional material or information necessary for the claimant to perfect the claim, together with an explanation of why such material or information is necessary; and

(d) an explanation of the Plan's review procedure.

7.4 **Reconsideration of Denied Claim**. Within 60 days of the receipt by the claimant of the written notice of denial of the claim, or within 60 days after the claim is deemed denied as set forth above, if applicable, the claimant or duly authorized representative may file a written request with the Benefits Committee that it conduct a full and fair review of the denial of the claimant's claim for benefits. If the claimant or duly authorized representative fails to request such a reconsideration within such 60 day period, it shall be conclusively determined for all purposes of the Plan that the denial of such claim by the Benefits Committee is correct. In connection with the claimant's appeal of the denial of his or her benefit, the claimant may review pertinent documents and may submit issues and comments in writing.

The Benefits Committee shall render a decision on the claim appeal promptly, but not later than 60 days after receiving the claimant's request for review, unless, in the discretion of the Benefits Committee, special circumstances require an extension of time for processing, in which

case the 60-day period may be extended to 120 days. The Benefits Committee shall notify the claimant in writing of any such extension. The notice of decision upon review shall be in writing and shall include specific reasons for the decision, written in a manner calculated to be understood by the claimant, as well as specific references to the pertinent Plan provisions upon which the decision is based. If the decision on review is not furnished within the time period set forth above, the claim shall be deemed denied on review.

If such determination is favorable to the claimant, it shall be binding and conclusive. If such determination is adverse to such claimant, it be binding and conclusive unless the claimant or his duly authorized representative notifies the Benefits Committee within 90 days after the mailing or delivery to the claimant by the Benefits Committee of its determination that claimant intends to institute legal proceedings challenging the determination of the Benefits Committee and actually institutes such legal proceedings within 180 days after such mailing or delivery.

ARTICLE VIII

PLAN AMENDMENT OR TERMINATION

8.1 **Plan Amendment**. While the Company intends to maintain the Plan in conjunction with the Basic Plans, the Company or the ONC Committee reserves the right to amend the Plan at any time and from time to time with respect to eligibility for the Plan, the level of benefits awarded under the Plan and the time and form of payment for benefits from the Plan. The ONC Committee or the Board shall have the authority to amend the Plan. The ONC Committee or the Board shall have the exclusive authority to amend the Plan regarding eligibility for the Plan, the amount or level of benefits awarded under the Plan, and the time and form of payments for benefits from the Plan. In addition, the ONC Committee or the Board shall also have the exclusive authority to make amendments that constitute a material increase in compensation, any change requiring action or consent by a committee of the Board pursuant to the rules of the Securities and Exchange Commission, the New York Stock Exchange or other applicable law, or such other material changes to the Plan such that approval of the Board is required. Unless otherwise determined by the ONC Committee, the Benefits Committee shall have the authority to amend the Plan in all respects that are not exclusively reserved to the ONC Committee or the Board.

All amendments to the Plan must be made by written instrument, notice of which is given to all Participants and to Beneficiaries. Notwithstanding the preceding sentence, no amendment shall impair or alter such right to a benefit accrued under the Plan as of the effective date of such amendment to or with respect to any Employee who has become a Participant in the Plan before the effective date of such amendment or with respect to his or her Beneficiary.

8.2 **Plan Termination**. The ONC Committee or the Company may terminate the Plan at any time provided that termination of the Plan shall not impair or alter such right to a benefit accrued under the Plan as of the effective date of such termination to or with respect to any Employee who has become a Participant in the Plan before the effective date of such termination or with respect to his or her Beneficiary.

Upon termination of the Plan, distribution of Plan benefits shall be made to Participants, surviving spouses and beneficiaries in the manner and at the time described in Article VI of the Plan. No additional benefits shall be earned after termination of the Plan other than the crediting of Interest until the date of distribution of a Participant's Supplemental Savings Account.

ARTICLE IX

MISCELLANEOUS PROVISIONS

9.1 **Unsecured General Creditor**. Participants and Beneficiaries shall be unsecured general creditors, with no secured or preferential right to any assets of the Company, any other Employer, or any other party for payment of benefits under the Plan. Obligations of the Company and each other Employer under the Plan shall be an unfunded and unsecured promise to pay money in the future.

9.2 **Income Tax Payout**. In the event that the Internal Revenue Service prevails in its claim that that any amount of a Participant's benefit payable pursuant to the Plan and held in the general assets of the Company or any other Employer constitutes taxable income under Code Section 409A, and guidance and regulations thereunder, to a Participant or his or her Beneficiary for any taxable year prior to the taxable year in which such amount is distributed to him or her, or in the event that legal counsel satisfactory to the Company and the applicable Participant or his or her Beneficiary renders an opinion that the Internal Revenue Service would likely prevail in such a claim, the amount of such benefit held in the general assets of the Company or any other Employer, to the extent constituting such taxable income, shall be immediately distributed to the Participant or his or her Beneficiary. For purposes of this Section, the Internal Revenue Service shall be deemed to have prevailed in a claim if such claim is upheld by a court of final jurisdiction, or if the Participant or Beneficiary, based upon an opinion of legal counsel satisfactory to the Company and the Participant or his or her Beneficiary, fails to appeal a decision of the Internal Revenue Service, or a court of applicable jurisdiction, with respect to such claim, to an appropriate Internal Revenue Service appeals authority or to a court of higher jurisdiction within the appropriate time period.

9.3 **General Conditions**. Except as otherwise expressly provided herein, all terms and conditions of a Basic Plan applicable to a Basic Plan benefit shall also be applicable to a benefit payable hereunder. Any Basic Plan benefit shall be paid solely in accordance with the terms and conditions of the applicable Basic Plan and nothing in the Plan shall operate or be construed in any way to modify, amend or affect the terms and provisions of the Basic Plan. Defined terms used in the Plan that are not defined in this Plan but are defined in the Basic Plans shall have the meanings assigned to them in the Basic Plans.

9.4 **No Guaranty of Benefits**. Nothing contained in the Plan shall constitute a guaranty by the Company or any other Employer or any other entity or person that the assets of the Company or any other Employer will be sufficient to pay any benefit hereunder.

9.5 **No Enlargement of Employee Rights**. No Participant or Beneficiary shall have any right to a benefit under the Plan except in accordance with the terms of the Plan. Establishment of the Plan shall not be construed to give any Participant or Beneficiary the right to be retained in the service of the Company or any Affiliate.

9.6 **Nonalienation of Benefits**. No interest of any person or entity in, or right to receive a benefit under, the Plan shall be subject in any manner to sale, transfer, assignment, pledge, attachment, garnishment, or other alienation or encumbrance of any kind; nor may such interest or right to receive a benefit be taken, either voluntarily or involuntarily, for the satisfaction of the debts of, or other obligations or claims against, such person or entity, including claims for alimony, support, separate maintenance, and claims in bankruptcy proceedings.

Notwithstanding the preceding paragraph, the benefit of any Participant shall be subject to and payable in the amount determined in accordance with any qualified domestic relations order, as that term is defined in ERISA Section 206(d)(3). The Plan Administrator shall provide for payment of such benefit to an alternate payee (as defined in ERISA Section 206(d)(3)) as soon as administratively possible following receipt of such order. Any federal, state or local income tax associated with such payment shall be the responsibility of the alternate payee. The benefit that is subject to any qualified domestic relations order shall be reduced by the amount of any payment made pursuant to such order.

9.7 **Applicable Law**. The Plan shall be construed and administered under the laws of the State of Indiana, except to the extent preempted by applicable federal law.

9.8 **Incapacity of Recipient**. If any person entitled to a benefit payment under the Plan is deemed by the Plan Administrator to be incapable of personally receiving and giving a valid receipt for such payment, then, unless and until claim therefore shall have been made by a duly appointed guardian or other legal representative of such person, the Plan Administrator may provide for such payment or any part thereof to be made to any other person or institution then contributing toward or providing for the care and maintenance of such person. Any such payment shall be a payment for the account of such person and a complete discharge of any liability of the Company, any other Employer, the Plan Administrator and the Plan therefore.

9.9 **Unclaimed Benefit**. Each Participant shall keep the Plan Administrator informed of his or her current address and the current address of his or her Beneficiaries. The Plan Administrator shall not be obligated to search for the whereabouts of any person. If the location of a Participant is not made known to the Plan Administrator within three years after the date on which payment of the Participant's benefit may first be made, payment may be made as though the Participant had died at the end of the three-year period. If, within one additional year after such three-year period has elapsed, or, within three years after the actual death of a Participant,

the Plan Administrator is unable to locate any Beneficiary of the Participant, then the Plan Administrator shall have no further obligation to pay any benefit hereunder to such Participant, Beneficiary, or any other person and such benefit shall be irrevocably forfeited.

9.10 **Limitations on Liability**. Notwithstanding any of the preceding provisions of the Plan, none of the Company, any other Employer, any member of the Benefits Committee or the ONC Committee or any delegate of such committees, or any individual acting as an employee or agent at the direction of the Company or any other Employer, or any member of the Benefits Committee or the ONC Committee or any delegate of such committees, shall be liable to any Participant, former Participant, Beneficiary, or any other person for any claim, loss, liability or expense incurred in connection with the Plan.

[Signature block follows on next page]

IN WITNESS WHEREOF, NiSource Inc. has caused this amended and restated Pension Restoration Plan for NiSource Inc. and Affiliates to be executed in its name, by its duly authorized officer, effective as of May 13, 2011.

NISOURCE INC.

By: /s/ Joel Hoelzer
Its: V.P. Human Resources

Date: August 11, 2011

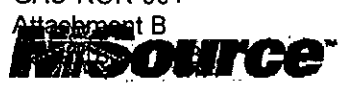
SCHEDULE A

NiSource Salaried Pension Plan

NiSource Subsidiary Pension Plan

Columbia Energy Group Pension Plan

Bay State Gas Company Pension Plan



801 East 86th Avenue
Merrillville, IN 46410

August 29, 2011

Mr. Christopher A. Helms
11705 Durrette Drive
Houston, Texas 77024

Re: Resignation and Separation Agreement

Dear Chris:

This Letter Agreement confirms our agreement concerning your employment status. If you sign this Letter Agreement, it will constitute the mutual agreement between you and the Company (the "Company," as used herein, means NiSource Inc. or any of its affiliates or subsidiaries, including NiSource Gas Transmission and Storage Company) regarding your employment. As we discussed, you have decided to resign from your position of Executive Vice President and Group CEO of the NiSource Gas Transmission & Storage business unit and all positions that you hold as an officer, manager or board member at the Company or at any entity in which the Company holds an interest or investment, effective August 31, 2011 (the "Effective Date"). However, you will continue your employment with the Company and provide the Company the benefit of your experience and expertise through October 31, 2011.

1. Employment Status

You will continue as a full-time active employee of the Company until the date of the earliest of any of the following to occur ("Separation Date"): (a) the Company terminates your employment for cause; (b) you end your employment with us; or (c) October 31, 2011 (or any other date that is mutually agreed upon by you and the Company in writing). For purposes of this Letter Agreement, "cause" shall mean: 1) your conviction of any criminal violation involving dishonesty, fraud, or breach of trust; 2) the commission of any willful act constituting fraud or breach of fiduciary duty to the Company and its shareholders which has an adverse impact on the Company; 3) any act or omission by you that causes a regulatory body with jurisdiction over the Company to demand, request or recommend that you be removed or suspended from your employment with the Company; 4) your willful and material violation of the Company's policies; 5) your substantial nonperformance of your material duties and responsibilities; or 6) a breach of Paragraph 9 of this Letter Agreement.

As an active employee, you will be required to perform the services as necessary to continue as a full-time active employee of the Company through the Separation Date, and you will continue to be eligible for participation in the Company's benefits plans in accordance with

the terms of those plans and applicable law. [1] Your portion of any premiums for the respective plans will continue to be payroll deducted and your cost, if any, to participate in such plans shall be at the customary costs charged to senior executives of the Company.

2. Transition and Ongoing Responsibilities

You have informed us that you will not be in the office after Wednesday, August 31, 2011. You agree to transition all the matters in which you are engaged as an officer and director of the Company on or before August 31, 2011, to other Company personnel that we designate.

As part of your transition services before and after the Separation Date, you agree, at the request of the Company's counsel, to prepare for, and provide testimony at trial or deposition in any litigation in which the Company is involved. Your employment, retention and compensation under this Letter Agreement will not be dependent on the outcome of any litigation or the content of any testimony that you provide therein (other than the truthfulness thereof).

3. Consideration

The Company shall pay you a total amount of FOUR MILLION EIGHT HUNDRED THIRTY EIGHT THOUSAND FOUR HUNDRED EIGHT DOLLARS ($4,838,408) with the exception of the COBRA payments identified in Paragraph 3(c), which shall be calculated prior to and paid on October 31, 2011.

(a) The Company agrees to pay you a separation allowance payment in the total amount of THREE MILLION FIVE HUNDRED SEVENTY EIGHT THOUSAND FOUR HUNDRED EIGHT DOLLARS ($3,578,408), less state, federal, FICA and other applicable withholding and authorized deductions (the "Separation Allowance Payment"). Five percent (5%) of the total amount of the Separation Allowance Payment shall be consideration for the Release of Age Discrimination Claims by you, set forth in Paragraph 12 of this Agreement, and ninety five percent (95%) of the total amount of the Separation Allowance Payment shall be for consideration for the General Release and Discharge by you as set forth in Paragraph 11 of this Agreement, and for your other promises in this Agreement. The Separation Allowance payment shall be made on the date, which is the later of the expiration of the seven (7) day, right to revoke this agreement, as specified in Paragraph 12, or October 31, 2011. These payments are in lieu of any payments you might have otherwise received under the NiSource Inc. 2010 Omnibus Incentive Plan.

[1] You will be eligible to continue to participate in the Company's plans concerning medical benefits, dental benefits, vision benefits, EAP, life insurance, the Company's pension plan, 401(k) plans, Pension Restoration Plan, Savings Restoration Plan, Sick Pay Plan, Vacation Plan, Long Term Disability Plan, and NiSource Inc. Executive Deferred Compensation Plan. For purposes of each of these plans, your termination date will be your Separation Date, and all payments under these plans will be based upon the terms and conditions of these plans.

(b) In consideration for your agreement not to compete as set forth in Paragraph 10 of this Agreement, the Company shall pay to you a payment in the total amount of ONE MILLION TWO HUNDRED SIXTY THOUSAND AND NO/100 DOLLARS ($1,260,000.00), (the "Non-Compete Payment"). The Non-Compete Payment shall be paid to you in two (2) installments. The first installment of ONE HUNDRED EIGHTY THOUSAND AND NO/100 DOLLARS ($180,000.00) shall be made on the date, which is the later of the expiration of the seven (7) day, right to revoke this agreement, as specified in Paragraph 12, or October 31, 2011. The second installment of ONE MILLION EIGHTY THOUSAND AND NO/100 DOLLARS ($1,080,000.00) shall be made on January 2, 2012. Unless agreed to in writing by the parties to this agreement prior to October 31, 2011, all applicable state, federal, FICA and other mandated tax withholdings will be withheld from the Non-Compete Payments.

Notwithstanding anything herein to the contrary, in the event of a breach by you of any of the provisions contained in Paragraph 10 of this Agreement, and such breach is not otherwise cured within five (5) business days following your receipt of written notice of the breach from the Company, you shall immediately: (i) be obligated to repay any portion of the Non-Compete Payment received by you; and (ii) shall forfeit the right to receive any and all remaining installments of the Non-Compete Payment.

(c) In addition, on October 31, 2011, you will receive a lump sum payment equivalent to 130% of 104 weeks of COBRA (as described in Paragraph 5) continuation coverage premiums in lieu of any continued medical, dental, vision and other welfare benefits offered by the Company.

4. Vacation

Upon the termination of your employment you will receive a lump sum payment representing compensation for your accrued and unused vacation as of your Separation Date. This payment will be subject to legally mandated deductions for Social Security and federal, state and local taxes, as well as deductions for any contributory benefit plans in which you elect to continue participation.

5. COBRA Coverage

You will continue to participate in the group health, dental, vision and other welfare plans as a full-time active employee of the Company through your Separation Date, at which time your coverage as an active employee will cease. At that time, the termination of your employment will be a qualifying event under the Consolidated Omnibus Budget Reconciliation Act ("COBRA"). The Company will notify you and/or your dependents of the insurance coverage, which you may continue on a self-pay basis as, provided by COBRA upon termination of your employment.

6. Long Term Incentive Plan

In accordance with the 1994 Long Term Incentive Plan and the NiSource Inc. 2010 Omnibus Incentive Plan and agreements pursuant thereto, any equity grants awarded (including, but not limited to, any Restricted, Contingent or Performance Shares) which have not vested as of the Separation Date will be forfeited.

7. Indemnification

During your employment with the Company and following the Separation Date, (a) you will remain entitled to indemnification by the Company pursuant to its by-laws in effect as of the Effective Date, notwithstanding any change made thereafter, except as such change may be required by law and (b) you will also be entitled to coverage under the directors and officers liability insurance policies maintained by the Company (as in effect from time to time) to the same extent as other former officers of the Company.

8. Return of Property – Sale of Cellular Telephone and Transfer of Telephone Number

You agree to return to the Company any and all of its property, including but not limited to, keys, employee identification or security access cards, telephones, computing equipment, and credit cards on or before the Separation Date. The Company will permit you to buy from it, at its cost, the currently assigned IPhone cellular telephone with the number (713) 818-9291 for your personal use. The Company will assist you in transferring the hardware and service (including the transfer of the cellular telephone number to you) to Verizon or your carrier of choice. The capability to use proprietary software or applications which would provide access to Company owned or controlled IT technology will be removed from the device prior to transfer to you.

9. Confidentiality

You acknowledge that preservation of a continuing business relationship between the Company and its respective customers, representatives, and employees is of critical importance to the continued business success of the Company and that it is the active policy of the Company to guard as confidential certain information not available to the public and relating to the business affairs of the Company. In view of the foregoing, you agree that you shall not disclose to any person or entity any such confidential information that was obtained by you in the course of your employment by the Company without the prior written consent of the Company. It will not be considered a violation of this Paragraph 9 if you are required to disclose confidential information pursuant to applicable law, a court order, a governmental or administrative directive or a lawful subpoena, provided you give the Company prompt notice that you have been required to disclose confidential information prior to the disclosure thereof.

Moreover, you agree that upon termination of your employment, you will promptly deliver to the Company all documentation and other materials relating to the Company's business which are in your possession or under your control, including customer and potential

customer lists, product lists, and marketing material, whether in written or electronic data form, and you will delete, destroy or discard all copies of such confidential information remaining in your possession; provided, however, that you will be able to keep a hard and electronic copy of your contact list.

Notwithstanding the foregoing, Confidential Information does not include the Employee's general knowledge of, or experience in, the industry, matters known to you prior to your employment with the Company, or knowledge or information known or available to the public in general.

You further acknowledge and agree that the Company's remedy in the form of monetary damages for any breach by you of any of the provisions of this section may be inadequate and that, in addition to any monetary damages for such breach, the Company shall be entitled to institute and maintain any appropriate proceeding or proceedings, including an action for specific performance and/or injunction.

10. Agreement Not to Compete

YOU ACKNOWLEDGE THAT THE COMPANY HAS A REASONABLE AND LEGITIMATE BUSINESS INTEREST IN PROTECTING ITS TRADE SECRETS AND CONFIDENTIAL INFORMATION FROM USE BY OR DISCLOSURE TO OTHER INDIVIDUALS, COMPANIES OR ENTITIES.

(a) In consideration for the Non-Compete Payment to you set forth in Paragraph 3(b) of this Agreement, and in order to protect the Company's trade secrets and confidential information from intentional or inadvertent disclosure to or use by competitors, you agree that for the period commencing on November 1, 2011, and continuing through December 31, 2012, you will not:

(1) Accept a position in a capacity similar to or relating to the functions you performed for the Company, with any of the following entities: Dominion; El Paso; Spectra; Williams; National Fuel; and/or Equitable or any of their affiliates (individually each a "Restricted Entity", collectively "Restricted Entities") (except as a passive investor in publicly held companies or limited partnerships) in the continental United States.

(b) In consideration for the payment made to you as set forth in Paragraph 3(b) of this Agreement, you also agree that for the period commencing on November 1, 2011, and continuing through December 31, 2012, you will not solicit employees of the Company.

11. Release of Claims

In consideration of the payment and benefits described above, you, on behalf of yourself and your heirs, executors, and administrators, fully and finally settle, release, and waive any and all rights or claims you may have, known or unknown, under your employment agreement dated March 15, 2005, and any and all claims, known or unknown, arising from any and all

local, state, and federal civil, common, contractual and statutory law (including, but not limited to, the **Age Discrimination in Employment Act of 1967**, Title VII of the Civil Rights Act of 1964, the Americans with Disabilities Act of 1990, the Family and Medical Leave Act of 1993 ("FMLA"), and the Employee Retirement Income Security Act of 1974, as those Acts are amended), and equitable claims against the Company and all of its stockholders, predecessors, successors, agents, directors, officers, employees, representatives, and attorneys, occurring or arising prior to you signing this Letter Agreement.

You acknowledge that you have received all benefits under the FMLA, if any, to which you believe you may be entitled. You represent that you are not aware of any facts in which a claim under the FMLA could be brought.

You acknowledge and agree that this release is being given only in exchange for consideration to which you are not otherwise entitled. The Company agrees that nothing in this Letter Agreement waives or releases any claims you may have involving the enforcement of the terms and conditions of this Letter Agreement or any of the Company's employee benefit plans.

12. Special Release Notification Under the Age Discrimination and Employment Act

You understand and agree that this Agreement includes a release of all claims under the Age Discrimination in Employment Act ("ADEA") and, therefore, pursuant to the requirements of the ADEA, you acknowledge that you have been advised: (a) this release includes, but is not limited to, all claims under the ADEA arising up to and including the date of execution of this release; (b) to consult with an attorney and/or other advisor of your choosing concerning your rights and obligations under this release; (c) to consider fully this release before executing it; (d) that you have been offered ample time and opportunity, at least twenty-one (21) days, to do so; and (e) that this release shall become effective and enforceable seven (7) days following execution of this Agreement by you, during which seven (7) day period you may revoke your acceptance of this Agreement by delivering written notice to Robert D. Campbell, NiSource Inc., 801 E. 86th Avenue, Merrillville, IN 46410.

13. Covenant Not To Assert Claims

You warrant that you have not initiated or filed any claims of any type against the Company with any court or governmental or administrative agency and covenant that you will not do so in the future with regard to any claim released herein nor will you voluntarily assist others in doing so. This is not intended to waive any unwaivable right you may have to participate in proceedings against the Company, but you agree to waive any relief, which may be obtained from such participation.

14. Outstanding Charges

You hereby agree to pay the Company any outstanding amounts owed to the Company, and further agree that by signing this agreement you hereby authorize the Company to deduct any outstanding charges from your final payment.

The Company agrees to reimburse you for any business expenses that you incurred in the course of your employment pursuant to the Company's policies. The Company specifically agrees to reimburse you The Coronado Club initiation fees in the amount of SIX THOUSAND FOUR HUNDRED NINETY FIVE AND NO/100 DOLLARS ($6,495.00) and the monthly dues for the months of September and October in the amount of FIVE HUNDRED NINETY FIVE AND 38/100 DOLLARS ($595.38) no later than September 9, 2011.

15. Governing Law

This Letter Agreement shall be construed in accordance with the laws of Indiana, without regard to conflict of laws principles of any state.

16. Severability

In the event that one or more of the provisions contained in this Letter Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect, the Company shall have the option to enforce the remainder of this Letter Agreement or to cancel it.

17. Non-Disclosure and Non-Disparagement

For the period commencing on November 1, 2011, and continuing through October 31, 2013:

(a) You expressly agree that you will keep the terms of this Letter Agreement strictly confidential and that you will not disclose the terms of this Letter Agreement to anyone other than your spouse, members of your immediate family, your legal counsel or your tax and financial advisors, provided that they each agree to preserve the confidentiality of the terms of this Letter Agreement, except to the extent that disclosure is required (a) by law, subpoena, order of court or other governmental or administrative directive, compliance with which is mandatory, or (2) to enforce your rights under this Letter Agreement or any of the Company's employee benefit plans.

Notwithstanding anything set forth in this Agreement to the contrary, both parties may disclose to any and all persons, without limitation of any kind the "tax treatment" and "tax structure" (as those terms are defined in Treas. Reg. 1.601 1-4(c)(8) and (9) respectively) of this Agreement and the transactions contemplated hereby and all materials of any kind (including opinions or other tax analyses) that are provided to the Parties relating to such "tax treatment" and "tax structure."

Nothing herein should be construed as a limitation on your ability to consult with your counsel or with an administrative agency.

(b) You agree not to disparage the Company or portray it in a negative light.

(c) The Company agrees that its senior executives (defined herein as those officers required to make Securities and Exchange Commission Act Section 16 filings) will not disparage you or portray you in a negative light. The Company hereby acknowledges that breach of the provisions of this Paragraph 17(c) shall constitute and be treated as a material breach of this Agreement and will be detrimental to and cause harm to you. In addition to monetary damages in the event of such breach, you will be relieved immediately from the various obligations contained herein, including the agreement not to compete contained in Paragraph 10.

18. Compliance with 409 A of the Internal Revenue Code

You and the Company will administer this agreement so as to comply with the requirements of Section 409A of the Internal Revenue Code.

19. Complete Agreement

You acknowledge that in accepting this Letter Agreement, you have not relied upon any representation or promise other than those expressly stated in this Letter Agreement.

This Letter Agreement and the documents specifically referred to herein constitute the complete understanding between you and the Company relating to your separation and supersedes any and all prior agreements, promises, representations or inducements, no matter their form, concerning your employment with the Company. No promises or agreements made subsequent to the execution of this Agreement by these parties shall be binding unless reduced to writing and signed by authorized representatives of these parties. This Letter Agreement may not be amended or modified except by a writing signed by the Company and you.

20. Important Information

You acknowledge that the Company has advised you take up to 21 days to consider the terms and conditions outlined above, and that the Company has also advised you to consult an attorney before signing this Letter Agreement. You also have the right to revoke your execution of this Letter Agreement within 7 days after execution in accordance with the Notice To Employee attached hereto.

If you accept the terms and conditions outlined above, including Paragraph 11, please sign both copies of this Letter Agreement in the space provided below to signify your acceptance, and return both copies to Robert D. Campbell by September 19, 2011, on which date this offer will expire if not accepted. If you accept the terms and conditions outlined above, your acceptance is in lieu of any and all other severance programs offered by the Company and you knowingly and voluntarily waive participation in all

other severance programs offered by the Company. You acknowledge that the Company's performance under this Letter Agreement and under the employee benefit plans referenced herein constitutes full and complete payment of all amounts due to you from the Company and constitutes additional consideration to which you are not otherwise entitled.

Very truly yours,

/s/ Robert D. Campbell
Robert D. Campbell
Sr. Vice President
Human Resources

Accepted:

/s/ Christopher A. Helms
Christopher A. Helms

Date: August 30, 2011

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 September 30, 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: October 28, 2011

By: /s/ Robert C. Skaggs, Jr.
Robert C. Skaggs, Jr.
Chief Executive Officer

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 September 30, 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: October 28, 2011

By: /s/ Stephen P. Smith
Stephen P. Smith
Executive Vice President and Chief Financial Officer

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 September 30, 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: October 28, 2011

Exhibit 32.2

Certification Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

nnection with the Quarterly Report of NiSource Inc. (the "Company") on Form 10-Q for the quarter ending September 30, 2011 as filed 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: October 28, 2011

EDGAR Online

NISOURCE INC/DE

FORM 10-Q
(Quarterly Report)

Filed 08/02/11 for the Period Ending 06/30/11

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-Q

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

For the quarterly period ended June 30, 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)

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 ☐ (Do not check if smaller reporting company) 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: 280,613,617 shares outstanding at July 29, 2011.

NISOURCE INC.
FORM 10-Q QUARTERLY REPORT
FOR THE QUARTER ENDED June 30, 2011

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EX-101 PRESENTATION LINKBASE DOCUMENT
EX-101 DEFINITION LINKBASE DOCUMENT

DEFINED TERMS

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

[redacted]urce Subsidiaries and Affiliates

[redacted]pital 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.
Northern Indiana	Northern Indiana Public Service Company
[redacted]rthern Indiana Fuel and Light	Northern Indiana Fuel and Light Company
[redacted]ern Utilities	Northern Utilities, Inc.
[redacted]	PEI Holdings, Inc.
Whiting Clean Energy	Whiting Clean Energy, Inc.

Abbreviations

ACES	American Clean Energy and Security Act of 2009
AFUDC	Allowance for funds used during construction
Ameren	Ameren Services Company
AMRP	Accelerated Main Replacement Program
AOC	Administrative Order by Consent
AOCI	Accumulated other comprehensive income
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
CARE	Conservation and Ratemaking Efficiency
CCGT	Combined Cycle Gas Turbine
CERCLA	Comprehensive Environmental Response Compensation and Liability Act (also known as Superfund)
Chesapeake	Chesapeake Appalachia, L.L.C.
CSAPR	Cross-State Air Pollution Rule

[redacted]

DEFINED TERMS

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
ECRM	Environmental Cost Recovery Mechanism
ECT	Environmental Cost Tracker
EERM	Environmental Expense Recovery Mechanism
EPA	United States Environmental Protection Agency
EPS	Earnings per share
FAC	Fuel adjustment clause
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
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
LIFO	Last in first out
Mcf	Million cubic feet
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
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
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
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
RSG	Revenue Sufficiency Guarantee
RTO	Regional Transmission Organization
SEC	Securities and Exchange Commission
SIP	State Implementation Plan
SO2	Sulfur dioxide

DEFINED TERMS

VaR	Value-at-risk and instrument sensitivity to market factors
VIE	Variable Interest Entities
VSCC	Virginia State Corporation Commission

PART I

ITEM 1. FINANCIAL STATEMENTS

[redacted]arce Inc.
[redacted]ensed Statements of Consolidated Income (unaudited)

(in millions, except per share amounts)	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Net Revenues				
Gas Distribution	$ 500.4	$ 454.3	$1,872.4	$1,795.4
Gas Transportation and Storage	307.3	264.3	710.3	634.8
Electric	349.2	340.5	696.3	658.4
Other	71.4	112.0	181.5	441.2
Gross Revenues	1,228.3	1,171.1	3,460.5	3,529.8
Cost of Sales (excluding depreciation and amortization)	462.5	439.1	1,633.4	1,725.4
Total Net Revenues	765.8	732.0	1,827.1	1,804.4
Operating Expenses				
Operation and maintenance	402.5	377.1	835.0	816.7
Depreciation and amortization	134.5	151.6	273.4	301.4
Impairment and loss on sale of assets, net	—	—	0.7	0.1
Other taxes	67.8	64.5	160.8	151.4
Total Operating Expenses	604.8	593.2	1,269.9	1,269.6
Equity Earnings in Unconsolidated Affiliates	2.3	0.4	5.3	7.8
Operating Income	163.3	139.2	562.5	542.6
Other Income (Deductions)				
Interest expense, net	(94.4)	(98.4)	(184.2)	(197.2)
Other, net	0.6	2.6	3.9	5.2
Total Other Deductions	(93.8)	(95.8)	(180.3)	(192.0)
Income from Continuing Operations before Income Taxes	69.5	43.4	382.2	350.6
[redacted]ne Tax Expense	30.0	15.4	137.9	125.2
[redacted]me from Continuing Operations	39.5	28.0	244.3	225.4
(Loss)/Income from Discontinued Operations — net of taxes	(0.6)	0.1	(0.2)	(0.1)
Gain on Disposition of Discontinued Operations — net of taxes	—	—	—	0.1
Net Income	$ 38.9	$ 28.1	$ 244.1	$ 225.4
Basic Earnings Per Share				
Continuing operations	$ 0.14	$ 0.10	$ 0.87	$ 0.81
Discontinued operations	—	—	—	—
Basic Earnings Per Share	$ 0.14	$ 0.10	$ 0.87	$ 0.81
Diluted Earnings Per Share				
Continuing operations	$ 0.14	$ 0.10	$ 0.85	$ 0.81
Discontinued operations	—	—	—	—
Diluted Earnings Per Share	$ 0.14	$ 0.10	$ 0.85	$ 0.81
Dividends Declared Per Common Share	$ 0.23	$ 0.23	$ 0.69	$ 0.69
Basic Average Common Shares Outstanding	280.2	277.6	279.8	277.3
Diluted Average Common Shares	287.1	278.4	286.2	278.0

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)

(in millions)	June 30, 2011	December 31, 2010
ASSETS		
Property, Plant and Equipment		
Utility Plant	$19,783.8	$19,494.9
Accumulated depreciation and amortization	(8,602.9)	(8,492.6)
Net utility plant	11,180.9	11,002.3
Other property, at cost, less accumulated depreciation	114.1	94.7
Net Property, Plant and Equipment	11,295.0	11,097.0
Investments and Other Assets		
Assets of discontinued operations and assets held for sale	2.3	7.9
Unconsolidated affiliates	197.2	200.9
Other investments	150.8	139.7
Total Investments and Other Assets	350.3	348.5
Current Assets		
Cash and cash equivalents	59.9	9.2
Restricted cash	154.6	202.9
Accounts receivable (less reserve of $42.0 and $37.4, respectively)	638.3	1,079.3
Income tax receivable	1.2	99.0
Gas inventory	278.0	298.2
Underrecovered gas and fuel costs	24.7	135.7
Materials and supplies, at average cost	87.0	83.8
Electric production fuel, at average cost	44.9	46.0
Price risk management assets	116.0	159.5
Exchange gas receivable	118.2	62.7
Regulatory assets	121.9	151.8
Prepayments and other	100.4	120.8
Total Current Assets	1,745.1	2,448.9
Other Assets		
Price risk management assets	190.6	240.3
Regulatory assets	1,622.2	1,650.4
Goodwill	3,677.3	3,677.3
Intangible assets	303.1	308.6
Postretirement and postemployment benefits assets	42.0	35.1
Deferred charges and other	120.7	132.7
Total Other Assets	5,955.9	6,044.4
Total Assets	$19,346.3	$19,938.8

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, 2011	December 31, 2010
CAPITALIZATION AND LIABILITIES		
Capitalization		
Common Stockholders' Equity		
Common stock — $0.01 par value, 400,000,000 shares authorized; 280,472,662 and 278,855,291 shares issued and outstanding, respectively	$ 2.8	$ 2.8
Additional paid-in capital	4,132.9	4,103.9
Retained earnings	952.6	901.8
Accumulated other comprehensive loss	(54.5)	(57.9)
Treasury stock	(30.4)	(27.4)
Total Common Stockholders' Equity	5,003.4	4,923.2
Long-term debt, excluding amounts due within one year	6,340.0	5,936.1
Total Capitalization	11,343.4	10,859.3
Current Liabilities		
Current portion of long-term debt	30.0	34.2
Short-term borrowings	870.4	1,382.5
Accounts payable	316.2	581.8
Dividends payable	64.6	0.1
Customer deposits and credits	183.1	318.1
Taxes accrued	179.5	221.1
Interest accrued	114.4	114.4
Overrecovered gas and fuel costs	121.4	11.8
Price risk management liabilities	135.0	173.9
Exchange gas payable	155.4	266.1
Deferred revenue	5.0	6.8
Regulatory liabilities	83.5	92.9
Accrued liability for postretirement and postemployment benefits	23.3	23.3
Temporary LIFO liquidation credit	0.3	—
Legal and environmental reserves	46.0	86.0
Other accruals	230.0	336.4
Total Current Liabilities	2,558.1	3,649.4
Other Liabilities and Deferred Credits		
Price risk management liabilities	127.8	181.6
Deferred income taxes	2,369.1	2,209.7
Deferred investment tax credits	31.3	33.7
Deferred credits	75.5	68.6
Deferred revenue	—	0.3
Accrued liability for postretirement and postemployment benefits	919.6	1,039.6
Regulatory liabilities and other removal costs	1,624.8	1,595.8
Asset retirement obligations	138.9	138.8
Other noncurrent liabilities	157.8	162.0
Total Other Liabilities and Deferred Credits	5,444.8	5,430.1
Commitments and Contingencies (Refer to Note 19)	—	—
Total Capitalization and Liabilities	$19,346.3	$19,938.8

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 Cash Flows (unaudited)

Six Months Ended June 30, *(in millions)*	2011	2010
Operating Activities		
Net Income	**$ 244.1**	$ 225.4
Adjustments to Reconcile Net Income to Net Cash from Continuing Operations:		
Depreciation and amortization	**273.4**	301.4
Net changes in price risk management assets and liabilities	**15.3**	4.4
Deferred income taxes and investment tax credits	**132.1**	38.6
Deferred revenue	**(2.6)**	(17.2)
Stock compensation expense and 401(k) profit sharing contribution	**17.2**	6.0
Loss on sale of assets	**—**	0.1
Loss on impairment of assets	**0.7**	—
Income from unconsolidated affiliates	**(4.4)**	(7.8)
Gain on disposition of discontinued operations — net of taxes	**—**	(0.1)
Loss from discontinued operations — net of taxes	**0.2**	0.1
Amortization of debt related costs	**4.2**	5.4
AFUDC equity	**(1.9)**	(3.7)
Distributions of earnings received from equity investee	**9.9**	7.9
Changes in Assets and Liabilities:		
Accounts receivable	**434.6**	245.1
Income tax receivable	**97.8**	24.8
Inventories	**13.7**	147.6
Accounts payable	**(250.4)**	(235.4)
Customer deposits and credits	**(134.9)**	(104.7)
Taxes accrued	**(40.7)**	6.2
Interest accrued	**—**	5.3
Over (Under) recovered gas and fuel costs	**220.7**	(252.3)
Exchange gas receivable/payable	**(166.2)**	(51.3)
Other accruals	**(26.3)**	(30.1)
Prepayments and other current assets	**20.6**	28.1
Regulatory assets/liabilities	**28.3**	98.3
Postretirement and postemployment benefits	**(118.9)**	1.7
Deferred credits	**6.3**	(3.6)
Deferred charges and other noncurrent assets	**12.1**	4.6
Other noncurrent liabilities	**(4.8)**	2.9
Net Operating Activities from Continuing Operations	**780.1**	447.3
Net Operating Activities used for Discontinued Operations	**(44.1)**	(44.8)
Net Cash Flows from Operating Activities	**736.0**	402.5
Investing Activities		
Capital expenditures	**(445.0)**	(336.9)
Insurance recoveries	**—**	0.5
Proceeds from disposition of assets	**9.4**	0.3
Restricted cash withdrawals (deposits)	**48.3**	(38.0)
Contributions to equity investees	**(0.1)**	(0.3)
Other investing activities	**(36.0)**	(19.9)
Net Investing Activities used for Continuing Operations	**(423.4)**	(394.3)
Net Investing Activities from Discontinued Operations	**—**	0.4
Net Cash Flow used for Investing Activities	**(423.4)**	(393.9)
Financing Activities		
Issuance of long-term debt	**395.3**	—
Retirement of long-term debt	**(13.0)**	(5.2)
Premiums and other debt related costs	**(8.2)**	—
Change in short-term borrowings, net	**(512.2)**	109.8
Issuance of common stock	**7.9**	6.8
Acquisition of treasury stock	**(3.0)**	(1.4)
Dividends paid — common stock	**(128.7)**	(127.6)
Net Cash Flow used for Financing Activities	**(261.9)**	(17.6)
Change in cash and cash equivalents from continuing operations	**94.8**	35.4
Cash contributions to discontinued operations	**(44.1)**	(44.4)

Cash and cash equivalents at beginning of period		16.4
Cash and Cash Equivalents at End of Period	$	7.4

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, 2011	Three Months Ended June 30, 2010	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Net Income	$38.9	$28.1	$244.1	$225.4
Other comprehensive income (loss)				
Net unrealized gain (loss) on available-for-sale securities [a]	1.1	(0.1)	0.9	0.4
Net unrealized gain (loss) on cash flow hedges [b],[c]	0.6	(10.4)	1.7	(13.3)
Unrecognized pension benefit and OPEB costs [d]	0.4	0.5	0.8	(1.6)
Total other comprehensive income (loss)	2.1	(10.0)	3.4	(14.5)
Total Comprehensive Income	$41.0	$18.1	$247.5	$210.9

(a) Net unrealized gains (losses) on available-for-sale securities, net of $0.7 million tax expense and $0.2 million tax benefit in the second quarter of 2011 and 2010, respectively, and $0.5 million and $0.1 million tax expense for the first six months of 2011 and 2010, respectively.

(b) Net unrealized gains (losses) on derivatives qualifying as cash flow hedges, net of $0.4 million tax expense and $6.6 million tax benefit in the second quarter of 2011 and 2010, respectively, and $1.1 million tax expense and $8.4 million tax benefit for the first six months of 2011 and 2010, respectively.

(c) Net unrealized gains (losses) on cash flow hedges includes gains of $0.2 million and losses of $11.2 million related to the unrealized gains and losses of interest swaps held by NiSource's unconsolidated equity method investments for the three months ended June 30, 2011 and 2010, respectively. Net unrealized gains (losses) on cash flow hedges include gains of $0.4 million and losses of $14.3 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, 2011 and 2010, respectively.

(d) Unrecognized pension benefit and OPEB costs, net of $0.3 million tax expense in the second quarter of 2011 and 2010, and $0.7 million tax expense and $1.1 million tax benefit for the first six months of 2011 and 2010, respectively.

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)

Basis of Accounting Presentation

The accompanying unaudited condensed consolidated financial statements for NiSource 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, 2010. 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.

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 10, "Fair Value Disclosures," for additional information.

Recently Issued 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. For public entities, the amendments are 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 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 for June 30, 2011 and 2010 excludes out-of-the-money stock options that had an anti-dilutive effect. The numerator in calculating both basic and diluted EPS for each period is reported net income. The computation of diluted average common shares follows:

(in thousands)	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Denominator:				
Basic average common shares outstanding	280,217	277,566	279,780	277,258
Dilutive potential common shares:				
Shares contingently issuable under employee stock plans	1,078	300	1,061	300
Shares restricted under employee stock plans	342	511	326	480
Forward Agreements	5,422	—	4,989	—
Diluted Average Common Shares	287,059	278,377	286,156	278,038

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, 2011, NiSource would have received approximately $369.3 million based on a forward price of $15.2204 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 Agreement as an equity transaction. As a result of this classification, no amounts have been recorded in the Condensed Consolidated Financial Statements (unaudited) as of and for the six months ended June 30, 20 and the year ended December 31, 2010 in connection with the Forward Agreements. The only impact to the Condensed Consolidated Financi 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 $6.8 million recorded for the first six months of 2011 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

The assets of discontinued operations and held for sale on the Condensed Consolidated Balance Sheet (unaudited) at June 30, 2011 were:

ITEM 1. FINANCIAL STATEMENTS (continued)

NiSource Inc.
Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

(in millions)

Assets of discontinued operations and held for sale:	Property, plant and equipment, net	Other assets	Total
Columbia Transmission	$2.3	$—	$2.3
Total	**$2.3**	**$—**	**$2.3**

There were no liabilities of discontinued operations and held for sale at June 30, 2011.

The assets of discontinued operations and held for sale on the Consolidated Balance Sheet at December 31, 2010 were:

(in millions)

Assets of discontinued operations and held for sale:	Property, plant and equipment, net	Other assets	Total
NiSource Corporate Services	$5.6	$—	$5.6
Columbia Transmission	2.3	—	2.3
Total	**$7.9**	**$—**	**$7.9**

Assets classified as discontinued operations or held for sale are no longer depreciated. There were no liabilities of discontinued operations and held for sale at December 31, 2010.

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.

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. Assets held for sale related to the Line R System have a net book value of $2.1 million. The sales transaction is expected to close in the fourth quarter of 2011.

Lake Erie Land, which is a wholly-owned subsidiary of NiSource Development Company, 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 the second quarter of 2009, the developer was unable to meet certain contractual obligations under the sale agreement and consequently the Company sought remedial actions. 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 under 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 and $3.5 million of land and are included in Other Investments and Other Property in the Condensed Consolidated Balance Sheet (unaudited) at June 30, 2011. NiSource's total investment in Lake Erie Land after these acquisitions is $51.3 million as of June 30, 2011. NiSource is seeking to market the Lake Erie Land properties, but has determined they do not meet the criteria to be classified as assets held for sale under GAAP as of June 30, 2011. The revenue and earnings of Sand Creek Country Club are not material.

ITEM 1. FINANCIAL STATEMENTS (continued)

NiSource Inc.
Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

Results from discontinued operations, which primarily arise from reserve changes for NiSource'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)	2011	2010	2011	2010
Revenues from Discontinued Operations	$ —	$ —	$ —	$ 0.7
(Loss) Income from discontinued operations	(0.8)	0.2	(0.2)	(0.1)
Income tax (benefit) expense	(0.2)	0.1	—	—
(Loss) Income from Discontinued Operations — net of taxes	$(0.6)	$0.1	$(0.2)	$(0.1)
Gain on Disposition of Discontinued Operations — net of taxes	$ —	$ —	$ —	$ 0.1

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 first six months of 2011 and 2010 are presented in the table below:

(in millions)	2011	2010
Balance as of January 1,	$138.8	$138.2
Accretion expense	0.3	0.4
Accretion recorded as a regulatory asset/liability	3.8	3.7
Settlements	(1.1)	(5.5)
Change in estimated cash flows	(2.9)	—
Balance as of June 30,	$138.9	$136.8

8. Regulatory Matters

Gas Distribution Operations Regulatory Matters

Significant Rate Developments . 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 that would commence on January 1, 2012. 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 VSCC issued a procedural order on June 17, 2011 providing for the filing of responsive testimony and scheduling a public hearing for September 7, 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, and seeking to implement a levelized distribution charge for its residential class that would mitigate revenue volatility associated with volumetric rates. The parties jointly filed a petition for approval of a partial settlement on July 1, 2011. The partial settlement resolves all issues except Columbia of Pennsylvania's proposed residential rate design and a challenge to the structure of one of the Company's customer programs. Resolution of the residential rate design issue, as stated above, will impact revenue

ITEM 1. FINANCIAL STATEMENTS (continued)

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

ility, while resolution of the other contested issue will be revenue neutral. The proposed settlement provides for an annual revenue increase of $17 million. Columbia of Pennsylvania expects that the Pennsylvania PUC will issue an order in October 2011 with rates also going into effect in October 2011.

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 allows 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 a 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 benefit of $35.7 million as a credit to its customers as a reduction of the GCR rate.

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 seeks 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 company's rates. The proposed billing adjustment is 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. 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. 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, the parties to Columbia of Pennsylvania's current base rate case have filed a joint petition for approval of a partial settlement. The partial settlement resolves the issue of BTU content whereby Columbia of Pennsylvania will convert from volumetric billing to heat nt billing by no later than the June 2012 billing cycle. The Pennsylvania PUC will rule on this matter in conjunction with the base rate as described above.

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 stipulates that all of Northern Indiana's existing services, rates and charges will 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 their 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, 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 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 November 16, 2010, Columbia of Virginia, the VSCC Staff and the other parties filed a Proposed Stipulation and Recommendation ("Stipulation") that would result in an annual revenue increase of $4.9 million, including authorization of the WNA and recovery of certain gas-related items through 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 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 provided for the full amount of the refund, which Northern Indiana began returning to customers in March 2010, and was completed in May 2011.

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, and is currently awaiting review and approval by the DPU. 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.

In March 2009, Indiana Governor Daniels signed Senate Bill 423 into law giving the Indiana Finance Authority 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 Indiana Finance Authority ("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 held a Prehearing Conference on January 27, 2011, in which a procedural schedule was established. All hearings in this proceeding occurred during two weeks in May 2011 and based upon the schedule it is anticipated that an order will be issued in 2011.

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 will conduct 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

ITEM 1. FINANCIAL STATEMENTS (continued)

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

me effective April 1, 2011. Columbia of Ohio is scheduled to conduct its first standard choice offer auction in February 2012. Several parties have challenged the transition from a standard service offer auction to a standard choice offer auction and the PUCO conducted hearings on the matter on July 14 and July 17, 2011. Columbia of Ohio anticipates an order to be issued by the Commission in this case during the third quarter of this year.

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.

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 proposes 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 May 2011, subject to refund. Columbia Gulf placed new rates into effect, subject to refund, on May 1, 2011. Columbia Gulf and the parties case are actively engaged in settlement discussions to resolve the case.

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. The filing requested an increase in base rates calculated to produce additional gross margin of $85.7 million when compared to a normalized test year ended December 31, 2007. On August 25, 2010, the IURC issued an order authorizing electric rates to reflect investments in reliability, environmental technology and other infrastructure improvements.

Upon review of the order, NiSource concluded that the overall impact is in line with the company's expected outcome for the case and its financial outlook. The IURC approved a rate base of $2,639.0 million and an overall rate of return of 7.29%, which results in an allowed net operating income of $192.4 million. In conjunction with approved expenses, the rate order approves rates designed to produce a margin of $899.0 million based on 2007 test year volumes. The approved rate base includes the Sugar Creek Generating Station. Among other findings, the IURC also approved revised depreciation accrual rates for electric and common plant, amortization of deferrals, and two new tracking mechanisms, a Resource Adequacy Tracker and RTO Tracker. The IURC also found that Northern Indiana, before declaring or paying any dividends to NiSource must provide the IURC notice at least 20 business days prior. Northern Indiana provided such notice prior to making any dividend declaration subsequent to the receipt of the August 25, 2010 rate order.

Consistent with Northern Indiana's proposal, the IURC also approved a rate base that excludes Dean H. Mitchell Generating Station and Michigan City Generating Station Units 2 and 3. In accordance with ASC 980, 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 stations are no longer used and useful. As a result of the 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.

Some parties sought reconsideration or rehearing of specific aspects of the case. On April 25, 2011, the IURC issued a docket entry to extend the deemed denied date for reconsideration or rehearing to be 30 days following the IURC's Order on Northern Indiana's November 19, 2010 petition for new electric base rates and charges. Several parties have also filed an appeal of the IURC order to the Indiana Court of Appeals. The appeals are still pending.

As part of the order, the IURC required Northern Indiana to file a compliance filing with updated tariffs and Northern Indiana made such filing on September 14, 2010. New rates cannot be implemented until the IURC approves the filed tariff. As part of the April 25, 2011 docket entry, the IURC also suspended the compliance filing schedule. Based on this docket entry, Northern Indiana does not believe that rates from the August 25, 2010 IURC order will be implemented.

Northern Indiana filed a petition for reconsideration with the IURC on September 14, 2010 to clarify that the effective date of certain aspects of the 2008 case including the new depreciation rates, commencement of amortization of deferred balances and discontinuance of further regulatory deferrals and the $55.0 million bill credit should coincide with the IURC's approval of new customer rates. On October 22, 2010, the IURC issued a docket entry clarifying that this interpretation is correct.

On November 19, 2010, Northern Indiana filed a petition with the IURC for new electric base rates and charges. The filing requests 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. If approved, the rates from this new petition would replace any other existing rates, including those that may be approved by effect of the August 25, 2010 rate order. The proposed rates would ease bill impacts on residential customers, while still allowing Northern Indiana to continue investing in service, reliability and infrastructure improvements. Northern Indiana filed the proceeding under the IURC's minimum standard filing requirements prescribing timeframes for issuance of an order if required information is supplied as part of the rate case filing. The IURC held its prehearing conference on December 17, 2010 and issued a prehearing conference order on January 5, 2011. The parties agreed to and the IURC ordered a procedural schedule that includes a bifurcated hearing. The evidentiary hearing on the revenue requirement portion of Northern Indiana's case in-chief was held on February 28 — March 4, 2011, and the evidentiary hearing on the cost allocation portion of the case was held the week of May 16, 2011.

On July 18, 2011, Northern Indiana filed with the IURC a collaborative settlement in its 2010 Electric Rate Case with the OUCC, Northern Indiana Industrial Group, NLMK Indiana and Indiana Municipal Utilities Group. The provisions of the stipulation and settlement agreement are subject to the review and approval of the IURC. The provisions of the settlement include a revenue requirement of $1,401 million including other revenue of $46 million for a net revenue requirement of $1,355 million from base rates. The margin, embedded in the $1,401 million revenue requirement, is $926.5 million, as compared to test year margin of $817 million. If the settlement is approved, it would terminate the current customer credit ($59 million reduction in margins during the test year) and lead to the expiration of certain industrial special contracts ($32.8 million reduction in margins during the test year). The settlement agreement will limit the proposed base rate impact to residential customers to 4.5% while also providing a solid foundation from which Northern Indiana can invest in energy infrastructure to help fuel job creation and economic growth. The parties have also agreed to a rate of return of 6.98% based upon a 10.2% return on equity. The settlement, if approved, would also resolve all pending issues related to compliance with the August 25, 2010 order in the 2008 Electric Rate Case. The settlement includes a request by the parties for the IURC to issue an order approving the settlement by December 31, 2011. A final hearing has been scheduled for September 12, 2011, through September 14, 2011.

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 Sugar Creek investment was included in the rate base as part of the IURC's August 25, 2010 rate order. Northern Indiana will continue to defer depreciation expenses and debt-based carrying costs associated with the $330.0 million Sugar Creek investment until the IURC's approval and implementation of new customer rates. 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. The IURC also approved a five year amortization of balances that were deferred as of December 31, 2009 and such amortization will commence with the IURC's approval and implementation of new customer rates. The same treatment was requested in the 2010 Electric rate case filing.

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 provides that certain electric customers of Northern Indiana will receive bill credits of approximately $55.1 million each year. The credits will continue at approximately the same annual level and per the same methodology, until the IURC approval and implementation of new customer rates. Credits amounting to $25.1 million and $29.0 million were recognized for electric customers for the first six months of 2011 and 2010, 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 the mechanism to recover the costs associated with these energy efficiency programs. On July 27, 2011, the IURC issued on order approving the energy efficiency programs and recovery of program costs. However, the IURC denied lost revenue recovery at this time, and Northern Indiana will 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.

On July 13, 2011, the company received approval from the IURC to significantly improve Northern Indiana's ability 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 December 31, 2008, and to recover, through a tracker, charges deferred between December 31, 2008 and the IURC's approval of new customer rates. During the first six months of 2011 and 2010, MISO costs of $5.7 million and $4.8 million were deferred, respectively. As of June 30, 2011, Northern Indiana had deferred a total of $42.3 million of MISO costs. In the rate 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. The implementation of such trackers coincides with the IURC's approval and implementation of new customer rates.

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 Midwest ISO 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 — 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.

As part of the August 25, 2010 rate 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 2011 and 2010, the amount of purchased power costs exceeding the benchmark amounted to zero and $0.2 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 the August 25, 2010 rate order and Northern Indiana has requested similar treatment in the November 19, 2010 filing. When the IURC approves new customer rates, the cost relating to environmental projects that were in service as of the filed test year will be recovered through base rates and will no longer be tracked through the ECRM and EERM.

The IURC has authorized Northern Indiana to recover costs relating to qualified pollution control projects estimated to cost $514 million, which includes new projects at the R.M. Schahfer Generating Station approved by the IURC's December 29, 2010 Order. On February 4, 2011 Northern Indiana filed ECR-17 and EER-8, which included $281 million (capital expenditure net of accumulated depreciation) of such capital costs and operating and maintenance expenses of $27 million for the year ended December 31, 2010. 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," in the Notes to Condensed Consolidated Financial Statements (unaudited) for additional information.

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

ITEM 1. FINANCIAL STATEMENTS (continued)

NiSource Inc.
Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

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 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 accumulated other comprehensive 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 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 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 current liabilities 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

ITEM 1. FINANCIAL STATEMENTS (continued)

NiSource Inc.
Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

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 mechanism, regulatory assets or liabilities are recorded to offset the change in the fair value of these derivatives.

Northern Indiana, Columbia of Pennsylvania 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.

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 whereby 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, Columbia of Pennsylvania, and Columbia of Maryland 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.

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

ITEM 1. FINANCIAL STATEMENTS (continued)

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

[redacted]ed-to-market with all associated gains and losses recognized to income. NiSource established reserves of $3.8 million at June 30, 2011 and $6.4 million at December 31, 2010, against certain of these physical sale contract derivatives. These amounts represent reserves related to the creditworthiness of certain customers, the 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 gain of approximately $118.1 million at June 30, 2011 and $154.4 million at December 31, 2010, while the financial derivative contracts marked-to-market had a fair value loss of $114.9 million at June 30, 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.

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

	June 30, 2011	December 31, 2010
Commodity Price Risk Program:		
Gas price volatility program derivatives (MMDth)	31.0	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)	4.9	2.0
Gas marketing program derivatives (MMDth) [a]	35.0	48.2
Gas marketing forward physical derivatives (MMDth) [b]	34.9	48.0
Electric energy program FTR derivatives (mw)	15,972.0	8,279.1

(a) Basis contract volumes not included in the above table were 30.3 MMDth and 42.0 MMDth as of June 30, 2011 and December 31, 2010, respectively.

(b) Basis contract volumes not included in the above table were 36.8 MMDth and 52.1 MMDth as of June 30, 2011 and December 31, 2010, respectively.

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 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, 2011, NiSource had $7.2 billion of [redacted]anding debt, of which $500.0 million is subject to fluctuations in interest rates as a result of the fixed-to-variable interest rate swap [redacted]actions. These interest rate swaps are designated as fair value hedges. NiSource had no net gain or loss recognized in earnings due to hedging ineffectiveness.

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 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 June 30, 2011, accumulated other comprehensive loss includes $12.1 million related to forward starting interest rate swap settlement. These derivative contracts are accounted for as a cash flow hedge.

As of June 30, 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 the credit agreement, terminated the sponsor guarantee and cash settled the interest rate hedges. These interest rate hedges were accounted for as cash flow hedges by Millennium. As it 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 is $20.6 million, net of tax. 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 at the Condensed Statements of Consolidated Income (unaudited).

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

Asset Derivatives *(in millions)*	June 30, 2011	December 31, 2010
Balance Sheet Location	Fair Value	Fair Value
Derivatives designated as hedging instruments		
Interest rate risk activities		
Price risk management assets (current)	$ —	$ —
Price risk management assets (noncurrent)	60.7	61.1
Total derivatives designated as hedging instruments	$ 60.7	$ 61.1
Derivatives not designated as hedging instruments		
Commodity price risk programs		
Price risk management assets (current)	$116.0	$159.5
Price risk management assets (noncurrent)	129.9	179.2
Total derivatives not designated as hedging instruments	$245.9	$338.7
Total Asset Derivatives	$306.6	$399.8

Liability Derivatives *(in millions)*	June 30, 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)	$ 0.5	$ 1.0
Price risk management liabilities (noncurrent)	0.1	0.2
Total derivatives designated as hedging instruments	$ 0.6	$ 1.2
Derivatives not designated as hedging instruments		
Commodity price risk programs		
Price risk management liabilities (current)	$134.5	$172.9
Price risk management liabilities (noncurrent)	127.7	181.4
Total derivatives not designated as hedging instruments	$262.2	$354.3
Total Liability Derivatives	$262.8	$355.5

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 (Loss) Recognized in OCI on Derivative (Effective Portion)		Location of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Amount of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	
	June 30, 2011	June 30, 2010		June 30, 2011	June 30, 2010
Commodity price risk programs	$—	$0.4	Cost of Sales	$ 0.2	$ 0.3
Interest rate risk activities	0.4	0.4	Interest expense, net	(0.7)	(0.7)
Total	$0.4	$0.8		$(0.5)	$(0.4)

ITEM 1. FINANCIAL STATEMENTS (continued)

NiSource Inc.
Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

Six Months Ended *(in millions)* :

Derivatives in Cash Flow Hedging Relationships	Amount of Gain (Loss) Recognized in OCI on Derivative (Effective Portion)		Location of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Amount of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	
	June 30, 2011	June 30, 2010		**June 30, 2011**	June 30, 2010
Commodity price risk programs	**$0.5**	$0.2	Cost of Sales	**$ 0.8**	$ 0.8
Interest rate risk activities	**0.8**	0.8	Interest expense, net	**(1.3)**	(1.3)
Total	**$1.3**	$1.0		**$(0.5)**	$(0.5)

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, 2011	June 30, 2010
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, 2011	June 30, 2010
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 loss of approximately $0.4 million of loss, net of taxes.

Derivatives in Fair Value Hedging Relationships

Three Months Ended, *(in millions)*

Derivatives in Fair Value Hedging Relationships	Location of (Loss) Gain Recognized in Income on Derivatives	Amount of (Loss) Gain Recognized in Income on Derivatives	
		June 30, 2011	June 30, 2010
Interest rate risk activities	Interest expense, net	**$ 9.8**	$ 4.0
Total		**$ 9.8**	$ 4.0

ITEM 1. FINANCIAL STATEMENTS (continued)

NiSource Inc.
Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

Months Ended, *(in millions)*

Derivatives in Fair Value Hedging Relationships	Location of Gain (Loss) Recognized in Income on Derivatives	Amount of Gain (Loss) Recognized in Income on Derivatives	
		June 30, 2011	June 30, 2010
Interest rate risk activities	Interest expense, net	**$(0.4)**	$ 6.1
Total		**$(0.4)**	$ 6.1

Three Months Ended, *(in millions)*

Hedged Item in Fair Value Hedge Relationships	Location of Gain (Loss) Recognized in Income on Related Hedged Item	Amount of Gain (Loss) Recognized in Income on Related Hedged Items	
		June 30, 2011	June 30, 2010
Fixed-rate debt	Interest expense, net	**$(9.8)**	$(4.0)
Total		**$(9.8)**	$(4.0)

Six Months Ended, *(in millions)*

Hedged Item in Fair Value Hedge Relationships	Location of Gain (Loss) Recognized in Income on Related Hedged Item	Amount of Gain (Loss) Recognized in Income on Related Hedged Items	
		June 30, 2011	June 30, 2010
Fixed-rate debt	Interest expense, net	**$0.4**	$(6.1)
Total		**$0.4**	$(6.1)

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, 2011	June 30, 2010
Commodity price risk programs	Gas Distribution revenues	**$(0.1)**	$ 4.2
Commodity price risk programs	Other revenues	**7.8**	(4.5)
Commodity price risk programs	Cost of Sales	**(4.5)**	(1.0)
Total		**$ 3.2**	$(1.3)

* For the amounts of realized/unrealized gain (loss) recognized in income on derivatives disclosed in the table above, gains of $3.4 million and $4.4 million for the second quarter of 2011 and 2010, 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.

ITEM 1. FINANCIAL STATEMENTS (continued)

NiSource Inc.
Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

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, 2011	June 30, 2010
Commodity price risk programs	Gas Distribution revenues	**$(21.8)**	$(16.8)
Commodity price risk programs	Other revenues	**18.4**	72.7
Commodity price risk programs	Cost of Sales	**(7.8)**	(72.2)
Total		**$(11.2)**	$(16.3)

* For the amounts of realized/unrealized gain (loss) recognized in income on derivatives disclosed in the table above, losses of $19.3 million and $16.2 million for the six months of 2011 and 2010, 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.

NiSource has not reclassified earnings from accumulated other comprehensive income to Cost of Sales due to the probability that certain forecasted transactions would not occur for the six months ended June 30, 2011 and 2010.

NiSource's derivative instruments measured at fair value as of June 30, 2011 and December 31, 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. The collateral requirement from a downgrade below the ratings trigger levels would amount to approximately $2.0 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 $154.4 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 Condensed Consolidated Balance Sheets (unaudited) as of June 30, 2011 and December 3 2010, 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 Sheet (unaudited) on a recurring basis and their level within the fair value hierarchy as of June 30, 2011 and December 31, 2010:

ITEM 1. FINANCIAL STATEMENTS (continued)

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

Recurring Fair Value Measurements June 30, 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 June 30, 2011
Assets				
Commodity Price risk management assets:				
Physical price risk programs	$ —	$122.3	$ —	$122.3
Financial price risk programs	121.1	2.5	—	123.6
Interest rate risk activities	—	60.7	—	60.7
Available-for-sale securities	38.8	42.4	—	81.2
Total	$159.9	$227.9	$ —	$387.8
Liabilities				
Commodity Price risk management liabilities:				
Physical price risk programs	$ —	$ 2.8	$ —	$ 2.8
Financial price risk programs	257.1	2.1	0.8	260.0
Total	$257.1	$ 4.9	$0.8	$262.8

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	$0.1	$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. 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 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, 2011 and December 31, 2010 were:

(in millions)	Amortized Cost	Total Gains	Total Losses	Fair Value
Available-for-sale debt securities, June 30, 2011				
U.S. Treasury	$38.4	$0.6	$(0.2)	$38.8
Corporate/Other	41.2	1.3	(0.1)	42.4
Total Available-for-sale debt securities	**$79.6**	**$1.9**	**$(0.3)**	**$81.2**

(in millions)	Amortized Cost	Total Gains	Total Losses	Fair Value
Available-for-sale debt securities, Dec. 31, 2010				
U.S. Treasury	$43.4	$0.6	$(0.5)	$43.5
Corporate/Other	36.1	2.0	(0.2)	37.9
Total Available-for-sale debt securities	**$79.5**	**$2.6**	**$(0.7)**	**$81.4**

For the three months ended June 30, 2011 and 2010, the net realized gain on the sale of available-for-sale U.S. Treasury debt securities was $0.2 million and $0.1 million, respectively. For the three months ended June 30, 2011 and 2010, the realized gain on sale of available-for-sale Corporate/Other bond debt securities was $0.5 million and $0.3 million, respectively.

For the six months ended June 30, 2011 and 2010, the net realized gain on the sale of available-for-sale U.S. Treasury debt securities was $0.3 million and $0.1 million, respectively. For the six months ended June 30, 2011 and 2010, the realized gain on sale of available-for-sale Corporate/Other bond debt securities was $1.0 million and $0.7 million, respectively.

ITEM 1. FINANCIAL STATEMENTS (continued)

NiSource Inc.
Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

cost of maturities sold is based upon specific identification. At June 30, 2011, approximately $0.7 million of U.S. Treasury debt securities have maturities of less than a year while the remaining securities have maturities of greater than one year. At June 30, 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.

NiSource adopted 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 during the first quarter of 2011. 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, 2011 and 2010:

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

Three Months Ended June 30, 2010 *(in millions)*	Financial Transmission Rights	Other Derivatives	Total
Balance as of April 1, 2010	$ 0.9	$(0.1)	$ 0.8
Total gains or losses (unrealized/realized)			
Included in regulatory assets/liabilities	(3.2)	—	(3.2)
Settlements	2.3	0.3	2.6
Balance as of June 30, 2010	$ —	$ 0.2	$ 0.2
Change in unrealized gains/(losses) relating to instruments still held as of June 30, 2010	$ —	$ —	$ —

ITEM 1. FINANCIAL STATEMENTS (continued)

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

Six Months Ended, June 30, 2011 *(in millions)*	Financial Transmission Rights	Other Derivatives	Total
Balance as of January 1, 2011	$—	$ 0.2	$ 0.2
Total gains or (losses) (unrealized/realized)			
Included in regulatory assets/liabilities	—	(1.0)	(1.0)
Purchases	—	(1.0)	(1.0)
Settlements	—	1.0	1.0
Balance as of June 30, 2011	$—	$(0.8)	$(0.8)
Change in unrealized gains/(losses) relating to instruments still held as of June 30, 2011	$—	$(1.5)	$(1.5)

Six Months Ended, June 30, 2010 *(in millions)*	Financial Transmission Rights	Other Derivatives	Total
Balance as of January 1, 2010	$ 1.9	$0.2	$ 2.1
Total gains or losses (unrealized/realized)			
Included in regulatory assets/liabilities	(4.2)	—	(4.2)
Settlements	2.3	—	2.3
Balance as of June 30, 2010	$—	$0.2	$ 0.2
Change in unrealized gains/(losses) relating to instruments still held as of June 30, 2010	$ —	$ —	$ —

As discussed in Note 9, as 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 reflected in the table above. FTRs are valued using a valuation model 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 Level 3 valuations. Realized gains and losses for these Level 3 recurring items are included in income within Cost of Sales on the Condensed Statements of Consolidated Income (unaudited). Unrealized gains and losses from Level 3 recurring items are included within Regulatory assets or Regulatory liabilities on the Condensed Consolidated Balance Sheets (unaudited).

Non-recurring Fair Value Measurements. During the second quarter of 2011, NiSource acquired $19.3 million of assets at fair value as a result of the Lake Erie Land transaction described within Note 6, "Discontinued Operations and Assets and Liabilities Held for Sale". The fair value was determined based on third party appraisals based on unobservable inputs and is deemed to be a Level 3 fair value measurement under the fair value hierarchy. See Note 6 for further discussion.

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.

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 June 30, 2011 and December 31, 2010 were $27.0 million and $26.0 million, respectively.

ITEM 1. FINANCIAL STATEMENTS (continued)

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

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:

(in millions)	Carrying Amount as of June 30, 2011	Estimated Fair Value as of June 30, 2011	Carrying Amount as of Dec. 31, 2010	Estimated Fair Value as of Dec. 31, 2010
Long-term investments	$ 27.6	$ 26.4	$ 26.7	$ 25.4
Long-term debt (including current portion)	6,370.0	6,972.5	5,970.3	6,482.4

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 $475 million.

All accounts receivables 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 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 commercial paper conduits sponsored by BTMU and RBS. On October 22, 2010, the agreement was renewed with an amendment reducing the maximum seasonal program limit from $275 million to $200 million. The amended agreement expires on October 21, 2011, and can be renewed if mutually agreed to by all parties. As of June 30, 2011, $75.0 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 October, 22, 2010, the agreement was renewed, having a new scheduled termination date of August 31, 2011, and can be further renewed if mutually agreed to by both parties. As of June 30, 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 June 30, 2011, $8.9 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.

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, 2011 and December 31, 2010 for Columbia of Ohio, Northern Indiana and Columbia of Pennsylvania:

(in millions)	June 30, 2011	December 31, 2010
Gross Receivables	$443.2	$655.6
Less: Receivables not transferred	259.3	380.6
Net receivables transferred	$183.9	$275.0
Short-term debt due to asset securitization	$183.9	$275.0

For the quarters ended June 30, 2011 and 2010, $0.8 million and $1.8 million of fees associated with the securitization transactions were recorded as interest expense, respectively. For the six months ended June 30, 2011 and 2010, $2.3 million and $3.7 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 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 June 30, 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 June 30, 2011 related to the purchase of Northern Indiana Fuel and Light in March 1993 and Kokomo Gas in February 1992 were $18.8 million.

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

[redacted]omic 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 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 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 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.

13. Income Taxes

NiSource's interim effective tax rates reflect the estimated annual effective tax rates for 2011 and 2010, adjusted for tax expense associated with certain discrete items. The effective tax rates for the three months ended June 30, 2011 and June 30, 2010 were 43.2% and 35.5%, respectively. The effective tax rates for the six months ended June 30, 2011 and June 30, 2010 were 36.1% and 35.7%, respectively. These [redacted]tive 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 [redacted] permanent book-to-tax differences such as the electric production tax deduction provided under Internal Revenue Code Section 199.

The increase in the three and six month effective tax rates of 7.7% and 0.4% in 2011 versus 2010 is due primarily to an increase in tax expense resulting from recently enacted Indiana tax legislation partially offset by a reduction in tax expense to reflect utility rate-making flow through taxes in the state of Pennsylvania and the reversal of the 2009 Section 199 credits in the second quarter of 2010.

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 carryforward, will be reduced to reflect the lower rate at which these temporary differences and tax benefits will be realized. In the second quarter 2011, the Company recorded tax expense of $6.8 million to reflect the effect of this rate change.

There were no material changes recorded in the second quarter of 2011 to NiSource's uncertain tax positions as of December 31, 2010.

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 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 expects to make contributions of approximately $149.7 million to its pension plans and approximately $49.3 million to its postretirement medical and life plans in 2011, which could change depending on market conditions. For the six months ended June 30, 2011, NiSource has contributed $111.0 million to its pension plans and $21.2 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, 2011 and 2010:

	Pension Benefits		Other Postretirement Benefits	
Three Months Ended June 30, *(in millions)*	2011	2010	2011	2010
Components of Net Periodic Benefit Cost				
Service cost	$ 9.4	$ 9.8	$ 2.5	$ 2.4
Interest cost	29.9	31.4	9.6	10.9
Expected return on assets	(41.8)	(35.9)	(6.7)	(5.8)
Amortization of transition obligation	—	—	0.3	0.3
Amortization of prior service cost	0.1	0.5	(0.1)	0.8
Recognized actuarial loss	13.9	14.5	1.7	1.5
Total Net Periodic Benefit Costs	$ 11.5	$ 20.3	$ 7.3	$10.1

	Pension Benefits		Other Postretirement Benefits	
Six Months Ended June 30, *(in millions)*	2011	2010	2011	2010
Components of Net Periodic Benefit Cost				
Service cost	$ 18.8	$ 19.5	$ 5.0	$ 4.8
Interest cost	59.8	62.8	19.2	21.3
Expected return on assets	(83.6)	(71.8)	(13.4)	(11.7)
Amortization of transition obligation	—	—	0.6	0.6
Amortization of prior service cost	0.2	1.0	(0.2)	0.7
Recognized actuarial loss	27.8	29.0	3.4	8.0
Total Net Periodic Benefit Costs	$ 23.0	$ 40.5	$ 14.6	$ 18.7

For the quarters ended June 30, 2011 and 2010, pension and other postretirement benefit cost of approximately $1.7 million and $4.0 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, 2011 and 2010, pension and other postretirement benefit cost of approximately $8.8 million and $7.1 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 business.

Variable Interests and 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 June 30, 2011, consistent with prior periods, NiSource consolidated its low income housing real estate investments from which NiSource derives certain tax benefits. Based on the newly adopted guidance on the consolidation of variable interest entities, these investments met the definition of a VIE. As of June 30, 2011, NiSource is a 99% limited partner with a net investment of approximately $1.2 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, 2011, gross assets of the low income housing real estate investments in continuing operations were $28.9 million. Current and non-current assets were $1.2 million and $27.7 million, respectively. As of June 30, 2011, NiSource recorded long-term debt of approximately $11.3 million as a result of consolidating these investments. However, this debt is [illegible]course to NiSource and NiSource's direct and indirect subsidiaries. Approximately $0.7 million of the assets are restricted to settle the [illegible]gations 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.

16. Long-Term Debt

On June 10, 2011, NiSource Finance issued $400.0 million of 5.95% senior unsecured notes that mature June 15, 2041.

On December 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 announced that it was commencing 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. In accordance with the provisions of ASC 470, *Debt* , NiSource determined the new 6.25% notes due 2040 to be substantially different from the old debt instrument, and therefore the transaction qualified as a debt extinguishment. NiSource 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.

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 four dealers: Barclays, Citigroup, Credit Suisse and Wells Fargo. Commercial paper issuances are supported by available capacity under NiSource's $1.5 billion unsecured revolving line of credit, which expires in March 2015. At June 30, 2011, NiSource had $180.5 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 June 30, 2011, NiSource had $506.0 million of outstanding borrowings under this facility.

As of June 30, 2011 and December 31, 2010, NiSource had $38.0 million and $32.5 million, respectively, of stand-by letters of credit outstanding, of which $19.7 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 Condensed Consolidated Balance Sheet (unaudited) in the amount of $183.9 million and $275.0 million as of June 30, 2011 and December 31, 2010, respectively. Refer to Note 11, "Transfers of Financial Assets," for additional information.

(in millions)	June 30, 2011	December 31, 2010
Commercial Paper, weighted average interest rate of 0.95% at June 30, 2011	**$180.5**	$ —
Credit facilities borrowings weighted average interest rate of 1.90% and 0.78% at June 30, 2011 and December 31, 2010, respectively	**506.0**	1,107.5
Accounts receivable securitization facility borrowings	**183.9**	275.0
Total short-term borrowings	**$870.4**	$1,382.5

18. Share-Based Compensation

Prior to May 11, 2010, NiSource issued long-term 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

ITEM 1. FINANCIAL STATEMENTS (continued)

NiSource Inc.
Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

ons, restricted stock awards, stock appreciation rights, restricted stock units, contingent stock units and dividend equivalents payable on grants of options, performance units and contingent stock awards.

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 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 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. At June 30, 2011, there were 8,031,844 shares reserved for future awards under the Omnibus Plan.

NiSource recognized stock-based employee compensation expense of $3.4 million and $3.8 million for the three months ended June 30, 2011 and 2010, respectively, as well as related tax benefits of $1.3 million. For the six months ended June 30, 2011 and 2010, stock-based employee compensation expense of $6.4 million and $6.0 million was recognized, respectively, as well as related tax benefits of $2.3 million and $2.1 million, respectively.

As of June 30, 2011, the total remaining unrecognized compensation cost related to nonvested awards amounted to $20.1 million, which will be amortized over the weighted-average remaining requisite service period of 2.0 years.

Stock Options. As of June 30, 2011, approximately 3.4 million options were outstanding and exercisable with a weighted average strike price of $21.95.

Restricted Awards. During the first six months of 2011, NiSource granted 119,013 restricted stock units, subject to service conditions, at a total grant date fair value of $2.0 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 vesting period of approximately three years. The service conditions for 112,605 units lapse in January 2014 when 100% of the shares vest. If before January 2014, the employee terminates employment (1) due to retirement, having attained age 55 and completed ten years of service, or (2) due to death or disability, the employment conditions will lapse with respect to a pro rata portion of the restricted units on the date of termination. Termination due to any other reason will result in all restricted units awarded being forfeited effective the employee's date of termination. Employees will be entitled to receive dividends upon vesting. The service conditions lapse for the remaining 6,408 units between March 2012 and May 2014. As of June 30, 2011, 684,486 nonvested restricted stock units were granted and outstanding.

ingent Stock Units. During the first six months of 2011, NiSource granted 718,231 contingent stock units subject to performance itions, at a grant date fair-value of $11.5 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 non-GAAP financial measures. The service conditions lapse on January 31, 2014 when 100% of the shares vest. If the employee terminates employment before January 31, 2014 (1) due to retirement, having attained age 55 and completed ten years of service, or (2) due to death or disability, the employment conditions will lapse with respect to a pro rata portion of the contingent units on the date of termination. Termination due to any other reason will result in all contingent units awarded being forfeited effective the employee's date of termination. Employees will be entitled to receive dividends upon vesting. As of June 30, 2011, 2,220,125 nonvested contingent stock units were granted and outstanding.

Non-employee Director Awards. As of May 11, 2010, awards to non-employee directors may be made only under the NiSource Inc. 2010 Omnibus Incentive Plan (the "Omnibus Plan"). 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. 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, 2011, 102,752 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 June 30, 2011, 274,315 restricted

ITEM 1. FINANCIAL STATEMENTS (continued)

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

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 and Profit Sharing. 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. For the six months ended June 2011 and 2010, NiSource recognized 401(k) match and profit sharing expense of $9.1 million and $9.8 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 commercial commitments in existence at June 30, 2011 and the years in which they expire were:

(in millions)	Total	2011	2012	2013	2014	2015	After
Guarantees of subsidiaries debt	$5,830.9	$—	$315.0	$545.0	$500.0	$230.0	$4,240.9
Guarantees supporting commodity transactions of subsidiaries	153.1	51.7	19.5	—	—	80.0	1.9
Accounts receivable securitization	183.9	183.9					
Lines of credit	686.5	686.5	—	—	—	—	—
Letters of credit	38.0	12.2	24.6	0.2	1.0	—	—
Other guarantees	321.8	2.0	12.3	222.8	32.2	—	52.5
Total commercial commitments	$7,214.2	$936.3	$371.4	$768.0	$533.2	$310.0	$4,295.3

Guarantees of Subsidiaries Debt. NiSource has guaranteed the payment of $5.8 billion of debt for various wholly-owned subsidiaries including NiSource Finance, 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 defa 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.

Guarantees Supporting Commodity Transactions of Subsidiaries. NiSource has issued guarantees, which support up to $153.1 million of commodity-related payments for its current subsidiaries involved in energy related activities. These guarantees were provided to counterparties in order to facilitate physical and financial transactions involving natural gas. 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. 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 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 the Company's commercial paper program, and provides for the issuance of letters of credit. At June 30, 2011, NiSource had $506.0 million in borrowings under its four-year revolving credit facility, $180.5 million in commercial paper outstanding and $183.9 million outstanding under its accounts receivable securitization agreements. At June 30, 2011, NiSource issued stand-by letters of credit of approximately $38.0 million for the benefit of third parties. See Note 17, "Short-Term Borrowings," for additional information.

ITEM 1. FINANCIAL STATEMENTS (continued)

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

Guarantees or Obligations. On June 30, 2008, NiSource 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, 2011. 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 recorded an accrued liability of $1.5 million related to the inception date fair value of this guarantee as of June 30, 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 adverse impact on NiSource's consolidated financial position.

Tawney, et al. v. Columbia Natural Resources, Inc., Roane County, WV Circuit Court

The Plaintiffs, who are West Virginia landowners, filed a lawsuit in early 2003 in the West Virginia Circuit Court for Roane County, West Virginia (the "Trial Court") against CNR alleging that CNR underpaid royalties on gas produced on their land by improperly deducting post-production costs and not paying a fair value for the gas. Plaintiffs also claimed that Defendants fraudulently concealed the deduction of post-production charges. In December 2004, the Trial Court granted Plaintiffs' motion to add NiSource and Columbia as Defendants. The Trial Court later certified the case as a class action that includes any person who, after July 31, 1990, received or is due royalties from CNR (and its predecessors or successors) on lands lying within the boundary of the state of West Virginia. Although NiSource sold CNR in 2003, NiSource remained obligated to manage this litigation and was responsible for the majority of any damages awarded to Plaintiffs. On January 27, 2007, the jury hearing the case returned a verdict against all Defendants in the amount of $404.3 million inclusive of both compensatory and punitive damages; Defendants subsequently filed their Petition for Appeal, which was later amended, with the West Virginia Supreme Court of Appeals (the "Appeals Court"), which refused the petition on May 22, 2008. On August 22, 2008, Defendants filed Petitions to the United States Supreme Court for writ of certiorari. Given the Appeals Court's earlier refusal of the appeal, NiSource adjusted its reserve in the second quarter of 2008 to reflect the portion of the Trial Court judgment for which NiSource would be responsible, inclusive of interest. This amount was included in "Legal and environmental reserves," on the Consolidated Balance Sheet as of December 31, 2008. On October 24, 2008, the Trial Court preliminarily approved a Settlement Agreement with a total settlement amount of $380 million. The settlement received final approval by the Trial Court on November 22, 2008. NiSource's share of the settlement liability is up to $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 million and thereby complied with its obligation to secure the unpaid portion of the settlement. The letter of credit was terminated on December 29, 2010.

The Trial Court entered its Order discharging the judgment on January 20, 2009 and is supervising the administration of the settlement proceeds. On June 21, 2011 the Court issued the Second Supplemental Order to conclude administration of settlement. The Order sets forth the specific steps to be taken by the Parties to close administration of the settlement and terminate the settlement fund. As of June 30, 2011, NiSource has contributed a total of $338.5 million into the qualified settlement fund, $330.5 million of which was contributed prior to December 31, 2010. As of June 30, 2011, $0.3 million of the maximum settlement liability has not been paid. NiSource will be required to make additional payments, pursuant to the settlement, upon notice from the Class Administrator; however, NiSource does not expect these additional payments to be material.

John Thacker, et al. v. Chesapeake Appalachia, L.L.C., U.S. District Court, E.D. Kentucky

On February 8, 2007, Plaintiff filed the Thacker case, a purported class action alleging that Chesapeake has failed to pay royalty owners the correct amounts pursuant to the provisions of their oil and gas leases covering real property located within the state of Kentucky. Columbia has assumed the defense of Chesapeake in this matter pursuant to the provisions of the Stock Purchase Agreement dated July 3, 2003, among Columbia, NiSource, and Triana Energy Holding, Inc., Chesapeake's predecessor in interest ("Stock Purchase Agreement"). Plaintiffs filed an Amended Complaint on March 19, 2007, which, among other things, added NiSource and Columbia as Defendants. On March 31, 2008, the Court denied a Motion by Defendants to Dismiss and on June 3, 2008, the Plaintiffs moved to certify a class consisting of all persons entitled to payment of royalty by Chesapeake under leases operated by Chesapeake at any point after February 5, 1992, on real property in Kentucky.

In June 2009, the parties to the Thacker litigation presented a Settlement Agreement to the Court for preliminary approval, which provides for a settlement amount of $28.8 million. NiSource fully reserved for the entire settlement amount. The court granted the Motion for Preliminary Approval and held a fairness hearing on November 10, 2009. On March 3, 2010 the Court granted final approval of the settlement and on March 31, 2010, a notice of appeal of that approval was filed with the Sixth Circuit. On February 17, 2011, the Sixth Circuit affirmed the lower court's approval of the settlement.

On June 17, 2011, an escrow was established for the administration of the settlement. On June 21, 2011, NiSource contributed $28.7 million to the fund with a reservation of right to seek recovery from Chesapeake.

Environmental Protection Agency Notice of Violation

On September 29, 2004, the EPA issued an NOV to Northern Indiana for alleged violations of the CAA and the Indiana SIP. The NOV alleg that modifications were made to certain boiler units at three of Northern Indiana's generating stations between the years 1985 and 1995 witho obtaining appropriate air permits for the modifications. Northern Indiana, EPA, Department of Justice, and IDEM have settled the matter.

The consent decree was entered by the United States District Court for the Northern District of Indiana on July 22, 2011. The consent decree covers Northern Indiana's four coal generating stations: Bailly, Michigan City, R.M. Schahfer, and D.H. Mitchell. Northern Indiana must surrender environmental permits for D.H. Mitchell's coal-fired boilers, which have not been used to generate power since 2002. At the other generating stations, Northern Indiana must install additional control equipment, including three new SO2 control devices and one new NOx control device. The consent decree also imposes emissions limits for NOx, SO2, and particulate, and annual tonnage limits for NOx and SO2. In addition, Northern Indiana must surrender certain NOx and SO2 allowances, pay fines of $3.5 million, and invest $9.5 million in environmental mitigation projects. Northern Indiana is estimating the cost of NSR related capital improvements at $570 to $840 million, which will be expended between 2010 and 2018. Northern Indiana believes the capital costs will likely be recoverable from ratepayers.

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.

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, 2011 and December 31, 2010, NiSource had recorded reserves of approximately $79.4 million and $79.8 million, respectively, to cover environmental remediation at various sites. 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 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 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 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.

Ozone (eight hour): On March 12, 2008, the EPA announced the tightening of the eight-hour ozone NAAQS. EPA has yet to announce the classification structure and the corresponding attainment dates for the new standard. On September 16, 2009, the EPA announced it would reconsider the March 2008 tightening of the ozone NAAQS and if

needed promulgate more stringent standards. If the standards are tightened and area designations subsequently changed, new SIPs will need to be developed by the states within three years to bring the nonattainment areas into compliance. NiSource will continue to monitor this matter and cannot estimate the impact of the 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 the 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 to $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 up to 84 such sites and initial investigations have been conducted at 56 sites. Follow-up investigation activities have been completed or are in progress at 50 sites and remedial measures have been implemented or completed at 37 sites. Remedial actions at many of these sites are being overseen by state or federal environmental agencies through consent agreements or voluntary remediation agreements. The final costs of cleanup have not yet been determined. NiSource plans to complete an evaluation of all such sites for which remediation is not yet complete in the fourth quarter of 2011. As the evaluations, site investigations and cleanups proceed, reserves could increase or otherwise be adjusted to reflect new information.

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 we have 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. Remediation liabilities have been established on a number of facilities and NiSource will complete the discovery phase of a study to evaluate the remediation of the remaining facilities in fall 2011. This will allow the remediation liability to be estimable for the remaining sites in the third quarter.

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.

ITEM 1. FINANCIAL STATEMENTS (continued)

NiSource Inc.
Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

tric 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 $570 to $840 million. Additional capital improvements associated with the Cross-State Air Pollution Rule (CSAPR) and the proposed Utility Hazardous Air Pollutants Rule are estimated to be $0 to $90 million. Northern Indiana believes that the capital costs will likely be recoverable from ratepayers.

Sulfur dioxide: On December 8, 2009, the EPA revised the SO2 NAAQS by adopting a new 1-hour primary NAAQS for sulfur dioxide (SO2). 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.

Clean Air Interstate Rule (CAIR) / Transport Rule/ Cross-State Air Pollution 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 SO2 and NOx by setting state-wide caps on power plant emissions. The CSAPR limits emissions, including Northern Indiana's, with restricted emission allowance trading programs beginning in 2012.

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 is pursuing a new Section 112 rulemaking to establish MACT standards for electric utilities. EPA announced its proposal on March 16, 2011 and intends to finalize the rule by November 2011. Northern Indiana will continue its evaluation and monitor this matter.

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 1995 without obtaining appropriate air permits for the modifications. Northern Indiana, EPA, the Department of Justice, and IDEM have settled the matter.

onsent decree was entered by the United States District Court for the Northern District of Indiana on July 22, 2011. The consent decree covers Northern Indiana's four coal generating stations: Bailly, Michigan City, R.M. Schahfer, and D.H. Mitchell. Northern Indiana must surrender environmental permits for D.H. Mitchell's coal-fired boilers, which have not been used to generate power since 2002. At the other generating stations, Northern Indiana must install additional control equipment, including three new scrubbers to control sulfur dioxide ("SO2") and one new nitrogen oxide ("NOx") control device. The consent decree also imposes emissions limits for NOx, SO2, and particulate matter, and annual tonnage limits for NOx and SO2. In addition, Northern Indiana must surrender certain NOx and SO2 allowances, pay fines of $3.5 million, and invest $9.5 million in environmental mitigation projects. Northern Indiana is estimating the cost of NSR related capital improvements at $570 to $840 million which will be expended between 2010 and 2018. Northern Indiana believes the capital costs will likely be recoverable from ratepayers.

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. The final costs of cleanup could change based on EPA review.

On June 21, 2010, EPA published a proposed rule for coal combustion residuals 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 but 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 their former operations. Four sites are associated with 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)

Accumulated Other Comprehensive Loss

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

(in millions)	June 30, 2011	December 31, 2010
Other comprehensive income (loss), before tax:		
Unrealized gains on securities	$ 7.5	$ 6.1
Tax expense on unrealized gains on securities	(2.9)	(2.4)
Unrealized losses on cash flow hedges	(53.6)	(56.4)
Tax benefit on unrealized losses on cash flow hedges	20.5	21.6
Unrecognized pension and OPEB costs	(41.8)	(43.3)
Tax benefit on unrecognized pension and OPEB costs	15.8	16.5
Total Accumulated Other Comprehensive Loss, net of taxes	**$(54.5)**	$(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 the credit agreement, terminated the sponsor guarantee, and cash settled the interest rate hedges. These interest rate swap derivatives were accounted for as cash flow hedges by Millennium. As Millennium is an equity method investment, NiSource is required to recognize a proportional share of Millennium's OCI. 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 at the Condensed Statements of Consolidated Income. NiSource's proportionate share of the remaining unrealized loss, net of tax, was $20.6 million as of June 30, 2011 and $21.1 million as of December 31, 2010, which are included in unrealized losses on cash flow hedges above.

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, 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. The Electric Operations segment provides electric service in 20 counties in the northern part of Indiana.

ITEM 1. FINANCIAL STATEMENTS (continued)

NiSource Inc.
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)	2011	2010	2011	2010
REVENUES				
Gas Distribution Operations				
Unaffiliated	$ 629.7	$ 552.0	$2,214.5	$2,097.4
Intersegment	0.2	2.7	0.9	8.5
Total	629.9	554.7	2,215.4	2,105.9
Gas Transmission and Storage Operations				
Unaffiliated	200.5	185.6	413.9	380.1
Intersegment	33.0	31.7	75.0	93.8
Total	233.5	217.3	488.9	473.9
Electric Operations				
Unaffiliated	350.8	342.3	699.6	662.1
Intersegment	0.2	0.2	0.4	0.4
Total	351.0	342.5	700.0	662.5
Corporate and Other				
Unaffiliated	47.3	91.2	132.5	390.2
Intersegment	122.2	103.1	232.7	209.9
Total	169.5	194.3	365.2	600.1
Eliminations	(155.6)	(137.7)	(309.0)	(312.6)
Consolidated Revenues	$1,228.3	$1,171.1	$3,460.5	$3,529.8
Operating Income (Loss)				
Gas Distribution Operations	$ 46.4	$ 18.5	$ 288.0	$ 253.6
Gas Transmission and Storage Operations	84.7	74.9	203.2	200.8
Electric Operations	39.8	49.6	83.0	94.7
Corporate and Other	(7.6)	(3.8)	(11.7)	(6.5)
Consolidated Operating Income	$ 163.3	$ 139.2	$ 562.5	$ 542.6

ITEM 1. FINANCIAL STATEMENTS (continued)

NiSource Inc.
Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

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, 2011 and 2010:

Six Months Ended June 30, *(in millions)*	2011	2010
Supplemental Disclosures of Cash Flow Information		
Non-cash transactions:		
Capital expenditures included in current liabilities	$ 65.1	$ 63.7
Change in equity investments related to unrealized (losses) gains	—	(23.5)
Stock issuance to employee saving plans	10.8	10.1
Schedule of interest and income taxes paid:		
Cash paid for interest, net of interest capitalized amounts	$180.0	$186.6
Cash paid for income taxes	4.7	49.9

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

NiSource Inc.

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 2010 Form 10-K, 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. 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, 2010.

CONSOLIDATED REVIEW

Executive Summary

NiSource 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, 2011, NiSource reported income from continuing operations of $244.3 million, or $0.87 per basic share, compared to $225.4 million, or $0.81 per basic share reported for the same period in 2010.

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

- Electric Operations' net revenues increased $15.1 million primarily due to increased industrial usage and margins resulting from improved economic conditions.
- Gas Transmission and Storage Operations' net revenues increased $15.0 million primarily due to higher demand margin revenues as a result of growth projects placed into service in the second half of the prior year.

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

NiSource Inc.

- Depreciation and amortization decreased $28.0 million primarily due to new approved rates at Northern Indiana's Gas Distribution operations.
- NiSource incurred lower interest expense of $13.0 million primarily due to the $681.8 million November 2010 long-term debt maturity and the December 2010 tender offer repurchase of long-term debt of $273.1 million.

These increases were partially offset by the following:

- Operation and maintenance expenses, excluding the decrease in trackers of $23.9 million, increased $42.2 million as a result of higher employee and administrative expenses and electric generation costs.

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 gas transmission and storage business; and financial management of the balance sheet.

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's utilities are focused on a number of initiatives to enhance customer service and reliability, modernize rate structures, and position the company for future growth. Following are the key initiatives for Northern Indiana:

- On July 18, 2011, Northern Indiana filed a broad-based settlement agreement which, if approved by the IURC, would resolve the company's November 2010 electric base rate case. The settlement provides Northern Indiana with the foundation to make ongoing investments in Northern Indiana's energy infrastructure to help fuel job creation and economic growth and to earn a reasonable return on its investment for shareholders on a sustainable basis.
- On July 13, 2011, the company received approval from the IURC to significantly improve Northern Indiana's Electric operations' ability 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.
- Construction also remains on schedule for a Flue Gas Desulfurization unit at Northern Indiana's Electric operations' Schahfer generating station. This clean-air investment is part of Northern Indiana's $570 to $840 million environmental improvements planned over the next eight years at Northern Indiana's Electric operations' electric generating stations.

NiSource's Gas Distribution Operations continues to execute its strategy of combining long-term infrastructure replacement programs with complementary regulatory initiatives.

- On July 1, 2011, Columbia of Pennsylvania filed a partial settlement in the company's base rate case filed on January 14, 2011, with the Pennsylvania Public Utility Commission. Two items, including rate design for residential customers, will be resolved through a formal hearing process, and a recommendation is expected this month. If approved, the settlement will authorize a revenue increase of $17 million annually. A decision is expected, with new rates in effect, during the fourth quarter of this year.

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

NISOURCE INC.

- NiSource's gas distribution companies also remain on track with their infrastructure modernization and replacement programs designed to ensure safe and reliable service. These include programs at Columbia of Ohio, Columbia of Pennsylvania, Columbia of Massachusetts and Columbia of Kentucky. In addition, Columbia of Virginia has filed an application with its state commission to accelerate recovery of its infrastructure projects. All of these investments are part of NiSource's Gas Distribution Operations' more than $4 billion replacement program scheduled over the next 20 to 25 years.

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's Gas Transmission & Storage Operations continues to identify and advance a number of near-term, low-risk growth projects that leverage its geographic footprint throughout the Marcellus Shale production areas.

- In the Marcellus region, NiSource's Gas Transmission & Storage Operations completed its Southern Appalachian and Clendenin projects during the second quarter, providing more than 180,000 Dth per day of contracted firm transportation capacity for its customers. Other Marcellus-related projects in progress include the Rimersburg Expansion in central Pennsylvania, the Smithfield project in West Virginia and the Line WB Expansion in Virginia and Kentucky. These producer-driven projects, of which a significant portion are fully subscribed with long-term contracts or binding precedent agreements, will add up to 525,000 Dth per day of firm transportation.

- In addition to its supply-driven Marcellus development activities, NiSource's Gas Transmission & Storage Operations continues to actively develop infrastructure projects to serve new natural gas-fueled electric generation markets, involving both new natural gas-fired generation facilities as well as coal conversion opportunities. For example, in May, Columbia Transmission filed an application with the FERC to construct the pipeline infrastructure to serve a new contract with Virginia Power Services Energy Corporation's planned 1,329 MW gas-fired generation facility to be owned by Virginia Electric Power Company in Warren County, Va. The project would provide approximately 250,000 Dth per day of long-term, firm transportation with an in-service date of mid-2014.

- On the regulatory front, Columbia Gulf placed new rates into effect, subject to refund, on May 1, 2011, as part of its November 2010 rate case filing with the FERC. Columbia Gulf and the parties to the case are actively engaged in settlement discussions to resolve the case.

Financial Management of the Balance Sheet

In June 2011, NiSource issued $400 million in 30-year notes as part of the company's ongoing focus on enhancing its long-term financial strength and flexibility. The issuance takes advantage of the interest rate environment and was used to repay short-term bank borrowings under the company's $1.5 billion revolving credit facility.

During June 2011, NiSource Finance implemented a new commercial paper program with a program limit of up to $500.0 million with four dealers: Barclays, Citigroup, Credit Suisse and Wells Fargo. Commercial paper issuances are supported by available capacity under NiSource's $1.5 billion unsecured revolving line of credit, which expires in March 2015.

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 for all employees.

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

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

NiSource Inc.

Results of Operations
Quarter Ended June 30, 2011

Net Income

NiSource reported net income of $38.9 million, or $0.14 per basic share, for the three months ended June 30, 2011, compared to a net income of $28.1 million, or $0.10 per basic share, for the second quarter of 2010. Income from continuing operations was $39.5 million, or $0.14 per basic share, for the three months ended June 30, 2011, compared to income from continuing operations of $28.0 million, or $0.10 per basic share, for the second quarter of 2010. Operating income was $163.3 million, an increase of $24.1 million from the same period in 2010. All per share amounts are basic earnings per share. Basic average shares of common stock outstanding at June 30, 2011 were 280.2 million compared to 277.6 million at June 30, 2010.

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.

Net Revenues

Total consolidated net revenues (gross revenues less cost of sales) for the quarter ended June 30, 2011, were $765.8 million, a $33.8 million increase from the same period last year. This increase in net revenues was primarily due to increased Gas Transmission and Storage Operations' net revenues of $16.2 million, increased Gas Distribution Operations' net revenues of $13.8 million and increased Electric Operations' net revenues of $2.7 million.

- Gas Distribution Operations' net revenues increased due primarily to the impact of colder weather of approximately $10 million and increased residential and commercial margins of $9.1 million primarily as a result of Northern Indiana's change from a volumetric-based rate design to one with a higher fixed charge. The new rate design provides a greater proportion of recovery through the monthly fixed customer charge as opposed to the volumetric charge for certain customer classes. The revenue variance experienced in the second quarter from Northern Indiana's rate design change is offset during the periods of higher usage throughout the year. Additionally, there was an increase of $8.0 million for other regulatory and service programs, including impacts from the implementation of rates under Columbia of Ohio's approved infrastructure replacement program and rate cases at various other utilities. The change in net revenues was also positively impacted by a $5.7 million contract reserve that was established in 2010. The increase in net revenues was partially offset by a decrease of $16.3 million in off-system sales as a result of the standard service offer auction at Columbia of Ohio in the second quarter of 2010 and a decrease in net regulatory and tax trackers of $1.7 million, which are offset in expense.
- Gas Transmission and Storage Operations' net revenues increased primarily due to higher demand margin revenue of $8.6 million as a result of growth projects placed into service in the second half of the prior year. Additionally, there was an increase of $5.7 million due to the impact of the rate case filing at Columbia Gulf, subject to refund. Net revenues also increased due to a one-time settlement of $2.8 million, higher condensate revenue of $2.3 million and increased commodity margin revenue of $2.2 million. These increases in net revenues were partially offset by the impact of $5.4 million of fees received from a contract buy-out during the second quarter of 2010.
- Electric Operations' net revenues increased primarily due to increased industrial usage and margins of $6.1 million resulting from improved economic conditions and $2.7 million in lower revenue credits compared to the prior year. These increases were partially offset by a decrease of $4.6 million in residential and commercial margins and a decrease of $2.2 million in environmental trackers that are partly offset in operating expense.

Expenses

Operating expenses for the second quarter 2011 were $604.8 million, an increase of $11.6 million from the 2010 period. This increase was primarily due to higher employee and administrative costs of $15.2 million predominantly as a result of an increased headcount. Additionally, there were higher electric generation costs of $10.8 million due to more outage weeks in the current period. These increases were partially offset by decreased depreciation costs of

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

$17.1 million primarily due to new approved depreciation rates at Northern Indiana within the Gas Distributions Operations' segment.

Equity Earnings in Unconsolidated Affiliates

Equity Earnings in Unconsolidated Affiliates were $2.3 million in the second quarter of 2011, an increase of $1.9 million compared to 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 increased primarily resulting from lower hedge ineffectiveness charges at Millennium, which was partially offset by higher interest costs associated with the August 2010 debt refinancing at Millennium.

Other Income (Deductions)

Other Income (Deductions) reduced income by $93.8 million in 2011 compared to a reduction in income of $95.8 million in the prior year. The decrease in deductions is primarily due to lower interest expense of $4.0 million due to the $681.8 million November 2010 long-term debt maturity and the December 2010 tender offer repurchase of long-term debt of $273.1 million. The benefits were partially offset by incremental interest expense associated with the issuance of long-term debt of $250.0 million in December 2010, reduced savings associated with interest rate swaps and higher average short-term borrowings and rates. Other-net income of $0.6 million was recorded in 2011 compared to $2.6 million in 2010.

Income Taxes

Income tax expense for the second quarter of 2011 was $30.0 million compared to $15.4 million in the prior year. The effective tax rates for the three months ended June 30, 2011 and June 30, 2010 were 43.2% and 35.5%, 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 such as the electric production tax deduction provided under Internal Revenue Code Section 199.

The increase in the three month effective tax rates of 7.7% in 2011 versus 2010 is due primarily to an increase in tax expense resulting from recently enacted Indiana tax legislation partially offset by a reduction in tax expense to reflect utility rate-making flow through taxes in the state of Pennsylvania and the reversal of the 2009 Section 199 credits in the second quarter of 2010.

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 carryforward, will be reduced to reflect the lower rate at which these temporary differences and tax benefits will be realized. In the second quarter 2011, the Company recorded tax expense of $6.8 million to reflect the effect of this rate change.

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 $0.6 million in the second quarter of 2011 from discontinued operations compared to net income of $0.1 million in the second quarter of 2010.

Results of Operations
Six Months Ended June 30, 2011

Net Income

NiSource reported net income of $244.1 million, or $0.87 per basic share, for the six months ended June 30, 2011, compared to net income of $225.4 million, or $0.81 per basic share, for the first six months of 2010. Income from continuing operations was $244.3 million, or $0.87 per basic share, for the first six months ended June 30, 2011, compared to income from continuing operations of $225.4 million, or $0.81 per basic share, for comparable 2010 period. Operating income was $562.5 million, an increase of $19.9 million from the same period in 2010. All per share amounts are basic earnings per share. Basic average shares of common stock outstanding at June 30, 2011 were 279.8 million compared to 277.3 million at June 30, 2010.

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

N-SOURCE 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, 2011, were $1,827.1 million, a $22.7 million increase from the same period last year. This increase in net revenues was primarily due to increased Electric Operations' net revenues of $15.1 million and increased Gas Transmission and Storage Operations' net revenues of $15.0 million partially offset by decreased Gas Distribution Operations' net revenues of $7.8 million.

- Electric Operations' net revenues increased primarily due to increased industrial usage and margins of $16.4 million resulting from improved economic conditions and $3.9 million in lower revenue credits compared to the prior year. Additionally, net revenues increased due to the impact of weather of approximately $3.0 million. These increases were partially offset by a decrease of $7.6 million in residential and commercial margins.

- Gas Transmission and Storage Operations' net revenues increased primarily due to higher demand margin revenue of $13.9 million as a result of growth projects placed into service in the second half of the prior year. Additionally, there was an increase of $5.7 million due to the impact of the rate case filing at Columbia Gulf, subject to refund. Net revenues also increased due to higher condensate revenue of $3.7 million, increased commodity margin revenue of $3.7 million, increased mineral rights royalty revenues of $3.0 million 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 the impact of $5.4 million of fees received from a contract buy-out during the second quarter of 2010 and lower shorter term transportation and storage services of $4.0 million.

- Gas Distribution Operations' net revenues decreased due primarily to decreases in net regulatory and tax trackers of $18.6 million, which are offset in expense, and lower off-system sales of $17.9 million as a result of the standard service offer auction at Columbia of Ohio in the second quarter of 2010. Additionally, there was a $7.1 million decrease in residential, commercial and industrial margins due primarily to Northern Indiana's change from a volumetric-based rate design to one with a higher fixed charge. The new rate design provides a greater proportion of recovery through the monthly fixed customer charge as opposed to the volumetric charge for certain customer classes. The revenue variance experienced from Northern Indiana's rate design change is offset throughout the year. The decreases in net revenues were partially offset by an increase of $14.4 million for other regulatory and service programs, including impacts from rate cases at various other utilities and the implementation of new rates under Columbia of Ohio's approved infrastructure replacement program. Additionally, there were increases of approximately $13 million due to the impact of colder weather, $5.7 million as the result of a contract reserve that was established in 2010, and $2.4 million from Bear Garden Station which was placed into service in July of 2010.

Expenses

Operating expenses for the six months ended June 30, 2011 were $1,269.9 million, an increase of $0.3 million from the 2010 period. This increase was primarily due to higher employee and administrative costs of $28.2 million predominantly as a result of an increased headcount and higher electric generation costs of $11.7 million due to more outage weeks in the current period. Additionally, there was an increase in outside service costs of $6.9 million. These increases were partially offset by decreased depreciation costs of $28.0 million primarily due to new approved depreciation rates at Northern Indiana within the Gas Distributions Operations' segment and a decrease of $15.9 million in regulatory and tax trackers, which are offset in revenue.

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

NiSource Inc.

Equity Earnings in Unconsolidated Affiliates

Equity Earnings in Unconsolidated Affiliates were $5.3 million for the first six months of 2011, a decrease of $2.5 million compared to 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 Millennium incurring higher interest costs associated with the August 2010 debt refinancing partially offset by lower hedge ineffectiveness charges at Millennium.

Other Income (Deductions)

Other Income (Deductions) reduced income by $180.3 million for the first six months of 2011 compared to a reduction in income of $192.0 million in the prior year. The decrease in deductions is primarily due to lower interest expense of $13.0 million due to the $681.8 million November 2010 long-term debt maturity and the December 2010 tender offer repurchase of long-term debt of $273.1 million. The benefits were partially offset by incremental interest expense associated with the issuance of long-term debt of $250.0 million in December 2010, reduced savings associated with interest rate swaps and higher average short-term borrowings and rates. Other-net income of $3.9 million was recorded in 2011 compared to $5.2 million in 2010.

Income Taxes

Income taxes for the first six months of 2011 were $137.9 million, an increase of $12.7 million compared to the first six months of 2010, mainly attributable to higher pre-tax income.

The effective tax rates for the six months ended June 30, 2011 and June 30, 2010 were 36.1% and 35.7%, 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 such as the electric production tax deduction provided under Internal Revenue Code Section 199.

The increase in the six month effective tax rate of 0.4% in 2011 versus 2010 is due primarily to an increase in tax expense resulting from recently enacted Indiana tax legislation partially offset by a reduction in tax expense to reflect utility rate-making flow through taxes in the state of Pennsylvania and the reversal of the 2009 Section 199 credits in the second quarter of 2010.

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 $0.2 million net loss from discontinued operations for the six months ended June 30, 2011, compared to no impact to net income in 2010.

Liquidity and Capital Resources

A significant portion of NiSource's operations, most notably in the gas distribution, gas transportation 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 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 2011.

Operating Activities

Net cash from operating activities for the six months ended June 30, 2011 was $736.0 million, an increase of $333.5 million compared to the six months ended June 30, 2010. Gas price fluctuations and the related approved rates for recovery significantly impacted working capital when comparing the two periods. During 2011, under-collected gas costs from 2010 of $220.7 million were received from customers providing a source of working

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

NiSOURCE INC.

[redacted]al. Conversely, during the comparable period in 2010 over-collected gas costs of $252.3 million from 2009 were returned to the customers resulting in a use of working capital.

Pension and Other Postretirement Plan Funding. NiSource expects to make contributions of approximately $149.7 million to its pension plans and approximately $49.3 million to its postretirement medical and life plans in 2011, which could change depending on market conditions. For the six months ended June 30, 2011, NiSource has contributed $111.0 million to its pension plans and $21.2 million to its other postretirement benefit plans.

Investing Activities

NiSource's capital expenditures for the six months ended June 30, 2011 were $445.0 million, compared to $336.9 million for the comparable period in 2010. The increase is the result of increased spending for the Gas Distribution Operations' infrastructure replacement programs and Electric Operations' system growth. NiSource projects 2011 capital expenditures to be approximately $1.1 billion.

Restricted cash was $154.6 million and $202.9 million as of June 30, 2011 and December 31, 2010, respectively. The decrease in restricted cash was due primarily to the change in forward gas prices which resulted in decreased net margin deposits on open derivative contracts used within NiSource's risk management and energy marketing activities.

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.

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 four dealers: Barclays, Citigroup, Credit Suisse and Wells Fargo. Commercial paper issuances are supported by available capacity under NiSource's $1.5 billion unsecured revolving line of credit, which expires in March 2015.

[redacted]urce Finance had $506.0 million in outstanding borrowings under its four-year revolving credit facility at June 30, 2011, at a weighted [redacted]ge interest rate of 1.90%. Under its previous revolving credit facility, NiSource Finance had borrowings of $1,107.5 million at December 31, 2010, at a weighted average interest rate of 0.78%. In addition, NiSource Finance had $180.5 million in commercial paper outstanding at June 30, 2011, at a weighted average interest rate of 0.95%.

As of June 30, 2011 and December 31, 2010, NiSource had $183.9 million and $275.0 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, 2011 and December 31, 2010, NiSource had $38.0 million and $32.5 million, respectively, of stand-by letters of credit outstanding of which $19.7 million and $14.2 million, respectively, were under the revolving credit facility.

As of June 30, 2011, an aggregate of $793.8 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.

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

NiSource Inc.

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 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. On December 14, 2010, 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 19, 2010, 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. The additional collateral requirement that would be required in the event of a downgrade below the ratings trigger levels would amount to approximately $21.3 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. There were no material changes recorded in the first six months of 2011 to NiSource's uncertain tax positions recorded as of December 31, 2010.

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.

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.

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.

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

NiSource Inc.

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, 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 $4.0 million and $8.3 million for the three and six months ended June 30, 2011, respectively, and $3.3 million and $6.6 million for the three and six months ended June 30, 2010, respectively.

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.

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.

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

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 zero, $0.1 million and zero for the second quarter of 2011, respectively. The daily market exposure for the unregulated gas marketing portfolio for the six months ended June 30, 2011 on an average, high and low basis was $0.1 million, $0.1 million and zero, 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 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 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 $153.1 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 the 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, 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 June 30, 2011 related to the purchase of Northern Indiana Fuel and Light and Kokomo Gas 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 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 other significant changes to critical accounting policies for the period ended June 30, 2011.

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 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, if the Commission 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 US GAAP during a transition period (e.g., five to seven years) and the FASB would be retained as the US standard setter. The SEC is expected to vote in the second half of 2011 on whether to require the use of IFRS and by what method. Additionally, in December 2010 the SEC chairman publicly stated that companies would be allowed a minimum of four years to adjust if the use of IFRS is mandated.

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.

Dodd-Frank Financial Reform Bill

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. Many regulations will be issued to implement the Act over the next twelve to twenty four months. NiSource is currently reviewing the Act and is unable to determine the final impact that the Act will have on its operations until these regulations have been issued.

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.
Distribution Operations

(in millions)	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Net Revenues				
Sales Revenues	$629.9	$554.7	$ 2,215.4	$ 2,105.9
Less: Cost of gas sold (excluding depreciation and amortization)	316.9	255.5	1,314.8	1,197.5
Net Revenues	313.0	299.2	900.6	908.4
Operating Expenses				
Operation and maintenance	187.3	184.8	429.4	443.0
Depreciation and amortization	43.7	63.4	86.6	125.9
Gain on sale of assets	—	—	0.1	—
Other taxes	35.6	32.5	96.5	85.9
Total Operating Expenses	266.6	280.7	612.6	654.8
Operating Income	$ 46.4	$ 18.5	$ 288.0	$ 253.6
Revenues ($ in Millions)				
Residential	$371.7	$295.7	$ 1,447.4	$ 1,193.5
Commercial	110.4	88.9	470.6	405.1
Industrial	46.3	37.6	124.1	114.6
Off System	92.9	87.3	169.7	171.9
Other	8.6	45.2	3.6	220.8
Total	$629.9	$554.7	$ 2,215.4	$ 2,105.9
Sales and Transportation (MMDth)				
Residential	33.6	25.9	168.1	155.2
Commercial	26.7	23.2	104.3	96.0
Industrial	100.8	85.1	219.7	186.0
Off System	20.4	27.2	37.9	43.1
Other	0.2	0.2	0.5	0.7
Total	181.7	161.6	530.5	481.0
Heating Degree Days	566	408	3,580	3,298
Normal Heating Degree Days	608	608	3,508	3,508
% (Warmer) Colder than Normal	(7%)	(33%)	2%	(6%)
Customers				
Residential			3,005,423	3,003,035
Commercial			277,508	275,246
Industrial			7,648	7,707
Other			64	81
Total			3,290,643	3,286,069

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 74% 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.

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

NiSource Inc.
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. The NiSource distribution companies have experienced declining usage by customers, due in large part to the sensitivity of sales to volatility in commodity prices, as well as general economic conditions. 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. During times of unusually high gas prices, throughput and net revenue have been adversely affected as customers may reduce their usage as a result of higher gas cost or other economic conditions. 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. Each of the states in which the NiSource LDCs operate has different requirements regarding the procedure for establishing such changes. 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.

Environmental Matters

Various environmental matters occasionally impact the Gas Distribution Operations segment. As of June 30, 2011, 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.

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 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 2011 was 7% warmer than normal and 39% colder than the second quarter in 2010.

Weather in the Gas Distribution Operation's territories for the first six months of 2011 was 2% colder than normal and 9% colder compared to the same period in 2010.

Throughput

Total volumes sold and transported of 181.7 MMDth for the second quarter of 2011 increased by 20.1 MMDth from the same period last year. This 12.4% increase in volume was primarily due to higher industrial usage and colder weather.

Total volumes sold and transported of 530.5 MMDth for the first six months of 2011 increased by 49.5 MMDth from the same period last year. This 10.3% increase in volume was primarily due to higher industrial usage and colder weather.

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 2011 were $313.0 million, an increase of $13.8 million from the same period in 2010, due primarily to the impact of colder weather of approximately $10 million and increased residential and commercial margins of $9.1 million primarily as a result of Northern Indiana's change from a volumetric-based rate design to one with a higher fixed charge. The new rate design provides a greater proportion of recovery through the monthly fixed customer charge as opposed to the volumetric charge for certain customer classes. The revenue variance experienced in the second quarter from Northern Indiana's rate design change is offset during the periods of higher usage throughout the year. Additionally, there was an increase of $8.0 million for other regulatory and service programs, including impacts from the implementation of rates under Columbia of Ohio's approved infrastructure replacement program and rate cases at various other utilities. The change in net revenues was also positively impacted by a $5.7 million contract reserve that was established in 2010. The increase in net revenues was partially offset by a decrease of $16.3 million in off-system sales as a result of the standard service offer auction at Columbia of Ohio in the second quarter of 2010 and a decrease in net regulatory and tax trackers of $1.7 million, which are offset in expense.

At Northern Indiana, customer billings and related gross sales revenues 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, 2011 was a revenue decrease of $16.1 million and $49.7 million, respectively, compared to a decrease of $6.9 million and an increase of $113.9 million for the three and six months ended June 30, 2010, respectively.

Net revenues for the six months ended June 30, 2011 were $900.6 million, a decrease of $7.8 million from the same period in 2010, due primarily to decreases in net regulatory and tax trackers of $18.6 million, which are offset in expense, and lower off-system sales of $17.9 million as a result of the standard service offer auction at Columbia of Ohio in the second quarter of 2010. Additionally, there was a $7.1 million decrease in residential, commercial and industrial margins due primarily to Northern Indiana's change from a volumetric-based rate design to one with a higher fixed charge. The new rate design provides a greater proportion of recovery through the monthly fixed customer charge as opposed to the volumetric charge for certain customer classes. The revenue variance experienced from Northern Indiana's rate design change is offset throughout the year. The decreases in net revenues were partially offset by an increase of $14.4 million for other regulatory and service programs, including impacts from rate cases at various other utilities and the implementation of new rates under Columbia of Ohio's approved infrastructure replacement program. Additionally, there were increases of approximately $13 million due to the impact of colder weather, $5.7 million as the result of a contract reserve that was established in 2010, and $2.4 million from Bear Garden which was placed into service in July of 2010.

Operating Income

For the second quarter of 2011, Gas Distribution Operations reported operating income of $46.4 million, an increase of $27.9 million from the comparable 2010 period. Operating income increased as a result of lower operating expenses and higher net revenues, as described above. Operating expenses were $14.1 million lower than the comparable period reflecting a decrease of $19.7 million in depreciation costs primarily due to new approved depreciation rates at Northern Indiana and $5.1 million as a result of regulatory trackers, which are offset in net revenue. These decreases were partially offset by an increase in employee and administrative costs of $6.1 million and an increase in other taxes, including trackers offset in net revenue, of $3.1 million.

For the six months ended June 30, 2011, Gas Distribution Operations reported operating income of $288.0 million, an increase of $34.4 million from the comparable 2010 period. The increase in operating income was primarily attributable to lower operating expenses which was partially offset by the decrease in revenue described above. Operating expenses decreased $42.2 million as a result of a decrease of $39.3 million in depreciation costs primarily due to new approved depreciation rates at Northern Indiana and $26.6 million as a result of lower regulatory trackers, which are offset in net revenue. Additionally, there was a decrease in uncollectible costs of $5.9 million. These decreases were partially offset by an increase in employee and administrative costs of $17.0 million, an increase in other taxes, including trackers offset in net revenue, of $10.6 million, and higher outside service costs of $2.8 million.

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

NiSource Inc.
Gas Transmission and Storage Operations

(in millions)	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Operating Revenues				
Transportation revenues	$ 174.7	$ 161.7	$ 374.4	$ 358.9
Storage revenues	49.4	49.7	99.9	99.1
Other revenues	9.4	5.9	14.6	15.9
Total Operating Revenues	233.5	217.3	488.9	473.9
Operating Expenses				
Operation and maintenance	103.2	96.4	197.7	188.2
Depreciation and amortization	32.8	31.5	65.5	63.0
Gain on sale of assets	—	—	—	(0.1)
Other taxes	15.1	14.9	27.8	29.8
Total Operating Expenses	151.1	142.8	291.0	280.9
Equity Earnings in Unconsolidated Affiliates	2.3	0.4	5.3	7.8
Operating Income	$ 84.7	$ 74.9	$ 203.2	$ 200.8
Throughput (MMDth)				
Columbia Transmission	204.9	171.5	631.5	559.0
Columbia Gulf	263.1	197.1	507.1	400.0
Crossroads Gas Pipeline	5.6	5.6	10.7	13.7
Intrasegment eliminations	(147.7)	(142.6)	(300.3)	(281.6)
Total	325.9	231.6	849.0	691.1

NiSource's Gas Transmission and Storage Operations segment primarily consists of the operations of Columbia Transmission, Columbia Gulf, and Crossroads Pipeline. 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 underway are as follows:

Majorsville, PA. 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 of 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 third project was placed into service in April 2011.

Power Plant Generation Project. The Gas Transmission and Storage Operations segment is moving forward with this nearly $35 million expansion project with Virginia Power Services Energy Corporation, Inc., the energy

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

NiSOURCE INC.

Transmission and Storage Operations (continued)

manager for Virginia Electric Power Company, which includes new pipeline and modifications to existing compression assets. This project will expand the Columbia Gas 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.

Clendenin, West Virginia. Construction began in 2010 on this approximately $18 million capital project to modify existing facilities in the Clendenin, West Virginia area to move Marcellus production to liquid market centers. The Clendenin project allows Gas Transmission and Storage Operations segment to meet incremental transportation demand of up to 150,000 Dth per day. Long-term firm transportation contracts for 130,000 Dth per day have been executed, some of which began in the third quarter 2010 and others of which began in June 2011.

Smithfield. The Gas Transmission and Storage Operations segment is installing 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. Approximately $14 million of capital investment will be required for modifications to existing pipeline and compressor facilities. Three anchor shippers have agreed to long-term, firm transportation contracts. One contract began in April 2011 and the others will begin in August 2011, when the project is expected to be fully in service.

Line WB Expansion. The Gas Transmission and Storage Operations segment is expanding its WB system through an approximately $14 million investment in additional facilities to provide transportation service on a firm basis from Loudoun, Virginia to Leach, Kentucky. The expansion will allow 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 have been executed, some of which began in January 2011. The segment requested and received FERC approval and anticipates completing construction on all facilities in the third quarter of 2011.

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

Southern Appalachian. The Gas Transmission and Storage Operations segment 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 is supported by executed binding precedent agreements. These additional facilities were constructed at a cost of nearly $[illegible] million with service that commenced in April 2011.

[illegible]mersburg Expansion. The Gas Transmission and Storage Operations segment has approved an investment of over $6 million for the first phase of this project that will ultimately add up to 200,000 Dth per day of capacity to north central Pennsylvania to meet the growing demands of producers in the area. The first phase of the project will consist of the expansion of Line 134 from the Brinker compressor station to the Iowa regulator. This will add approximately 19,000 Dth per day of additional capacity, all of which has been sold through precedent agreements. The second phase of this project is still under commercial development and will require management approval. The project's first phase is currently scheduled to go into service in the fourth quarter of 2011.

Equity Investments

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 between Corning, New York and Ramapo, New York, as well as to the New York City market through its pipeline interconnections. Columbia Transmission owns a 47.5% interest in Millennium and acts as operator for the pipeline in partnership with DTE Millennium Company and National Grid Millennium LLC, which each own an equal remaining share of the company.

Millennium distributed $15.0 million of available accumulated earnings in the second quarter 2011 to its partners, each sharing based upon their respective ownership percentages. There were no distributions made in the second

quarter of 2010. Columbia Transmission made a contribution of $0.7 million to Millennium during the second quarter of 2010. There were no contributions during the second quarter of 2011. Columbia Transmission made no contributions to nor received any distributions from Millennium during the first quarter of 2011 or 2010.

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 $2.0 million and $15.8 million of available accumulated earnings in the second quarter 2011 and 2010, respectively, to its partners, each sharing equally in the distribution. Hardy Storage distributed $3.5 million in the first quarter 2011 to its partners, each sharing equally in the distribution. There were no distributions in the first quarter of 2010. Columbia Transmission made no contributions during 2011 or 2010.

During the first quarter 2010, Hardy Storage converted its outstanding borrowings of $123.4 million, which were partially guaranteed by Columbia Transmission, under its temporary financing agreement to a secured permanent financing. As a result, Columbia Transmission was released from its underlying guarantee.

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 the quarter ended June 30, 2011, approximately 91.0% of the transportation revenues were derived from capacity reservation fees paid under firm contracts and 6.6% of the transportation revenues were derived from usage fees under firm contracts compared to approximately 91.5% and 3.6%, respectively, for the quarter ended June 30, 2010. For the six months ended June 30, 2011, approximately 91.4% of the transportation revenues were derived from capacity reservation fees paid under firm contracts and 6.7% of the transportation revenues were derived from usage fees under firm contracts compared to approximately 91.7% and 4.7%, respectively, for the six months ended June 30, 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 the quarters ended June 30, 2011 and 2010, approximately 2.4% and 4.9%, respectively, of the transportation revenues were derived from interruptible contracts. For the six months ended June 30, 2011 and 2010, approximately 1.9% and 3.6%, 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.

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

NiSource Inc.

Gas Transmission and Storage Operations (continued)

Environmental Matters

Various environmental matters occasionally impact the Gas Transmission and Storage Operations segment. As of June 30, 2011, 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 city gate deliveries of 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. Throughput for Columbia Gulf reflects mainline transportation services delivered to Leach, Kentucky and short-haul transportation services for gas delivered south of Leach, Kentucky. Crossroads Pipeline serves customers in Northern Indiana and Ohio. Intra-segment eliminations represent gas delivered to an affiliated pipeline within this segment.

Throughput for the Gas Transmission and Storage Operations segment totaled 325.9 MMDth for the second quarter of 2011, compared to 231.6 MMDth for the same period in 2010. The increase of 94.3 MMDth for the three-month period was attributable 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.

Throughput for the Gas Transmission and Storage Operations segment totaled 849.0 MMDth for the first six months of 2011, compared to 691.1 MMDth for the same period in 2010. The increase of 157.9 MMDth was primarily due 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.

Net Revenues

Net revenues were $233.5 million for the second quarter of 2011, an increase of $16.2 million from the same period in 2010, primarily due to higher demand margin revenue of $8.6 million as a result of growth projects placed into service in the second half of the prior year. Additionally, there was an increase of $5.7 million due to the impact of the rate case filing at Columbia Gulf, subject to refund. Net revenues increased due to a one-time settlement of $2.8 million, higher condensate revenue of $2.3 million and increased commodity margin revenue of $2.2 million. These increases in net revenues were partially offset by the impact of $5.4 million of fees received from a contract buy-out during the second quarter of 2010.

Net revenues were $488.9 million for the first six months of 2011, an increase of $15.0 million from the same period in 2010, primarily due to higher demand margin revenue of $13.9 million as a result of growth projects placed into service in the second half of the prior year. Additionally, there was an increase of $5.7 million due to the impact of the rate case filing at Columbia Gulf, subject to refund. Net revenues also increased due to higher condensate revenue of $3.7 million, increased commodity margin revenue of $3.7 million, increased mineral rights royalty revenues of $3.0 million 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 the impact of $5.4 million of fees received from a contract buy-out during the second quarter of 2010 and lower shorter term transportation and storage services of $4.0 million.

Operating Income

Operating income was $84.7 million for the second quarter of 2011, an increase of $9.8 million from the second quarter of 2010. This increase is due to higher net revenues, as described above, and higher equity earnings partially offset by higher operating expenses. Equity earnings increased $1.9 million due to lower hedge ineffectiveness charges at Millennium partially offset by higher interest costs associated with the August 2010 debt refinancing at Millennium. Operating expenses increased $8.3 million as a result of higher employee and

administrative costs of $3.3 million, increased regulatory trackers, which are offset in revenue, of $2.0 million, higher environmental costs of $1.5 million and increased depreciation costs of $1.3 million.

Operating income was $203.2 million for the six months ended June 30, 2011, an increase of $2.4 million from the comparable period in 2010. Operating income increased as a result of the increase in net revenues, as described above, partially offset by higher operating expenses and lower equity earnings. Operating expenses increased $10.1 million primarily due to higher employee and administrative costs of $4.8 million, increased outside service costs of $3.5 million, and higher depreciation costs of $2.4 million. Equity earnings decreased $2.5 million as a result of higher interest costs associated with the August 2010 debt refinancing at Millennium partially offset by lower hedge ineffectiveness charges at Millennium.

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, 2011	Three Months Ended June 30, 2010	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Net Revenues				
Sales revenues	$ 351.0	$ 342.5	$ 700.0	$ 662.5
Less: Cost of sales (excluding depreciation and amortization)	136.7	130.9	269.9	247.5
Net Revenues	214.3	211.6	430.1	415.0
Operating Expenses				
Operation and maintenance	108.1	94.7	205.3	186.0
Depreciation and amortization	53.3	52.9	112.4	105.2
Other taxes	13.1	14.4	29.4	29.1
Total Operating Expenses	174.5	162.0	347.1	320.3
Operating Income	$ 39.8	$ 49.6	$ 83.0	$ 94.7
Revenues ($ in millions)				
Residential	89.4	88.0	186.9	177.0
Commercial	95.0	89.9	187.5	175.2
Industrial	147.6	125.4	302.8	241.8
Wholesale	6.8	6.1	9.0	11.1
Other	12.2	33.1	13.8	57.4
Total	351.0	342.5	700.0	662.5
Sales (Gigawatt Hours)				
Residential	784.4	810.5	1,640.2	1,657.5
Commercial	946.6	952.0	1,871.5	1,887.3
Industrial	2,325.7	2,111.0	4,768.1	4,141.8
Wholesale	200.2	172.3	267.3	305.7
Other	37.1	39.8	81.6	81.2
Total	4,294.0	4,085.6	8,628.7	8,073.5
Cooling Degree Days	258	277	258	277
Normal Cooling Degree Days	230	230	230	230
% Warmer than Normal	12%	20%	12%	20%
Electric Customers				
Residential			399,473	399,856
Commercial			53,861	53,656
Industrial			2,425	2,426
Wholesale			15	15
Other			737	742
Total			456,511	456,695

NiSource generates and distributes electricity, through its subsidiary Northern Indiana, to approximately 456.5 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.

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

NiSource Inc.
Electric Operations (continued)

Electric Supply

On October 29, 2009, Northern Indiana filed its 2009 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. With the effects of the present economy, existing resources are projected to be sufficient through 2012 to serve customers' needs. Therefore, Northern Indiana's two requests for proposals to secure additional new sources of electric power issued on October 24, 2008 were not acted upon. With numerous variables contributing to uncertainty in the near-term outlook, Northern Indiana continues to monitor and assess economic, regulatory and legislative activity, and will update its resource plan in the fourth quarter of 2011.

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, 2011, 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 2011 were 4,294.0 gwh, an increase of 208.4 gwh compared to the second quarter of 2010. The 5.1% increase occurred primarily from higher industrial volumes as a result of improvement in overall economic conditions. Within the industrial customer base, the major steel companies' production bottomed near 50% in May 2009. Since then, NiSource has seen sequential growth in its power sales to these customers.

Electric Operations sales quantities for the six months ended June 30, 2011 were 8,628.7 gwh, an increase of 555.2 gwh compared to the same period in 2010. The 6.9% increase occurred primarily from higher industrial volumes as a result of improvement in overall economic conditions. Within the industrial customer base, the major steel companies' production bottomed near 50% in May 2009. Since then, NiSource has seen sequential growth in its power sales to these customers.

Net Revenues

Net revenues were $214.3 million for the second quarter of 2011, an increase of $2.7 million from the same period in 2010, primarily due to increased industrial usage and margins of $6.1 million resulting from improved economic conditions and $2.7 million in lower revenue credits compared to the prior year. These increases were partially offset by a decrease of $4.6 million in residential and commercial margins and a decrease of $2.2 million in environmental trackers that are partly offset in operating expense.

At Northern Indiana, customer billings and the related gross sales 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, 2011 was a revenue increase of $0.8 million and a decrease of $9.4 million, respectively, compared to an increase of $19.8 million and $31.1 million for the three and six months ended June 30, 2010, respectively.

Net revenues were $430.1 million for the six months ended June 30, 2011, an increase of $15.1 million from the same period in 2010, primarily due to increased industrial usage and margins of $16.4 million resulting from improved economic conditions and $3.9 million in lower revenue credits compared to the prior year. Additionally, net revenues increased due to the impact of weather of approximately $3.0 million. These increases were partially offset by a decrease of $7.6 million in residential and commercial margins.

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

N-SOURCE INC.

Electric Operations (continued)

Operating Income

Operating income for the second quarter of 2011 was $39.8 million, a decrease of $9.8 million from the same period in 2010 due to higher operating expenses partially offset by the increase in net revenues described above. Operating expenses increased $12.5 million due primarily to higher electric generation costs of $10.8 million as there were more outage weeks in the current period and increased employee and administrative costs of $5.0 million. These increases were partially offset by a decrease of $1.2 million in other taxes, primarily property tax.

Operating income for the six months ended June 30, 2011 was $83.0 million, a decrease of $11.7 from the same period in 2010, due to higher operating expenses partially offset by an increase in net revenues, as described above. Operating expenses increased $26.8 million due primarily to higher electric generation costs of $11.7 million as there were more outage weeks in the current period, a regulatory adjustment of $9.0 million, and higher employee and administrative costs of $7.4 million.

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 Financi 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

URCE INC.

1. Tawney, et al. v. Columbia Natural Resources, Inc., Roane County, WV Circuit Court

The Plaintiffs, who are West Virginia landowners, filed a lawsuit in early 2003 in the West Virginia Circuit Court for Roane County, West Virginia (the "Trial Court") against CNR alleging that CNR underpaid royalties on gas produced on their land by improperly deducting post-production costs and not paying a fair value for the gas. Plaintiffs also claimed that Defendants fraudulently concealed the deduction of post-production charges. In December 2004, the Trial Court granted Plaintiffs' motion to add NiSource and Columbia as Defendants. The Trial Court later certified the case as a class action that includes any person who, after July 31, 1990, received or is due royalties from CNR (and its predecessors or successors) on lands lying within the boundary of the state of West Virginia. Although NiSource sold CNR in 2003, NiSource remained obligated to manage this litigation and was responsible for the majority of any damages awarded to Plaintiffs. On January 27, 2007, the jury hearing the case returned a verdict against all Defendants in the amount of $404.3 million inclusive of both compensatory and punitive damages; Defendants subsequently filed their Petition for Appeal, which was later amended, with the West Virginia Supreme Court of Appeals (the "Appeals Court"), which refused the petition on May 22, 2008. On August 22, 2008, Defendants filed Petitions to the United States Supreme Court for writ of certiorari. Given the Appeals Court's earlier refusal of the appeal, NiSource adjusted its reserve in the second quarter of 2008 to reflect the portion of the Trial Court judgment for which NiSource would be responsible, inclusive of interest. This amount was included in "Legal and environmental reserves," on the Consolidated Balance Sheet as of December 31, 2008. On October 24, 2008, the Trial Court preliminarily approved a Settlement Agreement with a total settlement amount of $380 million. The settlement received final approval by the Trial Court on November 22, 2008. NiSource's share of the settlement liability is up to $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 million and thereby complied with its obligation to secure the unpaid portion of the settlement. The letter of credit was terminated on December 29, 2010. The Trial Court entered its Order discharging the judgment on January 20, 2009 and is supervising the administration of the settlement proceeds. On June 21, 2011 the Court issued the Second Supplemental Order to conclude administration of settlement. The Order sets forth the specific steps to be taken by the Parties to close administration of the settlement and terminate the settlement fund. As of June 30, 2011, NiSource has contributed a total of $338.5 million into the qualified settlement fund, $330.5 million of which was contributed prior to December 31, 2010. As of June 30, 2011, $0.3 million of the maximum settlement liability has not been paid. NiSource will be required to make additional payments, pursuant to the settlement, upon notice from the Class Administrator; however, NiSource does not expect these additional payments to be material.

2. Environmental Protection Agency Notice of Violation

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 1995 without obtaining appropriate air permits for the modifications. Northern Indiana, EPA, Department of Justice, and IDEM have settled the matter.

The consent decree was entered by the United States District Court for the Northern District of Indiana on July 22, 2011. The consent decree covers Northern Indiana's four coal generating stations: Bailly, Michigan City, R.M. Schahfer, and D.H. Mitchell. Northern Indiana must surrender environmental permits for D.H. Mitchell's coal-fired boilers, which have not been used to generate power since 2002. At the other generating stations, Northern Indiana must install additional control equipment, including three new SO2 control devices and one new NOx control device. The consent decree also imposes emissions limits for NOx, SO2, and particulate, and annual tonnage limits for NOx and SO2. In addition, Northern Indiana must surrender certain NOx and SO2 allowances, pay fines of $3.5 million, and invest $9.5 million in environmental mitigation projects. Northern Indiana is estimating the cost of NSR related capital improvements at $570 to $840 million, which will be expended between 2010 and 2018. Northern Indiana believes the capital costs will likely be recoverable from ratepayers.

3. 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 1A. RISK FACTORS

There were no material changes from the risk factors disclosed in NiSource's 2010 10-K filed on February 28, 2011.

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

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. (REMOVED AND RESERVED)

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

NISOURCE INC.

(10.1) Form of Restricted Stock Unit Award Agreement for Nonemployee Directors under the 2010 Omnibus Incentive Plan.

(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).

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 of holders of long-term debt of NiSource not filed as an exhibit herein. No such instrument authorizes long-term debt securities in excess of 10% of the total assets of NiSource and its subsidiaries on a consolidated basis.

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 undersigned thereunto duly authorized.

NiSource Inc.
(Registrant)

Date: August 2, 2011

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

NiSource Inc.
2010 Omnibus Incentive Plan

Restricted Stock Unit Award Agreement

This Restricted Stock Unit Award Agreement (the "Agreement"), is made and entered into as of _____, by and between NiSource Inc., a Delaware corporation (the "Company"), and _____ a nonemployee Director of the Company (the "Grantee").

Section 1. Restricted Stock Unit Award . The Company hereby grants to the Grantee, on the terms and conditions hereinafter set forth, an annual Award of Restricted Stock Units ("RSUs") each year the Grantee serves as a member of the Board of Directors of NiSource Inc. For each term for which a Grantee is elected, the number of RSUs awarded is calculated by dividing the annual equity retainer amount, as periodically determined by resolution by the NiSource Inc. Board of Directors, by the Fair Market Value of the NiSource Inc. common stock on the Date of Grant. The annual equity retainer amount will be prorated as reflected in the grant notice for any portion of a year for which the Grantee was not serving as a director. For purposes of this Agreement, the "Date of Grant" shall mean the date specified in the annual grant notice evidencing the annual award of RSUs. The Restricted Stock Units will be represented by a bookkeeping entry (the "RSU Account") of the Company, and each Restricted Stock Unit shall be equivalent to one share of the Company's common stock.

Section 2. Grantee Accounts . The number of whole and fractional RSUs granted pursuant to this Agreement shall be credited to the Grantee's RSU Account. The Grantee shall be credited with additional RSUs pursuant to Article XIV of the Plan to reflect dividend equivalents with respect to the period of time between the Date of Grant and the receipt of payment under the Plan. Such dividend equivalent credits will be equal to the dividends or other distributions declared on any Shares underlying the RSUs. Dividend equivalents will be aggregated and credited to the Grantee's RSU Account in the form of additional RSUs based on the Fair Market Value on the dividend payment date. Each RSU Account shall be maintained on the books of the Company until full payment of the balance thereof has been made to the Grantee (or the Grantee's beneficiaries or estate if the Grantee is deceased) in accordance with Sections 4 and 5 herein. No funds shall be set aside or earmarked for any RSU Account, which shall be purely a bookkeeping device.

Section 3. Vesting and Lapse of Restrictions . The annual RSUs awarded under this Agreement will vest on the earlier of (a) the last day of the Grantee's annual term for which the Grantee is elected that corresponds to the year in which the RSUs are awarded or (b) the date that the Grantee separates from service due to a "Change in Control. Notwithstanding the foregoing, in the event that Grantee separates from service prior to such time as a result of "Retirement" (defined as the cessation of services after providing a minimum of five continuous years of service as a member of the Board), death or Disability, the Grantee shall pro-rata vest in an amount of RSUs determined by using a fraction, where the numerator shall be the number of full or partial calendar months elapsed between the Date of Grant and the date the Grantee's Retirement, death or Disability, and the denominator of which shall be the number of full or partial calendar months elapsed between the Date of Grant and the last day of the Grantee's

annual term for which the Grantee is elected that corresponds to the year in which the RSUs are awarded .

Section 4. Payment of RSUs . The Company shall distribute the RSUs to the Grantee under each Award as soon as practicable (but in no event later than 60 days) after the date such Award vests, except as provided in a valid deferral election made pursuant to Article XVII of the Plan and Section 5 below. The Grantee shall be entitled to receive from the Company a number of Shares with an aggregate Fair Market Value on the date of payment equal to the aggregate Fair Market Value of such vested Restricted Stock Units, including the Restricted Stock Units credited to the Participant's RSU Account as dividend equivalents. Payment to the Grantee shall be made in the form of NiSource Inc. common stock for all whole and fractional RSUs.

Section 5 . Election to Defer Receipt of RSU Shares . With respect to each annual Award, the receipt of shares of common stock relating to the RSUs may be deferred beyond the vesting date under the rules and procedures established separately by the Company. A Grantee's election to defer receipt of such shares of common stock on the deferral election form provided by the Company will defer the payment and income recognition, until the earlier of: (i) the date Grantee's service on the Board terminates for any reason or (ii) the Grantee's specified date of payment. In accordance with Code Section 409A, an election to defer under this Section 5 generally must be made in the calendar year prior to the year in which services related to those RSU's are first performed. If the Grantee is newly eligible to make a deferral election under this Agreement and any other aggregated plan under Code Section 409A, however, the Grantee may make an initial deferral election before the Date of Grant. Notwithstanding anything to the contrary in this Agreement, shares of common stock will not be issued and the Grantee shall have no rights of a stockholder in common stock issuable under this Agreement to the extent that the Grantee has elected to defer the issuance and receipt of such common stock; provided, however, that the Grantee shall continue to receive dividend equivalent credits during the period of deferral credited to the RSU Account at such times as provided in Sections 2 and 10(a) of this Agreement. A Grantee's properly filed election to defer receipt of RSU shares under each Award shall evidence the time of payment of the RSU shares elected by the Grantee. If, however, service as a member of the Board terminates prior to the vesting date, any shares that would not have vested on the date of termination will be cancelled regardless of an election on file. Notwithstanding the foregoing, in the event that the Grantee separates from service before the date of payment elected by the Grantee due to a Change in Control, Retirement, death, or Disability, the RSUs will be payable as soon as practicable (but in no event later than 60 days) after such separation from service in a single payment of Shares.

Section 6. Delivery of Shares . If the Grantee dies before the Company has distributed any portion of the vested Restricted Stock Units, the Company will transfer any Shares payable with respect to the vested Restricted Stock Units in accordance with the Grantee's written beneficiary designation or to the Grantee's estate if no written beneficiary designation is provided.

Section 7. Securities Law Compliance . The delivery of all or any Shares that relate to the Restricted Stock Units shall only be effective at such time that the issuance of such Shares will not violate any state or federal securities or other laws. The Company is under no obligation to effect any registration of Shares under the Securities Act of 1933 or to effect any state registration or qualification of the Shares that may be issued under this Agreement. The

Company may, in its sole discretion, delay the delivery of Shares or place restrictive legends on Shares in order to ensure that the issuance of any Shares will be in compliance with federal or state securities laws and the rules of any exchange upon which the Company's Shares are traded. If the Company delays the delivery of Shares in order to ensure compliance with any state or federal securities or other laws, the Company shall deliver the Shares at the earliest date at which the Company reasonably believes that such delivery will not cause such violation, or at such later date that may be permitted under Code Section 409A.

Section 8. Restriction on Transferability. Except as otherwise provided in the Plan, the Restricted Stock Units granted herein and the rights and privileges conferred hereby may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated (by operation of law or otherwise), other than by will or the laws of descent and distribution. Any attempted transfer in violation of the provisions of this paragraph shall be void, and the purported transferee shall obtain no rights with respect to such Restricted Stock Units.

Section 9. Grantee's Rights Unsecured. The right of the Grantee or his or her beneficiary to receive a distribution hereunder shall be an unsecured claim against the general assets of the Company, and neither the Grantee nor his or her beneficiary shall have any rights in or against any amounts credited to the Grantee's RSU Account or any other specific assets of the Company. All amounts credited to the Grantee's RSU Account shall constitute general assets of the Company and may be disposed of by the Company at such time and for such purposes, as it may deem appropriate.

Section 10. No Rights as Stockholder or Nonemployee Director.

(a) Unless and until Shares have been issued to the Grantee, the Grantee shall not have any privileges of a stockholder of the Company with respect to any Restricted Stock Units subject to this Agreement; provided, however, that the Grantee shall be entitled to receive dividend equivalent credits equal to the dividends or other distributions declared on any Shares underlying the RSUs in accordance with Section 2.

(b) Nothing in this Agreement or the Award shall confer upon the Grantee any right to continue as a Nonemployee Director of the Company or any Affiliate or to interfere in any way with the right of the Company or any Affiliate to terminate the Grantee's service at any time.

Section 11. Adjustments. If at any time while the Award is outstanding, the number of outstanding Restricted Stock Units is changed by reason of a reorganization, recapitalization, stock split or any of the other events described in the Plan, the number and kind of Restricted Stock Units shall be adjusted in accordance with the provisions of the Plan. In the event of certain corporate events specified in Article XVI of the Plan, any unvested or undistributed Restricted Stock Units may be replaced by substituted Awards or forfeited in exchange for payment of cash in accordance with the procedures and provisions of Article XVI of the Plan.

Section 12. Notices. Any notice hereunder by the Grantee shall be given to the Company in writing and such notice shall be deemed duly given only upon receipt thereof at the following address: Corporate Secretary, NiSource Inc., 801 East 86 th Avenue, Merrillville, IN

46410-6271, or at such other address as the Company may designate by notice to the Grantee. Any notice hereunder by the Company shall be given to the Grantee in writing and such notice shall be deemed duly given only upon receipt thereof at such address as the Grantee may have on file with the Company.

Section 13. Administration. The administration of this Agreement, including the interpretation and amendment or termination of this Agreement, will be performed in accordance with the Plan. All determinations and decisions made by the Committee, the Board, or any delegate of the Committee as to the provisions of this Agreement shall be conclusive, final, and binding on all persons. This Agreement at all times shall be governed by the Plan and in no way alter or modify the Plan. To the extent a conflict exists between this Agreement and the Plan, the provisions of the Plan shall govern. Notwithstanding the foregoing, if subsequent guidance is issued under Code Section 409A that would impose additional taxes, penalties, or interest to either the Company may administer this Agreement in accordance with such guidance and amend this Agreement without the Consent of the Grantee to the extent such actions, in the reasonable judgment of the Company, are considered necessary to avoid the imposition of such additional taxes, penalties, or interest.

Section 14. Governing Law. This Agreement shall be construed and enforced in accordance with the laws of the State of Indiana, without giving effect to the choice of law principles thereof.

Section 15. Government Regulations. Notwithstanding anything contained herein to the contrary, the Company's obligation to issue or deliver certificates evidencing the Restricted Stock Units shall be subject to all applicable laws, rules and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.

Section 16. Entire Agreement; Code Section 409A Compliance. This Agreement and the Plan contain the terms and conditions with respect to the subject matter hereof and supersede any previous agreements, written or oral, relating to the subject matter hereof. This Agreement is pursuant to the terms of the Company's 2010 Omnibus Incentive Plan (the "Plan") and in the event of conflicts between this Agreement and the Plan, the Plan shall govern. The applicable terms of the Plan are incorporated herein by reference, including the definition of capitalized terms contained in the Plan, and including the Code Section 409A provisions of Section XIX of the Plan. This Agreement shall be interpreted in accordance with Code Section 409A. This Agreement shall be deemed to be modified to the maximum extent necessary to be in compliance with Code Section 409A's rules.

If the Grantee is unexpectedly required to include in the Grantee's current year's income any amount of compensation relating to the Restricted Stock Units because of a failure to meet the requirements of Code Section 409A, then to the extent permitted by Code Section 409A, the Grantee may receive a distribution of cash or Shares in an amount not to exceed the amount required to be included in income as a result of the failure to comply with Code Section 409A.

Section 17. Evergreen Agreement and Future Grants. In accordance with Section 1, the Company will continue to grant Awards of Restricted Stock Units to the Grantee annually. Such future Awards will be governed by the terms and conditions of this Agreement and will evidenced by a grant notice or statement signed by the Company. Notwithstanding the

foregoing, the Company reserves the right to grant future Awards to the Grantee under different terms and conditions from this Agreement. Such Awards will be evidenced by a new Award Agreement signed by both the Company and the Grantee. In addition, the Company reserves the right to cancel or terminate the grant of future Awards of Restricted Stock Units to the Grantee and instead pay the Grantee for services in form of cash or other Awards.

IN WITNESS WHEREOF, the Company has caused this Award to be granted, and the Grantee has accepted this Award, as of the date first above written.

NiSource Inc.

By: _____
Gary W. Pottorff

Its: Vice President & Corporate Secretary

GRANTEE

By: _____

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, 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: August 2, 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 Quarterly Report of NiSource Inc. on Form 10-Q for the quarter ended June 30, 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: August 2, 2011

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, 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: August 2, 2011

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, 2011 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: August 2, 2011

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Rate of Return

Question No. GAS-ROR-002:

Please supply copies of the Company's balance sheets for each month/quarter for the last two years.

Response:

Please see GAS-ROR-002 Attachment A, which provides the monthly Company balance sheets from June 2010 through May 2012.

DATE: 07/15/10 07:23:31

COLUMBIA GAS OF PENNSYLVANIA, INC.
BALANCE SHEET AS OF JUNE 30, 2010

	CURRENT BALANCE	INC OVR PRV MTH	INC OVR SM MTH PRV YR	INC OVR DECEMBER
ASSETS				
PROPERTY, PLANT AND EQUIPMENT				
GAS UTILITY AND OTHER PLANT, @ ORIG COST	978,300,955	6,169,002	58,310,641	30,655,937
ACCUMULATED DEPRECIATION AND DEPLETION	282,696,242	84,953	9,133,981	5,411,670
NET PROPERTY, PLANT AND EQUIPMENT	695,604,713	6,084,049	49,176,660	25,244,267
CURRENT ASSETS				
CASH AND TEMPORARY CASH INVESTMENTS	16,455,483	381,520	(31,351,725)	2,270,964
ACCOUNTS RECEIVABLE:				
*CUSTOMERS (LESS ALLOW FOR DOUBTFUL ACCTS)	(1)	(1)	37,121,815	9,222,474
FROM ASSOCIATED COMPANIES	98,005,558	(26,241,118)	6,380,369	49,199,522
*OTHER	3,209	3,205	(94,408,441)	(95,282,676)
GAS INVENTORY	33,188,900	5,812,450	418,787	(23,077,910)
OTHER INVENTORIES	570,937	14,243	(171,890)	29,159
PREPAYMENTS	1,044,152	141,127	657,201	(1,851,671)
REGULATORY ASSETS CURRENT	25,730,744	(442,839)	(9,010,079)	7,599,584
OTHER CURRENT ASSETS	3,176,242	(1,242,674)	(10,110,618)	2,902,402
TOTAL CURRENT ASSETS	178,244,224	(21,574,087)	(100,474,581)	(48,988,152)
INVESTMENT IN SUBSIDIARY	15,587,370	26,983	15,587,370	15,587,370
REGULATORY ASSETS LONG TERM	211,807,045	315,240	106,407,246	3,057,899
DEFERRED CHARGES AND SPECIAL DEPOSITS & FUNDS	97,920,991	2,915,685	142,909,672	(11,031,610)
TOTAL ASSETS	1,199,164,343	(12,232,130)	213,606,367	(16,130,226)
CAPITALIZATION AND LIABILITIES				
CAPITALIZATION				
COMMON STOCK EQUITY				
COMMON STOCK, AT PAR VALUE	45,127,802			
ADDITIONAL PAID IN CAPITAL	7,466,505			
OTHER COMPREHENSIVE INCOME-	(25,582)	(15,214)	32,051	28,090
RETAINED EARNINGS	298,611,015	(2,165,347)	5,936,312	23,604,721
TOTAL COMMON STOCK EQUITY	351,179,740	(2,180,561)	5,968,363	23,632,811
LONG-TERM DEBT				
INSTALLMENT PROMISSORY NOTES AND LOANS	285,215,010			
TOTAL CAPITALIZATION	636,394,750	(2,180,561)	5,968,363	23,632,811
CURRENT LIABILITIES				
CURRENT MATURITIES OF LONG-TERM DEBT				
ACCOUNTS PAYABLE	30,710,731	(235,141)	12,270,376	(1,254,655)
ACCOUNTS PAYABLE TO ASSOCIATED COMPANIES	8,834,257	(7,111,789)	466,299	(3,596,309)
ACCRUED TAXES	9,261,105	(5,738,592)	(14,235,839)	10,147,912
ACCRUED INTEREST	242,686	12,656	71,184	7,445
ESTIMATED RATE REFUNDS	(168,429)	1,091	(146,035)	(104,042)
DEFERRED INCOME TAXES	10,518,423	(559,137)	(1,971,948)	(7,370,313)
OTHER CURRENT LIABILITIES	58,997,382	2,595,821	3,008,910	(45,146,769)
TOTAL CURRENT LIABILITIES	118,396,155	(11,035,091)	(537,053)	(47,316,731)
OTHER LIABILITIES AND DEFERRED CREDITS				
INCOME TAXES, NONCURRENT	281,428,490	572,296	109,883,322	5,879,028
INVESTMENT TAX CREDITS	4,803,711	(30,019)	(360,234)	(180,116)
OTHER REGULATORY LIABILITIES LONG TERM	81,622,324	35,938	76,263,414	(669,364)
OTHER LIABILITIES & DEFERRED CREDITS	76,518,913	405,307	22,388,555	2,524,146
TOTAL OTHER LIABILITIES AND DEFERRED CREDITS	444,373,438	983,522	208,175,057	7,553,694
TOTAL CAPITALIZATION AND LIABILITIES	1,199,164,343	(12,232,130)	213,606,367	(16,130,226)

REPORT ID: BAL FORMAT ID: BSP

PAGE 1

*A/R AND RELATED RESERVES HAVE BEEN SOLD TO CPRC, AND INTEREST THEREIN HAS BEEN SOLD TO A PURCHASER(S) REPRESENTED BY BTMU, AS AGENT.

DATE: 08/13/10 11:12:36

COLUMBIA GAS OF PENNSYLVANIA, INC.
BALANCE SHEET AS OF JULY 31, 2010

	CURRENT BALANCE	INC OVR PRV MTH	INC OVR SM MTH PRV YR	INC OVR DECEMBER
ASSETS				
PROPERTY, PLANT AND EQUIPMENT				
GAS UTILITY AND OTHER PLANT, @ ORIG COST	984,206,242	5,985,287	58,337,626	36,641,224
ACCUMULATED DEPRECIATION AND DEPLETION	283,532,641	836,399	9,576,729	6,248,069
NET PROPERTY, PLANT AND EQUIPMENT	700,753,601	5,148,888	48,760,897	30,393,155
CURRENT ASSETS				
CASH AND TEMPORARY CASH INVESTMENTS	18,194,019	1,738,536	(28,846,631)	4,009,500
ACCOUNTS RECEIVABLE:				
*CUSTOMERS (LESS ALLOW FOR DOUBTFUL ACCTS)	1	2	43,336,092	9,222,476
FROM ASSOCIATED COMPANIES	76,794,965	(21,210,593)	(16,808,198)	27,988,929
*OTHER	3	(3,206)	(90,606,702)	(95,285,882)
GAS INVENTORY	46,889,613	13,700,713	(4,654,428)	(9,377,197)
OTHER INVENTORIES	581,522	10,585	(142,376)	39,744
PREPAYMENTS	2,961,334	1,917,182	1,059,556	65,511
REGULATORY ASSETS CURRENT	25,234,606	(565,138)	(11,108,381)	7,034,446
OTHER CURRENT ASSETS	7,103,897	3,927,655	(8,248,318)	6,830,057
TOTAL CURRENT ASSETS	177,759,960	(484,264)	(116,019,386)	(49,472,416)
INVESTMENT IN SUBSIDIARY	15,608,057	20,687	15,608,057	15,608,057
REGULATORY ASSETS LONG TERM	212,353,420	546,375	106,610,255	3,604,274
DEFERRED CHARGES AND SPECIAL DEPOSITS & FUNDS	99,474,338	1,553,347	145,839,597	(9,478,263)
TOTAL ASSETS	1,205,949,376	6,785,033	200,799,420	(9,345,193)
CAPITALIZATION AND LIABILITIES				
CAPITALIZATION				
COMMON STOCK EQUITY				
COMMON STOCK, AT PAR VALUE	45,127,802			
ADDITIONAL PAID IN CAPITAL	7,466,505			
OTHER COMPREHENSIVE INCOME-	(25,149)	433	67,857	28,523
RETAINED EARNINGS	296,778,298	(1,832,717)	6,759,705	21,772,004
TOTAL COMMON STOCK EQUITY	349,347,456	(1,832,284)	6,827,562	21,800,527
LONG-TERM DEBT				
INSTALLMENT PROMISSORY NOTES AND LOANS	285,215,010			
TOTAL CAPITALIZATION	634,562,466	(1,832,284)	6,827,562	21,800,527
CURRENT LIABILITIES				
CURRENT MATURITIES OF LONG-TERM DEBT				
ACCOUNTS PAYABLE	30,866,769	156,058	2,244,918	(1,098,597)
ACCOUNTS PAYABLE TO ASSOCIATED COMPANIES	10,336,640	1,502,383	(1,674,000)	(2,093,926)
ACCRUED TAXES	7,299,940	(1,961,165)	(14,692,397)	8,186,747
ACCRUED INTEREST	249,768	7,082	67,213	14,527
ESTIMATED RATE REFUNDS	(172,517)	(4,088)	(145,218)	(108,130)
DEFERRED INCOME TAXES	10,824,872	306,449	(728,444)	(7,063,864)
OTHER CURRENT LIABILITIES	67,310,045	8,312,663	3,524,396	(36,834,106)
TOTAL CURRENT LIABILITIES	126,715,537	8,310,382	(11,403,532)	(38,997,349)
OTHER LIABILITIES AND DEFERRED CREDITS				
INCOME TAXES, NONCURRENT	281,797,796	369,306	109,668,720	6,248,334
INVESTMENT TAX CREDITS	4,773,692	(30,019)	(360,234)	(210,135)
OTHER REGULATORY LIABILITIES LONG TERM	81,437,640	(184,684)	73,728,950	(854,048)
OTHER LIABILITIES & DEFERRED CREDITS	76,662,245	143,332	22,337,954	2,667,478
TOTAL OTHER LIABILITIES AND DEFERRED CREDITS	444,671,373	297,935	205,375,390	7,851,629
TOTAL CAPITALIZATION AND LIABILITIES	1,205,949,376	6,785,033	200,799,420	(9,345,193)

REPORT ID: BAL FORMAT ID: BSP

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*A/R AND RELATED RESERVES HAVE BEEN SOLD TO CPRC, AND INTEREST THEREIN HAS BEEN SOLD TO A PURCHASER(S) REPRESENTED BY BTMU, AS AGENT.

DATE: 09/13/10 07:25:10

COLUMBIA GAS OF PENNSYLVANIA, INC.
BALANCE SHEET AS OF AUGUST 31, 2010

	CURRENT BALANCE	INC OVR PRV MTH	INC OVR SM MTH PRV YR	INC OVR DECEMBER
ASSETS				
PROPERTY, PLANT AND EQUIPMENT				
GAS UTILITY AND OTHER PLANT, @ ORIG COST	990,909,356	6,623,114	60,240,033	43,264,338
ACCUMULATED DEPRECIATION AND DEPLETION	284,638,424	1,105,783	9,921,752	7,353,852
NET PROPERTY, PLANT AND EQUIPMENT	706,270,932	5,517,331	50,318,281	35,910,486
CURRENT ASSETS				
CASH AND TEMPORARY CASH INVESTMENTS	23,943,098	5,749,079	(7,585,437)	9,758,579
ACCOUNTS RECEIVABLE:				
*CUSTOMERS (LESS ALLOW FOR DOUBTFUL ACCTS)	(2)	(3)	44,921,957	9,222,473
FROM ASSOCIATED COMPANIES	55,538,852	(21,256,113)	(39,233,904)	6,732,816
*OTHER	3		(87,848,816)	(95,285,882)
GAS INVENTORY	67,437,490	20,547,877	(9,794,284)	11,170,680
OTHER INVENTORIES	575,397	(6,125)	(124,648)	33,619
PREPAYMENTS	2,731,829	(229,505)	(90,325)	(163,994)
REGULATORY ASSETS CURRENT	29,642,369	4,407,763	(10,112,409)	11,442,209
OTHER CURRENT ASSETS	4,955,264	(2,148,633)	536,286	4,681,424
TOTAL CURRENT ASSETS	184,824,300	7,064,340	(109,331,580)	(42,408,076)
INVESTMENT IN SUBSIDIARY	15,627,788	19,731	15,627,788	15,627,788
REGULATORY ASSETS LONG TERM	219,092,567	6,739,147	112,584,669	10,343,421
DEFERRED CHARGES AND SPECIAL DEPOSITS & FUNDS	90,765,663	(8,708,675)	140,021,940	(18,186,938)
TOTAL ASSETS	1,216,581,250	10,631,874	209,221,098	1,286,681
CAPITALIZATION AND LIABILITIES				
CAPITALIZATION				
COMMON STOCK EQUITY				
COMMON STOCK, AT PAR VALUE	45,127,802			
ADDITIONAL PAID IN CAPITAL	7,466,505			
OTHER COMPREHENSIVE INCOME-	(70,177)	(45,028)	116,615	(16,505)
RETAINED EARNINGS	313,721,747	16,943,449	25,786,793	38,715,453
TOTAL COMMON STOCK EQUITY	366,245,877	16,898,421	25,903,408	38,698,948
LONG-TERM DEBT				
INSTALLMENT PROMISSORY NOTES AND LOANS	285,215,010			
TOTAL CAPITALIZATION	651,460,887	16,898,421	25,903,408	38,698,948
CURRENT LIABILITIES				
CURRENT MATURITIES OF LONG-TERM DEBT				
ACCOUNTS PAYABLE	25,639,711	(5,227,078)	6,716,095	(6,325,675)
ACCOUNTS PAYABLE TO ASSOCIATED COMPANIES	11,708,553	1,371,913	558,023	(722,013)
ACCRUED TAXES	7,884,370	584,430	(12,864,029)	8,771,177
ACCRUED INTEREST	255,235	5,467	63,294	19,994
ESTIMATED RATE REFUNDS	(176,166)	(3,649)	(146,063)	(111,779)
DEFERRED INCOME TAXES	10,102,752	(722,120)	(529,207)	(7,785,984)
OTHER CURRENT LIABILITIES	88,924,376	21,614,331	10,453,490	(15,219,775)
TOTAL CURRENT LIABILITIES	144,338,831	17,623,294	4,251,603	(21,374,055)
OTHER LIABILITIES AND DEFERRED CREDITS				
INCOME TAXES, NONCURRENT	283,025,998	1,228,202	110,310,717	7,476,536
INVESTMENT TAX CREDITS	4,743,673	(30,019)	(360,234)	(240,154)
OTHER REGULATORY LIABILITIES LONG TERM	91,482,638	44,998	72,466,001	(309,050)
OTHER LIABILITIES & DEFERRED CREDITS	51,529,223	(25,133,022)	(3,350,397)	(22,465,544)
TOTAL OTHER LIABILITIES AND DEFERRED CREDITS	420,781,532	(23,889,841)	179,066,087	(16,038,212)
TOTAL CAPITALIZATION AND LIABILITIES	1,216,581,250	10,631,874	209,221,098	1,286,681

REPORT ID: BAL FORMAT ID: BSF

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*A/R AND RELATED RESERVES HAVE BEEN SOLD TO CPRC, AND INTEREST THEREIN HAS BEEN SOLD TO A PURCHASER(S) REPRESENTED BY BTMU, AS AGENT.

DATE: 10/18/10 07:43:37

COLUMBIA GAS OF PENNSYLVANIA, INC.
BALANCE SHEET AS OF SEPTEMBER 30, 2010

	CURRENT BALANCE	INC OVR PRV MTH	INC OVR SM MTH PRV YR	INC OVR DECEMBER
ASSETS				
PROPERTY, PLANT AND EQUIPMENT				
GAS UTILITY AND OTHER PLANT, @ ORIG COST	996,820,104	5,910,748	62,970,615	49,175,086
ACCUMULATED DEPRECIATION AND DEPLETION	285,071,607	433,183	10,430,424	7,787,035
NET PROPERTY, PLANT AND EQUIPMENT	711,748,497	5,477,565	52,540,191	41,388,051
CURRENT ASSETS				
CASH AND TEMPORARY CASH INVESTMENTS	26,923,223	2,980,125	(4,080,925)	12,738,704
ACCOUNTS RECEIVABLE:				
*CUSTOMERS (LESS ALLOW FOR DOUBTFUL ACCTS)		2	43,794,178	9,222,475
FROM ASSOCIATED COMPANIES	26,880,393	(28,658,459)	(59,867,632)	(71,925,643)
*OTHER	(6)	(9)	(84,703,597)	(95,285,891)
GAS INVENTORY	86,690,870	19,253,380	(11,925,198)	30,424,060
OTHER INVENTORIES	578,046	2,649	(114,795)	36,268
PREPAYMENTS	2,317,016	(414,813)	(198,773)	(578,807)
REGULATORY ASSETS CURRENT	31,418,621	1,776,252	(1,676,490)	13,218,461
OTHER CURRENT ASSETS	265,738	(4,689,526)	54,077	(8,102)
TOTAL CURRENT ASSETS	175,073,901	(9,750,399)	(110,719,155)	(52,156,475)
INVESTMENT IN SUBSIDIARY	15,645,029	17,241	15,645,029	15,645,029
REGULATORY ASSETS LONG TERM	216,002,492	(3,090,075)	111,997,780	7,253,346
DEFERRED CHARGES AND SPECIAL DEPOSITS & FUNDS	89,096,076	(1,669,587)	143,408,117	(19,856,525)
TOTAL ASSETS	1,207,565,995	(9,015,255)	204,871,962	(7,728,574)
CAPITALIZATION AND LIABILITIES				
CAPITALIZATION				
COMMON STOCK EQUITY				
COMMON STOCK, AT PAR VALUE	45,127,802			
ADDITIONAL PAID IN CAPITAL	7,466,505			
OTHER COMPREHENSIVE INCOME-	(80,956)	(10,779)	(46,885)	(27,284)
RETAINED EARNINGS	300,457,109	(13,264,638)	15,576,259	25,450,815
TOTAL COMMON STOCK EQUITY	352,970,460	(13,275,417)	15,529,374	25,423,531
LONG-TERM DEBT				
INSTALLMENT PROMISSORY NOTES AND LOANS	285,215,010			
TOTAL CAPITALIZATION	638,185,470	(13,275,417)	15,529,374	25,423,531
CURRENT LIABILITIES				
CURRENT MATURITIES OF LONG-TERM DEBT				
ACCOUNTS PAYABLE	20,193,573	(5,446,138)	2,585,872	(11,771,813)
ACCOUNTS PAYABLE TO ASSOCIATED COMPANIES	13,505,280	1,796,697	(61,406)	1,074,664
ACCRUED TAXES	1,354,874	(6,529,496)	(17,472,358)	2,241,681
ACCRUED INTEREST	227,025	(28,210)	40,685	(8,216)
ESTIMATED RATE REFUNDS	(179,767)	(3,601)	(145,114)	(115,380)
DEFERRED INCOME TAXES	11,034,019	931,267	1,337,448	(6,854,717)
OTHER CURRENT LIABILITIES	107,644,629	18,720,253	26,169,874	3,500,478
TOTAL CURRENT LIABILITIES	153,779,603	9,440,772	12,455,001	(11,933,283)
OTHER LIABILITIES AND DEFERRED CREDITS				
INCOME TAXES, NONCURRENT	289,046,685	6,020,687	115,732,580	13,437,223
INVESTMENT TAX CREDITS	4,713,653	(30,020)	(360,234)	(270,174)
OTHER REGULATORY LIABILITIES LONG TERM	77,284,476	(4,198,162)	66,699,209	(5,007,212)
OTHER LIABILITIES & DEFERRED CREDITS	44,556,108	(6,973,115)	(5,183,968)	(29,438,659)
TOTAL OTHER LIABILITIES AND DEFERRED CREDITS	415,600,922	(5,180,610)	176,887,587	(21,218,822)
TOTAL CAPITALIZATION AND LIABILITIES	1,207,565,995	(9,015,255)	204,871,962	(7,728,574)

REPORT ID: BAL FORMAT ID: BSP

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*A/R AND RELATED RESERVES HAVE BEEN SOLD TO CPRC, AND INTEREST THEREIN HAS BEEN SOLD TO A PURCHASER(S) REPRESENTED BY BTMU, AS AGENT.

DATE: 11/10/10 08:22:43

COLUMBIA GAS OF PENNSYLVANIA, INC.
BALANCE SHEET AS OF OCTOBER 31, 2010

	CURRENT BALANCE	INC OVR PRV MTH	INC OVR SM MTH PRV YR	INC OVR DECEMBER
ASSETS				
PROPERTY, PLANT AND EQUIPMENT				
GAS UTILITY AND OTHER PLANT, @ ORIG COST	1,003,275,939	6,455,835	64,781,191	55,630,921
ACCUMULATED DEPRECIATION AND DEPLETION	286,085,987	1,014,380	10,712,429	8,801,415
NET PROPERTY, PLANT AND EQUIPMENT	717,189,952	5,441,455	54,068,762	46,829,506
CURRENT ASSETS				
CASH AND TEMPORARY CASH INVESTMENTS	27,651,383	728,160	(18,529,575)	13,466,864
ACCOUNTS RECEIVABLE:				
*CUSTOMERS (LESS ALLOW FOR DOUBTFUL ACCTS)	(1)	(1)	33,862,203	9,222,474
FROM ASSOCIATED COMPANIES	32,207,946	5,327,553	(58,855,834)	(16,598,090)
*OTHER	(5)	1	(83,695,526)	(95,285,890)
GAS INVENTORY	93,454,685	6,763,815	(11,389,558)	37,187,875
OTHER INVENTORIES	604,472	26,426	(34,631)	62,694
PREPAYMENTS	2,964,763	647,747	(406,831)	68,940
REGULATORY ASSETS CURRENT	29,409,873	(2,008,748)	(5,886,034)	11,209,713
OTHER CURRENT ASSETS	361,379	95,641	90,784	87,539
TOTAL CURRENT ASSETS	186,654,495	11,580,594	(144,845,002)	(40,577,881)
INVESTMENT IN SUBSIDIARY	15,679,115	34,086	15,679,115	15,679,115
REGULATORY ASSETS LONG TERM	216,978,588	976,096	95,845,789	8,229,442
DEFERRED CHARGES AND SPECIAL DEPOSITS & FUNDS	87,231,081	(1,864,995)	115,450,475	(21,721,520)
TOTAL ASSETS	1,223,733,231	16,167,236	136,199,139	8,438,662
CAPITALIZATION AND LIABILITIES				
CAPITALIZATION				
COMMON STOCK EQUITY				
COMMON STOCK, AT PAR VALUE	45,127,802			
ADDITIONAL PAID IN CAPITAL	7,575,160	108,655	108,655	108,655
OTHER COMPREHENSIVE INCOME-	(86,748)	(5,792)	29,887	(33,076)
RETAINED EARNINGS	302,911,988	2,454,879	14,663,241	27,905,694
TOTAL COMMON STOCK EQUITY	355,528,202	2,557,742	14,801,783	27,981,273
LONG-TERM DEBT				
INSTALLMENT PROMISSORY NOTES AND LOANS	285,215,010			
TOTAL CAPITALIZATION	640,743,212	2,557,742	14,801,783	27,981,273
CURRENT LIABILITIES				
CURRENT MATURITIES OF LONG-TERM DEBT				
ACCOUNTS PAYABLE	21,114,517	920,944	(7,024,838)	(10,850,869)
ACCOUNTS PAYABLE TO ASSOCIATED COMPANIES	15,597,143	2,091,893	(98,787)	3,166,577
ACCRUED TAXES	(3,439,243)	(4,794,117)	(8,235,779)	(2,552,436)
ACCRUED INTEREST	233,478	6,453	65,304	(1,763)
ESTIMATED RATE REFUNDS	(183,985)	(4,218)	(159,273)	(119,598)
DEFERRED INCOME TAXES	16,748,046	5,714,027	8,108,299	(1,140,690)
OTHER CURRENT LIABILITIES	117,384,017	9,739,388	24,846,232	13,239,866
TOTAL CURRENT LIABILITIES	167,453,973	13,674,370	17,501,158	1,741,087
OTHER LIABILITIES AND DEFERRED CREDITS				
INCOME TAXES, NONCURRENT	289,986,898	940,213	56,081,740	14,437,436
INVESTMENT TAX CREDITS	4,683,633	(30,020)	(360,234)	(300,194)
OTHER REGULATORY LIABILITIES LONG TERM	77,194,597	(89,879)	55,682,278	(5,097,091)
OTHER LIABILITIES & DEFERRED CREDITS	43,670,918	(885,190)	(7,507,586)	(30,323,849)
TOTAL OTHER LIABILITIES AND DEFERRED CREDITS	415,536,046	(64,876)	103,896,198	(21,283,698)
TOTAL CAPITALIZATION AND LIABILITIES	1,223,733,231	16,167,236	136,199,139	8,438,662

REPORT ID: BAL FORMAT ID: BSP

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*A/R AND RELATED RESERVES HAVE BEEN SOLD TO CPRC, AND INTEREST THEREIN HAS BEEN SOLD TO A PURCHASER(S) REPRESENTED BY BTMU, AS AGENT.

DATE: 12/13/10 09:47:27

COLUMBIA GAS OF PENNSYLVANIA, INC.
BALANCE SHEET AS OF NOVEMBER 30, 2010

	CURRENT BALANCE	INC OVR PRV MTH	INC OVR SM MTH PRV YR	INC OVR DECEMBER
ASSETS				
PROPERTY, PLANT AND EQUIPMENT				
GAS UTILITY AND OTHER PLANT, @ ORIG COST	1,009,329,090	6,053,151	65,713,206	61,684,072
ACCUMULATED DEPRECIATION AND DEPLETION	286,765,070	679,083	10,176,228	9,480,498
NET PROPERTY, PLANT AND EQUIPMENT	722,564,020	5,374,068	55,536,978	52,203,574
CURRENT ASSETS				
CASH AND TEMPORARY CASH INVESTMENTS	20,040,630	(7,610,753)	(2,806,028)	5,856,111
ACCOUNTS RECEIVABLE:				
*CUSTOMERS (LESS ALLOW FOR DOUBTFUL ACCTS)	(1)		30,133,096	9,222,474
FROM ASSOCIATED COMPANIES	56,610,263	24,402,317	(5,052,157)	7,804,227
*OTHER	(6)	(1)	(82,529,895)	(95,285,891)
GAS INVENTORY	77,892,375	(15,562,310)	(20,979,547)	21,625,565
OTHER INVENTORIES	630,793	26,321	47,642	89,015
PREPAYMENTS	3,514,021	549,258	254,979	618,198
REGULATORY ASSETS CURRENT	21,923,720	(7,486,153)	(4,019,270)	3,723,560
OTHER CURRENT ASSETS	213,307	(148,072)	(70,264)	(60,533)
TOTAL CURRENT ASSETS	180,825,102	(5,829,393)	(85,021,444)	(46,407,274)
INVESTMENT IN SUBSIDIARY	15,755,660	76,545	15,755,660	15,755,660
REGULATORY ASSETS LONG TERM	217,500,049	521,461	5,941,607	8,750,903
DEFERRED CHARGES AND SPECIAL DEPOSITS & FUNDS	88,746,924	1,515,843	15,121,261	(20,205,677)
TOTAL ASSETS	1,225,391,755	1,658,524	7,334,062	10,097,186
CAPITALIZATION AND LIABILITIES				
CAPITALIZATION				
COMMON STOCK EQUITY				
COMMON STOCK, AT PAR VALUE	45,127,802			
ADDITIONAL PAID IN CAPITAL	7,575,160		108,655	108,655
OTHER COMPREHENSIVE INCOME-	(74,871)	11,877	92,098	(21,199)
RETAINED EARNINGS	308,085,019	5,173,031	42,849,802	33,078,725
TOTAL COMMON STOCK EQUITY	360,713,110	5,184,908	43,050,555	33,166,181
LONG-TERM DEBT				
INSTALLMENT PROMISSORY NOTES AND LOANS	285,215,010			
TOTAL CAPITALIZATION	645,928,120	5,184,908	43,050,555	33,166,181
CURRENT LIABILITIES				
CURRENT MATURITIES OF LONG-TERM DEBT				
ACCOUNTS PAYABLE	15,852,427	(5,262,090)	430,813	(16,112,959)
ACCOUNTS PAYABLE TO ASSOCIATED COMPANIES	17,897,414	2,300,271	(320,981)	5,466,848
ACCRUED TAXES	(3,033,936)	405,307	(4,500,660)	(2,147,129)
ACCRUED INTEREST	246,001	12,523	68,315	10,760
ESTIMATED RATE REFUNDS	(187,904)	(3,919)	(148,089)	(123,517)
DEFERRED INCOME TAXES	18,393,844	1,645,798	6,056,269	505,108
OTHER CURRENT LIABILITIES	114,288,477	(3,095,540)	(27,688,047)	10,144,326
TOTAL CURRENT LIABILITIES	163,456,323	(3,997,650)	(26,102,380)	(2,256,563)
OTHER LIABILITIES AND DEFERRED CREDITS				
INCOME TAXES, NONCURRENT	291,483,657	1,496,759	19,378,744	15,934,195
INVESTMENT TAX CREDITS	4,653,613	(30,020)	(360,234)	(330,214)
OTHER REGULATORY LIABILITIES LONG TERM	76,651,083	(543,514)	(4,287,970)	(5,640,605)
OTHER LIABILITIES & DEFERRED CREDITS	43,218,959	(451,959)	(24,344,653)	(30,775,808)
TOTAL OTHER LIABILITIES AND DEFERRED CREDITS	416,007,312	471,266	(9,614,113)	(20,812,432)
TOTAL CAPITALIZATION AND LIABILITIES	1,225,391,755	1,658,524	7,334,062	10,097,186

REPORT ID: BAL FORMAT ID: BSP

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*A/R AND RELATED RESERVES HAVE BEEN SOLD TO CPRC, AND INTEREST THEREIN HAS BEEN SOLD TO A PURCHASER(S) REPRESENTED BY BTMU, AS AGENT.

DATE: 01/27/11 07:44:12

COLUMBIA GAS OF PENNSYLVANIA, INC.
BALANCE SHEET AS OF DECEMBER 31, 2010

	CURRENT BALANCE	INC OVR PRV MTH	INC OVR SM MTH PRV YR	INC OVR DECEMBER
ASSETS				
PROPERTY, PLANT AND EQUIPMENT				
GAS UTILITY AND OTHER PLANT, @ ORIG COST	1,016,659,597	7,330,507	69,014,579	69,014,579
ACCUMULATED DEPRECIATION AND DEPLETION	287,431,510	666,440	10,146,938	10,146,938
NET PROPERTY, PLANT AND EQUIPMENT	729,228,087	6,664,067	58,867,641	58,867,641
CURRENT ASSETS				
CASH AND TEMPORARY CASH INVESTMENTS	12,629,079	(7,411,551)	(1,555,440)	(1,555,440)
ACCOUNTS RECEIVABLE:				
*CUSTOMERS (LESS ALLOW FOR DOUBTFUL ACCTS)	1	2	9,222,476	9,222,476
FROM ASSOCIATED COMPANIES	118,219,384	61,609,121	69,413,348	69,413,348
*OTHER	(7)	(1)	(95,285,892)	(95,285,892)
GAS INVENTORY	46,975,558	(30,916,817)	(9,291,252)	(9,291,252)
OTHER INVENTORIES	587,924	(42,869)	46,146	46,146
PREPAYMENTS	2,381,109	(1,132,912)	(514,714)	(514,714)
REGULATORY ASSETS CURRENT	14,730,643	(7,193,077)	(3,469,517)	(3,469,517)
OTHER CURRENT ASSETS	253,679	40,372	(20,161)	(20,161)
TOTAL CURRENT ASSETS	195,777,370	14,952,268	(31,455,006)	(31,455,006)
INVESTMENT IN SUBSIDIARY	15,995,651	239,991	15,995,651	15,995,651
REGULATORY ASSETS LONG TERM	215,060,878	(2,439,171)	6,311,732	6,311,732
DEFERRED CHARGES AND SPECIAL DEPOSITS & FUNDS	87,690,014	(1,056,910)	(21,262,587)	(21,262,587)
TOTAL ASSETS	1,243,752,000	18,360,245	28,457,431	28,457,431
CAPITALIZATION AND LIABILITIES				
CAPITALIZATION				
COMMON STOCK EQUITY				
COMMON STOCK, AT PAR VALUE	45,127,802			
ADDITIONAL PAID IN CAPITAL	7,577,387	2,227	110,882	110,882
OTHER COMPREHENSIVE INCOME-	(54,440)	20,431	(768)	(768)
RETAINED EARNINGS	293,693,360	(14,391,659)	18,687,066	18,687,066
TOTAL COMMON STOCK EQUITY	346,344,109	(14,369,001)	18,797,180	18,797,180
LONG-TERM DEBT				
INSTALLMENT PROMISSORY NOTES AND LOANS	313,215,009	27,999,999	27,999,999	27,999,999
TOTAL CAPITALIZATION	659,559,118	13,630,998	46,797,179	46,797,179
CURRENT LIABILITIES				
CURRENT MATURITIES OF LONG-TERM DEBT				
ACCOUNTS PAYABLE	43,808,664	27,956,237	11,843,278	11,843,278
ACCOUNTS PAYABLE TO ASSOCIATED COMPANIES	13,522,398	(4,375,016)	1,091,832	1,091,832
ACCRUED TAXES	3,262,244	6,296,180	4,149,051	4,149,051
ACCRUED INTEREST	253,157	7,156	17,916	17,916
ESTIMATED RATE REFUNDS	(196,018)	(8,114)	(131,631)	(131,631)
DEFERRED INCOME TAXES	17,963,741	(430,103)	75,005	75,005
OTHER CURRENT LIABILITIES	89,958,258	(24,330,219)	(14,185,893)	(14,185,893)
TOTAL CURRENT LIABILITIES	168,572,444	5,116,121	2,859,558	2,859,558
OTHER LIABILITIES AND DEFERRED CREDITS				
INCOME TAXES, NONCURRENT	296,677,569	5,193,912	21,128,107	21,128,107
INVESTMENT TAX CREDITS	4,623,593	(30,020)	(360,234)	(360,234)
OTHER REGULATORY LIABILITIES LONG TERM	74,886,161	(1,764,922)	(7,405,527)	(7,405,527)
OTHER LIABILITIES & DEFERRED CREDITS	39,433,115	(3,785,844)	(34,561,652)	(34,561,652)
TOTAL OTHER LIABILITIES AND DEFERRED CREDITS	415,620,438	(386,874)	(21,199,306)	(21,199,306)
TOTAL CAPITALIZATION AND LIABILITIES	1,243,752,000	18,360,245	28,457,431	28,457,431

REPORT ID: BAL FORMAT ID: BSP

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*A/R AND RELATED RESERVES HAVE BEEN SOLD TO CPRC, AND INTEREST THEREIN HAS BEEN SOLD TO A PURCHASER(S) REPRESENTED BY BTMU, AS AGENT.

GAS-ROR-002
Attachment A
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DATE: 02/11/11 13:50:23

COLUMBIA GAS OF PENNSYLVANIA, INC.
BALANCE SHEET AS OF JANUARY 31, 2011

	CURRENT BALANCE	INC OVR PRV MTH	INC OVR SM MTH PRV YR	INC OVR DECEMBER
ASSETS				
PROPERTY, PLANT AND EQUIPMENT				
GAS UTILITY AND OTHER PLANT, @ ORIG COST	1,021,118,302	4,458,705	70,337,695	4,458,705
ACCUMULATED DEPRECIATION AND DEPLETION	288,922,816	1,491,306	10,116,421	1,491,306
NET PROPERTY, PLANT AND EQUIPMENT	732,195,486	2,967,399	60,221,274	2,967,399
CURRENT ASSETS				
CASH AND TEMPORARY CASH INVESTMENTS	12,197,335	(431,744)	41,061	(431,744)
ACCOUNTS RECEIVABLE:				
*CUSTOMERS (LESS ALLOW FOR DOUBTFUL ACCTS)		(1)	(7,900,680)	(1)
FROM ASSOCIATED COMPANIES	153,252,582	35,033,198	108,643,013	35,033,198
*OTHER	(8)	(1)	(101,664,127)	(1)
GAS INVENTORY	26,137,130	(20,838,428)	(6,078,780)	(20,838,428)
OTHER INVENTORIES	576,929	(10,995)	43,524	(10,995)
PREPAYMENTS	1,999,125	(381,984)	(333,254)	(381,984)
REGULATORY ASSETS CURRENT	13,043,697	(1,686,946)	(5,250,875)	(1,686,946)
OTHER CURRENT ASSETS	444,290	190,611	(91,866)	190,611
TOTAL CURRENT ASSETS	207,651,080	11,873,710	(12,591,984)	11,873,710
INVESTMENT IN SUBSIDIARY	16,203,015	207,364	16,203,015	207,364
REGULATORY ASSETS LONG TERM	215,288,441	227,563	7,388,682	227,563
DEFERRED CHARGES AND SPECIAL DEPOSITS & FUNDS	78,794,253	(8,895,761)	(46,435,224)	(8,895,761)
TOTAL ASSETS	1,250,132,275	6,380,275	24,785,763	6,380,275
CAPITALIZATION AND LIABILITIES				
CAPITALIZATION				
COMMON STOCK EQUITY				
COMMON STOCK, AT PAR VALUE	45,127,802			
ADDITIONAL PAID IN CAPITAL	7,577,387		110,882	
OTHER COMPREHENSIVE INCOME-	(38,041)	16,399	35,097	16,399
RETAINED EARNINGS	306,916,891	13,223,531	21,370,226	13,223,531
TOTAL COMMON STOCK EQUITY	359,584,039	13,239,930	21,516,205	13,239,930
LONG-TERM DEBT				
INSTALLMENT PROMISSORY NOTES AND LOANS	313,215,008	(1)	27,999,998	(1)
TOTAL CAPITALIZATION	672,799,047	13,239,929	49,516,203	13,239,929
CURRENT LIABILITIES				
CURRENT MATURITIES OF LONG-TERM DEBT				
ACCOUNTS PAYABLE	44,825,153	1,016,489	(2,469,367)	1,016,489
ACCOUNTS PAYABLE TO ASSOCIATED COMPANIES	12,132,499	(1,389,899)	570,301	(1,389,899)
ACCRUED TAXES	10,099,204	6,836,960	4,190,056	6,836,960
ACCRUED INTEREST	213,681	(39,476)	41,494	(39,476)
ESTIMATED RATE REFUNDS	(208,084)	(12,066)	(136,590)	(12,066)
DEFERRED INCOME TAXES	14,934,419	(3,029,322)	(3,028,648)	(3,029,322)
OTHER CURRENT LIABILITIES	73,505,741	(16,452,517)	(9,031,328)	(16,452,517)
TOTAL CURRENT LIABILITIES	155,502,613	(13,069,831)	(9,864,082)	(13,069,831)
OTHER LIABILITIES AND DEFERRED CREDITS				
INCOME TAXES, NONCURRENT	305,244,532	8,566,963	28,694,097	8,566,963
INVESTMENT TAX CREDITS	4,593,573	(30,020)	(360,235)	(30,020)
OTHER REGULATORY LIABILITIES LONG TERM	74,697,911	(188,250)	(7,474,697)	(188,250)
OTHER LIABILITIES & DEFERRED CREDITS	37,294,599	(2,138,516)	(35,725,523)	(2,138,516)
TOTAL OTHER LIABILITIES AND DEFERRED CREDITS	421,830,615	6,210,177	(14,866,358)	6,210,177
TOTAL CAPITALIZATION AND LIABILITIES	1,250,132,275	6,380,275	24,785,763	6,380,275

REPORT ID: BAL FORMAT ID: BSP

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*A/R AND RELATED RESERVES HAVE BEEN SOLD TO CPRC, AND INTEREST THEREIN HAS BEEN SOLD TO A PURCHASER(S) REPRESENTED BY BTMU, AS AGENT.

DATE: 03/14/11 08:40:05

COLUMBIA GAS OF PENNSYLVANIA, INC.
BALANCE SHEET AS OF FEBRUARY 28, 2011

	CURRENT BALANCE	INC OVR PRV MTH	INC OVR SM MTH PRV YR	INC OVR DECEMBER
ASSETS				
PROPERTY, PLANT AND EQUIPMENT				
GAS UTILITY AND OTHER PLANT, @ ORIG COST	1,025,855,662	4,737,360	72,226,874	9,196,065
ACCUMULATED DEPRECIATION AND DEPLETION	289,997,523	1,074,707	9,968,951	2,566,013
NET PROPERTY, PLANT AND EQUIPMENT	735,858,139	3,662,653	62,257,923	6,630,052
CURRENT ASSETS				
CASH AND TEMPORARY CASH INVESTMENTS	13,111,161	913,826	768,751	482,082
ACCOUNTS RECEIVABLE:				
*CUSTOMERS (LESS ALLOW FOR DOUBTFUL ACCTS)	265,997	265,997	(8,703,141)	265,996
FROM ASSOCIATED COMPANIES	166,559,928	13,307,346	120,216,440	48,340,544
*OTHER	(6)	2	(107,686,646)	1
GAS INVENTORY	18,469,187	(7,667,943)	(2,533,082)	(28,506,371)
OTHER INVENTORIES	578,074	1,145	60,794	(9,850)
PREPAYMENTS	2,169,876	170,751	(308,580)	(211,233)
REGULATORY ASSETS CURRENT	14,326,527	1,282,830	(6,906,311)	(404,116)
OTHER CURRENT ASSETS	1,987,450	1,543,160	1,496,023	1,733,771
TOTAL CURRENT ASSETS	217,468,194	9,817,114	(3,595,752)	21,690,824
INVESTMENT IN SUBSIDIARY	16,402,327	199,312	16,402,327	406,676
REGULATORY ASSETS LONG TERM	215,633,684	345,243	8,244,768	572,806
DEFERRED CHARGES AND SPECIAL DEPOSITS & FUNDS	55,311,598	(23,482,655)	(67,177,786)	(32,378,416)
TOTAL ASSETS	1,240,673,942	(9,458,333)	16,131,480	(3,078,058)
CAPITALIZATION AND LIABILITIES				
CAPITALIZATION				
COMMON STOCK EQUITY				
COMMON STOCK, AT PAR VALUE	45,127,802			
ADDITIONAL PAID IN CAPITAL	7,577,387		110,882	
OTHER COMPREHENSIVE INCOME-	(28,147)	9,894	30,517	26,293
RETAINED EARNINGS	317,418,597	10,501,706	21,896,391	23,725,237
TOTAL COMMON STOCK EQUITY	370,095,639	10,511,600	22,037,790	23,751,530
LONG-TERM DEBT				
INSTALLMENT PROMISSORY NOTES AND LOANS	313,215,008		27,999,998	(1)
TOTAL CAPITALIZATION	683,310,647	10,511,600	50,037,788	23,751,529
CURRENT LIABILITIES				
CURRENT MATURITIES OF LONG-TERM DEBT				
ACCOUNTS PAYABLE	36,839,620	(7,985,533)	1,199,907	(6,969,044)
ACCOUNTS PAYABLE TO ASSOCIATED COMPANIES	16,001,367	3,868,868	2,765,288	2,478,969
ACCRUED TAXES	7,379,728	(2,719,476)	(3,286,468)	4,117,484
ACCRUED INTEREST	223,729	10,048	38,012	(29,428)
ESTIMATED RATE REFUNDS	(219,260)	(11,176)	(105,224)	(23,242)
DEFERRED INCOME TAXES	14,934,419		(4,159,475)	(3,029,322)
OTHER CURRENT LIABILITIES	56,295,835	(17,209,906)	(18,980,431)	(33,662,423)
TOTAL CURRENT LIABILITIES	131,455,438	(24,047,175)	(22,528,391)	(37,117,006)
OTHER LIABILITIES AND DEFERRED CREDITS				
INCOME TAXES, NONCURRENT	311,486,549	6,242,017	33,687,368	14,808,980
INVESTMENT TAX CREDITS	4,563,553	(30,020)	(360,235)	(60,040)
OTHER REGULATORY LIABILITIES LONG TERM	73,891,118	(806,793)	(8,354,207)	(995,043)
OTHER LIABILITIES & DEFERRED CREDITS	35,966,637	(1,327,962)	(36,350,843)	(3,466,478)
TOTAL OTHER LIABILITIES AND DEFERRED CREDITS	425,907,857	4,077,242	(11,377,917)	10,287,419
TOTAL CAPITALIZATION AND LIABILITIES	1,240,673,942	(9,458,333)	16,131,480	(3,078,058)

REPORT ID: BAL FORMAT ID: BSP

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*A/R AND RELATED RESERVES HAVE BEEN SOLD TO CPRC, AND INTEREST THEREIN HAS BEEN SOLD TO A PURCHASER(S) REPRESENTED BY BTMU, AS AGENT.

DATE: 04/12/11 09:14:41

COLUMBIA GAS OF PENNSYLVANIA, INC.
BALANCE SHEET AS OF MARCH 31, 2011

	CURRENT BALANCE	INC OVR PRV MTH	INC OVR SM MTH PRV YR	INC OVR DECEMBER
ASSETS				
PROPERTY, PLANT AND EQUIPMENT				
GAS UTILITY AND OTHER PLANT, @ ORIG COST	1,033,457,217	7,601,555	75,701,146	16,797,620
ACCUMULATED DEPRECIATION AND DEPLETION	291,303,980	1,306,457	10,101,397	3,872,470
NET PROPERTY, PLANT AND EQUIPMENT	742,153,237	6,295,098	65,599,749	12,925,150
CURRENT ASSETS				
CASH AND TEMPORARY CASH INVESTMENTS	8,567,374	(4,543,787)	(23,208,169)	(4,061,705)
ACCOUNTS RECEIVABLE:				
*CUSTOMERS (LESS ALLOW FOR DOUBTFUL ACCTS)	(3)	(266,000)	(2)	(4)
FROM ASSOCIATED COMPANIES	188,684,295	22,124,367	54,163,174	70,464,911
*OTHER	(5,344)	(510)	(5,347)	(509)
GAS INVENTORY	16,145,408	(2,323,779)	6,677,681	(30,830,150)
OTHER INVENTORIES	618,308	40,234	28,324	30,384
PREPAYMENTS	1,732,620	(437,256)	(149,987)	(648,489)
REGULATORY ASSETS CURRENT	12,899,902	(1,426,625)	(13,875,083)	(1,830,741)
OTHER CURRENT ASSETS	4,576,332	2,588,882	(8,555,397)	4,322,653
TOTAL CURRENT ASSETS	233,218,892	15,755,526	15,075,194	37,446,350
INVESTMENT IN SUBSIDIARY	16,580,969	178,642	1,141,750	585,318
REGULATORY ASSETS LONG TERM	220,359,417	4,725,733	8,751,560	5,298,539
DEFERRED CHARGES AND SPECIAL DEPOSITS & FUNDS	7,883,622	(47,432,804)	(96,284,648)	(79,811,220)
TOTAL ASSETS	1,220,196,137	(20,477,805)	(5,716,395)	(23,555,863)
CAPITALIZATION AND LIABILITIES				
CAPITALIZATION				
COMMON STOCK EQUITY				
COMMON STOCK, AT PAR VALUE	45,127,802			
ADDITIONAL PAID IN CAPITAL	7,577,387		110,882	
OTHER COMPREHENSIVE INCOME-	(16,936)	11,211	25,933	37,504
RETAINED EARNINGS	324,508,879	7,090,282	23,894,652	30,815,519
TOTAL COMMON STOCK EQUITY	377,197,132	7,101,493	24,031,467	30,853,023
LONG-TERM DEBT				
INSTALLMENT PROMISSORY NOTES AND LOANS	313,215,008		27,999,998	(1)
TOTAL CAPITALIZATION	690,412,140	7,101,493	52,031,465	30,853,022
CURRENT LIABILITIES				
CURRENT MATURITIES OF LONG-TERM DEBT				
ACCOUNTS PAYABLE	20,938,616	(15,901,004)	(3,528,070)	(22,870,048)
ACCOUNTS PAYABLE TO ASSOCIATED COMPANIES	17,280,069	1,278,702	1,006,046	3,757,671
ACCRUED TAXES	2,806,578	(4,573,150)	(10,903,493)	(455,666)
ACCRUED INTEREST	176,538	(47,111)	(35,334)	(76,539)
ESTIMATED RATE REFUNDS	(227,522)	(8,262)	(85,904)	(31,504)
DEFERRED INCOME TAXES	14,934,283	(136)	(2,330,485)	(3,029,458)
OTHER CURRENT LIABILITIES	32,067,101	(24,228,734)	(40,536,418)	(57,891,157)
TOTAL CURRENT LIABILITIES	87,975,663	(43,479,695)	(56,413,658)	(80,596,701)
OTHER LIABILITIES AND DEFERRED CREDITS				
INCOME TAXES, NONCURRENT	325,007,386	13,520,837	45,464,405	28,329,817
INVESTMENT TAX CREDITS	4,533,534	(30,019)	(360,234)	(90,059)
OTHER REGULATORY LIABILITIES LONG TERM	79,608,909	5,717,791	(2,131,979)	4,722,748
OTHER LIABILITIES & DEFERRED CREDITS	32,658,505	(3,308,212)	(44,306,394)	(6,774,690)
TOTAL OTHER LIABILITIES AND DEFERRED CREDITS	441,808,334	15,900,397	(1,334,202)	26,187,816
TOTAL CAPITALIZATION AND LIABILITIES	1,220,196,137	(20,477,805)	(5,716,395)	(23,555,863)

REPORT ID: BAL FORMAT ID: BSP

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*A/R AND RELATED RESERVES HAVE BEEN SOLD TO CPRC, AND INTEREST THEREIN HAS BEEN SOLD TO A PURCHASER(S) REPRESENTED BY BTMU, AS AGENT.

DATE: 05/11/11 13:18:25

COLUMBIA GAS OF PENNSYLVANIA, INC.
BALANCE SHEET AS OF APRIL 30, 2011

	CURRENT BALANCE	INC OVR PRV MTH	INC OVR SM MTH PRV YR	INC OVR DECEMBER
ASSETS				
PROPERTY, PLANT AND EQUIPMENT				
GAS UTILITY AND OTHER PLANT, @ ORIG COST	1,043,924,601	10,467,384	76,653,235	27,265,004
ACCUMULATED DEPRECIATION AND DEPLETION	292,693,446	1,389,466	10,365,044	5,261,936
NET PROPERTY, PLANT AND EQUIPMENT	751,231,155	9,077,918	66,288,191	22,003,068
CURRENT ASSETS				
CASH AND TEMPORARY CASH INVESTMENTS	8,741,926	174,552	(15,745,851)	(3,887,153)
ACCOUNTS RECEIVABLE:				
*CUSTOMERS (LESS ALLOW FOR DOUBTFUL ACCTS)		3	2	(1)
FROM ASSOCIATED COMPANIES	180,012,313	(8,671,982)	48,115,939	61,792,929
*OTHER	(6)	5,338	(12)	4,829
GAS INVENTORY	27,495,524	11,350,116	9,412,730	(19,480,034)
OTHER INVENTORIES	622,831	4,523	58,036	34,907
PREPAYMENTS	1,224,208	(508,412)	(168,608)	(1,156,901)
REGULATORY ASSETS CURRENT	5,417,534	(7,482,368)	(21,785,580)	(9,313,109)
OTHER CURRENT ASSETS	6,718,641	2,142,309	(2,981,903)	6,464,962
TOTAL CURRENT ASSETS	230,232,971	(2,985,921)	16,904,753	34,460,429
INVESTMENT IN SUBSIDIARY	16,646,869	65,900	1,132,605	651,218
REGULATORY ASSETS LONG TERM	222,472,583	2,113,166	10,872,067	7,411,705
DEFERRED CHARGES AND SPECIAL DEPOSITS & FUNDS	15,285,403	7,401,781	(77,261,628)	(72,409,439)
TOTAL ASSETS	1,235,868,981	15,672,844	17,935,988	(7,883,019)
CAPITALIZATION AND LIABILITIES				
CAPITALIZATION				
COMMON STOCK EQUITY				
COMMON STOCK, AT PAR VALUE	45,127,802			
ADDITIONAL PAID IN CAPITAL	7,577,387		110,882	
OTHER COMPREHENSIVE INCOME-	(10,676)	6,260	(308)	43,764
RETAINED EARNINGS	326,410,428	1,901,549	24,953,216	32,717,068
TOTAL COMMON STOCK EQUITY	379,104,941	1,907,809	25,063,790	32,760,832
LONG-TERM DEBT				
INSTALLMENT PROMISSORY NOTES AND LOANS	313,215,008		27,999,998	(1)
TOTAL CAPITALIZATION	692,319,949	1,907,809	53,063,788	32,760,831
CURRENT LIABILITIES				
CURRENT MATURITIES OF LONG-TERM DEBT				
ACCOUNTS PAYABLE	37,973,388	17,034,772	6,511,616	(5,835,276)
ACCOUNTS PAYABLE TO ASSOCIATED COMPANIES	16,644,004	(636,065)	2,471,621	3,121,606
ACCRUED TAXES	230,849	(2,575,729)	(15,159,684)	(3,031,395)
ACCRUED INTEREST	184,012	7,474	(37,307)	(69,065)
ESTIMATED RATE REFUNDS	(233,747)	(6,225)	(74,155)	(37,729)
DEFERRED INCOME TAXES	14,934,283		3,276,843	(3,029,458)
OTHER CURRENT LIABILITIES	26,020,032	(6,047,069)	(36,477,776)	(63,938,226)
TOTAL CURRENT LIABILITIES	95,752,821	7,777,158	(39,488,842)	(72,819,543)
OTHER LIABILITIES AND DEFERRED CREDITS				
INCOME TAXES, NONCURRENT	330,961,265	5,953,879	50,617,272	34,283,696
INVESTMENT TAX CREDITS	4,503,515	(30,019)	(360,234)	(120,078)
OTHER REGULATORY LIABILITIES LONG TERM	80,647,836	1,038,927	(934,383)	5,761,675
OTHER LIABILITIES & DEFERRED CREDITS	31,683,595	(974,910)	(44,961,613)	(7,749,600)
TOTAL OTHER LIABILITIES AND DEFERRED CREDITS	447,796,211	5,987,877	4,361,042	32,175,693
TOTAL CAPITALIZATION AND LIABILITIES	1,235,868,981	15,672,844	17,935,988	(7,883,019)

REPORT ID: BAL FORMAT ID: BSP

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*A/R AND RELATED RESERVES HAVE BEEN SOLD TO CPRC, AND INTEREST THEREIN HAS BEEN SOLD TO A PURCHASER(S) REPRESENTED BY BTMU, AS AGENT.

DATE: 06/10/11 11:10:57

COLUMBIA GAS OF PENNSYLVANIA, INC.
BALANCE SHEET AS OF MAY 31, 2011

	CURRENT BALANCE	INC OVR PRV MTH	INC OVR SM MTH PRV YR	INC OVR DECEMBER
ASSETS				
PROPERTY, PLANT AND EQUIPMENT				
GAS UTILITY AND OTHER PLANT, @ ORIG COST	1,052,337,373	8,412,772	80,205,420	35,677,776
ACCUMULATED DEPRECIATION AND DEPLETION	293,939,350	1,245,904	11,328,061	6,507,840
NET PROPERTY, PLANT AND EQUIPMENT	758,398,023	7,166,868	68,877,359	29,169,936
CURRENT ASSETS				
CASH AND TEMPORARY CASH INVESTMENTS	9,191,668	449,742	(6,882,295)	(3,437,411)
ACCOUNTS RECEIVABLE:				
*CUSTOMERS (LESS ALLOW FOR DOUBTFUL ACCTS)	(4)	(4)	(4)	(5)
FROM ASSOCIATED COMPANIES	148,179,867	(31,832,446)	23,933,191	29,960,483
*OTHER	(5)	1	(9)	4,830
GAS INVENTORY	48,848,065	21,352,541	21,471,615	1,872,507
OTHER INVENTORIES	608,895	(13,936)	52,201	20,971
PREPAYMENTS	1,525,145	300,937	622,120	(855,964)
REGULATORY ASSETS CURRENT	12,793,211	7,375,677	(13,449,372)	(1,937,432)
OTHER CURRENT ASSETS	7,844,463	1,125,822	3,425,547	7,590,784
TOTAL CURRENT ASSETS	228,991,305	(1,241,666)	29,172,994	33,218,763
INVESTMENT IN SUBSIDIARY	16,768,842	121,973	1,208,455	773,191
REGULATORY ASSETS LONG TERM	223,881,746	1,409,163	12,389,941	8,820,868
DEFERRED CHARGES AND SPECIAL DEPOSITS & FUNDS	23,694,407	8,409,004	(71,310,899)	(64,000,435)
TOTAL ASSETS	1,251,734,323	15,865,342	40,337,850	7,982,323
CAPITALIZATION AND LIABILITIES				
CAPITALIZATION				
COMMON STOCK EQUITY				
COMMON STOCK, AT PAR VALUE	45,127,802			
ADDITIONAL PAID IN CAPITAL	7,577,387		110,882	
OTHER COMPREHENSIVE INCOME-	(10,676)		(308)	43,764
RETAINED EARNINGS	326,137,720	(272,708)	25,361,358	32,444,360
TOTAL COMMON STOCK EQUITY	378,832,233	(272,708)	25,471,932	32,488,124
LONG-TERM DEBT				
INSTALLMENT PROMISSORY NOTES AND LOANS	313,215,008		27,999,998	(1)
TOTAL CAPITALIZATION	692,047,241	(272,708)	53,471,930	32,488,123
CURRENT LIABILITIES				
CURRENT MATURITIES OF LONG-TERM DEBT				
ACCOUNTS PAYABLE	32,758,359	(5,215,029)	1,812,487	(11,050,305)
ACCOUNTS PAYABLE TO ASSOCIATED COMPANIES	17,096,668	452,664	1,150,622	3,574,270
ACCRUED TAXES	23,393	(207,456)	(14,976,304)	(3,238,851)
ACCRUED INTEREST	191,117	7,105	(38,913)	(61,960)
ESTIMATED RATE REFUNDS	10,355	244,102	179,875	206,373
DEFERRED INCOME TAXES	14,939,840	5,557	3,862,280	(3,023,901)
OTHER CURRENT LIABILITIES	42,360,130	16,340,098	(14,041,431)	(47,598,128)
TOTAL CURRENT LIABILITIES	107,379,862	11,627,041	(22,051,384)	(61,192,502)
OTHER LIABILITIES AND DEFERRED CREDITS				
INCOME TAXES, NONCURRENT	335,138,588	4,177,323	54,282,394	38,461,019
INVESTMENT TAX CREDITS	4,473,495	(30,020)	(360,235)	(150,098)
OTHER REGULATORY LIABILITIES LONG TERM	81,062,258	414,422	(524,128)	6,176,097
OTHER LIABILITIES & DEFERRED CREDITS	31,632,879	(50,716)	(44,480,727)	(7,800,316)
TOTAL OTHER LIABILITIES AND DEFERRED CREDITS	452,307,220	4,511,009	8,917,304	36,686,702
TOTAL CAPITALIZATION AND LIABILITIES	1,251,734,323	15,865,342	40,337,850	7,982,323

REPORT ID: BAL FORMAT ID: BSP

*A/R AND RELATED RESERVES HAVE BEEN SOLD TO CPRC, AND INTEREST THEREIN HAS BEEN SOLD TO A PURCHASER(S) REPRESENTED BY BTMU, AS AGENT.

DATE: 07/15/11 12:40:32

COLUMBIA GAS OF PENNSYLVANIA, INC.
BALANCE SHEET AS OF JUNE 30, 2011

	CURRENT BALANCE	INC OVR PRV MTH	INC OVR SM MTH PRV YR	INC OVR DECEMBER
ASSETS				
PROPERTY, PLANT AND EQUIPMENT				
GAS UTILITY AND OTHER PLANT, @ ORIG COST	1,067,979,664	15,642,291	89,678,709	51,320,067
ACCUMULATED DEPRECIATION AND DEPLETION	294,952,640	1,013,290	12,256,398	7,521,130
NET PROPERTY, PLANT AND EQUIPMENT	773,027,024	14,629,001	77,422,311	43,798,937
CURRENT ASSETS				
CASH AND TEMPORARY CASH INVESTMENTS	10,192,184	1,000,516	(6,263,299)	(2,436,895)
ACCOUNTS RECEIVABLE:				
*CUSTOMERS (LESS ALLOW FOR DOUBTFUL ACCTS)		4	1	(1)
FROM ASSOCIATED COMPANIES	107,700,074	(40,479,793)	9,694,516	(10,519,310)
*OTHER	(7)	(2)	(11)	4,828
GAS INVENTORY	68,834,112	19,986,047	35,645,212	21,858,554
OTHER INVENTORIES	619,200	10,305	48,263	31,276
PREPAYMENTS	1,095,051	(430,094)	50,899	(1,286,058)
REGULATORY ASSETS CURRENT	14,843,624	2,050,413	(10,956,120)	112,981
OTHER CURRENT ASSETS	5,734,833	(2,109,630)	2,558,591	5,481,154
TOTAL CURRENT ASSETS	209,019,071	(19,972,234)	30,778,052	13,246,529
INVESTMENT IN SUBSIDIARY	16,793,635	24,793	1,206,265	797,984
REGULATORY ASSETS LONG TERM	226,609,098	2,727,352	14,802,053	11,548,220
DEFERRED CHARGES AND SPECIAL DEPOSITS & FUNDS	32,961,707	9,267,300	(64,962,489)	(54,733,135)
TOTAL ASSETS	1,258,410,535	6,676,212	59,246,192	14,658,535
CAPITALIZATION AND LIABILITIES				
CAPITALIZATION				
COMMON STOCK EQUITY				
COMMON STOCK, AT PAR VALUE	45,127,802			
ADDITIONAL PAID IN CAPITAL	7,577,387		110,882	
OTHER COMPREHENSIVE INCOME-	(10,676)		14,906	43,764
RETAINED EARNINGS	324,517,265	(1,620,455)	25,906,250	30,823,905
TOTAL COMMON STOCK EQUITY	377,211,778	(1,620,455)	26,032,038	30,867,669
LONG-TERM DEBT				
INSTALLMENT PROMISSORY NOTES AND LOANS	313,215,008		27,999,998	(1)
TOTAL CAPITALIZATION	690,426,786	(1,620,455)	54,032,036	30,867,668
CURRENT LIABILITIES				
CURRENT MATURITIES OF LONG-TERM DEBT				
ACCOUNTS PAYABLE	30,365,136	(2,393,223)	(345,595)	(13,443,528)
ACCOUNTS PAYABLE TO ASSOCIATED COMPANIES	11,009,288	(6,087,380)	2,175,031	(2,513,110)
ACCRUED TAXES	286,470	263,077	(8,974,635)	(2,975,774)
ACCRUED INTEREST	197,594	6,477	(45,092)	(55,483)
ESTIMATED RATE REFUNDS	9,048	(1,307)	177,477	205,066
DEFERRED INCOME TAXES	14,869,096	(70,744)	4,350,673	(3,094,645)
OTHER CURRENT LIABILITIES	54,973,982	12,613,852	(4,023,400)	(34,984,276)
TOTAL CURRENT LIABILITIES	111,710,614	4,330,752	(6,685,541)	(56,861,750)
OTHER LIABILITIES AND DEFERRED CREDITS				
INCOME TAXES, NONCURRENT	338,438,702	3,300,114	57,010,212	41,761,133
INVESTMENT TAX CREDITS	4,443,475	(30,020)	(360,236)	(180,118)
OTHER REGULATORY LIABILITIES LONG TERM	81,272,992	210,734	(349,332)	6,386,831
OTHER LIABILITIES & DEFERRED CREDITS	32,117,966	485,087	(44,400,947)	(7,315,229)
TOTAL OTHER LIABILITIES AND DEFERRED CREDITS	456,273,135	3,965,915	11,899,697	40,652,617
TOTAL CAPITALIZATION AND LIABILITIES	1,258,410,535	6,676,212	59,246,192	14,658,535

REPORT ID: BAL FORMAT ID: BSP

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*A/R AND RELATED RESERVES HAVE BEEN SOLD TO CPRC, AND INTEREST THEREIN HAS BEEN SOLD TO A PURCHASER(S) REPRESENTED BY BTMU, AS AGENT.

DATE: 08/10/11 14:31:59

COLUMBIA GAS OF PENNSYLVANIA, INC.
BALANCE SHEET AS OF JULY 31, 2011

	CURRENT BALANCE	INC OVR PRV MTH	INC OVR SM MTH PRV YR	INC OVR DECEMBER
ASSETS				
PROPERTY, PLANT AND EQUIPMENT				
GAS UTILITY AND OTHER PLANT, @ ORIG COST	1,079,191,733	11,212,069	94,905,491	62,532,136
ACCUMULATED DEPRECIATION AND DEPLETION	295,194,027	241,387	11,661,386	7,762,517
NET PROPERTY, PLANT AND EQUIPMENT	783,997,706	10,970,682	83,244,105	54,769,619
CURRENT ASSETS				
CASH AND TEMPORARY CASH INVESTMENTS	10,738,727	546,543	(7,455,292)	(1,890,352)
ACCOUNTS RECEIVABLE:				
*CUSTOMERS (LESS ALLOW FOR DOUBTFUL ACCTS)	(1)	(1)	(2)	(2)
FROM ASSOCIATED COMPANIES	80,703,924	(26,996,150)	3,908,959	(37,515,460)
*OTHER	(7)		3,195	4,828
GAS INVENTORY	86,572,977	17,738,865	39,683,364	39,597,419
OTHER INVENTORIES	633,080	13,880	51,558	45,156
PREPAYMENTS	2,593,845	1,498,794	(367,489)	212,736
REGULATORY ASSETS CURRENT	16,670,962	1,827,338	(8,563,644)	1,940,319
OTHER CURRENT ASSETS	2,597,100	(3,137,733)	(4,506,797)	2,343,421
TOTAL CURRENT ASSETS	200,510,607	(8,508,464)	22,753,852	4,738,065
INVESTMENT IN SUBSIDIARY	16,814,786	21,151	1,206,729	819,135
REGULATORY ASSETS LONG TERM	228,107,128	1,498,030	15,753,708	13,046,250
DEFERRED CHARGES AND SPECIAL DEPOSITS & FUNDS	42,535,366	9,573,659	(56,942,177)	(45,159,476)
TOTAL ASSETS	1,271,965,593	13,555,058	66,016,217	28,213,593
CAPITALIZATION AND LIABILITIES				
CAPITALIZATION				
COMMON STOCK EQUITY				
COMMON STOCK, AT PAR VALUE	45,127,802			
ADDITIONAL PAID IN CAPITAL	7,577,387		110,882	
OTHER COMPREHENSIVE INCOME-	(10,676)		14,473	43,764
RETAINED EARNINGS	322,316,173	(2,201,092)	25,537,875	28,622,813
TOTAL COMMON STOCK EQUITY	375,010,686	(2,201,092)	25,663,230	28,666,577
LONG-TERM DEBT				
INSTALLMENT PROMISSORY NOTES AND LOANS	313,215,008		27,999,998	(1)
TOTAL CAPITALIZATION	688,225,694	(2,201,092)	53,663,228	28,666,576
CURRENT LIABILITIES				
CURRENT MATURITIES OF LONG-TERM DEBT				
ACCOUNTS PAYABLE	31,397,526	1,032,390	530,737	(12,411,138)
ACCOUNTS PAYABLE TO ASSOCIATED COMPANIES	12,253,836	1,244,548	1,917,196	(1,268,562)
ACCRUED TAXES	(31,222)	(317,692)	(7,331,162)	(3,293,466)
ACCRUED INTEREST	205,364	7,770	(44,404)	(47,713)
ESTIMATED RATE REFUNDS	8,005	(1,043)	180,522	204,023
DEFERRED INCOME TAXES	14,869,096		4,044,224	(3,094,645)
OTHER CURRENT LIABILITIES	65,041,659	10,067,674	(2,268,389)	(24,916,602)
TOTAL CURRENT LIABILITIES	123,744,264	12,033,647	(2,971,276)	(44,828,103)
OTHER LIABILITIES AND DEFERRED CREDITS				
INCOME TAXES, NONCURRENT	341,404,812	2,966,110	59,607,016	44,727,243
INVESTMENT TAX CREDITS	4,413,456	(30,019)	(360,236)	(210,137)
OTHER REGULATORY LIABILITIES LONG TERM	82,567,507	1,294,518	1,129,870	7,681,349
OTHER LIABILITIES & DEFERRED CREDITS	31,609,860	(508,106)	(45,052,385)	(7,823,335)
TOTAL OTHER LIABILITIES AND DEFERRED CREDITS	459,995,635	3,722,503	15,324,265	44,375,120
TOTAL CAPITALIZATION AND LIABILITIES	1,271,965,593	13,555,058	66,016,217	28,213,593

REPORT ID: BAL FORMAT ID: BSP

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*A/R AND RELATED RESERVES HAVE BEEN SOLD TO CPRC, AND INTEREST THEREIN HAS BEEN SOLD TO A PURCHASER(S) REPRESENTED BY BTMU, AS AGENT.

DATE: 09/13/11 09:57:28

COLUMBIA GAS OF PENNSYLVANIA, INC.
BALANCE SHEET AS OF AUGUST 31, 2011

	CURRENT BALANCE	INC OVR PRV MTH	INC OVR SM MTH PRV YR	INC OVR DECEMBER
ASSETS				
PROPERTY, PLANT AND EQUIPMENT				
GAS UTILITY AND OTHER PLANT, @ ORIG COST	1,093,214,536	14,022,803	102,305,180	76,554,939
ACCUMULATED DEPRECIATION AND DEPLETION	295,709,855	515,828	11,071,431	8,278,345
NET PROPERTY, PLANT AND EQUIPMENT	797,504,681	13,506,975	91,233,749	68,276,594
CURRENT ASSETS				
CASH AND TEMPORARY CASH INVESTMENTS	13,009,111	2,270,384	(10,933,987)	380,032
ACCOUNTS RECEIVABLE:				
*CUSTOMERS (LESS ALLOW FOR DOUBTFUL ACCTS)	(2)	(1)		(3)
FROM ASSOCIATED COMPANIES	53,861,307	(26,842,617)	(1,677,545)	(64,358,077)
*OTHER	(6)	1	3,196	4,829
GAS INVENTORY	104,588,812	18,015,835	37,151,322	57,613,254
OTHER INVENTORIES	669,964	36,884	94,567	82,040
PREPAYMENTS	2,487,539	(106,306)	(244,290)	106,430
REGULATORY ASSETS CURRENT	16,405,394	(265,568)	(13,236,975)	1,674,751
OTHER CURRENT ASSETS	464,544	(2,132,556)	(4,490,720)	210,865
TOTAL CURRENT ASSETS	191,486,663	(9,023,944)	6,665,568	(4,285,879)
INVESTMENT IN SUBSIDIARY	16,839,957	25,171	1,212,169	844,306
REGULATORY ASSETS LONG TERM	229,908,323	1,801,195	10,815,756	14,847,445
DEFERRED CHARGES AND SPECIAL DEPOSITS & FUNDS	53,603,715	11,068,349	(37,165,153)	(34,091,127)
TOTAL ASSETS	1,289,343,339	17,377,746	72,762,089	45,591,339
CAPITALIZATION AND LIABILITIES				
CAPITALIZATION				
COMMON STOCK EQUITY				
COMMON STOCK, AT PAR VALUE	45,127,802			
ADDITIONAL PAID IN CAPITAL	7,577,387		110,882	
OTHER COMPREHENSIVE INCOME-	(10,676)		59,501	43,764
RETAINED EARNINGS	320,608,298	(1,707,875)	6,886,551	26,914,938
TOTAL COMMON STOCK EQUITY	373,302,811	(1,707,875)	7,056,934	26,958,702
LONG-TERM DEBT				
INSTALLMENT PROMISSORY NOTES AND LOANS	313,215,008		27,999,998	(1)
TOTAL CAPITALIZATION	686,517,819	(1,707,875)	35,056,932	26,958,701
CURRENT LIABILITIES				
CURRENT MATURITIES OF LONG-TERM DEBT				
ACCOUNTS PAYABLE	32,032,702	635,176	6,392,991	(11,775,962)
ACCOUNTS PAYABLE TO ASSOCIATED COMPANIES	13,245,593	991,757	1,537,040	(276,805)
ACCRUED TAXES	(584,624)	(553,402)	(8,468,994)	(3,846,868)
ACCRUED INTEREST	210,525	5,161	(44,710)	(42,552)
ESTIMATED RATE REFUNDS	7,336	(669)	183,502	203,354
DEFERRED INCOME TAXES	14,869,096		4,766,344	(3,094,645)
OTHER CURRENT LIABILITIES	77,239,515	12,197,856	(11,684,864)	(12,718,746)
TOTAL CURRENT LIABILITIES	137,020,143	13,275,879	(7,318,691)	(31,552,224)
OTHER LIABILITIES AND DEFERRED CREDITS				
INCOME TAXES, NONCURRENT	346,351,555	4,946,743	63,325,557	49,673,986
INVESTMENT TAX CREDITS	4,383,437	(30,019)	(360,236)	(240,156)
OTHER REGULATORY LIABILITIES LONG TERM	83,576,218	1,008,711	2,093,583	8,690,060
OTHER LIABILITIES & DEFERRED CREDITS	31,494,167	(115,693)	(20,035,056)	(7,939,028)
TOTAL OTHER LIABILITIES AND DEFERRED CREDITS	465,805,377	5,809,742	45,023,848	50,184,862
TOTAL CAPITALIZATION AND LIABILITIES	1,289,343,339	17,377,746	72,762,089	45,591,339

REPORT ID: BAL FORMAT ID: BSP

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*A/R AND RELATED RESERVES HAVE BEEN SOLD TO CPRC, AND INTEREST THEREIN HAS BEEN SOLD TO A PURCHASER(S) REPRESENTED BY BTMU, AS AGENT.

COLUMBIA GAS OF PENNSYLVANIA, INC.
BALANCE SHEET AS OF SEPTEMBER 30, 2011

	CURRENT BALANCE	INC OVR PRV MTH	INC OVR SM MTH PRV YR	INC OVR DECEMBER
ASSETS				
PROPERTY, PLANT AND EQUIPMENT				
GAS UTILITY AND OTHER PLANT, @ ORIG COST	1,109,325,459	16,110,923	112,505,355	92,665,862
ACCUMULATED DEPRECIATION AND DEPLETION	296,562,294	852,439	11,490,687	9,130,784
NET PROPERTY, PLANT AND EQUIPMENT	812,763,165	15,258,484	101,014,668	83,535,078
CURRENT ASSETS				
CASH AND TEMPORARY CASH INVESTMENTS	15,413,270	2,404,159	(11,509,953)	2,784,191
ACCOUNTS RECEIVABLE:				
*CUSTOMERS (LESS ALLOW FOR DOUBTFUL ACCTS)		2		(1)
FROM ASSOCIATED COMPANIES	19,873,804	(33,987,503)	(7,006,589)	(98,345,580)
*OTHER	(6)		3,295	4,829
GAS INVENTORY	116,384,150	11,795,338	29,693,280	69,408,592
OTHER INVENTORIES	679,478	9,514	101,432	91,554
PREPAYMENTS	2,193,144	(294,395)	(123,872)	(187,965)
REGULATORY ASSETS CURRENT	18,234,144	1,828,750	(13,184,477)	3,503,501
OTHER CURRENT ASSETS	278,017	(186,527)	12,279	24,338
TOTAL CURRENT ASSETS	173,056,001	(18,430,662)	(2,014,605)	(22,716,541)
INVESTMENT IN SUBSIDIARY	16,838,751	(1,206)	1,193,722	843,100
REGULATORY ASSETS LONG TERM	232,058,198	2,149,875	16,055,706	16,997,320
DEFERRED CHARGES AND SPECIAL DEPOSITS & FUNDS	63,115,564	9,511,849	(25,983,807)	(24,579,278)
TOTAL ASSETS	1,297,831,679	8,488,340	90,265,684	54,079,679
CAPITALIZATION AND LIABILITIES				
CAPITALIZATION				
COMMON STOCK EQUITY				
COMMON STOCK, AT PAR VALUE	45,127,802			
ADDITIONAL PAID IN CAPITAL	7,577,387		110,882	
OTHER COMPREHENSIVE INCOME-	(10,676)		70,280	43,764
RETAINED EARNINGS	317,131,121	(3,477,177)	16,674,012	23,437,761
TOTAL COMMON STOCK EQUITY	369,825,634	(3,477,177)	16,855,174	23,481,525
LONG-TERM DEBT				
INSTALLMENT PROMISSORY NOTES AND LOANS	313,215,008		27,999,998	(1)
TOTAL CAPITALIZATION	683,040,642	(3,477,177)	44,855,172	23,481,524
CURRENT LIABILITIES				
CURRENT MATURITIES OF LONG-TERM DEBT				
ACCOUNTS PAYABLE	16,692,132	(15,340,570)	(3,501,441)	(27,116,532)
ACCOUNTS PAYABLE TO ASSOCIATED COMPANIES	14,096,490	850,897	591,240	574,092
ACCRUED TAXES	3,632,082	4,216,706	2,277,208	369,838
ACCRUED INTEREST	216,463	5,938	(10,562)	(36,614)
ESTIMATED RATE REFUNDS	16,152	8,816	195,919	212,170
DEFERRED INCOME TAXES	14,869,096		3,835,077	(3,094,645)
OTHER CURRENT LIABILITIES	95,200,185	17,960,670	(12,444,447)	5,241,924
TOTAL CURRENT LIABILITIES	144,722,600	7,702,457	(9,057,006)	(23,849,767)
OTHER LIABILITIES AND DEFERRED CREDITS				
INCOME TAXES, NONCURRENT	349,419,062	3,067,507	60,372,377	52,741,493
INVESTMENT TAX CREDITS	4,353,417	(30,020)	(360,236)	(270,176)
OTHER REGULATORY LIABILITIES LONG TERM	84,914,427	1,338,209	7,629,954	10,028,269
OTHER LIABILITIES & DEFERRED CREDITS	31,381,531	(112,636)	(13,174,577)	(8,051,664)
TOTAL OTHER LIABILITIES AND DEFERRED CREDITS	470,068,437	4,263,060	54,467,518	54,447,922
TOTAL CAPITALIZATION AND LIABILITIES	1,297,831,679	8,488,340	90,265,684	54,079,679

REPORT ID: BAL FORMAT ID: BSP

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*A/R AND RELATED RESERVES HAVE BEEN SOLD TO CPRC, AND INTEREST THEREIN HAS BEEN SOLD TO A PURCHASER(S) REPRESENTED BY BTMU, AS AGENT.

DATE: 11/09/11 12:59:55

COLUMBIA GAS OF PENNSYLVANIA, INC.
BALANCE SHEET AS OF OCTOBER 31, 2011

	CURRENT BALANCE	INC OVR PRV MTH	INC OVR SM MTH PRV YR	INC OVR DECEMBER
ASSETS				
PROPERTY, PLANT AND EQUIPMENT				
GAS UTILITY AND OTHER PLANT, @ ORIG COST	1,118,481,188	9,155,729	115,205,249	101,821,591
ACCUMULATED DEPRECIATION AND DEPLETION	297,319,747	757,453	11,233,760	9,888,237
NET PROPERTY, PLANT AND EQUIPMENT	821,161,441	8,398,276	103,971,489	91,933,354
CURRENT ASSETS				
CASH AND TEMPORARY CASH INVESTMENTS	17,381,791	1,968,521	(10,269,592)	4,752,712
ACCOUNTS RECEIVABLE:				
*CUSTOMERS (LESS ALLOW FOR DOUBTFUL ACCTS)			1	(1)
FROM ASSOCIATED COMPANIES	24,791,886	4,918,082	(7,416,060)	(93,427,498)
*OTHER	3	9	3,303	4,838
GAS INVENTORY	121,724,340	5,340,190	28,269,655	74,748,782
OTHER INVENTORIES	693,000	13,522	88,528	105,076
PREPAYMENTS	2,840,275	647,131	(124,488)	459,166
REGULATORY ASSETS CURRENT	16,027,173	(2,206,971)	(13,382,700)	1,296,530
OTHER CURRENT ASSETS	485,585	207,568	124,206	231,906
TOTAL CURRENT ASSETS	183,944,053	10,888,052	(2,707,147)	(11,828,489)
INVESTMENT IN SUBSIDIARY	16,855,090	16,339	1,175,975	859,439
REGULATORY ASSETS LONG TERM	233,254,538	1,196,340	16,275,950	18,193,660
DEFERRED CHARGES AND SPECIAL DEPOSITS & FUNDS	72,729,608	9,614,044	(14,504,768)	(14,965,234)
TOTAL ASSETS	1,327,944,730	30,113,051	104,211,499	84,192,730
CAPITALIZATION AND LIABILITIES				
CAPITALIZATION				
COMMON STOCK EQUITY				
COMMON STOCK, AT PAR VALUE	45,127,802			
ADDITIONAL PAID IN CAPITAL	7,577,387		2,227	
OTHER COMPREHENSIVE INCOME-	(10,676)		76,072	43,764
RETAINED EARNINGS	319,371,282	2,240,161	16,459,294	25,677,922
TOTAL COMMON STOCK EQUITY	372,065,795	2,240,161	16,537,593	25,721,686
LONG-TERM DEBT				
INSTALLMENT PROMISSORY NOTES AND LOANS	313,215,008		27,999,998	(1)
TOTAL CAPITALIZATION	685,280,803	2,240,161	44,537,591	25,721,685
CURRENT LIABILITIES				
CURRENT MATURITIES OF LONG-TERM DEBT				
ACCOUNTS PAYABLE	19,303,796	2,611,664	(1,810,721)	(24,504,868)
ACCOUNTS PAYABLE TO ASSOCIATED COMPANIES	25,702,062	11,605,572	10,104,919	12,179,664
ACCRUED TAXES	6,268,902	2,636,820	9,708,145	3,006,658
ACCRUED INTEREST	222,840	6,377	(10,638)	(30,237)
ESTIMATED RATE REFUNDS	15,317	(835)	199,302	211,335
DEFERRED INCOME TAXES	14,869,096		(1,878,950)	(3,094,645)
OTHER CURRENT LIABILITIES	103,636,588	8,436,403	(13,747,432)	13,678,327
TOTAL CURRENT LIABILITIES	170,018,601	25,296,001	2,564,625	1,446,234
OTHER LIABILITIES AND DEFERRED CREDITS				
INCOME TAXES, NONCURRENT	352,539,486	3,120,424	62,552,588	55,861,917
INVESTMENT TAX CREDITS	4,323,397	(30,020)	(360,236)	(300,196)
OTHER REGULATORY LIABILITIES LONG TERM	84,063,191	(851,236)	6,868,597	9,177,033
OTHER LIABILITIES & DEFERRED CREDITS	31,719,252	337,721	(11,951,666)	(7,713,943)
TOTAL OTHER LIABILITIES AND DEFERRED CREDITS	472,645,326	2,576,889	57,109,283	57,024,811
TOTAL CAPITALIZATION AND LIABILITIES	1,327,944,730	30,113,051	104,211,499	84,192,730

REPORT ID: BAL FORMAT ID: BSP

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*A/R AND RELATED RESERVES HAVE BEEN SOLD TO CPRC, AND INTEREST THEREIN HAS BEEN SOLD TO A PURCHASER(S) REPRESENTED BY BTMU, AS AGENT.

DATE: 12/16/11 10:32:29

COLUMBIA GAS OF PENNSYLVANIA, INC.
BALANCE SHEET AS OF NOVEMBER 30, 2011

	CURRENT BALANCE	INC OVR PRV MTH	INC OVR SM MTH PRV YR	INC OVR DECEMBER
ASSETS				
PROPERTY, PLANT AND EQUIPMENT				
GAS UTILITY AND OTHER PLANT, @ ORIG COST	1,127,728,692	9,247,504	118,399,602	111,069,095
ACCUMULATED DEPRECIATION AND DEPLETION	298,158,132	838,385	11,393,062	10,726,622
NET PROPERTY, PLANT AND EQUIPMENT	829,570,560	8,409,119	107,006,540	100,342,473
CURRENT ASSETS				
CASH AND TEMPORARY CASH INVESTMENTS	5,082,439	(12,299,352)	(14,958,191)	(7,546,640)
ACCOUNTS RECEIVABLE:				
*CUSTOMERS (LESS ALLOW FOR DOUBTFUL ACCTS)	1	1	2	
FROM ASSOCIATED COMPANIES	21,160,989	(3,630,897)	(35,449,274)	(97,058,395)
*OTHER	2	(1)	4,836	4,837
GAS INVENTORY	118,400,414	(3,323,926)	40,508,039	71,424,856
OTHER INVENTORIES	681,493	(11,507)	50,700	93,569
PREPAYMENTS	3,404,030	563,755	(109,991)	1,022,921
REGULATORY ASSETS CURRENT	14,967,250	(1,059,923)	(6,956,470)	236,607
OTHER CURRENT ASSETS	230,519	(255,066)	17,212	(23,160)
TOTAL CURRENT ASSETS	163,927,137	(20,016,916)	(16,893,137)	(31,845,405)
INVESTMENT IN SUBSIDIARY	16,933,967	78,877	1,178,307	938,316
REGULATORY ASSETS LONG TERM	239,285,793	6,031,255	21,785,744	24,224,915
DEFERRED CHARGES AND SPECIAL DEPOSITS & FUNDS	80,517,577	7,787,969	(8,234,175)	(7,177,265)
TOTAL ASSETS	1,330,235,034	2,290,304	104,843,279	86,483,034
CAPITALIZATION AND LIABILITIES				
CAPITALIZATION				
COMMON STOCK EQUITY				
COMMON STOCK, AT PAR VALUE	45,127,802			
ADDITIONAL PAID IN CAPITAL	7,621,971	44,584	46,811	44,584
OTHER COMPREHENSIVE INCOME-	(10,676)		64,195	43,764
RETAINED EARNINGS	325,957,406	6,586,124	17,872,387	32,264,046
TOTAL COMMON STOCK EQUITY	378,696,503	6,630,708	17,983,393	32,352,394
LONG-TERM DEBT				
INSTALLMENT PROMISSORY NOTES AND LOANS	313,215,008		27,999,998	(1)
TOTAL CAPITALIZATION	691,911,511	6,630,708	45,983,391	32,352,393
CURRENT LIABILITIES				
CURRENT MATURITIES OF LONG-TERM DEBT				
ACCOUNTS PAYABLE	16,124,552	(3,179,244)	272,125	(27,684,112)
ACCOUNTS PAYABLE TO ASSOCIATED COMPANIES	20,660,395	(5,041,667)	2,762,981	7,137,997
ACCRUED TAXES	3,611,371	(2,657,531)	6,645,307	349,127
ACCRUED INTEREST	230,332	7,492	(15,669)	(22,745)
ESTIMATED RATE REFUNDS	15,319	2	203,223	211,337
DEFERRED INCOME TAXES	14,621,127	(247,969)	(3,772,717)	(3,342,614)
OTHER CURRENT LIABILITIES	100,113,098	(3,523,490)	(14,175,382)	10,154,837
TOTAL CURRENT LIABILITIES	155,376,194	(14,642,407)	(8,080,132)	(13,196,173)
OTHER LIABILITIES AND DEFERRED CREDITS				
INCOME TAXES, NONCURRENT	367,306,523	14,767,037	75,822,866	70,628,954
INVESTMENT TAX CREDITS	4,293,377	(30,020)	(360,236)	(330,216)
OTHER REGULATORY LIABILITIES LONG TERM	81,456,127	(2,607,064)	4,805,047	6,569,969
OTHER LIABILITIES & DEFERRED CREDITS	29,891,302	(1,827,950)	(13,327,657)	(9,541,893)
TOTAL OTHER LIABILITIES AND DEFERRED CREDITS	482,947,329	10,302,003	66,940,020	67,326,814
TOTAL CAPITALIZATION AND LIABILITIES	1,330,235,034	2,290,304	104,843,279	86,483,034

REPORT ID: BAL FORMAT ID: BSP

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*A/R AND RELATED RESERVES HAVE BEEN SOLD TO CPRC, AND INTEREST THEREIN HAS BEEN SOLD TO A PURCHASER(S) REPRESENTED BY BTMU, AS AGENT.

DATE: 01/30/12 09:22:23

COLUMBIA GAS OF PENNSYLVANIA, INC.
BALANCE SHEET AS OF DECEMBER 31, 2011

	CURRENT BALANCE	INC OVR PRV MTH	INC OVR SM MTH PRV YR	INC OVR DECEMBER
ASSETS				
PROPERTY, PLANT AND EQUIPMENT				
GAS UTILITY AND OTHER PLANT, @ ORIG COST	1,138,569,981	10,841,289	121,910,384	121,910,384
ACCUMULATED DEPRECIATION AND DEPLETION	297,063,187	(1,094,945)	9,631,677	9,631,677
NET PROPERTY, PLANT AND EQUIPMENT	841,506,794	11,936,234	112,278,707	112,278,707
CURRENT ASSETS				
CASH AND TEMPORARY CASH INVESTMENTS	7,015,656	1,933,217	(5,613,423)	(5,613,423)
ACCOUNTS RECEIVABLE:				
*CUSTOMERS (LESS ALLOW FOR DOUBTFUL ACCTS)	1			
FROM ASSOCIATED COMPANIES	29,754,991	8,594,002	(88,464,393)	(88,464,393)
*OTHER	7,018	7,016	11,853	11,853
GAS INVENTORY	105,543,207	(12,857,207)	58,567,649	58,567,649
OTHER INVENTORIES	713,021	31,528	125,097	125,097
PREPAYMENTS	2,268,980	(1,135,050)	(112,129)	(112,129)
REGULATORY ASSETS CURRENT	14,526,689	(440,561)	(203,954)	(203,954)
OTHER CURRENT ASSETS	226,962	(3,557)	(26,717)	(26,717)
TOTAL CURRENT ASSETS	160,056,525	(3,870,612)	(35,716,017)	(35,716,017)
INVESTMENT IN SUBSIDIARY	16,940,057	6,090	944,406	944,406
REGULATORY ASSETS LONG TERM	269,535,237	30,249,444	54,474,359	54,474,359
DEFERRED CHARGES AND SPECIAL DEPOSITS & FUNDS	67,282,445	(13,235,132)	(20,412,397)	(20,412,397)
TOTAL ASSETS	1,355,321,058	25,086,024	111,569,058	111,569,058
CAPITALIZATION AND LIABILITIES				
CAPITALIZATION				
COMMON STOCK EQUITY				
COMMON STOCK, AT PAR VALUE	45,127,802			
ADDITIONAL PAID IN CAPITAL	7,621,971		44,584	44,584
OTHER COMPREHENSIVE INCOME-	(10,676)		43,764	43,764
RETAINED EARNINGS	329,892,266	3,934,860	36,198,906	36,198,906
TOTAL COMMON STOCK EQUITY	382,631,363	3,934,860	36,287,254	36,287,254
LONG-TERM DEBT				
INSTALLMENT PROMISSORY NOTES AND LOANS	248,390,008	(64,825,000)	(64,825,001)	(64,825,001)
TOTAL CAPITALIZATION	631,021,371	(60,890,140)	(28,537,747)	(28,537,747)
CURRENT LIABILITIES				
CURRENT MATURITIES OF LONG-TERM DEBT				
ACCOUNTS PAYABLE	22,682,297	6,557,745	(21,126,367)	(21,126,367)
ACCOUNTS PAYABLE TO ASSOCIATED COMPANIES	101,689,583	81,029,188	88,167,185	88,167,185
ACCRUED TAXES	699,529	(2,911,842)	(2,562,715)	(2,562,715)
ACCRUED INTEREST	237,240	6,908	(15,837)	(15,837)
ESTIMATED RATE REFUNDS	15,319		211,337	211,337
DEFERRED INCOME TAXES	1,086,718	(13,534,409)	(16,877,023)	(16,877,023)
OTHER CURRENT LIABILITIES	107,417,402	7,304,304	17,459,141	17,459,141
TOTAL CURRENT LIABILITIES	233,828,088	78,451,894	65,255,721	65,255,721
OTHER LIABILITIES AND DEFERRED CREDITS				
INCOME TAXES, NONCURRENT	374,288,742	6,982,219	77,611,173	77,611,173
INVESTMENT TAX CREDITS	4,263,357	(30,020)	(360,236)	(360,236)
OTHER REGULATORY LIABILITIES LONG TERM	74,872,519	(6,583,608)	(13,639)	(13,639)
OTHER LIABILITIES & DEFERRED CREDITS	37,046,981	7,155,679	(2,386,214)	(2,386,214)
TOTAL OTHER LIABILITIES AND DEFERRED CREDITS	490,471,599	7,524,270	74,851,084	74,851,084
TOTAL CAPITALIZATION AND LIABILITIES	1,355,321,058	25,086,024	111,569,058	111,569,058

REPORT ID: BAL FORMAT ID: BSP

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*A/R AND RELATED RESERVES HAVE BEEN SOLD TO CPRC, AND INTEREST THEREIN HAS BEEN SOLD TO A PURCHASER(S) REPRESENTED BY BTMU, AS AGENT.

DATE: 02/15/12 08:10:03

COLUMBIA GAS OF PENNSYLVANIA, INC.
BALANCE SHEET AS OF JANUARY 31, 2012

	CURRENT BALANCE	INC OVR PRV MTH	INC OVR SM MTH PRV YR	INC OVR DECEMBER
ASSETS				
PROPERTY, PLANT AND EQUIPMENT				
GAS UTILITY AND OTHER PLANT, @ ORIG COST	1,145,875,290	7,305,309	124,756,988	7,305,309
ACCUMULATED DEPRECIATION AND DEPLETION	298,465,588	1,402,401	9,542,772	1,402,401
NET PROPERTY, PLANT AND EQUIPMENT	847,409,702	5,902,908	115,214,216	5,902,908
CURRENT ASSETS				
CASH AND TEMPORARY CASH INVESTMENTS	7,240,886	225,230	(4,956,449)	225,230
ACCOUNTS RECEIVABLE:				
*CUSTOMERS (LESS ALLOW FOR DOUBTFUL ACCTS)	1		1	
FROM ASSOCIATED COMPANIES	26,000,698	(3,754,293)	(127,251,884)	(3,754,293)
*OTHER	(7,014)	(14,032)	(2,178)	(14,032)
GAS INVENTORY	82,668,141	(22,875,066)	56,531,011	(22,875,066)
OTHER INVENTORIES	705,637	(7,384)	128,708	(7,384)
PREPAYMENTS	1,904,720	(364,260)	(94,405)	(364,260)
REGULATORY ASSETS CURRENT	15,210,081	683,392	2,166,384	683,392
OTHER CURRENT ASSETS	406,984	180,022	(37,306)	180,022
TOTAL CURRENT ASSETS	134,130,134	(25,926,391)	(73,516,118)	(25,926,391)
INVESTMENT IN SUBSIDIARY	16,993,206	53,149	790,191	53,149
REGULATORY ASSETS LONG TERM	268,348,670	(1,186,567)	53,060,229	(1,186,567)
DEFERRED CHARGES AND SPECIAL DEPOSITS & FUNDS	71,864,440	4,581,995	(6,934,641)	4,581,995
TOTAL ASSETS	1,338,746,152	(16,574,906)	88,613,877	(16,574,906)
CAPITALIZATION AND LIABILITIES				
CAPITALIZATION				
COMMON STOCK EQUITY				
COMMON STOCK, AT PAR VALUE	45,127,802			
ADDITIONAL PAID IN CAPITAL	7,621,971		44,584	
OTHER COMPREHENSIVE INCOME-	(10,676)		27,365	
RETAINED EARNINGS	341,008,792	11,116,526	34,091,901	11,116,526
TOTAL COMMON STOCK EQUITY	393,747,889	11,116,526	34,163,850	11,116,526
LONG-TERM DEBT				
INSTALLMENT PROMISSORY NOTES AND LOANS	248,390,008		(64,825,000)	
TOTAL CAPITALIZATION	642,137,897	11,116,526	(30,661,150)	11,116,526
CURRENT LIABILITIES				
CURRENT MATURITIES OF LONG-TERM DEBT				
ACCOUNTS PAYABLE	25,847,099	3,164,802	(18,978,054)	3,164,802
ACCOUNTS PAYABLE TO ASSOCIATED COMPANIES	83,259,943	(18,429,640)	71,127,444	(18,429,640)
ACCRUED TAXES	2,066,595	1,367,066	(8,032,609)	1,367,066
ACCRUED INTEREST	191,970	(45,270)	(21,631)	(45,270)
ESTIMATED RATE REFUNDS	15,319		223,403	
DEFERRED INCOME TAXES	2,273,331	1,186,613	(12,661,088)	1,186,613
OTHER CURRENT LIABILITIES	90,938,495	(16,478,907)	17,432,751	(16,478,907)
TOTAL CURRENT LIABILITIES	204,592,752	(29,235,336)	49,090,216	(29,235,336)
OTHER LIABILITIES AND DEFERRED CREDITS				
INCOME TAXES, NONCURRENT	378,769,108	4,480,366	73,524,576	4,480,366
INVESTMENT TAX CREDITS	4,233,337	(30,020)	(360,236)	(30,020)
OTHER REGULATORY LIABILITIES LONG TERM	72,315,672	(2,556,847)	(2,382,236)	(2,556,847)
OTHER LIABILITIES & DEFERRED CREDITS	36,697,386	(349,595)	(597,293)	(349,595)
TOTAL OTHER LIABILITIES AND DEFERRED CREDITS	492,015,503	1,543,904	70,184,811	1,543,904
TOTAL CAPITALIZATION AND LIABILITIES	1,338,746,152	(16,574,906)	88,613,877	(16,574,906)

REPORT ID: BAL FORMAT ID: BSP

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*A/R AND RELATED RESERVES HAVE BEEN SOLD TO CPRC, AND INTEREST THEREIN HAS BEEN SOLD TO A PURCHASER(S) REPRESENTED BY BTMU, AS AGENT.

DATE: 03/14/12 09:23:40

COLUMBIA GAS OF PENNSYLVANIA, INC.
BALANCE SHEET AS OF FEBRUARY 29, 2012

	CURRENT BALANCE	INC OVR PRV MTH	INC OVR SM MTH PRV YR	INC OVR DECEMBER
ASSETS				
PROPERTY, PLANT AND EQUIPMENT				
GAS UTILITY AND OTHER PLANT, @ ORIG COST	1,153,680,900	7,805,610	127,825,238	15,110,919
ACCUMULATED DEPRECIATION AND DEPLETION	300,466,940	2,001,352	10,469,417	3,403,753
NET PROPERTY, PLANT AND EQUIPMENT	853,213,960	5,804,258	117,355,821	11,707,166
CURRENT ASSETS				
CASH AND TEMPORARY CASH INVESTMENTS	8,202,513	961,627	(4,908,648)	1,186,857
ACCOUNTS RECEIVABLE:				
*CUSTOMERS (LESS ALLOW FOR DOUBTFUL ACCTS)	(2)	(3)	(265,999)	(3)
FROM ASSOCIATED COMPANIES	16,063,213	(9,937,485)	(150,496,715)	(13,691,778)
*OTHER	4	7,018	4,838	(7,014)
GAS INVENTORY	58,227,023	(24,441,118)	39,757,836	(47,316,184)
OTHER INVENTORIES	725,829	20,192	147,755	12,808
PREPAYMENTS	1,540,460	(364,260)	(629,416)	(728,520)
REGULATORY ASSETS CURRENT	16,035,640	825,559	1,709,113	1,508,951
OTHER CURRENT ASSETS	359,789	(47,195)	(1,627,661)	132,827
TOTAL CURRENT ASSETS	101,154,469	(32,975,665)	(116,308,897)	(58,902,056)
INVESTMENT IN SUBSIDIARY	17,055,352	62,146	653,025	115,295
REGULATORY ASSETS LONG TERM	267,449,657	(899,013)	51,815,973	(2,085,580)
DEFERRED CHARGES AND SPECIAL DEPOSITS & FUNDS	67,997,077	(3,867,363)	12,680,651	714,632
TOTAL ASSETS	1,306,870,515	(31,875,637)	66,196,573	(48,450,543)
CAPITALIZATION AND LIABILITIES				
CAPITALIZATION				
COMMON STOCK EQUITY				
COMMON STOCK, AT PAR VALUE	45,127,802			
ADDITIONAL PAID IN CAPITAL	7,621,971		44,584	
OTHER COMPREHENSIVE INCOME-	(10,676)		17,471	
RETAINED EARNINGS	350,135,192	9,126,400	32,716,595	20,242,926
TOTAL COMMON STOCK EQUITY	402,874,289	9,126,400	32,778,650	20,242,926
LONG-TERM DEBT				
INSTALLMENT PROMISSORY NOTES AND LOANS	248,390,008		(64,825,000)	
TOTAL CAPITALIZATION	651,264,297	9,126,400	(32,046,350)	20,242,926
CURRENT LIABILITIES				
CURRENT MATURITIES OF LONG-TERM DEBT				
ACCOUNTS PAYABLE	15,921,456	(9,925,643)	(20,918,164)	(6,760,841)
ACCOUNTS PAYABLE TO ASSOCIATED COMPANIES	71,543,554	(11,716,389)	55,542,187	(30,146,029)
ACCRUED TAXES	2,851,898	785,303	(4,527,830)	2,152,369
ACCRUED INTEREST	202,358	10,388	(21,291)	(34,882)
ESTIMATED RATE REFUNDS	15,319		234,579	
DEFERRED INCOME TAXES	1,086,718	(1,186,613)	(13,847,701)	
OTHER CURRENT LIABILITIES	70,936,230	(20,002,265)	14,640,392	(36,481,172)
TOTAL CURRENT LIABILITIES	162,557,533	(42,035,219)	31,102,172	(71,270,555)
OTHER LIABILITIES AND DEFERRED CREDITS				
INCOME TAXES, NONCURRENT	383,175,245	4,406,137	71,688,696	8,886,503
INVESTMENT TAX CREDITS	4,203,317	(30,020)	(360,236)	(60,040)
OTHER REGULATORY LIABILITIES LONG TERM	69,658,824	(2,656,848)	(4,232,291)	(5,213,695)
OTHER LIABILITIES & DEFERRED CREDITS	36,011,299	(686,087)	44,582	(1,035,682)
TOTAL OTHER LIABILITIES AND DEFERRED CREDITS	493,048,685	1,033,182	67,140,751	2,577,086
TOTAL CAPITALIZATION AND LIABILITIES	1,306,870,515	(31,875,637)	66,196,573	(48,450,543)

REPORT ID: BAL FORMAT ID: BSP

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*A/R AND RELATED RESERVES HAVE BEEN SOLD TO CPRC, AND INTEREST THEREIN HAS BEEN SOLD TO A PURCHASER(S) REPRESENTED BY BTMU, AS AGENT.

DATE: 04/12/12 12:56:32

COLUMBIA GAS OF PENNSYLVANIA, INC.
BALANCE SHEET AS OF MARCH 31, 2012

	CURRENT BALANCE	INC OVR PRV MTH	INC OVR SM MTH PRV YR	INC OVR DECEMBER
ASSETS				
PROPERTY, PLANT AND EQUIPMENT				
GAS UTILITY AND OTHER PLANT, @ ORIG COST	1,164,576,634	10,895,734	131,119,417	26,006,653
ACCUMULATED DEPRECIATION AND DEPLETION	302,510,916	2,043,976	11,206,936	5,447,729
NET PROPERTY, PLANT AND EQUIPMENT	862,065,718	8,851,758	119,912,481	20,558,924
CURRENT ASSETS				
CASH AND TEMPORARY CASH INVESTMENTS	9,733,987	1,531,474	1,166,613	2,718,331
ACCOUNTS RECEIVABLE:				
*CUSTOMERS (LESS ALLOW FOR DOUBTFUL ACCTS)	(1)	1	2	(2)
FROM ASSOCIATED COMPANIES	83,819,594	67,756,381	(104,864,701)	54,064,603
*OTHER	3	(1)	5,347	(7,015)
GAS INVENTORY	50,026,303	(8,200,720)	33,880,895	(55,516,904)
OTHER INVENTORIES	617,224	(108,605)	(1,084)	(95,797)
PREPAYMENTS	1,176,200	(364,260)	(556,420)	(1,092,780)
REGULATORY ASSETS CURRENT	17,868,016	1,832,376	4,968,114	3,341,327
OTHER CURRENT ASSETS	402,546	42,757	(4,173,786)	175,584
TOTAL CURRENT ASSETS	163,643,872	62,489,403	(69,575,020)	3,587,347
INVESTMENT IN SUBSIDIARY	17,083,153	27,801	502,184	143,096
REGULATORY ASSETS LONG TERM	267,147,535	(302,122)	46,768,118	(2,387,702)
DEFERRED CHARGES AND SPECIAL DEPOSITS & FUNDS	68,408,684	411,607	60,525,062	1,126,239
TOTAL ASSETS	1,378,348,962	71,478,447	158,152,825	23,027,904
CAPITALIZATION AND LIABILITIES				
CAPITALIZATION				
COMMON STOCK EQUITY				
COMMON STOCK, AT PAR VALUE	45,127,802			
ADDITIONAL PAID IN CAPITAL	7,621,971		44,584	
OTHER COMPREHENSIVE INCOME-	(10,676)		6,260	
RETAINED EARNINGS	354,083,409	3,948,217	29,574,530	24,191,143
TOTAL COMMON STOCK EQUITY	406,822,506	3,948,217	29,625,374	24,191,143
LONG-TERM DEBT				
INSTALLMENT PROMISSORY NOTES AND LOANS	313,390,007	64,999,999	174,999	64,999,999
TOTAL CAPITALIZATION	720,212,513	68,948,216	29,800,373	89,191,142
CURRENT LIABILITIES				
CURRENT MATURITIES OF LONG-TERM DEBT				
ACCOUNTS PAYABLE	15,660,442	(261,014)	(5,278,174)	(7,021,855)
ACCOUNTS PAYABLE TO ASSOCIATED COMPANIES	80,581,259	9,037,705	63,301,190	(21,108,324)
ACCRUED TAXES	3,079,337	227,439	272,759	2,379,808
ACCRUED INTEREST	212,380	10,022	35,842	(24,860)
ESTIMATED RATE REFUNDS	(779)	(16,098)	226,743	(16,098)
DEFERRED INCOME TAXES	1,162,760	76,042	(13,771,523)	76,042
OTHER CURRENT LIABILITIES	62,503,523	(8,432,707)	30,436,419	(44,913,879)
TOTAL CURRENT LIABILITIES	163,198,922	641,389	75,223,256	(70,629,166)
OTHER LIABILITIES AND DEFERRED CREDITS				
INCOME TAXES, NONCURRENT	387,346,686	4,171,441	62,339,300	13,057,944
INVESTMENT TAX CREDITS	4,173,298	(30,019)	(360,236)	(90,059)
OTHER REGULATORY LIABILITIES LONG TERM	67,154,768	(2,504,056)	(12,454,138)	(7,717,751)
OTHER LIABILITIES & DEFERRED CREDITS	36,262,775	251,476	3,604,270	(784,206)
TOTAL OTHER LIABILITIES AND DEFERRED CREDITS	494,937,527	1,888,842	53,129,196	4,465,928
TOTAL CAPITALIZATION AND LIABILITIES	1,378,348,962	71,478,447	158,152,825	23,027,904

REPORT ID: BAL FORMAT ID: BSP

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*A/R AND RELATED RESERVES HAVE BEEN SOLD TO CPRC, AND INTEREST THEREIN HAS BEEN SOLD TO A PURCHASER(S) REPRESENTED BY BTMU, AS AGENT.

DATE: 05/16/12 14:57:40

COLUMBIA GAS OF PENNSYLVANIA, INC.
BALANCE SHEET AS OF APRIL 30, 2012

	CURRENT BALANCE	INC OVR PRV MTH	INC OVR SM MTH PRV YR	INC OVR DECEMBER
ASSETS				
PROPERTY, PLANT AND EQUIPMENT				
GAS UTILITY AND OTHER PLANT, @ ORIG COST	1,174,243,681	9,667,047	130,319,080	35,673,700
ACCUMULATED DEPRECIATION AND DEPLETION	304,103,818	1,592,902	11,410,372	7,040,631
NET PROPERTY, PLANT AND EQUIPMENT	870,139,863	8,074,145	118,908,708	28,633,069
CURRENT ASSETS				
CASH AND TEMPORARY CASH INVESTMENTS	9,436,217	(297,770)	694,291	2,420,561
ACCOUNTS RECEIVABLE:				
*CUSTOMERS (LESS ALLOW FOR DOUBTFUL ACCTS)		1		(1)
FROM ASSOCIATED COMPANIES	79,812,871	(4,006,723)	(100,199,442)	50,057,880
*OTHER	3		9	(7,015)
GAS INVENTORY	49,462,417	(563,886)	21,966,893	(56,080,790)
OTHER INVENTORIES	558,857	(58,367)	(63,974)	(154,164)
PREPAYMENTS	1,136,119	(40,081)	(88,089)	(1,132,861)
REGULATORY ASSETS CURRENT	17,999,684	131,668	12,582,150	3,472,995
OTHER CURRENT ASSETS	655,024	252,478	(6,063,617)	428,062
TOTAL CURRENT ASSETS	159,061,192	(4,582,680)	(71,171,779)	(995,333)
INVESTMENT IN SUBSIDIARY	17,107,310	24,157	460,441	167,253
REGULATORY ASSETS LONG TERM	267,165,503	17,968	44,692,920	(2,369,734)
DEFERRED CHARGES AND SPECIAL DEPOSITS & FUNDS	65,971,981	(2,436,703)	50,686,578	(1,310,464)
TOTAL ASSETS	1,379,445,849	1,096,887	143,576,868	24,124,791
CAPITALIZATION AND LIABILITIES				
CAPITALIZATION				
COMMON STOCK EQUITY				
COMMON STOCK, AT PAR VALUE	45,127,802			
ADDITIONAL PAID IN CAPITAL	7,621,971		44,584	
OTHER COMPREHENSIVE INCOME-	(10,676)			
RETAINED EARNINGS	357,684,306	3,600,897	31,273,878	27,792,040
TOTAL COMMON STOCK EQUITY	410,423,403	3,600,897	31,318,462	27,792,040
LONG-TERM DEBT				
INSTALLMENT PROMISSORY NOTES AND LOANS	313,390,007		174,999	64,999,999
TOTAL CAPITALIZATION	723,813,410	3,600,897	31,493,461	92,792,039
CURRENT LIABILITIES				
CURRENT MATURITIES OF LONG-TERM DEBT				
ACCOUNTS PAYABLE	12,787,164	(2,873,278)	(25,186,224)	(9,895,133)
ACCOUNTS PAYABLE TO ASSOCIATED COMPANIES	81,692,407	1,111,148	65,048,403	(19,997,176)
ACCRUED TAXES	2,508,129	(571,208)	2,277,280	1,808,600
ACCRUED INTEREST	219,838	7,458	35,826	(17,402)
ESTIMATED RATE REFUNDS	(779)		232,968	(16,098)
DEFERRED INCOME TAXES	1,086,718	(76,042)	(13,847,565)	
OTHER CURRENT LIABILITIES	62,054,233	(449,290)	36,034,198	(45,363,169)
TOTAL CURRENT LIABILITIES	160,347,710	(2,851,212)	64,594,886	(73,480,378)
OTHER LIABILITIES AND DEFERRED CREDITS				
INCOME TAXES, NONCURRENT	390,366,583	3,019,897	59,405,318	16,077,841
INVESTMENT TAX CREDITS	4,143,278	(30,020)	(360,237)	(120,079)
OTHER REGULATORY LIABILITIES LONG TERM	64,759,775	(2,394,993)	(15,888,058)	(10,112,744)
OTHER LIABILITIES & DEFERRED CREDITS	36,015,093	(247,682)	4,331,498	(1,031,888)
TOTAL OTHER LIABILITIES AND DEFERRED CREDITS	495,284,729	347,202	47,488,521	4,813,130
TOTAL CAPITALIZATION AND LIABILITIES	1,379,445,849	1,096,887	143,576,868	24,124,791

REPORT ID: BAL FORMAT ID: BSP

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*A/R AND RELATED RESERVES HAVE BEEN SOLD TO CPRC, AND INTEREST THEREIN HAS BEEN SOLD TO A PURCHASER(S) REPRESENTED BY BTMU, AS AGENT.

DATE: 06/13/12 08:28:02

COLUMBIA GAS OF PENNSYLVANIA, INC.
BALANCE SHEET AS OF MAY 31, 2012

	CURRENT BALANCE	INC OVR PRV MTH	INC OVR SM MTH PRV YR	INC OVR DECEMBER
ASSETS				
PROPERTY, PLANT AND EQUIPMENT				
GAS UTILITY AND OTHER PLANT, @ ORIG COST	1,184,200,529	9,956,848	131,863,156	45,630,548
ACCUMULATED DEPRECIATION AND DEPLETION	304,925,286	821,468	10,985,936	7,862,099
NET PROPERTY, PLANT AND EQUIPMENT	879,275,243	9,135,380	120,877,220	37,768,449
CURRENT ASSETS				
CASH AND TEMPORARY CASH INVESTMENTS	8,689,428	(746,789)	(502,240)	1,673,772
ACCOUNTS RECEIVABLE:				
*CUSTOMERS (LESS ALLOW FOR DOUBTFUL ACCTS)	1	1	5	
FROM ASSOCIATED COMPANIES	71,301,277	(8,511,594)	(76,878,590)	41,546,286
*OTHER	3		8	(7,015)
GAS INVENTORY	50,912,670	1,450,253	2,064,605	(54,630,537)
OTHER INVENTORIES	468,110	(90,747)	(140,785)	(244,911)
PREPAYMENTS	1,461,493	325,374	(63,652)	(807,487)
REGULATORY ASSETS CURRENT	17,692,426	(307,258)	4,899,215	3,165,737
OTHER CURRENT ASSETS	432,038	(222,986)	(7,412,425)	205,076
TOTAL CURRENT ASSETS	150,957,446	(8,103,746)	(78,033,859)	(9,099,079)
INVESTMENT IN SUBSIDIARY	17,128,160	20,850	359,318	188,103
REGULATORY ASSETS LONG TERM	266,905,402	(260,101)	43,023,656	(2,629,835)
DEFERRED CHARGES AND SPECIAL DEPOSITS & FUNDS	71,225,345	5,253,364	47,530,938	3,942,900
TOTAL ASSETS	1,385,491,596	6,045,747	133,757,273	30,170,538
CAPITALIZATION AND LIABILITIES				
CAPITALIZATION				
COMMON STOCK EQUITY				
COMMON STOCK, AT PAR VALUE	45,127,802			
ADDITIONAL PAID IN CAPITAL	7,621,971		44,584	
OTHER COMPREHENSIVE INCOME-	(10,676)			
RETAINED EARNINGS	357,275,469	(408,837)	31,137,749	27,383,203
TOTAL COMMON STOCK EQUITY	410,014,566	(408,837)	31,182,333	27,383,203
LONG-TERM DEBT				
INSTALLMENT PROMISSORY NOTES AND LOANS	313,390,007		174,999	64,999,999
TOTAL CAPITALIZATION	723,404,573	(408,837)	31,357,332	92,383,202
CURRENT LIABILITIES				
CURRENT MATURITIES OF LONG-TERM DEBT				
ACCOUNTS PAYABLE	12,493,625	(293,539)	(20,264,734)	(10,188,672)
ACCOUNTS PAYABLE TO ASSOCIATED COMPANIES	83,239,016	1,546,609	66,142,348	(18,450,567)
ACCRUED TAXES	2,223,510	(284,619)	2,200,117	1,523,981
ACCRUED INTEREST	226,853	7,015	35,736	(10,387)
ESTIMATED RATE REFUNDS	(779)		(11,134)	(16,098)
DEFERRED INCOME TAXES	1,119,202	32,484	(13,820,638)	32,484
OTHER CURRENT LIABILITIES	67,917,040	5,862,807	25,556,907	(39,500,362)
TOTAL CURRENT LIABILITIES	167,218,467	6,870,757	59,838,602	(66,609,621)
OTHER LIABILITIES AND DEFERRED CREDITS				
INCOME TAXES, NONCURRENT	392,310,571	1,943,988	57,171,983	18,021,829
INVESTMENT TAX CREDITS	4,113,258	(30,020)	(360,237)	(150,099)
OTHER REGULATORY LIABILITIES LONG TERM	62,475,343	(2,284,432)	(18,586,912)	(12,397,176)
OTHER LIABILITIES & DEFERRED CREDITS	35,969,384	(45,709)	4,336,505	(1,077,597)
TOTAL OTHER LIABILITIES AND DEFERRED CREDITS	494,868,556	(416,173)	42,561,339	4,396,957
TOTAL CAPITALIZATION AND LIABILITIES	1,385,491,596	6,045,747	133,757,273	30,170,538

REPORT ID: BAL FORMAT ID: BSP

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*A/R AND RELATED RESERVES HAVE BEEN SOLD TO CPRC, AND INTEREST THEREIN HAS BEEN SOLD TO A PURCHASER(S) REPRESENTED BY BTMU, AS AGENT.

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Rate of Return

Question No. GAS-ROR-003:

Please provide the bond rating history for the Company and, if applicable, its parent from the major credit rating agencies for the last five years.

Response: Columbia Gas of Pennsylvania, Inc.

Columbia Gas of Pennsylvania, Inc. (Company) is a wholly owned subsidiary of Columbia Energy Group, which is a subsidiary of NiSource Inc. (Parent). All debt of the Company is held by the Parent and is not publicly traded or rated.

Response: NiSource Inc.

GAS-ROR-003 Attachment A provides the bond rating history for NiSource Inc. as detailed in the Bloomberg Financial System from January 2007 to the present.

Company Name	Date	Rating Type	Agency	Curr Rtg	Last Rtg	Ctry	Industry Type
NiSource Inc	28JUL2011	ST Local Issuer Credit	S&P	A-3	NR	US	Gas-Distribution
NiSource Inc	28JUL2011	ST Foreign Issuer Credit	S&P	A-3	NR	US	Gas-Distribution
Nisource Finance Corp	20JUN2011	ST Local Issuer Credit	S&P	A-3		US	Electric-Integrated
Nisource Finance Corp	20JUN2011	ST Foreign Issuer Credit	S&P	A-3		US	Electric-Integrated
Nisource Capital Markets Inc	24NOV2009	Outlook	Moody's	STABLE		US	Diversified Operations
Nisource Finance Corp	24NOV2009	Outlook	Moody's	STABLE		US	Electric-Integrated
NiSource Inc	24NOV2009	Outlook	Moody's	STABLE		US	Gas-Distribution
Nisource Capital Markets Inc	05MAR2009	Outlook	S&P	STABLE		US	Diversified Operations
Nisource Finance Corp	05MAR2009	Outlook	S&P	STABLE		US	Electric-Integrated
NiSource Inc	05MAR2009	Outlook	S&P	STABLE		US	Gas-Distribution
Nisource Capital Markets Inc	04FEB2009	Senior Unsecured Debt	Fitch	BBB-	BBB	US	Diversified Operations
Nisource Capital Markets Inc	04FEB2009	Outlook	Fitch	STABLE		US	Diversified Operations
Nisource Capital Markets Inc	04FEB2009	LT Issuer Default Rating	Fitch	BBB-	BBB	US	Diversified Operations
Nisource Finance Corp	04FEB2009	LT Issuer Default Rating	Fitch	BBB-	BBB	US	Electric-Integrated
Nisource Finance Corp	04FEB2009	Senior Unsecured Debt	Fitch	BBB-	BBB	US	Electric-Integrated
Nisource Finance Corp	04FEB2009	ST Issuer Default Rating	Fitch	F3	F2	US	Electric-Integrated
Nisource Finance Corp	04FEB2009	Outlook	Fitch	STABLE		US	Electric-Integrated
Nisource Finance Corp	04FEB2009	Short Term	Fitch	F3	F2	US	Electric-Integrated
NiSource Inc	04FEB2009	LT Issuer Default Rating	Fitch	BBB-	BBB	US	Gas-Distribution
NiSource Inc	04FEB2009	Outlook	Fitch	STABLE		US	Gas-Distribution
Nisource Capital Markets Inc	18DEC2007	LT Foreign Issuer Credit	S&P	BBB-	BBB *-	US	Diversified Operations
Nisource Capital Markets Inc	18DEC2007	LT Local Issuer Credit	S&P	BBB-	BBB *-	US	Diversified Operations
Nisource Finance Corp	18DEC2007	LT Foreign Issuer Credit	S&P	BBB-	BBB *-	US	Electric-Integrated
Nisource Finance Corp	18DEC2007	LT Local Issuer Credit	S&P	BBB-	BBB *-	US	Electric-Integrated
NiSource Inc	18DEC2007	LT Foreign Issuer Credit	S&P	BBB-	BBB *-	US	Gas-Distribution
[illegible]ource Inc	18DEC2007	LT Local Issuer Credit	S&P	BBB-	BBB *-	US	Gas-Distribution
[illegible]urce Capital Markets Inc	02NOV2007	LT Foreign Issuer Credit	S&P	BBB *-	BBB	US	Diversified Operations
[illegible]ource Capital Markets Inc	02NOV2007	LT Local Issuer Credit	S&P	BBB *-	BBB	US	Diversified Operations
Nisource Finance Corp	02NOV2007	LT Local Issuer Credit	S&P	BBB *-	BBB	US	Electric-Integrated
Nisource Finance Corp	02NOV2007	LT Foreign Issuer Credit	S&P	BBB *-	BBB	US	Electric-Integrated
NiSource Inc	02NOV2007	LT Foreign Issuer Credit	S&P	BBB *-	BBB	US	Gas-Distribution
NiSource Inc	02NOV2007	LT Local Issuer Credit	S&P	BBB *-	BBB	US	Gas-Distribution

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Rate of Return

Question No. GAS-ROR-004:

Please provide copies of all bond rating reports relating to the Company and, if applicable, its parent for the past two years.

Response: Columbia Gas of Pennsylvania, Inc.

Columbia Gas of Pennsylvania, Inc., (Company) is a wholly owned subsidiary of Columbia Energy Group, which is a subsidiary of NiSource Inc. (Parent). All debt of the Company is held by the Parent and is not publicly traded or rated.

Response: NiSource Inc.

Attached are the following bond rating reports for the past two years:

Attachment A – Standard & Poors (September 2010)
Attachment B – Standard & Poors (September 2010)
Attachment C – Moody's (November 2010)
Attachment D – Fitch (December 2010)
Attachment E – Standard & Poors (February 2011)
Attachment F – Standard & Poors (March 2011)
Attachment G – Standard & Poors (March 2011)
Attachment H – Standard & Poors (June 2011)
Attachment I – Standard & Poors (September 2011)
Attachment J – Standard & Poors (November 2011)
Attachment K – Moody's (November 2011)
Attachment L – Moody's (November 2011)
Attachment M – Moody's (November 2011)
Attachment N – Fitch (November 2011)
Attachment O – Standard & Poors (February 2012)
Attachment P – Standard & Poors (February 2012)
Attachment Q – Moody's (March 2012)
Attachment R – Moody's (April 2012)



Bulletin:

NiSource Inc. Announces $400 Million Forward Sale Agreement; Ratings And Outlook Unaffected

Primary Credit Analyst:
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Secondary Contact:
William Ferara, New York (1) 212-438-1776; bill_ferara@standardandpoors.com

NEW YORK (Standard & Poor's) Sept. 8, 2010--Standard & Poor's Ratings Services said today that the announcement by NiSource Inc. (BBB-/Stable/--) to issue $400 million of common stock under a forward sale agreement does not affect its current rating or outlook. At closing, the company will not receive any proceeds. Over the next two years, the company expects to settle the forward sale agreement by issuing new common shares for which it will receive cash proceeds. The company plans to use the proceeds for general corporate purposes, including capital expenditures. If settled by issuing new common shares, the forward sale agreement will modestly improve total debt to capital, but will not affect the funds from operations to debt ratio.

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The McGraw-Hill Companies

STANDARD &POOR'S

Global Credit Portal
RatingsDirect®

September 30, 2010

Summary:
NiSource Inc.

Primary Credit Analyst:
Kenneth L Farer, New York (1) 212-438-1679; kenneth_farer@standardandpoors.com

Secondary Contact:
William Ferara, New York (1) 212-438-1776; bill_ferara@standardandpoors.com

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Rationale

Outlook

Related Criteria And Research

Summary:
NiSource Inc.

Credit Rating: BBB-/Stable/NR

Rationale

The rating on Merrillville, Ind.-based NiSource Inc. reflects an excellent business risk profile and an aggressive financial risk profile. Standard & Poor's bases the rating on the consolidated business and financial risk profiles of its various subsidiaries--Columbia Energy Group (CEG; not rated), Northern Indiana Public Service Co. (NIPSCO; BBB-/Stable/--), and Bay State Gas Co. (BBB-/Stable/--). NiSource is involved in regulated natural gas distribution (about 40% of consolidated operating income), gas transmission and storage (about 40%), and vertically integrated electric operations (about 20%).

Relatively supportive regulatory oversight, a business strategy centered almost exclusively on regulated businesses, a diverse service area that encompasses seven states, and the low operating risks of its regulated utilities support the company's excellent business position. A strong residential customer base, lack of competition in the company's regulated service territories, and high barriers to entry provided by the capital-intensive nature of the distribution network also support the business risk profile. The company's financial risk profile, which is characterized by high leverage and weak cash flow metrics, NIPSCO's high electric rates, a higher-than-average dependence on industrial customers, and a more aggressive financial policy somewhat temper NiSource's strengths.

The stand-alone financial profiles of NiSource's utility subsidiaries are much stronger than the consolidated financial profile, where substantial acquisition-related debt is held. Nevertheless, we view the default risk as the same throughout the organization due to the absence of regulatory mechanisms or other structural barriers that sufficiently restrict subsidiary cash from flowing to the holding company. Given the company's forecast of $900 million in capital expenditures and increased debt levels, reversing years of deleveraging, NiSource is likely to generate negative free cash flow for 2010. Initiatives to improve regulatory design and increase rates at the gas distribution companies, several pipeline expansions, and the inclusion of the Sugar Creek power plant into rate base should improve and further stabilize cash in the longer term.

Over the past few years, rate increases implemented for Columbia Gas of Kentucky, Columbia Gas of Massachusetts, Columbia Gas of Ohio, and Columbia Gas of Pennsylvania totaled about $125 million (almost 60% of the rate increases requested) and reflect an improving regulatory environment. The August 2010 decision in NIPSCO's electric case was relatively revenue neutral, including a number of adjustments related to the elimination of an annual residential ratepayer credit, reduced benefits from off-system sales, and modification of special contract discounts. However, NIPSCO contemplates filing another rate case in 2010 to address increased pension costs and current demand levels. We do not expect a result that is markedly different from the company's filings will dramatically influence consolidated cash flow metrics given the cash flow diversity from other business lines.

We characterize the company's financial risk profile as aggressive due to its high debt leverage and weak cash flow metrics. While NiSource had improved its balance sheet after the debt-financed acquisitions of Bay State and CEG, increased capital spending over the past few years reversed some of this improvement. At June 30, 2010, funds from operations (FFO) to total debt and FFO interest coverage were 16% and 3.5x, respectively, while debt to total

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capital stood at 62%. Although FFO has benefitted from a change in tax method of capitalizing certain costs, we expect run-rate FFO to total debt to remain weak, at about 12%, despite adequate FFO interest coverage of about 3x. Despite the many growth initiatives in the company's strategic plan, we don't expect cash flow to improve from current levels for several years due to the financing and operating costs of buying the Sugar Creek power plant, weakness in the local economy, and the regulatory lag in implementing a series of rate cases.

Liquidity

We view NiSource's liquidity as less than adequate under Standard & Poor's corporate liquidity methodology (see "Methodology and Assumptions: Standard & Poor's Standardizes Liquidity Descriptors for Global Corporate Issuers," published on RatingsDirect on July 2, 2010), which categorizes liquidity in five standard descriptors (exceptional, strong, adequate, less than adequate, and weak). Our conclusion primarily reflects the July 7, 2011 maturity of the company's $1.5 billion revolving credit facility. During its July 2010 analyst meeting, management stated that they plan to replace the facility in the first quarter of 2011, essentially at the end of the winter heating season. Upon renewal of the facility, we expect to revise the company's liquidity descriptor to at least adequate.

The company's projected sources of liquidity consist of modest cash balances and its operating cash flow, which totaled $829 million over the past 12 months. Under Standard & Poor's Liquidity Descriptor criteria, we do not consider availability under the revolving credit facility to be a source of liquidity because of its maturity within 12 months. Projected uses of cash include maintenance and significant discretionary capital expenditures (spending over the past 12 months of $728 million), the purchase of natural gas, a sizable debt maturity in 2010, and dividends (about $255 million).

At June 30, 2010, about $1.4 billion was available under the revolving credit facility. Liquidity is also supported by accounts receivable securitization facilities at NIPSCO, Columbia of Ohio, and Columbia Gas of Pennsylvania. About $140 million was outstanding under the securitization facilities, which provide for peak borrowing capacity of $550 million. Management expects $300 million of liquidity to be available under the revolving credit facility following the paydown of its $682 million due in November 2010 and working capital needs. Depending on the amount of natural gas supplies needed and the price of natural gas, working capital outflows could be higher, but liquidity should nonetheless be manageable assuming replacement of the revolving credit facility.

In our view, NiSource's liquidity position benefits from its ability to absorb high-impact, low-probability events with limited need for refinancing; it has the flexibility to lower capital spending; it has well-established bank relationships; it has above average access to the capital markets; and its risk management practices are prudent. In general, we view the utility sector as having above average access to the capital markets, even during very challenging market conditions such as those seen most recently witnessed in late 2008 and early 2009. Over the next two years, the company expects to settle its forward sale agreement established in September 2010 by issuing new common shares for which it will receive cash proceeds of about $400 million. The company plans to use the proceeds for general corporate purposes, including capital expenditures.

The company's debt agreements require the maintenance of debt to capital (as defined) to be below 70%. There is also significant covenant headroom under its debt agreements. At June 30, 2010, debt to total capital was 59%, which results in significant headroom under these covenants.

MOODY'S
INVESTORS SERVICE

Credit Opinion: NiSource Inc.

Global Credit Research - 19 Nov 2010

Merrillville, Indiana (State of), United States

Category	Moody's Rating
Outlook	Stable
Preferred Shelf	(P)Ba2
NiSource Finance Corporation	
Outlook	Stable
Issuer Rating	Baa3
Senior Unsecured	Baa3
Bkd Commercial Paper	P-3
NiSource Capital Markets, Inc.	
Outlook	Stable
Bkd Senior Unsecured	Baa3
Northern Indiana Public Service Company	
Outlook	Stable
Issuer Rating	Baa2
Senior Unsecured	Baa2
Bay State Gas Company	
Outlook	Stable
Senior Unsecured	Baa2

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Rating Drivers

- LDCs stabilized by rate increases and rate design improvements

- Rate proceedings continue to better electric segment performance

- Pipelines form strong foundation

- Leveraged but stable credit metrics

- Strategy to maintain current investment-grade rating with no plans to accelerate de-leveraging

Corporate Profile

NiSource Inc. (Baa3 senior unsecured for its guaranteed financing vehicles) is a holding company with regulated local natural gas distribution company (LDC) subsidiaries in Ohio, Pennsylvania, Virginia, Massachusetts, Kentucky, and Maryland, a combination electric and gas utility operation in Indiana, and an interstate gas pipeline system that runs from the Gulf Coast to the Northeast. The company has three segments: Gas Distribution (LDC, 35% of segment operating income, before corporate and other income in the last twelve months ended September 2010), Transmission and Storage (Pipelines, 42% of operating income), and Electric (24% of operating income). The LDCs account for almost half of NiSource's assets, and the Pipelines and Electric subsidiaries each account for about a quarter. The company is one the largest gas companies in the U.S., ranking as the third-largest LDC, the fourth-largest gas pipeline, and among the largest gas storage systems. It is a mid-sized vertically-integrated electric utility. Two of NiSource's utility subsidiaries are rated: Bay State Gas Company and Northern Indiana Public Service Company (NIPSCO), both Baa2 on a senior unsecured basis with a stable outlook. Please refer to Moody's Credit Opinions on Bay State and NIPSCO for more details.

SUMMARY RATING RATIONALE

NiSource's Baa3 ratings reflect modest but stable credit metrics which derive from its diverse portfolio of regulated subsidiaries. Being virtually all regulated, the company can support more leverage than similarly rated diversified utilities that are exposed to riskier commodity-price and market-sensitive businesses. The rating takes into consideration the management's stated commitment to its current investment-grade credit rating.

Recent Events

NiSource's plan, even if it fully executes on its regulatory initiatives and the pipeline projects envisioned, would result in a modest organic improvement in its credit profile in the medium term.

NiSource aims to achieve a higher baseline of earnings by 2012 after resolving its electric rate cases and various, many still unidentified, pipeline projects. In the interim, the $400 million of equity NiSource sold forward in 2010 to be issued at its option through 2012 as well as some shares issued under its dividend reinvestment program will help NiSource maintain, but not materially raise its credit profile. No other transactions are contemplated to accelerate credit accretion. Dividend payouts have been high relative to earnings (averaging 66% of reported net profits before unusual items over the last five years), but NiSource has kept its dividend per share unchanged since 2004.

Notching Considerations

NiSource's operating subsidiaries Bay State and Northern Indiana Public Service Company are rated one notch above NiSource to reflect the structural seniority of their respective debt to substantially all the consolidated debt at the parent level. Their ratings are notched closely because of NiSource's practice of centrally managing its subsidiaries cash flow in a corporate money pool, which results in a fairly unrestricted commingling of cash among NiSource affiliates, and consolidating its debt financing at its guaranteed financing subsidiary NiSource Finance Corporation. The one-notch rating differential also reflects the subsidiaries' low-risk, regulated credit profiles.

Liquidity Profile

As of September 30, 2010, NiSource had $904 million of available liquidity (adjusted for cash and short-term investments and outstanding letters of credit) to help repay the $681 million of debt that matured on November 15, 2010. The pro forma revolver availability indicates the company accessing the debt market in the near term to term-out its bank borrowings.

NiSource is generally in a negative free cash flow position. It generates normal funds flow from operations of roughly $1 billion annually. The company expects to spend almost $1 billion a year on capital expenditures. It has little debt scheduled to mature in 2011: $9 million at Bay State in June and $19 million at NIPSCO in July. Dividends are about $250 million a year. The resulting funding gap will be met in part through the $400 million of equity NiSource sold forward to be issued through 2012.

By March 2011, NiSource expects to renew the $1.5 billion credit facility which is due in July 2011. The current facility does not require the company to represent and warrant as to a general financial material adverse change (MAC) at each borrowing. The sole financial covenant is a debt-to-capitalization ratio of 70%. The company has sufficient headroom under this covenant with a ratio of 60% as of September 30, 2010.

In addition, NiSource has receivables sales programs of $200 million each at Columbia Gas of Ohio and NIPSCO and a $75 million program at Columbia Gas of Pennsylvania. These facilities have one-year terms (expiring in March 2011 for Columbia Gas of Pennsylvania, August 2011 for NIPSCO, and October 2011 for Columbia Gas of Ohio) and are extendible for 364 days at the banks' option. Availability varies according to season. In Moody's view, these provide a less reliable source of alternate liquidity in that they contain MAC clauses and will not be available if NiSource and NIPSCO's ratings are withdrawn or fall below Ba3 and Ba2, respectively.

Rating Outlook

NiSource's stable outlook is based on its current financial plan, which should sustain modest but stable metrics, including Moody's adjusted cash flow pre-working capital-to-debt in the low teens and cash flow pre-working capital-to-interest in the low to mid 3 times range.

What Could Change the Rating - Up

If NiSource reduces debt and sustains stronger metrics, including cash flow pre-working capital-to-debt in the mid to upper teens and cash flow pre-working capital-to-interest in the upper 3 times range.

What Could Change the Rating - Down

If NiSource fails to achieve top-line revenue growth it expects from its regulatory initiatives and pipeline projects or adopts a more aggressive corporate finance model, causing a sustained decline in its credit metrics, such as cash flow pre-working capital-to-debt around 10% and cash flow pre-working capital-to-interest below 3 times.

Rating Factors

NiSource Inc.

Regulated Electric and Gas Utilities [1]	Aaa	Aa	A	Baa	Ba	B
Factor 1: Regulatory Framework (25%)				X		
Factor 2: Ability to Recover Costs and Earn Returns (25%)				X		
Factor 3: Diversification (10%)						
a) Market Position (5%)			X			
b) Generation and Fuel Diversity (5%)					X	
Factor 4: Financial Strength, Liquidity & Financial Metrics (40%)						
a) Liquidity (10%)				X		
b) CFO pre-WC + Interest / Interest (7.5%) (3yr Avg)				X		
c) CFO pre-WC / Debt (7.5%) (3yr Avg)					X	
d) CFO pre-WC - Dividends / Debt (7.5%) (3yr Avg)				X		
e) Debt / Capitalization or Debt / RAV (7.5%) (3yr Avg)					X	

Notwithstanding the foregoing, credit ratings assigned on and after October 1, 2010 by Moody's Japan K.K. ("MJKK") are MJKK's current opinions of the relative future credit risk of entities, credit commitments, or debt or debt-like securities. In such a case, "MS" in the foregoing statements shall be deemed to be replaced with "MJKK". MJKK is a wholly-owned credit rating agency subsidiary of Moody's Group Japan G.K., which is wholly owned by Moody's Overseas Holdings Inc., a wholly-owned subsidiary of MCO.

This credit rating is an opinion as to the creditworthiness or a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors. It would be dangerous for retail investors to make any investment decision based on this credit rating. If in doubt you should contact your financial or other professional adviser.

FII Fitch Affirms NiSource & Subs' IDRS at 'BBB-'; Outlook Stable
Dec 14 2010 16:14:07

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BN 12/14 16:14 *FITCH AFFIRMS NISOURCE & SUBS' IDRS AT 'BBB-'; OUTLOOK STABLE
****

FITCH AFFIRMS NISOURCE & SUBSIDIARIES' IDRS AT 'BBB-'; OUTLOOK STABLE

Fitch Ratings-New York-14 December 2010: Fitch Ratings has affirmed the outstanding ratings for NiSource Inc. (NI) and its subsidiaries as follows:

NI

--Issuer Default Rating (IDR) at 'BBB-'.

NiSource Capital Markets, Inc. (NI Capital Markets)

--IDR at 'BBB-';

--Senior unsecured debt at 'BBB-'.

Ni Source Finance Corp. (NiSource Finance)

--IDR at 'BBB-';

--Senior unsecured debt at 'BBB-';

--Short-term IDR at 'F3';

--Commercial paper (CP) at 'F3'.

Northern Indiana Public Service Co. (NIPSCO)

--IDR at 'BBB-';

--Senior unsecured debt and pollution control revenue bonds at 'BBB'.

NI's rating and Stable Outlook reflect the low business risk and consistent operating performance generated by its geographically diverse mix of regulated operations. Other favorable considerations include increasing revenues from improved industrial electric usage at Northern Indiana Public Service Co. (NIPSCO) as regional steel production has increased from recessionary lows, reduced business risk with the wind down of NI's energy marketing activities, and the future financial benefits from a $400 million forward equity sale executed by NI in September 2010.

Rating concerns include the moderating effect of a slow economic recovery on electric and gas demand, the impact of increased competition on NI pipeline subsidiary Columbia Gulf's throughput, and the challenges of managing the company's substantial future pension and other post employee retirement benefit (OPEB) obligations.

On Nov. 19, 2010, NIPSCO filed a follow-up electric rate case in Indiana, effectively consolidating it with its 2008 rate case filing. The new filing addresses items that have changed since the 2008 filing, including factors related to the economic downturn, changes in customer usage and operating conditions, and efforts to enhance customer programs and rate design. In particular, NIPSCO seeks recovery of pension and OPEB costs. Under the filing, residential electric bills would increase by an average of $5.94 per month or 7.9%. The company expects receipt of an order by the end of 2011.

On Dec. 1, 2010, NI initiated a tender offer to purchase for cash up to $250 million aggregate principal amount of outstanding 10.75% notes due 2016 (2016 Notes) and, if less than $250 million aggregate principal amount of 2016 Notes are tendered, to purchase up to an aggregate principal amount of 6.80% notes due 2019 (2019 Notes) equal to the difference between $250 million and the principal amount of 2016 Notes tendered. On Dec. 1, 2010, NI Finance priced $250 million of 6.25% notes due 2040, with proceeds to be used to purchase the tendered

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FII Fitch Affirms NiSource & Subs' IDRS at 'BBB-'; Outlook Stable
Dec 14 2010 16:14:07

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=568726

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STANDARD &POOR'S

Global Credit Portal
RatingsDirect

February 24, 2011

Summary:

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Rationale

Outlook

Related Criteria And Research

Summary:

NiSource Inc.

Credit Rating: BBB-/Stable/NR

Rationale

The rating on Merrillville, Ind.-based NiSource Inc. reflects an excellent business risk profile and an aggressive financial risk profile. Standard & Poor's bases the rating on the consolidated business and financial risk profiles of its various subsidiaries-- Northern Indiana Public Service Co. (NIPSCO; BBB-/Stable/--), Bay State Gas Co. (BBB-/Stable/--), and Columbia Energy Group (CEG; not rated). NiSource is involved in regulated natural gas distribution (nearly 40% of operating income), gas transmission and storage (roughly 35%), and vertically integrated electric operations (about 25%). As of Sept. 30, 2010, NiSource had about $7.4 billion of total reported debt.

A business strategy centered almost exclusively on regulated businesses, a diverse service area that encompasses seven states, and the low operating risks of its regulated utilities support the company's excellent business position. A large residential customer base and lack of competition in the company's regulated service territories also support the business risk profile. The company's financial risk profile, which is characterized by high leverage, weak cash flow metrics and an aggressive financial policy, and NIPSCO's higher-than-average dependence on industrial customers, somewhat temper NiSource's strengths.

The stand-alone financial profiles of NiSource's utility subsidiaries are much stronger than the consolidated financial profile, where substantial holding company debt is held. Nevertheless, we view the default risk as the same throughout the organization due to the absence of regulatory mechanisms or other structural barriers that sufficiently restrict subsidiary cash from flowing to the holding company. We consider NiSource's gas distribution operations to be above average, characterized by ample geographic diversity and integration with CEG's gas transmission network, which provide operational flexibility. Nearly all of the gas subsidiaries needs are contracted with Columbia Transmission, with roughly 70% of peak gas needs met with storage gas. Cash flow variability is also low given material revenue stabilization and cost-tracking mechanisms. CEG's gas transmission network has a huge underground storage system (working gas of about 280 billion cubic feet), access to multiple supply basins, and a moderate contract life mainly at maximum rates.

NIPSCO is predominately coal-based (nearly 80% of capacity), so it incurs higher-than-average environmental costs, although a surcharge on rates provides for timely cost recovery. NIPSCO's customer growth is flat and it has very significant industrial exposure with these customers representing about one-half of its total volumes. The industrial customers are susceptible to a weak economy, so even though volumes may improve in 2011 alongside potential economic growth, volumes in recent years have been notably reduced due to the economy's weakness. NIPSCO's residential rates are higher than the state average, although they are not the highest in the state and are lower than the national average. In January 2011, NIPSCO filed a motion to vacate the remaining procedural schedule associated with its 2008 rate case. In November 2010, NIPSCO filed a rate case requesting a $75 million rate increase with the Indiana Utility Regulatory Commission (IURC), which would equate to a more moderate 8% increase for residential customers. The new rate case filing is net revenue neutral and seeks to rebalance the cost

allocation whereby commercial and industrial customers would experience more of a rate increase. We do not expect a result that is markedly different from the company's filings and do not expect a dramatic influence on NiSource's cash flow metrics given its consolidated cash flow diversity.

We characterize the company's financial risk profile as aggressive due to its high debt leverage and weak cash flow metrics. Initiatives to improve regulatory design and increase rates at the gas distribution companies, several pipeline expansions, and the inclusion of the Sugar Creek power plant into rate base should improve and further stabilize cash in the longer term. Although, given the company's forecast of about $1 billion in capital expenditures and increased debt levels, reversing years of deleveraging, NiSource is likely to generate about $200 million to $300 million of negative discretionary cash flow for 2011 and 2012. The company expects to direct about three-quarters of capital spending at utility maintenance and rate-tracked investments, with the remainder on growth projects. The most meaningful source of new growth projects is expected in the Marcellus Shale gas-gathering region, which the company expects to be a long-term program with meaningful, but well-spread, expenditures backed by long-term off-take contracts. The capital spending program will still, however, place pressure on the company's discretionary cash flow and prevent improvement in credit metrics due to debt associated with the projects when coupled with a weak economy and the regulatory lag in implementing a series of rate cases. At Sept. 30, 2010, funds from operations (FFO) to total debt and FFO interest coverage were about 13% and 3.1x, respectively, while debt to total capital stood at about 63%. While FFO has benefitted from a change in the tax method of capitalizing certain costs, we expect long-term FFO/total adjusted debt to remain at about 12%, with FFO interest coverage of about 3x. These metrics are somewhat weak for the rating.

Liquidity

We view NiSource's liquidity as less than adequate under Standard & Poor's corporate liquidity methodology. Our conclusion primarily reflects the July 7, 2011 maturity of the company's $1.5 billion revolving credit facility. Under Standard & Poor's liquidity criteria, we do not consider availability under the revolving credit facility to be a source of liquidity because of its maturity within 12 months. Management states that they plan to replace the facility by the end of the first quarter of 2011, essentially at the end of the winter heating season. When it renews the facility, we expect to revise the company's liquidity descriptor to adequate.

Before the credit facility renegotiation, we expect cash uses to be less than sources by 0.8x, albeit this ratio should increase to at least 1.2x upon renegotiation of the facility. The company's projected sources of liquidity will consist of funds from operation, which we expect to total about $1 billion in 2011, and modest cash balances (about $11 million as of Sept. 30, 2010). In 2011 and 2012, the company also expects to settle its $400 million forward equity sale agreement by issuing new common shares and using the proceeds for general corporate purposes, including capital expenditures. Projected uses of cash in 2011 include about $1 billion of capital expenditures, dividends of about $260 million, and the seasonal purchase of natural gas for winter heating purposes.

As of Sept. 30, 2010, about $890 million was available under the revolving credit facility. Liquidity is also supported by accounts receivable securitization facilities at NIPSCO, Columbia of Ohio, and Columbia Gas of Pennsylvania. As of Sept. 30, 2010, about $146.6 million was outstanding under the securitization facilities (all less than one-year in duration), which provide for peak borrowing capacity of $550 million ($475 million of peak borrowing capacity as of Nov. 1, 2010). Depending on the amount of natural gas supplies needed and the price of natural gas, working capital outflows could be higher, but liquidity should nonetheless be manageable assuming relatively low gas prices and the replacement of the revolving credit facility, both of which we expect to occur.

STANDARD &POOR'S

Global Credit Portal
RatingsDirect®

March 7, 2011

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Business Description

Rating Methodology

Business Risk Profile

Financial Risk Profile

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NiSource Inc.

Major Rating Factors

Strengths:

- Conservative business strategy that focuses almost exclusively on regulated businesses;
- Low operating risks and competitive pressures at the gas and electric utility and pipeline segments;
- A sizable, stable residential customer base; and
- Geographic and regulatory diversity provided by regulated operations in seven states.

Weaknesses:

- An aggressive financial profile characterized by high debt leverage and weak cash flow measures;
- Subsidiary Northern Indiana Public Service Co.'s high cost structure and heavy dependence on the industrial sector;
- High capital spending, of about $1 billion, is likely to generate negative discretionary cash flow for 2010 and 2011; and
- Increased tolerance for a more aggressive financial position.

Rationale

The rating on Merrillville, Ind.-based NiSource Inc. reflects an excellent business risk profile and an aggressive financial risk profile. Standard & Poor's bases the rating on the consolidated business and financial risk profiles of its subsidiaries Northern Indiana Public Service Co. (NIPSCO; BBB-/Stable/--), Bay State Gas Co. (BBB-/Stable/--), and Columbia Energy Group (CEG; not rated). NiSource is involved in regulated natural gas distribution (nearly 40% of operating income), gas transmission and storage (roughly 35%), and vertically integrated electric operations (about 25%). As of Dec. 31, 2010, NiSource had about $7.4 billion of total reported debt.

A business strategy centered almost exclusively on regulated businesses, a diverse service area that encompasses seven states, and the low operating risks of its regulated utilities support the company's excellent business position. A large residential customer base and lack of competition in the company's regulated service territories also support the business risk profile. The company's financial risk profile, which is characterized by high leverage, weak cash flow metrics and an aggressive financial policy, and NIPSCO's higher-than-average dependence on industrial customers somewhat temper NiSource's strengths.

The standalone financial profiles of NiSource's utility subsidiaries are much stronger than the consolidated financial profile, where substantial holding company debt is held. Nevertheless, we view the default risk as the same throughout the organization due to the absence of regulatory mechanisms or other structural barriers that sufficiently restrict subsidiary cash from flowing to the holding company. We consider NiSource's gas distribution operations to be above average, characterized by ample geographic diversity and integration with CEG's gas transmission network, which provide operational flexibility. Nearly all of the gas subsidiaries needs are contracted with Columbia Transmission, with roughly 70% of peak gas needs met with storage gas. Cash flow variability is

also low given material revenue stabilization and cost-tracking mechanisms. CEG's gas transmission network has a huge underground storage system (working gas of about 280 billion cubic feet), access to multiple supply basins, and a moderate contract life mainly at maximum rates.

NIPSCO mostly burns coal (nearly 80% of capacity), so it incurs higher-than-average environmental costs, although a surcharge on rates provides for timely cost recovery. NIPSCO's customer growth is flat and it has very significant industrial exposure with these customers representing about one-half of its total volumes. The industrial customers are susceptible to a weak economy, so even though volumes may improve in 2011 alongside potential economic growth, volumes in recent years have been notably reduced due to the economy's weakness. NIPSCO's residential rates are higher than the state average, although they are not the highest in the state and are lower than the national average. In January 2011, NIPSCO filed a motion to vacate the remaining procedural schedule associated with its 2008 rate case. In November 2010, NIPSCO filed a rate case requesting a $75 million rate increase with the Indiana Utility Regulatory Commission (IURC), which would equate to a more moderate 8% increase for residential customers. The new rate case filing is net revenue neutral and seeks to rebalance the cost allocation whereby commercial and industrial customers would experience more of a rate increase. We do not expect a result that is markedly different from the company's filings and do not expect a dramatic influence on NiSource's cash flow metrics given its consolidated cash flow diversity.

We characterize the company's financial risk profile as aggressive due to its high debt leverage and weak cash flow metrics. Initiatives to improve regulatory design and increase rates at the gas distribution companies, several pipeline expansions, and the inclusion of the Sugar Creek power plant into rate base should improve and further stabilize cash in the longer term. Although, given the company's forecast of about $1 billion in capital expenditures and increased debt levels, reversing years of deleveraging, NiSource is likely to generate about $200 million to $300 million of negative discretionary cash flow for 2011 and 2012. The company expects to direct about three-quarters of capital spending at utility maintenance and rate-tracked investments, with the remainder on growth projects. The most meaningful source of new growth projects is expected in the Marcellus Shale gas-gathering region, which the company expects to be a long-term program with meaningful, but well-spread, expenditures backed by long-term off-take contracts. The capital spending program will still, however, place pressure on the company's discretionary cash flow and prevent improvement in credit metrics due to debt associated with the projects when coupled with a weak economy and the regulatory lag in implementing a series of rate cases. At Dec. 31, 2010, funds from operations (FFO) to total debt and FFO interest coverage were about 13% and 3x, respectively, while debt to total capital stood at about 63%. While FFO has benefitted from a change in the tax method of capitalizing certain costs, we expect long-term FFO/total adjusted debt to remain at about 12%, with FFO interest coverage of about 3x. These metrics are somewhat weak for the rating.

Liquidity

We view NiSource's liquidity as adequate under Standard & Poor's corporate liquidity methodology. We expect the company's cash uses to sources to be roughly 1.3x over the next 12 months. The company's projected sources of liquidity will consist of funds from operations, which we expect to total about $1 billion in 2011, a $1.5 billion revolving credit facility due 2015 (about $793 million outstanding), and modest cash balances (about $9 million as of Dec. 31, 2010). In 2011 and 2012, the company also expects to settle its $400 million forward equity sale agreement by issuing new common shares and using the proceeds for general corporate purposes, including capital expenditures. Projected uses of cash in 2011 include about $1 billion of capital expenditures, dividends of about $260 million, modest debt maturities, and the seasonal purchase of natural gas for winter heating purposes.

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Global Credit Portal
RatingsDirect

March 7, 2011

Summary:

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Rationale

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A business strategy centered almost exclusively on regulated businesses, a diverse service area that encompasses seven states, and the low operating risks of its regulated utilities support the company's excellent business position. A large residential customer base and lack of competition in the company's regulated service territories also support the business risk profile. The company's financial risk profile, which is characterized by high leverage, weak cash flow metrics and an aggressive financial policy, and NIPSCO's higher-than-average dependence on industrial customers somewhat temper NiSource's strengths.

The standalone financial profiles of NiSource's utility subsidiaries are much stronger than the consolidated financial profile, where substantial holding company debt is held. Nevertheless, we view the default risk as the same throughout the organization due to the absence of regulatory mechanisms or other structural barriers that sufficiently restrict subsidiary cash from flowing to the holding company. We consider NiSource's gas distribution operations to be above average, characterized by ample geographic diversity and integration with CEG's gas transmission network, which provide operational flexibility. Nearly all of the gas subsidiaries needs are contracted with Columbia Transmission, with roughly 70% of peak gas needs met with storage gas. Cash flow variability is also low given material revenue stabilization and cost-tracking mechanisms. CEG's gas transmission network has a huge underground storage system (working gas of about 280 billion cubic feet), access to multiple supply basins, and a moderate contract life mainly at maximum rates.

NIPSCO mostly burns coal (nearly 80% of capacity), so it incurs higher-than-average environmental costs, although a surcharge on rates provides for timely cost recovery. NIPSCO's customer growth is flat and it has very significant industrial exposure with these customers representing about one-half of its total volumes. The industrial customers are susceptible to a weak economy, so even though volumes may improve in 2011 alongside potential economic growth, volumes in recent years have been notably reduced due to the economy's weakness. NIPSCO's residential rates are higher than the state average, although they are not the highest in the state and are lower than the national average. In January 2011, NIPSCO filed a motion to vacate the remaining procedural schedule associated with its 2008 rate case. In November 2010, NIPSCO filed a rate case requesting a $75 million rate increase with the Indiana Utility Regulatory Commission (IURC), which would equate to an 8% increase for residential customers. The new rate case filing is net revenue neutral and seeks to rebalance the cost allocation whereby commercial and industrial customers would experience more of a rate increase. We do not expect a result that is markedly different from the

company's filings and do not expect a dramatic influence on NiSource's cash flow metrics given its consolidated cash flow diversity.

We characterize the company's financial risk profile as aggressive due to its high debt leverage and weak cash flow metrics. Initiatives to improve regulatory design and increase rates at the gas distribution companies, several pipeline expansions, and the inclusion of the Sugar Creek power plant into rate base should improve and further stabilize cash in the longer term. Although, given the company's forecast of about $1 billion in capital expenditures and increased debt levels, reversing years of deleveraging, NiSource is likely to generate about $200 million to $300 million of negative discretionary cash flow for 2011 and 2012. The company expects to direct about three-quarters of capital spending at utility maintenance and rate-tracked investments, with the remainder on growth projects. The most meaningful source of new growth projects is expected in the Marcellus Shale gas-gathering region, which the company expects to be a long-term program with meaningful, but well-spread, expenditures backed by long-term off-take contracts. The capital spending program will still, however, place pressure on the company's discretionary cash flow and prevent improvement in credit metrics due to debt associated with the projects when coupled with a weak economy and the regulatory lag in implementing a series of rate cases. At Dec. 31, 2010, funds from operations (FFO) to total debt and FFO interest coverage were about 13% and 3x, respectively, while debt to total capital stood at about 63%. While FFO has benefitted from a change in the tax method of capitalizing certain costs, we expect long-term FFO/total adjusted debt to remain at about 12%, with FFO interest coverage of about 3x. These metrics are somewhat weak for the rating.

Liquidity

We view NiSource's liquidity as adequate under Standard & Poor's corporate liquidity methodology. We expect the company's cash uses to sources to be roughly 1.3x over the next 12 months. The company's projected sources of liquidity will consist of funds from operations, which we expect to total about $1 billion in 2011, a $1.5 billion revolving credit facility due 2015 (about $793 million outstanding), and modest cash balances (about $9 million as of Dec. 31, 2010). In 2011 and 2012, the company also expects to settle its $400 million forward equity sale agreement by issuing new common shares and using the proceeds for general corporate purposes, including capital expenditures. Projected uses of cash in 2011 include about $1 billion of capital expenditures, dividends of about $260 million, modest debt maturities, and the seasonal purchase of natural gas for winter heating purposes.

Upon completion of the company's new $1.5 billion revolving credit facility, which closed on March 3, 2011, there was about $707 million available under the revolving credit facility. Liquidity is also supported by accounts receivable securitization facilities at NIPSCO, Columbia of Ohio, and Columbia Gas of Pennsylvania. As of Dec. 31, 2010, about $275 million was outstanding under the securitization facilities (all less than one-year in duration), which provide for peak borrowing capacity of $475 million. Depending on the amount of natural gas supplies needed and the price of natural gas, working capital outflows could be higher, but liquidity should nonetheless be manageable assuming relatively low gas prices and the replacement of the revolving credit facility, both of which we expect to occur.

In our view, NiSource's liquidity position benefits from its ability to absorb high-impact, low-probability events with limited need for refinancing. The company has the flexibility to lower some of its capital spending, it has well-established bank relationships and above-average access to the capital markets, and its risk-management practices are prudent. The company's debt agreements require the maintenance of debt to capital (as defined) to be below 70%. There is also significant covenant headroom under its debt agreements. As of Sept. 30, 2010, debt to total capital was 60%, which results in significant headroom under these covenants.

STANDARD &POOR'S
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June 20, 2011

NiSource Inc.'s $500 Million Commercial Paper Is Rated 'A-3'

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- U.S. diversified energy company NiSource Inc. is launching a $500 million commercial paper program.
- We are assigning our 'A-3' short-term rating to the program.
- According to Standard & Poor's rating criteria, NiSource's corporate credit rating of 'BBB-' maps to a commercial paper rating of 'A-3'.

NEW YORK (Standard & Poor's) June 20, 2011--Standard & Poor's Ratings Services said today it assigned its 'A-3' short-term rating to NiSource Inc.'s $500 million commercial paper program. According to Standard & Poor's rating criteria, NiSource's corporate credit rating of 'BBB-' maps to a commercial paper rating of 'A-3'. The company will use the program for working capital requirements and other corporate purposes. The program will be 100% backstopped by NiSource's $1.5 billion revolving credit facility expiring in March 2015.

The rating on Merrillville, Ind.-based NiSource reflects an excellent business risk profile and an aggressive financial risk profile. Standard & Poor's bases the rating on the consolidated business and financial risk profiles of its subsidiaries Northern Indiana Public Service Co. (BBB-/Stable/--), Bay State Gas Co. (BBB-/Stable/--), and Columbia Energy Group (not rated). NiSource is involved in regulated natural gas distribution (nearly 40% of operating income), gas transmission and storage (roughly 35%), and vertically integrated electric operations (about 25%). As of March 31, 2011, NiSource had about $7.2 billion of total reported debt.

RELATED CRITERIA AND RESEARCH
- The U.S. Midstream Energy Sector's Solid Performance Should Roll Over Into 2011, Dec. 23, 2010

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- U.S. Natural Gas Utilities' Stable Credit Quality Should Continue In 2011, Dec. 22, 2010
- U.S. Electric Utilities Well Positioned For 2011 Challenges, Dec. 15, 2010
- Rating Criteria For U.S. Midstream Energy Companies, published Dec. 18, 2008.

RATINGS LIST

NiSource Inc.	
Long-term corporate credit rating	BBB-/Stable
New Ratings	
Short-term corporate credit rating	A-3
$500 mil. commercial paper program	A-3

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STANDARD &POOR'S

Global Credit Portal®
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September 30, 2011

Summary:
NiSource Inc.

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Related Criteria And Research

Summary:
NiSource Inc.

Credit Rating: BBB-/Stable/A-3

Rationale

The rating on Merrillville, Ind.-based NiSource Inc. reflects an excellent business risk profile and an aggressive financial risk profile. Standard & Poor's Ratings Services bases the rating on the consolidated business and financial risk profiles of its subsidiaries Northern Indiana Public Service Co. (NIPSCO; BBB-/Stable/--), Bay State Gas Co. (BBB-/Stable/--), and Columbia Energy Group (CEG; not rated). NiSource is involved in regulated natural gas distribution (nearly 40% of operating income), gas transmission and storage (roughly 35%), and vertically integrated electric operations (about 25%). As of June 30, 2011, NiSource had about $7.2 billion of total reported debt.

A business strategy centered almost exclusively on regulated businesses, a diverse service area that encompasses seven states, and the low operating risks of its regulated utilities support the company's excellent business position. A large residential customer base and lack of competition in the company's regulated service territories also support the business risk profile. The company's financial risk profile, which is characterized by high leverage, weak cash flow metrics and an aggressive financial policy, and NIPSCO's higher-than-average dependence on industrial customers somewhat temper NiSource's strengths.

The stand-alone financial profiles of NiSource's utility subsidiaries are much stronger than the consolidated financial profile, where substantial holding company debt is held. Nevertheless, we view the default risk as the same throughout the organization due to the absence of regulatory mechanisms or other structural barriers that sufficiently restrict subsidiary cash from flowing to the holding company. We consider NiSource's gas distribution operations to be above average, characterized by ample geographic diversity and integration with CEG's gas transmission network, which provide operational flexibility. Nearly all of the gas subsidiaries needs are contracted with Columbia Transmission, with roughly 70% of peak gas needs met with storage gas. Cash flow variability is also low given material revenue stabilization and cost-tracking mechanisms. CEG's gas transmission network has a huge underground storage system (working gas of about 280 billion cubic feet), access to multiple supply basins, and a moderate contract life mainly at maximum rates.

NIPSCO mostly burns coal (nearly 80% of capacity), so it incurs higher-than-average environmental costs, although a surcharge on rates provides for timely cost recovery. NIPSCO's customer growth is flat and it has very significant industrial exposure with these customers representing about one-half of its total volumes. The industrial customers are susceptible to a weak economy, so even though volumes may improve in 2011 alongside potential economic growth, volumes in recent years have been notably reduced due to the economy's weakness. NIPSCO's residential rates are higher than the state average, although they are not the highest in the state and are lower than the national average. We expect 2012 cash flows to improve given the pending settlement of NIPSCO's rate case, although we do not expect a dramatic influence on NiSource's cash flow metrics given its consolidated cash flow diversity. The settlement will increase residential bills by 4.5% and eliminates any further action around NIPSCO's 2008 rate case.

We characterize the company's financial risk profile as aggressive due to its high debt leverage and weak cash flow

metrics. Initiatives to improve regulatory design and increase rates at the gas distribution companies, several pipeline expansions, and the inclusion of the Sugar Creek power plant into rate base should improve and further stabilize cash in the longer term. Although, given the company's forecast of about $1 billion in capital spending and increased debt levels, reversing years of deleveraging, NiSource is likely to generate about $200 million to $300 million of negative discretionary cash flow for 2011 and 2012. The company expects to direct about three-quarters of capital spending at utility maintenance and rate-tracked investments, with the remainder on growth projects. The most meaningful source of new growth projects is expected in the Marcellus Shale gas-gathering region, which the company expects to be a long-term program with meaningful, but well-spread, expenditures backed by long-term off-take contracts. The capital spending program will still, however, place pressure on the company's discretionary cash flow and prevent improvement in credit metrics due to debt associated with the projects when coupled with a weak economy and the regulatory lag in implementing a series of rate cases. At June 30, 2011, funds from operations (FFO) to total debt and FFO interest coverage were about 16% and 4x, respectively, while debt to total capital stood at about 61%. While FFO has benefitted from a change in the tax method of capitalizing certain costs, we expect long-term FFO/total adjusted debt to remain at about 12%, with FFO interest coverage of about 3x. These metrics are somewhat weak for the rating.

Liquidity

We view NiSource's liquidity as adequate under Standard & Poor's corporate liquidity methodology. We expect the company's cash uses to sources to be roughly 1.3x over the next 12 months. The company's projected sources of liquidity will consist of FFO, which we expect to total about $1 billion in 2011, a $1.5 billion revolving credit facility due 2015 (about $506 million outstanding), and modest cash balances (about $60 million as of June 30, 2011). In June, NiSource Finance implemented a new $500 million commercial paper program, which had about $181 million outstanding as of June 30, 2011. In 2011 and 2012, the company also expects to settle its $400 million forward equity sale agreement by issuing new common shares and using the proceeds for general corporate purposes, including capital spending. Projected uses of cash in 2011 include about $1 billion of capital spending, dividends of about $260 million, modest debt maturities, and the seasonal purchase of natural gas for winter heating purposes.

Liquidity also gets support from accounts receivable securitization facilities at NIPSCO, Columbia of Ohio, and Columbia Gas of Pennsylvania. As of June 30, 2011, about $184 million was outstanding under the securitization facilities (all less than one year in duration), which provide for peak borrowing capacity of $475 million. Depending on the amount of natural gas supplies needed and the price of natural gas, working capital outflows could be higher, but liquidity should nonetheless be manageable assuming relatively low gas prices and the replacement of the revolving credit facility, both of which we expect to occur.

In our view, NiSource's liquidity benefits from its ability to absorb high-impact, low-probability events with limited need for refinancing. The company has the flexibility to lower some of its capital spending, it has well-established bank relationships and above-average access to the capital markets, and its risk-management is prudent. The company's debt agreements require the maintenance of debt to capital (as defined) to be below 69%. There is also significant covenant headroom under its debt agreements. As of June 30, 2011, debt to total capital was 60%, which results in significant headroom under these covenants.

STANDARD &POOR'S
Global Credit Portal
RatingsDirect
November 15, 2011

NiSource Finance Corp.'s $500 Million Senior Unsecured Notes Assigned 'BBB-' Ratings

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NEW YORK (Standard & Poor's) Nov. 15, 2011--Standard & Poor's Ratings Services today assigned its 'BBB-' rating to NiSource Finance Corp.'s $500 million senior unsecured note issuance in two tranches due in 2021 and 2042. Parent company NiSource Inc. unconditionally guarantees the notes. As of June 30, 2011, NiSource had about $7.2 billion of reported debt. The company will use the proceeds to contribute to its pension plans and purchase notes due in 2016 and possibly notes due in 2013.

The rating on Merrillville, Ind.-based NiSource Inc. reflects an excellent business risk profile and an aggressive financial risk profile. Standard & Poor's Ratings Services bases the rating on the consolidated business and financial risk profiles of NiSource's subsidiaries, Northern Indiana Public Service Co. (NIPSCO; BBB-/Stable/--), Bay State Gas Co. (BBB-/Stable/--), and Columbia Energy Group (CEG; not rated). NiSource is involved in regulated natural gas distribution (nearly 40% of operating income), gas transmission and storage (roughly 35%), and vertically integrated electric operations (about 25%). As of June 30, 2011, NiSource had about $7.2 billion of total reported debt.

A business strategy centered almost exclusively on regulated businesses, a diverse service area that encompasses seven states, and the low operating risks of its regulated utilities support the company's excellent business position. A large residential customer base and lack of competition in the company's regulated service territories also support the business risk profile. The company's financial risk profile, which is characterized by high leverage, weak cash flow metrics, and an aggressive financial policy, and NIPSCO's higher-than-average dependence on industrial customers somewhat

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temper NiSource's strengths.

We characterize the company's financial risk profile as aggressive due to its high debt leverage and weak cash flow metrics. Initiatives to improve regulatory design and increase rates at the gas distribution companies, several pipeline expansions, and the inclusion of the Sugar Creek power plant into the rate base should improve and further stabilize cash in the longer term. However, given the company's forecast of about $1 billion in capital spending and increased debt levels, reversing years of deleveraging, NiSource is likely to generate about $200 million to $300 million of negative discretionary cash flow for 2011 and 2012. As of June 30, 2011, funds from operations (FFO) to total debt and FFO interest coverage were about 16% and 4x, respectively, while debt to total capital stood at about 61%. While FFO has benefited from a change in the tax method of capitalizing certain costs, we expect long-term FFO to total adjusted debt to remain at about 12%, with FFO interest coverage of about 3x. These metrics are somewhat weak for the rating.

The stable outlook reflects our expectation of stable operating and financial performance at the regulated subsidiaries, a capital spending program of about $1 billion and no material construction cost overruns or completion delays, and FFO to debt of about 12%. An FFO to debt ratio sustained below 10% could lead to a lower rating. While we do not currently contemplate an upgrade, credit quality could improve if cash flow metrics considerably strengthen, specifically FFO to debt of more than 15% on a sustained basis. The company could accomplish this by paying down debt with increased equity sales, asset dispositions, or higher internally generated cash flow, but management has not disclosed plans to do so.

RELATED CRITERIA AND RESEARCH

- The U.S. Midstream Energy Sector's Solid Performance Should Roll Over Into 2011, Dec. 23, 2010
- U.S. Natural Gas Utilities' Stable Credit Quality Should Continue In 2011, Dec. 22, 2010
- U.S. Electric Utilities Well Positioned For 2011 Challenges, Dec. 15, 2010

RATINGS LIST

NiSource Finance Corp.	
Corporate Credit Rating	BBB-/Stable/A-3
New Rating	
NiSource Finance Corp.	
$250 Mil. Sr Unsec. Notes Due 2021	BBB-
$250 Mil. Sr Unsec. Notes Due 2042	BBB-

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by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column.

MOODY'S
INVESTORS SERVICE

Credit Opinion: Northern Indiana Public Service Company

Global Credit Research - 18 Nov 2011

Merrillville, Indiana (State of), United States

Ratings

Category	Moody's Rating
Outlook	Stable
Issuer Rating	Baa2
Senior Unsecured	Baa2
Parent: NiSource Inc.	
Outlook	Stable
Pref. Shelf	(P)Ba2

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Opinion

Rating Drivers

- Imminent electric rate order stands to clear longstanding credit overhang

- Coal fleet facing substantial environmental spending

- Geographic concentration in an economically weak, mature service territory

- Credit metrics declining near term but still healthy

Corporate Profile

Headquartered in Merrillville, Indiana, Northern Indiana Public Service Company (NIPSCO, Baa2 senior unsecured/stable outlook) is the second largest electric utility and the largest local gas distribution company (LDC) in the state of Indiana in terms of the number of customers served (457,000 electric and 786,000 gas customers). The vertically integrated electric operations account for about two-thirds of NIPSCO's operating income; the LDC makes up the rest.

NIPSCO is the legacy subsidiary of NiSource, Inc. (Baa3 senior unsecured/stable outlook), a holding company that also owns other LDCs and gas pipeline subsidiaries. NIPSCO is a significant operating subsidiary of NiSource being the largest in terms of assets (almost 40% of consolidated assets), the second-largest contributor to operating income (averaging over a fifth of consolidated operating profits over the last three years), and the issuer of 6% of external debt (almost all of the rest of NiSource's consolidated debt is holding company debt. In February 2011, NIPSCO merged with its much smaller sister gas utilities in Indiana – Northern Indiana Fuel & Light and Kokomo Gas - which added about 70,000 customers. Please refer to Moody's Credit Opinion on NiSource for more details.

SUMMARY RATING RATIONALE

NIPSCO's rating takes into account the company's healthy standalone credit metrics, although they are expected to moderate over the next few years based on the company's 2010 electric and gas rate decisions and substantial environmental expenditures required over the next several years. The company's credit quality is constrained by its geographic concentration in northern Indiana, a mature, highly industrialized area that is recovering slowly from the economic recession. Its generation portfolio is primarily coal-based, which exposes NIPSCO to current and future environmental compliance expenditures. The rating is premised on supportive regulatory treatment typical for such expenditures in the Indiana jurisdiction. The one-notch difference in the ratings of NIPSCO and NiSource takes into account the implicit burden of substantial debt at the NiSource parent level and the fairly unrestricted movement of cash among its affiliates in a centralized money pool.

DETAILED RATING CONSIDERATIONS

IMMINENT ELECTRIC RATE ORDER STANDS TO CLEAR LONGSTANDING CREDIT OVERHANG

NIPSCO's 2008 electric rate case was long and contentious, as it was the utility's first such case in 20 years, taking place during difficult economic times for both its retail and industrial customers, and dealt with cost allocation among customer classes. Although new rates were finally authorized in August 2010, they were never put into effect because of challenges by interveners. In November 2010, NIPSCO

were finally authorized in August 2010, they were never put into effect because of challenges by interveners. In November 2010, [redacted] filed another rate case, which was then settled with interveners and is awaiting a final order around the end of 2011.

The imminent resolution of this proceeding with a constructive outcome, as contemplated in the proposed settlement, would be credit-positive in that it would eliminate a longstanding overhang on the company. The terms of that settlement calls for about a $100 million revenue increase, mostly through the expiration of customer credits and certain industrial contracts. These rates, if approved by the Indiana Utility Regulatory Commission (IURC), would thus begin to lift its financial performance beginning in 2012.

In NIPSCO's last gas and electric rate cases, the IURC accorded returns that were lower than those of other utilities in Indiana, citing NIPSCO's historically weak performance in regards to reliability and customer service. NiSource has made it a priority to improve NIPSCO's operating measures and regulatory relations, and to that end, has brought in new management and other resources to its Indiana operations.

COAL FLEET FACING SUBSTANTIAL ENVIRONMENTAL SPENDING

Like most Midwest utilities, NIPSCO relies heavily on coal-fired generation. Of the 3,300 megawatts of owned generating capacity, coal accounts for about 80%. Most of the rest is natural gas. NIPSCO has long been subject to particularly stringent environmental regulations, being located in a "non-attainment area" outside of Chicago. Heavy dependence on coal-fired generation has required significant environmental compliance expenditures to reduce carbon dioxide, sulfur dioxide, and nitrogen oxide emissions over the last twenty years.

For much of the rest of this decade, NIPSCO will be sharply increasing its spending to meet additional requirements by the Environmental Protection Agency (EPA). In January 2011, NIPSCO entered into a consent decree with the EPA to settle past violations of the Clean Air Act. Complying with this settlement entails investments in environmental controls which the company estimates could cost as much as $845 million through 2018. Compliance with this settlement is also expected to satisfy EPA's recently announced Cross State Air Pollution Rule (CSAPR), though NIPSCO is likely to accelerate some spending in 2012 through 2014 to install scrubbers to meet the requirements under the second phase of CSAPR in 2014. EPA's soon-to-be-announced Utility Maximum Allowable Control T environmental trackers and other supportive ratemaking mechanisms that have helped the state's coal fleet meet clean air standards, and we expect NIPSCO will be able to recover these costs in a timely manner.

GEOGRAPHIC CONCENTRATION IN AN ECONOMICALLY WEAK, MATURE SERVICE TERRITORY

NIPSCO's industrial sales account for about twice what is typical for the US electric power industry, so that NIPSCO is more exposed to economic cycles than most utilities. This exposure to large industrial customers has been manifested in NIPSCO's marked dow[redacted] its profitability in 2009 as well as in its inability to-date to settle the 2008 rate case, as is typical in Indiana. Industrial customers accounted for about 40% of NIPSCO's retail electric sales volume. Of NIPSCO's industrial sales, about two-thirds historically have been to the energy-intensive steel-related industries. Although the local steel plant utilization has recovered from the lows in 2009, the local economy is still sluggish.

CREDIT METRICS DECLINING NEAR TERM BUT STILL HEALTHY

NIPSCO has had the capacity to generate free cash flow, with cash flow from operations before working capital (CF pre-W/C) in the $300-$400 million range and capital expenditures historically in the $200 million range. Over the next several years, EPA rules are expected to roughly double capital expenditures and put NIPSCO in a negative cash flow position. Much of the shortfall will likely be financed with intercompany loans and external debt, which will result in some weakening in NIPSCO's credit metrics.

Based on unaudited financial statements, some of NIPSCO's reported credit metrics have historically mapped to Aa ratings according to Moody's utility rating framework, although they do not reflect the substantial amount of debt at the parent level. Before Moody's standard adjustments, three year-average CF pre-W/C plus interest/interest ratios have hovered around 9 times, CF pre-W/C/debt in the 30% range, and debt/capitalization in the mid 30% range. With the expected reduction in cash flow, these metrics should decline in the near term, but are expected to be sufficient to support NIPSCO's Baa2 rating. As a point of reference, CF pre-W/C/debt was 36% for the last twelve months ended September 2011.

Notching Considerations

NiSource's operating subsidiaries, Bay State and Northern Indiana Public Service Company, are rated one notch above NiSource to reflect the structural seniority of their respective debt to substantially all the consolidated debt at the parent level. Their ratings are notched closely, because of NiSource's practice of centrally managing its subsidiaries cash flow in a corporate money pool, which results in a fairly unrestricted commingling of cash among NiSource affiliates, and consolidating its financing needs at its guaranteed financing subsidiary, NiSource Finance Corporation. The one-notch rating differential also reflects the subsidiaries' low-risk, regulated credit profiles.

Liquidity Profile

NIPSCO participates in the NiSource money pool, which provides access to the parent company's $1.5 billion credit facility, due in March 2015, which appears adequate for NIPSCO's liquidity needs.

In addition, NIPSCO has a $200 million receivables sales program. The facility has a one year term, expiring in August 2012, that is extendible for 364 days if mutually agreed upon. Availability varies according to season. In Moody's view, this facility provides a reliable source of alternate liquidity in that it contains a MAC clause and will not be available if NIPSCO's rating is withdrawn or [redacted] below Ba2.

below Ba2.

The next scheduled long-term debt maturities will be in mid 2013, when $50 million of medium-term notes and $18 million of revenue bonds are due. NIPSCO's legacy external debt is now refinanced at the parent level.

Rating Outlook

NIPSCO's stable outlook reflects NiSource's stable outlook and is premised on constructive outcomes in its electric rate cases.

Drivers of Rating Change

Given NiSource's centralized cash management and the way that the organization is capitalized, NiSource's rating is likely to be the primary driver of NIPSCO's rating, either up or down.

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MOODY'S
INVESTORS SERVICE

MOODY'S
INVESTORS SERVICE

Credit Opinion: NiSource Inc.

Global Credit Research - 18 Nov 2011

Merrillville, Indiana (State of), United States

Ratings

Category	Moody's Rating
Outlook	Stable
Pref. Shelf	(P)Ba2
NiSource Finance Corporation	
Outlook	Stable
Issuer Rating	Baa3
Senior Unsecured	Baa3
Commercial Paper	P-3
NiSource Capital Markets, Inc.	
Outlook	Stable
Bkd Senior Unsecured	Baa3
Northern Indiana Public Service Company	
Outlook	Stable
Issuer Rating	Baa2
Senior Unsecured	Baa2
Bay State Gas Company	
Outlook	Stable
Senior Unsecured	Baa2

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Key Indicators

[1]NiSource Inc.	LTM (09/11)	2010	2009	2008	2007
(CFO Pre-W/C + Interest) / Interest	4.4x	3.9x	3.4x	3.3x	2.9x
(CFO Pre-W/C) / Debt	16.8%	15.8%	13.3%	10.8%	11.4%
(CFO Pre-W/C - Dvidends) / Debt	13.8%	12.7%	10.3%	8.1%	8.1%
Debt / Book Capitalization	53.2%	53.5%	56.1%	61.1%	53.0%

[1] All ratios calculated in accordance with the Regulated Electric and Gas Utilities Rating Methodology using Moody's standard adjustments

Note: For definitions of Moody's most common ratio terms please see the accompanying User's Guide.

Opinion

Rating Drivers

- Imminent electric rate order stands to clear longstanding credit overhang

- Pipelines provide long-term growth potential

- LDCs stabilized by rate increases and design improvements

- Leveraged but stable credit metrics

-Strategy to protect current investment-grade rating

Corporate Profile

NiSource Inc. (Baa3 senior unsecured for its guaranteed financing vehicles) is a holding company with regulated local natural gas distribution company (LDC) subsidiaries in Ohio, Pennsylvania, Virginia, Massachusetts, Kentucky, and Maryland, a combination electric and gas utility operation in Indiana, and an interstate gas pipeline system that runs from the Gulf Coast to the Northeast. The company has three segments: Gas Distribution (LDC, about 40% of segment operating income, before corporate items), Transmission and Storage (Pipelines, roughly 40% of operating income), and Electric (about 20% of operating income). The LDCs account for almost half of NiSource's assets, and the Pipelines and Electric subsidiaries each account for about a quarter. The company is one the largest LDC, gas pipeline, and gas storage systems in the US. It is a mid-sized vertically-integrated electric utility. Two of NiSource's ut subsidiaries are rated: Bay State Gas Company (doing business as Columbia Gas of Massachusetts) and Northern Indiana Public Service Company (NIPSCO), both Baa2 on a senior unsecured basis with a stable outlook. Please refer to Moody's Credit Opinions on Bay State and NIPSCO for more details.

SUMMARY RATING RATIONALE

NiSource's Baa3 ratings reflect modest but repeatable credit metrics which derive from its diverse portfolio of regulated subsidiaries. Being virtually all regulated, the company can support more leverage than similarly rated diversified utilities that are exposed to riskier commodity-price and market-sensitive businesses. Nevertheless, the company is regaining its financial health after spending much of the last decade in maintenance mode due to balance sheet constraints and operational issues. After a round of rate cases in all its jurisdictions and addressing a number of its legacy items, NiSource's financial position has stabilized, and the company is gradually putting more of its capital in growth investments. The rating takes into consideration the management's stated commitment to its current investment-grade rating.

DETAILED RATING CONSIDERATIONS

IMMINENT ELECTRIC RATE ORDER STANDS TO CLEAR LONGSTANDING CREDIT OVERHANG

While NiSource's LDCs have gradually improved, its electric segment has seen its historical strength decline. Although this segment's operating income for the last twelve months ended September 2011 has recovered to 2008 levels after being halved by the economic recession in 2009, it is still about 20% lower than it was in 2006. The erosion in operating income reflects lower usage as a result of the economic downturn, magnified by NIPSCO's exposure to industrial sales, as well as regulatory lag while the utility has pursued an electric rate case now three years running. The imminent resolution of this proceeding with a constructive outcome, as contemplated in the proposed settlement, would be credit-positive in that it would eliminate a longstanding overhang on the company.

NIPSCO's 2008 electric rate case was long and contentious, as it was the utility's first such case in 20 years, taking place during difficult economic times for both its retail and industrial customers, and dealt with cost allocation among customer classes. Although new rates were finally authorized in August 2010, they were never put into effect because of challenges by interveners. In November 2010, NIPSCO filed another rate case, which was then settled with interveners and is awaiting a final order in late 2011 or early 2012. The terms of that settlement calls for about a $100 million revenue increase, mostly through expiration of customer credits and certain industrial contracts. These rates, if approved by the Indiana Utility Regulatory Commission (IURC), would thus begin to lift its financial performance beginning in 2012.

In NIPSCO's last gas and electric rate cases, the IURC accorded returns that were lower than those of other utilities in Indiana, citing NIPSCO's historically weak performance in regards to reliability and customer service. NiSource has made it a priority to improve NIPSCO's operating measures and regulatory relations, and to that end, has brought in new management and other resources to its Indiana operations.

NIPSCO's generation portfolio is mostly coal-fired and thus subject to costly current and future environmental mandates. In January 2011, NIPSCO entered into a consent decree with the EPA to settle past violations of the Clean Air Act. Complying with this settlement entails investments in environmental controls which the company estimates could cost as much as $845 million through 2018. Compliance with this settlement is also expected to satisfy the recently announced Cross State Air Pollution Rule (CSAPR), though NIPSCO is likely to accelerate some spending in 2012 through 2014 to install scrubbers to meet the requirements under the second phase of CSAPR in 2014. The soon-to-be-announced Utility Maximum Allowable Control Technology rule is expected to add some incremental costs. Indiana regulation, however, has a long record of providing numerous environmental trackers and other supportive ratemaking mechanisms that have helped the state's coal fleet meet clean air standards, and we expect NIPSCO will be able to recover these costs in a timely manner.

PIPELINES PROVIDE LONG-TERM GROWTH POTENTIAL

The Pipeline segment is NiSource's highest-return segment (in terms of segment operating income-to-assets, over a 9% return-on-assets, about twice the returns of the company's LDC and electric segments) and the most reliable excess cash generator among NiSource's three segments. It also has the most long-term growth potential, so more growth capital will be spent in this segment than in the other two.

NiSource continues to undertake pipeline and storage expansions, but they tend to be numerous and small (mostly in the tens of million-dollar range) and generally entail low execution risk. The system traverses the Marcellus Shale, which has provided some organic expansion opportunities. Recently, producers have begun to test the Utica Shale, which lies below the Marcellus and which is reputed to be potentially much larger, in eastern Ohio near NiSource's pipeline system. The company has stepped up commercial activity to explore midstream and downstream projects in the area, but any material financial impact from the Utica is expected to be at least few years off.

On the other hand, Marcellus and other recent shale gas developments are beginning to displace gas supplies from the Gulf Coast that have been transported on NiSource's pipelines and reduce demand for pipeline capacity in those traditional field zones. As an indicator of the shifting gas supply flows and competition from new pipelines that have been built to serve shale developments, Columbia Gulf Transmission is awaiting final approval by the Federal Energy Regulatory Commission on a rate settlement. The settlement implements a postage-stamp rates which would help the pipeline better recover investments in the mid-portion of its system, which have become less utilized as a result of competition from the new shale plays in the Midcontinent.

Moody's, nevertheless, believes that this risk is mitigated by the pipeline's relatively low rates as an older, well-depreciated asset and the stickiness of its core utility customers. The NiSource pipelines' largest

MOODY'S
INVESTORS SERVICE

Credit Opinion: NiSource Inc.

Global Credit Research - 18 Nov 2011

Merrillville, Indiana (State of), United States

Ratings

Category	Moody's Rating
Outlook	Stable
Pref. Shelf	(P)Ba2
NiSource Finance Corporation	
Outlook	Stable
Issuer Rating	Baa3
Senior Unsecured	Baa3
Commercial Paper	P-3
NiSource Capital Markets, Inc.	
Outlook	Stable
Bkd Senior Unsecured	Baa3
Northern Indiana Public Service Company	
Outlook	Stable
Issuer Rating	Baa2
Senior Unsecured	Baa2
Bay State Gas Company	Stable
Outlook	Baa2
Senior Unsecured	

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William L. Hess/New York City	212.553.3837

Key Indicators

[1]NiSource Inc.	LTM (09/11)	2010	2009	2008	2007
	4.4x	3.9x	3.4x	3.3x	2.9x
(CFO Pre-W/C + Interest) / Interest	16.8%	15.8%	13.3%	10.8%	11.4%
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In NIPSCO's last gas and electric rate cases, the IURC accorded returns that were lower than those of other utilities in Indiana, citing NIPSCO's historically weak performance in regards to reliability and customer service. NiSource has made it a priority to improve NIPSCO's operating measures and regulatory relations, and to that end, has brought in new management and other resources to its Indiana operations.

NIPSCO's generation portfolio is mostly coal-fired and thus subject to costly current and future environmental mandates. In January 2011, NIPSCO entered into a consent decree with the EPA to settle past violations of the Clean Air Act. Complying with this settlement entails investments in environmental controls which the company estimates could cost as much as $845 million through 2018. Compliance with this settlement is also expected to satisfy the recently announced Cross State Air Pollution Rule (CSAPR), though NIPSCO is likely to accelerate some spending in 2012 through 2014 to install scrubbers to meet the requirements under the second phase of CSAPR in 2014. The soon-to-be-announced Utility Maximum Allowable Control T
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Moody's, nevertheless, believes that this risk is mitigated by the pipeline's relatively low rates as an older, well-depreciated asset and the stickiness of its core utility customers. The NiSource pipelines' largest customers include NiSource's LDC subsidiaries which are operationally integrated with its pipeline system. The company is also seeking new markets in the new gas-fired power plants which are expected to replace some coal-fired generation in the next several years.

LDCS STABILIZED BY RATE INCREASES AND DESIGN IMPROVEMENTS

NiSource's LDCs have become a steadier and more profitable segment over the past several years from meaningful rate increases and improved rate designs. Since 2008, the company has undergone a round of rate cases in all of its jurisdictions and in the past year, obtained about $100 million of rate relief.

Costs to refurbish the ageing system continue to increase and are likely to rise further after Congress reauthorizes the pending pipeline safety bill. Consequently, NiSource has sought regulatory mechanisms to meet its infrastructure integrity mandates at a reasonable return. It has some form of main replacement trackers in Ohio, Massachusetts, Virginia, and Kentucky. The majority of the capital expenditures made in the LDC segment are allocated to such trackers, which provide for pre-approved or accelerated recovery without a rate case.

Because customer growth is flat and usage is declining, NiSource has also sought to make its rates less sensitive to volumes delivered. The company has been allowed decoupling or straight fixed variable rate designs in Ohio, Massachusetts, and Virginia, which together account for about half of its customers. In jurisdictions where these changes have not been allowed, NiSource has obtained increases in the fixed customer charge, making it less reliant on the volumetric commodity charge. Additionally, NiSource earns non-base rate revenues from sharing of capacity release and off-system sales, and it has a timely purchased gas adjustment in its jurisdictions.

LEVERAGED BUT STABLE CREDIT METRICS

With rate increases and operational improvements, funds flow from operations has stabilized at a run-rate of about $1 billion, including the benefits of bonus depreciation and modestly rising earnings that are offset by cost inflation, in particular pension obligations. NiSource has a significant amount of debt obligations. In addition to $6.3 billion of reported long-term debt, the company's debt obligations include seasonal short-term debt and over $900 million of Moody's standard adjustments as of September 30, 2011.

As of last twelve months ended September 30, 2011, NiSource's cash flow pre-working capital-to-debt ratio was 16.8%, up from 13.3% in fiscal year ending December 31, 2009. We note that much of this improvement is from the temporary effects of bonus depreciation. If we assume bonus depreciation of $200 million (based roughly on the assumption that 75% of capital expenditures qualify for bonus depreciation and a 35% tax rate), this period's ratios would come down to 14.5% times, within the low-to-mid teens range that we believe NiSource can sustain at its current rating.

STRATEGY TO PROTECT CURRENT INVESTMENT-GRADE RATING

The company has progressively raised its forward-looking capital budget from a maintenance level of about $800 million in 2010 to $1 billion in 2011. More capital will be required in the future for environmental compliance at NIPSCO as well as for stricter pipeline safety standards for both the LDC and pipeline segments. Increased capital investments and common dividends of about $260 million would result in a funding gap of roughly $500 million a year. Bonus depreciation would help fill the gap over the next two years, but over time, the running deficit would entail some equity financing in order for the company to maintain its current balance sheet.

In the second half of 2012, NiSource plans to issue about $346 million of equity that NiSource sold forward in 2010. This timing would follow the resolution of the electric rate case and incremental earnings as a result. It also has an active dividend reinvestment program that has raised about $9 million in the last twelve months ended September 2011. Dividend payouts are still high relative to earnings (about 80% of reported net profits before unusual items over the last five years), but NiSource has kept its dividend per share unchanged since 2004 to retain some earnings. The company intends to protect and nurture its investment-grade standing through these measures, as well as eschewing aggressive financial engineering strategies such as creating an MLP structure.

Notching Considerations

NiSource's operating subsidiaries, Bay State and Northern Indiana Public Service Company, are rated one notch above NiSource to reflect the structural seniority of their respective debt to substantially all the consolidated debt at the parent level. As shown in the methodology grid below, the grid indicates a rating of Baa2, which does not reflect the structural subordination that causes the actual parent rating to be Baa3.

Ratings within the NiSource's family are notched closely, because of the company practice to centrally manage its subsidiaries' cash flow in a corporate money pool and consolidating its debt financing at its guaranteed financing subsidiary NiSource Finance Corporation. The one-notch rating differential also indicates the subsidiaries' low-risk, regulated credit profiles.

Liquidity Profile

FII Fitch Affirms NiSource and Subs' IDRS at 'BBB-'; Outlook Stable
Dec 13 2011 15:18:22

****
BN 12/13 15:18 *FITCH AFFIRMS NISOURCE-SUBS' IDRS AT 'BBB-'; OUTLOOK STABLE
****

FITCH AFFIRMS NISOURCE AND SUBSIDIARIES' IDRS AT 'BBB-'; OUTLOOK STABLE

Fitch Ratings-New York-13 December 2011: Fitch Ratings has affirmed the outstanding ratings for NiSource Inc. (NI) and its subsidiaries as fully listed below. The affirmations include NiSource Finance Corp. (NiSource Finance) and NiSource Capital Markets Inc., NI's two financing subsidiaries and Northern Indiana Public Service Co. (NIPSCO), an electric and gas utility. The Rating Outlook remains Stable. Approximately $6.5 billion of long-term debt is affected by the rating actions.

Key Rating Drivers: NI's rating and Stable Outlook reflect the low business risk and consistent operating performance generated by its geographically diverse mix of regulated operations. Other considerations include increasing revenues from improved industrial electric usage at NIPSCO, anticipated favorable near-term rate settlements across all three operating segments, and the future financial benefits from a $400 million forward equity sale that NI expects to draw on in the second half of 2012.

Forward Expectations: NI's financial profile is expected to remain consistent with its current rating though its current multi-year infrastructure-build cycle. Fitch projects NI's 2011 debt to EBITDA to modestly exceed 5.0 times (x). Typically NI's leverage peaks at the end of the year as a result of seasonal gas storage purchases at its gas utilities and drops during the following months as gas costs are recovered. In July 2011, NIPSCO filed a settlement with the Indiana Utility Regulatory Commission (IURC) to resolve its 2010 electric base rate case. The company anticipates new rates could be effective in late 2011 or early 2012. Leverage ratios should modestly strengthen in 2012 benefiting from new electric rates, expected equity sales, and the timely financial recovery under tracking mechanisms of a significant portion of NI's capital expenditures.

NiSource Finance Debt Issuance: In November 2011, NiSource Finance issued $250 million of 4.45% notes due 2021 (2021 notes) and $250 million of 5.80% notes due 2042 (2042 notes). Net proceeds from the 2021 note sale will be contributed to NI's pension fund. Proceeds from the 2042 note sale were used to tender for higher coupon NiSource Finance debt.

Liquidity: NI's liquidity is expected to be adequate. NiSource Finance has a $1.5 billion revolving credit facility that matures in March 2015. The company also issues 'F3' rated commercial paper under a $500 CP program that is backstopped by the revolver. The revolver has one financial covenant which sets a maximum consolidated debt-to-cap ratio of 70%. Headroom under the covenant was ample at Sept. 30, 2011. The revolver also includes limitations on liens and restrictions on asset sales. At the end of the third quarter of 2011 NI had approximately $460 million in net available liquidity. NI's liquidity position in 2012 should benefit from the forward equity sale and bonus depreciation. NI also has a total of $515 million of accounts receivable securitization facilities as follows: $240 million at Columbia Gas of Ohio; $200 at NIPSCO; and $75 million at Columbia Gas of Pennsylvania. Upcoming debt maturities at NiSource Finance are manageable and include $315 million of notes due November 2012 and $420 million of notes due 2013 and at NIPSCO $68 million due 2013.

Catalysts for Future Rating Actions: Possible catalysts for negative rating actions include unfavorable regulatory decisions, higher than anticipated leverage on a sustained basis, and weakened liquidity. Possible catalysts for positive rating actions include long-term improvement in credit metrics and reduced regulatory risk.

Fitch affirms the following ratings with a Stable Outlook:

NI

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FII Fitch Affirms NiSource and Subs' IDRS at 'BBB-'; Outlook Stable
Dec 13 2011 15:18:22
--'Short-Term Ratings Criteria for Non-Financial Corporates' Aug. 12, 2011.

Applicable Criteria and Related Research:

Corporate Rating Methodology

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=647229

Parent and Subsidiary Rating Linkage

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=647210

Short-Term Ratings Criteria for Non-Financial Corporate

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=647249

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Provider ID: 00602300
-0- Dec/13/2011 20:18 GMT

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STANDARD &POOR'S

Global Credit Portal®
RatingsDirect®

February 29, 2012

Summary:

NiSource Inc.

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Secondary Contact:
Michael V Grande, New York (1) 212-438-2242; michael_grande@standardandpoors.com

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Rationale

Outlook

Related Criteria And Research

Summary:
NiSource Inc.

Credit Rating: BBB-/Stable/A-3

Rationale

Standard & Poor's Ratings Services' rating on Merrillville, Ind.-based NiSource Inc. reflects an "excellent" business risk profile and an "aggressive" financial risk profile (as our criteria define the terms). We base the rating on NiSource on the consolidated business and financial risk profiles of its subsidiaries, Northern Indiana Public Service Co. (NIPSCO; BBB-/Stable/--), Bay State Gas Co. (BBB-/Stable/--), and Columbia Energy Group (CEG; not rated). NiSource is involved in regulated natural gas distribution (nearly 40% of operating income), gas transmission and storage (roughly 35%), and vertically integrated electric operations (about 25%). As of Dec. 31, 2011, NiSource had about $8 billion of total reported debt.

A business strategy centered almost exclusively on regulated businesses, a diverse service area that encompasses seven states, and the low operating risks of its regulated utilities support the company's excellent business position. A large residential customer base and lack of competition in the company's regulated service territories also support the business risk profile. The company's aggressive financial risk profile, high capital spending, and NIPSCO's higher-than-average dependence on industrial customers somewhat temper NiSource's strengths.

The stand-alone financial profiles of NiSource's utility subsidiaries are much stronger than the consolidated financial profile, where substantial holding company debt is held. Nevertheless, we view the default risk as the same throughout the organization due to the absence of regulatory mechanisms or other structural barriers that sufficiently restrict subsidiary cash from flowing to the holding company. We consider NiSource's gas distribution operations to be above average, characterized by ample geographic diversity and integration with CEG's gas transmission network, which provide operational flexibility. Nearly all of the gas subsidiaries needs are contracted with Columbia Transmission, with roughly 70% of peak gas needs met with storage gas. Cash flow variability is also low given material revenue stabilization and cost-tracking mechanisms. CEG's gas transmission network has a huge underground storage system (working gas of about 280 billion cubic feet), access to multiple supply basins, slightly over 90% of revenues that are derived from firm, take-or-pay contracts, and a moderate contract life exists mainly at maximum rates.

NIPSCO mostly burns coal (nearly 80% of capacity), so it incurs higher-than-average environmental costs, although a surcharge on rates provides for timely cost recovery. NIPSCO's customer growth is flat, service territory unemployment is slightly higher than the national average (Standard & Poor's base-case scenario is 8.4% for 2012), and it has very significant industrial exposure with these customers representing about one-half of its total volumes. The industrial customers are susceptible to a weak economy, although volumes are back to typical levels following a falloff in recent years due to a weak economy. Standard & Poor's base-case forecast for 2012 is for GDP growth of 2.1% and a 7.7 % rise in equipment investment, both indicators of near-term stability in NIPSCO's industrial customer exposure. NIPSCO's residential rates are higher than the state average, although they are not the highest in the state and are lower than the national average. We expect 2012 cash flows to improve given the settlement of NIPSCO's rate case, although we do not expect a dramatic influence on NiSource's cash flow metrics given its

consolidated cash flow diversity.

We characterize the company's financial risk profile as aggressive due to its high debt leverage and capital spending program. Initiatives to improve regulatory design and increase rates at the gas distribution companies, several pipeline expansions, and the inclusion of the Sugar Creek power plant into rate base should improve and further stabilize cash in the longer term. However, given the company's forecast of about $1.4 billion in capital spending and associated increased debt levels, NiSource is likely to generate considerable negative discretionary cash flow in 2012. The company expects to direct about three-quarters of capital spending at utility maintenance and rate-tracked investments, with the remainder on growth projects. The most meaningful source of new growth projects is expected in the Marcellus Shale gas-gathering region, which the company expects to be a long-term program with meaningful, but well-spread, expenditures backed by long-term off-take contracts. In our base-case forecast scenario for 2012, we expect funds from operations (FFO) to total debt and FFO interest coverage of about 14% and 3.5x, respectively. While FFO benefits from a change in the tax method of capitalizing certain costs, we expect long-term FFO to total adjusted debt to remain at about 13%, which is adequate for the rating.

Liquidity

We view NiSource's liquidity as adequate under Standard & Poor's corporate liquidity methodology. We expect the company's cash sources to exceed its uses by roughly 1.2x over the next 12 months. The company's projected sources of liquidity will consist of FFO, which we expect to total about $1.1 billion in 2012, a $1.5 billion revolving credit facility due 2015 (about $725 million outstanding), and modest cash balances (about $12 million), both as of Dec. 31, 2011). NiSource Finance has a $500 million commercial paper program, which had about $403 million outstanding as of Dec. 31, 2011. We project uses of cash in 2012 to include about $1 billion of capital spending (including maintenance and longer-lead time projects relative to the company's forecast of $1.4 billion), dividends of about $260 million, modest debt maturities ($315 million), and the seasonal purchase via short-term borrowings of natural gas for winter heating purposes.

Liquidity also gets support from accounts-receivable securitization facilities at NIPSCO, Columbia of Ohio, and Columbia Gas of Pennsylvania. As of Dec. 31, 2011, about $232 million was outstanding under the securitization facilities (all less than one year in duration), which provide for peak borrowing capacity of $515 million. Depending on the amount of natural gas supplies needed and the price of natural gas, working capital outflows could be higher, but liquidity should nonetheless be manageable assuming relatively low gas prices and the replacement of the revolving credit facility, both of which we expect to occur.

In our view, NiSource's liquidity benefits from its ability to absorb high-impact, low-probability events with limited need for refinancing. The company has the flexibility to lower some of its capital spending, it has well-established bank relationships and above-average access to the capital markets, and its risk-management is prudent. The company has significant headroom under the covenant in its debt agreement that requires the maintenance of debt to capital (as defined) to be below 69% (61% as of Dec. 31, 2011).

Outlook

The stable outlook reflects our expectation of stable operating and financial performance at the regulated subsidiaries, annual capital spending of about $1.4 billion, and long-term FFO to debt of about 13%. An FFO to debt ratio sustained below 10% could lead to a lower rating. While we do not currently contemplate an upgrade, credit quality could improve if cash flow metrics considerably improve, specifically FFO to debt of more than 15%

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Major Rating Factors

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NiSource Inc.

Major Rating Factors



Strengths:

- Conservative business strategy that focuses almost exclusively on regulated businesses;
- Low operating risks and competitive pressures at the gas and electric utility and pipeline segments; and
- Geographic and regulatory diversity provided by regulated operations in seven states.

Weaknesses:

- An aggressive financial profile;
- Subsidiary Northern Indiana Public Service Co.'s high cost structure and heavy dependence on the industrial sector; and
- High capital spending, of about $1.4 billion, that is likely to generate considerable negative discretionary cash flow in 2012

Rationale

Standard & Poor's Ratings Services' rating on Merrillville, Ind.-based NiSource Inc. reflects an "excellent" business risk profile and an "aggressive" financial risk profile (as our criteria define the terms). We base the rating on NiSource on the consolidated business and financial risk profiles of its subsidiaries, Northern Indiana Public Service Co. (NIPSCO; BBB-/Stable/--), Bay State Gas Co. (BBB-/Stable/--), and Columbia Energy Group (CEG; not rated). NiSource is involved in regulated natural gas distribution (nearly 40% of operating income), gas transmission and storage (roughly 35%), and vertically integrated electric operations (about 25%). As of Dec. 31, 2011, NiSource had about $8 billion of total reported debt.

A business strategy centered almost exclusively on regulated businesses, a diverse service area that encompasses seven states, and the low operating risks of its regulated utilities support the company's excellent business position. A large residential customer base and lack of competition in the company's regulated service territories also support the business risk profile. The company's aggressive financial risk profile, high capital spending, and NIPSCO's higher-than-average dependence on industrial customers somewhat temper NiSource's strengths.

The stand-alone financial profiles of NiSource's utility subsidiaries are much stronger than the consolidated financial profile, where substantial holding company debt is held. Nevertheless, we view the default risk as the same throughout the organization due to the absence of regulatory mechanisms or other structural barriers that sufficiently restrict subsidiary cash from flowing to the holding company. We consider NiSource's gas distribution operations to be above average, characterized by ample geographic diversity and integration with CEG's gas transmission network, which provide operational flexibility. Nearly all of the gas subsidiaries needs are contracted with Columbia Transmission, with roughly 70% of peak gas needs met with storage gas. Cash flow variability is also low given material revenue stabilization and cost-tracking mechanisms. CEG's gas transmission network has a huge underground storage system (working gas of about 280 billion cubic feet), access to multiple supply basins,

slightly over 90% of revenues that are derived from firm, take-or-pay contracts, and a moderate contract life exists mainly at maximum rates.

NIPSCO mostly burns coal (nearly 80% of capacity), so it incurs higher-than-average environmental costs, although a surcharge on rates provides for timely cost recovery. NIPSCO's customer growth is flat, service territory unemployment is slightly higher than the national average (Standard & Poor's base-case scenario is 8.4% for 2012), and it has very significant industrial exposure with these customers representing about one-half of its total volumes. The industrial customers are susceptible to a weak economy, although volumes are back to typical levels following a falloff in recent years due to a weak economy. Standard & Poor's base-case forecast for 2012 is for GDP growth of 2.1% and a 7.7 % rise in equipment investment, both indicators of near-term stability in NIPSCO's industrial customer exposure. NIPSCO's residential rates are higher than the state average, although they are not the highest in the state and are lower than the national average. We expect 2012 cash flows to improve given the settlement of NIPSCO's rate case, although we do not expect a dramatic influence on NiSource's cash flow metrics given its consolidated cash flow diversity.

We characterize the company's financial risk profile as aggressive due to its high debt leverage and capital spending program. Initiatives to improve regulatory design and increase rates at the gas distribution companies, several pipeline expansions, and the inclusion of the Sugar Creek power plant into rate base should improve and further stabilize cash in the longer term. However, given the company's forecast of about $1.4 billion in capital spending and associated increased debt levels, NiSource is likely to generate considerable negative discretionary cash flow in 2012. The company expects to direct about three-quarters of capital spending at utility maintenance and rate-tracked investments, with the remainder on growth projects. The most meaningful source of new growth projects is expected in the Marcellus Shale gas-gathering region, which the company expects to be a long-term program with meaningful, but well-spread, expenditures backed by long-term off-take contracts. In our base-case forecast scenario for 2012, we expect funds from operations (FFO) to total debt and FFO interest coverage of about 14% and 3.5x, respectively. While FFO benefits from a change in the tax method of capitalizing certain costs, we expect long-term FFO to total adjusted debt to remain at about 13%, which is adequate for the rating.

Liquidity

We view NiSource's liquidity as adequate under Standard & Poor's corporate liquidity methodology. We expect the company's cash sources to exceed its uses by roughly 1.2x over the next 12 months. The company's projected sources of liquidity will consist of FFO, which we expect to total about $1.1 billion in 2012, a $1.5 billion revolving credit facility due 2015 (about $725 million outstanding), and modest cash balances (about $12 million), both as of Dec. 31, 2011). NiSource Finance has a $500 million commercial paper program, which had about $403 million outstanding as of Dec. 31, 2011. We project uses of cash in 2012 to include about $1 billion of capital spending (including maintenance and longer-lead time projects relative to the company's forecast of $1.4 billion), dividends of about $260 million, modest debt maturities ($315 million), and the seasonal purchase via short-term borrowings of natural gas for winter heating purposes.

Liquidity also gets support from accounts-receivable securitization facilities at NIPSCO, Columbia of Ohio, and Columbia Gas of Pennsylvania. As of Dec. 31, 2011, about $232 million was outstanding under the securitization facilities (all less than one year in duration), which provide for peak borrowing capacity of $515 million. Depending on the amount of natural gas supplies needed and the price of natural gas, working capital outflows could be higher, but liquidity should nonetheless be manageable assuming relatively low gas prices and the replacement of the revolving credit facility, both of which we expect to occur.

MOODY'S
INVESTORS SERVICE

Announcement: Moody's Disclosures on Credit Ratings of NiSource Inc.

Global Credit Research - 02 Mar 2012

New York, March 02, 2012 -- The following release represents Moody's Investors Service's summary credit opinion on NiSource Inc. and includes certain regulatory disclosures regarding its ratings. This release does not constitute any change in Moody's ratings or rating rationale for NiSource Inc. and its affiliates.

Moody's current ratings on NiSource Inc. and its affiliates are:

Pref. Shelf domestic currency rating of (P)Ba2

Preferred shelf -- PS2 domestic currency rating of (P)Ba2

Bay State Gas Company

Senior Unsecured domestic currency rating of Baa2

Senior Unsecured MTN domestic currency rating of (P)Baa2

NiSource Capital Markets, Inc.

BACKED Senior Unsecured domestic currency rating of Baa3

BACKED Senior Unsecured MTN domestic currency rating of (P)Baa3

BACKED Senior Unsec. Shelf domestic currency rating of (P)Baa3

Northern Indiana Public Service Company

Senior Unsecured domestic currency rating of Baa2

Senior Unsecured MTN domestic currency rating of (P)Baa2

LT Issuer Rating rating of Baa2

BACKED Senior Secured domestic currency rating of Baa2

BACKED Senior Unsecured domestic currency rating of Baa2

BACKED LT IRB/PC domestic currency rating of Baa2

BACKED Other Short Term domestic currency rating of VMIG 2

Underlying Senior Unsecured domestic currency rating of Baa2

NiSource Finance Corporation

Senior Unsecured domestic currency rating of Baa3

LT Issuer Rating rating of Baa3

Commercial Paper domestic currency rating of P-3

BACKED Senior Unsecured domestic currency rating of Baa3

BACKED Senior Unsec. Shelf domestic currency rating of (P)Baa3

RATINGS RATIONALE

NiSource's Baa3 ratings reflect modest but repeatable credit metrics which derive from its diverse portfolio of regulated subsidiaries. Being virtually all regulated, the company can support more leverage than similarly rated diversified utilities that are exposed to riskier commodity-price and market-sensitive businesses. Nevertheless, the company is regaining its financial

health after spending much of the last decade in maintenance mode due to balance sheet constraints and operational iss[redacted]. After a round of rate cases in all its jurisdictions and addressing a number of its legacy items, NiSource's financial positio[redacted] stabilized, and the company is gradually putting more of its capital in growth investments. The rating takes into consideration the management's stated commitment to its current investment-grade rating.

Rating Outlook

NiSource's stable outlook is based on its current financial plan, which should sustain modest but stable metrics, including Moody's adjusted cash flow pre-working capital-to-debt in the low to mid teens.

What Could Change the Rating - Up

If NiSource reduces debt and sustains stronger metrics, including cash flow pre-working capital-to-debt in the mid to upper teens.

What Could Change the Rating - Down

If NiSource fails to achieve top-line revenue growth it expects from its regulatory initiatives and investments or adopts a more aggressive corporate finance model, causing a sustained decline in its credit metrics, such as cash flow pre-working capital-to-debt around 10%.

The principal methodology used in these ratings was Regulated Electric and Gas Utilities published in August 2009. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

Although these credit ratings have been issued in a non-EU country which has not been recognized as endorsable at this date, the credit ratings are deemed "EU qualified by extension" and may still be used by financial institutions for regulatory purposes until 30 April 2012. Further information on the EU endorsement status and on the Moody's office that has issued a particular Credit Rating is available on www.moodys.com.

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information.

Please see www.moodys.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

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MOODY'S
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US Regulatory Support for NiSource Pipeline Modernization Is Credit Positive

From Weekly Credit Outlook

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On 20 April, NiSource Inc. (Baa3 stable) said that US Department of Transportation (DOT) Secretary Ray LaHood had pledged to expedite the regulatory and approval process for the company's $4 billion, 15-year program to upgrade its natural gas pipeline system in the northeastern US. This development is credit positive for NiSource.

The DOT's commitment to NiSource smoothes the path for an extensive pipeline upgrade program that proposes replacing some of the country's oldest, still-operating pipes, and improving the system's access to the promising gas-producing Marcellus and Utica shale regions in Pennsylvania and Ohio. NiSource's pipeline upgrade program will reduce the likelihood of an accident with its potentially large financial and reputational costs, and drive future earnings growth through a renewed capital investment in its network.

At this stage, explicit support from the DOT, which oversees US pipeline safety, gives a high-profile boost to NiSource as it embarks on approval processes with numerous constituents at federal, state, and local levels, including environmental agencies.

NiSource's pipeline upgrade program is particularly noteworthy on two fronts. First, it is the first multi-billion dollar program to be announced outside California since 2010, when Pacific Gas & Electric Company's (A3 stable) pipeline exploded in San Bruno, California. Second, it proposes an infrastructure tracker surcharge to recover upgrade-related costs from its customers, a first for interstate gas pipelines.

A tracker surcharge would enable NiSource to recover its ongoing costs quickly, rather than going through a costly, drawn-out rate case. Pipeline revenues are underpinned by privately negotiated contracts with customers, so they would have to agree to a new surcharge.

We believe other pipelines will initiate safety-related programs that will cost billions of dollars for the industry as rules tighten over the next few years. Most pipelines in the US are more than 40 years old and will need to be replaced, or have new facilities added to allow for more testing to ensure their safety under the recently passed federal pipeline safety law. [1]

What is Moody's Weekly Credit Outlook?

Moody's Weekly Credit Outlook provides our research clients with timely opinions on breaking credit market developments and trends. Published every Monday morning, the newsletter will help you start your week informed of Moody's latest opinions from across the organization.

[1] See Pipeline Safety Costs Rising As Alternative Rate Designs Sought, 25 April 2012.

Over the next several years, these pipelines will need to negotiate reasonable plans with regulators and customers, enabling their compliance with the new pipeline safety mandates, while recovering those costs quickly enough so that their credit metrics do not deteriorate. We believe NiSource is in a good position to negotiate an accelerated cost-recovery mechanism, as numerous customers would want reliable access to the Marcellus and Utica shales. If the company is successful, it will set a precedent that other issuers are likely to follow, which would be credit positive for the industry at large.

Report Number: 141694

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