COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF AN ADJUSTMENT	)	
OF GAS RATES OF COLUMBIA GAS	)	CASE NO. 2013-00167
OF KENTUCKY, INC.	)	

VOLUME 5

FILING REQUIREMENTS

Columbia Gas of Kentucky, Inc.
Case 2013-00167
Table of Contents
Volume 5

Columbia Gas of Kentucky, Inc.
CASE NO. 2013-00167
Forecasted Test Period Filing Requirements
Filing Requirement 12-p

Description of Filing Requirement:

A copy of the utility's annual report on Form 10-K as filed with the Securities and Exchange Commission for the most recent two (2) years, and any Form 8-K issued during the past two (2) years, and any Form 10-Q issued during the past six (6) quarters;

Response:

Please refer to Volumes 5 and 6 of Columbia's application for Form 10-Q's and Form 8-K's. Form 10-K is part of the Annual Report to Stockholders and is included with Filing Requirement 12-l.

Responsible Witness:

S. Mark Katko

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 (State or other jurisdiction of incorporation or organization)	35-2108964 (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: 284,092,190 shares outstanding at April 26, 2012.

NISOURCE INC.
FORM 10-Q QUARTERLY REPORT
FOR THE QUARTER ENDED MARCH 31, 2012

Table of Contents

Table of Contents

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)

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
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
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 (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
SIP	State Implementation Plan
SO2	Sulfur dioxide
VaR	Value-at-risk and instrument sensitivity to market factors

DEFINED TERMS (continued)

VIE	Variable Interest Entities
VSCC	Virginia State Corporation Commission

Table of Contents

PART I

ITEM 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)
Income from Continuing Operations before Income Taxes	296.4	319.9
Income 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.

ITEM 1. FINANCIAL STATEMENTS (continued)

NISOURCE INC.

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
Materials and supplies, at average cost		89.8		87.6
Electric 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.

Table of Contents

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**		168.2
Deferred revenue		**10.6**		10.1
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)

N I S 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 contribution	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)
Other noncurrent liabilities	4.0	1.0
Net 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.

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)

NiSource Inc.
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)

(in millions, except per share amounts)	Three Months ended March 31, 2011 As Previously Reported	Three Months ended March 31, 2011 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.

ITEM 1. FINANCIAL STATEMENTS (continued)

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

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.

NISOURCE INC.
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
Revenues 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

N I S OURCE I NC .
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)

NiSource Inc.
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 $1.88 per Mcf. On February 9, 2011, the PUCO issued an entry that approved the results of the auction with the new retail price adjustment to become effective April 1, 2011. Several parties 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.

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.

ITEM 1. FINANCIAL STATEMENTS (continued)

NiSource Inc.
Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

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 and the fuel costs related to purchased power. These costs are recovered through a FAC, a standard, quarterly, "summary" regulatory proceeding in Indiana.

As part of a multi-state effort to strengthen the electric transmission system serving the Midwest, Northern Indiana anticipates making an investment in a new, 100-mile, 345-kilovolt transmission project in northern Indiana. The project, a major new transmission system improvement reviewed and authorized by the MISO, is scheduled to be in service during the latter part of the decade. On March 16, 2012, Northern Indiana filed with the FERC for incentives for this transmission project, including all construction work in progress in rate base. Northern Indiana has also been identified by the MISO as one of two Transmission Owners to invest in another project. On February 8, 2012, Pioneer Transmission, LLC filed a complaint with the FERC, seeking to obtain 100 percent of the investment rights in this second project. The last Response was filed by Northern Indiana on March 27, 2012.

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 depends on the intended use of the derivative and resulting designation.

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

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

NiSource Inc.
Notes 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.

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 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.

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

NISOURCE INC.
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) March 31, 2012	March 31, 2011	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
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

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. 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 $2.1 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 $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.

ITEM 1. FINANCIAL STATEMENTS (continued)

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

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:				
Physical price risk programs	$ -	$ 0.7	$ -	$ 0.7
Financial 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

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

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.

NiSource Inc.
Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

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 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.

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.

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.

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, 1,956,433 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.

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 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 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.

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 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.

NiSource Inc.
Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

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.

ITEM 1. FINANCIAL STATEMENTS (continued)

NiSource Inc.
Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

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 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 $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.

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 years 1985 and 1995 without obtaining appropriate air permits for the modifications. Northern Indiana, EPA, the Department of Justice, and IDEM have settled the matter through a consent decree.

Water

The Phase II Rule of the Clean Water Act Section 316(b), which requires all large existing steam electric generating stations to meet certain performance standards to reduce the effects on aquatic organisms at their cooling water intake structures, became effective on September 7, 2004. Under this rule, stations will either have to demonstrate that the performance of their existing fish protection systems meet the new standards or develop new systems, such as a closed-cycle cooling tower. Various court challenges and EPA responses ensued. The EPA announced a proposed rule and is obligated to finalize a rule in 2012. Northern Indiana will continue to monitor this matter but cannot estimate the cost of compliance at this time.

Waste

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

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

Other Operations.

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

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 $19.4 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.

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	195.7
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.

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

22. Supplemental Cash Flow Information

The following table provides additional information regarding NiSource's Condensed Statements of Consolidated Cash Flows (unaudited) for the 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 the 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.

- 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)

N I S OURCE I NC .

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)

(in millions, except per share amounts)	Three Months ended March 31, 2011 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.

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.

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 1.01% 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

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.

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

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.

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)

N I S OURCE I NC .

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 rate developments and cost recovery and trackers for the Gas Distribution Operations segment.

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.

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.

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.

Rimersburg Expansion Project. The Gas Transmission and Storage Operations segment is investing approximately $7 million for this project that added capacity to north central Pennsylvania to meet the growing demands of producers in the area. The project expands Line 134 from the Brinker compressor station to the Iowa regulator, adding approximately 19,000 Dth per day of additional capacity, all of which has been sold through precedent agreements. The project 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.

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.

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**	855.8
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.

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 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.

Table of Contents

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)

Exhibit 10.1

SAVINGS RESTORATION PLAN

FOR NISOURCE INC. AND AFFILIATES

As Amended and Restated Effective January 1, 2012

TABLE OF CONTENTS

SAVINGS RESTORATION PLAN
FOR NISOURCE INC. AND AFFILIATES

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 plans by Code Section 401(a)(17) and any other Code Sections, by restoring benefits to such Plan Participants and Beneficiaries that are no longer available under the Basic Plan 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 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 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.

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 timely information to the Benefits 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 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 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.

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 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.

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

Exhibit 10.2

NISOURCE INC.

EXECUTIVE DEFERRED COMPENSATION PLAN

Amended and Restated Effective January 1, 2012

TABLE OF CONTENTS

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 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 **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 Accoun t** . 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 Deferra l** . 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 **Accoun 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, subsequently transferred from the investment option described in this Section to another investment option may not be reinvested under this Section.

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 they experience a Separation from Service for any reason. A Participant may receive a distribution before Separation 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 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 31st 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, Unforeseeable 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 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.

(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 31 st 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 31 st 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 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 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 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** . 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)(1), 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 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 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 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.

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

Exhibit 31.1

Certification Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002

I, Robert C. Skaggs, Jr., certify that:

1. I have reviewed this Quarterly Report of NiSource Inc. on Form 10-Q for the quarter ended 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

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 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

Exhibit 32.2

Certification Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of NiSource Inc. (the "Company") on Form 10-Q for the quarter ending 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

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

FORM 10-Q

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

For the quarterly period ended June 30, 2012

or

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

For the transition period from ______ to ______

Commission file number 001-16189

NiSource Inc.

(Exact name of registrant as specified in its charter)

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

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

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

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

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

Large accelerated filer ☑ Accelerated filer ☐

Non-accelerated filer ☐ Smaller reporting company ☐

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

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

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

Table of Contents

DEFINED TERMS

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

NiSource Subsidiaries and Affiliates

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

Abbreviations

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

DEFINED TERMS (continued)

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
ECT	Environmental Cost Tracker
ECR	Environmental Cost Recovery
EPA	United States Environmental Protection Agency
EPS	Earnings per share
FAC	Fuel adjustment clause
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
FGD	Flue Gas Desulfurization
FTRs	Financial Transmission Rights
GAAP	U.S. Generally Accepted Accounting Principles
GCR	Gas cost recovery
GHG	Greenhouse gases
gwh	Gigawatt hours
IDEM	Indiana Department of Environmental Management
IFRS	International Financial Reporting Standards
IRP	Infrastructure Replacement Program
IURC	Indiana Utility Regulatory Commission
LDCs	Local distribution companies
LIBOR	London InterBank Offered Rate
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
NYMEX	New York Mercantile Exchange
OCI	Other Comprehensive Income (Loss)
OPEB	Other Postretirement and Postemployment Benefits
OUCC	Indiana Office of Utility Consumer Counselor
PADEP	Pennsylvania Department of Environmental Protection
Piedmont	Piedmont Natural Gas Company, Inc.
PJM	PJM Interconnection (a regional transmission organization (RTO) that coordinates the movement of wholesale electricity in all or parts of 13 states and the District of Columbia.)
PM	particulate matter
PSC	Public Service Commission
PUC	Public Utility Commission
PUCO	Public Utilities Commission of Ohio
RA	Resource Adequacy
RBS	Royal Bank of Scotland PLC
RCRA	Resource Conservation and Recovery Act
RDAF	revenue decoupling adjustment factor
RTO	Regional Transmission Organization
SEC	Securities and Exchange Commission
SIP	State Implementation Plan
SO2	Sulfur dioxide

DEFINED TERMS (continued)

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

Table of Contents

PART I

ITEM 1. FINANCIAL STATEMENTS

NiSource Inc.
Condensed Statements of Consolidated Income (unaudited)

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

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

ITEM 1. FINANCIAL STATEMENTS (continued)

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

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

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

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

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

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

Table of Contents

ITEM 1 . FINANCIAL STATEMENTS (continued)

NiSource Inc.
Condensed Consolidated Balance Sheets (unaudited)

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

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

ITEM 1. FINANCIAL STATEMENTS (continued)

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

(in millions, except share amounts)	**June 30, 2012**	December 31, 2011
CAPITALIZATION AND LIABILITIES		
Capitalization		
Common Stockholders' Equity		
Common stock - $0.01 par value; 400,000,000 shares authorized; 284,767,362 and 281,853,571 shares issued and outstanding, respectively	**$ 2.9**	$ 2.8
Additional paid-in capital	**4,221.0**	4,167.7
Retained earnings	**980.9**	917.0
Accumulated other comprehensive loss	**(59.0)**	(59.7)
Treasury stock	**(40.5)**	(30.5)
Total Common Stockholders' Equity	**5,105.3**	4,997.3
Long-term debt, excluding amounts due within one year	**6,806.9**	6,267.1
Total Capitalization	**11,912.2**	11,264.4
Current Liabilities		
Current portion of long-term debt	**766.9**	327.3
Short-term borrowings	**327.6**	1,359.4
Accounts payable	**292.1**	434.8
Dividends payable	**68.3**	-
Customer deposits and credits	**201.8**	313.6
Taxes accrued	**185.5**	220.9
Interest accrued	**116.6**	111.9
Overrecovered gas and fuel costs	**84.1**	48.9
Price risk management liabilities	**132.7**	167.8
Exchange gas payable	**101.4**	168.2
Deferred revenue	**10.0**	10.1
Regulatory liabilities	**93.3**	112.0
Accrued liability for postretirement and postemployment benefits	**26.6**	26.6
Legal and environmental reserves	**35.6**	43.9
Other accruals	**219.8**	301.0
Total Current Liabilities	**2,662.3**	3,646.4
Other Liabilities and Deferred Credits		
Price risk management liabilities	**45.6**	138.9
Deferred income taxes	**2,730.5**	2,541.9
Deferred investment tax credits	**26.9**	29.0
Deferred credits	**85.0**	78.9
Accrued liability for postretirement and postemployment benefits	**939.4**	953.8
Regulatory liabilities and other removal costs	**1,615.7**	1,663.9
Asset retirement obligations	**149.7**	146.4
Other noncurrent liabilities	**242.1**	244.7
Total Other Liabilities and Deferred Credits	**5,834.9**	5,797.5
Commitments and Contingencies (Refer to Note 19)	**-**	-
Total Capitalization and Liabilities	**$ 20,409.4**	$ 20,708.3

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

ITEM 1. FINANCIAL STATEMENTS (continued)

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

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

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

NiSource Inc.
Notes to Condensed Consolidated Financial Statements (unaudited)

1. Basis of Accounting Presentation

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

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

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

Immaterial Restatement

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

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

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

Notes to Condensed Consolidated Financial Statements (unaudited)

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

Condensed Statements of Consolidated Income (unaudited)

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

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

2. Recent Accounting Pronouncements

Recently Adopted Accounting Pronouncements

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

ITEM 1. FINANCIAL STATEMENTS (continued)

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

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

Recently Issued Accounting Pronouncements

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

3. Earnings Per Share

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

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

4. Forward Equity Agreement

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

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

NiSource Inc.
Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

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

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

5. Gas in Storage

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

6. Discontinued Operations and Assets and Liabilities Held for Sale

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

Results from discontinued operations, which primarily arise from changes in estimate for certain liabilities for Columbia Propane and 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)	**2012**	2011	**2012**	2011
Loss from discontinued operations	**$ (1.7)**	$ (0.8)	**$ (1.9)**	$ (0.2)
Income tax benefit	**(0.6)**	(0.2)	**(0.7)**	-
Loss from Discontinued Operations - net of taxes	**$ (1.1)**	$ (0.6)	**$ (1.2)**	$ (0.2)

7. Asset Retirement Obligations

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

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

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

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

8. Regulatory Matters

Gas Distribution Operations Regulatory Matters

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

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

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

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

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

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

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

On November 30, 2011 Columbia of Ohio filed a Notice of Intent to file an application to adjust rates associated with Rider IRP and Rider DSM. On February 28, 2012, Columbia of Ohio filed its application to adjust rates associated with IRP and DSM Riders. The DSM Rider tracks and recovers costs associated with Columbia of Ohio's energy efficiency and conservation programs. The application sought to increase the annual revenue from the riders by approximately $27.9 million. On April 10, 2012, Columbia of Ohio reached a settlement with parties allowing for an increase in annual revenue from the Riders of approximately $27 million. On April 25, 2012, the PUCO issued an Entry that provided for approval of the settlement with new rates effective April 29, 2012.

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

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

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

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. On May 30, 2012, the PUCO issued an Entry that provided for approval of Columbia of Ohio's April 19, 2012 application for adjustment of its uncollectible expense rider with the new rate effective May 30, 2012.

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

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

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

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

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

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

Gas Transmission and Storage Operations Regulatory Matters

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

Electric Operations Regulatory Matters

Significant Rate Developments . On July 18, 2011, Northern Indiana filed with the IURC a settlement in its 2010 Electric Rate Case with the OUCC, Northern Indiana Industrial Group, NLMK Indiana and Indiana Municipal Utilities Group. The settlement agreement limited 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 and subsequently, on June 4, 2012, filed a motion to dismiss the appeal. The motion was granted on June 27, 2012.

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

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

NiSource Inc.
Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

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

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

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

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 first six months of 2012 and 2011, no purchased power costs exceeded the benchmark.

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

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

NiSource Inc.
Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

9. Risk Management Activities

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

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

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

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

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

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

NiSource Inc.
Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

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.

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

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

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

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

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

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

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

(3) Megawatt hours reported in thousands

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

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

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

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

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

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

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

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

ITEM 1. FINANCIAL STATEMENTS (continued)

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

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

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

Derivatives in Cash Flow Hedging Relationships

Three Months Ended, *(in millions)* :

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

Six Months Ended *(in millions)* :

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

ITEM 1. FINANCIAL STATEMENTS (continued)

NiSource Inc.
Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

Three Months Ended, *(in millions)* :

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

Six Months Ended, *(in millions)*

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

It is anticipated that during the next twelve months the expiration and settlement of cash flow hedge contracts will result in income statement recognition of amounts currently classified in AOCI of approximately $0.2 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 Recognized in Income on Derivatives	Amount of Gain Recognized in Income on Derivatives **June 30, 2012**	June 30, 2011
Interest rate risk activities	Interest expense, net	$ **0.8**	$ 9.8
Total		$ **0.8**	$ 9.8

Six Months Ended, *(in millions)*

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

ITEM 1. FINANCIAL STATEMENTS (continued)

NiSource Inc.
Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

Three Months Ended, *(in millions)*

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

Six Months Ended, *(in millions)*

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

Derivatives not designated as hedging instruments

Three Months Ended, *(in millions)*

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income on Derivatives	Amount of Realized/Unrealized Gain (Loss) Recognized in Income on Derivatives *	
		June 30, 2012	June 30, 2011
Commodity price risk programs	Gas Distribution revenues	**$ (0.1)**	$ (0.1)
Commodity price risk programs	Other revenues	**7.7**	7.8
Commodity price risk programs	Cost of Sales	**9.6**	(4.5)
Total		**$ 17.2**	$ 3.2

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

Six Months Ended, *(in millions)*

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

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

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

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

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

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

10. Fair Value Disclosures

A. Fair Value Measurements.

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

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

ITEM 1. FINANCIAL STATEMENTS (continued)

NiSource Inc.
Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

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

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

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

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

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

ITEM 1. FINANCIAL STATEMENTS (continued)

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

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

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

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

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

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

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

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

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

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

Table of Contents

ITEM 1. FINANCIAL STATEMENTS (continued)

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

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

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

Six Months Ended, June 30, 2011 *(in millions)*		Other Derivatives
Balance as of January 1, 2011	$	0.2
Total gains or losses (unrealized/realized)		
Included in regulatory assets/liabilities		(1.0)
Purchases		(1.0)
Settlements		1.0
Balance as of June 30, 2011	$	(0.8)
Change in unrealized gains/(losses) relating to instruments still held as of June 30, 2011	$	(1.5)

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

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

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

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

Table of Contents

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

11. Transfers of Financial Assets

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

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

On October 23, 2009, Columbia of Ohio entered into an agreement to sell, without recourse, substantially all of its trade receivables, as they originate, to CGORC, a wholly-owned subsidiary of Columbia of Ohio. CGORC, in turn, is party to an agreement with BTMU and RBS, also dated October 23, 2009, under the terms of which it sells an undivided percentage ownership interest in its accounts receivable to commercial paper conduits sponsored by BTMU and RBS. On October 21, 2011, the agreement was renewed with an amendment increasing the maximum seasonal program limit from $200 million to $240 million. The amended agreement expires on October 19, 2012, and can be renewed if mutually agreed to by all parties. As of June 30, 2012, $77.1 million of accounts receivable had been transferred by CGORC. CGORC is a 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 June 30, 2012, $106.1 million of accounts receivable had been transferred by NARC. NARC is a separate corporate entity from NiSource and Northern Indiana, with its own separate obligations, and upon a liquidation of NARC, NARC's obligations must be satisfied out of NARC's assets prior to any value becoming available to NARC's stockholder. Under the agreement, an event of termination occurs if Northern Indiana's debt rating is withdrawn by either Standard & Poor's or Moody's, or falls below BB or Ba2 at either Standard & Poor's or Moody's, respectively.

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

ITEM 1. FINANCIAL STATEMENTS (continued)

NiSource Inc.
Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

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

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

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

12. Goodwill Assets

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

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

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

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

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

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

Goodwill at Northern Indiana Gas Distribution Operations related to the acquisition of Northern Indiana Fuel and Light and Kokomo Gas of $18.8 million was also tested for impairment as of May 1, 2012. 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 5.60% 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 $356 million.

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

13. Income Taxes

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

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

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

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

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

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

14. Pension and Other Postretirement Benefits

NiSource provides defined contribution plans and noncontributory defined benefit retirement plans that cover its employees. Benefits under the defined benefit retirement plans reflect the employees' compensation, years of service and age at retirement. Additionally, NiSource 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 six months ended June 30, 2012, NiSource has contributed $1.6 million to its pension plans and $23.3 million to its other postretirement benefit plans.

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

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

ITEM 1. FINANCIAL STATEMENTS (continued)

NiSource Inc.
Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

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

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

15. Variable Interests and Variable Interest Entities

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

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

Northern Indiana has a service agreement with Pure Air, a general partnership between Air Products and Chemicals, Inc. and First Air Partners LP, under which Pure Air provides scrubber services to reduce sulfur dioxide emissions for Units 7 and 8 at the Bailly Generating Station. Services under this contract commenced on July 1, 1992 and expired on June 30, 2012. The agreement was renewed on June 29, 2012 for ten years and Northern Indiana will continue to pay for the services under a combination of fixed and variable charges. NiSource has made an exhaustive effort to obtain information needed from Pure Air to determine the status of Pure Air as a VIE. However, Northern Indiana had not been able to obtain this information and as a result, it is unclear whether Pure Air is a VIE and if Northern Indiana is the primary beneficiary. Northern Indiana will continue to request the information required to determine whether Pure Air is a VIE. Northern Indiana has no exposure to loss related to the service agreement with Pure Air and payments under this agreement were $10.7 million and $10.1 million for the six months ended June 30, 2012 and 2011, respectively.

16. Long-Term Debt

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

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

17. Short-Term Borrowings

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

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

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

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

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

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

18. Share-Based Compensation

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

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

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

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

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

Restricted Awards. During the six months ended June 30, 2012, NiSource granted restricted stock units and shares of restricted stock of 180,816, subject to service conditions. The total grant date fair value of the shares of restricted stock and restricted stock units was $4.0 million, based on the average market price of NiSource's common stock at the date of each grant less the present value of any dividends not received during the vesting period, which will be expensed, net of forfeitures, over the vesting period which is generally three years. If the employee terminates employment before the service conditions lapse due to (1) Retirement or Disability (as defined in the award agreement), or (2) death, the employment conditions will lapse with respect to a pro rata portion of the shares of restricted stock and restricted stock units on the date of termination. In the event of a Change-in-Control (as defined in the award agreement), all unvested shares of restricted stock and restricted stock units will immediately vest. Termination due to any other reason will result in all shares of restricted stock and restricted stock units awarded being forfeited effective on the employee's date of termination. As of June 30, 2012, 554,028 nonvested shares (all of which are expected to vest) of restricted stock and restricted stock units were granted and outstanding.

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

ITEM 1. FINANCIAL STATEMENTS (continued)

NiSource Inc.
Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

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

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

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

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

19. Other Commitments and Contingencies

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

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

NiSource Inc.
Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

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

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

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

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

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

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

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

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

NiSource Inc.
Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

C. Environmental Matters.

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

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

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

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

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

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

If the EPA develops a GHG new source performance standard for existing units or if a Federal or state comprehensive climate change bill were to be enacted into law, the impact on NiSource's financial performance would depend on a number of factors, including the overall level of required GHG reductions, the renewable energy targets, the degree to which offsets may be used for compliance, the amount of recovery allowed from customers, and the extent to which NiSource would be entitled to receive 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. Since the fourth quarter of 2011, NiSource has monitored the liability on a quarterly basis and in the second quarter of 2012, completed an annual refresh of the model. No material changes to the liability were noted as a result of the refresh. The total liability at NiSource related to the facilities subject to remediation was $136.1 million and $139.5 million at June 30, 2012 and December 31, 2011, respectively. The liability represents NiSource's best estimate of the probable cost to remediate the facilities. NiSource believes that it is reasonably possible that remediation costs could vary by as much as $25 million in addition to the costs noted above. Remediation costs are estimated based on the best available information, applicable remediation standards at the balance sheet date, and experience with similar facilities.

NiSource Inc.
Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

Additional Issues Related to Individual Business Segments

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

Gas Transmission and Storage Operations.

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

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

Electric Operations.

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

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

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

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

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

Water

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

Waste

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

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

Other Operations.

Waste

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

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

20. Accumulated Other Comprehensive Loss

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

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

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

21. Business Segment Information

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

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

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.

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

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

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

NiSource Inc.
Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

22. Supplemental Cash Flow Information

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

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

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

N I S OURCE I NC.

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

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

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

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

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

These increases were partially offset by the following:

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

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

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

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

Platform for Growth
NiSource's business plan will continue to center on commercial and regulatory initiatives; commercial growth and expansion of the 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 Northern Indiana's Schahfer generating station. The improvements are part of a nearly $850 million environmental investment program expected to be completed in 2015.

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

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

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 contributed approximately $20 million in additional operating earnings during the first half of the year compared to the same period last year.
- The Columbia of Massachusetts base rate case before the Massachusetts DPU, seeking an annual revenue requirement increase of $29.2 million, remains on schedule. The case is designed to support the Company's infrastructure modernization and replacements plans with timely investment recovery. An order is expected later this year.
- Columbia of Pennsylvania plans to file a rate case late in the third quarter of 2012 to support the Company's modernization programs.

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

Commercial Growth and Expansion of the Gas Transmission and Storage Business

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

- NiSource Midstream entered into a joint venture to construct new gathering pipelines and natural gas liquids processing facilities to support hydrocarbon production in the Utica Shale region of northeast Ohio and western Pennsylvania. The venture currently estimates to invest approximately $300 million to provide gathering capacity of about 400,000 Dth per day and initial processing capacity of approximately 200,000 Dth per day. The project is expected to be in service starting in the second half of 2013, with significant planned expansion based on producer activity in the area.
- NiSource Midstream entered into a definitive agreement to pool a portion of its assets in a joint undertaking to develop the hydrocarbon potential on a combined acreage position in the Utica and Point Pleasant Shale formation in eastern Ohio and western Pennsylvania. NiSource will be a non-operating, five percent (5%) working interest owner in the total acreage position.
- NiSource also remains on track to begin construction in August 2012 of the 70-mile, $150 million Big Pine Gathering System in western Pennsylvania, which is anchored by a long-term gathering agreement with XTO Energy Inc. The project is expected to be in service in December 2012, with an initial capacity of approximately 425,000 Dth per day.
- Columbia Transmission and Columbia Gulf are moving forward with plans to upgrade and modify facilities to support the West Side Expansion Project. Due to the changing supply and demand markets, the project will reverse the flow of gas on part of the system to transport approximately 500,000 Dth per day of Marcellus production originating in southwest Pennsylvania and north-central West Virginia to Gulf Coast markets. Service is scheduled to begin in late 2014.
- During the first half of 2012, NiSource Gas Transmission and Storage Operations placed into service three separate Marcellus Shale related growth projects at an investment of approximately $35 million, adding nearly 350,000 Dth per day of capacity.

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

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

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

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

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

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

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

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

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

Results of Operations
Quarter Ended June 30, 2012

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

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

Immaterial Restatement

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

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

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

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

Condensed Statements of Consolidated Income (unaudited)

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

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

NiSource Inc.

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

Net Revenues

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

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

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

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

Expenses

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

Equity Earnings in Unconsolidated Affiliates

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

Other Income (Deductions)

Other Income (Deductions) reduced income by $100.4 million in 2012 compared to a reduction in income of $93.8 million in the prior year. The increase in deductions is primarily due to an increase in interest expense of $8.8 million resulting from the issuance of long-term debt of $400.0 million in June 2011, $500.0 million in November 2011 and $750 million in June 2012, and the expiration of the Sugar Creek deferral. This was partially offset by a decrease in interest expense due to the repurchase of $125.3 million of the 2016 and $124.7 million of the 2013 notes in November 2011 and lower short-term borrowings and rates. Other-net income of $2.8 million was recorded in 2012 compared to $0.6 million in 2011. Other-net income increased primarily as a result of increased AFUDC-equity compared to the prior period.

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

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

On December 27, 2011, the United States Treasury Department and the IRS issued temporary and proposed regulations effective for years beginning on or after January 1, 2012 that, among other things, provided guidance on whether expenditures qualified as deductible repairs. In addition, on March 15, 2012, the IRS issued a directive to discontinue exam activity related to positions on this issue taken on original tax returns for years beginning before January 1, 2012. NiSource expects the IRS to issue guidance for the treatment of expenditures for gas transmission and distribution assets, and generation within the next twelve months. NiSource further expects that it will be more likely to adopt the procedures provided in this guidance rather than the more general rules set forth in the temporary and proposed regulations. Accordingly, NiSource management expects to adjust unrecognized tax benefits recorded in 2009 related to its change in tax accounting for repairs for gas transmission and distribution, assets and generation assets in the period specific guidance for these assets is issued. As noted above, NiSource management believes that the issuance of such guidance and intent to adopt the guidance by NiSource is reasonably possible to occur within 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.

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

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

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

Results of Operations
Six Months Ended June 30, 2012

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

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

NiSource Inc.

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

Net Revenues

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

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

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

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

Expenses

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

Equity Earnings in Unconsolidated Affiliates

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

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

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

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

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

Liquidity and Capital Resources

A significant portion of NiSource's operations, most notably in the gas distribution, gas transportation and storage and electric distribution businesses, are subject to seasonal fluctuations in cash flow. During the heating season, which is primarily from November through March, cash receipts from gas sales and transportation services typically exceed cash requirements. During the summer months, cash on hand, together 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 six months ended June 30, 2012 was $771.8 million, an increase of $35.8 million compared to the six months ended June 30, 2011. The increase in net cash from operating activities was primarily due to the settlement payment of $28.7 million in 2011 related to the Thacker litigation and higher net income in the current period.

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

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

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

Financing Activities

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

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

NISOURCE INC.

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

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

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

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

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

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

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

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

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

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

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

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

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

Market Risk Disclosures

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

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.

Interest Rate Risk

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

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

NISOURCE INC.

Credit Risk

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

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

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

Fair Value Measurement

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

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

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

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

Market Risk Measurement

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

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

Off Balance Sheet Arrangements

As a part of normal business, NiSource and certain subsidiaries enter into various agreements providing financial or performance assurance to 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 $140.9 million of commodity-related payments for its current and former subsidiaries involved in energy marketing activities. These guarantees were provided to counterparties in order to facilitate physical and financial transactions involving natural gas services. To the extent liabilities exist under the commodity-related contracts subject to these guarantees, such liabilities are included in the Condensed Consolidated Balance Sheets (unaudited).

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

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

Other Information

Critical Accounting Policies

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

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

Recently Adopted and Issued Accounting Pronouncements

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

International Financial Reporting Standards

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

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

RESULTS AND DISCUSSION OF SEGMENT OPERATIONS

Presentation of Segment Information

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

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

NiSource Inc.
Gas Distribution Operations

(in millions)	Three Months Ended June 30, 2012	Three Months Ended June 30, 2011	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
Net Revenues				
Sales Revenues	**$ 452.3**	$ 629.9	**$ 1,521.6**	$ 2,215.4
Less: Cost of gas sold (excluding depreciation and amortization)	**141.9**	316.9	**697.5**	1,314.8
Net Revenues	**310.4**	313.0	**824.1**	900.6
Operating Expenses				
Operation and maintenance	**180.5**	187.1	**384.7**	429.3
Depreciation and amortization	**47.9**	43.7	**94.6**	86.6
Loss on sale of assets	**-**	-	**-**	0.1
Other taxes	**35.1**	35.6	**85.9**	96.5
Total Operating Expenses	**263.5**	266.4	**565.2**	612.5
Operating Income	**$ 46.9**	$ 46.6	**$ 258.9**	$ 288.1
Revenues ($ in Millions)				
Residential	**$ 268.2**	$ 371.7	**$ 994.7**	$ 1,447.4
Commercial	**80.7**	110.4	**322.4**	470.6
Industrial	**34.9**	46.3	**95.2**	124.1
Off System	**43.8**	92.9	**78.9**	169.7
Other	**24.7**	8.6	**30.4**	3.6
Total	**$ 452.3**	$ 629.9	**$ 1,521.6**	$ 2,215.4
Sales and Transportation (MMDth)				
Residential	**28.3**	33.6	**131.2**	168.1
Commercial	**25.2**	26.7	**86.4**	104.3
Industrial	**114.1**	100.8	**245.4**	219.7
Off System	**17.2**	20.4	**30.7**	37.9
Other	**0.1**	0.2	**0.2**	0.5
Total	**184.9**	181.7	**493.9**	530.5
Heating Degree Days	**474**	566	**2,736**	3,580
Normal Heating Degree Days	**608**	608	**3,539**	3,508
% (Warmer) Colder than Normal	**(22%)**	(7%)	**(23%)**	2%
Customers				
Residential			**3,018,123**	3,005,423
Commercial			**276,787**	277,508
Industrial			**7,732**	7,648
Other			**21**	64
Total			**3,302,663**	3,290,643

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

Gas Distribution Operations (continued)

Regulatory Matters

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

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

Environmental Matters

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

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 2012 was 22% warmer than normal and 16% warmer than the second quarter in 2011.

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

Throughput

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

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

NiSource Inc.
Gas Distribution Operations (continued)

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

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

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

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

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

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

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

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

Growth Projects Placed into Service

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

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

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

Gas Transmission and Storage Operations (continued)

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

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

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

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

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

Growth Projects in Progress

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

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

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

NiSource Inc.
Gas Transmission and Storage Operations (continued)

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

Equity Investments

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

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

Millennium Pipeline. Millennium Pipeline Company, L.L.C. operates approximately 250 miles of pipeline granted under the authority of the FERC. The Millennium pipeline has the capability to transport up to 525,400 Dth per day of natural gas to markets along its route, which lies 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 $2.4 million and received a distribution of earnings of $3.3 million from Millennium in the second quarter 2012. No contributions were made but a distribution was received from Millennium of $7.1 million during the second quarter of 2011. For the first six months of 2012, Columbia Transmission made contributions of $7.6 million and received distributions of earnings of $15.7 million. For the same period last year, no contributions were made and distributions of earnings totaled $7.1 million.

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

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

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

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

NiSource Inc.
Gas Transmission and Storage Operations (continued)

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

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

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

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

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

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

NISOURCE INC.
Gas Transmission and Storage Operations (continued)

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

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

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

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

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

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

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

NiSource Inc.
Electric Operations

(in millions)	Three Months Ended June 30, 2012	2011	Six Months Ended June 30, 2012	2011
Net Revenues				
Sales revenues	$ 378.9	$ 351.0	$ 733.5	$ 699.4
Less: Cost of sales (excluding depreciation and amortization)	125.6	136.7	242.8	269.9
Net Revenues	253.3	214.3	490.7	429.5
Operating Expenses				
Operation and maintenance	106.6	107.6	220.7	201.4
Depreciation and amortization	61.6	53.3	122.5	107.8
Other taxes	14.7	13.1	30.9	29.4
Total Operating Expenses	182.9	174.0	374.1	338.6
Operating Income	$ 70.4	$ 40.3	$ 116.6	$ 90.9
Revenues ($ in millions)				
Residential	97.6	89.4	193.6	186.9
Commercial	104.2	95.0	204.6	187.5
Industrial	147.7	147.6	305.7	302.8
Wholesale	7.2	6.8	7.6	9.0
Other	22.2	12.2	22.0	13.2
Total	378.9	351.0	733.5	699.4
Sales (Gigawatt Hours)				
Residential	861.2	784.4	1,642.4	1,640.2
Commercial	976.4	946.6	1,884.2	1,871.5
Industrial	2,332.0	2,325.7	4,717.0	4,768.1
Wholesale	56.0	200.2	75.1	267.3
Other	25.9	37.1	58.4	81.6
Total	4,251.5	4,294.0	8,377.1	8,628.7
Cooling Degree Days	377	258	377	258
Normal Cooling Degree Days	230	230	230	230
% Warmer than Normal	64%	12%	64%	12%
Electric Customers				
Residential			400,230	399,473
Commercial			53,946	53,861
Industrial			2,442	2,425
Wholesale			17	15
Other			716	737
Total			457,351	456,511

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

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

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

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

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

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

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

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

Electric Operations (continued)

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

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

Table of Contents

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

NiSource Inc.

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

ITEM 4. CONTROLS AND PROCEDURES

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

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

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

PART II

ITEM 1. LEGAL PROCEEDINGS

NiSource Inc.

Majorsville Operations Center – PADEP Notice of Violation

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

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

EPA Administrative Complaints

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

ITEM 1A. RISK FACTORS

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

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

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

NiSource Inc.

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

Pursuant to Item 601(b)(4)(iii) of Regulation S-K, NiSource hereby agrees to furnish the SEC, upon request, any instrument defining the rights 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 the undersigned thereunto duly authorized.

NiSource Inc.
(Registrant)

Date: July 31, 2012 By: /s/ Jon D. Veurink
Jon D. Veurink
Vice President and Chief Accounting Officer
(Principal Accounting Officer
and Duly Authorized Officer)

Exhibit 10.1

EXECUTION COPY

AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT

among

NISOURCE FINANCE CORP.,
as Borrower,

NISOURCE INC.,
as Guarantor,

THE LENDERS PARTY HERETO,

CREDIT SUISSE AG, CAYMAN ISLANDS BRANCH
as Syndication Agent,

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

BARCLAYS BANK PLC,
as Administrative Agent,

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

Dated as of May 15, 2012

TABLE OF CONTENTS

ANNEXES, EXHIBITS AND SCHEDULES

ANNEX A	Pricing Grid
EXHIBIT A	Form of Assignment and Assumption
EXHIBIT B	Form of Opinion of Schiff Hardin LLP
EXHIBIT C	Revolving Loan Borrowing Request
EXHIBIT D	Swingline Loan Borrowing Request
EXHIBIT E	Letter of Credit Extension Request
EXHIBIT F	Form of Revolving Note
EXHIBIT G	Interest Election Request
EXHIBIT H	Prepayment Notice
SCHEDULE 2.01	Lenders and Commitments
SCHEDULE 2.04	Existing Letters of Credit
SCHEDULE 6.01(e)	Existing Agreements

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

WITNESSETH:

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

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

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

ARTICLE I
DEFINITIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

" ***Bankruptcy Event*** " means, with respect to any Person, such Person becomes the subject of a bankruptcy or insolvency proceeding, or has had a receiver, conservator, trustee, administrator, custodian, assignee for the benefit of creditors or similar Person charged with the reorganization or liquidation of its business appointed for it, or, in the good faith determination of the Administrative Agent, has taken any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any such proceeding or appointment, provided that a Bankruptcy Event shall not result solely by virtue of any ownership interest, or the acquisition of any ownership interest, in such Person or any direct or indirect parent of such Person by a Governmental Authority or instrumentality thereof, provided, further, that such ownership interest does not result in or provide such Person with immunity from the jurisdiction of courts within the United States or from the enforcement of judgments or writs of attachment on its assets or permit such Person (or such Governmental Authority or instrumentality) to reject, repudiate, disavow or disaffirm any contracts or agreements made by such Person.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

" ***Commitment*** " means, with respect to each Lender, the commitment of such Lender to make Revolving Loans hereunder and to participate in Letters of Credit issued hereunder as set forth herein, as such commitment may be (a) reduced from time to time or terminated pursuant to Section 2.07 or Section 2.09 and (b) reduced or increased from time to time pursuant to assignments by or to such Lender pursuant to Section 11.04. The initial amount of each Lender's Commitment is (x) the amount set forth on Schedule 2.01 opposite such Lender's name; or (y) the amount set forth in the Assignment and Assumption pursuant to which such Lender shall have assumed its Commitment, as applicable.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

“ ***Guarantor*** ” means NiSource.

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

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

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

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

“ ***Indemnitee*** ” has the meaning set forth in Section 11.03.

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

“ ***Information*** ” has the meaning set forth in Section 11.12.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE II
THE CREDITS

SECTION 2.01. Commitments.

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

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

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

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

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

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

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

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

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

(i) the aggregate amount of the requested Borrowing;

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

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

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

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

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

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

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

(c) At any time upon written demand by the Swingline Lender, with a copy of such demand to the Administrative Agent, and automatically upon the occurrence of an Event of Default, each other Lender shall purchase from the Swingline Lender, and the Swingline Lender shall sell and assign to each such other Lender, such other Lender's pro rata share (based on its Applicable Percentage) of the Swingline Loans of the Swingline Lender outstanding as of the date of such demand or occurrence, as the case may be, by making available to the Administrative Agent for the account of the Swingline Lender an amount in same day funds equal to the portion of the principal amount of each outstanding Swingline Loan to be purchased by such Lender. The Borrower hereby agrees to each such sale and assignment. Each Lender agrees to pay to the Administrative Agent for the account of the Swingline Lender its pro rata share (based on its Applicable Percentage) of each outstanding Swingline Loan purchased pursuant to this clause (c) on (i) the Business Day on which demand therefor is made by the Swingline Lender, provided, that, notice of such demand is received by such Lender not later than 11:00 A.M. (New York City time) on such Business Day, (ii) the first Business Day next succeeding such demand, if notice of such demand is received after such time or (iii) the first Business Day next succeeding the date such Lender has actual knowledge of the occurrence of such Event of Default. Upon any such assignment by the Swingline Lender to any other Lender of a portion of any Swingline Loan, the Swingline Lender represents and warrants to such other Lender that the Swingline Lender is the legal and beneficial owner of the interest being assigned by it, but makes no other representation or warranty and assumes no responsibility with respect to such Swingline Loan, the Credit Documents or the Borrower. If and to the extent that any Lender shall not have so made its participated portion of such Swingline Loan or portion thereof available to the Administrative Agent for the account of the Swingline Lender, such Lender agrees to pay to the Swingline Lender forthwith on demand such amount together with interest thereon for each day from the date of demand by the Swingline Lender until the date such amount is paid to the Swingline Lender, at the Federal Funds Effective Rate. If such Lender shall pay such amount to the Swingline Lender on any Business Day, such amount so paid in respect of principal shall constitute an ABR Revolving Loan made by such Lender on such Business Day for all purposes of this Agreement, and the outstanding principal amount of the relevant Swingline Loan(s) shall be reduced accordingly by such amount on such Business Day. The obligation of each other Lender to purchase its pro rata share of the Swingline Lender's Swingline Loans in accordance with this subsection shall be absolute and unconditional, notwithstanding the occurrence of any circumstances, including, without limitation any Event of Default or any setoff, deduction or other defense asserted by the Borrower or any other Person, except that any Lender shall have the right to bring suit against the Swingline Lender, and the Swingline Lender shall be liable to such Lender, to the extent of any direct, as opposed to consequential, damages suffered by such Lender which a court of competent jurisdiction in a final and non-appealable judgment determines were caused by the Swingline Lender's wilful misconduct or gross negligence.

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

SECTION 2.04. Letters of Credit

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

(b) *Letters of Credit.* Each Letter of Credit shall be issued (or the stated maturity thereof extended or terms thereof modified or amended) on not less than five Business Days' prior written notice thereof to the Administrative Agent (which shall promptly distribute copies thereof to the Lenders) and the applicable LC Bank. Each such notice (a ***"Request for Issuance"***) shall specify (i) the date (which shall be a Business Day) of issuance of such Letter of Credit (or the date of effectiveness of such extension, modification or amendment) and the stated expiry date thereof (which shall be not later than the Termination Date), (ii) the proposed stated amount of such Letter of Credit and (iii) such other information as shall demonstrate compliance of such Letter of Credit with the requirements specified therefor in this Agreement. Each Request for Issuance shall be irrevocable unless modified or rescinded by the Borrower not less than two days prior to the proposed date of issuance (or effectiveness) specified therein. If the applicable LC Bank shall have approved the form of such Letter of Credit (or such extension, modification or amendment thereof), such LC Bank shall not later than 11:00 A.M. (New York City time) on the proposed date specified in such Request for Issuance, and upon fulfillment of the applicable conditions precedent and the other requirements set forth herein and as otherwise agreed to between such LC Bank and the Borrower, issue (or extend, amend or modify) such Letter of Credit and provide notice and a copy thereof to the Administrative Agent. The Administrative Agent shall furnish (x) to each Lender, a copy of such notice and (y) to each Lender that may so request, a copy of such Letter of Credit.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(h) *Transitional Provision* . Schedule 2.04 contains a schedule of certain letters of credit issued (or deemed issued) for the account of the Borrower prior to the Effective Date. Subject to the satisfaction of the conditions contained in Sections 3.01 and 3.02, from and after the Effective Date such letters of credit shall be deemed to be Letters of Credit issued pursuant to this Section 2.04.

SECTION 2.05. Funding of Borrowings.

(a) Each Lender shall make the amount of each Loan to be made by it hereunder available to the Administrative Agent on the proposed date thereof by wire transfer of immediately available funds by 1:00 p.m., New York City time, at the Administrative Agent's office most recently designated by it for such purpose by notice to the Lenders. The Administrative Agent will make such Loans available to the Borrower by promptly crediting the amounts so received, in like funds, to an account established and maintained by the Borrower at the Administrative Agent's office in New York City.

(b) Unless the Administrative Agent shall have received notice from a Lender prior to the proposed time of any Borrowing that such Lender will not make available to the Administrative Agent such Lender's share of such Borrowing, the Administrative Agent may assume that such Lender has made such share available on such date in accordance with paragraph (a) of this Section and may, in reliance upon such assumption, make available to the Borrower a corresponding amount. In such event, if a Lender has not in fact made its share of the applicable Borrowing available to the Administrative Agent, then the applicable Lender and the Borrower severally agree to pay to the Administrative Agent forthwith on demand such corresponding amount with interest thereon, for each day from and including the date such amount is made available to the Borrower to but excluding the date of payment to the Administrative Agent, at (i) in the case of such Lender, the Federal Funds Effective Rate or (ii) in the case of the Borrower, the interest rate applicable to ABR Loans. If such Lender pays such amount to the Administrative Agent, then such amount shall constitute such Lender's Loan included in such Borrowing.

SECTION 2.06. Interest Elections.

(a) Each Borrowing initially shall be of the Type specified in the applicable Borrowing Request and, in the case of a Eurodollar Borrowing, shall have an initial Interest Period as specified in such Borrowing Request. Thereafter, the Borrower may elect to convert such Borrowing to a different Type or to continue such Borrowing and, in the case of a Eurodollar Borrowing, may elect Interest Periods therefor, all as provided in this Section. The Borrower may elect different options with respect to different portions of the affected Borrowing, in which case each such portion shall be allocated ratably among the Lenders holding the Loans comprising such Borrowing, and the Loans comprising each such portion shall be considered a separate Borrowing.

(b) To make an election pursuant to this Section, the Borrower shall notify the Administrative Agent of such election by telephone by the time that a Borrowing Request would be required under Section 2.02 if the Borrower were requesting a Borrowing of the Type resulting from such election to be made on the effective date of such election. Each such telephonic Interest Election Request shall be irrevocable and shall be confirmed promptly by hand delivery or telecopy to the Administrative Agent of a written Interest Election Request in substantially the form of Exhibit G (or such other form as shall be approved by the Administrative Agent) and signed by the Borrower.

(c) Each telephonic and written Interest Election Request shall specify the following information in compliance with Section 2.02:

(i) the Borrowing to which such Interest Election Request applies and, if different options are being elected with respect to different portions thereof, the portions thereof to be allocated to each resulting Borrowing (in which case the information to be specified pursuant to clauses (iii) and (iv) below shall be specified for each resulting Borrowing);

(ii) the effective date of the election made pursuant to such Interest Election Request, which shall be a Business Day;

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

(iv) if the resulting Borrowing is a Eurodollar Borrowing, the Interest Period to be applicable thereto after giving effect to such election, which shall be a period contemplated by the definition of the term "Interest Period".

If any such Interest Election Request requests a Eurodollar Borrowing but does not specify an Interest Period, then the Borrower shall be deemed to have selected an Interest Period of one month's duration.

(d) Promptly following receipt of an Interest Election Request, the Administrative Agent shall advise each Lender of the details thereof and of such Lender's portion of each resulting Borrowing.

(e) If the Borrower fails to deliver a timely Interest Election Request with respect to a Eurodollar Borrowing prior to the end of the Interest Period applicable thereto, then, unless such Borrowing is repaid as provided herein, at the end of such Interest Period such Borrowing shall be converted to an ABR Borrowing. Notwithstanding any contrary provision hereof, if an Event of Default has occurred and is continuing and the Administrative Agent, at the request of the Required Lenders, so notifies the Borrower, then, so long as an Event of Default is continuing (i) no outstanding Borrowing may be converted to or continued as a Eurodollar Borrowing and (ii) unless repaid, each Eurodollar Borrowing shall be converted to an ABR Borrowing at the end of the Interest Period applicable thereto.

SECTION 2.07. Mandatory Termination or Reduction of Commitments.

Unless previously terminated, the Commitments shall terminate on the Termination Date.

SECTION 2.08. Mandatory Prepayments.

(a) If at any time the Total Outstanding Principal exceeds the Aggregate Commitments then in effect for any reason whatsoever (including, without limitation, as a result of any reduction in the Aggregate Commitments pursuant to Section 2.09), the Borrower shall prepay Loans or cash collateralize LC Exposure in an account with the Administrative Agent pursuant to the final paragraph of Section 8.01, as applicable, in such aggregate amount (together with accrued interest thereon to the extent required by Section 2.13) as shall be necessary so that, after giving effect to such prepayment, the Total Outstanding Principal does not exceed the Aggregate Commitments.

(b) Each prepayment of Loans pursuant to this Section 2.08 shall be accompanied by the Borrower's payment of any amounts payable under Section 2.16 in connection with such prepayment. Prepayments of Revolving Loans shall be applied ratably to the Loans so prepaid.

SECTION 2.09. Optional Reduction of Commitments.

(a) The Borrower may at any time terminate, or from time to time reduce, the Commitments (including the unused Letter of Credit Commitments of the LC Banks); *provided* that (i) each reduction of the Commitments shall be in an amount that is an integral multiple of $10,000,000 and (ii) the Borrower shall not terminate or reduce the Commitments if, after giving effect to any concurrent prepayment of the Loans in accordance with Section 2.11, the Total Outstanding Principal would exceed the Aggregate Commitments thereafter in effect.

(b) The Borrower shall notify the Administrative Agent of any election to terminate or reduce the Commitments under Section 2.09(a) at least five Business Days prior to the effective date of such termination or reduction, specifying such election and the effective date thereof. Promptly following receipt of any notice, the Administrative Agent shall advise the Lenders of the contents thereof. Each notice delivered by the Borrower pursuant to this Section shall be irrevocable; *provided* that a notice of termination of the Commitments delivered by the Borrower may state that such notice is conditioned upon the effectiveness of other credit facilities, in which case such notice may be revoked by the Borrower (by notice to the Administrative Agent on or prior to the specified effective date) if such condition is not satisfied. Any termination or reduction of the Commitments shall be permanent.

(c) Each reduction of the Commitments pursuant to this Section 2.09 shall be made ratably among the Lenders in accordance with their respective Commitments immediately preceding such reduction.

SECTION 2.10. Repayment of Loans; Evidence of Debt.

(a) The Borrower hereby unconditionally promises to pay to the Administrative Agent (i) for the account of each Lender the then unpaid principal amount of each Revolving Loan on the Termination Date, (ii) for the account of each Lender the then unpaid principal amount of each ABR Loan deemed to be made pursuant to Section 2.04(d) on the maturity date therefor as determined pursuant to Section 2.04(d) and (iii) for the account of the Swingline Lender the then unpaid principal amount of each Swingline Loan on the maturity date therefor as determined pursuant to Section 2.03.

(b) Each Lender (including the Swingline Lender) shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Borrower to such Lender resulting from each Loan (including each Swingline Loan) made by such Lender, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder.

(c) The Administrative Agent shall maintain accounts in which it shall record (i) the amount of each Loan made hereunder, the Class and Type thereof and the Interest Period applicable thereto, (ii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder and (iii) the amount of any sum received by the Administrative Agent hereunder for the account of the Lenders (including the Swingline Lender) and each Lender's share thereof.

(d) The entries made in the accounts maintained pursuant to paragraph (b) or (c) of this Section shall be *prima facie* evidence of the existence and amounts of the obligations recorded therein; *provided* that the failure of any Lender or the Administrative Agent to maintain such accounts or any error therein shall not in any manner affect the obligation of the Borrower to repay the Loans in accordance with the terms of this Agreement.

(e) Any Lender (including the Swingline Lender) may request that Loans made by it be evidenced by a promissory note. In such event, the Borrower shall prepare, execute and deliver to such Lender a promissory note payable to the order of such Lender (or, if requested by such Lender, to such Lender and its registered assigns) and in substantially the form of Exhibit F. Thereafter, the Loans evidenced by such promissory note and interest thereon shall at all times (including after assignment pursuant to Section 11.04) be represented by one or more promissory notes in such form payable to the order of the payee named therein (or, if such promissory note is a registered note, to such payee and its registered assigns).

SECTION 2.11. Optional Prepayment of Loans.

(a) The Borrower shall have the right at any time and from time to time to prepay any Borrowing (including any Swingline Borrowing) in whole or in part, subject to prior notice in accordance with paragraph (b) of this Section.

(b) The Borrower shall notify the Administrative Agent by telephone (confirmed by telecopy) of any prepayment hereunder (i) in the case of prepayment of a Eurodollar Borrowing, not later than 11:00 a.m., New York City time, three Business Days before the date of prepayment, (ii) in the case of prepayment of an ABR Borrowing, not later than 11:00 a.m., New York City time, one Business Day before the date of prepayment or (iii) in the case of prepayment of a Swingline Borrowing, not later than 11:00 a.m., New York City time, on the date of prepayment. Each such notice shall be irrevocable and shall specify the prepayment date and the principal amount of each Borrowing or portion thereof to be prepaid; *provided* that, if a notice of prepayment is given in connection with a conditional notice of termination of the Commitments as contemplated by Section 2.09, then such notice of prepayment may be revoked if such notice of termination is revoked in accordance with Section 2.09. Each such telephonic notice of prepayment shall be confirmed promptly by hand delivery or telecopy to the Administrative Agent of a prepayment notice in substantially the form of Exhibit H (or such other form as shall be approved by the Administrative Agent) and signed by the Borrower. Promptly following receipt of any such notice relating to a Borrowing, the Administrative Agent shall advise the Lenders of the contents thereof. Each partial prepayment of any Revolving

Borrowing shall be in an amount that would be permitted in the case of an advance of a Revolving Borrowing of the same Type as provided in Section 2.02, and each partial prepayment of a Swingline Borrowing shall be in an amount not less than $100,000 or any integral multiple thereof, it being understood that the foregoing minimums shall not apply to the prepayment in whole of the outstanding Revolving Loans of all Lenders or to the prepayment in whole of the outstanding Swingline Loans of the Swingline Lender. Each prepayment of a Revolving Borrowing shall be applied ratably to the Loans included in the prepaid Revolving Borrowing. Prepayments shall be accompanied by accrued interest to the extent required by Section 2.13 and by any amounts payable under Section 2.16 in connection with such prepayment.

SECTION 2.12. Fees.

(a) The Borrower agrees to pay to the Administrative Agent for the account of each Lender a facility fee (each a " ***Facility Fee*** "), which shall accrue at the Applicable Rate on the daily amount of the Commitment of such Lender (whether used or unused) during the period from and including the Effective Date to but excluding the date on which such Commitment terminates; *provided* that, if such Lender continues to have any Revolving Credit Exposure after its Commitment terminates, then such Facility Fee shall continue to accrue on the daily amount of such Lender's Revolving Credit Exposure from and including the date on which its Commitment terminates to but excluding the date on which such Lender ceases to have any Revolving Credit Exposure. Accrued Facility Fees shall be payable in arrears on the last day of March, June, September and December of each year and on the date on which the Commitments terminate, commencing on the first such date to occur after the Effective Date; *provided* that any Facility Fees accruing after the date on which the Commitments terminate shall be payable on demand. All Facility Fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

(b) The Borrower agrees to pay to the Administrative Agent for the account of each Lender a letter of credit risk participation fee (each a " ***LC Risk Participation Fee*** "), which shall accrue at the Applicable Rate on the average daily amount of the LC Outstandings during the period from and including the Effective Date to but excluding the Termination Date or such later date as on which there shall cease to be any LC Outstandings. Accrued LC Risk Participation Fees shall be payable in arrears on the last day of March, June, September and December of each year and on the date on which the Commitments terminate, commencing on the first such date to occur after the Effective Date; *provided* that any LC Risk Participation Fees accruing after the date on which the Commitments terminate shall be payable on demand. All LC Risk Participation Fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day). The Borrower shall also pay to the LC Bank for its own account (x) a fronting fee, which fronting fee shall accrue at a per annum rate agreed upon between the Borrower and the applicable LC Bank on the average daily amount of such LC Outstandings in respect of all Letters of Credit issued by such LC Bank during the period each such Letter of Credit shall be outstanding, which fronting fee shall be payable in arrears on the last day of March, June, September and December of each year and on the date on which such Letter of Credit terminates, and (y) documentary and processing charges in connection with the issuance, or modification cancellation, negotiation, or transfer of, and draws under Letters of Credit issued by such LC Bank in accordance with such LC Bank's standard schedule for such charges as in effect from time to time.

(c) The Borrower agrees to pay to the Administrative Agent and each of the Lead Lenders, in each case, for its own account and for the account of the other Persons entitled thereto, the fees provided for in the applicable fee letter dated April 23, 2012, executed and delivered with respect to the credit facility provided for herein, in each case, in the amounts and at the times set forth therein and in immediately available funds.

(d) All fees payable hereunder, with the exception of the fees paid directly to an LC Bank pursuant to paragraph (b) of this Section, shall be paid to the Administrative Agent (for the ratable distribution, in the case of Facility Fees and LC Risk Participation Fees, to the Lenders) on the dates due, in immediately available funds. Fees due and paid shall not be refundable under any circumstances.

SECTION 2.13. Interest.

(a) The Loans comprising each ABR Borrowing shall bear interest at a rate *per annum* equal to the Alternate Base Rate plus the Applicable Rate.

(b) The Loans comprising each Eurodollar Borrowing shall bear interest at a rate *per annum* equal to the LIBO Rate for the Interest Period in effect for such Borrowing plus the Applicable Rate.

(c) Each Swingline Loan shall bear interest at a rate *per* annum equal to the Swingline Rate, as determined for such Swingline Loan and notified by the Swingline Lender to the Borrower in accordance with Section 2.03(a).

(d) Notwithstanding the foregoing, if any principal of or interest on any Loan or any fee or other amount payable by the Borrower hereunder is not paid when due, whether at stated maturity, upon acceleration or otherwise, such overdue amount shall bear interest, after as well as before judgment, at a rate *per annum* equal to (i) in the case of overdue principal of any Loan, 2% plus the rate otherwise applicable to such Loan as provided above or (ii) in the case of any other amount, 2% plus the rate applicable to ABR Loans as provided above.

(e) Accrued interest on each Loan shall be payable in arrears on each Interest Payment Date for such Loan; *provided* that (i) interest accrued pursuant to paragraph (d) of this Section shall be payable on demand, (ii) in the event of any repayment or prepayment of any Loan, accrued interest on the principal amount repaid or prepaid shall be payable on the date of such repayment or prepayment, (iii) in the event of any conversion of any Eurodollar Revolving Loan prior to the end of the current Interest Period therefor, accrued interest on such Loan shall be payable on the effective date of such conversion and (iv) all accrued interest shall be payable upon termination of the Commitments.

(f) All interest hereunder shall be computed on the basis of a year of 360 days, except that interest computed by reference to the Alternate Base Rate at times when the Alternate Base Rate is based on the Prime Rate shall be computed on the basis of a year of 365 days (or 366 days in a leap year), and in each case shall be payable for the actual number of days elapsed (including the first day but excluding the last day). The applicable Alternate Base Rate or LIBO Rate shall be determined by the Administrative Agent, and such determination shall be conclusive absent manifest error.

SECTION 2.14. Alternate Rate of Interest. If prior to the commencement of any Interest Period for a Eurodollar Borrowing:

(a) the Administrative Agent reasonably determines (which determination shall be conclusive absent manifest error) that adequate and reasonable means do not exist for ascertaining the LIBO Rate for such Interest Period; or

(b) the Administrative Agent is advised by the Required Lenders that the LIBO Rate for such Interest Period will not adequately and fairly reflect the cost to such Lenders of making or maintaining their Loans included in such Borrowing for such Interest Period;

then the Administrative Agent shall give notice thereof to the Borrower and the Lenders by telephone or telecopy as promptly as practicable thereafter and, until the Administrative Agent notifies the Borrower and the Lenders that the circumstances giving rise to such notice no longer exist, (i) any Interest Election Request that requests the conversion of any Revolving Borrowing to, or continuation of any Revolving Borrowing as, a Eurodollar Borrowing shall be ineffective and (ii) if any Borrowing Request requests a Eurodollar Revolving Borrowing, such Borrowing shall be made as an ABR Borrowing.

SECTION 2.15. Increased Costs. (a) If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Lender or any LC Bank (except any such reserve requirement described in paragraph (e) of this Section);

(ii) impose on any Lender or any LC Bank or the London interbank market any other condition affecting this Agreement or Eurodollar Loans made by such Lender or participation therein or Unreimbursed LC Disbursements or Letters of Credit and participations therein; or

(iii) subject the Administrative Agent or any Lender to any Taxes (other than (A) Indemnified Taxes, (B) Excluded Taxes and (C) Other Taxes imposed on or with respect to any payment made by or on account of any obligations of any Credit Party under the Credit Documents) on its loans, loan principal, Letter of Credit Commitment or other obligations, or its deposits, reserves, other liabilities or capital attributable thereto;

and the result of any of the foregoing shall be to increase the cost to the Administrative Agent, such Lender or such LC Bank of making or maintaining any Loan or Unreimbursed LC Disbursement or issuing or maintaining Letters of Credit and participation interests therein (or of maintaining its obligation to make any such Loan or issue or participate in such Letter of Credit) or to reduce the amount of any sum received or receivable by the Administrative Agent, such Lender or such LC Bank hereunder (whether of principal, interest or otherwise), then the Borrower will pay to the Administrative Agent, such Lender or such LC Bank, as the case may be, such additional amount or amounts as will compensate the Administrative Agent, such Lender or such LC Bank for such additional costs incurred or reduction suffered.

(b) If any Lender or any LC Bank determines that any Change in Law regarding capital or liquidity requirements has or would have the effect of reducing the rate of return on such Lender's or such LC Bank's capital or on the capital of its holding company, if any, as a consequence of this Agreement to a level below that which such Lender or such LC Bank or its holding company could have achieved but for such Change in Law (taking into consideration its policies and the policies of its holding company with respect to capital adequacy and liquidity), then from time to time the Borrower will pay to such Lender or such LC Bank, as the case may be, such additional amount or amounts as will compensate it or its holding company for any such reduction suffered.

(c) A certificate of a Lender or the applicable LC Bank, as the case may be, setting forth the amount or amounts necessary to compensate it or its holding company as specified in paragraph (a) or (b) of this Section shall be delivered to the Borrower and shall be conclusive absent manifest error. The Borrower shall pay the amount shown as due on any such certificate within 10 days after receipt thereof.

(d) Failure or delay on the part of any Lender or any LC Bank to demand compensation pursuant to this Section shall not constitute a waiver of its right to demand such compensation; provided that the Borrower shall not be required to compensate a Lender pursuant to this Section for any increased costs or reductions incurred more than ninety days prior to the date that such Lender or such LC Bank notifies the Borrower of the Change in Law giving rise to such increased costs or reductions and of its intention to claim compensation therefor; provided, further that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the ninety day period referred to above shall be extended to include the period of retroactive effect thereof.

(e) The Borrower shall pay (without duplication as to amounts paid under this Section 2.15) to each Lender, so long as such Lender shall be required under regulations of the Board to maintain reserves with respect to liabilities or assets consisting of or including Eurocurrency Liabilities, additional interest on the unpaid principal amount of each Eurodollar Loan of such Lender, from the date of such Loan until such principal amount is paid in full, at an interest rate per annum equal at all times to the remainder obtained by subtracting (i) the LIBO Rate for the Interest Period for such Loan from (ii) the rate obtained by dividing such LIBO Rate by a percentage equal to 100% minus the Eurodollar Rate Reserve Percentage of such Lender for such Interest Period, payable on each date on which interest is payable on such Loan. Such additional interest determined by such Lender and notified to the Borrower and the Administrative Agent, accompanied by the calculation of the amount thereof, shall be conclusive and binding for all purposes absent manifest error.

(f) If any Lender determines that any law has made it unlawful, or that any Governmental Authority has asserted that it is unlawful, for any Lender or its applicable lending office to make, maintain or fund Eurodollar Loans, or to determine or charge interest rates based upon the LIBO Rate, or any Governmental Authority has imposed material restrictions on the authority of such Lender to purchase or sell, or to take deposits of, Dollars in the London interbank market, then, on notice thereof by such Lender to the Borrower through the Administrative Agent, any obligation of such Lender to make or continue Eurodollar Loans or to convert ABR Loans to Eurodollar Loans shall be suspended until such Lender notifies the

Administrative Agent and the Borrower that the circumstances giving rise to such determination no longer exist. Upon receipt of such notice, the Borrower shall, upon demand from such Lender (with a copy to the Administrative Agent), prepay or, if applicable, convert all Eurodollar Loans of such Lender to ABR Loans, either on the last day of the Interest Period therefor, if such Lender may lawfully continue to maintain such Eurodollar Loans to such day, or immediately, if such Lender may not lawfully continue to maintain such Eurodollar Loans. Upon any such prepayment or conversion, the Borrower shall also pay accrued interest on the amount so prepaid or converted.

SECTION 2.16. Break Funding Payments. In the event of (a) the payment of any principal of any Eurodollar Loan other than on the last day of an Interest Period applicable thereto (including as a result of an Event of Default), (b) the conversion of any Eurodollar Loan other than on the last day of the Interest Period applicable thereto, (c) the failure to borrow, convert, continue or prepay any Revolving Loan on the date specified in any notice delivered pursuant hereto (regardless of whether such notice is permitted to be revocable under Section 2.11(b) and is revoked in accordance therewith), or (d) the assignment of any Eurodollar Loan other than on the last day of the Interest Period applicable thereto as a result of a request by the Borrower pursuant to Section 2.19, then, in any such event, the Borrower shall compensate each Lender for the loss, cost and expense attributable to such event. In the case of a Eurodollar Loan, the loss to any Lender attributable to any such event shall be deemed to include an amount reasonably determined by such Lender to be equal to the excess, if any, of (x) the amount of interest that such Lender would pay for a deposit equal to the principal amount of such Loan for the period from the date of such payment, conversion, failure or assignment to the last day of the then current Interest Period for such Loan (or, in the case of a failure to borrow, convert or continue, the duration of the Interest Period that would have resulted from such borrowing, conversion or continuation) if the interest rate payable on such deposit were equal to the LIBO Rate for such Interest Period, over (y) the amount of interest that such Lender would earn on such principal amount for such period if such Lender were to invest such principal amount for such period at the interest rate that would be bid by such Lender (or an affiliate of such Lender) for dollar deposit from other banks in the eurodollar market at the commencement of such period. A certificate of any Lender setting forth any amount or amounts that such Lender is entitled to receive pursuant to this Section shall be delivered to the Borrower and shall be conclusive absent manifest error. The Borrower shall pay such Lender the amount shown as due on any such certificate within 10 days after receipt thereof.

SECTION 2.17. Taxes.

(a) Any and all payments by or on account of any obligation of the Borrower hereunder shall be made free and clear of and without deduction for any Indemnified Taxes or Other Taxes; *provided* that if any Credit Party shall be required to deduct any Indemnified Taxes or Other Taxes from such payments, then (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section) the Administrative Agent, LC Bank or Lender (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) such Credit Party shall make such deductions and (iii) such Credit Party shall pay the full amount deducted to the relevant Governmental Authority in accordance with applicable law.

(b) In addition, the Borrower shall pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law.

(c) The Borrower shall indemnify the Administrative Agent, each LC Bank and each Lender, within 10 days after written demand therefor, for the full amount of any Indemnified Taxes or Other Taxes (and for any Taxes imposed or asserted on or attributable to amounts payable under this Section) paid by the Administrative Agent, such LC Bank or such Lender, as the case may be, and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Borrower by a Lender or any LC Bank, or by the Administrative Agent on its own behalf or on behalf of a Lender or any LC Bank, shall be conclusive absent manifest error.

(d) As soon as practicable after any payment of Indemnified Taxes or Other Taxes by a Credit Party to a Governmental Authority, such Credit Party shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(e) Any Foreign Lender that is entitled to an exemption from or reduction of withholding tax under the laws of the jurisdiction in which the Borrower or the Guarantor is located, or any treaty to which such jurisdiction is a party, with respect to payments under this Agreement shall deliver to the Borrower (with an additional original or a photocopy, as required under applicable rules and procedures, to the Administrative Agent), at the time or times prescribed by applicable law or reasonably requested by the Borrower, such properly completed and executed documentation prescribed by applicable law as shall be necessary to permit such payments to be made without withholding or at a reduced rate. Further, in those circumstances as shall be necessary to allow payments hereunder to be made free of (or at a reduced rate of) withholding tax, each other Lender and the Administrative Agent, as applicable, shall deliver to Borrower such documentation as the Borrower may reasonably request in writing.

(f) Except with the prior written consent of the Administrative Agent, all amounts payable by a Credit Party hereunder shall be made by such Credit Party in its own name and for its own account from within the United States by a payor that is a United States person (within the meaning of Section 7701 of the Code).

(g) If a payment made to a Lender under any Credit Document would be subject to U.S. Federal withholding Tax imposed by FATCA if such Lender were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Code, as applicable), such Lender shall deliver to the Borrower and the Administrative Agent at the time or times prescribed by Law and at such time or times reasonably requested by the Borrower or the Administrative Agent such documentation prescribed by applicable Law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional documentation reasonably requested by the Borrower or the Administrative Agent as may be necessary for the Borrower and the Administrative Agent to comply with their obligations under FATCA and to determine that such Lender has complied with such Lender's obligations under FATCA or to determine the amount to deduct and withhold from such payment. Solely for purposes of this clause (g), "FATCA" shall include any amendments made to FATCA after the date of this Agreement.

SECTION 2.18. Payments Generally; Pro Rata Treatment; Sharing of Set-Offs.

(a) The Borrower shall make each payment required to be made by it hereunder (whether of principal, interest or fees, or under Section 2.15, 2.16, 2.17 or 11.03, or otherwise) prior to 12:00 noon, New York City time, on the date when due, in immediately available funds, without set-off or counterclaim. Any amounts received after such time on any date may, in the discretion of the Administrative Agent, be deemed to have been received on the next succeeding Business Day for purposes of calculating interest thereon. All such payments shall be made to the Administrative Agent at its offices at 745 Seventh Avenue, New York, NY 10019, except that payments pursuant to Sections 2.15, 2.16, 2.17 and 11.03 shall be made directly to the Persons entitled thereto. The Administrative Agent shall distribute any such payments received by it for the account of any other Person to the appropriate recipient promptly following receipt thereof. If any payment hereunder shall be due on a day that is not a Business Day, the date for payment shall be extended to the next succeeding Business Day, and, in the case of any payment accruing interest, interest thereon shall be payable for the period of such extension. All payments hereunder shall be made in Dollars.

(b) If at any time insufficient funds are received by and available to the Administrative Agent to pay fully all amounts of principal, interest and fees then due hereunder, such funds shall be applied (i) first, to pay interest and fees then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of interest and fees then due to such parties, and (ii) second, to pay principal then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of principal then due to such parties.

(c) If any Lender shall, by exercising any right of set-off or counterclaim or otherwise, obtain payment in respect of any principal of or interest on any of the Obligations owing to it resulting in such Lender receiving payment of a greater proportion of the aggregate amount of such Obligations and accrued interest thereon than the proportion received by any other Lender, then the Lender receiving such greater proportion shall purchase (for cash at face value) participations in the Revolving Loans of, or other Obligations owing to, other Lenders to the extent necessary so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of principal of and accrued interest on their respective Revolving Loans or other Obligations, as applicable; *provided* that (i) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest, and (ii) the provisions of this paragraph shall not be construed to apply to any payment made by the Borrower pursuant to and in accordance with the express terms of this Agreement or any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans to any assignee or participant, other than to the Guarantor, the Borrower or any other Subsidiary or Affiliate of the Guarantor (as to which the provisions of this paragraph shall apply). The Borrower and the Guarantor consent to the foregoing and agree, to the extent they may effectively do so under applicable law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against the Borrower and the Guarantor rights of set-off and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of the Borrower or the affected Guarantor in the amount of such participation.

(d) Unless the Administrative Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Administrative Agent for the account of the Lenders hereunder that the Borrower will not make such payment, the Administrative Agent may assume that the Borrower has made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to the Lenders the amount due. In such event, if the Borrower has not in fact made such payment, then each of the Lenders severally agrees to repay to the Administrative Agent forthwith on demand the amount so distributed to such Lender with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Administrative Agent, at the Federal Funds Effective Rate.

(e) If any Lender shall fail to make any payment required to be made by it pursuant to Section 2.03(c), 2.04(e), 2.05(b) or 2.18(d), then the Administrative Agent may, in its discretion (notwithstanding any contrary provision hereof), apply any amounts thereafter received by the Administrative Agent for the account of such Lender to satisfy such Lender's obligations under such Sections until all such unsatisfied obligations are fully paid.

SECTION 2.19. Mitigation Obligations; Replacement of Lenders.

(a) Any Lender claiming reimbursement or compensation from the Borrower under either of Sections 2.15 and 2.17 for any losses, costs or other liabilities shall use reasonable efforts (including, without limitation, reasonable efforts to designate a different lending office of such Lender for funding or booking its Loans or to assign its rights and obligations hereunder to another of its offices, branches or affiliates) to mitigate the amount of such losses, costs and other liabilities, if such efforts can be made and such mitigation can be accomplished without such Lender suffering (i) any economic disadvantage for which such Lender does not receive full indemnity from the Borrower under this Agreement or (ii) otherwise be disadvantageous to such Lender.

(b) In determining the amount of any claim for reimbursement or compensation under Sections 2.15 and 2.17, each Lender will use reasonable methods of calculation consistent with such methods customarily employed by such Lender in similar situations.

(c) Each Lender will notify the Borrower either directly or through the Administrative Agent of any event giving rise to a claim under Section 2.15 or Section 2.17 promptly after the occurrence thereof which notice shall be accompanied by a certificate of such Lender setting forth in reasonable detail the circumstances of such claim.

(d) If any Lender requests compensation under Section 2.15, or if the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.17, or if any Lender becomes a Defaulting Lender, then the Borrower may, at its sole expense and effort, upon notice to such Lender and the Administrative Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in Section 11.04, provided that the Administrative Agent may, in its sole discretion, elect to waive the $3,500 processing and recordation fee in connection therewith), all its interests, rights and obligations under this Agreement to an assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment); *provided* that (i) the Borrower shall have received the prior written consent of the Administrative Agent and each LC Bank, which consent, in the case of the Administrative Agent, shall not unreasonably be withheld and, in the case of each LC Bank, may be given or withheld in the sole discretion of such LC Bank, (ii) such Lender shall have received payment of an amount equal to the outstanding principal of its Loans, accrued interest thereon, accrued fees and all other amounts payable to it hereunder, from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrower (in the case of all other amounts) and (iii) in the case of any such assignment resulting from a claim for compensation under Section 2.15 or payments required to be made pursuant to Section 2.17, such assignment will result in a reduction in such compensation or payments. A Lender shall not be required to make any such assignment and delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Borrower to require such assignment and delegation cease to apply.

SECTION 2.20. Defaulting Lenders.

Notwithstanding any provision of this Agreement to the contrary, if any Lender becomes a Defaulting Lender, then the following provisions shall apply for so long as such Lender is a Defaulting Lender:

(a) fees shall cease to accrue on the Commitment of such Defaulting Lender pursuant to Section 2.12(a);

(b) the Commitment and Revolving Credit Exposure of such Defaulting Lender shall not be included in determining whether the Required Lenders have taken or may take any action hereunder (including any consent to any amendment, waiver or other modification pursuant to Section 11.02); provided, that this clause (b) shall not apply to the vote of a Defaulting Lender in the case of an amendment, waiver or other modification requiring the consent of such Lender or each Lender affected thereby;

(c) if any Swingline Exposure or LC Exposure exists at the time such Lender becomes a Defaulting Lender then:

(i) so long as no Default shall be continuing, all or any part of the Swingline Exposure and LC Exposure of such Defaulting Lender shall be reallocated among the non-Defaulting Lenders in accordance with their respective Applicable Percentages but only to the extent the sum of all non-Defaulting Lenders' Revolving Credit Exposures plus such Defaulting Lender's Swingline Exposure and LC Exposure does not exceed the total of all non-Defaulting Lenders' Commitments and to the extent the sum of each non-Defaulting Lender's Revolving Credit Exposure, Swingline Exposure and LC Exposure does not exceed such non-Defaulting Lender's Commitment;

(ii) if the reallocation described in clause (i) above cannot, or can only partially, be effected, the Borrower shall within one (1) Business Day following notice by the Administrative Agent (x) first, prepay such Swingline Exposure and (y) second, cash collateralize for the benefit of the applicable LC Bank only the Borrower's obligations corresponding to such Defaulting Lender's LC Exposure (after giving effect to any partial reallocation pursuant to clause (i) above) in accordance with the procedures set forth in the last paragraph of Section 8.01 for so long as such LC Exposure is outstanding;

(iii) if the Borrower cash collateralizes any portion of such Defaulting Lender's LC Exposure pursuant to clause (ii) above, the Borrower shall not be required to pay any fees to such Defaulting Lender pursuant to Section 2.12(b) or the applicable LC Bank pursuant to Section 2.12(b)(x) (solely with respect to any fronting fee), in each case with respect to such Defaulting Lender's LC Exposure during the period such Defaulting Lender's LC Exposure is cash collateralized;

(iv) if the LC Exposure of the non-Defaulting Lenders is reallocated pursuant to clause (i) above, then the fees payable to the Lenders pursuant to Section 2.12(b) shall be adjusted in accordance with such non-Defaulting Lenders' Applicable Percentages; and

(v) if all or any portion of such Defaulting Lender's LC Exposure is neither reallocated nor cash collateralized pursuant to clause (i) or (ii) above, then, without prejudice to any rights or remedies of any LC Bank or any other Lender hereunder, all Facility Fees that otherwise would have been payable to such Defaulting Lender (solely with respect to the portion of such Defaulting Lender's Commitment that was utilized by such LC Exposure) and letter of credit fees payable under Section 2.12(b) with respect to such Defaulting Lender's LC Exposure shall be payable to the applicable LC Bank until and to the extent that such LC Exposure is reallocated and/or cash collateralized; and

(d) so long as such Lender is a Defaulting Lender, the Swingline Lender shall not be required to fund any Swingline Loan and the LC Banks shall not be required to issue, amend or increase any Letter of Credit, unless it is reasonably satisfied that (i) the related exposure and the Defaulting Lender's then outstanding LC Exposure will be 100% covered by the Commitments of the non-Defaulting Lenders and/or cash collateral will be provided by the Borrower in accordance with Section 2.20(c), and (ii) participating interests in any such newly made Swingline Loan or any newly issued or increased Letter of Credit shall be allocated among non-Defaulting Lenders in a manner consistent with Section 2.20(c)(i) (and such Defaulting Lender shall not participate therein).

If (i) a Bankruptcy Event with respect to a Parent of any Lender shall occur following the date hereof and for so long as such event shall continue or (ii) the Swingline Lender or any LC Bank has a good faith belief that any Lender has defaulted in fulfilling its obligations under one or more other agreements in which such Lender commits to extend credit, the Swingline Lender shall not be required to fund any Swingline Loan and no LC Bank shall be required to issue, amend or increase any Letter of Credit, unless the Swingline Lender or the applicable LC Bank, as the case may be, shall have entered into arrangements with the Borrower or such Lender, satisfactory to the Swingline Lender or the applicable LC Bank, as the case may be, to defease any risk to it in respect of such Lender hereunder.

In the event that the Administrative Agent, the Borrower, the Swingline Lender and the LC Banks each agrees that a Defaulting Lender has adequately remedied all matters that caused such Lender to be a Defaulting Lender, then the Swingline Exposure and LC Exposure of the Lenders shall be readjusted to reflect the inclusion of such Lender's Commitment and on such date such Lender shall purchase at par such of the Loans of the other Lenders (other than Swingline Loans) as the Administrative Agent shall determine may be necessary in order for such Lender to hold such Loans in accordance with its Applicable Percentage.

ARTICLE III
CONDITIONS

SECTION 3.01. Conditions Precedent to the Effectiveness of this Agreement. This Agreement shall not become effective until the date on which each of the following conditions is satisfied (or waived in accordance with Section 11.02).

(a) The Administrative Agent (or its counsel) shall have received from each party thereto either (i) a counterpart of this Agreement signed on behalf of such party or (ii) written evidence satisfactory to the Administrative Agent (which may include facsimile or electronic transmission of a signed signature page of this Agreement) that such party has signed a counterpart of this Agreement.

(b) The Lenders, the Administrative Agent, the Arrangers and each other Person entitled to the payment of fees or the reimbursement or payment of expenses, pursuant hereto or to those certain fee letters dated April 23, 2012, executed and delivered with respect to the credit facility provided for herein, shall have received all fees required to be paid by the Effective Date (including, without limitation, all fees owing on the Effective Date under Section 2.12(c) hereof), and all expenses for which invoices have been presented on or before the Effective Date.

(c) The Administrative Agent shall have received certified copies of the resolutions of the Board of Directors of each of the Guarantor and the Borrower approving this Agreement, and of all documents evidencing other necessary corporate action and governmental and regulatory approvals with respect to this Agreement.

(d) The Administrative Agent shall have received from each of the Borrower and the Guarantor, to the extent generally available in the relevant jurisdiction, a copy of a certificate or certificates of the Secretary of State (or other appropriate public official) of the jurisdiction of its incorporation, dated reasonably near the Effective Date, (i) listing the charters of the Borrower or the Guarantor, as the case may be, and each amendment thereto on file in such office and certifying that such amendments are the only amendments to the Borrower's or the Guarantor's charter, as the case may be, on file in such office, and (ii) stating, in the case of the Borrower, that the Borrower is authorized to transact business under the laws of the jurisdiction of its place of incorporation, and, in the case of the Guarantor, that the Guarantor is duly incorporated and in good standing under the laws of the jurisdiction of its place of incorporation.

(e) (i) The Administrative Agent shall have received a certificate or certificates of each of the Borrower and the Guarantor, signed on behalf of the Borrower and the Guarantor respectively, by a the Secretary, an Assistant Secretary or a Responsible Officer thereof, dated the Effective Date, certifying as to (A) the absence of any amendments to the charter of the Borrower or the Guarantor, as the case may be, since the date of the certificates referred to in paragraph (d) above, (B) a true and correct copy of the bylaws of each of the Borrower or the Guarantor, as the case may be, as in effect on the Effective Date, (C) the absence of any proceeding for the dissolution or liquidation of the Borrower or the Guarantor, as the case may be, (D) the truth, in all material respects, of the representations and warranties contained in the Credit Documents to which the Borrower or the Guarantor is a party, as the case may be, as though made on and as of the Effective Date, and (E) the absence, as of the Effective Date, of any Default or Event of Default; and (ii) each of such certifications shall be true.

(f) The Administrative Agent shall have received a certificate of the Secretary or an Assistant Secretary of each of the Guarantor and the Borrower certifying the names and true signatures of the officers of Guarantor or the Borrower, as the case may be, authorized to sign, and signing, this Agreement and the other Credit Documents to be delivered hereunder on or before the Effective Date.

(g) The Administrative Agent shall have received from Schiff Hardin LLP, counsel for the Guarantor and the Borrower, a favorable opinion, substantially in the form of Exhibit B hereto and as to such other matters as any Lender through the Administrative Agent may reasonably request.

SECTION 3.02. Conditions Precedent to Each Extension of Credit. The obligation of each Lender to make any Extension of Credit and of each LC Bank to issue, extend (other than an extension pursuant to an automatic extension provision set forth in the applicable Letter of Credit) or amend any Letter of Credit (including the initial Extension of Credit but excluding any conversion or continuation of any Loan) shall be subject to the satisfaction (or waiver in accordance with Section 11.02) of each of the following conditions:

(a) The representations and warranties of the Guarantor and the Borrower set forth in this Agreement (other than the representation and warranty set forth in Section 4.01(f)) shall be true and correct in all material respects on and as of the date of such Extension of Credit, except to the extent that such representations and warranties are specifically limited to a prior date, in which case such representations and warranties shall be true and correct in all material respects on and as of such prior date.

(b) After giving effect to (A) such Extension of Credit, together with all other Extensions of Credit to be made contemporaneously therewith, and (B) the repayment of any Loans or Unreimbursed LC Disbursements that are to be contemporaneously repaid at the time such Loan is made, such Extension of Credit will not result in the sum of the then Total Outstanding Principal exceeding the Aggregate Commitments.

(c) Such Extension of Credit will comply with all other applicable requirements of Article II, including, without limitation Sections 2.01, 2.02, 2.03 and 2.04, as applicable.

(d) At the time of and immediately after giving effect to such Extension of Credit, no Default or Event of Default shall have occurred and be continuing.

(e) In the case of a Revolving Loan, the Administrative Agent shall have timely received a Borrowing Request; and, in the case of a Letter of Credit issuance, extension (other than an extension pursuant to an automatic extension provision set forth in the applicable Letter of Credit) or amendment, a Request for Issuance.

Each Extension of Credit and the acceptance by the Borrower of the benefits thereof shall be deemed to constitute a representation and warranty by the Borrower on the date thereof as to the matters specified in paragraphs (a), (b), (c) and (d) of this Section.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES

SECTION 4.01. Representations and Warranties of the Credit Parties. Each of the Borrower and the Guarantor represents and warrants as follows:

(a) Each of the Borrower and the Guarantor is a corporation duly organized, validly existing and, in the case of the Borrower, authorized to transact business under the laws of the State of its incorporation, and, in the case of the Guarantor, in good standing under the laws of the State of its incorporation.

(b) The execution, delivery and performance by each of the Credit Parties of the Credit Documents to which it is a party (i) are within such Credit Party's corporate powers, (ii) have been duly authorized by all necessary corporate action, (iii) do not contravene (A) such Credit Party's charter or by-laws, as the case may be, or (B) any law, rule or regulation, or any material Contractual Obligation or legal restriction, binding on or affecting such Credit Party or any Material Subsidiary, as the case may be, and (iv) do not require the creation of any Lien on the property of such Credit Party or any Material Subsidiary under any Contractual Obligation binding on or affecting such Credit Party or any Material Subsidiary.

(c) No authorization or approval or other action by, and no notice to or filing with, any Governmental Authority or other Person is required for the due execution, delivery and performance by any Credit Party of this Agreement or any other Credit Document to which any of them is a party, except for such as (i) have been obtained or made and that are in full force and effect or (ii) are not presently required under applicable law and have not yet been applied for.

(d) Each Credit Document to which any Credit Party is a party is a legal, valid and binding obligation of such Credit Party, enforceable against such Credit Party in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

(e) The consolidated balance sheet of the Guarantor and its Subsidiaries as at December 31, 2011, and the related statements of income and retained earnings of the Guarantor and its Subsidiaries for the fiscal year then ended, copies of which have been made available or furnished to each Lender, fairly present the financial condition of the Guarantor and its Subsidiaries as at such date and the results of the operations of the Guarantor and its Subsidiaries for the period ended on such date, all in accordance with generally accepted accounting principles consistently applied.

(f) Since December 31, 2011, there has been no material adverse change in such condition or operations, or in the business, assets, operations, condition (financial or otherwise) or prospects of any of the Credit Parties or of Columbia.

(g) There is no pending or threatened action, proceeding or investigation affecting such Credit Party before any court, governmental agency or other Governmental Authority or arbitrator that (taking into account the exhaustion of appeals) would have a Material Adverse Effect, or that (i) purports to affect the legality, validity or enforceability of this Agreement or any promissory notes executed pursuant hereto, or (ii) seeks to prohibit the ownership or operation, by any Credit Party or any of their respective Material Subsidiaries, of all or a material portion of their respective businesses or assets.

(h) The Guarantor and its Subsidiaries, taken as a whole, do not hold or carry Margin Stock having an aggregate value in excess of 10% of the value of their consolidated assets, and no part of the proceeds of any Loan or Letter of Credit hereunder will be used to buy or carry any Margin Stock.

(i) No ERISA Event has occurred, or is reasonably expected to occur, with respect to any Plan that could reasonably be expected to have a Material Adverse Effect.

(j) Schedule B (Actuarial Information) to the 2009 Annual report (Form 5500 Series) for each Plan, copies of which have been filed with the Internal Revenue Service and made available or furnished to each Lender, is complete and accurate and fairly presents the funding status of such Plan, and since the date of such Schedule B there has been no adverse change in such funding status which may reasonably be expected to have a Material Adverse Effect.

(k) Neither the Guarantor nor any ERISA Affiliate has incurred or is reasonably expected to incur any Withdrawal Liability to any Multiemployer Plan which may reasonably be expected to have a Material Adverse Effect.

(l) Neither the Guarantor nor any ERISA Affiliate has been notified by the sponsor of a Multiemployer Plan that such Multiemployer Plan is in reorganization or has been terminated, within the meaning of Title VI of ERISA, and no Multiemployer Plan is reasonably expected to be in reorganization or to be terminated, within the meaning of Title IV of ERISA, in either such case, that could reasonably be expected to have a Material Adverse Effect.

(m) No Credit Party is an "investment company", or a company "controlled" by an "investment company", within the meaning of the Investment Company Act of 1940, as amended.

(n) Each Credit Party has filed all tax returns (Federal, state and local) required to be filed by it and has paid or caused to be paid all taxes due for the periods covered thereby, including interest and penalties, except for any such taxes, interest or penalties which are being contested in good faith and by proper proceedings and in respect of which such Credit Party has set aside adequate reserves for the payment thereof in accordance with GAAP.

(o) Each Credit Party and its Subsidiaries are and have been in compliance with all laws (including, without limitation, all Environmental Laws), except to the extent that any failure to be in compliance, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

(p) No Subsidiary of any Credit Party is party to, or otherwise bound by, any agreement that prohibits such Subsidiary from making any payments, directly or indirectly, to such Credit Party, by way of dividends, advances, repayment of loans or advances, reimbursements of management or other intercompany charges, expenses and accruals or other returns on investment, or any other agreement that restricts the ability of such Subsidiary to make any payment, directly or indirectly, to such Credit Party, other than prohibitions and restrictions permitted to exist under Section 6.01(e).

(q) The information, exhibits and reports furnished by the Guarantor or any of its Subsidiaries to the Administrative Agent or to any Lender in connection with the negotiation of, or compliance with, the Credit Documents, taken as a whole, do not contain any material misstatement of fact and do not omit to state a material fact or any fact necessary to make the statements contained therein not misleading in light of the circumstances made.

ARTICLE V
AFFIRMATIVE COVENANTS

SECTION 5.01. Affirmative Covenants. So long as any Lender shall have any Commitment hereunder or any principal of any Loan, Unreimbursed LC Disbursement, interest or fees payable hereunder shall remain unpaid or any Letter of Credit shall remain outstanding, each of the Credit Parties will, unless the Required Lenders shall otherwise consent in writing:

(a) ***Compliance with Laws, Etc.*** Comply, and cause each of its Subsidiaries to comply, in all material respects with all applicable laws, rules, regulations and orders (including, without limitation, any of the foregoing relating to employee health and safety or public utilities and all Environmental Laws), unless the failure to so comply could not reasonably be expected to have a Material Adverse Effect.

(b) ***Maintenance of Properties, Etc.*** Maintain and preserve, and cause each Material Subsidiary to maintain and preserve, all of its material properties which are used in the conduct of its business in good working order and condition, ordinary wear and tear excepted, if the failure to do so could reasonably be expected to have a Material Adverse Effect.

(c) ***Payment of Taxes, Etc.*** Pay and discharge, and cause each of its Subsidiaries to pay and discharge, before the same shall become delinquent, (i) all taxes, assessments and governmental charges or levies imposed upon it or upon its property, and (ii) all legal claims which, if unpaid, might by law become a lien upon its property; *provided, however,* that neither any Credit Party nor any of its Subsidiaries shall be required to pay or discharge any such tax, assessment, charge or claim which is being contested in good faith and by proper proceedings and as to which appropriate reserves are being maintained.

(d) ***Maintenance of Insurance*** . Maintain, and cause each of its Subsidiaries to maintain, insurance with responsible and reputable insurance companies or associations in such amounts and covering such risks as is usually obtained by companies engaged in similar businesses of comparable size and financial strength and owning similar properties in the same general areas in which such Credit Party or such Subsidiary operates, or, to the extent such Credit Party or Subsidiary deems it reasonably prudent to do so, through its own program of self-insurance.

(e) ***Preservation of Corporate Existence, Etc.*** Preserve and maintain, and cause each Material Subsidiary to preserve and maintain, its corporate existence, rights (charter and statutory) and franchises, except as otherwise permitted under this Agreement; *provided that* that no such Person shall be required to preserve any right or franchise with respect to which the Board of Directors of such Person has determined that the preservation thereof is no longer desirable in the conduct of the business of such Person and that the loss thereof is not disadvantageous in any material respect to any Credit Party or the Lenders.

(f) ***Visitation Rights*** . At any reasonable time and from time to time, permit the Administrative Agent or any of the Lenders or any agents or representatives thereof, on not less than five Business Days' notice (which notice shall be required only so long as no Default shall be occurred and be continuing), to examine and make copies of and abstracts from the records and books of account of, and visit the properties of, such Credit Party or any of its Subsidiaries, and to discuss the affairs, finances and accounts of the Credit Parties and their respective Subsidiaries with any of their respective officers and with their independent certified public accountants; subject, however, in all cases to the imposition of such conditions as the affected Credit Party or Subsidiary shall deem necessary based on reasonable considerations of safety and security and provided that so long as no Default or Event of Default shall have occurred and be continuing, each Lender will be limited to one visit each year.

(g) ***Keeping of Books*** . (i) Keep, and cause each of its Subsidiaries to keep, proper books of record and account, in which full and correct entries shall be made of all material financial transactions and the assets and business of each of the Credit Parties and each of their respective Subsidiaries, and (ii) maintain, and cause each of its Subsidiaries to maintain, a system of accounting established and administered in accordance with generally accepted accounting principles consistently applied.

(h) ***Reporting Requirements*** . Deliver to the Administrative Agent for distribution to the Lenders:

(i) as soon as available and in any event within 60 days after the end of each of the first three quarters of each fiscal year of the Guarantor (or, if earlier, concurrently with the filing thereof with the Securities and Exchange Commission or any national securities exchange in accordance with applicable law or regulation), balance sheets of the Guarantor and its Consolidated Subsidiaries in comparative form as of the end of such quarter and statements of income and retained earnings of the Guarantor and its Consolidated Subsidiaries for the period commencing at the end of the previous fiscal year of the Guarantor and ending with the end of such quarter, each prepared in accordance with generally accepted accounting principles consistently applied, subject to normal year-end audit adjustments, certified by the chief financial officer of the Guarantor.

(ii) as soon as available and in any event within 90 days after the end of each fiscal year of the Guarantor (or, if earlier, concurrently with the filing thereof with the Securities and Exchange Commission or any national securities exchange in accordance with applicable law or regulation), a copy of the audit report for such year for the Guarantor and its Consolidated Subsidiaries containing financial statements for such year prepared in accordance with generally accepted accounting principles consistently applied as reported on by independent certified public accountants of recognized national standing acceptable to the Required Lenders, which audit was conducted by such accounting firm in accordance with generally accepted auditing standards;

(iii) concurrently with the delivery of financial statements pursuant to clauses (i) and (ii) above or the notice relating thereto contemplated by the final sentence of this Section 5.01(h), a certificate of a senior financial officer of each of the Guarantor and the Borrower (A) to the effect that no Default or Event of Default has occurred and is continuing (or, if any Default or Event of Default has occurred and is continuing, describing the same in reasonable detail and describing the action that the Guarantor or the Borrower, as the case may be, has taken and proposes to take with respect thereto), and (B) in the case of the certificate relating to the Guarantor, setting forth calculations, in reasonable detail, establishing Borrower's compliance, as at the end of such fiscal quarter, with the financial covenant contained in Article VII;

(iv) as soon as possible and in any event within five days after the occurrence of each Default or Event of Default continuing on the date of such statement, a statement of the chief financial officer of the Borrower setting forth details of such Event of Default or event and the action which the Borrower has taken and proposes to take with respect thereto;

(v) promptly after the sending or filing thereof, copies of all reports which the Guarantor sends to its stockholders, and copies of all reports and registration statements (other than registration statements filed on Form S-8) that the Guarantor, the Borrower or any Subsidiary of the Guarantor or the Borrower, files with the Securities and Exchange Commission;

(vi) promptly and in any event within 10 days after the Guarantor knows or has reason to know that any material ERISA Event has occurred, a statement of the chief financial officer of the Borrower describing such ERISA Event and the action, if any, which the Guarantor or any affected ERISA Affiliate proposes to take with respect thereto;

(vii) promptly and in any event within two Business Days after receipt thereof by the Guarantor (or knowledge being obtained by the Guarantor of the receipt thereof by any ERISA Affiliate), copies of each notice from the PBGC stating its intention to terminate any Plan or to have a trustee appointed to administer any Plan;

(viii) promptly and in any event within five Business Days after receipt thereof by the Guarantor (or knowledge being obtained by the Guarantor of the receipt thereof by any ERISA Affiliate) from the sponsor of a Multiemployer Plan, a copy of each notice received by the Guarantor or any ERISA Affiliate concerning (A) the imposition of material Withdrawal Liability by a Multiemployer Plan, (B) the reorganization or termination, within the meaning of Title IV of ERISA, of any Multiemployer Plan or (C) the amount of liability incurred, or which may be incurred, by the Guarantor or any ERISA Affiliate in connection with any event described in clause (A) or (B) above;

(ix) promptly after the Guarantor has knowledge of the commencement thereof, notice of any actions, suits and proceedings before any court or governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, affecting the Guarantor or any Material Subsidiary of the type described in Section 4.01(g);

(x) promptly after the Guarantor or the Borrower knows of any change in the rating of the Index Debt by S&P or Moody's, a notice of such changed rating; and

(xi) such other information respecting the condition or operations, financial or otherwise, of the Guarantor or any of its Subsidiaries as any Lender through the Administrative Agent may from time to time reasonably request.

Notwithstanding the foregoing, the Credit Parties' obligations to deliver the documents or information required under any of clauses (i), (ii) and (v) above shall be deemed to be satisfied upon (x) the relevant documents or information being publicly available on the Guarantor's website or other publicly available electronic medium (such as EDGAR) within the time period required by such clause, and (y) the delivery by the Guarantor or the Borrower of notice to the Administrative Agent and the Lenders, within the time period required by such clause, that such documents or information are so available.

(i) ***Use of Proceeds*** . Use the proceeds of the Loans and the Letters of Credit hereunder for working capital and other general corporate purposes, including refinancing of existing indebtedness.

(j) ***Ratings*** . At all times maintain ratings by both Moody's and S&P with respect to the Index Debt.

ARTICLE VI
NEGATIVE COVENANTS

SECTION 6.01. Negative Covenants. So long as any Lender shall have any Commitment hereunder or any principal of any Loan, Unreimbursed LC Disbursement, interest or fees payable hereunder shall remain unpaid or any Letter of Credit shall remain outstanding, no Credit Party will, without the written consent of the Required Lenders:

(a) ***Limitation on Liens*** . Create or suffer to exist, or permit any of its Subsidiaries (other than a Utility Subsidiary) to create or suffer to exist, any lien, security interest, or other charge or encumbrance (collectively, " ***Liens*** ") upon or with respect to any of its properties, whether now owned or hereafter acquired, or collaterally assign for security purposes, or permit any of its Subsidiaries (other than a Utility Subsidiary) to so assign any right to receive income in each case to secure or provide for or guarantee the payment of Debt for Borrowed Money of any Person, without in any such case effectively securing, prior to or concurrently with the creation, issuance, assumption or guaranty of any such Debt for Borrowed Money, the Obligations (together with, if the Guarantor shall so determine, any other Debt for Borrowed Money of or guaranteed by the Guarantor or any of its Subsidiaries ranking equally with the Loans and Unreimbursed LC Disbursements and then existing or thereafter created) equally and ratably with (or prior to) such Debt for Borrowed Money; *provided, however,* that the foregoing restrictions shall not apply to or prevent the creation or existence of:

(i) (A) Liens on any property acquired, constructed or improved by the Guarantor or any of its Subsidiaries (other than a Utility Subsidiary) after the date of this Agreement that are created or assumed prior to, contemporaneously with, or within 180 days after, such acquisition or completion of such construction or improvement, to secure or provide for the payment of all or any part of the purchase price of such property or the cost of such construction or improvement; or (B) in addition to Liens contemplated by clauses (ii) and (iii) below, Liens on any property existing at the time of acquisition thereof, provided that the Liens shall not apply to any property theretofore owned by the Guarantor or any such Subsidiary other than, in the case of any such construction or improvement, (1) unimproved real property on which the property so constructed or the improvement is located, (2) other property (or improvements thereon) that is an improvement to or is acquired or constructed for specific use with such acquired or constructed property (or improvement thereof), and (3) any rights and interests (A) under any agreements or other documents relating to, or (B) appurtenant to, the property being so constructed or improved or such other property;

(ii) existing Liens on any property or indebtedness of a corporation that is merged with or into or consolidated with any Credit Party or any of its Subsidiaries; *provided* that such Lien was not created in contemplation of such merger or consolidation;

(iii) Liens on any property or indebtedness of a corporation existing at the time such corporation becomes a Subsidiary of any Credit Party; *provided* that such Lien was not created in contemplation of such occurrence;

(iv) Liens to secure Debt for Borrowed Money of a Subsidiary of a Credit Party to a Credit Party or to another Subsidiary of the Guarantor;

(v) Liens in favor of the United States of America, any State, any foreign country or any department, agency or instrumentality or political subdivision of any such jurisdiction, to secure partial, progress, advance or other payments pursuant to any contract or statute or to secure any Debt for Borrowed Money incurred for the purpose of financing all or any part of the purchase price of the cost of constructing or improving the property subject to such Liens, including, without limitation, Liens to secure Debt for Borrowed Money of the pollution control or industrial revenue bond type;

(vi) Liens on any property (including any natural gas, oil or other mineral property) to secure all or part of the cost of exploration, drilling or development thereof or to secure Debt for Borrowed Money incurred to provide funds for any such purpose;

(vii) Liens existing on the date of this Agreement;

(viii) Liens for the sole purposes of extending, renewing or replacing in whole or in part Debt for Borrowed Money secured by any Lien referred to in the foregoing clauses (i) through (vii), inclusive, or this clause (viii); *provided, however,* that the principal amount of Debt for Borrowed Money secured thereby shall not exceed the principal amount of Debt for Borrowed Money so secured at the time of such extension, renewal or replacement (which, for purposes of this limitation as it applies to a synthetic lease, shall be deemed to be (x) the lessor's original cost of the property subject to such lease at the time of extension, renewal or replacement, *less* (y) the aggregate amount of all prior payments under such lease allocated pursuant to the terms of such lease to reduce the principal amount of the lessor's investment, and borrowings by the lessor, made to fund the original cost of the property), and that such extension, renewal or replacement shall be limited to all or a part of the property or indebtedness which secured the Lien so extended, renewed or replaced (plus improvements on such property);

(ix) Liens on any property or assets of a Project Financing Subsidiary, or on any Capital Stock in a Project Financing Subsidiary, in either such case, that secure only a Project Financing or a Contingent Guaranty that supports a Project Financing; or

(x) Any Lien, other than a Lien described in any of the foregoing clauses (i) through (ix), inclusive, to the extent that it secures Debt for Borrowed Money, or guaranties thereof, the outstanding principal balance of which at the time of creation of such Lien, when added to the aggregate principal balance of all Debt for Borrowed Money secured by Liens incurred under this clause (x) then outstanding, does not exceed $150,000,000.

If at any time any Credit Party or any of its Subsidiaries shall create, issue, assume or guaranty any Debt for Borrowed Money secured by any Lien and the first paragraph of this Section 6.01(a) requires that the Loans be secured equally and ratably with such Debt for Borrowed Money, the Borrower shall promptly deliver to the Administrative Agent and each Lender:

(1) a certificate of a duly authorized officer of the Borrower stating that the covenant contained in the first paragraph of this Section 6.01(a) has been complied with; and

(2) an opinion of counsel acceptable to the Required Lenders to the effect that such covenant has been complied with and that all documents executed by any Credit Party or any of its Subsidiaries in the performance of such covenant comply with the requirements of such covenant.

(b) ***Mergers, Etc.*** Merge or consolidate with or into, or, except in a transaction permitted under paragraph (c) of this Section, convey, transfer, lease or otherwise dispose of (whether in one transaction or in a series of transactions) all or substantially all of its assets (whether now owned or hereafter acquired) to any Person, or permit any of its Subsidiaries to do so, except that:

(i) any Subsidiary of the Guarantor (other than the Borrower) may merge or consolidate with or transfer assets to or acquire assets from any other Subsidiary of the Guarantor, *provided* that in the case of any such merger, consolidation, or transfer of assets to which NIPSCO or Columbia is a party, the continuing or surviving Person shall be a Wholly-Owned Subsidiary of the Guarantor; and

(ii) the Borrower may merge or consolidate with, or transfer assets to, or acquire assets from, any other Wholly-Owned Subsidiary of the Guarantor, provided that in the case of any such merger or consolidation to which the Borrower is not the surviving Person, or transfer of all or substantially all of the assets of the Borrower to any other Wholly-Owned Subsidiary of the Guarantor, immediately after giving effect thereto, (A) no Event of Default shall have occurred and be continuing (determined, for purposes of compliance with Article VII after giving effect to such transaction, on a pro forma basis as if such transaction had occurred on the last day of the Guarantor's fiscal quarter then most recently ended) and (B) such surviving Person or transferee, as applicable, shall have assumed all of the obligations of the Borrower under and in respect of the Credit Documents by written instrument satisfactory to the Administrative Agent and its counsel in their reasonable discretion, accompanied by such opinions of counsel and other supporting documents as they may reasonably require; and

(iii) any Subsidiary of the Guarantor may merge into the Guarantor or the Borrower or transfer assets to the Borrower or the Guarantor, *provided* that in the case of any merger or consolidation of the Borrower into the Guarantor or transfer of all or substantially all of the assets of the Borrower to the Guarantor, immediately after giving effect thereto, (A) no Event of Default shall have occurred and be continuing (determined, for purposes of compliance with Article VII after giving effect to such transaction, on a pro forma basis as if such transaction had occurred on the last day of the Guarantor's fiscal quarter then most recently ended) and (B) the Guarantor shall have assumed all of the obligations of the Borrower under and in respect of the Credit Documents by written instrument satisfactory to the Administrative Agent and its counsel in their reasonable discretion, accompanied by such opinions of counsel and other supporting documents as they may reasonably require; and

(iv) the Guarantor or any Subsidiary of the Guarantor may merge, or consolidate with or transfer all or substantially all of its assets to any other Person; provided that in each case under this clause (iii), immediately after giving effect thereto, (A) no Event of Default shall have occurred and be continuing (determined, for purposes of compliance with Article VII after giving effect to such transaction, on a pro forma basis as if such transaction had occurred on the last day of the Guarantor's fiscal quarter then most recently ended); (B) in the case of any such merger, consolidation or transfer of assets to which the Borrower is a party, the Borrower shall be the continuing or surviving corporation; (C) in the case of any such merger, consolidation, or transfer of assets to which NIPSCO or Columbia is a party, NIPSCO or Columbia, as the case may be, shall be the continuing or surviving corporation and shall be a Wholly-Owned Subsidiary of the Guarantor; (D) in the case of any such merger, consolidation or transfer of assets to which the Guarantor is a party, the Guarantor shall be the continuing or surviving corporation; and (E) the Index Debt shall be rated at least BBB- by S&P and at least Baa3 by Moody's.

(c) ***Sales, Etc. of Assets*** . Sell, lease, transfer or otherwise dispose of, or permit any of their respective Subsidiaries to sell, lease, transfer or otherwise dispose of (other than in connection with a transaction authorized by paragraph (b) of this Section) any substantial part of its assets; *provided* that the foregoing shall not prohibit any such sale, conveyance, lease, transfer or other disposition that (i) constitutes realization on a Lien permitted to exist under Section 6.01(a); or (ii) (A) (1) is for a price not materially less than the fair market value of such assets, (2) would not materially impair the ability of any Credit Party to perform its obligations under this Agreement and (3) together with all other such sales, conveyances, leases, transfers and other dispositions, would have no Material Adverse Effect, or (B) would not result in the sale, lease, transfer or other disposition, in the aggregate, of more than 10% of the consolidated total assets of the Guarantor and its Subsidiaries, determined in accordance with GAAP, on December 31, 2011.

(d) ***Compliance with ERISA*** . (i) Terminate, or permit any ERISA Affiliate to terminate, any Plan so as to result in a Material Adverse Effect or (ii) permit to exist any occurrence of any Reportable Event (as defined in Title IV of ERISA), or any other event or condition, that presents a material (in the reasonable opinion of the Required Lenders) risk of such a termination by the PBGC of any Plan, if such termination could reasonably be expected to have a Material Adverse Effect.

(e) ***Certain Restrictions*** . Permit any of its Subsidiaries (other than, in the case of the Guarantor, the Borrower) to enter into or permit to exist any agreement that by its terms prohibits such Subsidiary from making any payments, directly or indirectly, to such Credit Party by way of dividends, advances, repayment of loans or advances, reimbursements of management or other intercompany charges, expenses and accruals or other returns on investment, or any other agreement that restricts the ability of such Subsidiary to make any payment, directly or indirectly, to such Credit Party; *provided* that the foregoing shall not apply to prohibitions and restrictions (i) imposed by applicable law, (ii) (A) imposed under an agreement in existence on the date of this Agreement, and (B) described on Schedule 6.01(e), (iii) existing with respect to a Subsidiary on the date it becomes a Subsidiary that are not created in contemplation thereof (but shall apply to any extension or renewal of, or any amendment or modification expanding the scope of, any such prohibition or restriction), (iv) contained in agreements relating to the sale of a Subsidiary pending such sale, *provided* that such prohibitions or restrictions apply only to the Subsidiary that is to be sold and such sale is permitted hereunder, (v) imposed on a Project Financing Subsidiary in connection with a Project Financing, or (vi) that could not reasonably be expected to have a Material Adverse Effect.

ARTICLE VII
FINANCIAL COVENANT

So long as any Lender shall have any Commitment hereunder or any principal of any Loan, Unreimbursed LC Disbursement, interest or fees payable hereunder shall remain unpaid or any Letter of Credit shall remain outstanding, the Guarantor shall maintain a Debt to Capitalization Ratio of not more than 0.70 to 1.00.

ARTICLE VIII
EVENTS OF DEFAULT

SECTION 8.01. Events of Default. If any of the following events (" ***Events of Default*** ") shall occur and be continuing:

(a) The Borrower shall fail to pay any principal of any Loan or Unreimbursed LC Disbursement when the same becomes due and payable or shall fail to pay any interest, fees or other amounts hereunder within three Business Days after when the same becomes due and payable; or

(b) Any representation or warranty made by any Credit Party in any Credit Document or by any Credit Party (or any of its officers) in connection with this Agreement shall prove to have been incorrect in any material respect when made; or

(c) Any Credit Party shall fail to perform or observe any term, covenant or agreement contained in Section 5.01(e), 5.01(f), 5.01(h), 5.01 (i), 6.01 or Article VII; or

(d) Any Credit Party shall fail to perform or observe any term, covenant or agreement contained in any Credit Document on its part to be performed or observed (other than one identified in paragraph (a), (b) or (c) above) if the failure to perform or observe such other term, covenant or agreement shall remain unremedied for thirty days after written notice thereof shall have been given to the Borrower by the Administrative Agent or any Lender; or

(e) The Guarantor, the Borrower or any of their respective Subsidiaries shall fail to pay any principal of or premium or interest on any Indebtedness (excluding Non-Recourse Debt) which is outstanding in a principal amount of at least $50,000,000 in the aggregate (but excluding the Loans) of the Guarantor, the Borrower or such Subsidiary, as the case may be, when the same becomes due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise), and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Indebtedness; or any other event shall occur or condition shall exist under any agreement or instrument relating to any such Indebtedness and shall continue after the applicable grace period, if any, specified in such agreement or instrument, if the effect of such event or condition is to accelerate, or to permit the acceleration of, the scheduled maturity of such Indebtedness; or any such Indebtedness shall be declared to be due and payable, or required to be prepaid (other than by a regularly scheduled required prepayment), prior to the stated maturity thereof; or

(f) Any Credit Party shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against any Credit Party seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its property and, in the case of any such proceeding instituted against any Credit Party (but not instituted by any Credit Party), either such proceeding shall remain undismissed or unstayed for a period of 60 days, or any of the actions sought in such proceeding (including, without limitation, the entry of an order for relief against, or the appointment of a receiver, trustee, custodian or other similar official for, any Credit Party or for any substantial part of its property) shall occur; or any Credit Party shall take any corporate action to authorize any of the actions set forth above in this paragraph (f); or

(g) One or more Subsidiaries of the Guarantor (other than the Borrower) in which the aggregate sum of (i) the amounts invested by the Guarantor and its other Subsidiaries in the aggregate, by way of purchases of Capital Stock, Capital Leases, loans or otherwise, and (ii) the amount of recourse, whether contractual or as a matter of law (but excluding Non-Recourse Debt), available to creditors of such Subsidiary or Subsidiaries against the Guarantor or any of its other Subsidiaries, is $100,000,000 or more (collectively, " ***Substantial Subsidiaries*** ") shall generally not pay their respective debts as such debts become due, or shall admit in writing their respective inability to pay their debts generally, or shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against Substantial Subsidiaries seeking to adjudicate them bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of them or their respective debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, custodian or other similar official for them or for any substantial part of their respective property and, in the case of any such proceeding instituted against Substantial Subsidiaries (but not instituted by the Guarantor or any Subsidiary of the Guarantor), either such proceeding shall remain undismissed or unstayed for a period of 60 days, or any of the actions sought in such proceeding (including, without limitation, the entry of an order for relief against, or the appointment of a receiver, trustee, custodian or other similar official for, the Substantial Subsidiaries or for any substantial part of their respective property) shall occur; or Substantial Subsidiaries shall take any corporate action to authorize any of the actions set forth above in this paragraph (g); or

(h) Any judgment or order for the payment of money in excess of $50,000,000 shall be rendered against the Borrower, the Guarantor or any of its other Subsidiaries and either (i) enforcement proceedings shall have been commenced by any creditor upon such judgment or order or (ii) there shall be any period of 30 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect; or

(i) Any ERISA Event shall have occurred with respect to a Plan and, 30 days after notice thereof shall have been given to the Guarantor or the Borrower by the Administrative Agent, (i) such ERISA Event shall still exist and (ii) the sum (determined as of the date of occurrence of such ERISA Event) of the Insufficiency of such Plan and the Insufficiency of any and all other Plans with respect to which an ERISA Event shall have occurred and then exist (or, in the case of a Plan with respect to which an ERISA Event described in clauses (c) through (f) of the definition of ERISA Event shall have occurred and then exist, the liability related thereto) is equal to or greater than $10,000,000 (when aggregated with paragraphs (j), (k) and (l) of this Section), and a Material Adverse Effect could reasonably be expected to occur as a result thereof; or

(j) The Guarantor or any ERISA Affiliate shall have been notified by the sponsor of a Multiemployer Plan that it has incurred Withdrawal Liability to such Multiemployer Plan in an amount which, when aggregated with all other amounts required to be paid to Multiemployer Plans by the Guarantor and its ERISA Affiliates as Withdrawal Liability (determined as of the date of such notification), exceeds $10,000,000 or requires payments exceeding $10,000,000 *per annum* (in either case, when aggregated with paragraphs (i), (k) and (l) of this Section), and a Material Adverse Effect could reasonably be expected to occur as a result thereof; or

(k) The Guarantor or any ERISA Affiliate shall have been notified by the sponsor of a Multiemployer Plan that such Multiemployer Plan is in reorganization or is being terminated, within the meaning of Title IV of ERISA, if as a result of such reorganization or termination the aggregate annual contributions of the Guarantor and its ERISA Affiliates to all Multiemployer Plans which are then in reorganization or being terminated have been or will be increased over the amounts contributed to such Multiemployer Plans for the respective plan year of each such Multiemployer Plan immediately preceding the plan year in which the reorganization or termination occurs by an amount exceeding $10,000,000 (when aggregated with paragraphs (i), (j) and (l) of this Section), and a Material Adverse Effect could reasonably be expected to occur as a result thereof; or

(l) The Guarantor or any ERISA Affiliate shall have committed a failure described in Section 303(k)(1) of ERISA and the amount determined under Section 303(k)(3) of ERISA is equal to or greater than $10,000,000 (when aggregated with paragraphs (i), (j) and (k) of this Section), and a Material Adverse Effect could reasonably be expected to occur as a result thereof; or

(m) Any provision of the Credit Documents shall be held by a court of competent jurisdiction to be invalid or unenforceable against any Credit Party purported to be bound thereby, or any Credit Party shall so assert in writing; or

(n) Any Change of Control shall occur;

then, and in any such event, the Administrative Agent (i) shall at the request, or may with the consent, of the Required Lenders, by notice to the Borrower, declare the Commitment of each Lender, the obligation of the Swingline Lender to make or maintain Swingline Loans and the obligation of each LC Bank to issue or maintain Letters of Credit hereunder to be terminated, whereupon the same shall forthwith terminate, and (ii) shall at the request or with the consent of the Required Lenders, by notice to the Borrower, declare all amounts payable under this Agreement to be forthwith due and payable, whereupon all such amounts shall become and be forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Borrower; *provided* that in the event of an actual or deemed entry of an order for relief with respect to any Credit Party under the Federal Bankruptcy Code, (1) the Commitment of each Lender, the obligation of the Swingline Lender to make or maintain Swingline Loans and the obligation of each LC Bank to issue or maintain Letters of Credit hereunder shall automatically be terminated and (2) all such amounts shall automatically become and be due and payable, without presentment, demand, protest or any notice of any kind, all of which are hereby expressly waived by the Borrower.

Notwithstanding anything to the contrary contained herein, no notice given or declaration made by the Administrative Agent pursuant to this Section 8.01 shall affect (i) the obligation of any LC Bank to make any payment under any outstanding Letter of Credit issued by such LC Bank in accordance with the terms of such Letter of Credit, (ii) the obligations of each Lender in respect of each such Letter of Credit or (iii) the obligation of each Lender to purchase its pro rata share of any Swingline Loans; *provided, however*, that upon the occurrence and during the continuance of any Event of Default, the Administrative Agent shall at the request, or may with the consent, of the Required Lenders, upon notice to the Borrower, require the Borrower to deposit with the Administrative Agent an amount in the cash account (the "Cash Account") described below equal to the then current LC Outstandings. Such Cash Account shall at all times be free and clear of all rights or claims of third parties. The Cash Account shall be maintained with the Administrative Agent in the name of, and under the sole dominion and control of, the Administrative Agent, and amounts deposited in the Cash Account shall bear interest at a rate equal to the rate generally offered by Barclays for deposits equal to the amount deposited by the Borrower in the Cash Account pursuant to this Section 8.01, for a term to be agreed to between the Borrower and the Administrative Agent. If any drawings under any Letter of Credit then outstanding or thereafter made are not reimbursed in full immediately upon demand or, in the case of subsequent drawings, upon being made, then, in any such event, the Administrative Agent may apply the amounts then on deposit in the Cash Account, in such priority as the Administrative Agent shall elect, toward the payment in full of any or all of the Borrower's obligations hereunder as and when such obligations shall become due and payable. Upon payment in full, after the termination of the Letters of Credit, of all such obligations, the Administrative Agent will repay to the Borrower any cash then on deposit in the Cash Account.

ARTICLE IX
THE ADMINISTRATIVE AGENT

SECTION 9.01. The Administrative Agent.

(a) Each of the Lenders and each LC Bank hereby irrevocably appoints the Administrative Agent as its agent and authorizes the Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms hereof, together with such actions and powers as are reasonably incidental thereto.

(b) The Person serving as the Administrative Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Administrative Agent, and such bank and its Affiliates may accept deposits from, lend money to and generally engage in any kind of business with the any Credit Party or any of such Credit Party's Subsidiaries or other Affiliates thereof as if it were not the Administrative Agent hereunder.

(c) The Administrative Agent shall not have any duties or obligations except those expressly set forth herein. Without limiting the generality of the foregoing, (i) the Administrative Agent shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing, (ii) the Administrative Agent shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby that the Administrative Agent is required to exercise in writing by the Required Lenders, and (iii) except as expressly set forth herein, the Administrative Agent shall not have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Borrower, the Guarantor or any of its other Subsidiaries that is communicated to or obtained by the bank serving as Administrative Agent or any of its Affiliates in any capacity. The Administrative Agent shall not be liable for any action taken or not taken by it with the consent or at the request of the Required Lenders (or, if applicable, all of the Lenders) or in the absence of its own gross negligence or willful misconduct. The Administrative Agent shall be deemed not to have knowledge of any Default unless and until written notice thereof is given to the Administrative Agent by the Borrower or a Lender, and the Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into (1) any statement, warranty or representation made in or in connection with this Agreement, (2) the contents of any certificate, report or other document delivered hereunder or in connection herewith, (3) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein, (4) the validity, enforceability, effectiveness or genuineness of this Agreement or any other agreement, instrument or document, or (5) the satisfaction of any condition set forth in Article III or elsewhere herein, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent and the conformity thereof to such express requirement.

(d) The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing believed by it to be genuine and to have been signed or sent by the proper Person. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to be made by the proper Person, and shall not incur any liability for relying thereon. The Administrative Agent may consult with legal counsel (who may be counsel for a Credit Party) independent accountants and other experts selected by it and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

(e) The Administrative Agent may perform any and all its duties and exercise its rights and powers by or through any one or more sub-agents appointed by the Administrative Agent. The Administrative Agent and any such sub-agent may perform any and all its duties and exercise its rights and powers through their respective Related Parties. The exculpatory provisions of the preceding paragraphs shall apply to any such sub-agent and to the Related Parties of the Administrative Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Administrative Agent.

(f) Subject to the appointment and acceptance of a successor Administrative Agent as provided in this paragraph, the Administrative Agent may resign at any time by notifying the Lenders and the Credit Parties. Upon any such resignation, the Required Lenders shall have the right, with the consent of the Borrower (which consent shall not unreasonably be withheld), to appoint a successor, *provided* that no such consent of the Borrower shall be required if an Event of Default has occurred and is continuing. If no successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its resignation, then the retiring Administrative Agent may, on behalf of the Lenders, appoint a successor Administrative Agent which shall be a bank with an office in New York, New York, or an Affiliate of any such bank, in any event having total assets in excess of $500,000,000 and who shall serve until such time, if any, as an Agent shall have been appointed as provided above. Upon the acceptance of its appointment as Administrative Agent hereunder by a successor, such successor shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder. The fees payable by the Borrower to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Borrower and such successor. After the Administrative Agent's resignation hereunder, the provisions of this Article and Section 11.03 shall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as Administrative Agent.

(g) Each Lender acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any related agreement or any document furnished hereunder or thereunder.

(h) No Lender identified on the signature pages of this Agreement as a "Lead Arranger", "Co-Documentation Agent" or "Syndication Agent", or that is given any other title hereunder other than "LC Bank", "Swingline Lender" or "Administrative Agent", shall have any right, power, obligation, liability, responsibility or duty under this Agreement other than those applicable to all Lenders as such. Without limiting the generality of the foregoing, no Lender so identified as a "Lead Arranger", "Co-Documentation Agent" or "Syndication Agent" or that is given any other title hereunder, shall have, or be deemed to have, any fiduciary relationship with any Lender. Each Lender acknowledges that it has not relied, and will not rely, on the Lenders so identified in deciding to enter into this Agreement or in taking or not taking action hereunder.

(i) Notwithstanding anything to the contrary herein or in any other Credit Document, the authority to enforce rights and remedies hereunder and in the other Credit Documents against the Credit Parties or any of them shall be vested exclusively in, and all actions and proceedings at law in connection with such enforcement shall be instituted and maintained exclusively by, the Administrative Agent in accordance with Section 8.01 for the benefit of all the Lenders and LC Banks; *provided* , *however* , that the foregoing shall not prohibit (i) the Administrative Agent from exercising on its own behalf the rights and remedies that inure to its benefit (solely in its capacity as Administrative Agent) hereunder and under the other Credit Documents, (ii) the LC Banks or the Swingline Lender from exercising the rights and remedies that inure to its benefit (solely in its capacity as LC Bank or Swingline Lender, as the case may be) hereunder and under the other Credit Documents, (iii) any Lender from exercising setoff rights in accordance with Section 11.08 (subject to the terms of Section 2.18(c)) or (iv) any Lender from filing proofs of claim or appearing and filing pleadings on its own behalf during the pendency of a Bankruptcy Event relative to any Credit Party; and *provided* , *further* , that if at any time there is no Person acting as Administrative Agent hereunder and under the other Credit Documents, then (A) the Required Lenders shall have the rights otherwise ascribed to the Administrative Agent pursuant to Section 8.01 and (B) in addition to the matters set forth in clauses (ii), (iii) and (iv) of the preceding proviso and subject to Section 2.18(c), any Lender may, with the consent of the Required Lenders, enforce any rights and remedies available to it and as authorized by the Required Lenders.

ARTICLE X
GUARANTY

SECTION 10.01. The Guaranty.

(a) The Guarantor, as primary obligor and not merely as a surety, hereby irrevocably, absolutely and unconditionally guarantees to the Administrative Agent and the Lenders and each of their respective successors, endorsees, transferees and assigns (each a " ***Beneficiary*** " and collectively, the " ***Beneficiaries*** ") the prompt and complete payment by the Borrower, as and when due and payable, of the Obligations, in accordance with the terms of the Credit Documents. The provisions of this Article X are sometimes referred to hereinafter as the " ***Guaranty*** ".

(b) The Guarantor hereby guarantees that the Obligations will be paid strictly in accordance with the terms of the Credit Documents, regardless of any law now or hereafter in effect in any jurisdiction affecting any such terms or the rights of the Beneficiaries with respect thereto. The obligations and liabilities of the Guarantor under this Guaranty shall be absolute and unconditional irrespective of: (i) any lack of validity or enforceability of any of the Obligations or any Credit Document, or any delay, failure or omission to enforce or agreement not to enforce, or the stay or enjoining, by order of court, by operation of law or otherwise, of the exercise of any right with respect to the foregoing (including, in each case, without limitation, as a result of the insolvency, bankruptcy or reorganization of any Beneficiary, the Borrower or any other Person); (ii) any change in the time, manner or place of payment of, or in any other term in respect of, all or any of the Obligations, or any other amendment or waiver of or consent to any departure from the Credit Documents or any agreement or instrument relating thereto; (iii) any exchange or release of, or non-perfection of any Lien on or in any collateral, or any release, amendment or waiver of, or consent to any departure from, any other guaranty of, or agreement granting security for, all or any of the Obligations; (iv) any claim, set-off, counterclaim, defense or other rights that the Guarantor may have at any time and from time to time against any Beneficiary or any other Person, whether in connection with this Transaction or any unrelated transaction; or (v) any other circumstance that might otherwise constitute a defense available to, or a discharge of, the Borrower or any other guarantor or surety in respect of the Obligations or the Guarantor in respect hereof.

(c) The Guaranty provided for herein (i) is a guaranty of payment and not of collection; (ii) is a continuing guaranty and shall remain in full force and effect until the Commitments and Letters of Credit have been terminated and the Obligations have been paid in full in cash; and (iii) shall continue to be effective or shall be reinstated, as the case may be, if at any time any payment, or any part thereof, of any of the Obligations is rescinded or must otherwise be returned by any Beneficiary upon or as a result of the insolvency, bankruptcy, dissolution, liquidation or reorganization of the Borrower or otherwise, all as though such payment had not been made.

(d) The obligations and liabilities of the Guarantor hereunder shall not be conditioned or contingent upon the pursuit by any Beneficiary or any other Person at any time of any right or remedy against the Borrower or any other Person that may be or become liable in respect of all or any part of the Obligations or against any collateral security or guaranty therefor or right of setoff with respect thereto.

(e) The Guarantor hereby consents that, without the necessity of any reservation of rights against the Guarantor and without notice to or further assent by the Guarantor, any demand for payment of any of the Obligations made by any Beneficiary may be rescinded by such Beneficiary and any of the Obligations continued after such rescission.

(f) The Guarantor's obligations under this Guaranty shall be unconditional, irrespective of any lack of capacity of the Borrower or any lack of validity or enforceability of any other provision of this Agreement or any other Credit Document, and this Guaranty shall not be affected in any way by any variation, extension, waiver, compromise or release of any or all of the Obligations or of any security or guaranty from time to time therefor.

(g) The obligations of the Guarantor under this Guaranty shall not be reduced, limited, impaired, discharged, deferred, suspended or terminated by any proceeding or action, voluntary or involuntary, involving the bankruptcy, insolvency, receivership, reorganization, marshalling of assets, assignment for the benefit of creditors, composition with creditors, readjustment, liquidation or arrangement of the Borrower or any similar proceedings or actions, or by any defense the Borrower may have by reason of the order, decree or decision of any court or administrative body resulting from any such proceeding or action. Without limiting the generality of the foregoing, the Guarantor's liability shall extend to all amounts and obligations that constitute the Obligations and would be owed by the Borrower, but for the fact that they are unenforceable or not allowable due to the existence of any such proceeding or action.

SECTION 10.02. Waivers.

(a) The Guarantor hereby unconditionally waives: (i) promptness and diligence; (ii) notice of or proof of reliance by the Administrative Agent or the Lenders upon this Guaranty or acceptance of this Guaranty; (iii) notice of the incurrence of any Obligation by the Borrower or the renewal, extension or accrual of any Obligation or of any circumstances affecting the Borrower's financial condition or ability to perform the Obligations; (iv) notice of any actions taken by the Beneficiaries or the Borrower or any other Person under any Credit Document or any other agreement or instrument relating thereto; (v) all other notices, demands and protests, and all other formalities of every kind in connection with the enforcement of the Obligations, of the obligations of the Guarantor hereunder or under any other Credit Document, the omission of or delay in which, but for the provisions of this Section 10 might constitute grounds for relieving the Guarantor of its obligations hereunder; (vi) any requirement that the Beneficiaries protect, secure, perfect or insure any Lien or any property subject thereto, or exhaust any right or take any action against the Borrower or any other Person or any collateral; and (vii) each other circumstance, other than payment of the Obligations in full, that might otherwise result in a discharge or exoneration of, or constitute a defense to, the Guarantor's obligations hereunder.

(b) No failure on the part of any Beneficiary to exercise, and no delay in exercising, any right, remedy, power or privilege hereunder or under any Credit Document or any other agreement or instrument relating thereto shall operate as a waiver thereof, nor shall any single or partial exercise of any right, remedy, power or privilege hereunder or under any Credit Document or any other agreement or instrument relating thereto preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. This Guaranty is in addition to and not in limitation of any other rights, remedies, powers and privileges the Beneficiaries may have by virtue of any other instrument or agreement heretofore, contemporaneously herewith or hereafter executed by the Guarantor or any other Person or by applicable law or otherwise. All rights, remedies, powers and privileges of the Beneficiaries shall be cumulative and may be exercised singly or concurrently. The rights, remedies, powers and privileges of the Beneficiaries under this Guaranty against the Guarantor are not conditional or contingent on any attempt by the Beneficiaries to exercise any of their rights, remedies, powers or privileges against any other guarantor or surety or under the Credit Documents or any other agreement or instrument relating thereto against the Borrower or against any other Person.

(c) The Guarantor hereby acknowledges and agrees that, until the Commitments have been terminated and all of the Obligations have been paid in full in cash, under no circumstances shall it be entitled to be subrogated to any rights of any Beneficiary in respect of the Obligations performed by it hereunder or otherwise, and the Guarantor hereby expressly and irrevocably waives, until the Commitments have been terminated and all of the Obligations have been paid in full in cash, (i) each and every such right of subrogation and any claims, reimbursements, right or right of action relating thereto (howsoever arising), and (ii) each and every right to contribution, indemnification, set-off or reimbursement, whether from the Borrower or any other Person now or hereafter primarily or secondarily liable for any of the Obligations, and whether arising by contract or operation of law or otherwise by reason of the Guarantor's execution, delivery or performance of this Guaranty.

(d) The Guarantor represents and warrants that it has established adequate means of keeping itself informed of the Borrower's financial condition and of other circumstances affecting the Borrower's ability to perform the Obligations, and agrees that neither the Administrative Agent nor any Lender shall have any obligation to provide to the Guarantor any information it may have, or hereafter receive, in respect of the Borrower.

ARTICLE XI
MISCELLANEOUS

SECTION 11.01. Notices . Except in the case of notices and other communications expressly permitted to be given by telephone, all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopy, as follows:

(a) if to any Credit Party, to it at:

801 East 86 th Avenue
Merrillville, Indiana 46410
Attention: Vice President, Treasurer and Chief Risk Officer
Telecopier: (219) 647-6188;

with a copy to such Credit Party at:

801 East 86 th Avenue
Merrillville, Indiana 46410
Attention: Assistant Treasurer
Telecopier: (219) 647-6116;

(b) if to the Administrative Agent, to Barclays Bank PLC at:

1301 Sixth Avenue
New York, New York 10019
Attn: Andrea Lubinsky
Telecopier: (917) 522-0569
Telephone: (212) 320-7741
Email: andrea.lubinsky@barclays.com
Email: xrausloanops5@barclays.com

with a copy to such party at:

745 Seventh Avenue
New York, NY 10019
Attn: Alicia Borys
Telecopier: (212) 526-5115
Email: alicia.borys@barclays.com
Email: ltmny@barclays.com

(c) if to Barclays as an Initial LC Bank, at:

200 Park Avenue
New York, NY 10166
Attn: Letters of Credit / Dawn Townsend
Telecopier: (212) 412 5011
Email: xraletterofcredit@barclays.com

(d) if to any Lender, any LC Bank (other than Barclays) or the Swingline Lender, to it at its address (or telecopy number) set forth in its Administrative Questionnaire.

Any party hereto may change its address or telecopy number for notices and other communications hereunder by notice to the other parties hereto. All notices and other communications given to any party hereto in accordance with the provisions of this Agreement shall be deemed to have been given on the date of receipt.

Notices and other communications to the Lenders hereunder may be delivered or furnished by electronic communications pursuant to procedures approved by the Administrative Agent; provided that the foregoing shall not apply to notices pursuant to Article II unless otherwise agreed by the Administrative Agent and the applicable Lender. The Administrative Agent or the Borrower may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it; provided that approval of such procedures may be limited to particular notices or communications.

SECTION 11.02. Waivers; Amendments.

(a) No failure or delay by the Administrative Agent, any LC Bank or any Lender in exercising any right or power hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Administrative Agent, the LC Banks and the Lenders hereunder are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of this Agreement or consent to any departure by any Credit Party therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) of this Section, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. Without limiting the generality of the foregoing, no Extension of Credit shall be construed as a waiver of any Default, regardless of whether the Administrative Agent, any LC Bank or any Lender may have had notice or knowledge of such Default at the time.

(b) Neither this Agreement nor any provision hereof may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by the Borrower, the Guarantor and the Required Lenders or by the Borrower, the Guarantor and the Administrative Agent with the consent of the Required Lenders; *provided* that no such agreement shall (i) increase the Commitment of any Lender without the written consent of such Lender, (ii) reduce the principal amount of any Loan or any Unreimbursed LC Disbursement or reduce the rate of interest thereon, or reduce any fees or other amounts payable hereunder, without the written consent of each Lender affected thereby, (iii) postpone the scheduled date of payment of the principal amount of any Loan, any Unreimbursed LC Disbursement or any interest thereon, or any fees or other amounts payable hereunder, or reduce the amount of, waive or excuse any such payment, or postpone the scheduled date of expiration of any Commitment, without the written consent of each Lender affected thereby, (iv) change Section 2.18(b) or (c) in a manner that would alter the *pro rata* sharing of payments required thereby, without the written consent of each Lender, (v) release the Guarantor from its obligations under the Guaranty without the written consent of each Lender, (vi) waive any of the conditions precedent to the effectiveness of this Agreement set forth in Section 3.01 without the written consent of each Lender, (vii) issue any Letter of Credit with an expiry date, or extend the expiry date of any Letter of Credit to a date, that is later than the Termination Date without the written consent of each Lender, or (viii) change any of the provisions of this Section or the definition of "Required Lenders" or any other provision hereof specifying the number or percentage of Lenders required to waive, amend or modify any rights hereunder or make any determination or grant any consent hereunder, without the written consent of each Lender; *provided, further,* that no such agreement shall amend, modify or otherwise affect the rights or duties of the Administrative Agent or any LC Bank hereunder without the prior written consent of the Administrative Agent or such LC Bank, as the case may be.

SECTION 11.03. Expenses; Indemnity; Damage Waiver.

(a) The Borrower shall pay (i) all reasonable out-of-pocket expenses incurred by the Administrative Agent and its Affiliates, including the reasonable fees, charges and disbursements of counsel for the Administrative Agent, in connection with the initial syndication of the credit facilities provided for herein, the preparation and administration of this Agreement or any amendments, modifications or waivers of the provisions hereof (whether or not the transactions contemplated hereby or thereby shall be consummated), (ii) all reasonable out-of-pocket expenses incurred by the LC Banks, including the reasonable fees, charges and disbursements of counsel for each LC Bank, in connection with the execution, delivery, administration, modification and amendment of any Letters of Credit to be issued by it hereunder, and (iii) all reasonable out-of-pocket expenses incurred by the Administrative Agent, any LC Bank or any Lender, including the reasonable fees, charges and disbursements of any counsel for the Administrative Agent, any LC Bank or any Lender, in connection with the enforcement or protection of its rights in connection with this Agreement, including its rights under this Section, or in connection with the Loans made and Letters of Credit issued hereunder, including in connection with any workout, restructuring or negotiations in respect thereof.

(b) The Borrower shall indemnify the Administrative Agent, the Syndication Agent, each Co-Documentation Agent, each LC Bank, each Lender and the Swingline Lender, and each Related Party of any of the foregoing Persons (each such Person being called an "***Indemnitee***") against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related reasonable expenses, including the reasonable fees, charges and disbursements of any counsel for any Indemnitee, incurred by or asserted against any Indemnitee arising out of, in connection with, or as a result of (i) the execution or delivery of this Agreement or any agreement or instrument contemplated hereby, the performance by the parties hereto of their respective obligations hereunder or the consummation of the Transactions or any other transaction contemplated hereby, (ii) any Loan or Letter of Credit or the use of the proceeds therefrom, (iii) any actual or alleged presence or release of Hazardous Materials on or from any property now, in the past or hereafter owned or operated by the Borrower, the Guarantor or any of its other Subsidiaries, or any Environmental Liability related in any way to the Borrower, the

Guarantor or any of its other Subsidiaries, or (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory, whether brought by a third party or by the Borrower or any of its Subsidiaries, and regardless of whether any Indemnitee is a party thereto; *provided* that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee.

(c) To the extent that the Borrower fails to pay any amount required to be paid by it to the Administrative Agent or any LC Bank under paragraph (a) or (b) of this Section, each Lender severally agrees to pay to the Administrative Agent or such LC Bank such Lender's Applicable Percentage (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount; *provided* that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent or such LC Bank in its capacity as such.

(d) To the extent permitted by applicable law, (i) the Borrower shall not assert, and does hereby waive, any claim against any Indemnitee for any damages arising from the use by others of information or other materials obtained through telecommunications, electronic or other information transmission systems (including the Internet), and (ii) without limiting the rights of indemnification of any Indemnitee set forth in this Agreement with respect to liabilities asserted by third parties, each party hereto shall not assert, and hereby waives, any claim against each other party, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement or any agreement or instrument contemplated hereby, the Transactions or any Loan or the use of the proceeds thereof.

(e) All amounts due under this Section shall be payable not later than 20 days after written demand therefor.

SECTION 11.04. Successors and Assigns.

(a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby; provided that, (i) except to the extent permitted pursuant to Section 6.01(b)(ii) and (iii), no Credit Party may assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of each Lender and each LC Bank (and any attempted assignment or transfer by a Credit Party without such consent shall be null and void) and (ii) no Lender may assign or otherwise transfer its rights or obligations hereunder except in accordance with this Section. Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b)(i) Subject to the conditions set forth in paragraph (b)(ii) below, any Lender may assign to one or more assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans at the time owing to it) with the prior written consent (such consent not to be unreasonably withheld) of:

(A) the Borrower (provided that the Borrower shall be deemed to have consented to any such assignment unless it shall object thereto by written notice to the Administrative Agent within ten (10) Business Days after having received notice thereof); provided, further, that no consent of the Borrower shall be required for an assignment to a Lender, an Affiliate of a Lender, an Approved Fund or, if an Event of Default has occurred and is continuing, any other assignee;

(B) the Administrative Agent; and

(C) each LC Bank.

(ii) Assignments shall be subject to the following additional conditions:

(A) except in the case of an assignment to a Lender or an Affiliate of a Lender or an Approved Fund or an assignment of the entire remaining amount of the assigning Lender's Commitment or Loans of any Class, the amount of the Commitment or Loans of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Administrative Agent) shall not be less than $5,000,000 unless each of the Borrower and the Administrative Agent otherwise consent, provided that no such consent of the Borrower shall be required if an Event of Default has occurred and is continuing;

(B) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement, provided that this clause shall not be construed to prohibit the assignment of a proportionate part of all the assigning Lender's rights and obligations in respect of one Class of Commitments or Loans;

(C) the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption, together with a processing and recordation fee of $3,500, such fee to be paid by either the assigning Lender or the assignee Lender or shared between such Lenders;

(D) the assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire in which the assignee designates one or more credit contacts to whom all syndicate-level information (which may contain material non-public information about the Borrower and its affiliates and their Related Parties or their respective securities) will be made available and who may receive such information in accordance with the assignee's compliance procedures and applicable laws, including Federal and state securities laws;

(E) without the prior written consent of the Administrative Agent, no assignment shall be made to a prospective assignee that bears a relationship to the Borrower described in Section 108(e)(4) of the Code; and

(F) no assignment shall be made to any Affiliate of any Credit Party.

For the purposes of this Section 11.04(b), the term "Approved Fund" has the following meaning:

"Approved Fund" means any Person (other than a natural person) that is engaged in making, purchasing, holding or investing in bank loans and similar extensions of credit in the ordinary course of its business and that is administered or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

Subject to acceptance and recording thereof pursuant to paragraph (d) of this Section, from and after the effective date specified in each Assignment and Assumption, the assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of Sections 2.15, 2.16, 2.17 and 11.03). Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this paragraph shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with paragraph (e) of this Section.

(c) The Administrative Agent, acting for this purpose as an agent of the Borrower, shall maintain at one of its offices in The City of New York a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitment of, and principal amount of the Loans and other Obligations owing to, each Lender pursuant to the terms hereof from time to time (the " ***Register*** "). The entries in the Register shall be conclusive (absent manifest error), and the Borrower, the Administrative Agent, the LC Banks and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary.

(d) Upon its receipt of a duly completed Assignment and Assumption executed by an assigning Lender and an assignee, the assignee's completed Administrative Questionnaire (unless the assignee shall already be a Lender hereunder), the processing and recordation fee referred to in paragraph (b) of this Section and any written consent to such assignment required by paragraph (b) of this Section, the Administrative Agent shall accept such Assignment and Assumption and record the information contained therein in the Register. No assignment shall be effective for purposes of this Agreement unless it has been recorded in the Register as provided in this paragraph.

(e) Any Lender may, without the consent of or notice to the Borrower, any LC Bank or the Administrative Agent, sell participations to one or more banks or other entities (a " ***Participant*** ") in all or a portion of such Lender's rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans owing to it); *provided* that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Borrower, the Guarantor and the Administrative Agent shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; *provided* that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver described in the first proviso to Section 11.02(b) that affects such Participant. Subject to paragraph (f) of this Section, the Borrower agrees that each Participant shall be entitled to the benefits of Sections 2.15, 2.16 and 2.17 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (b) of this Section.

(f) A Participant shall not be entitled to receive any greater payment under Section 2.15 or 2.17 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Borrower's prior written consent. A Participant that would be a Foreign Lender if it were a Lender shall not be entitled to the benefits of Section 2.17 unless the Borrower is notified of the participation sold to such Participant and such Participant agrees, for the benefit of the Borrower, to comply with Section 2.17(e) as though it were a Lender.

(g) Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including, without limitation, to a Federal Reserve Bank, and this Section shall not apply to any such pledge or assignment of a security interest; *provided* that no such pledge or assignment of a security interest shall release a Lender from any of its obligations hereunder or substitute any such assignee for such Lender as a party hereto.

***SECTION 11.05. Survival*.** All covenants, agreements, representations and warranties made by the Borrower and the Guarantor herein and in the certificates or other instruments delivered in connection with or pursuant to this Agreement shall be considered to have been relied upon by the other parties hereto and shall survive the execution and delivery of this Agreement and the making of any Loans and issuance of any Letters of Credit. The provisions of Sections 2.15, 2.16, 2.17, 10.01(c)(iii) and 11.03 and Article IX shall survive and remain in full force and effect regardless of the consummation of the transactions contemplated hereby, the repayment of the Loans, the expiration or termination of the Commitments or the termination of this Agreement or any provision hereof.

***SECTION 11.06. Counterparts; Integration; Effectiveness*.** This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement, the commitment letter relating to the credit facility provided hereby (to the extent provided therein) and any separate letter agreements with respect to fees payable to the Administrative Agent constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. Except as provided in Section 3.01, this Agreement shall become effective when it shall have been executed by the Administrative Agent and when the Administrative Agent shall have received counterparts hereof which, when taken together, bear the signatures of each of the other parties hereto, and thereafter shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Delivery of an executed counterpart of a signature page of this Agreement by facsimile or other electronic imaging shall be effective as delivery of a manually executed counterpart of this Agreement.

SECTION 11.07. Severability. Any provision of this Agreement held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions hereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction.

SECTION 11.08. Right of Setoff. If an Event of Default shall have occurred and be continuing, each Lender and each LC Bank or any Affiliate of either is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Lender to or for the credit or the account of any Credit Party against any of and all the Obligations now or hereafter existing under this Agreement held by such Lender or such LC Bank, irrespective of whether or not such Lender or such LC Bank shall have made any demand under this Agreement and although such Obligations may be unmatured. The rights of each Lender and each LC Bank under this Section are in addition to other rights and remedies (including other rights of setoff) which such Lender may have.

SECTION 11.09. Governing Law; Jurisdiction; Consent to Service of Process.

(a) This Agreement shall be construed in accordance with and governed by the laws of the State of New York.

(b) Each Credit Party hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of the Supreme Court of the State of New York sitting in the Borough of Manhattan and of the United States District Court of the Southern District of New York, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State or, to the extent permitted by law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement shall affect any right that the Administrative Agent, any LC Bank or any Lender may otherwise have to bring any action or proceeding relating to this Agreement against any Credit Party or its properties in the courts of any jurisdiction.

(c) Each Credit Party hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement in any court referred to in paragraph (b) of this Section. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(d) Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in Section 11.01. Nothing in this Agreement will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

SECTION 11.10. WAIVER OF JURY TRIAL . EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

SECTION 11.11. Headings. Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and shall not affect the construction of, or be taken into consideration in interpreting, this Agreement.

SECTION 11.12. Confidentiality. Each of the Administrative Agent and the Lenders agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its and its Affiliates' directors, officers, employees and agents, including accountants, legal counsel and other advisors (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent requested by any regulatory authority (including any self-regulatory authority, such as the National Association of Insurance Commissioners), (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (d) to any other party to this Agreement, (e) in connection with the exercise of any remedies hereunder or any suit, action or proceeding relating to this Agreement or the enforcement of rights hereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section, to (i) any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement or (ii) actual or prospective counterparty (or its advisors) to any swap or derivative transaction or any credit insurance provider, in each case, relating to the Borrower and its obligations, (g) with the consent of the Borrower or (h) to the extent such Information (i) becomes publicly available other than as a result of a breach of this Section or (ii) becomes available to the Administrative Agent, any LC Bank or any Lender on a nonconfidential basis from a source other than a Credit Party or any Subsidiary of a Credit Party. For the purposes of this Section, " ***Information*** " means all information received from any Credit Party or any Subsidiary of a Credit Party relating to a Credit Party or any Subsidiary of a Credit Party or its respective businesses, other than any such information that is available to the Administrative Agent, any LC Bank or any Lender on a nonconfidential basis prior to disclosure by any Credit Party or any Subsidiary of a Credit Party; *provided* that, in the case of information received from any Credit Party or any Subsidiary of a Credit Party after the Effective Date, such information is clearly identified at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

SECTION 11.13. USA PATRIOT Act. Each Lender hereby notifies the Credit Parties that pursuant to the requirements of the USA PATRIOT Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "Act"), it is required to obtain, verify and record information that identifies the Credit Parties, which information includes the name and address of the Credit Parties and other information that will allow such Lender to identify the Credit Parties in accordance with the Act.

SECTION 11.14. Acknowledgments. Each of the Guarantor and the Borrower hereby acknowledges that:

(a) it has been advised by and consulted with its own legal, accounting, regulatory and tax advisors (to the extent it deemed appropriate) in the negotiation, execution and delivery of this Agreement and the other Credit Documents;

(b) neither any Arranger, any Agent nor any Lender has any fiduciary relationship with or duty to the Guarantor or the Borrower arising out of or in connection with this Agreement or any of the other Credit Documents, and the relationship between any Arranger, the Administrative Agent and the Lenders, on one hand, and the Guarantor and the Borrower, on the other hand, in connection herewith or therewith is solely that of debtor and creditor, and, to the fullest extent permitted by law, each of the Guarantor and the Borrower hereby waives and releases any claims that it may have against the Administrative Agent, the Arrangers and the Lenders with respect to any breach or alleged breach of agency or fiduciary duty in connection with any aspect of any transaction contemplated hereby;

(c) it is capable of evaluating, and understands and accepts, the terms, risks and conditions of the transactions contemplated hereby and by the other Credit Documents; and

(d) no joint venture is created hereby or by the other Credit Documents or otherwise exists by virtue of the transactions contemplated hereby among the Arrangers, the Administrative Agent and the Lenders or among the Guarantor, the Borrower and the Lenders.

IN WITNESS WHEREOF , the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

NISOURCE FINANCE CORP., as Borrower

By:____________________________________
Name:
Title:

Federal Tax Identification Number: 35-2105468

NISOURCE INC., as Guarantor

By:____________________________________
Name:
Title:

Federal Tax Identification Number: 35-2108964

Signature Page to
Amended and Restated Revolving Credit Agreement

BARCLAYS BANK PLC, as a Lender, as Swingline Lender, as an LC Bank and as Administrative Agent

By:______________________________
Name:
Title:

CREDIT SUISSE AG, CAYMAN ISLANDS BRANCH,
as a Lender, as an LC Bank and as Syndication Agent

By:______________________________
Name:
Title:

By:______________________________
Name:
Title:

Signature Page to
Amended and Restated Revolving Credit Agreement

[OTHER LENDERS], as a Lender [and as a Co-Documentation Agent]

By:______________________________
Name:
Title:

Accepted to and Agreed:

The undersigned is executing this signature page solely as a Departing Lender in its acceptance of the termination of its commitments and obligations under the Existing Credit Agreement and not as a Lender party hereto. The undersigned hereby acknowledges that the Existing Credit Agreement shall be amended and restated in its entirety by this Agreement to which this signature page is attached and the undersigned shall not constitute a party thereto other than for purposes of effectuating the amendment and restatement of the Existing Credit Agreement.

[DEPARTING LENDER]

By: ______________________________
Name: ______________________________
Title: ______________________________

PRICING GRID

The "Applicable Rate" for any day with respect to any Eurodollar Loan, ABR Loan, Swingline Loan, Facility Fee or LC Risk Participation Fee, as the case may be, is the percentage set forth below in the applicable row under the column corresponding to the Status that exists on such day:

Status	Level I	Level II	Level III	Level IV	Level V	Level VI
Eurodollar Revolving Loans (basis points)	100	107.5	127.5	147.5	165	205
ABR Loans and Swingline Loans (basis points)	0	7.5	27.5	47.5	65	105
Facility Fee (basis points)	12.5	17.5	22.5	27.5	35	45
LC Risk Participation Fee (basis points)	100	107.5	127.5	147.5	165	205

For purposes of this Pricing Grid, the following terms have the following meanings (as modified by the provisos below):

" ***Level I Status*** " exists at any date if, at such date, the Index Debt is rated either A- or higher by S&P or A3 or higher by Moody's.

" ***Level II Status*** " exists at any date if, at such date, the Index Debt is rated either BBB+ by S&P or Baa1 by Moody's.

" ***Level III Status*** " exists at any date if, at such date, the Index Debt is rated either BBB by S&P or Baa2 by Moody's.

" ***Level IV Status*** " exists at any date if, at such date, the Index Debt is rated either BBB- by S&P or Baa3 by Moody's.

" ***Level V Status*** " exists at any date if, at such date, the Index Debt is rated either BB+ by S&P or Ba1 by Moody's.

" ***Level VI Status*** " exists at any date if, at such date, no other Status exists.

" ***Status*** " refers to the determination of which of Level I Status, Level II Status, Level III Status, Level IV Status, Level V Status or Level VI Status exists at any date.

The credit ratings to be utilized for purposes of this Pricing Grid are those assigned to the Index Debt, and any rating assigned to any other debt security of the Borrower shall be disregarded. The rating in effect at any date is that in effect at the close of business on such date.

Provided, that the applicable Status shall change as and when the applicable Index Debt ratings change.

Provided further, that if the Index Debt is split-rated, the applicable Status shall be determined on the basis of the higher of the two ratings then applicable; *provided further, that,* if the Index Debt is split-rated by two or more levels, the applicable Status shall instead be determined on the basis of the rating that is one level above the lower of the two ratings then applicable.

Provided further, that if both Moody's and S&P, or their successors as applicable, shall have ceased to issue or maintain such ratings, then the applicable Status shall be Level VI.

EXHIBIT A

ASSIGNMENT AND ASSUMPTION

This Assignment and Assumption (the " Assignment and Assumption ") is dated as of the Effective Date set forth below and is entered into by and between [*Insert name of Assignor*] (the " Assignor ") and [*Insert name of Assignee*] (the " Assignee "). Capitalized terms used but not defined herein shall have the meanings given to them in the Amended and Restated Credit Agreement identified below (as amended, the " Credit Agreement "), receipt of a copy of which is hereby acknowledged by the Assignee. The Standard Terms and Conditions set forth in Annex 1 attached hereto are hereby agreed to and incorporated herein by reference and made a part of this Assignment and Assumption as if set forth herein in full.

For an agreed consideration, the Assignor hereby irrevocably sells and assigns to the Assignee, and the Assignee hereby irrevocably purchases and assumes from the Assignor, subject to and in accordance with the Standard Terms and Conditions and the Credit Agreement, as of the Effective Date inserted by the Administrative Agent as contemplated below (i) all of the Assignor's rights and obligations in its capacity as a Lender under the Credit Agreement and any other documents or instruments delivered pursuant thereto to the extent related to the amount and percentage interest identified below of all of such outstanding rights and obligations of the Assignor under the respective facilities identified below (including any letters of credit, guarantees, and swingline loans included in such facilities) and (ii) to the extent permitted to be assigned under applicable law, all claims, suits, causes of action and any other right of the Assignor (in its capacity as a Lender) against any Person, whether known or unknown, arising under or in connection with the Credit Agreement, any other documents or instruments delivered pursuant thereto or the loan transactions governed thereby or in any way based on or related to any of the foregoing, including contract claims, tort claims, malpractice claims, statutory claims and all other claims at law or in equity related to the rights and obligations sold and assigned pursuant to clause (i) above (the rights and obligations sold and assigned pursuant to clauses (i) and (ii) above being referred to herein collectively as the " Assigned Interest "). Such sale and assignment is without recourse to the Assignor and, except as expressly provided in this Assignment and Assumption, without representation or warranty by the Assignor.

1. Assignor:	______________________
2. Assignee:	______________________ [and is an Affiliate/Approved Fund of [identify Lender] [1]]
3. Borrower(s):	NiSource Finance Corp., a Delaware corporation
4. Administrative Agent:	Barclays Bank PLC, as the administrative agent under the Credit Agreement
5. Credit Agreement:	The Amended and Restated Credit Agreement dated as of May 15, 2012 among NiSource Finance Corp., as borrower, NiSource Inc., a Delaware corporation, as guarantor, the Lenders parties thereto, Barclays Bank PLC, as Administrative Agent, and the other agents parties thereto

1 Select as applicable.

6. Assigned Interest:

Aggregate Amount of Commitment/Loans for all Lenders	Amount of Commitment/ Loans Assigned	Percentage Assigned of Commitment/Loans [2]
$	$	%
$	$	%
$	$	%

Effective Date: __________, 20 __[TO BE INSERTED BY ADMINISTRATIVE AGENT AND WHICH SHALL BE THE EFFECTIVE DATE OF RECORDATION OF TRANSFER IN THE REGISTER THEREFOR.]

The terms set forth in this Assignment and Assumption are hereby agreed to:

ASSIGNOR

[NAME OF ASSIGNOR]

By:______________________________
Title:

ASSIGNEE

[NAME OF ASSIGNEE]

By:______________________________
Title:

Consented to and Accepted:

BARCLAYS BANK PLC, as Administrative Agent
and LC Bank

By:______________________________
Title:

[Consented to:]

[__________], as LC Bank

By:______________________________
Title:

[NISOURCE FINANCE CORP., as Borrower] [3]

By:______________________________
Title:

[2] Set forth, so at least 9 decimals, as a percentage of the Commitment/Loans of all Lenders thereunder.
[3] To be added only if the consent of the Borrower is required by the terms of the Credit Agreement.

ANNEX I

STANDARD TERMS AND CONDITIONS FOR

ASSIGNMENT AND ASSUMPTION

1. Representations and Warranties .

1.1 Assignor . The Assignor (a) represents and warrants that (i) it is the legal and beneficial owner of the Assigned Interest, (ii) the Assigned Interest is free and clear of any lien, encumbrance or other adverse claim and (iii) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby; and (b) assumes no responsibility with respect to (i) any statements, warranties or representations made in or in connection with the Credit Agreement or any other Loan Document, (ii) the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Loan Documents or any collateral thereunder, (iii) the financial condition of the Borrower, any of its Subsidiaries or Affiliates or any other Person obligated in respect of any Loan Document or (iv) the performance or observance by the Borrower, any of its Subsidiaries or Affiliates or any other Person of any of their respective obligations under any Loan Document.

1.2. Assignee . The Assignee (a) represents and warrants that (i) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby and to become a Lender under the Credit Agreement, (ii) it satisfies the requirements, if any, specified in the Credit Agreement that are required to be satisfied by it in order to acquire the Assigned Interest and become a Lender, (iii) from and after the Effective Date, it shall be bound by the provisions of the Credit Agreement as a Lender thereunder and, to the extent of the Assigned Interest, shall have the obligations of a Lender thereunder, (iv) it has received a copy of the Credit Agreement, together with copies of the most recent financial statements delivered pursuant to Section 5.01(h) thereof, as applicable, and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Assumption and to purchase the Assigned Interest on the basis of which it has made such analysis and decision independently and without reliance on the Administrative Agent or any other Lender, (v) if it is a Non-U.S. Lender, attached to the Assignment and Assumption is any documentation required to be delivered by it pursuant to the terms of the Credit Agreement, duly completed and executed by the Assignee; and (vi) it does not bear a relationship to the Borrower described in Section 108(e)(4) of the Code; and (b) agrees that (i) it will, independently and without reliance on the Administrative Agent, the Assignor or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Documents, and (ii) it will perform in accordance with their terms all of the obligations which by the terms of the Loan Documents are required to be performed by it as a Lender.

2. Payments . From and after the Effective Date, the Administrative Agent shall make all payments in respect of the Assigned Interest (including payments of principal, interest, fees and other amounts) to the Assignor for amounts which have accrued to but excluding the Effective Date and to the Assignee for amounts which have accrued from and after the Effective Date.

3. General Provisions . This Assignment and Assumption shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns. This Assignment and Assumption may be executed in any number of counterparts, which together shall constitute one instrument. Delivery of an executed counterpart of a signature page of this Assignment and Assumption by telecopy shall be effective as delivery of a manually executed counterpart of this Assignment and Assumption. This Assignment and Assumption shall be governed by, and construed in accordance with, the law of the State of New York.

EXHIBIT B

FORM OF OPINION OF SCHIFF HARDIN LLP

EXHIBIT C

FORM OF REVOLVING LOAN BORROWING REQUEST

REVOLVING LOAN BORROWING REQUEST

Date: ______, ____

To: Barclays Bank PLC,
as Administrative Agent
1301 Sixth Avenue
New York, NY 10019
Attention: Andrea Lubinsky
Facsimile: (917) 522-0569
Telephone: (212) 320-7741
Email: xraUSLoanOps5@barclays.com

Ladies and Gentlemen:

Reference is made to that certain Credit Agreement dated as of May 15, 2012 (as may be amended, restated, amended and restated, extended, supplemented or otherwise modified in writing from time to time in accordance with its terms, the " Agreement "; the terms defined therein being used herein as therein defined), between NiSource Finance Corp., a Delaware corporation (the " Borrower "), NiSource Inc., as guarantor, the Lenders party thereto, Barclays Bank PLC, as the Administrative Agent, and the other parties thereto.

The Borrower hereby requests a Revolving Borrowing, as follows:

1. In the aggregate amount of $ ______.

2. On ______, 201_ (a Business Day).

3. Comprised of a [ABR] [Eurodollar] Borrowing.

[4. With an Interest Period of __months.] [4]

[4][5]. The Borrower's account to which funds are to be disbursed is:

Account Number: ________
Location: _______________

This Borrowing Request and the Revolving Borrowing requested herein comply with the Agreement, including Sections 2.01(a), 2.02 and 3.02 of the Agreement.

NISOURCE FINANCE CORP.

By: ______________________________
Name:
Title:

[4] Insert if a Eurodollar Borrowing.

EXHIBIT D

FORM OF SWINGLINE REQUEST

SWINGLINE REQUEST

Date: ______, ____

To: Barclays Bank PLC,
as Swingline Lender
Barclays Bank PLC,
as Administrative Agent
1301 Sixth Avenue

New York, NY 10019
Attention: Andrea Lubinsky
Facsimile: (917) 522-0569
Telephone: (212) 320-7741
Email: xraUSLoanOps5@barclays.com

Ladies and Gentlemen:

Reference is made to that certain Credit Agreement dated as of May 15, 2012 (as may be amended, restated, amended and restated, extended, supplemented or otherwise modified in writing from time to time in accordance with its terms, the " Agreement "; the terms defined therein being used herein as therein defined), between NiSource Finance Corp., a Delaware corporation (the " Borrower "), NiSource Inc., as guarantor, the Lenders party thereto, Barclays Bank PLC, as the Administrative Agent, and the other parties thereto.

The Borrower hereby requests a Swingline Loan from the Swingline Lender listed above, as follows:

1. In the amount of $ ________.

2. On _________, 201 _(a Business Day).

This Swingline Request and the Swingline Loan requested herein comply with the Agreement, including Sections 2.03 and 3.02 of the Agreement.

NISOURCE FINANCE CORP.

By: ______________________________
Name:
Title:

EXHIBIT E

FORM OF LC CREDIT EXTENSION REQUEST

LC CREDIT EXTENSION REQUEST

Date: ______, ____

To: [__________],
as LC Bank
[__________]

cc: Barclays Bank PLC,
as Administrative Agent
1301 Sixth Avenue
New York, NY 10019
Attention: Andrea Lubinsky
Facsimile: (917) 522-0569
Telephone: (212) 320-7741
Email: xraUSLoanOps5@barclays.com

Ladies and Gentlemen:

Reference is made to that certain Credit Agreement dated as of May 15, 2012(as may be amended, restated, amended and restated, extended, supplemented or otherwise modified in writing from time to time in accordance with its terms, the " Agreement "; the terms defined therein being used herein as therein defined), between NiSource Finance Corp., a Delaware corporation (the " Borrower "), NiSource Inc., as guarantor, the Lenders party thereto, Barclays Bank PLC, as the Administrative Agent, and the other parties thereto.

The Borrower hereby requests a Letter of Credit credit extension by the LC Bank listed above, as follows:

1. [An issuance of a new Letter of Credit in the amount of $[______]] [an amendment to existing Letter of Credit No. [______] issued by such LC Bank].

2. On __________, 201 _(a Business Day).

This request for Letter of Credit credit extension complies with the Agreement, including Sections 2.04 and 3.02 of the Agreement.

NISOURCE FINANCE CORP.

By: ______________________________
Name:
Title:

EXHIBIT F

FORM OF REVOLVING NOTE

REVOLVING NOTE

FOR VALUE RECEIVED, the undersigned (the " Borrower "), hereby promises to pay to _____________ or registered assigns (the " Lender "), in accordance with the provisions of the Agreement (as hereinafter defined), the aggregate unpaid principal amount of each Revolving Loan from time to time made by the Lender to the Borrower under that certain Credit Agreement dated as of May 15, 2012 (as may be amended, restated, amended and restated, extended, supplemented or otherwise modified in writing from time to time in accordance with its terms, the " Agreement "; the terms defined therein being used herein as therein defined), between the Borrower, NiSource Inc., as guarantor, the Lenders party thereto, Barclays Bank PLC, as the Administrative Agent, and the other parties thereto. The Borrower promises to pay interest on the aggregate unpaid principal amount of each Revolving Loan from time to time made by the Lender to the Borrower under the Agreement from the date of such Loan until such principal amount is paid in full, at such interest rates and at such times as provided in the Agreement. All payments of principal and interest shall be made to the Administrative Agent for the account of the Lender in Dollars in immediately available funds at the Administrative Agent's office pursuant to the terms of the Agreement. If any amount is not paid in full when due hereunder, such unpaid amount shall bear interest, to be paid upon demand, from the due date thereof until the date of actual payment (and before as well as after judgment) computed at the per annum rate set forth in the Agreement.

This Revolving Note is one of the promissory notes referred to in Section 2.10(e) of the Agreement, is one of the Credit Documents, is entitled to the benefits thereof and may be prepaid in whole or in part subject to the terms and conditions provided therein. Upon the occurrence and continuation of one or more of the Events of Default specified in the Agreement, all amounts then remaining unpaid on this Revolving Note shall become, or may be declared to be, immediately due and payable all as provided in the Agreement. Revolving Loans made by the Lender shall be evidenced by one or more loan accounts or records maintained by the Lender in the ordinary course of business. The Lender may also attach schedules to this Revolving Note and endorse thereon the date, amount and maturity of its Revolving Loans and payments with respect thereto.

The Borrower, for itself, its successors and assigns, hereby waives diligence, presentment, protest and demand and notice of protest, demand, dishonor and non-payment of this Revolving Note.

THIS NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

NISOURCE FINANCE CORP.

By: ______________________________
Name:
Title:

LOANS AND PAYMENTS WITH RESPECT THERETO

Date	Type of Loan Made	Amount of Loan Made	End of Interest Period	Amount of Principal or Interest Paid This Date	Outstanding Principal Balance This Date	Notation Made By

EXHIBIT G

FORM OF INTEREST ELECTION REQUEST

INTEREST ELECTION REQUEST

Date: ______, ___

To: Barclays Bank PLC,
as Administrative Agent
1301 Sixth Avenue
New York, NY 10019
Attention: Andrea Lubinsky
Facsimile: (917) 522-0569
Telephone: (212) 320-7741
Email: xraUSLoanOps5@barclays.com

Ladies and Gentlemen:

Reference is made to that certain Credit Agreement, dated as of May 15, 2012 (as may be amended, restated, amended and restated, extended, supplemented or otherwise modified in writing from time to time in accordance with its terms, the " Agreement "; the terms defined therein being used herein as therein defined), between NiSource Finance Corp., a Delaware corporation (the " Borrower "), NiSource Inc., as guarantor, the Lenders party thereto, Barclays Bank PLC, as the Administrative Agent, and the other parties thereto.

This Interest Election Request is delivered to you pursuant to Section 2.06 of the Agreement and relates to the following:

1. ☐ A conversion of a Borrowing ☐ A continuation of a Borrowing (select one).

2. In the aggregate principal amount of $ ______.

3. which Borrowing is being maintained as a [ABR Revolving Borrowing] [Eurodollar Revolving Borrowing with an Interest Period ending on ________, 201 __].

4. (select relevant election)

☐ If such Borrowing is a Eurodollar Revolving Borrowing, such Borrowing shall be continued as a Eurodollar Revolving Borrowing having an Interest Period of [_] months.

☐ If such Borrowing is a Eurodollar Revolving Borrowing, such Borrowing shall be converted to an ABR Revolving Borrowing.

☐ If such Borrowing is an ABR Revolving Borrowing, such Borrowing shall be converted to a Eurodollar Revolving Borrowing having an Interest Period of [____] months.

5. Such election to be effective on ______, 201 __(a Business Day).

This Interest Election Request and the election made herein comply with the Agreement, including Section 2.06 of the Agreement.

NISOURCE FINANCE CORP.

By: ______________________________

Name:

Title:

EXHIBIT H

FORM OF PREPAYMENT NOTICE

PREPAYMENT NOTICE

Date: ______, ___.

To: Barclays Bank PLC,
as Administrative Agent
1301 Sixth Avenue
New York, NY 10019
Attention: Andrea Lubinsky
Facsimile: (917) 522-0569
Telephone: (212) 320-7741
Email: xraUSLoanOps5@barclays.com

Ladies and Gentlemen:

Reference is made to that certain Credit Agreement, dated as of May 15, 2012 (as may be amended, restated, amended and restated, extended, supplemented or otherwise modified in writing from time to time in accordance with its terms, the " Agreement "; the terms defined therein being used herein as therein defined), between NiSource Finance Corp., a Delaware corporation (the " Borrower "), NiSource Inc., as guarantor, the Lenders party thereto, Barclays Bank PLC, as the Administrative Agent, and the other parties thereto.

This Prepayment Notice is delivered to you pursuant to Section 2.11 of the Agreement. The Borrower hereby gives notice of a prepayment of Loans as follows:

1. ☐ Revolving Loans ☐ Swingline Loans

2.(select Type(s) of Loans)

☐ ABR Revolving Loans in the aggregate principal amount of $ ______.

☐ Eurodollar Revolving Loans with an Interest Period ending ______, 201 _in the aggregate principal amount of $ ______.

3. On __________, 201 _(a Business Day).

This Prepayment Notice and prepayment contemplated hereby comply with the Agreement, including Section 2.11 of the Agreement.

NISOURCE FINANCE CORP.

By: ________________________________
Name:
Title:

Schedule 2.01
(Amended and Restated Credit Agreement)

Names, Addresses, Allocation of Aggregate Commitment, and Applicable Percentages of Banks

Bank Name	Domestic Lending Office	Eurodollar Lending Office	Commitment	Applicable Percentage
Barclays Bank PLC	Barclays Bank PLC 745 Seventh Avenue New York, NY 10019	Barclays Bank PLC 745 Seventh Avenue New York, NY 10019	$137,500,000	9.1666666%
Credit Suisse AG, Cayman Islands Branch	On file with the Administrative Agent	On file with the Administrative Agent	$137,500,000	9.1666666%
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	On file with the Administrative Agent	On file with the Administrative Agent	$ 97,500,000	6.5000000%
Citibank, N.A.	On file with the Administrative Agent	On file with the Administrative Agent	$ 97,500,000	6.5000000%
JPMorgan Chase Bank, N.A.	On file with the Administrative Agent	On file with the Administrative Agent	$ 97,500,000	6.5000000%
The Bank of Nova Scotia	On file with the Administrative Agent	On file with the Administrative Agent	$ 77,500,000	5.1666667%
BNP Paribas	On file with the Administrative Agent	On file with the Administrative Agent	$ 77,500,000	5.1666667%
KeyBank National Association	On file with the Administrative Agent	On file with the Administrative Agent	$ 77,500,000	5.1666667%
Mizuho Corporate Bank (USA)	On file with the Administrative Agent	On file with the Administrative Agent	$ 77,500,000	5.1666667%
The Northern Trust Company	On file with the Administrative Agent	On file with the Administrative Agent	$ 77,500,000	5.1666667%
PNC Bank, National Association	On file with the Administrative Agent	On file with the Administrative Agent	$ 77,500,000	5.1666667%
The Royal Bank of Scotland plc	On file with the Administrative Agent	On file with the Administrative Agent	$ 77,500,000	5.1666667%
U.S. Bank National Association	On file with the Administrative Agent	On file with the Administrative Agent	$ 77,500,000	5.1666667%

Bank Name	Domestic Lending Office	Eurodollar Lending Office	Commitment	Applicable Percentage
Wells Fargo Bank, N.A.	On file with the Administrative Agent	On file with the Administrative Agent	$ 77,500,000	5.1666667%
CoBank, ACB	On file with the Administrative Agent	On file with the Administrative Agent	$ 55,000,000	3.6666667%
Banco Bilbao Vizcaya Argentaria, S.A., New York Branch	On file with the Administrative Agent	On file with the Administrative Agent	$ 45,000,000	3.0000000%
The Bank of New York Mellon	On file with the Administrative Agent	On file with the Administrative Agent	$ 45,000,000	3.0000000%
Fifth Third Bank	On file with the Administrative Agent	On file with the Administrative Agent	$ 45,000,000	3.0000000%
The Huntington National Bank	On file with the Administrative Agent	On file with the Administrative Agent	$ 45,000,000	3.0000000%
TOTAL			**$1,500,000,000**	**100%**

Swingline Lender:

Bank Name	Lending Office	Swingline Commitment*
Barclays Bank PLC	745 Seventh Avenue New York, NY 10019	$250,000,000

* Swingline Commitments expressed as totals for this Agreement. Swingline Commitments are within, and not in addition to, the Swingline Lender's Commitment as a Lender.

SCHEDULE 2.04

EXISTING LETTERS OF CREDIT

LETTER OF CREDIT NO.	ISSUER	APPLICANT	BENEFICIARY	OUTSTANDING BALANCE
SB-00116	Barclays	NiSource Inc.	Travelers Indemnity Company	2,000,000.00
SB-00246	Barclays	Nisource Finance Corp	LIBERTY MUTUAL INSURANCE COMPANY	250,000.00
SB-00399	Barclays	Nisource Finance Corp	ACE American Ins Co / ACE Property + Casualty Ins Co	10,773,024.00
SB-01562	Barclays	Nisource Finance Corp, on behalf of Northern Indiana Public Service Company	MIDWEST INDEPENDENT TRANSMISSION SYSTEM OPERATOR, INC.	5,052,542.00
SB-01606	Barclays	Nisource Finance Corp	OHIO BUREAU OF WORKERS' COMPENSATION	455,000.00
SB-01624	Barclays	Nisource Finance Corp	Ace America Insurance Company	625,000.00
SB-01643	Barclays	Nisource Finance Corp	BALTIMORE COUNTY, MARYLAND	15,108.50
SB-01654	Barclays	Nisource Finance Corp	BALTIMORE COUNTY, MARYLAND	11,250.00

SCHEDULE 6.01(e)

EXISTING AGREEMENTS

Receivables Purchase Agreements and Receivables Sales Agreement of (a) Columbia Gas of Ohio Receivables Corporation, (b) Columbia Gas of Pennsylvania Receivables Corporation, (c) NIPSCO Accounts Receivables Corporation and (d) any renewal, modification, extension or replacement of the above, in each case, to provide for receivables financings upon terms and conditions not materially more restrictive on the Guarantor and its Subsidiaries, taken as a whole, than the terms and conditions of such renewed, modified, extended or replaced facility.

Exhibit 18.1

July 31, 2012

NiSource Inc.
801 E. 86th Avenue
Merrillville, Indiana 46410

Dear Sirs/Madams:

At your request, we have read the description included in your Quarterly Report on Form 10-Q to the Securities and Exchange Commission for the quarter ended June 30, 2012, of the facts relating to the change by NiSource Inc. (the "Company") of the date of its annual goodwill impairment test from June 30 to May 1. We believe, on the basis of the facts so set forth and other information furnished to us by appropriate officials of the Company, that the accounting change described in your Form 10-Q is to an alternative accounting principle that is preferable under the circumstances.

We have not audited any consolidated financial statements of NiSource Inc. and its consolidated subsidiaries as of any date or for any period subsequent to December 31, 2011. Therefore, we are unable to express, and we do not express, an opinion on the facts set forth in the above-mentioned Form 10-Q, on the related information furnished to us by officials of the Company, or on the financial position, results of operations, or cash flows of NiSource Inc. and its consolidated subsidiaries as of any date or for any period subsequent to December 31, 2011.

Yours truly,

/s/ DELOITTE & TOUCHE LLP

Chicago, Illinois

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Robert C. Skaggs, Jr., certify that:

1. I have reviewed this Quarterly Report of NiSource Inc. on Form 10-Q for the quarter ended June 30, 2012;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 31, 2012

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

Exhibit 31.2

Certification Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002

I, Stephen P. Smith, certify that:

1. I have reviewed this Quarterly Report of NiSource Inc. on Form 10-Q for the quarter ended June 30, 2012;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 31, 2012

By: /s/ Stephen P. Smith
Stephen P. Smith
Executive Vice President and Chief Financial Officer

Exhibit 32.1

Certification Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of NiSource Inc. (the "Company") on Form 10-Q for the quarter ending June 30, 2012 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robert C. Skaggs, Jr., Chief Executive Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

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

Date: July 31, 2012

Exhibit 32.2

Certification Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of NiSource Inc. (the "Company") on Form 10-Q for the quarter ending June 30, 2012 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Stephen P. Smith, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Stephen P. Smith
Stephen P. Smith
Executive Vice President and Chief Financial Officer

Date: July 31, 2012

[redacted]

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, 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: 309,755,140 shares outstanding at October 24, 2012.

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

Table of Contents

DEFINED TERMS

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

NiSource Subsidiaries and Affiliates

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

DEFINED TERMS (continued)

BNS	Bank of Nova Scotia
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
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
ECT	Environmental Cost Tracker
ECR	Environmental Cost Recovery
EPA	United States Environmental Protection Agency
EPS	Earnings per share
FAC	Fuel adjustment clause
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
FGD	Flue Gas Desulfurization
FTRs	Financial Transmission Rights
GAAP	U.S. Generally Accepted Accounting Principles
GCR	Gas cost recovery
GHG	Greenhouse gases
gwh	Gigawatt hours
Hilcorp	Hilcorp Energy Company
hp	Horsepower
IDEM	Indiana Department of Environmental Management
IFRS	International Financial Reporting Standards
IRP	Infrastructure Replacement Program
IURC	Indiana Utility Regulatory Commission
kV	kilovolt
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

DEFINED TERMS (continued)

Mizuho	Mizuho Corporate Bank Ltd.
MMDth	Million dekatherms
mw	Megawatts
NAAQS	National Ambient Air Quality Standards
NOV	Notice of Violation
NO2	Nitrogen dioxide
NOx	Nitrogen oxide
NYMEX	New York Mercantile Exchange
OCI	Other Comprehensive Income (Loss)
OPEB	Other Postretirement and Postemployment Benefits
OUCC	Indiana Office of Utility Consumer Counselor
PADEP	Pennsylvania Department of Environmental Protection
Piedmont	Piedmont Natural Gas Company, Inc.
PJM	PJM Interconnection (a regional transmission organization (RTO) that coordinates the movement of wholesale electricity in all or parts of 13 states and the District of Columbia.)
PNC	PNC Bank N.A.
PM	particulate matter
PSC	Public Service Commission
PUC	Public Utility Commission
PUCO	Public Utilities Commission of Ohio
RA	Resource Adequacy
RBS	Royal Bank of Scotland PLC
RCRA	Resource Conservation and Recovery Act
RDAF	revenue decoupling adjustment factor
RTO	Regional Transmission Organization
SEC	Securities and Exchange Commission
SIP	State Implementation Plan
SO2	Sulfur dioxide
TIRF	Targeted Infrastructure Reinvestment Factor
VaR	Value-at-risk and instrument sensitivity to market factors
VIE	Variable Interest Entities
VSCC	Virginia State Corporation Commission
WACOG	Weighted Average Cost of Gas

PART I

ITEM 1. FINANCIAL STATEMENTS

NiSource Inc.

Condensed Statements of Consolidated Income (unaudited)

(in millions, except per share amounts)	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
Net Revenues				
Gas Distribution	$ **226.3**	$ 326.7	$ **1,382.6**	$ 2,199.1
Gas Transportation and Storage	**278.3**	283.3	**1,043.7**	993.6
Electric	**418.0**	404.7	**1,147.7**	1,100.4
Other	**50.9**	54.0	**106.9**	235.5
Gross Revenues	**973.5**	1,068.7	**3,680.9**	4,528.6
Cost of Sales (excluding depreciation and amortization)	**233.7**	323.1	**1,105.1**	1,956.5
Total Net Revenues	**739.8**	745.6	**2,575.8**	2,572.1
Operating Expenses				
Operation and maintenance	**422.9**	407.2	**1,222.6**	1,236.8
Depreciation and amortization	**126.0**	134.9	**420.1**	403.7
Impairment and (gain)/loss on sale of assets, net	**(0.7)**	0.4	**(3.8)**	1.1
Other taxes	**62.4**	59.2	**215.9**	220.0
Total Operating Expenses	**610.6**	601.7	**1,854.8**	1,861.6
Equity Earnings in Unconsolidated Affiliates	**8.0**	3.5	**24.2**	8.8
Operating Income	**137.2**	147.4	**745.2**	719.3
Other Income (Deductions)				
Interest expense, net	**(107.9)**	(95.7)	**(314.4)**	(279.9)
Other, net	**2.2**	1.6	**5.3**	5.5
Total Other Deductions	**(105.7)**	(94.1)	**(309.1)**	(274.4)
Income from Continuing Operations before Income Taxes	**31.5**	53.3	**436.1**	444.9
Income Taxes	**11.5**	17.0	**152.1**	158.7
Income from Continuing Operations	**20.0**	36.3	**284.0**	286.2
Loss from Discontinued Operations - net of taxes	**(0.7)**	(1.6)	**(1.9)**	(1.8)
Net Income	$ **19.3**	$ 34.7	$ **282.1**	$ 284.4
Basic Earnings Per Share				
Continuing operations	$ **0.06**	$ 0.13	$ **0.99**	$ 1.02
Discontinued operations	**—**	(0.01)	**—**	(0.01)
Basic Earnings Per Share	$ **0.06**	$ 0.12	$ **0.99**	$ 1.01
Diluted Earnings Per Share				
Continuing operations	$ **0.06**	$ 0.13	$ **0.95**	$ 1.00
Discontinued operations	**—**	(0.01)	**—**	(0.01)
Diluted Earnings Per Share	$ **0.06**	$ 0.12	$ **0.95**	$ 0.99
Dividends Declared Per Common Share	$ **0.24**	$ 0.23	$ **0.94**	$ 0.92
Basic Average Common Shares Outstanding	**290.3**	280.8	**285.9**	280.1
Diluted Average Common Shares	**300.0**	289.0	**296.7**	287.4

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)

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions, net of taxes)	**2012**	2011	**2012**	2011
Net Income	**$ 19.3**	$ 34.7	**$ 282.1**	$ 284.4
Other comprehensive income (loss)				
Net unrealized gain (loss) on available-for-sale securities (1)	**0.7**	(0.7)	**(1.8)**	0.1
Net unrealized gain on cash flow hedges (2)	**0.8**	0.4	**2.7**	2.1
Unrecognized pension benefit and OPEB costs (3)	**0.7**	0.4	**2.0**	1.3
Total other comprehensive income	**2.2**	0.1	**2.9**	3.5
Total Comprehensive Income	**$ 21.5**	$ 34.8	**$ 285.0**	$ 287.9

(1) Net unrealized gains (losses) on available-for-sale securities, net of $ 0.3 million tax expense and $ 0.6 million tax benefit in the third quarter of 2012 and 2011, respectively, and $ 1.5 million tax benefit and zero tax expense for the first nine months of 2012 and 2011, respectively.

(2) Net unrealized gains on derivatives qualifying as cash flow hedges, net of $ 0.6 million and $ 0.3 million tax expense in the third quarter of 2012 and 2011, respectively, and $ 1.8 million and $ 1.4 million tax expense for the first nine months of 2012 and 2011, respectively. Net unrealized gains on cash flow hedges includes gains of $ 0.2 million related to the unrealized gains and losses of interest rate swaps held by NiSource's unconsolidated equity method investments for the third quarter of 2012 and 2011. Net unrealized gains on cash flow hedges include gains of $ 0.7 million and $ 0.6 million related to the unrealized gains and losses of interest swaps held by NiSource's unconsolidated equity method investments for the nine months ended September 30, 2012 and 2011, respectively.

(3) Unrecognized pension benefit and OPEB costs, net of $ 0.2 million and $0.3 million tax expense in the third quarter of 2012 and 2011, and $ 1.0 million and $ 0.9 million tax expense for the first nine months of 2012 and 2011, respectively.

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)		September 30, 2012		December 31, 2011
ASSETS				
Property, Plant and Equipment				
Utility Plant	$	**21,303.8**	$	20,337.8
Accumulated depreciation and amortization		**(8,956.8)**		(8,670.2)
Net utility plant		**12,347.0**		11,667.6
Other property, at cost, less accumulated depreciation		**195.7**		132.5
Net Property, Plant and Equipment		**12,542.7**		11,800.1
Investments and Other Assets				
Assets of discontinued operations and assets held for sale		**0.2**		0.2
Unconsolidated affiliates		**215.7**		204.7
Other investments		**196.0**		150.9
Total Investments and Other Assets		**411.9**		355.8
Current Assets				
Cash and cash equivalents		**12.3**		11.5
Restricted cash		**65.1**		160.6
Accounts receivable (less reserve of $31.3 and $30.5, respectively)		**526.2**		854.8
Income tax receivable		**56.0**		0.9
Gas inventory		**385.2**		427.6
Underrecovered gas and fuel costs		**33.5**		20.7
Materials and supplies, at average cost		**99.7**		87.6
Electric production fuel, at average cost		**54.8**		50.9
Price risk management assets		**103.6**		137.2
Exchange gas receivable		**30.9**		64.9
Regulatory assets		**190.6**		169.7
Prepayments and other		**280.8**		261.8
Total Current Assets		**1,838.7**		2,248.2
Other Assets				
Price risk management assets		**72.1**		188.7
Regulatory assets		**1,870.3**		1,978.2
Goodwill		**3,677.3**		3,677.3
Intangible assets		**289.4**		297.6
Postretirement and postemployment benefits assets		**41.7**		31.5
Deferred charges and other		**94.5**		130.9
Total Other Assets		**6,045.3**		6,304.2
Total Assets	**$**	**20,838.6**	$	20,708.3

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

Table of Contents

ITEM 1 . FINANCIAL STATEMENTS (continued)

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

(in millions, except share amounts)	September 30, 2012	December 31, 2011
CAPITALIZATION AND LIABILITIES		
Capitalization		
Common Stockholders' Equity		
Common stock - $0.01 par value, 400,000,000 shares authorized; 309,597,086 and 281,853,571 shares issued and outstanding, respectively	$ 3.1	$ 2.8
Additional paid-in capital	4,579.3	4,167.7
Retained earnings	925.7	917.0
Accumulated other comprehensive loss	(56.8)	(59.7)
Treasury stock	(40.5)	(30.5)
Total Common Stockholders' Equity	5,410.8	4,997.3
Long-term debt, excluding amounts due within one year	6,819.7	6,267.1
Total Capitalization	12,230.5	11,264.4
Current Liabilities		
Current portion of long-term debt	823.3	327.3
Short-term borrowings	225.3	1,359.4
Accounts payable	300.1	434.8
Dividends payable	74.3	—
Customer deposits and credits	263.6	313.6
Taxes accrued	172.0	220.9
Interest accrued	82.9	111.9
Overrecovered gas and fuel costs	52.6	48.9
Price risk management liabilities	110.2	167.8
Exchange gas payable	124.7	168.2
Deferred revenue	30.9	10.1
Regulatory liabilities	171.1	112.0
Accrued liability for postretirement and postemployment benefits	26.6	26.6
Legal and environmental reserves	36.8	43.9
Other accruals	232.7	301.0
Total Current Liabilities	2,727.1	3,646.4
Other Liabilities and Deferred Credits		
Price risk management liabilities	32.9	138.9
Deferred income taxes	2,758.5	2,541.9
Deferred investment tax credits	25.8	29.0
Deferred credits	86.0	78.9
Noncurrent deferred revenue	22.8	—
Accrued liability for postretirement and postemployment benefits	939.7	953.8
Regulatory liabilities and other removal costs	1,617.1	1,663.9
Asset retirement obligations	152.0	146.4
Other noncurrent liabilities	246.2	244.7
Total Other Liabilities and Deferred Credits	5,881.0	5,797.5
Commitments and Contingencies (Refer to Note 18)	—	—
Total Capitalization and Liabilities	$ 20,838.6	$ 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 Statements of Consolidated Cash Flows (unaudited)

Nine Months Ended September 30, *(in millions)*	2012	2011
Operating Activities		
Net Income	$ 282.1	$ 284.4
Adjustments to Reconcile Net Income to Net Cash from Continuing Operations:		
Depreciation and amortization	420.1	403.7
Net changes in price risk management assets and liabilities	(19.4)	14.1
Deferred income taxes and investment tax credits	140.1	168.9
Deferred revenue	2.1	(4.2)
Stock compensation expense and 401(k) profit sharing contribution	33.0	27.4
Gain on sale of assets	(3.8)	(0.1)
Loss on impairment of assets	—	1.2
Income from unconsolidated affiliates	(22.9)	(8.0)
Loss from discontinued operations - net of taxes	1.9	1.8
Amortization of debt related costs	7.3	6.6
AFUDC equity	(4.7)	(3.2)
Distributions of earnings received from equity investees	25.1	10.9
Changes in Assets and Liabilities:		
Accounts receivable	333.9	561.4
Income tax receivable	(55.1)	97.8
Inventories	19.6	(171.4)
Accounts payable	(151.0)	(325.1)
Customer deposits and credits	(50.0)	(36.8)
Taxes accrued	(48.7)	(63.7)
Interest accrued	(29.0)	(46.6)
Overrecovered gas and fuel costs	(9.1)	147.1
Exchange gas receivable/payable	(9.5)	(117.9)
Other accruals	(90.9)	(32.9)
Prepayments and other current assets	48.3	31.1
Regulatory assets/liabilities	96.3	35.4
Postretirement and postemployment benefits	(11.6)	(163.5)
Deferred credits	7.6	(2.0)
Deferred charges and other noncurrent assets	28.1	(6.3)
Other noncurrent liabilities	4.1	32.6
Net Operating Activities from Continuing Operations	943.9	842.7
Net Operating Activities used for Discontinued Operations	(2.1)	(48.6)
Net Cash Flows from Operating Activities	941.8	794.1
Investing Activities		
Capital expenditures	(1,024.3)	(774.2)
Insurance Recoveries	3.0	—
Proceeds from disposition of assets	23.6	9.4
Restricted cash withdrawals	95.8	22.8
Contributions to equity investees	(11.3)	(0.2)
Other investing activities	(38.1)	(59.7)
Net Cash Flow used for Investing Activities	(951.3)	(801.9)
Financing Activities		
Issuance of long-term debt	991.4	395.3

	(11.6)	(36.5)
Premiums and other debt related costs	**(3.4)**	(8.2)
Change in short-term borrowings, net	**(1,133.7)**	(148.5)
Issuance of common stock	**376.4**	15.1
Acquisition of treasury stock	**(10.0)**	(3.1)
Dividends paid - common stock	**(198.8)**	(193.3)
Net Cash Flow from Financing Activities	**10.3**	20.8
Change in cash and cash equivalents from continuing operations	**2.9**	61.6
Cash contributions to discontinued operations	**(2.1)**	(48.6)
Cash and cash equivalents at beginning of period	**11.5**	9.2
Cash and Cash Equivalents at End of Period	**$ 12.3**	$ 22.2

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

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

1. Basis of Accounting Presentation

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

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

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

Immaterial Restatement

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

Increase/(Decrease) in Net Income *(in millions)*		Three Months Ended September 30, 2011		Nine Months Ended September 30, 2011
Previously reported Net Income	$	34.7	$	278.8
Deferred revenue		—		(0.6)
Environmental asset recovery		—		8.0
OPEB over-reimbursement		(0.1)		(0.5)
OPEB regulatory asset		—		2.4
Total corrections		(0.1)		9.3
Income taxes		(0.1)		3.7
Corrected Net Income	$	34.7	$	284.4

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

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

Condensed Statements of Consolidated Income (unaudited)

	Three Months Ended September 30, 2011		Nine Months Ended September 30, 2011	
(in millions, except per share amounts)	As Previously Reported	As Corrected	As Previously Reported	As Corrected
Net Revenues				
Electric	$ 404.7	$ 404.7	$ 1,101.0	$ 1,100.4
Gross Revenues	1,068.7	1,068.7	4,529.2	4,528.6
Total Net Revenues	745.6	745.6	2,572.7	2,572.1
Operation and maintenance	407.1	407.2	1,242.1	1,236.8
Depreciation and amortization	134.9	134.9	408.3	403.7
Total Operating Expenses	601.6	601.7	1,871.5	1,861.6
Operating Income	147.5	147.4	710.0	719.3
Income from Continuing Operations before Income Taxes	53.4	53.3	435.6	444.9
Income Taxes	17.1	17.0	155.0	158.7
Income from Continuing Operations	36.3	36.3	280.6	286.2
Net Income	$ 34.7	$ 34.7	$ 278.8	$ 284.4
Basic Earnings Per Share ($)				
Continuing operations	$ 0.13	$ 0.13	$ 1.00	$ 1.02
Basic Earnings Per Share	$ 0.12	$ 0.12	$ 0.99	$ 1.01
Diluted Earnings Per Share ($)				
Continuing operations	$ 0.13	$ 0.13	$ 0.98	$ 1.00
Diluted Earnings Per Share	$ 0.12	$ 0.12	$ 0.97	$ 0.99

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

2. Recent Accounting Pronouncements

Recently Adopted Accounting Pronouncements

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

Goodwill Impairment . In September 2011, the FASB issued Accounting Standards Update 2011-08, which gives entities testing goodwill for impairment the option of performing a qualitative assessment before calculating the fair value of a reporting unit for

the goodwill impairment test. The amendment is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. As NiSource performs its annual Goodwill impairment test during the second quarter of its fiscal year, NiSource considered the provisions of this new standard and determined not to elect the option for the second quarter of 2012. NiSource will continue to evaluate whether to elect the option going forward.

Recently Issued Accounting Pronouncements

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

3. Earnings Per Share

Basic EPS is computed by dividing income available to common stockholders by the weighted-average number of shares of common stock outstanding for the period. The weighted average shares outstanding for diluted EPS includes the incremental effects of the various long-term incentive compensation plans and the Forward Agreements (refer to Note 4 "Forward Equity Agreement" for additional information). The calculation of diluted earnings per share excludes stock options which had an anti-dilutive effect. These options were zero and 2.8 million for the three months ended September 30, 2012 and 2011 , respectively, and zero and 3.3 million for the nine months ended September 30, 2012 and 2011 , respectively. The numerator in calculating both basic and diluted EPS for each period is reported net income. The computation of diluted average common shares follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands)	**2012**	2011	**2012**	2011
Denominator				
Basic average common shares outstanding	290,328	280,765	285,891	280,112
Dilutive potential common shares				
Stock options	197	19	159	—
Shares contingently issuable under employee stock plans	434	1,119	393	1,087
Shares restricted under stock plans	654	376	626	342
Forward Agreements	8,399	6,731	9,609	5,814
Diluted Average Common Shares	**300,012**	289,010	**296,678**	287,355

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. 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. On September 10, 2012, NiSource settled the Forward Agreements by physically delivering the 24,265,000 shares of NiSource common stock and receiving cash proceeds of $ 339.1 million . Cash proceeds related to the settlement of the Forward Agreements are recorded in the issuance of common stock line in the financing activities section of the Condensed Statement of Consolidated Cash Flows (unaudited) for the period ended September 30, 2012. Additionally, refer to Note 3, "Earnings Per Share," for information regarding the dilutive impact to EPS of the Forward Agreements.

5. Discontinued Operations and Assets and Liabilities Held for Sale

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	**2012**	2011	**2012**	2011
Loss from discontinued operations	**(1.2)**	(2.7)	**(3.1)**	(2.8)
Income tax benefit	**(0.5)**	(1.1)	**(1.2)**	(1.0)
Loss from Discontinued Operations - net of taxes	**$ (0.7)**	$ (1.6)	**$ (1.9)**	$ (1.8)

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, 2012 and 2011 are presented in the table below:

(in millions)	**2012**	2011
Balance as of January 1,	**$ 146.4**	$ 138.8
Accretion expense	**0.8**	0.5
Accretion recorded as a regulatory asset/liability	**6.6**	5.8
Settlements	**(0.7)**	(1.7)
Change in estimated cash flows	**(1.1)**	(2.9)
Balance as of September 30,	**$ 152.0**	$ 140.5

7. 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 December 28, 2011, the IURC issued an order approving Northern Indiana's portfolio of gas energy efficiency programs and authorizing the recovery of program costs associated with those programs through semi-annual tracker filings.

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

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

On September 14, 2012, Columbia of Massachusetts filed its Peak Period Gas Adjustment Factor, Pension Expense Factor, Residential Assistance Adjustment Factor and Peak Period Revenue Decoupling Factor, each with a proposed effective date of November 1, 2012.

On April 13, 2012, Columbia of Massachusetts submitted a filing with the Massachusetts DPU requesting an annual revenue requirement increase of $29.2 million . Columbia of Massachusetts filed using a historic test year ended 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. The Massachusetts DPU issued an order on

NiSource Inc.
Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

November 1, 2012 approving an annual revenue increase of $7.8 million , effective November 1, 2012. Columbia of Massachusetts is continuing to evaluate the order.

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 effective April 1, 2012. As a result of the implementation of the standard choice offer, Columbia of Ohio reports 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 the 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. Columbia of Ohio filed supplemental reply comments on July 26, 2012 and Staff filed sur-reply comments on August 15, 2012. On August 29, 2012, the Commission issued a Finding and Order in which it approved Columbia of Ohio's application subject to certain modifications contained therein and granted the appropriate accounting as modified by the Finding and Order. On September 28, 2012, the Office of the Ohio Consumers' Counsel filed an application for rehearing in which it contested the cap mechanism set forth in the PUCO Order. Columbia of Ohio filed a memorandum contra the application for rehearing on October 8, 2012. The PUCO denied the Ohio Consumer's Counsel's application for rehearing on October 24, 2012.

On November 30, 2011, Columbia of Ohio filed a Notice of Intent to file an application to adjust rates associated with Rider IRP and Rider DSM. On February 28, 2012, Columbia of Ohio filed its application to adjust rates associated with IRP and DSM Riders. The DSM Rider tracks and recovers costs associated with Columbia of Ohio's energy efficiency and conservation programs. The application sought to increase the annual revenue from the riders by approximately $27.9 million . On April 10, 2012, Columbia of Ohio reached a settlement with parties allowing for an increase in annual revenue from the Riders of approximately $27 million . On April 25, 2012, the PUCO issued an Entry that provided for approval of the settlement with new rates effective April 29, 2012.

On December 9, 2011, Columbia of Ohio filed a Notice of Intent to file an application to extend its Infrastructure Replacement Program. Columbia of Ohio filed an amended Notice of Intent and an amended Motion for Waiver on March 5, 2012. On May 8, 2012, Columbia of Ohio filed its application and supporting exhibits and testimony. On September 26, 2012 the parties filed a Joint Stipulation and Recommendation that provided for the extension of Columbia of Ohio's IRP process for an additional five years and settlement of all issues.

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

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

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

In 2009, the PUCO granted Columbia of Ohio an exemption from the regulation of natural gas commodity prices. The 2009 Order also shielded Columbia of Ohio's capacity contract levels from prudency audits for three years, and approved a mechanism for sharing off-system sales and capacity release revenues for three years. On October 4, 2012, Columbia of Ohio and other parties filed a non-unanimous stipulation that would extend key provisions of the 2009 agreement for an additional five years.

On April 12, 2012, Columbia of Virginia filed an application with the VSCC for approval to amend and extend its CARE Plan for an additional three year period beginning January 1, 2013. The Amended CARE Plan includes incentives for residential and small general service customers to actively pursue conservation and energy efficiency measures, a surcharge designed to recover the costs of such measures on a real-time basis, and a performance-based incentive for the delivery of conservation and energy efficiency benefits. The Amended CARE Plan also includes a rate decoupling mechanism designed to mitigate the impact of declining customer usage. On April 27, 2012, the VSCC issued a procedural order inviting comments from the VSCC Staff and

interested persons. The VSCC Staff and Columbia of Virginia reached a comprehensive settlement of the issues in the case and filed a Joint Motion requesting VSCC approval of the settlement terms on July 13, 2012. On August 6, 2012, the VSCC issued a Final Order approving the settlement and extending the CARE Plan through 2015.

On September 28, 2012, Columbia of Pennsylvania filed a base rate case with the Pennsylvania PUC, seeking a revenue increase of approximately $77.3 million annually, and seeking to implement a Revenue Normalization Adjustment for its residential class that would mitigate revenue volatility associated with usage based rates. Columbia of Pennsylvania is the first utility in Pennsylvania to seek Pennsylvania PUC approval to design rates to recover costs that are projected to be incurred after the implementation of those new rates, as recently authorized by the Pennsylvania General Assembly with the passage of Act 11 of 2012. Accordingly, Columbia of Pennsylvania is seeking to implement rates in July 2013 under which Columbia of Pennsylvania would immediately begin to recover costs that are projected for the twelve-month period ending June 30, 2014. Columbia of Pennsylvania expects that the Pennsylvania PUC will issue an order in the second quarter of 2013, with rates going into effect in the third quarter of 2013.

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 Transmission Customer Settlement. Columbia Transmission reached an agreement with a majority of its customers and filed a customer settlement in support of its comprehensive interstate natural gas pipeline modernization program with the FERC on September 4, 2012. Only one party, the Public Service Commission of Maryland, filed a (limited) protest to the Settlement. On October 4, 2012, Columbia Transmission filed its reply addressing the issues raised by the Public Service Commission of Maryland. The parties have asked the FERC to approve the settlement before the end of 2012. Columbia Transmission expects to invest approximately $1.5 billion over a five-year period to modernize its system to improve system integrity and enhance service reliability and flexibility. The settlement with firm customers includes an initial five-year term with provisions for potential extensions thereafter. The settlement proposes initial refunds totaling $50.0 million , adjustments to base rates and depreciation, and a Capital Cost Recovery Mechanism (CCRM), a tracker mechanism that provides recovery and return on the $300.0 million annual investment. Additional details of the settlement are as follows:

- An immediate $50.0 million refund to max rate contract customers to be paid in two installments of $25.0 million . The first payment is expected to be paid in the next monthly billing cycle that is at least 15 days after Columbia Transmission receives a final FERC order approving the settlement. The second installment is expected to be paid the later of January 31, 2013, or in the next monthly billing cycle that is at least 15 days after a final FERC order.
- Base rate reductions, the first retroactive to January 1, 2012, which equates to approximately $35 million in revenues annually and the second beginning January 1, 2014, which equates to approximately $25.0 million in revenues annually thereafter;

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

- The CCRM will allow Columbia Transmission to recover, through an additive capital demand rate, its revenue requirement for capital investments made under Columbia Transmission's long-term plan to modernize its interstate transmission system. The mechanism provides for a 14% revenue requirement with a portion designated as a recovery of increased taxes other than income taxes. The additive demand rate is earned on costs associated with projects placed into service by October 31 each year. The CCRM will give Columbia Transmission the opportunity to recover its revenue requirement associated with $300.0 million annual investment in the modernization program, while maintaining competitive rates for its shippers. The CCRM recovers the revenue requirement associated with qualifying modernization costs that Columbia Transmission incurs after satisfying the requirement associated with $100.0 million in annual capital maintenance expenditure. The CCRM applies to Columbia Transmission's transportation shippers. The CCRM will not exceed $300.0 million per year, subject to a 15% annual tolerance and a total cap of $1.5 billion for the entire five-year Initial Term.
- Depreciation rate reduction to 1.5% and elimination of negative salvage rate, retroactive to January 1, 2012, which equates to approximately $35 million in reduced annual expenses that is linked to the base rate reduction above;
- A revenue sharing mechanism pursuant to which Columbia Transmission will share 75% of specified revenues earned in excess of an annual threshold;
- A moratorium through January 31, 2018 on changes to Columbia Transmission's reduced transportation base rates; and
- A commitment from Columbia Transmission that it will file a general NGA Section 4(e) rate application to be effective no later than February 1, 2019

Columbia Transmission petitioned for FERC approval of the settlement as filed preferably no later than December 1, 2012, to allow the parties to the agreement to begin receiving the benefits of the settlement without delay. On September 30, 2012, Columbia Transmission recorded the $50.0 million refund obligation and a pro rata share of the retroactive base rate reduction, which amounted to $22.9 million , and the pro rata reduction in depreciation expense that amounted to $24.9 million .

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 and subsequently, on June 4, 2012, filed a motion to dismiss the appeal. The motion was granted on June 27, 2012.

During 2002, Northern Indiana settled certain regulatory matters related to an electric rate review. On September 23, 2002, the IURC issued an Order adopting most aspects of the settlement. The Order approving the settlement provided that certain electric customers of Northern Indiana would receive bill credits of approximately $55.1 million each year. The credits continued at approximately the same annual level and per the same methodology, until the IURC approval and implementation of new customer rates, which occurred on December 27, 2011. The recovery of the final reconciliation of the credits will be completed in the fourth quarter of 2012. Credits amounting to $(4.7) million and $38.6 million were recognized for electric customers for the first nine months of 2012 and 2011, respectively.

On December 9, 2009, the IURC issued an Order in its generic DSM investigation proceeding establishing an overall annual energy savings goal of 2% to be achieved by Indiana jurisdictional electric utilities in 10 years, with interim savings goals established in years one through nine .

On July 27, 2011, the IURC issued an order approving Northern Indiana's portfolio of electric energy efficiency programs authorizing the recovery of program costs and on August 8, 2012, approved recovery of lost margins associated with those programs through semi-annual tracker filings.

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

As part of a multi-state effort to strengthen the electric transmission system serving the Midwest, Northern Indiana anticipates making investments in two projects, a 100-mile, 345 kV transmission project and a 66-mile, 765 kV transmission project in Indiana. These projects are reviewed and authorized by the MISO and are scheduled to be in service during the latter part of the decade. On July 19, 2012, the FERC issued an order approving construction work in progress in rate base and abandoned plant cost recovery requested by Northern Indiana, for the 100-mile, 345 kV transmission project. On September 12, 2012, Northern Indiana filed with the FERC for construction work in progress in rate base and abandoned plant cost recovery for the 66-mile, 765 kV project. On October 16, 2012, Northern Indiana filed for FERC approval of forward looking rates, which would allow for the more timely recovery of Northern Indiana's investment in transmission assets. 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. In response on July 19, 2012, the FERC issued an order which denied the complaint filed by Pioneer Transmission, LLC and affirmed that Northern Indiana and Duke Energy are the appropriate parties to share equally in the development of the 66-mile 765 kV transmission project extending between Reynolds, Indiana and Greentown, Indiana. On August 20, 2012, Pioneer Transmission, LLC, Northern Indiana, and MISO filed a settlement agreement resolving the Pioneer complaint case establishing Northern Indiana's right to develop 50 percent of the project. The Settlement is currently pending at the FERC.

In the Order issued on August 25, 2010, the IURC approved a semi-annual 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 semi-annual 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. On August 22, 2012, the IURC issued an order authorizing Northern Indiana 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.

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 first nine months of 2012 and 2011, there were no non-recoverable purchased power costs.

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 and EPA Regulations. Refer to Note 18-C, "Environmental Matters," for additional information. This petition has since been trifurcated into three separate phases. On December 28, 2011, February 15, 2012, and September 5, 2012, the IURC issued orders approving estimated project costs of approximately $800 million and granting the requested ratemaking and accounting relief associated with these projects through annual and semi-annual tracker filings.

8. Risk Management Activities

NiSource is exposed to certain risks relating to its ongoing business operations. The primary risks managed by using derivative instruments are commodity price risk and interest rate risk. Derivative natural gas contracts are entered into to manage the price risk associated with natural gas price volatility and to secure forward natural gas prices. Interest rate swaps are entered into to

manage interest rate risk associated with NiSource's fixed-rate borrowings. NiSource designates some of its commodity forward contracts as cash flow hedges of forecasted purchases of commodities and designates its interest rate swaps as fair value hedges of fixed-rate borrowings. Additionally, certain NiSource subsidiaries enter into forward physical contracts with various third parties to procure or sell natural gas or power. Certain forward physical contracts are derivatives which qualify for, and for which NiSource may elect, the normal purchase and normal sales exception which do not require mark-to-market accounting.

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

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

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

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

Commodity Price Risk Programs . NiSource and NiSource's utility customers are exposed to variability in cash flows associated with natural gas purchases and volatility in natural gas prices. NiSource purchases natural gas for sale and delivery to its retail, commercial and industrial customers, and for most customers the variability in the market price of gas is passed through in their rates. Some of NiSource's utility subsidiaries offer programs where variability in the market price of gas is assumed by the respective utility. The objective of NiSource's commodity price risk programs is to mitigate this gas cost variability, for NiSource or on behalf of its customers, associated with natural gas purchases or sales by economically hedging the various gas cost components by using a combination of futures, options, forward physical contracts, basis swap contracts or other derivative contracts. Northern Indiana also uses derivative contracts to minimize risk associated with power price volatility. These commodity price risk programs and their respective accounting treatment are described below.

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

Northern Indiana and Columbia of Virginia offer a fixed price program as an alternative to the standard GCR mechanism. These services provide certain customers with the opportunity to either lock in their gas cost or place a cap on the gas costs that would be charged in future months. In order to hedge the anticipated physical purchases associated with these obligations, forward physical

contracts, NYMEX futures and NYMEX options are used to secure forward gas prices. The accounting treatment elected for these contracts is varied in that certain of these contracts have been accounted for as cash flow hedges while some contracts are not. The accounting treatment is based on the election of the company. The normal purchase and normal sales exception is elected for forward physical contracts associated with these programs where delivery of the commodity is probable to occur.

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

Northern Indiana enters into gas purchase contracts at first of the month prices that give counterparties the daily option to either sell an 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 a reserve of $1.1 million and $25.6 million against certain derivatives as of September 30, 2012 and December 31, 2011 , respectively. This amount represents reserves related to the creditworthiness of certain customers, fair value of future cash flows, and the cost of maintaining significant amounts of restricted cash. The physical sales contracts marked-to-market had a fair value of approximately $44.4 million at September 30, 2012 and $136.8 million at December 31, 2011 , while the financial derivative contracts marked-to-market had a fair value loss of $42.5 million at September 30, 2012 , and $155.5 million at December 31, 2011 . During the fourth quarter of 2011, NiSource recorded a reserve of $22.6 million on certain assets related to the wind down of the unregulated natural gas marketing business. During 2012, NiSource settled a majority of the contracts related to the reserve noted above and wrote off $43.8 million of price risk assets. Additionally, NiSource has a notes receivable balance related to the settlements of $17.7 million as of September 30, 2012 .

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

Global to offset the loss positions of the open contracts on November 3, 2011. NiSource affiliates are monitoring the activity in the bankruptcy case and have filed a proof of claim at the Court's direction. As of September 30, 2012 , NiSource affiliates maintained a reserve for the $1.2 million difference between the initial margin posted with MF Global and the cash transferred to the court-designated replacement broker as a loss contingency.

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

	September 30, 2012	December 31, 2011
Commodity Price Risk Program:		
Gas price volatility program derivatives (MMDth)	**36.4**	26.1
Price Protection Service program derivatives (MMDth)	**1.6**	1.0
DependaBill program derivatives (MMDth)	**0.4**	0.3
Regulatory incentive program derivatives (MMDth)	**—**	0.9
Gas marketing program derivatives (MMDth) [1]	**12.0**	28.5
Gas marketing forward physical derivatives (MMDth) [2]	**11.8**	27.1
Electric energy program FTR derivatives (mw) [3]	**12,925.1**	8,578.5

[1] Basis contract volumes not included in the above table were 11.8 MMDth and 15.9 MMDth as of September 30, 2012 and December 31, 2011 , respectively.

[2] Basis contract volumes not included in the above table were 12.6 MMDth and 29.9 MMDth as of September 30, 2012 and December 31, 2011 , respectively.

[3] Megawatt hours reported in thousands

Interest Rate Risk Activities . NiSource recognizes that the prudent and selective use of derivatives may help it to lower its cost of debt capital and manage its interest rate exposure. NiSource Finance has entered into various "receive fixed" and "pay floating" interest rate swap agreements which modify the interest rate characteristics of a portion of its outstanding long-term debt from fixed to variable rate. These interest rate swaps also serve to hedge the fair market value of NiSource Finance's outstanding debt portfolio. As of September 30, 2012 , NiSource had $7.4 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, 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 September 30, 2012 , AOCI includes $10.1 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 September 30, 2012 , NiSource holds a 47.5% interest in Millennium. As NiSource reports Millennium as an equity method investment, NiSource is required to recognize a proportional share of Millennium's OCI. NiSource's proportionate share of the remaining unrealized loss associated with a settled interest rate swap is $18.9 million , net of tax, as of September 30, 2012 . Millennium is amortizing the unrealized loss related to these terminated interest rate swaps into earnings using the effective interest method through interest expense as interest payments are made. NiSource records its proportionate share of the amortization as Equity Earnings in Unconsolidated Affiliates in the Condensed Statements of Consolidated Income (unaudited).

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

Asset Derivatives *(in millions)*	**September 30, 2012**	December 31, 2011
Balance Sheet Location	**Fair Value**	Fair Value (1)
Derivatives designated as hedging instruments		
Interest rate risk activities		
Price risk management assets (current)	$ **0.1**	$ —
Price risk management assets (noncurrent)	**40.3**	56.7
Total derivatives designated as hedging instruments	$ **40.4**	$ 56.7
Derivatives not designated as hedging instruments		
Commodity price risk programs		
Price risk management assets (current)	$ **103.5**	$ 141.8
Price risk management assets (noncurrent)	**31.8**	150.0
Total derivatives not designated as hedging instruments	$ **135.3**	$ 291.8
Total Asset Derivatives	$ **175.7**	$ 348.5

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

Liability Derivatives *(in millions)*	**September 30, 2012**	December 31, 2011
Balance Sheet Location	**Fair Value**	Fair Value
Derivatives designated as hedging instruments		
Commodity price risk programs		
Price risk management liabilities (current)	$ **0.1**	$ 0.4
Price risk management liabilities (noncurrent)	**—**	0.1
Total derivatives designated as hedging instruments	$ **0.1**	$ 0.5
Derivatives not designated as hedging instruments		
Commodity price risk programs		
Price risk management liabilities (current)	$ **110.1**	$ 167.4
Price risk management liabilities (noncurrent)	**32.9**	138.8
Total derivatives not designated as hedging instruments	$ **143.0**	$ 306.2
Total Liability Derivatives	$ **143.1**	$ 306.7

ITEM 1. FINANCIAL STATEMENTS (continued)

NISOURCE INC.
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 (Loss) Recognized in OCI on Derivative (Effective Portion) Sept. 30, 2012	Sept. 30, 2011	Location of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Amount of (Loss) Gain Reclassified from AOCI into Income (Effective Portion) Sept. 30, 2012	Sept. 30, 2011
Commodity price risk programs	$ **0.2**	$ (0.2)	Cost of Sales	$ **—**	$ 0.1
Interest rate risk activities	**0.4**	0.4	Interest expense, net	**(0.7)**	(0.7)
Total	$ **0.6**	$ 0.2		$ **(0.7)**	$ (0.6)

Nine Months Ended (*in millions*)

Derivatives in Cash Flow Hedging Relationships	Amount of Gain Recognized in OCI on Derivative (Effective Portion) Sept. 30, 2012	Sept. 30, 2011	Location of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Amount of Gain (Loss) Reclassified from AOCI into Income (Effective Portion) Sept. 30, 2012	Sept. 30, 2011
Commodity price risk programs	$ **0.8**	$ 0.3	Cost of Sales	$ **(0.8)**	$ 0.9
Interest rate risk activities	**1.2**	1.2	Interest expense, net	**(2.0)**	(2.0)
Total	$ **2.0**	$ 1.5		$ **(2.8)**	$ (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) September 30, 2012	September 30, 2011
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) September 30, 2012	September 30, 2011
Commodity price risk programs	Cost of Sales	$ **—**	$ —
Interest rate risk activities	Interest expense, net	**—**	—
Total		$ **—**	$ —

It is anticipated that during the next twelve months the expiration and settlement of cash flow hedge contracts will result in income statement recognition of amounts currently classified in AOCI of approximately $0.1 million of loss, net of taxes.

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

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	
		September 30, 2012	September 30, 2011
Interest rate risk activities	Interest expense, net	**$ (8.3)**	$ (3.0)
Total		**$ (8.3)**	$ (3.0)

Nine 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	
		September 30, 2012	September 30, 2011
Interest rate risk activities	Interest expense, net	**$ (16.5)**	$ (3.5)
Total		**$ (16.5)**	$ (3.5)

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	
		September 30, 2012	September 30, 2011
Fixed-rate debt	Interest expense, net	**$ 8.3**	$ 3.0
Total		**$ 8.3**	$ 3.0

Nine 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	
		September 30, 2012	September 30, 2011
Fixed-rate debt	Interest expense, net	**$ 16.5**	$ 3.5
Total		**$ 16.5**	$ 3.5

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 *	
		September 30, 2012	September 30, 2011
Commodity price risk programs	Gas Distribution revenues	**$ —**	$ (0.1)
Commodity price risk programs	Other revenues	**5.0**	16.6
Commodity price risk programs	Cost of Sales	**2.4**	(7.4)
Total		**$ 7.4**	$ 9.1

* For the amounts of realized/unrealized gain (loss) recognized in income on derivatives disclosed in the table above, gains of $6.8 million and $9.4 million for the three months ended September 30, 2012 and 2011 , respectively, were deferred as allowed by regulatory orders. These

amounts will be amortized to income over future periods of up to twelve months as specified in a regulatory order.

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 *	
		September 30, 2012	September 30, 2011
Commodity price risk programs	Gas Distribution revenues	**$ 0.3**	$ (21.8)
Commodity price risk programs	Other revenues	**11.0**	35.0
Commodity price risk programs	Cost of Sales	**(16.8)**	(15.3)
Total		**$ (5.5)**	$ (2.1)

* For the amounts of realized/unrealized gain (loss) recognized in income on derivatives disclosed in the table above, losses of $8.3 million and $9.8 million for the nine months ended September 30, 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 September 30, 2012 and December 31, 2011 do not contain any credit-risk-related contingent features.

Certain NiSource affiliates have physical commodity purchase agreements that contain "ratings triggers" that require increases in collateral if the credit rating of NiSource or certain of its affiliates are rated below BBB- by Standard & Poor's or below Baa3 by Moody's. These agreements are primarily for the physical purchase or sale of natural gas and electricity. The collateral requirement from a downgrade below the ratings trigger levels would amount to approximately $2.2 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 $62.9 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 September 30, 2012 and December 31, 2011 , respectively.

NiSource Inc.
Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

9. Fair Value Disclosures

A. Fair Value Disclosures

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, 2012 and December 31, 2011 :

Recurring Fair Value Measurements September 30, 2012 *(in millions)*	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of September 30, 2012
Assets				
Commodity Price risk management assets:				
Physical price risk programs	$ —	$ 44.8	$ —	$ 44.8
Financial price risk programs	89.3	1.4	—	90.7
Interest rate risk activities	—	40.2	—	40.2
Available-for-sale securities	33.4	85.7	—	119.1
Total	$ 122.7	$ 172.1	$ —	$ 294.8
Liabilities				
Commodity Price risk management liabilities:				
Physical price risk programs	$ —	$ 0.4	$ —	$ 0.4
Financial price risk programs	141.9	0.6	0.2	142.7
Total	$ 141.9	$ 1.0	$ 0.2	$ 143.1

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

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

Price risk management assets and liabilities include commodity exchange-traded and non-exchange-based derivative contracts. Exchange-traded derivative contracts are 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 September 30, 2012 and 2011 , there were no material transfers between fair value hierarchies. Additionally there were no changes in the method or significant assumptions used to estimate the fair value of NiSource's financial instruments.

To determine the fair value of derivatives associated with NiSource's unregulated natural gas marketing business, certain reserves were calculated. These reserves were primarily determined by evaluating the credit worthiness of certain customers, fair value of future cash flows, and the cost of maintaining restricted cash. Refer to Note 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, 2012 and December 31, 2011 were:

(in millions)	Amortized Cost	Total Gains	Total Losses	Fair Value
Available-for-sale debt securities, September 30, 2012				
U.S. Treasury	$ 36.7	$ 2.0	$ —	$ 38.7
Corporate/Other	77.7	2.8	(0.1)	80.4
Total Available-for-sale debt securities	**$ 114.4**	**$ 4.8**	**$ (0.1)**	**$ 119.1**

(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 September 30, 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 both the three months ended September 30, 2012 and 2011 , the net realized gains on sale of available-for-sale Corporate/Other bond debt securities was $0.1 million .

For the nine months ended September 30, 2012 and 2011 , the net realized gain on the sale of available-for-sale U.S. Treasury debt securities was $0.3 million and $0.4 million , respectively. For the nine months ended September 30, 2012 and 2011 , the net realized gain on sale of available-for-sale Corporate/Other bond debt securities was $0.1 million and $1.0 million , respectively.

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

The cost of maturities sold is based upon specific identification. At September 30, 2012 , all of the U.S. Treasury debt securities have maturities of greater than one year. At September 30, 2012 , approximately $2.8 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 and nine months ended September 30, 2012 and 2011 :

Three Months Ended September 30, 2012 *(in millions)*		Other Derivatives
Balance as of July 1, 2012	$	(0.3)
Total gains or (losses) (unrealized/realized)		
Included in regulatory assets/liabilities		0.1
Balance as of September 30, 2012	$	(0.2)
Change in unrealized gains/(losses) relating to instruments still held as of September 30, 2012	$	(0.2)

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

Nine Months Ended September 30, 2012 *(in millions)*		Other Derivatives
Balance as of January 1, 2012	$	0.3
Total gains or (losses) (unrealized/realized)		
Included in regulatory assets/liabilities		(0.5)
Balance as of September 30, 2012	$	(0.2)
Change in unrealized gains/(losses) relating to instruments still held as of September 30, 2012	$	(0.2)

Nine Months Ended, September 30, 2011 *(in millions)*		Other Derivatives
Balance as of January 1, 2011	$	0.2
Total gains or (losses) (unrealized/realized)		
Included in regulatory assets/liabilities		(0.7)
Purchases		(1.1)
Settlements		1.2
Balance as of September 30, 2011	$	(0.4)

Change in unrealized gains/(losses) relating to instruments still held as of September 30, 2011	$	(1.1)

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

B. Other Fair Value Disclosures for Financial Instruments. NiSource has certain financial instruments that are not measured at fair value on a recurring basis but nevertheless are recorded at amounts that approximate fair value due to their liquid or short-term nature, including cash and cash equivalents, restricted cash, notes receivable, 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 September 30, 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 Sept. 30, 2012**	**Estimated Fair Value as of Sept. 30, 2012**	Carrying Amount as of Dec. 31, 2011	Estimated Fair Value as of Dec. 31, 2011
Long-term debt (including current portion)	**$ 7,643.0**	**$ 8,827.9**	$ 6,594.4	$ 7,369.4

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

On October 23, 2009, Columbia of Ohio entered into an agreement to sell, without recourse, substantially all of its trade receivables, as they originate, to CGORC, a wholly-owned subsidiary of Columbia of Ohio. CGORC, in turn, is party to an agreement with BTMU and BNS, entered into on October 19, 2012, under the terms of which it sells an undivided percentage ownership interest in its accounts receivable to commercial paper conduits sponsored by BTMU and BNS. Prior to this agreement with BTMU and BNS, CGORC was party to a series of agreements with BTMU and RBS which dated from October 23, 2009 until its amendment on October 19, 2012. The maximum seasonal program limit under the terms of the new agreement remains at $240 million . The agreement expires on October 18, 2013, and can be renewed if mutually agreed to by all parties. As of September 30, 2012 , $62.0 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.

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 PNC and Mizuho entered into on August 29, 2012, under the terms of which it sells an undivided percentage ownership interest in its accounts receivable to a commercial paper conduits sponsored by PNC and Mizuho. Prior to this agreement with PNC and Mizuho, NARC was party to a series of agreements with RBS which dated from October 23, 2009 until its amendment on August 29, 2012, under the terms in which it sold an undivided percentage ownership interest in its accounts receivable to commercial paper conduit sponsored by RBS. The maximum seasonal program limit under the terms of the new agreement, which expires on August 28, 2013, is $200 million , and can be further renewed if mutually agreed to by both parties. As of September 30, 2012 , $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.

On March 15, 2010, Columbia of Pennsylvania entered into an agreement to sell, without recourse, substantially all of its trade receivables, as they originate, to CPRC, a wholly-owned subsidiary of Columbia of Pennsylvania. CPRC, in turn, is party to an agreement with BTMU, also dated March 15, 2010, under the terms of which it sells an undivided percentage ownership interest in its accounts receivable to a commercial paper conduit sponsored by BTMU. The maximum seasonal program limit under the terms of the agreement is $75 million . On March 13, 2012, the agreement was renewed, having a new scheduled termination date of March 12, 2013, and can be further renewed if mutually agreed to by both parties. As of September 30, 2012 , $8.3 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 September 30, 2012 and December 31, 2011 for Columbia of Ohio, Northern Indiana and Columbia of Pennsylvania:

(in millions)		**September 30, 2012**		December 31, 2011
Gross Receivables	**$**	**320.8**	$	510.5
Less: Receivables not transferred		**150.5**		278.8
Net receivables transferred	**$**	**170.3**	$	231.7
Short-term debt due to asset securitization	**$**	**170.3**	$	231.7

For the three months ended September 30, 2012 and 2011 , fees of $0.5 million and $0.7 million associated with the securitization transactions were recorded as interest expense, respectively. For the nine months ended September 30, 2012 and 2011 , fees of $2.5 million and $3.0 million 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 May 1 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, 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 September 30, 2012 related to the purchase of Northern Indiana Fuel and Light in March 1993 and Kokomo Gas in February 1992 were $18.8 million .

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

The test performed at May 1, 2012 indicated that the fair value of each of the reporting units that carry or are allocated goodwill substantially 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 subsequent to May 1, 2012.

12. 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 September 30, 2012 and 2011 were 36.5% and 31.9% , respectively. The effective tax rates for the nine months ended September 30, 2012 and 2011 were 34.9% 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.

The increase in the three month effective tax rate of 4.6% in 2012 versus 2011 is primarily due to the removal of the research and development tax credit benefit in 2012. Congress has not extended the research and development credit for the 2012 tax year as of September 30, 2012. The decrease in the nine month effective tax rate of 0.8% in 2012 versus 2011 is due primarily to the 2011 enactment of Indiana tax legislation.

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

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

On July 2, 2012, House Bill 761 was signed into law in Pennsylvania, which among other things, adopts a single-sales factor apportionment effective for tax years beginning on or after January 1, 2013. In the third quarter of 2012 , NiSource recorded a benefit of $0.3 million related to this legislation.

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

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, 2012 , NiSource has contributed $2.3 million to its pension plans and $35.0 million to its other postretirement benefit plans.

The following tables provides the components of the plans' net periodic benefits cost for the three and nine months ended September 30, 2012 and 2011 :

Three Months Ended September 30, *(in millions)*	Pension Benefits 2012	Pension Benefits 2011	Other Postretirement Benefits 2012	Other Postretirement Benefits 2011
Components of Net Periodic Benefit Cost				
Service cost	$ **9.4**	$ 9.4	$ **2.8**	$ 2.5
Interest cost	**28.2**	29.9	**9.6**	9.6
Expected return on assets	**(41.2)**	(41.8)	**(6.7)**	(6.7)
Amortization of transition obligation	**—**	—	**0.3**	0.3
Amortization of prior service cost	**0.1**	0.1	**0.5**	(0.1)
Recognized actuarial loss	**20.3**	13.9	**2.3**	1.7
Settlement loss	**1.9**	—	**—**	—
Total Net Periodic Benefit Costs	$ **18.7**	$ 11.5	$ **8.8**	$ 7.3

Nine Months Ended September 30, *(in millions)*	Pension Benefits 2012	Pension Benefits 2011	Other Postretirement Benefits 2012	Other Postretirement Benefits 2011
Components of Net Periodic Benefit Cost				
Service cost	$ **28.2**	$ 28.2	$ **8.4**	$ 7.5
Interest cost	**84.6**	89.7	**28.2**	28.8
Expected return on assets	**(123.4)**	(125.4)	**(20.1)**	(20.1)
Amortization of transition obligation	**—**	—	**0.9**	0.9
Amortization of prior service cost	**0.3**	0.3	**0.3**	(0.3)
Recognized actuarial loss	**60.9**	41.7	**7.1**	5.1
Settlement loss	1.9	—	—	—
Total Net Periodic Benefit Costs	$ **52.5**	$ 34.5	$ **24.8**	$ 21.9

For the quarters ended September 30, 2012 and 2011 , pension and other postretirement benefit cost of approximately $8.2 million and $13.1 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. For the nine months ended September 30, 2012 and 2011 , pension and other postretirement benefit cost of approximately $19.1 million and $21.9 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.

As of August 31, 2012, a NiSource pension plan had year to date payouts exceeding the plan's 2012 service cost plus interest cost and therefore meeting the requirement for settlement accounting. A one-time settlement charge of $1.9 million was recorded during the third quarter of 2012. As a result of the settlement, the pension plan was remeasured resulting in an increase to the pension benefit obligation, net of plan assets, of $3.0 million and net increases to regulatory assets and accumulated other comprehensive income of $1.0 million and $0.1 million , respectively. Net periodic pension benefit cost for 2012 was decreased by $0.1 million as a result of the remeasurement.

The following table provides the key assumptions that were used to calculate the pension benefit obligation and the net periodic benefit cost at the measurement dates of August 31, 2012 and December 31, 2011.

	August 31, 2012	December 31, 2011
Actuarial Assumptions		
Discount Rate	3.39%	4.60%
Expected return on assets	8.30%	8.75%

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. 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 September 30, 2012 , consistent with prior periods, NiSource consolidated its low income housing real estate investments from which NiSource derives certain tax benefits. As of September 30, 2012 , NiSource is a 99% limited partner with a net investment of approximately $0.3 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 September 30, 2012 , net assets of the low income housing real estate investments in continuing operations were $6.6 million . Current and non-current assets were $0.3 million and $6.3 million , respectively. As of September 30, 2012 , NiSource has long-term debt of approximately $5.5 million as a result of consolidating these investments. However, this debt is nonrecourse to NiSource and NiSource's direct and indirect subsidiaries. Approximately $0.4 million of the assets are restricted to settle the obligations of the entity.

Northern Indiana has a service agreement with Pure Air, a general partnership between Air Products and Chemicals, Inc. and First Air Partners LP, under which Pure Air provides scrubber services to reduce sulfur dioxide emissions for Units 7 and 8 at the Bailly Generating Station. Services under this contract commenced on July 1, 1992 and expired on June 30, 2012. The agreement was renewed effective July 1, 2012 for ten years and Northern Indiana will continue to pay for the services under a combination of fixed and variable charges. NiSource has made an exhaustive effort to obtain information needed from Pure Air to determine the status of Pure Air as a VIE. However, Northern Indiana had not been able to obtain this information and as a result, it is unclear whether Pure Air is a VIE and if Northern Indiana is the primary beneficiary. Northern Indiana will continue to request the information required to determine whether Pure Air is a VIE. Northern Indiana has no exposure to loss related to the service agreement with Pure Air and payments under this agreement were $16.5 million and $16.1 million for the nine months ended September 30, 2012 and 2011 , respectively. In accordance with GAAP, the renewed agreement was evaluated to determine whether the arrangement qualified as a lease. Based on the terms of the agreement, the arrangement qualified for capital lease accounting. As the effective date of the new agreement was July 1, 2012, NiSource capitalized this lease beginning in the third quarter of 2012.

15. Long-Term Debt

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

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

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 May 2017. At September 30, 2012 , NiSource had $55.0 million of commercial paper outstanding.

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

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

As of September 30, 2012 and December 31, 2011 , NiSource had $36.9 million and $37.5 million , respectively, of stand-by letters of credit outstanding, of which $18.6 million and $19.2 million , respectively, 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 $170.3 million and $231.7 million as of September 30, 2012 and December 31, 2011 , respectively. Refer to Note 10, "Transfers of Financial Assets," for additional information.

(in millions)	**September 30, 2012**	December 31, 2011
Commercial Paper weighted average interest rate of 1.02% and 1.01% at September 30, 2012 and December 31, 2011, respectively.	**$ 55.0**	$ 402.7
Credit facilities borrowings weighted average interest rate of 1.99% at December 31, 2011.	**—**	725.0
Accounts receivable securitization facility borrowings	**170.3**	231.7
Total short-term borrowings	**$ 225.3**	$ 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).

17. 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 September 30, 2012 , there were 7,408,127 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 $6.3 million and $4.0 million for the three months ended September 30, 2012 , and 2011 , respectively, as well as related tax benefits of $2.2 million and $1.3 million , respectively. For the nine months ended September 30, 2012 , and 2011 , stock-based employee compensation expense of $13.6 million and $10.2 million , respectively, was recognized, as well as related tax benefits of $5.0 million and $3.6 million , respectively.

As of September 30, 2012 , the total remaining unrecognized compensation cost related to nonvested awards amounted to $20.2 million , which will be amortized over the weighted-average remaining requisite service period of 2.0 years .

Stock Options. As of September 30, 2012 , approximately 1.7 million options were outstanding and exercisable with a weighted average strike price of $22.07 . No options were granted during the nine months ended September 30, 2012 and 2011 . As of September 30, 2012 , the aggregate intrinsic value for the options outstanding and exercisable was $5.8 million . During the nine months ended September 30, 2012 and 2011 , cash received from the exercise of options was $24.7 million and $3.6 million , respectively.

Restricted Awards. During the nine months ended September 30, 2012 , NiSource granted restricted stock units and shares of restricted stock of 183,816 , subject to service conditions. The total grant date fair value of the shares of restricted stock and restricted stock units was $4.1 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 September 30, 2012 , 545,497 nonvested shares (all of which are expected to vest) of restricted stock and restricted stock units were granted and outstanding.

Performance Shares. During the nine months ended September 30, 2012 , NiSource granted 756,399 performance shares subject to performance conditions. The grant date fair-value of the awards was $15.6 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 certain 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; relative total shareholder return, a non-GAAP market measure 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 September 30, 2012 , 1,983,687 nonvested performance shares were granted and outstanding.

Non-employee Director Awards. As of May 11, 2010, awards to non-employee directors may be made only under the Omnibus Plan. Currently, restricted stock units are granted annually to non-employee directors, subject to a non-employee director's election to defer receipt of such restricted stock unit award. The non-employee director's restricted stock units vest on the last day of the non-employee director's annual term corresponding to the year the restricted stock units were awarded subject to special pro-rata vesting rules in the event of Retirement or Disability (as defined in the award agreement), or death. The vested restricted stock units are payable as soon as practicable following vesting except as otherwise provided pursuant to the non-employee director's election to defer. As of September 30, 2012 , 136,167 restricted stock units are outstanding to non-employee directors under the Omnibus Plan.

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

401(k) Match, Profit Sharing and Company Contribution. NiSource has a voluntary 401(k) savings plan covering eligible employees that allows for periodic discretionary matches as a percentage of each participant's contributions in newly issued shares of common stock. NiSource also has a retirement savings plan that provides for discretionary profit sharing contributions of shares of common stock to eligible employees based on earnings results; and eligible exempt employees hired after January 1, 2010, receive a non-elective company contribution of three percent of eligible pay in shares of common stock. For the quarter ended September 30, 2012 and 2011 , NiSource recognized 401(k) match, profit sharing and non-elective contribution expense of $6.7 million and $6.5 million , respectively. For the nine months ended September 30, 2012 and 2011 , NiSource recognized 401(k) match, profit sharing and non-elective contribution expense of $19.4 million and $17.2 million , respectively.

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 guarantees and indemnities in existence at September 30, 2012 and the years in which they expire were:

(in millions)	Total	2012	2013	2014	2015	2016	After
Guarantees of subsidiaries debt	$ 7,120.9	$ 315.0	$ 420.3	$ 500.0	$ 480.0	$ 291.6	$ 5,114.0
Guarantees supporting commodity transactions of subsidiaries	109.2	3.3	25.2	—	80.0	—	0.7
Accounts receivable securitization	170.3	170.3	—	—	—	—	—
Lines of credit	55.0	55.0	—	—	—	—	—
Letters of credit	36.9	0.4	19.3	1.0	16.2	—	—
Other guarantees	363.9	23.0	229.7	32.2	3.0	—	76.0
Total commercial commitments	$ 7,856.2	$ 567.0	$ 694.5	$ 533.2	$ 579.2	$ 291.6	$ 5,190.7

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

Guarantees Supporting Commodity Transactions of Subsidiaries. NiSource has issued guarantees, which support up to $109.2 million of commodity-related payments for its current subsidiaries involved in energy marketing activities. These guarantees were provided to counterparties in order to facilitate physical and financial transactions involving natural gas services. To the extent liabilities exist under the commodity-related contracts subject to these guarantees, such liabilities are included in the Condensed Consolidated Balance Sheets (unaudited).

Lines and Letters of Credit and Accounts Receivable Advances. During May 2012, NiSource Finance amended its existing $1.5 billion revolving credit facility with a syndicate of banks led by Barclays Capital, extending the termination date to May 15, 2017 and also reducing the borrowing costs under the facility. The purpose of the facility is to fund ongoing working capital requirements including the provision of liquidity support for NiSource's commercial paper program, provide for the issuance of letters of credit, and also for general corporate purposes. At September 30, 2012 , NiSource had no borrowings under its five-year revolving credit facility, $55.0 million in commercial paper outstanding and $170.3 million outstanding under its accounts receivable securitization agreements. At September 30, 2012 , NiSource issued stand-by letters of credit of approximately $36.9 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'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 September 30, 2012 . These guarantees are due to expire in June 2013.

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

In connection with Millennium's notes offering to refinance 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 September 30, 2012 .

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

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

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, 2012 and December 31, 2011 , NiSource had recorded reserves of approximately $162.8 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 Sheets (unaudited). The noncurrent portion is included in Other Noncurrent Liabilities in the Condensed Consolidated Balance Sheets (unaudited). NiSource accrues for costs associated with environmental remediation obligations when the incurrence of such costs is probable and the amounts can be reasonably estimated. The original estimates for cleanup can differ materially from the amount ultimately expended. The actual future expenditures depend on many factors, including currently enacted laws and regulations, the nature and extent of contamination, the method of cleanup, and the availability of cost recovery from customers. These expenditures are not currently estimable at some sites. NiSource periodically adjusts its reserves as information is collected and estimates become more refined.

Air

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

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

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

If the EPA develops a GHG new source performance standard for existing units or if a Federal or state comprehensive climate change bill were to be enacted into law, the impact on NiSource's financial performance would depend on a number of factors, including the overall level of required GHG reductions, the renewable energy targets, the degree to which offsets may be used for compliance, the amount of recovery allowed from customers, and the extent to which NiSource would be entitled to receive 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. NiSource 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 area in which Northern Indiana operates one of its electric generation facilities, as non-attainment for ozone. NiSource 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 designated all areas of the country as unclassifiable/attainment in January 2012. After the establishment of a new monitoring network and possible modeling implementation, areas will potentially be re-designated sometimes in 2016. 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 mitigated. 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 3 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 . Since the fourth quarter of 2011, NiSource has monitored the liability on a quarterly basis and in the second quarter of 2012, completed an annual refresh of the model. No material changes to the liability were noted as a result of the refresh. The total liability at NiSource related to the facilities subject to remediation was \$134.3 million and \$139.5 million at September 30, 2012 and December 31, 2011 , respectively. The liability represents NiSource's best estimate of the probable cost to remediate the facilities. NiSource believes that it is reasonably possible that remediation costs could vary by as much as \$25 million in addition to the costs noted above. Remediation costs are estimated based on the best available information, applicable remediation standards at the balance sheet date, and experience with similar facilities.

Additional Issues Related to Individual Business Segments

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

Gas Transmission and Storage Operations.

Waste

Columbia Transmission continues to conduct characterization and remediation activities at specific sites under a 1995 AOC (subsequently modified in 1996 and 2007). The 1995 AOC originally covered 245 major facilities, approximately 13,000 liquid removal points, approximately 2,200 mercury measurement stations and about 3,700 storage well locations. As a result of the 2007 amendment, approximately 50 facilities remain subject to the terms of the AOC. During the third quarter of 2011, Columbia Transmission completed a study to estimate its future remediation requirements related to the AOC. Columbia Transmission accordingly increased its liability for estimated remediation costs by $25.6 million . Since the third quarter of 2011, Columbia Transmission has been monitoring its liability on a quarterly basis and performed an annual refresh of the study during the second quarter of 2012. An additional $3.5 million was added to the liability due to estimate changes and cost increases as a result of the refresh. The total liability at Columbia Transmission related to the facilities subject to remediation was $24.9 million and $30.0 million at September 30, 2012 and December 31, 2011 , respectively. The liability represents Columbia Transmission's best estimate of the cost to remediate the facilities or manage the site until retirement. Remediation costs are estimated based on the information available, applicable remediation standards, and experience with similar facilities. Columbia Transmission expects that the remediation for these facilities will be completed in 2015.

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

Electric Operations.

Air

Northern Indiana expects to become subject to a number of new air-quality mandates in the next several years. These mandates may require Northern Indiana to make capital improvements to its electric generating stations. The cost of capital improvements is estimated to be $777 million to $827 million . This figure includes additional capital improvements associated with the New Source Review Consent Decree and the Utility Mercury and Air Toxics Standards Rule. Northern Indiana believes that the capital costs will likely be recoverable from ratepayers.

Sulfur dioxide: In June 2010, EPA promulgated a revised primary one-hour SO2 NAAQS. In a May 11, 2011, letter to EPA, IDEM recommended that all counties containing Northern Indiana coal-fired generating stations are unclassifiable under this standard. Final EPA designations are expected in June 2013. Discussion is ongoing regarding the use of modeling for unclassifiable areas. 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 was scheduled to begin in 2012. In a decision issued on August 21, 2012 the D.C. Circuit Court vacated the CSAPR leaving the CAIR trading program provisions and requirements in place. 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 CAIR, while a new CSAPR is developed to address the court's decision.

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 April 2015, with the possibility of a one year extension. Northern Indiana is currently developing a plan for further environmental controls to comply with MATS.

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

Water

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

Waste

On March 31, 2005, the EPA and Northern Indiana entered into an AOC under the authority of Section 3008(h) of the RCRA for the Bailly Station. The order requires Northern Indiana to identify the nature and extent of releases of hazardous waste and hazardous constituents from the facility. Northern Indiana must also remediate any release of hazardous constituents that present an unacceptable risk to human health or the environment. In July 2012, the EPA issued a Final Decision for Areas A and B of the Bailly facility. Remedial activities will likely occur in 2013. The process to investigate and select appropriate remedial activities at a third area is ongoing.

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

Other Operations.

Waste

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

19. Accumulated Other Comprehensive Loss

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

(in millions)	**September 30, 2012**	December 31, 2011
Other comprehensive income (loss), before tax:		
Unrealized gains on securities	**$ 4.7**	$ 8.0
Tax expense on unrealized gains on securities	**(1.6)**	(3.1)
Unrealized losses on cash flow hedges	**(47.8)**	(52.3)
Tax benefit on unrealized losses on cash flow hedges	**18.7**	20.5
Unrecognized pension and OPEB costs	**(50.0)**	(53.0)
Tax benefit on unrecognized pension and OPEB costs	**19.2**	20.2
Total Accumulated Other Comprehensive Loss, net of taxes	**$ (56.8)**	$ (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 September 30, 2012 of $18.9 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 $18.9 million and $19.7 million at September 30, 2012 and December 31, 2011 , respectively, is 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, 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.

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)	**2012**	2011	**2012**	2011
REVENUES				
Gas Distribution Operations				
Unaffiliated (1)	**$ 389.8**	$ 418.2	**$ 1,911.1**	$ 2,632.7
Intersegment	**0.1**	0.2	**0.4**	1.1
Total	**389.9**	418.4	**1,911.5**	2,633.8
Gas Transmission and Storage Operations				
Unaffiliated	**156.6**	202.4	**599.1**	616.3
Intersegment	**31.5**	31.1	**105.4**	106.1
Total	**188.1**	233.5	**704.5**	722.4
Electric Operations				
Unaffiliated	**419.7**	406.6	**1,152.8**	1,105.6
Intersegment	**0.2**	0.2	**0.6**	0.6
Total	**419.9**	406.8	**1,153.4**	1,106.2
Corporate and Other				
Unaffiliated (2)	**7.4**	41.5	**17.9**	174.0
Intersegment	**119.3**	113.2	**345.3**	345.9
Total	**126.7**	154.7	**363.2**	519.9
Eliminations	**(151.1)**	(144.7)	**(451.7)**	(453.7)
Consolidated Revenues	**$ 973.5**	$ 1,068.7	**$ 3,680.9**	$ 4,528.6
Operating Income (Loss)				
Gas Distribution Operations	**$ 16.2**	$ 7.9	**$ 275.1**	$ 296.0
Gas Transmission and Storage Operations	**38.8**	68.2	**268.9**	271.2
Electric Operations	**83.6**	78.8	**200.2**	169.7
Corporate and Other	**(1.4)**	(7.5)	**1.0**	(17.6)
Consolidated Operating Income	**$ 137.2**	$ 147.4	**$ 745.2**	$ 719.3

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

(2) The reduction to other revenues is attributed to the continued wind down of the unregulated natural gas marketing business as well as the early termination of certain contracts as discussed in Note 8, "Risk Management Activities." There was a corresponding decrease in cost of sales with no impact to operating income.

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, 2012 and 2011:

Nine Months Ended September 30, *(in millions)*	**2012**	2011
Supplemental Disclosures of Cash Flow Information		
Non-cash transactions:		
Capital expenditures included in current liabilities	**$ 119.6**	$ 92.5
Stock issuance to employee savings plans	**19.4**	17.2
Schedule of interest and income taxes paid:		
Cash paid for interest, net of interest capitalized amounts	**$ 336.1**	$ 319.9
Cash paid for income taxes	**8.4**	6.8

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, many of which are beyond the control of NiSource. In addition, the relative contributions to profitability by each segment, and the assumptions underlying the forward-looking statements relating thereto, may change over time. NiSource expressly disclaims 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 nine months ended September 30, 2012, NiSource reported income from continuing operations of $284.0 million, or $0.99 per basic share, compared to $286.2 million, or $1.02 per basic share reported for the same period in 2011.

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

- The customer settlement at Columbia Transmission decreased net revenues at Gas Transmission and Storage Operations by $72.9 million. This was partially offset by an increase in demand margin revenues of $19.7 million. Refer to Note 7, "Regulatory Matters," in the Notes to Condensed Consolidated Financial Statements (unaudited) and to the Gas Transmission and Storage Operations segment discussion for more information.

- Warmer weather in the current year resulted in a decrease in income from continuing operations of $42.6 million compared to the prior year, primarily affecting the Gas Distribution Operations segment. Weather statistics are provided in the Gas Distribution Operations' segment discussion.

- NiSource incurred higher interest expense of $34.5 million resulting from the issuance of long-term debt of $750.0 million in June 2012, $400.0 million in June 2011 and $500.0 million in November 2011, and the expiration of the Sugar Creek deferral. These increases were partially offset by the repurchase of $125.3 million of the 2016 and $124.7 million of the 2013 notes in November 2011 and lower short-term borrowings and rates.

- Depreciation and amortization increased $16.4 million due primarily to higher capital expenditures and the additional depreciation related to the Sugar Creek facility due to the expiration of the deferral as a result of the electric rate case. This was partially offset by lower depreciation and amortization due to the Columbia Transmission customer settlement. NiSource's capital expenditures are projected to be approximately $1.575 billion in 2012.

These decreases to income from continuing operations were partially offset by the following:

- Electric Operations' net revenues increased $87.9 million primarily due to the implementation of the electric rate case. Refer to Note 7, "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 $29.2 million primarily due to the implementation of rates under Columbia of Ohio's approved infrastructure replacement program and the 2011 rate case at Columbia of Pennsylvania. Refer to Note 8, "Regulatory Matters," of NiSource's Annual Report on Form 10-K for the fiscal year ended December 31, 2011 for more information.

- Equity earnings increased by $15.4 million compared to the prior year, primarily from increased earnings at Millennium. Refer to the Gas Transmission and Storage Operations segment discussion for more information regarding Millennium.

These 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 deliver strong operational and financial performance during the third quarter, while executing on significant environmental investments at its largest electric generating facility.

- Significant environmental investments at Northern Indiana's coal-fired electric generation facilities remain on track, including construction of FGD equipment on two units at Northern Indiana's Schahfer generating station. On September 5, 2012, Northern Indiana received approval from the IURC to move forward with an approximately $250 million investment in FGD equipment at the Michigan City generating station.

- As part of a multi-state effort to strengthen the electric transmission system serving the Midwest, Northern Indiana is moving forward with two significant transmission investments. During the third quarter, the FERC approved Northern Indiana's right to develop 50 percent of a $330 million electric transmission project. The project involves a new 66-mile, 765 kV transmission line in central Indiana. This project is in addition to a nearly $300 million Northern Indiana transmission investment announced in late 2011.

NiSource's 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 regulatory initiatives.

- On September 28, 2012, Columbia of Pennsylvania filed a rate case with the Pennsylvania PUC to support its infrastructure modernization program. The rate case reflects a fully projected test year and includes infrastructure investment recovery mechanisms. If approved, the rate case would increase annual revenues by approximately $77 million and support timely infrastructure investment recovery. An order is expected during the second quarter of 2013.

- 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 ended 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. The Massachusetts DPU issued an order on November 1, 2012 approving an annual revenue increase of $7.8 million, effective November 1, 2012. Columbia of Massachusetts is continuing to evaluate the order.

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 Gas Transmission & Storage Operations continues to make progress on its strategies to modernize its core interstate natural gas pipeline system, execute on market-driven and supply-driven growth projects, and pursue midstream and minerals opportunities linked to NiSource's asset position in the Utica and Marcellus Shale production regions.

- On September 4, 2012, Columbia Transmission filed a customer settlement in support of its comprehensive pipeline modernization program with the FERC. The parties have asked the FERC to approve the settlement prior to the end of 2012. Columbia Transmission projects it will invest approximately $4 billion over an extended period to modernize its system to improve system integrity and enhance service reliability and flexibility. As part of the effort, Columbia Transmission reached an agreement supported or not opposed by all of its firm customers for an initial five-year term, with provisions for potential extensions thereafter. The settlement proposes a predictable annual cost-recovery mechanism associated with the approximately $300 million annual investment program, as well as a customer refund, an adjustment to base rates and a reduction in depreciation.

- On September 18, 2012, Millennium received FERC approval to add more than 12,000 hp of compression to its system in Orange County, New York. The partnership investment of approximately $43 million will increase Millennium's delivery capabilities at its interconnection with Algonquin Gas Transmission to 675,000 Dth per day. NiSource owns a 47.5 percent interest in Millennium.

- Columbia Transmission and Columbia Gulf are moving forward with plans to upgrade and modify facilities to support the West Side Expansion Project. The approximately $200 million project will reverse the flow of gas on part of the system to transport approximately 500,000 Dth per day of Marcellus production originating in southwest Pennsylvania and north-central West Virginia to Gulf Coast markets. Service is scheduled to begin in late 2014.

- Columbia Transmission entered into binding precedent agreements with customers to develop its East Side Expansion project, which will provide access for Marcellus supplies to the Northeastern and Mid-Atlantic Markets. The approximately $210 million project will add up to 300,000 Dth per day of capacity through pipeline looping, compression and interconnects. The project is expected to be placed in service in mid-2015.

- NiSource Midstream entered into a joint venture, Pennant, with affiliates of Hilcorp, to construct new gathering pipelines and natural gas liquids processing facilities to support hydrocarbon production in the Utica Shale region of northeast Ohio and western Pennsylvania. The first phase of the investment program has an initial capital investment of approximately $300 million, with a planned in service date by the second half of 2013. NiSource Midstream is responsible for $150 million of the total investment.

- NiSource Midstream also entered into a separate joint arrangement with Hilcorp to develop the hydrocarbon potential on approximately 100,000 combined acres in the Utica and Point Pleasant Shale formation in northeast Ohio and western Pennsylvania. NiSource will support the development of the acreage owning both a working and overriding royalty interest, with all acreage dedicated to the Pennant Midstream project. Test wells are currently being drilled, and based on the result from those wells, a full drilling program is expected to be developed and initiated in 2013.

- NiSource remains on track with construction of the $150 million Big Pine Gathering System in western Pennsylvania. The project is expected to be fully in service by early 2013, with an initial capacity of approximately 425,000 Dth per day.

Financial Management of the Balance Sheet
At the end of the third quarter, NiSource maintained approximately $1,438.7 million in net available liquidity.

On September 10, 2012, NiSource settled its Forward Agreements by physically delivering the 24,265,000 shares of NiSource common stock and receiving cash proceeds of $339.1 million.

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, 2012

Net Income
NiSource reported net income of $19.3 million , or $0.06 per basic share, for the three months ended September 30, 2012 , compared to net income of $34.7 million , or $0.12 per basic share, for the third quarter of 2011. Income from continuing operations was $20.0 million , or $0.06 per basic share, for the three months ended September 30, 2012 , compared to income from continuing operations of $36.3 million , or $0.13 per basic share, for the third quarter of 2011. Operating income was $137.2 million , a decrease of $10.2 million from the same period in 2011. All per share amounts are basic earnings per share. Basic average shares of common stock outstanding at September 30, 2012 were 290.3 million compared to 280.8 million at September 30, 2011 .

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

Immaterial Restatement

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

Increase/(Decrease) in Net Income *(in millions)*	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2011
Previously reported Net Income	$ 34.7	$ 278.8
Deferred revenue	—	(0.6)
Environmental asset recovery	—	8.0
OPEB over-reimbursement	(0.1)	(0.5)
OPEB regulatory asset	—	2.4
Total corrections	(0.1)	9.3
Income taxes	(0.1)	3.7
Corrected Net Income	$ 34.7	$ 284.4

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

Condensed Statements of Consolidated Income (unaudited)

	Three Months Ended September 30, 2011		Nine Months Ended September 30, 2011	
(in millions, except per share amounts)	As Previously Reported	As Corrected	As Previously Reported	As Corrected
Net Revenues				
Electric	$ 404.7	$ 404.7	$ 1,101.0	$ 1,100.4
Gross Revenues	1,068.7	1,068.7	4,529.2	4,528.6
Total Net Revenues	745.6	745.6	2,572.7	2,572.1
Operation and maintenance	407.1	407.2	1,242.1	1,236.8
Depreciation and amortization	134.9	134.9	408.3	403.7
Total Operating Expenses	601.6	601.7	1,871.5	1,861.6
Operating Income	147.5	147.4	710.0	719.3
Income from Continuing Operations before Income Taxes	53.4	53.3	435.6	444.9
Income Taxes	17.1	17.0	155.0	158.7
Income from Continuing Operations	36.3	36.3	280.6	286.2
Net Income	$ 34.7	$ 34.7	$ 278.8	$ 284.4
Basic Earnings Per Share ($)				
Continuing operations	$ 0.13	$ 0.13	$ 1.00	$ 1.02
Basic Earnings Per Share	$ 0.12	$ 0.12	$ 0.99	$ 1.01
Diluted Earnings Per Share ($)				
Continuing operations	$ 0.13	$ 0.13	$ 0.98	$ 1.00
Diluted Earnings Per Share	$ 0.12	$ 0.12	$ 0.97	$ 0.99

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

Net Revenues

Total consolidated net revenues (gross revenues less cost of sales) for the quarter ended September 30, 2012 , were $739.8 million , a $5.8 million decrease from the same period last year. This decrease in net revenues was primarily due to decreased Gas Transmission and Storage Operations' net revenues of $45.4 million, partially offset by increased Electric Operations' net revenues of $26.7 million and increased Gas Distribution Operations' net revenues of $12.7 million.

- Gas Transmission and Storage Operations' net revenues decreased primarily due to lower net revenues of $72.9 million as a result of the customer settlement at Columbia Transmission. This decrease was partially offset by increased regulatory trackers, which are offset in expense, of $19.3 million, higher demand margin revenue of $5.1 million from in-service growth projects, and increased revenues of $2.6 million due to the impact of higher rates at Columbia Gulf.

- Electric Operations' net revenues increased primarily due to lower revenue credits of $17.3 million in the current period as the electric rate case discontinued these credits and increased industrial and commercial margins of $14.3 million mainly due to the implementation of the electric rate case. These increases were partially offset by a decrease in environmental cost recovery of $3.9 million due to the plant balance eligible for recovery being reset to zero as a result of the electric rate case.

- Gas Distribution Operations' net revenues increased primarily due to an increase of $9.1 million for regulatory and service programs, including the impact of new rates under Columbia of Ohio's approved infrastructure replacement program and the impact of the 2011 rate case at Columbia of Pennsylvania.

Operating Expenses
Operating expenses for the third quarter 2012 were $610.6 million , an increase of $8.9 million from the 2011 period. This increase was primarily due to higher operation and maintenance expenses of $15.7 million partially offset by a decrease in depreciation and amortization of $8.9 million. The increase in operation and maintenance expenses was primarily due to increased regulatory trackers, which are offset in revenue, of $20.6 million and lower electric generation costs of $5.8 million resulting from the timing of planned and unplanned outages. Additionally, there were higher employee and administrative costs of $4.8 million, increased outside services of $3.4 million and higher storm damage costs of $3.1 million. These increases were partially offset by a decrease in environmental costs of $14.1 million due to the 2011 environmental remediation liability adjustment and decreased rate case filing expenses of $6.3 million related to the 2011 electric rate case filing. The decrease in depreciation and amortization is primarily due to the Columbia Transmission customer settlement, which resulted in a decrease of $24.9 million. This decrease is partially offset by higher capital expenditures and additional depreciation related to the Sugar Creek facility due to the expiration of the deferral as a result of the electric rate case.

Equity Earnings in Unconsolidated Affiliates
Equity Earnings in Unconsolidated Affiliates were $8.0 million during the third quarter of 2012 compared to $3.5 million for the third quarter of 2011 . Equity Earnings in Unconsolidated Affiliates includes investments in Millennium and Hardy Storage, which are integral to the Gas Transmission and Storage Operations' business. Equity earnings increased as a result of an increase in demand and commodity revenues at Millennium.

Other Income (Deductions)
Other Income (Deductions) reduced income by $105.7 million in 2012 compared to a reduction in income of $94.1 million in the prior year. The increase in deductions is primarily due to an increase in interest expense of $12.2 million resulting from the issuance of long-term debt of $500.0 million in November 2011 and $750.0 million in June 2012, and the expiration of the Sugar Creek deferral. This was partially offset by a decrease in interest expense due to the repurchase of $125.3 million of the 2016 and $124.7 million of the 2013 notes in November 2011 and lower short-term borrowings and rates. Other-net income of $2.2 million was recorded in 2012 compared to $1.6 million in 2011 .

Income Taxes
Income tax expense for the third quarter of 2012 was $11.5 million compared to $17.0 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 September 30, 2012 and 2011 were 36.5% and 31.9% , respectively. The increase in the three month effective tax rate of 4.6% in 2012 versus 2011 is primarily due to the removal of the research and development tax credit benefit in 2012. Congress has not extended the research and development credit for the 2012 tax year as of September 30, 2012.

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

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

On July 2, 2012, House Bill 761 was signed into law in Pennsylvania, which among other things, adopts a single-sales factor apportionment effective for tax years beginning on or after January 1, 2013. In the third quarter of 2012 , NiSource recorded a benefit of $0.3 million related to this legislation.

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 $0.7 million in the third quarter of 2012 from discontinued operations compared to net loss of $1.6 million in the third quarter of 2011 .

Results of Operations
Nine Months Ended September 30, 2012

Net Income
NiSource reported net income of $282.1 million , or $0.99 per basic share, for the nine months ended September 30, 2012 , compared to net income of $284.4 million , or $1.01 per basic share, for the first nine months of 2011 . Income from continuing operations was $284.0 million , or $0.99 per basic share, for the first nine months ended September 30, 2012 , compared to income from continuing operations of $286.2 million , or $1.02 per basic share, for the comparable 2011 period. Operating income was $745.2 million , an increase of $25.9 million from the same period in 2011 . All per share amounts are basic earnings per share. Basic average shares of common stock outstanding at September 30, 2012 were 285.9 million compared to 280.1 million at September 30, 2011 .

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, 2012 , were $2,575.8 million , a $3.7 million increase from the same period last year. This increase in net revenues was primarily due to increased Electric Operations' net revenues of $87.9 million, partially offset by decreased Gas Distributions' net revenues of $63.8 million and decreased Gas Transmission and Storage Operations' net revenues of $18.9 million.

- Electric Operations' net revenues increased primarily due to increased industrial, commercial and residential margins of $48.9 million mainly due to the implementation of the electric rate case. Additionally, there were lower revenue credits of $43.3 million in the current period as the electric rate case discontinued these credits. Net revenues also increased as a result of an increase in a RTO recovery mechanism of $8.9 million. These increases were partially offset by a decrease in environmental cost recovery of $19.4 million due to the plant balance eligible for recovery being reset to zero as a result of the electric rate case.

- Gas Distribution Operations' net revenues decreased due primarily to lower regulatory and tax trackers, which are offset in expense, of $51.7 million, and the effects of warmer weather of $43.9 million. These decreases in net revenues were partially offset by an increase of $29.2 million for regulatory and service programs, including the impact of new rates under Columbia of Ohio's approved infrastructure replacement program and the impact of the 2011 rate case at Columbia of Pennsylvania.

- Gas Transmission and Storage Operations' net revenues decreased primarily due to lower net revenues of $72.9 million as a result of the customer settlement at Columbia Transmission, a decrease in condensate revenue of $3.6 million and a settlement of $2.8 million during the second quarter of 2011. These decreases were partially offset by increased regulatory trackers, which are offset in expense, of $28.0 million, higher demand margin revenue of $19.7 million as a result of growth projects placed into service, increased revenues of $8.3 million due to the impact of higher rates at Columbia Gulf, and an increase of $4.6 million from shorter term transportation services.

Operating Expenses
Operating expenses for the nine months ended September 30, 2012 were $1,854.8 million , a decrease of $6.8 million from the 2011 period. This decrease was primarily due to lower operation and maintenance expenses of $14.2 million and higher gain on sale of assets of $4.9 million primarily due to the sale of NDC Douglas Properties, partially offset by an increase in depreciation and amortization of $16.4 million. The decrease in operation and maintenance expenses is primarily due to a decrease in environmental costs of $14.4 million due to a 2011 environmental remediation liability adjustment, a decrease in regulatory trackers, which are offset in revenue, of $11.0 million and unrealized gains on increases in cash surrender value of corporate owned life insurance investments of $8.0 million. This reduction to operating and maintenance expenses was partially offset by an increase in MISO fees of $12.9 resulting from the electric rate case and higher outside services costs of $5.3 million. The increase in depreciation and amortization is primarily due to higher capital expenditures and additional depreciation related to the Sugar Creek facility due to the expiration of the deferral as a result of the electric rate case partially offset by the Columbia Transmission customer settlement.

Equity Earnings in Unconsolidated Affiliates
Equity Earnings in Unconsolidated Affiliates were $24.2 million for the nine months ended September 30, 2012 , an increase of $15.4 million compared to 2011 . Equity Earnings in Unconsolidated Affiliates includes investments in Millennium and Hardy Storage which are integral to the Gas Transmission and Storage Operations' business. Equity earnings increased as a result of an increase in demand and commodity revenues at Millennium.

Other Income (Deductions)
Other Income (Deductions) reduced income by $309.1 million for the nine months ended September 30, 2012 compared to a reduction in income of $274.4 million in the prior year. The increase in deductions is primarily due to increased interest expense of $34.5 million due to the issuance of long-term debt of $400.0 million in June 2011, $500.0 million in November 2011 and $750.0 million in June 2012, and the expiration of the Sugar Creek deferral. This was partially offset by a decrease in interest expense due to the repurchase of $125.3 million of the 2016 and $124.7 million of the 2013 notes in November 2011 and lower short-term borrowings and rates. Other-net income of $5.3 million was recorded in 2012 compared to $5.5 million in 2011 .

Income Taxes
Income taxes for the first nine months of 2012 were $152.1 million , a decrease of $6.6 million compared to the first nine months of 2011 , mainly attributable to the 2011 enactment of Indiana tax legislation reducing the state rate.

The effective tax rates for the nine months ended September 30, 2012 and 2011 were 34.9% 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.

Discontinued Operations
There was a $1.9 million net loss from discontinued operations for the nine months ended September 30, 2012 , compared to a $1.8 million net loss from discontinued operations in 2011 .

Liquidity and Capital Resources

A significant portion of NiSource's operations, most notably in the gas distribution, gas transportation and storage and electric distribution businesses, are subject to seasonal fluctuations in cash flow. During the heating season, which is primarily from November through March, cash receipts from gas sales and transportation services typically exceed cash requirements. During the summer months, cash on hand, together 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 nine months ended September 30, 2012 was $941.8 million , an increase of $147.7 million compared to the nine months ended September 30, 2011 . The increase in net cash from operating activities was primarily due to pension and postretirement contributions of $37.3 million in 2012 compared to $184.1 million in 2011. See below for additional detail.

Pension and Other Postretirement Plan Funding. NiSource expects to make contributions of approximately $4.1 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 nine months ended September 30, 2012 , NiSource has contributed $2.3 million to its pension plans and $35.0 million to its other postretirement benefit plans.

Investing Activities

NiSource's capital expenditures for the nine months ended September 30, 2012 were $1,024.3 million , compared to $774.2 million for the comparable period in 2011 . The increase is the result of increased spending for Gas Transmission and Storage Operations' system growth and environmental tracker capital for FGD projects in the generation fleet for the Electric Operations segment. NiSource projects 2012 capital expenditures to be approximately $1.575 billion .

Restricted cash was $65.1 million and $160.6 million as of September 30, 2012 and December 31, 2011 , respectively. The decrease in restricted cash was due to the wind-down of NiSource's unregulated natural gas marketing business.

Financing Activities

Long-term Debt. Refer to Note 15, "Long-Term Debt," in the Notes to Condensed Consolidated Financial Statements (unaudited) for information on long-term debt.

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

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

NiSource Finance had no outstanding borrowings under its five-year revolving credit facility at September 30, 2012 and borrowings of $725.0 million at December 31, 2011 , at a weighted average interest rate of 1.99% . In addition, NiSource Finance had $55.0 million in commercial paper outstanding at September 30, 2012 , at a weighted average interest rate of 1.02% and $402.7 million in commercial paper outstanding at December 31, 2011 , at a weighted average interest rate of 1.01% .

As of September 30, 2012 and December 31, 2011 , NiSource had $170.3 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 10, "Transfers of Financial Assets."

As of September 30, 2012 NiSource had $36.9 million of stand-by letters of credit outstanding of which $18.6 million were under the revolving credit facility. At 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 September 30, 2012 , an aggregate of $1,426.4 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.

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 September 12, 2012, Moody's Investors Service affirmed the senior unsecured ratings for NiSource at Baa3, and the existing ratings of all other subsidiaries. Moody's outlook for NiSource and all of its subsidiaries is stable. On February 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. 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 $27.0 million . In addition to agreements with ratings triggers, there are other agreements that contain "adequate assurance" or "material adverse change" provisions that could necessitate additional credit support such as letters of credit and cash collateral to transact business. Under 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 12, "Income Taxes," in the Notes to Condensed Consolidated Financial Statements (unaudited) for material changes recorded during the three and nine months ended September 30, 2012 to NiSource's uncertain tax positions recorded as of December 31, 2011 .

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

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

Market Risk Disclosures

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

Interest Rate Risk

NiSource is exposed to interest rate risk as a result of changes in interest rates on borrowings under its revolving credit agreement, term loan, commercial paper program and accounts receivable programs, which have interest rates that are indexed to short-term

market interest rates. NiSource is also exposed to interest rate risk due to changes in interest rates on fixed-to-variable interest rate swaps that hedge the fair value of long-term debt. Based upon average borrowings and debt obligations subject to fluctuations in short-term market interest rates, an increase (or decrease) in short-term interest rates of 100 basis points (1%) would have increased (or decreased) interest expense by $2.8 million and $11.3 million for the three and nine months ended September 30, 2012 , respectively, and $3.9 million and $12.2 million for the three and nine months ended September 30, 2011 , 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.

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

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

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

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 zero , respectively, for the third quarter of 2012 . The daily market exposure for the unregulated gas marketing portfolio on an average, high and low basis was $0.1 million , $0.2 million and zero , respectively, for the nine months ended September 30, 2012 . Prospectively, management has set the VaR limit at $0.4 million for gas marketing. Exceeding this limit would result in management actions to reduce portfolio risk.

Refer to Note 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 $109.2 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 18-A, "Guarantees and Indemnities," in the Notes to Condensed Consolidated Financial Statements (unaudited) for additional information about NiSource's off balance sheet arrangements.

Other Information

Critical Accounting Policies

Goodwill. NiSource's goodwill assets at September 30, 2012 were $3,677.3 million , most of which resulted from the acquisition of Columbia on November 1, 2000. In addition, Northern Indiana Gas Distribution Operations' goodwill assets related to the purchase of Northern Indiana Fuel and Light and Kokomo Gas were $18.8 million at September 30, 2012 . As required, NiSource tests for impairment of goodwill on an annual basis and on an interim basis when events or circumstances indicate that a potential impairment may exist. NiSource's annual goodwill test takes place in the second quarter of each year and was most recently finalized as of May 1, 2012. The fair value of each reporting unit substantially 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 significant changes to critical accounting policies for the period ended September 30, 2012 .

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

International Financial Reporting Standards
In February 2010, the SEC expressed its commitment to the development of a single set of high quality globally accepted accounting standards and directed its staff to execute a work plan addressing specific areas of concern regarding the potential incorporation of IFRS for the U.S. In May 2011, a Staff Paper was issued outlining a possible endorsement approach for the incorporation of IFRS into the U.S. financial reporting system, as opposed to a single-date approach, if the SEC were to decide that incorporation of IFRS is in the best interest of U.S. investors. Under this possible framework, IFRS would be incorporated into U.S. GAAP during a transition period (e.g., five to seven years) and the FASB would be retained as the United States standard setter. In July 2012, the SEC Staff issued their final report on their work plan for the consideration of incorporating IFRS into the U.S. financial reporting system. While the SEC Staff reported on their findings with regards to the work plan, the Staff did not make a recommendation to the Commission and there is no current time frame for when the SEC will make a determination regarding IFRS. The accounting differences between U.S. GAAP and IFRS are complex and significant in many aspects, 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 Act
The Dodd-Frank Wall Street Reform and Consumer Protection Act ("the Act") was passed by Congress on July 15, 2010 and was signed into law on July 21, 2010. The Act, among other things, establishes a Financial Stability Oversight Council ("FSOC") and a Consumer Financial Protection Bureau ("CFPB") whose duties will include the monitoring of domestic and international financial regulatory proposals and developments, as well as the protection of consumers. The FSOC may submit comments to the SEC and any standard-setting body with respect to an existing or proposed accounting principle, standard or procedure. The Act also creates increased oversight of the over-the-counter ("OTC") derivative market, requiring certain OTC transactions in instruments defined as "swaps" under the new regulations to be cleared through a clearing house and requiring cash margins to be posted for those transactions. In July 2012, the CFTC finalized most of its remaining key regulations under the Act, which will go into effect starting later in 2012 in accordance with a schedule promulgated by the CFTC. Under the CFTC's final rules, most, if not all, of NiSource's transactions will either not be considered "swaps" or will qualify for the "end-user exception" to mandatory clearing of swaps under CFTC regulations. Although the Act and the new regulations are expected to have some impact on capital markets and derivatives markets generally, NiSource does not expect the Act to have any material effect on its operations.

RESULTS AND DISCUSSION OF SEGMENT OPERATIONS

Presentation of Segment Information

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

Gas Distribution Operations

(in millions)	Three Months Ended September 30, 2012	2011	Nine Months Ended September 30, 2012	2011
Net Revenues				
Sales Revenues	$ **389.9**	$ 418.4	$ **1,911.5**	$ 2,633.8
Less: Cost of gas sold (excluding depreciation and amortization)	**117.7**	158.9	**815.2**	1,473.7
Net Revenues	**272.2**	259.5	**1,096.3**	1,160.1
Operating Expenses				
Operation and maintenance	**178.1**	178.6	**562.8**	607.9
Depreciation and amortization	**48.6**	43.7	**143.2**	130.3
Loss on sale of assets	**—**	0.3	**—**	0.4
Other taxes	**29.3**	29.0	**115.2**	125.5
Total Operating Expenses	**256.0**	251.6	**821.2**	864.1
Operating Income	$ **16.2**	$ 7.9	$ **275.1**	$ 296.0
Revenues ($ in Millions)				
Residential	$ **213.4**	$ 226.1	$ **1,208.1**	$ 1,673.5
Commercial	**61.0**	67.9	**383.4**	538.5
Industrial	**32.5**	44.9	**127.7**	169.0
Off System	**46.4**	62.5	**125.3**	232.2
Other	**36.6**	17.0	**67.0**	20.6
Total	$ **389.9**	$ 418.4	$ **1,911.5**	$ 2,633.8
Sales and Transportation (MMDth)				
Residential	**15.4**	13.8	**146.6**	181.9
Commercial	**19.7**	17.6	**106.1**	121.9
Industrial	**119.2**	102.5	**364.6**	322.2
Off System	**16.0**	14.4	**46.7**	52.3
Other	**—**	—	**0.2**	0.5
Total	**170.3**	148.3	**664.2**	678.8
Heating Degree Days	**123**	112	**2,859**	3,692
Normal Heating Degree Days	**88**	88	**3,627**	3,596
% Colder (Warmer) than Normal	**40%**	27%	**(21)%**	3%
Customers				
Residential			**3,006,298**	2,987,202
Commercial			**275,356**	275,677
Industrial			**7,706**	7,724
Other			**22**	18
Total			**3,289,382**	3,270,621

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.

Gas Distribution Operations

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. 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 nine months ended September 30, 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 September 30, 2012 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 2012 was 40% colder than normal and 10% colder than the third quarter in 2011 .

Weather in the Gas Distribution Operations' territories for the nine months ended September 30, 2012 was 21% warmer than normal and 23% warmer compared to the same period in 2011 .

Throughput
Total volumes sold and transported of 170.3 MMDth for the third quarter of 2012 increased by 22.0 MMDth from the same period last year. This 14.8% increase in volume was primarily attributable to colder weather and increased residential customer usage.

Total volumes sold and transported of 664.2 MMDth for the nine months ended September 30, 2012 decreased by 14.6 MMDth from the same period last year. This 2.2% decrease in volume was primarily due to warmer weather partially offset by an increase in residential usage.

Net Revenues
Net revenues for the third quarter of 2012 were $272.2 million , an increase of $12.7 million from the same period in 2011, due primarily to an increase of $9.1 million for regulatory and service programs, including the impact of new rates under Columbia of Ohio's approved infrastructure replacement program and the impact of the 2011 rate case at Columbia of Pennsylvania.

At Northern Indiana, sales revenues and customer billings are adjusted for amounts related to under and over-recovered purchased gas costs from prior periods per regulatory order. These amounts are primarily reflected in the "Other" gross revenues statistic provided at the beginning of this segment discussion. The adjustment to Other gross revenues for the three and nine months ended September 30, 2012 was a revenue increase of $15.5 million and a decrease of $22.2 million, respectively, compared to an increase of $3.8 million and a decrease of $45.9 million, for the three and nine months ended September 30, 2011, respectively.

Net revenues for the nine months ended September 30, 2012 were $1,096.3 million , a decrease of $63.8 million from the same period in 2011, due primarily to lower regulatory and tax trackers, which are offset in expense, of $51.7 million, and the effects of warmer weather of $43.9 million. These decreases in net revenues were partially offset by an increase of $29.2 million for regulatory and service programs, including the impact of new rates under Columbia of Ohio's approved infrastructure replacement program and the impact of the 2011 rate case at Columbia of Pennsylvania.

Operating Income

For the third quarter of 2012, Gas Distribution Operations reported operating income of $16.2 million , an increase of $8.3 million from the comparable 2011 period. Operating income increased due to higher net revenues, as described above, partially offset by increased operating expenses. Operating expenses were $4.4 million higher than the comparable period due to an increase in depreciation and amortization of $4.9 million as a result of increased capital spend and increased employee and administration costs of $3.1 million. The increase was partially offset by a decrease of $2.3 million in environmental costs.

For the nine months ended September 30, 2012, Gas Distribution Operations reported operating income of $275.1 million , a decrease of $20.9 million from the comparable 2011 period. Operating income decreased due to lower net revenues, as described above, partially offset by lower operating expenses. Operating expenses decreased $42.9 million due to lower regulatory and tax trackers of $51.7 million, which are offset in revenue, and a decrease of $2.3 million in environmental costs. These decreases were partially offset by an increase of $12.9 million in depreciation costs as a result of an increase in capital expenditures and increased outside service costs of $2.6 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, 2012	2011	Nine Months Ended September 30, 2012	2011
Net Revenues				
Transportation revenues	**$ 109.3**	$ 179.7	**$ 506.9**	$ 554.1
Storage revenues	**49.2**	48.1	**147.2**	148.0
Other revenues	**29.6**	5.7	**50.4**	20.3
Total Sales Revenues	**188.1**	233.5	**704.5**	722.4
Less: Cost of sales (excluding depreciation and amortization)	**—**	—	**1.0**	—
Net Revenues	**188.1**	233.5	**703.5**	722.4
Operating Expenses				
Operation and maintenance	**135.0**	122.1	**340.7**	320.0
Depreciation and amortization	**8.2**	32.6	**74.2**	98.1
Gain on sale of assets	**—**	—	**0.1**	—
Other taxes	**14.1**	14.1	**43.8**	41.9
Total Operating Expenses	**157.3**	168.8	**458.8**	460.0
Equity Earnings in Unconsolidated Affiliates	**8.0**	3.5	**24.2**	8.8
Operating Income	**$ 38.8**	$ 68.2	**$ 268.9**	$ 271.2
Throughput (MMDth)				
Columbia Transmission	**189.1**	184.6	**778.9**	816.1
Columbia Gulf	**205.9**	270.3	**669.8**	777.4
Crossroads Pipeline	**3.3**	4.0	**11.7**	14.7
Intrasegment eliminations	**(86.1)**	(124.2)	**(314.6)**	(424.5)
Total	**312.2**	334.7	**1,145.8**	1,183.7

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

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

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

Line WB Expansion Project. The Gas Transmission and Storage Operations segment expanded its WB system through investment in additional facilities, which provide transportation service on a firm basis from Loudoun, Virginia to Leach, Kentucky. The expansion totaled approximately $14 million, allowing producers to meet incremental transportation demand in the Marcellus/

Appalachian Basin. Binding precedent agreements for approximately 175,000 Dth per day of firm transportation capacity were executed, some which began in January 2011. Final construction on all facilities was completed and placed into service in May 2012.

Growth Projects in Progress

Big Pine Gathering System Project. The Gas Transmission and Storage Operations segment is making an investment of approximately $150 million, which includes right-of-way acquisitions and installation, refurbishment and operation of approximately 70 miles of pipeline facilities in the hydrocarbon-rich Western Pennsylvania shale production region. The newly constructed pipeline will have an initial combined capacity of 425,000 Dth per day. Natural gas will initially be sourced from XTO Energy Inc., a subsidiary of ExxonMobil, Butler County, Pennsylvania production, and delivered to Columbia Transmission and two other third-party pipelines in Pennsylvania. Pipe and rights of way were acquired and cleared with construction underway. The project is expected to be fully in service by early 2013.

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.

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

East Side Expansion. The Gas Transmission and Storage Operations segment entered into binding precedent agreements with customers to develop its East Side Expansion project, which will provide access for Marcellus supplies to the Northeastern and Mid-Atlantic Markets. The approximately $210 million project will add up to 300,000 Dth per day of capacity through pipeline looping and interconnects. The project is expected to be placed in service in mid-2015

Equity Investments

Pennant Midstream, LLC. Early in the third quarter of 2012, NiSource Midstream entered into a 50:50 joint venture with affiliates of Hilcorp to construct new wet natural gas gathering pipeline infrastructure and natural gas liquids (NGL) processing facilities to support natural gas production in the Utica Shale region of northeastern Ohio and western Pennsylvania. NiSource Midstream and Hilcorp jointly own Pennant Midstream, LLC (Pennant) with NiSource Midstream serving as the operator of Pennant and the facilities. NiSource will account for the joint venture under the equity method of accounting.

Pennant plans to invest in the construction of approximately 50 miles of 20-24 inch wet gas gathering pipeline facilities with a capacity of approximately 400 Mcf per day. In addition, Pennant plans to install an initial 200 Mcf per day cryogenic natural gas processing plant in Ohio. Consistent with the terms of the joint venture, NiSource Midstream will operate the cryogenic processing facility and associated wet gas gathering system. The joint venture is designed and anticipated to serve other producers with significant acreage development in the area with interest in obtaining capacity on the system. NiSource Midstream's initial investment in this area, including the pipeline and the processing plant, is expected to be approximately $150 million. The facilities are expected to be in service in the second half of 2013.

During the third quarter of 2012, NiSource Midstream made a contribution to Pennant of $0.4 million.

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 $3.3 million and received a distribution of earnings of $7.1 million from Millennium in the third quarter 2012. No contributions were made nor distributions received from Millennium during the third quarter of 2011. For the first nine months of 2012, Columbia Transmission made contributions of $10.9 million and received distributions of earnings of $22.8 million. For the same period last year, no contributions were made and distributions of earnings totaled $7.1 million.

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

Hardy Storage distributed to NiSource $0.8 million and $1.0 million of available accumulated earnings in the third quarter of 2012 and 2011, respectively. For the first nine months of 2012 and 2011, NiSource received distributions totaling $2.3 million and $3.8 million, respectively. NiSource made no contributions during 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. The following percentages exclude the impact of the $50 million refund obligation recorded in the third quarter 2012 resulting from the Columbia Transmission Customer Settlement. For the quarter ended September 30, 2012, approximately 91.0% of the transportation revenues were derived from capacity reservation fees paid under firm contracts and 5.4% of the transportation revenues were derived from usage fees under firm contracts compared to approximately 92.3% and 5.7%, respectively, for the quarter ended September 30, 2011. For the nine months ended September 30, 2012, approximately 91.4% of the transportation revenues were derived from capacity reservation fees paid under firm contracts and 6.0% of the transportation revenues were derived from usage fees under firm contracts compared to approximately 91.7% and 6.4%, respectively, for the nine months ended September 30, 2011.

Interruptible transportation service is typically short term in nature and is generally used by customers that either do not need firm service or have been unable to contract for firm service. These customers pay a usage fee only for the volume of gas actually transported. The ability to provide this service is limited to available capacity not otherwise used by firm customers, and customers receiving services under interruptible contracts are not assured capacity in the pipeline facilities. Gas Transmission and Storage Operations provides interruptible service at competitive prices in order to capture short term market opportunities as they occur and interruptible service is viewed by management as an important strategy to optimize revenues from the gas transmission assets. For the quarters ended September 30, 2012 and 2011, approximately 3.6% and 2.0%, respectively, of the transportation revenues were derived from interruptible contracts. For the nine months ended September 30, 2012 and 2011, approximately 2.6% and 1.9%, 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.

Environmental Matters
Various environmental matters occasionally impact the Gas Transmission and Storage Operations segment. As of September 30, 2012 , 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 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 312.2 MMDth for the third quarter of 2012, compared to 334.7 MMDth for the same period in 2011 . The decrease of 22.5 MMDth for the three month period was primarily attributable to reductions in operational gas moving from the Columbia Transmission system to third party pipelines at liquid market centers on the Columbia Gulf system and reduced deliveries to storage resulting from a higher end of winter storage balance driven by a warm winter.

Throughput for the Gas Transmission and Storage Operations segment totaled 1,145.8 MMDth for the nine months ended September 30, 2012 , compared to 1,183.7 MMDth for the same period in 2011 . The decrease of 37.9 MMDth was primarily attributable to significantly warmer weather, which drove a vast majority of the decrease on the Columbia Transmission system. Because of the impact from increased production of Appalachian shale gas and the warmer weather, fewer deliveries were made on the Columbia Gulf system to Columbia Transmission at Leach, Kentucky. The increase in shale gas from the Appalachian, Haynesville and Barnett shale areas has also led to an increase in non-traditional throughput on Columbia Gulf in the form of deliveries to other interstate pipelines at liquid market centers on the Columbia Gulf system.

Net Revenues
Net revenues were $188.1 million for the third quarter of 2012, a decrease of $45.4 million from the same period in 2011. This decrease was driven by lower net revenues of $72.9 million resulting from the customer settlement at Columbia Transmission. This decrease was partially offset by increased regulatory trackers, which are offset in expense, of $19.3 million, higher demand margin revenue of $5.1 million resulting from in-service growth projects, and increased revenues of $2.6 million due to the impact of higher rates at Columbia Gulf.

Net revenues were $703.5 million for the nine months ended September 30, 2012 , a decrease of $18.9 million from the same period in 2011. This decrease was primarily due to lower net revenues of $72.9 million resulting from the customer settlement at Columbia Transmission, a decrease in condensate revenue of $3.6 million and a settlement of $2.8 million during the second quarter of 2011. These decreases were partially offset by increased regulatory trackers, which are offset in expense, of $28.0 million, higher demand margin revenue of $19.7 million as a result of growth projects placed into service, increased revenues of $8.3 million from the impact of higher rates at Columbia Gulf, and an increase of $4.6 million from shorter term transportation services.

Operating Income
Operating income was $38.8 million for the third quarter of 2012, a decrease of $29.4 million from the same period last year. This decrease is due to lower operating revenues, as described above, partially offset by decreased operating expenses and higher equity earnings. Operating expenses decreased $11.5 million due to lower depreciation and amortization of $24.4 million, primarily as a result of the Columbia Transmission customer settlement, and decreased environmental costs of $11.7 million due to the 2011 environmental remediation liability adjustment. These decreases were partially offset by increased regulatory trackers, which are offset in revenue, of $19.3 million and increased outside services of $4.2 million, primarily due to the timing of maintenance projects. Equity earnings increased $4.5 million primarily from higher earnings at Millennium due to increased demand and commodity revenues.

Gas Transmission and Storage Operations

Operating income was $268.9 million for the nine months ended September 30, 2012, a decrease of $2.3 million from the comparable period in 2011. Operating income decreased as a result of the decrease in net revenues, as described above, partially offset by higher equity earnings and decreased operating expenses. Equity earnings increased $15.4 million primarily from increased earnings at Millennium due to higher demand and commodity revenues. Operating expenses decreased by $1.2 million due to lower depreciation and amortization of $23.9 million, primarily as a result of the Columbia Transmission customer settlement, decreased environmental costs of $12.1 million primarily due to the 2011 environmental remediation liability adjustment, and decreased employee and administration costs, primarily pension, of $7.8 million. These decreases were partially offset by increased regulatory trackers, which are offset in revenue, of $28.0 million, increased Midstream expenses of $3.0 million, increased outside services of $2.7 million, primarily due to the timing of maintenance projects, higher other taxes of $1.9 million, primarily attributable to higher property taxes on increased plant investments, and the write-off of preliminary capital project costs of $1.8 million.

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

NISOURCE INC.

Electric Operations

(in millions)	Three Months Ended September 30, 2012	2011	Nine Months Ended September 30, 2012	2011
Net Revenues				
Sales revenues	$ **419.9**	$ 406.8	$ **1,153.4**	$ 1,106.2
Less: Cost of sales (excluding depreciation and amortization)	**142.8**	156.4	**385.6**	426.3
Net Revenues	**277.1**	250.4	**767.8**	679.9
Operating Expenses				
Operation and maintenance	**113.6**	104.6	**334.3**	306.0
Depreciation and amortization	**63.7**	53.7	**186.2**	161.5
Gain on sale of assets	**—**	0.1	**—**	0.1
Other taxes	**16.2**	13.2	**47.1**	42.6
Total Operating Expenses	**193.5**	171.6	**567.6**	510.2
Operating Income	$ **83.6**	$ 78.8	$ **200.2**	$ 169.7
Revenues ($ in millions)				
Residential	**126.5**	123.9	**320.1**	310.8
Commercial	**111.8**	106.9	**316.4**	294.4
Industrial	**137.3**	142.3	**443.0**	445.1
Wholesale	**4.8**	9.1	**12.4**	18.1
Other	**39.5**	24.6	**61.5**	37.8
Total	$ **419.9**	$ 406.8	$ **1,153.4**	$ 1,106.2
Sales (Gigawatt Hours)				
Residential	**1,118.7**	1,120.7	**2,761.1**	2,760.9
Commercial	**1,071.1**	1,083.7	**2,955.3**	2,955.2
Industrial	**2,247.9**	2,242.0	**6,964.9**	7,010.1
Wholesale	**157.9**	239.9	**233.0**	507.2
Other	**26.7**	39.7	**85.1**	121.3
Total	**4,622.3**	4,726.0	**12,999.4**	13,354.7
Cooling Degree Days	**674**	649	**1,051**	907
Normal Cooling Degree Days	**578**	578	**808**	808
% Warmer than Normal	**17%**	12%	**30%**	12%
Electric Customers				
Residential			**400,158**	399,525
Commercial			**53,884**	53,879
Industrial			**2,441**	2,411
Wholesale			**6**	16
Other			**715**	737
Total			**457,204**	456,568

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.

Electric Operations

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 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, 2012 , 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 2012 were 4,622.3 gwh, a decrease of 103.7 gwh compared to the third quarter of 2011 .

Electric Operations sales quantities for the nine months ended September 30, 2012 were 12,999.4 gwh, a decrease of 355.3 gwh compared to the same period in 2011 . The 2.7% decrease is primarily attributable to a decrease in off system sales related to lower market prices.

Net Revenues

Net revenues were $277.1 million for the third quarter of 2012, an increase of $26.7 million from the same period in 2011. The increase is primarily due to lower revenue credits of $17.3 million in the current period as the electric rate case discontinued these credits and increased industrial and commercial margins of $14.3 million mainly due to the implementation of the electric rate case. These increases were partially offset by a decrease in environmental cost recovery of $3.9 million due to the plant balance eligible for recovery being reset to zero as a result of the electric rate case.

At Northern Indiana, sales revenues and customer billings are adjusted for amounts related to under and over-recovered purchased fuel costs from prior periods per regulatory order. These amounts are primarily reflected in the "Other" gross revenues statistic provided at the beginning of this segment discussion. The adjustment to Other gross revenues for the three and nine months ended September 30, 2012 was a revenue increase of $17.3 million and a decrease of $0.9 million, respectively, compared to an increase of $12.1 million and $2.1 million, respectively, for the three and nine months ended September 30, 2011, respectively.

Net revenues were $767.8 million for the nine months ended September 30, 2012, an increase of $87.9 million from the same period in 2011. The increase is primarily due to increased industrial, commercial and residential margins of $48.9 million mainly due to the implementation of the electric rate case. Additionally, there were lower revenue credits of $43.3 million in the current period as the electric rate case discontinued these credits. Net revenues also increased as a result of an increase in a RTO recovery mechanism of $8.9 million. These increases were partially offset by a decrease in environmental cost recovery of $19.4 million due to the plant balance eligible for recovery being reset to zero as a result of the electric rate case.

Operating Income

Operating income for the third quarter of 2012 was $83.6 million , an increase of $4.8 million from the same period in 2011 due to an increase in net revenues, as described above, partially offset by an increase in operating expenses. Operating expenses increased $21.9 million primarily due to higher depreciation costs of $10.0 million resulting from depreciation for Sugar Creek which was previously deferred and the electric rate case resulted in the expiration of the deferral. Additionally, there were higher electric generation costs of $5.8 million primarily due to the timing of planned and unplanned maintenance and outages, higher property taxes of $3.3 million as a result of increased tax rates and basis, increased storm damage costs of $3.1 million, increased employee and administration expenses of $3.1 million primarily due to increased employee headcount. Also, MISO fees increased $2.7 million as these fees were previously deferred and the electric rate case resulted in the expiration of the deferral. These increases were partially offset by decreased rate case filing expenses of $6.3 million related to the 2011 electric rate case filing.

Electric Operations

Operating income for the nine months ended September 30, 2012 was $200.2 million , an increase of $30.5 million from the same period in 2011 primarily due to an increase in net revenues, as described above, partially offset by an increase in operating expenses. Operating expenses increased $57.4 million primarily due to higher depreciation costs of $24.7 million mainly related to depreciation for Sugar Creek and an increase in MISO fees of $12.9 million, both of which were previously deferred and the electric rate case resulted in the expiration of those deferrals. Additionally, operating expenses increased due to employee and administration expenses of $11.9 million primarily due to increased pension costs and increased employee headcount, higher property taxes of $4.6 million as a result of increased tax rates and basis, and increased due to increased environmental trackers, which are offset in revenue, of $2.2 million. Additionally, there was an increase in electric generation costs of $2.2 million and higher storm damage costs of $2.2 million. These increases were partially offset by decreased rate case filing expenses of $6.3 million related to the 2011 electric rate case filing.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

NiSource Inc.

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

ITEM 4. CONTROLS AND PROCEDURES

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

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

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

PART II

ITEM 1. LEGAL PROCEEDINGS

NISOURCE INC.

Majorsville Operations Center – PADEP Notice of Violation

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

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

EPA Administrative Complaints

On June 29, 2012, Region III EPA issued two Administrative Complaints alleging that Columbia Transmission discharged dredged and/or fill material to waters of the United States in violation of the Clean Water Act during road maintenance projects in West Virginia. Columbia Transmission had self-disclosed the activities to regulatory agencies in 2010 and has removed the fill pursuant to an EPA-approved plan. The proposed penalties for these two Complaints total $0.2 million. Columbia Transmission is currently negotiating with EPA and cannot estimate the amount of potential penalties 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.

Table of Contents

ITEM 6. EXHIBITS

NISOURCE INC.

(31.1)	Certification of Robert C. Skaggs, Jr., Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
(31.2)	Certification of Stephen P. Smith, Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
(32.1)	Certification of Robert C. Skaggs, Jr., Chief Executive Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
(32.2)	Certification of Stephen P. Smith, Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
(101.INS)	XBRL Instance Document
(101.SCH)	XBRL Schema Document
(101.CAL)	XBRL Calculation Linkbase Document
(101.LAB)	XBRL Labels Linkbase Document
(101.PRE)	XBRL Presentation Linkbase Document
(101.DEF)	XBRL Definition Linkbase Document

Pursuant to Item 601(b)(4)(iii) of Regulation S-K, NiSource hereby agrees to furnish the SEC, upon request, any instrument defining the rights 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

N I S OURCE I NC .

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: November 2, 2012	By:	/s/ Jon D. Veurink
		Jon D. Veurink Vice President and Chief Accounting Officer (Principal Accounting Officer and Duly Authorized Officer)

Exhibit 31.1

Certification Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002

I, Robert C. Skaggs, Jr., certify that:

1. I have reviewed this Quarterly Report of NiSource Inc. on Form 10-Q for the quarter ended September 30, 2012;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date:	November 2, 2012	By:	/s/ Robert C. Skaggs, Jr.
			Robert C. Skaggs, Jr.
			Chief Executive Officer

Exhibit 31.2

Certification Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002

I, Stephen P. Smith, certify that:

1. I have reviewed this Quarterly Report of NiSource Inc. on Form 10-Q for the quarter ended September 30, 2012;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date:	November 2, 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 September 30, 2012 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robert C. Skaggs, Jr., Chief Executive Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

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

Date: November 2, 2012

EX-32.2 7 d36588dex322.htm EX-32.2

Exhibit 32.2

Certification Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of NiSource Inc. (the "Company") on Form 10-Q for the quarter ending September 30, 2012 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Stephen P. Smith, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Stephen P. Smith

Stephen P. Smith
Executive Vice President and Chief Financial Officer

Date: November 2, 2012

[redacted]

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, 2013

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: 312,036,984 shares outstanding at April 25, 2013 .

NISOURCE INC.
FORM 10-Q QUARTERLY REPORT
FOR THE QUARTER ENDED MARCH 31, 2013

Table of Contents

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
Columbia	Columbia Energy Group
Columbia Gulf	Columbia Gulf Transmission, L.L.C.
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.
NEVCO	NiSource Energy Ventures, L.L.C.
NiSource	NiSource Inc.
NiSource Corporate Services	NiSource Corporate Services Company
NiSource Development Company	NiSource Development Company, Inc.
NiSource Finance	NiSource Finance Corporation
Northern Indiana	Northern Indiana Public Service Company
Northern Indiana Fuel and Light	Northern Indiana Fuel and Light Company
NiSource Midstream	NiSource Midstream Services, L.L.C.
PEI	PEI Holdings, Inc.
Pennant	Pennant Midstream, L.L.C.
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

DEFINED TERMS (continued)

BNS	Bank of Nova Scotia
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
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
DSIC	Distribution System Improvement Charge
DSM	Demand Side Management
Dth	Dekatherm
ECR	Environmental Cost Recovery
ECRM	Environmental Cost Recovery Mechanism
ECT	Environmental Cost Tracker
EERM	Environmental Expense Recovery Mechanism
EPA	United States Environmental Protection Agency
EPS	Earnings per share
FAC	Fuel adjustment clause
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
FGD	Flue Gas Desulfurization
FTRs	Financial Transmission Rights
GAAP	Generally Accepted Accounting Principles
GCR	Gas cost recovery
GHG	Greenhouse gases
gwh	Gigawatt hours
Hilcorp	Hilcorp Energy Company
hp	Horsepower
IDEM	Indiana Department of Environmental Management
IRP	Infrastructure Replacement Program
IURC	Indiana Utility Regulatory Commission
kV	Kilovolt
LDCs	Local distribution companies
LIBOR	London InterBank Offered Rate
LIFO	Last-in, first-out
Mcf	Thousand cubic feet
MGP	Manufactured Gas Plant

DEFINED TERMS (continued)

MISO	Midwest Independent Transmission System Operator
Mitchell	Dean H. Mitchell Coal Fired Generating Station
Mizuho	Mizuho Corporate Bank Ltd.
MMDth	Million dekatherms
mw	Megawatts
NAAQS	National Ambient Air Quality Standards
NOV	Notice of Violation
NO_2	Nitrogen dioxide
NOx	Nitrogen oxide
NYMEX	New York Mercantile Exchange
OCI	Other Comprehensive Income (Loss)
OPEB	Other Postretirement and Postemployment Benefits
OUCC	Indiana Office of Utility Consumer Counselor
PADEP	Pennsylvania Department of Environmental Protection
Piedmont	Piedmont Natural Gas Company, Inc.
PM	Particulate matter
PNC	PNC Bank, N.A.
PSC	Public Service Commission
PUC	Public Utility Commission
PUCO	Public Utilities Commission of Ohio
RA	Resource Adequacy
RBS	Royal Bank of Scotland, PLC
RCRA	Resource Conservation and Recovery Act
RDAF	Revenue decoupling adjustment factor
RTO	Regional Transmission Organization
SEC	Securities and Exchange Commission
SIP	State Implementation Plan
SO_2	Sulfur dioxide
TIRF	Targeted Infrastructure Reinvestment Factor
VaR	Value-at-risk and instrument sensitivity to market factors
VIE	Variable Interest Entities
VSCC	Virginia State Corporation Commission
WACOG	Weighted Average Cost of Gas

PART I

ITEM 1. FINANCIAL STATEMENTS

NiSource Inc.
Condensed Statements of Consolidated Income (unaudited)

(in millions, except per share amounts)	Three Months Ended March 31, 2013	2012
Net Revenues		
Gas Distribution	$ **892.2**	$ 873.7
Gas Transportation and Storage	**468.5**	409.2
Electric	**377.3**	352.6
Other	**56.3**	13.4
Gross Revenues	**1,794.3**	1,648.9
Cost of Sales (excluding depreciation and amortization)	**687.7**	627.4
Total Net Revenues	**1,106.6**	1,021.5
Operating Expenses		
Operation and maintenance	**455.4**	400.9
Depreciation and amortization	**143.6**	145.4
Gain on sale of assets, net	**(0.2)**	(1.6)
Other taxes	**86.8**	86.8
Total Operating Expenses	**685.6**	631.5
Equity Earnings in Unconsolidated Affiliates	**7.1**	7.7
Operating Income	**428.1**	397.7
Other Income (Deductions)		
Interest expense, net	**(98.6)**	(103.3)
Other, net	**4.1**	0.3
Total Other Deductions	**(94.5)**	(103.0)
Income from Continuing Operations before Income Taxes	**333.6**	294.7
Income Taxes	**118.2**	102.2
Income from Continuing Operations	**215.4**	192.5
Income from Discontinued Operations - net of taxes	**8.7**	0.9
Gain on Disposition of Discontinued Operations - net of taxes	**36.4**	—
Net Income	$ **260.5**	$ 193.4
Basic Earnings Per Share		
Continuing operations	$ **0.69**	$ 0.68
Discontinued operations	**0.15**	—
Basic Earnings Per Share	$ **0.84**	$ 0.68
Diluted Earnings Per Share		
Continuing operations	$ **0.69**	$ 0.66
Discontinued operations	**0.14**	—
Diluted Earnings Per Share	$ **0.83**	$ 0.66
Dividends Declared Per Common Share	$ **0.48**	$ 0.46
Basic Average Common Shares Outstanding	**311.1**	282.9
Diluted Average Common Shares	**312.1**	293.1

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 March 31, 2013	2012
Net Income	**$ 260.5**	$ 193.4
Other comprehensive income (loss)		
Net unrealized loss on available-for-sale securities [1]	**(0.4)**	(2.8)
Net unrealized gain on cash flow hedges [2]	**0.9**	1.0
Unrecognized pension benefit and OPEB costs [3]	**2.7**	0.6
Total other comprehensive income (loss)	**3.2**	(1.2)
Total Comprehensive Income	**$ 263.7**	$ 192.2

(1) Net unrealized loss on available-for-sale securities, net of $ 0.1 million and $ 2.0 million tax benefit in the first quarter of 2013 and 2012, respectively.

(2) Net unrealized gains on derivatives qualifying as cash flow hedges, net of $ 0.6 million tax expense in the first quarter of 2013 and 2012.

(3) Unrecognized pension benefit and OPEB costs, net of $ 1.7 million and $0.5 million tax expense in the first quarter of 2013 and 2012, respectively.

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)	March 31, 2013	December 31, 2012
ASSETS		
Property, Plant and Equipment		
Utility Plant	$ 21,910.1	$ 21,642.3
Accumulated depreciation and amortization	(9,075.4)	(8,986.4)
Net utility plant	12,834.7	12,655.9
Other property, at cost, less accumulated depreciation	284.2	260.0
Net Property, Plant and Equipment	13,118.9	12,915.9
Investments and Other Assets		
Unconsolidated affiliates	260.8	243.3
Other investments	190.4	194.4
Total Investments and Other Assets	451.2	437.7
Current Assets		
Cash and cash equivalents	101.4	36.3
Restricted cash	23.1	46.8
Accounts receivable (less reserve of $31.9 and $24.0, respectively)	1,070.3	907.3
Income tax receivable	80.5	130.9
Gas inventory	70.3	326.6
Underrecovered gas and fuel costs	16.9	45.0
Materials and supplies, at average cost	111.4	97.4
Electric production fuel, at average cost	59.0	71.7
Price risk management assets	58.0	92.2
Exchange gas receivable	71.1	51.5
Assets of discontinued operations and assets held for sale	—	26.7
Regulatory assets	141.7	162.8
Prepayments and other	228.1	357.2
Total Current Assets	2,031.8	2,352.4
Other Assets		
Price risk management assets	36.1	56.0
Regulatory assets	1,954.2	2,024.4
Goodwill	3,666.2	3,677.3
Intangible assets	283.9	286.6
Deferred charges and other	94.1	94.4
Total Other Assets	6,034.5	6,138.7
Total Assets	$ 21,636.4	$ 21,844.7

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)	March 31, 2013	December 31, 2012
CAPITALIZATION AND LIABILITIES		
Capitalization		
Common Stockholders' Equity		
Common stock - $0.01 par value, 400,000,000 shares authorized; 311,814,846 and 310,280,867 shares outstanding, respectively	$ 3.1	$ 3.1
Additional paid-in capital	4,627.5	4,597.6
Retained earnings	1,170.5	1,059.6
Accumulated other comprehensive loss	(62.3)	(65.5)
Treasury stock	(48.1)	(40.5)
Total Common Stockholders' Equity	5,690.7	5,554.3
Long-term debt, excluding amounts due within one year	6,803.9	6,819.1
Total Capitalization	12,494.6	12,373.4
Current Liabilities		
Current portion of long-term debt	89.3	507.2
Short-term borrowings	1,131.2	776.9
Accounts payable	527.4	538.9
Dividends payable	74.8	—
Customer deposits and credits	167.6	269.6
Taxes accrued	258.2	235.5
Interest accrued	68.2	133.7
Overrecovered gas and fuel costs	63.2	22.1
Price risk management liabilities	52.7	95.2
Exchange gas payable	76.0	146.2
Deferred revenue	42.4	42.8
Regulatory liabilities	106.5	171.6
Accrued liability for postretirement and postemployment benefits	6.1	6.1
Liabilities of discontinued operations and liabilities held for sale	—	3.9
Legal and environmental reserves	41.1	42.2
Other accruals	269.7	309.7
Total Current Liabilities	2,974.4	3,301.6
Other Liabilities and Deferred Credits		
Price risk management liabilities	6.9	20.3
Deferred income taxes	2,980.1	2,953.3
Deferred investment tax credits	23.8	24.8
Deferred credits	88.3	84.1
Accrued liability for postretirement and postemployment benefits	1,066.6	1,107.3
Regulatory liabilities and other removal costs	1,611.4	1,593.3
Asset retirement obligations	165.3	160.4
Other noncurrent liabilities	225.0	226.2
Total Other Liabilities and Deferred Credits	6,167.4	6,169.7
Commitments and Contingencies (Refer to Note 18)	—	—
Total Capitalization and Liabilities	$ 21,636.4	$ 21,844.7

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

Table of Contents

ITEM 1. FINANCIAL STATEMENTS (continued)

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

Three Months Ended March 31, *(in millions)*	**2013**	2012
Operating Activities		
Net Income	$ **260.5**	$ 193.4
Adjustments to Reconcile Net Income to Net Cash from Continuing Operations:		
Depreciation and amortization	**143.6**	145.4
Net changes in price risk management assets and liabilities	**1.4**	24.9
Deferred income taxes and investment tax credits	**116.5**	92.2
Deferred revenue	**(0.4)**	(0.7)
Stock compensation expense and 401(k) profit sharing contribution	**10.6**	8.9
Gain on sale of assets	**(0.2)**	(1.6)
Income from unconsolidated affiliates	**(7.3)**	(6.6)
Gain on disposition of discontinued operations - net of tax	**(36.4)**	—
Income from discontinued operations - net of taxes	**(8.7)**	(0.9)
Amortization of debt related costs	**2.3**	2.3
AFUDC equity	**(3.5)**	(1.0)
Distributions of earnings received from equity investees	**7.0**	12.9
Changes in Assets and Liabilities:		
Accounts receivable	**(161.3)**	127.5
Income tax receivable	**50.4**	0.2
Inventories	**254.7**	211.1
Accounts payable	**25.4**	(41.3)
Customer deposits and credits	**(102.0)**	(98.5)
Taxes accrued	**28.7**	16.6
Interest accrued	**(65.5)**	(41.7)
Overrecovered gas and fuel costs	**69.3**	31.1
Exchange gas receivable/payable	**(89.8)**	(113.4)
Other accruals	**(26.6)**	(54.3)
Prepayments and other current assets	**(5.8)**	(4.7)
Regulatory assets/liabilities	**5.8**	(1.2)
Postretirement and postemployment benefits	**(36.8)**	(6.9)
Deferred credits	**7.7**	2.6
Deferred charges and other noncurrent assets	**(0.4)**	(23.3)
Other noncurrent liabilities	**(1.9)**	4.0
Net Operating Activities from Continuing Operations	**437.3**	477.0
Net Operating Activities from Discontinued Operations	**11.8**	3.0
Net Cash Flows from Operating Activities	**449.1**	480.0
Investing Activities		
Capital expenditures	**(369.3)**	(291.8)
Proceeds from disposition of assets	**0.5**	2.1
Restricted cash withdrawals	**23.6**	11.5
Contributions to equity investees	**(17.1)**	(5.3)
Other investing activities	**(5.3)**	(10.4)
Net Investing Activities used for Continuing Operations	**(367.6)**	(293.9)
Net Investing Activities from (used for) Discontinued Operations	**121.5**	(0.8)
Net Cash Flow used for Investing Activities	**(246.1)**	(294.7)
Financing Activities		

		(427.1)	(5.9)
Change in short-term borrowings, net		**354.3**	(94.8)
Issuance of common stock		**17.2**	17.4
Acquisition of treasury stock		**(7.6)**	(9.9)
Dividends paid - common stock		**(74.7)**	(65.1)
Net Cash Flow used for Financing Activities		**(137.9)**	(158.3)
Change in cash and cash equivalents (used for) from continuing operations		**(68.2)**	24.8
Cash contributions from discontinued operations		**133.3**	2.2
Cash and cash equivalents at beginning of period		**36.3**	11.5
Cash and Cash Equivalents at End of Period	**$**	**101.4**	$ 38.5

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

NiSource Inc.
Notes to Condensed Consolidated Financial Statements (unaudited)

1. Basis of Accounting Presentation

The accompanying Condensed Consolidated Financial Statements (unaudited) 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, 2012 . Income for interim periods may not be indicative of results for the calendar year due to weather variations and other factors.

The Condensed Consolidated Financial Statements (unaudited) 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

There have been no recently issued accounting pronouncements which are expected to have a material impact on the Company's Condensed Consolidated Financial Statements (unaudited) or Notes to the 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, which were settled in the third quarter of 2012. The calculation of diluted earnings per share excludes stock options which had an anti-dilutive effect of zero and 0.2 million for the three months ended March 31, 2013 and 2012 , respectively. The numerator in calculating both basic and diluted EPS for each period is reported net income. The computation of diluted average common shares follows:

	Three Months Ended March 31,	
(in thousands)	**2013**	2012
Denominator		
Basic average common shares outstanding	**311,120**	282,925
Dilutive potential common shares:		
Stock options	**156**	126
Shares contingently issuable under employee stock plans	**276**	158
Shares restricted under stock plans	**523**	615
Forward agreements	**—**	9,275
Diluted Average Common Shares	**312,075**	293,099

4. 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 $14.5 million recorded for the three months ended March 31, 2013 for certain gas distribution companies recorded within "Prepayments and other," on the Condensed Consolidated Balance Sheets (unaudited).

NiSource Inc.
Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

5. Discontinued Operations and Assets and Liabilities Held for Sale

During 2012, NiSource began marketing to sell the service plan and leasing business lines of its Retail Services business. As of December 31, 2012, the assets and liabilities of the business lines met the criteria to be classified as held for sale in accordance with GAAP. Additionally, the results of operations and cash flows were classified as discontinued operations. The sale of the business lines closed in January 2013 resulting in gain from the disposal of discontinued operations of $36.4 million , net of taxes, which was recorded during the first quarter of 2013.

There were no assets and liabilities of discontinued operations and held for sale on the Condensed Consolidated Balance Sheet (unaudited) at March 31, 2013 .

The assets and liabilities of discontinued operations and held for sale on the Consolidated Balance Sheet at December 31, 2012 by segment were:

(in millions)

Assets of discontinued operations and held for sale:	**Property, plant and equipment, net**	**Other Assets**	**Total**
Gas Distribution Operations	$ 21.5	$ 4.5	**$ 26.0**
Electric Operations	—	0.7	**0.7**
Total	**$ 21.5**	**$ 5.2**	**$ 26.7**

Liabilities of discontinued operations and held for sale:	**Other Liabilities**	**Total**
Gas Distribution Operations	$ 3.3	**$ 3.3**
Electric Operations	0.6	**0.6**
Total	**$ 3.9**	**$ 3.9**

Total assets and liabilities of discontinued operations and held for sale in the table above relate to the service plan and leasing lines of business of NiSource's Retail Services business.

Results from discontinued operations are provided in the following table. These results are primarily from NiSource's Retail Services business and a settlement at NiSource's former exploration and production subsidiary, CER. For additional information regarding the settlement refer to Note 18-B, "Other Legal Proceedings," in the Notes to Condensed Consolidated Financial Statements (unaudited).

	Three Months Ended March 31,	
(in millions)	**2013**	2012
Revenues from Discontinued Operations	**$ 4.1**	$ 9.8
Income from discontinued operations	**14.0**	1.5
Income tax expense	**5.3**	0.6
Income from Discontinued Operations - net of taxes	**$ 8.7**	$ 0.9
Gain on Disposition of Discontinued Operations - net of taxes	**$ 36.4**	$ —

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 three months ended March 31, 2013 and 2012 are presented in the table below:

(in millions)		**2013**		2012
Balance as of January 1,	**$**	**160.4**	$	146.4
Accretion expense		**0.3**		0.2
Accretion recorded as a regulatory asset/liability		**2.3**		2.1
Additions		**2.9**		—
Settlements		**(0.3)**		(0.3)
Change in estimated cash flows		**(0.3)**		—
Balance as of March 31,	**$**	**165.3**	$	148.4

7. Regulatory Matters

Gas Distribution Operations Regulatory Matters

Significant Rate Developments . On April 15, 2013, Columbia of Ohio filed an application that seeks authority to reduce its Percentage of Income Payment Plan Rider. If approved, the revision will reduce annual revenues collected under the rider by $6.7 million .

On April 15, 2013, Columbia of Ohio filed an application that seeks authority to reduce its Uncollectible Expense Rider. If approved, the revision will reduce annual revenues collected under the rider by $16.5 million .

On April 1, 2013, Columbia of Ohio filed an application that seeks authority to recover the $8.2 million base chip transition cost currently deferred.

On December 24, 2012, Columbia of Ohio filed an application for authority to continue its capital expenditure program in 2013 and succeeding years, and for the authority to defer the related post in-service carrying charges, depreciation expense, and property taxes on the assets of the capital expenditure program placed into service in 2013. The corresponding expenditures are expected to total approximately $8.0 million in 2013.

On November 30, 2012, Columbia of Ohio filed a Notice of Intent to file an application to adjust rates associated with its IRP and DSM Riders. Columbia of Ohio filed its Application on February 28, 2013 and indicated that Columbia of Ohio is seeking to increase revenues by approximately $29 million . A stipulation resolving all issues was filed on April 9, 2013, and a hearing was held on April 11, 2013. On April 24, 2013, the PUCO approved the stipulation.

On January 2, 2013, Columbia of Pennsylvania filed a petition with the Pennsylvania PUC, seeking authority to implement a DSIC, with a proposed effective date of March 3, 2013. DSIC has been available to water companies in Pennsylvania for several years, and was authorized for other utilities as of January 1, 2013 with the passage of Act 11 of 2012. Columbia of Pennsylvania is the first natural gas utility in Pennsylvania to seek DSIC approval. On March 14, 2013, the Pennsylvania PUC approved the petition, allowing Columbia of Pennsylvania to implement a DSIC as of April 1, 2013. Accordingly, by tariff, Columbia of Pennsylvania is authorized to recover the cost of infrastructure not previously reflected in rate base that has been placed in service during the three-month period ending one month prior to the effective date of the DSIC. After the initial charge is established, the DSIC is updated quarterly to recover the cost of further plant additions. The DSIC cannot exceed 5% of distribution revenues. Once new base rates are established under a base rate proceeding, the DSIC will be set back to zero. This represents a significant opportunity to mitigate rate lag by permitting recovery of infrastructure costs without seeking that recovery in a full base rate proceeding.

On September 28, 2012, Columbia of Pennsylvania filed a base rate case with the Pennsylvania PUC, seeking a revenue increase of approximately $77.3 million annually and providing three options for residential rate design in order to mitigate revenue volatility associated with usage based rates. Columbia of Pennsylvania is the first utility in Pennsylvania to seek Pennsylvania PUC approval to design rates to recover costs that are projected to be incurred after the implementation of those new rates, as recently authorized by the Pennsylvania General Assembly with the passage of Act 11 of 2012. Accordingly, Columbia of Pennsylvania's filing sought to implement rates in July 2013 under which Columbia of Pennsylvania would immediately begin to recover costs that are projected

NiSource Inc.
Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

for the twelve-month period ending June 30, 2014. On March 15, 2013, the parties to the rate case filed a joint petition formally seeking Pennsylvania PUC approval of a settlement that features a revenue increase of $55.3 million annually and the implementation of a Weather Normalization Adjustment, whereby residential charges will be adjusted in the event of winter temperatures that deviate from historic norms by plus or minus five percent. Columbia of Pennsylvania expects that the Pennsylvania PUC will issue an order in the second quarter of 2013, with rates going into effect in the third quarter of 2013.

On March 21, 2013, Columbia of Virginia filed an application to amend its infrastructure tracking mechanism pursuant to the Steps to Advance Virginia's Energy ("SAVE") Plan Act. Columbia of Virginia's five year SAVE Plan provides for recovery of costs associated with the accelerated replacement of certain facilities designed to improve system safety or reliability through a rate rider. The amendment would increase authorized annual investments by $5 million from 2013 through 2016, to $25 million per year. In addition, the amendment would expand the types of infrastructure eligible for the tracking mechanism and would afford the Company additional flexibility with respect to annual and total plan limitations on expenditures. A VSCC Order is expected by late July 2013.

On April 16, 2013, Columbia of Massachusetts submitted a filing with the Massachusetts DPU requesting an annual revenue requirement increase of $30.1 million . An order is expected by February 28, 2014, with new rates going into effect on March 1, 2014.

On March 7, 2013, the Massachusetts DPU issued its final order approving $10.5 million of decoupling revenues for Columbia of Massachusetts' Peak Period RDAF that was effective November 1, 2012 through April 30, 2013.

On February 27, 2013, Columbia Gas of Maryland filed a base rate case with the Maryland PSC, seeking a revenue increase of approximately $5.3 million annually and seeking to implement a residential Revenue Normalization Adjustment in order to decouple revenues from customer usage. The case is set for hearing in June 2013, with new rates expected to take effect beginning with the October 2013 billing cycle.

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, gas energy efficiency programs, 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.

Columbia Pipeline Group (formerly known as Gas Transmission and Storage) Operations Regulatory Matters

Columbia Transmission Customer Settlement (the "Settlement"). On January 24, 2013, the FERC approved the Columbia Transmission Customer Settlement. In March 2013, Columbia Transmission paid $88.1 million in refunds to customers pursuant to the Settlement with its customers in conjunction with its comprehensive interstate natural gas pipeline modernization program. The refunds were made as part of the Settlement, which included a $50.0 million refund to max rate contract customers and a base rate reduction retroactive to January 1, 2012. Columbia Transmission expects to invest approximately $1.5 billion over a five-year period to modernize its system to improve system integrity and enhance service reliability and flexibility. The Settlement with firm customers includes an initial five-year term with provisions for potential extensions thereafter.

The Settlement also provides for a depreciation rate reduction to 1.5% and elimination of negative salvage rate effective January 1, 2012 and for a second base rate reduction, which begins January 1, 2014 that equates to approximately $25 million in revenues annually thereafter.

The Settlement includes a Capital Cost Recovery Mechanism (CCRM), a tracker mechanism that will allow Columbia Transmission to recover, through an additive capital demand rate, its revenue requirement for capital investments made under Columbia Transmission's long-term plan to modernize its interstate transmission system. The CCRM provides for a 14% revenue requirement with a portion designated as a recovery of increased taxes other than income taxes. The additive demand rate is earned on costs associated with projects placed into service by October 31 each year. The initial additive demand rate will be effective on February 1, 2014. The CCRM will give Columbia Transmission the opportunity to recover its revenue requirement associated with $1.5 billion investment in the modernization program, while maintaining competitive rates for its shippers. The CCRM recovers the revenue requirement associated with qualifying modernization costs that Columbia Transmission incurs after satisfying the requirement associated with $100.0 million in annual capital maintenance expenditures. The CCRM applies to Columbia Transmission's transportation shippers. The CCRM will not exceed $300.0 million per year in investment in eligible facilities, subject to a 15% annual tolerance and a total cap of $1.5 billion for the entire five-year initial term.

Cost Recovery Trackers. A significant portion of the transmission and storage regulated companies' revenue is related to the recovery of their operating costs, the review and recovery of which occurs via standard regulatory proceedings with the FERC under section 7 of the Natural Gas Act. However, certain operating costs of the NiSource regulated transmission and storage companies are significant and recurring in nature, such as fuel for compression and lost and unaccounted for gas. The FERC allows for the recovery of such costs via cost tracking mechanisms. These tracking mechanisms allow the transmission and storage companies' rates to fluctuate in response to changes in certain operating costs or conditions as they occur to facilitate the timely recovery of its costs incurred. The tracking mechanisms involve a rate adjustment that is filed at a predetermined frequency, typically annually, with the FERC and is subject to regulatory review before new rates go into effect. Other such costs under regulatory tracking mechanisms include upstream pipeline transmission, electric compression, environmental, and operational purchase and sales of natural gas.

Electric Operations Regulatory Matters

Significant Rate Developments . As part of a multi-state effort to strengthen the electric transmission system serving the Midwest, Northern Indiana anticipates making investments in two projects that were authorized by the MISO and are scheduled to be in service during the latter part of the decade. On July 19, 2012 and December 19, 2012, the FERC issued an order approving construction work in progress in rate base and abandoned plant cost recovery requested by Northern Indiana, for the 100-mile, 345 kV transmission project and its right to develop 50 percent of the 66-mile, 765 kV project. On December 19, 2012, the FERC issued an order authorizing Northern Indiana's request to transition to forward looking rates, allowing more timely recovery of Northern Indiana's investment in transmission assets. Northern Indiana began recording revenue in the first quarter of 2013 calculated by the FERC's forward looking rate, based on an average construction work in progress balance of $19.8 million . Revenue of $0.7 million was recorded in the first quarter of 2013.

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.

NiSource Inc.
Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

Certain operating costs of the Electric Operations are significant, recurring in nature, and generally outside the control of Northern Indiana. The IURC allows for recovery of such costs via cost tracking mechanisms. Such tracking mechanisms allow for abbreviated regulatory proceedings in order for Northern Indiana 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 electric energy efficiency programs, MISO non-fuel costs and revenues, resource capacity charges, and environmental related costs.

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 environmental compliance plan projects through an ECRM and (2) related operation and maintenance and depreciation expenses once the environmental facilities become operational through an EERM.

On November 21, 2012, the IURC approved ECR-20 for net capital expenditures of $227.1 million . On February 1, 2013, Northern Indiana filed ECR-21, the filing implementing the ECT, which included $376.4 million of net capital expenditures and operation and maintenance and depreciation expenses of $1.1 million for the period ended December 31, 2012.

8. 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 or fair value risk associated with NiSource's borrowings. NiSource designates some of its commodity forward contracts as cash flow hedges of forecasted purchases of commodities and designates its interest rate swaps as fair value hedges of fixed-rate borrowings. Additionally, certain NiSource subsidiaries enter into forward physical contracts with various third parties to procure or sell natural gas or power. Certain forward physical contracts are derivatives which qualify for, and for which NiSource may elect, the normal purchase and normal sales exception which do not require mark-to-market accounting.

Accounting Policy for Derivative Instruments. The ASC topic on accounting for derivatives and hedging requires an entity to recognize all derivatives as either assets or liabilities on the Condensed Consolidated Balance Sheets (unaudited) at fair value, unless such contracts are exempted, such as normal purchase and normal sale contracts 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 Condensed Consolidated Financial Statements (unaudited) 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 and regulatory accounting treatment. 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.

For its commodity price risk programs, NiSource has elected not to net the fair value amounts of its derivative instruments or the fair value amounts recognized for its right to receive 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 Condensed Consolidated Balance Sheets (unaudited).

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.

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 $0.4 million and $0.7 million against certain derivatives as of March 31, 2013 and December 31, 2012 , 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 $18.0 million at March 31, 2013 and $35.4 million at December 31, 2012 , while the financial derivative contracts marked-to-market had a fair value loss of $16.7 million at March 31, 2013 , and $33.2 million at December 31, 2012 .

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

	March 31, 2013	December 31, 2012
Commodity Price Risk Program:		
Gas price volatility program derivatives (MMDth)	**22.1**	26.3
Price Protection Service program derivatives (MMDth)	**0.7**	1.2
DependaBill program derivatives (MMDth)	**0.2**	0.3
Gas marketing program derivatives (MMDth) [(1)]	**5.5**	9.1
Gas marketing forward physical derivatives (MMDth) [(2)]	**5.2**	8.4
Electric energy program FTR derivatives (mw)	**4,828.6**	8,927.3

(1) Basis contract volumes not included in the above table were 4.9 MMDth and 8.2 MMDth as of March 31, 2013 and December 31, 2012 , respectively.

(2) Basis contract volumes not included in the above table were 5.7 MMDth and 9.2 MMDth as of March 31, 2013 and December 31, 2012 , 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 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, 2013 , NiSource had $6.7 billion of outstanding fixed rate debt, of which $500 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, 2013 and 2012 .

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 eleven -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, 2013 , AOCI includes $9.4 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, 2013 , 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 $18.5 million , net of tax, as of March 31, 2013 . Millennium is amortizing the unrealized loss related to these terminated interest rate swaps into earnings using the effective interest method through interest expense as interest payments are made. NiSource records its proportionate share of the amortization as Equity Earnings in Unconsolidated Affiliates in the Condensed Statements of Consolidated Income (unaudited).

NiSource 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, 2013**	December 31, 2012
Balance Sheet Location	**Fair Value**	Fair Value
Derivatives designated as hedging instruments		
Interest rate risk activities		
Price risk management assets (current)	**$ 0.2**	$ —
Price risk management assets (noncurrent)	**30.7**	40.4
Total derivatives designated as hedging instruments	**$ 30.9**	$ 40.4
Derivatives not designated as hedging instruments		
Commodity price risk programs		
Price risk management assets (current)	**$ 57.8**	$ 92.2
Price risk management assets (noncurrent)	**5.4**	15.6
Total derivatives not designated as hedging instruments	**$ 63.2**	$ 107.8
Total Asset Derivatives	**$ 94.1**	$ 148.2

Liability Derivatives *(in millions)*	**March 31, 2013**	December 31, 2012
Balance Sheet Location	**Fair Value**	Fair Value
Derivatives designated as hedging instruments		
Commodity price risk programs		
Price risk management liabilities (current)	**$ —**	$ 0.1
Price risk management liabilities (noncurrent)	**—**	—
Total derivatives designated as hedging instruments	**$ —**	$ 0.1
Derivatives not designated as hedging instruments		
Commodity price risk programs		
Price risk management liabilities (current)	**$ 52.7**	$ 95.1
Price risk management liabilities (noncurrent)	**6.9**	20.3
Total derivatives not designated as hedging instruments	**$ 59.6**	$ 115.4
Total Liability Derivatives	**$ 59.6**	$ 115.5

As noted in NiSource's accounting policy for derivative instruments, above, for its commodity price risk programs, 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 Inc.
Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

The tables below represent the amounts subject to an enforceable master netting arrangement not otherwise disclosed:

Offsetting of Derivative Assets *(in millions)*
As of March 31, 2013

	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Statement of Financial Position	Net Amounts of Assets Presented in the Statement of Financial Position	Gross Amounts Not Offset in the Statement in the Statement of Financial Position	Net Amount
Counterparty A	$ 39.9	$ —	$ 39.9	$ (39.9)	$ —
Counterparty B	5.8	—	5.8	(3.2)	2.6
Other [1]	48.4	—	48.4	—	48.4
Total	$ 94.1	$ —	$ 94.1	$ (43.1)	$ 51.0

Offsetting of Derivative Liabilities *(in millions)*
As of March 31, 2013

	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Statement of Financial Position	Net Amounts of Liabilities Presented in the Statement of Financial Position	Gross Amounts Not Offset in the Statement in the Statement of Financial Position	Net Amount
Counterparty A	$ (55.5)	$ —	$ (55.5)	$ 39.9	$ (15.6)
Counterparty B	(3.2)	—	(3.2)	3.2	—
Other [1]	(0.9)	—	(0.9)	—	(0.9)
Total	$ (59.6)	$ —	$ (59.6)	$ 43.1	$ (16.5)

Offsetting of Derivative Assets *(in millions)*
As of December 31, 2012

	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Statement of Financial Position	Net Amounts of Assets Presented in the Statement of Financial Position	Gross Amounts Not Offset in the Statement in the Statement of Financial Position	Net Amount
Counterparty A	$ 71.8	$ —	$ 71.8	$ (71.8)	$ —
Counterparty B	0.9	—	0.9	(0.9)	—
Other [1]	75.5	—	75.5	—	75.5
Total	$ 148.2	$ —	$ 148.2	$ (72.7)	$ 75.5

NiSource Inc.
Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

Offsetting of Derivative Liabilities *(in millions)*
As of December 31, 2012

	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Statement of Financial Position	Net Amounts of Liabilities Presented in the Statement of Financial Position	Gross Amounts Not Offset in the Statement in the Statement of Financial Position	Net Amount
Counterparty A	$ (103.4)	$ —	$ (103.4)	$ 71.8	$ (31.6)
Counterparty B	(10.8)	—	(10.8)	0.9	(9.9)
Other [(1)]	(1.3)	—	(1.3)	—	(1.3)
Total	$ (115.5)	$ —	$ (115.5)	$ 72.7	$ (42.8)

[(1)] Amounts in 'Other' include physical positions with counterparties that are part of NiSource's natural gas marketing business as well as fixed-to-variable interest rate swap agreements entered into by NiSource.

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, 2013	March 31, 2012		**March 31, 2013**	March 31, 2012
Commodity price risk programs	$ **0.1**	$ 0.3	Cost of Sales	$ **0.1**	$ 0.5
Interest rate risk activities	**—**	0.4	Interest expense, net	**(0.4)**	(0.7)
Total	$ **0.1**	$ 0.7		$ **(0.3)**	$ (0.2)

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, 2013	March 31, 2012
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 zero .

NiSource Inc.
Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

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, 2013		March 31, 2012	
Interest rate risk activities	Interest expense, net	$	**(9.7)**	$	(9.0)
Total		$	**(9.7)**	$	(9.0)

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, 2013		March 31, 2012	
Fixed-rate debt	Interest expense, net	$	**9.7**	$	9.0
Total		$	**9.7**	$	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 *			
		March 31, 2013		March 31, 2012	
Commodity price risk programs	Gas Distribution revenues	$	**0.1**	$	0.2
Commodity price risk programs	Other revenues		**12.0**		(1.7)
Commodity price risk programs	Cost of Sales		**(18.5)**		(21.1)
Total		$	**(6.4)**	$	(22.6)

* For the amounts of realized/unrealized gain (loss) recognized in income on derivatives disclosed in the table above, losses of $6.6 million and $19.8 million for the three months ended March 31, 2013 and 2012 , 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, 2013 and December 31, 2012 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 $1.0 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 $17.9 million and $45.7 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, 2013 and December 31, 2012 , respectively.

NiSource Inc.
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 March 31, 2013 and December 31, 2012 :

Recurring Fair Value Measurements March 31, 2013 *(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, 2013
Assets				
Commodity Price risk management assets:				
Physical price risk programs	$ —	$ 18.0	$ —	$ 18.0
Financial price risk programs	44.8	0.6	—	45.4
Interest rate risk activities	—	30.7	—	30.7
Available-for-sale securities	23.6	87.6	—	111.2
Total	$ 68.4	$ 136.9	$ —	$ 205.3
Liabilities				
Commodity Price risk management liabilities:				
Physical price risk programs	$ —	$ —	$ —	$ —
Financial price risk programs	57.9	0.5	1.2	59.6
Total	$ 57.9	$ 0.5	$ 1.2	$ 59.6

Recurring Fair Value Measurements December 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 December 31, 2012
Assets				
Commodity Price risk management assets:				
Physical price risk programs	$ —	$ 35.4	$ —	$ 35.4
Financial price risk programs	71.5	0.8	0.1	72.4
Interest rate risk activities	—	40.4	—	40.4
Available-for-sale securities	27.4	84.4	—	111.8
Total	$ 98.9	$ 161.0	$ 0.1	$ 260.0
Liabilities				
Commodity Price risk management liabilities:				
Physical price risk programs	$ —	$ —	$ —	$ —
Financial price risk programs	115.0	0.5	—	115.5
Total	$ 115.0	$ 0.5	$ —	$ 115.5

Price risk management assets and liabilities include commodity exchange-traded and non-exchange-based derivative contracts. Exchange-traded derivative contracts are 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,

NiSource Inc.
Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

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, 2013 and December 31, 2012 , 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 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 March 31, 2013 and December 31, 2012 were:

(in millions)	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
Available-for-sale debt securities, March 31, 2013				
U.S. Treasury	$ 27.6	$ 1.2	$ —	$ 28.8
Corporate/Other	80.1	2.4	(0.1)	82.4
Total Available-for-sale debt securities	**$ 107.7**	**$ 3.6**	**$ (0.1)**	**$ 111.2**

(in millions)	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
Available-for-sale debt securities, December 31, 2012				
U.S. Treasury	$ 31.1	$ 1.5	$ —	$ 32.6
Corporate/Other	76.8	2.5	(0.1)	79.2
Total Available-for-sale debt securities	$ 107.9	$ 4.0	$ (0.1)	$ 111.8

For the three months ended March 31, 2013 and 2012 , the net realized gain on the sale of available-for-sale U.S. Treasury debt securities was $0.2 million and zero , respectively. For the three months ended March 31, 2013 and 2012 , the net realized gain on sale of available-for-sale Corporate/Other bond debt securities was $0.2 million and zero , respectively.

The cost of maturities sold is based upon specific identification. At March 31, 2013 , all of the U.S. Treasury debt securities have maturities of greater than one year. At March 31, 2013 , approximately $2.4 million of Corporate/Other bonds have maturities of less than a year while the remaining securities have maturities of greater than one year.

NiSource Inc.
Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

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, 2013 and 2012 :

Three Months Ended March 31, 2013 *(in millions)*		Other Derivatives
Balance as of January 1, 2013	$	0.1
Total gains or (losses) (unrealized/realized)		
Included in regulatory assets/liabilities		(0.9)
Purchases	$	(0.4)
Balance as of March 31, 2013	$	(1.2)
Change in unrealized gains/(losses) relating to instruments still held as of March 31, 2013	$	(1.3)

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	$	—

Non-recurring Fair Value Measurements. In January 2013, NiSource sold the service plan and leasing business lines of its Retail Services business. The disposed business lines were included in the Columbia Distributions Operations reporting unit and the Northern Indiana Gas Distribution Operations reporting unit. Goodwill associated with the disposed business lines was included in the carrying amount of the business lines in determining the gain on disposal. The amount of the goodwill included in the carrying amount was based on the relative fair values of the business lines disposed of and the portion of the reporting units that were retained. The fair value of the disposed business lines was determined by using the selling price of the business lines. The fair value of the reporting units that were retained was determined by a weighted average of income and market approaches. This approach was similar to the process undertaken to calculate the fair value of the reporting units for the last goodwill impairment test conducted on May 1, 2012. These approaches are further discussed in NiSource's Annual Report on Form 10-K for the fiscal year ended December 31, 2012 and yield fair values considered to be at Level 3 of the fair value hierarchy. The respective fair value of the disposed business lines was divided by the fair value of the reporting units to which the disposed business lines belonged. These percentages were then applied to those goodwill balances to determine their allocations. As a result of these procedures, NiSource recorded a disposal of goodwill of approximately $11.0 million during the first quarter of 2013. This amount is included within the "Gain on Disposition of Discontinued Operations - net of taxes" on the Condensed Statements of Consolidated Income (unaudited).

There were no significant non-recurring fair value measurements recorded during the three months ended March 31, 2012.

B. Other Fair Value Disclosures for Financial Instruments. The carrying amount of cash and cash equivalents, restricted cash, notes receivable, customer deposits and short-term borrowings is a reasonable estimate of fair value due to their liquid or short-term nature. 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, 2013 and 2012 , 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, 2013**	**Estimated Fair Value as of March 31, 2013**	Carrying Amount as of Dec. 31, 2012	Estimated Fair Value as of Dec. 31, 2012
Long-term debt (including current portion)	**$ 6,893.2**	**$ 7,897.0**	$ 7,326.3	$ 8,389.0

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

On October 23, 2009, Columbia of Ohio entered into an agreement to sell, without recourse, substantially all of its trade receivables, as they originate, to CGORC, a wholly-owned subsidiary of Columbia of Ohio. CGORC, in turn, is party to an agreement with BTMU and BNS, entered into on October 19, 2012, under the terms of which it sells an undivided percentage ownership interest in its accounts receivable to commercial paper conduits sponsored by BTMU and BNS. Prior to this agreement with BTMU and BNS, CGORC was party to a series of agreements with BTMU and RBS which dated from October 23, 2009 until its amendment on October 19, 2012. The maximum seasonal program limit under the terms of the new agreement remains at $240 million . The agreement expires on October 18, 2013, and can be renewed if mutually agreed to by all parties. As of March 31, 2013 , $178.8 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.

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 PNC and Mizuho entered into on August 29, 2012, under the terms of which it sells an undivided percentage ownership interest in its accounts receivable to a commercial paper conduits sponsored by PNC and Mizuho. Prior to this agreement with PNC and Mizuho, NARC was party to a series of agreements with RBS which dated from October 23, 2009 until its amendment on August 29, 2012, under the terms in which it sold an undivided percentage ownership interest in its accounts receivable to commercial paper conduit sponsored by RBS. The maximum seasonal program limit under the terms of the new agreement, which expires on August 28, 2013, is $200 million , and can be further renewed if mutually agreed to by both parties. As of March 31, 2013 , $200.0 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.

On March 15, 2010, Columbia of Pennsylvania entered into an agreement to sell, without recourse, substantially all of its trade receivables, as they originate, to CPRC, a wholly-owned subsidiary of Columbia of Pennsylvania. CPRC, in turn, is party to an agreement with BTMU, also dated March 15, 2010, under the terms of which it sells an undivided percentage ownership interest in its accounts receivable to a commercial paper conduit sponsored by BTMU. The maximum seasonal program limit under the terms of the agreement is $75 million . On March 13, 2013, the agreement was renewed, having a new scheduled termination date of March 12, 2014, and can be further renewed if mutually agreed to by both parties. As of March 31, 2013 , $65.9 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.

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, 2013 and December 31, 2012 for Columbia of Ohio, Northern Indiana and Columbia of Pennsylvania:

(in millions)	**March 31, 2013**	December 31, 2012
Gross Receivables	$ **689.6**	$ 525.3
Less: Receivables not transferred	**244.9**	292.0
Net receivables transferred	$ **444.7**	$ 233.3
Short-term debt due to asset securitization	$ **444.7**	$ 233.3

For the three months ended March 31, 2013 and 2012 , fees of $0.9 million and $1.1 million 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 May 1 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 three reporting units are Columbia Distribution Operations, Columbia Transmission Operations and Northern Indiana Gas Distribution Operations.

NiSource's goodwill assets as of March 31, 2013 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, 2013 related to the purchase of Northern Indiana Fuel and Light in March 1993 and Kokomo Gas in February 1992 were $17.8 million .

The test performed at May 1, 2012 indicated that the fair value of each of the reporting units that carry or are allocated goodwill substantially 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.

As part of the sale of the service plan and leasing business lines of its Retail Services business, NiSource allocated $10.0 million of goodwill from Columbia Distribution Operations to the sale and allocated $ 1.0 million of goodwill from Northern Indiana Gas Distribution Operations to the sale. Refer to Note 5 "Discontinued Operations and Assets and Liabilities Held for Sale" for more information.

12. Income Taxes

NiSource's interim effective tax rates reflect the estimated annual effective tax rates for 2013 and 2012 , adjusted for tax expense associated with certain discrete items. The effective tax rates for the three months ended March 31, 2013 and 2012 were 35.4% and 34.7% , 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.

On January 2, 2013, the President signed into law the American Taxpayer Relief Act of 2012 (ATRA). ATRA, among other things, extends retroactively the research credit under Internal Revenue Code section 41 until December 31, 2013, and also extends and modifies 50% bonus depreciation for 2013. In general, 50% bonus depreciation will be available for property placed in service before January 1, 2014, or in the case of certain property having longer production periods, before January 1, 2015. NiSource recorded the effects of ATRA in the first quarter 2013. The retroactive extension of the research credit did not have a significant effect on net income.

On March 7, 2013, the congressional Joint Committee on Taxation took no exception to the conclusions reached by the IRS in its 2008-2010 audit examination. Therefore, in the first quarter of 2013, NiSource recognized a federal income tax receivable of

NiSource Inc.
Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

$15.9 million that was related to the 2008 and 2009 tax years and increases in net operating loss carryforwards of $0.6 million that was related to uncertain tax positions in the 2010-2012 tax years. NiSource received payments of $75.1 million in March 2013 and $70.6 million in April 2013 of principal and interest from the IRS related to the audit examination. The recognition of the receivables and net operating loss carryforwards did not materially affect tax expense or net income.

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 three months ended March 31, 2013 , NiSource has contributed $5.5 million to its pension plans and $10.1 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, 2013 and 2012 :

Three Months Ended March 31, *(in millions)*	Pension Benefits 2013	Pension Benefits 2012	Other Postretirement Benefits 2013	Other Postretirement Benefits 2012
Components of Net Periodic Benefit Cost				
Service cost	**$ 9.4**	$ 9.4	**$ 3.0**	$ 2.8
Interest cost	**24.3**	28.2	**8.1**	9.3
Expected return on assets	**(42.4)**	(41.1)	**(7.6)**	(6.7)
Amortization of transition obligation	**—**	—	**0.1**	0.3
Amortization of prior service cost	**0.1**	0.1	**(0.2)**	(0.1)
Recognized actuarial loss	**20.7**	20.3	**2.8**	2.4
Settlement loss	**20.7**	—	**—**	—
Total Net Periodic Benefit Costs	**$ 32.8**	$ 16.9	**$ 6.2**	$ 8.0

For the quarters ended March 31, 2013 and 2012 , pension and other postretirement benefit cost of approximately $28.1 million and $5.6 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.

As of February 28, 2013, it became probable that a NiSource pension plan's lump sum payouts for 2013 would exceed the plan's 2013 service cost plus interest cost and therefore meeting the requirement for settlement accounting. A one-time settlement charge of $20.7 million was recorded during the first quarter of 2013. As a result of the settlement, the pension plan was remeasured resulting in a decrease to the pension benefit obligation, net of plan assets, of $18.6 million , a net decrease to regulatory assets and accumulated other comprehensive loss of $36.1 million and $3.2 million , respectively. Net periodic pension benefit cost for 2013 was decreased by $2.4 million as a result of the remeasurement.

The following table provides the key assumptions that were used to calculate the pension benefit obligation and the net periodic benefit cost at the measurement dates of February 28, 2013 and December 31, 2012.

	February 28, 2013	December 31, 2012
Actuarial Assumptions		
Discount Rate	3.50%	3.63%
Expected return on assets	8.30%	8.30%

14. Variable Interests and Variable Interest Entities

In general, a VIE is an entity that (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.

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. 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 has not been able to obtain this information and as a result, it is unclear whether Pure Air is a VIE and if Northern Indiana is the primary beneficiary. Northern Indiana will continue to request the information required to determine whether Pure Air is a VIE. Northern Indiana has no exposure to loss related to the service agreement with Pure Air and payments under this agreement were $5.6 million for the three months ended March 31, 2013 and 2012 .

15. Long-Term Debt

On April 12, 2013, NiSource Finance issued $750.0 million of 4.80% senior unsecured notes that mature on February 15, 2044 .

On March 1, 2013, NiSource Finance redeemed $420.3 million of 6.15% senior unsecured notes.

On April 5, 2012, NiSource Finance negotiated a $250.0 million three -year bank term loan with a syndicate of banks having an original maturity date of April 3, 2015 . On April 15, 2013, NiSource Finance amended the term loan to add an additional lender to the syndicate of banks, increase borrowings under the term loan to $325.0 million and extend the maturity date to April 15, 2016 . Borrowings under the term loan have an interest rate of LIBOR plus 125 basis points.

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. The program capacity was expanded to $1.5 billion with the addition of RBS as a fifth dealer on February 15, 2013. Commercial paper issuances are supported by available capacity under NiSource's $1.5 billion unsecured revolving credit facility, which expires in May 2017 . At March 31, 2013 , NiSource had $686.5 million of commercial paper outstanding.

During May 2012, NiSource Finance amended its existing $1.5 billion revolving credit facility with a syndicate of banks led by Barclays Capital extending the termination date to May 15, 2017 and also reducing the borrowing costs under the facility. The purpose of the facility is to fund ongoing working capital requirements including the provision of liquidity support for NiSource's commercial paper program, provide for issuance of letters of credit, and also for general corporate purposes. At March 31, 2013 , NiSource had no outstanding borrowings under this facility.

As of March 31, 2013 and December 31, 2012 , NiSource had $36.2 million and $36.4 million , respectively, of stand-by letters of credit outstanding, of which $18.3 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 Sheets in the amount of $444.7 million and $233.3 million as of March 31, 2013 and December 31, 2012 , respectively. Refer to Note 10, "Transfers of Financial Assets," for additional information.

(in millions)		**March 31, 2013**		December 31, 2012
Commercial Paper weighted average interest rate of 1.02% and 1.11% at March 31, 2013 and December 31, 2012, respectively.	**$**	**686.5**	$	499.6
Credit facilities borrowings weighted average interest rate of 3.73% at December 31, 2012.		**—**		44.0
Accounts receivable securitization facility borrowings		**444.7**		233.3
Total short-term borrowings	**$**	**1,131.2**	$	776.9

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).

17. 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, 2013 , there were 6,770,647 shares reserved for future awards under the Omnibus Plan.

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

NiSource recognized stock-based employee compensation expense of $4.2 million and $3.2 million for the three months ended March 31, 2013 , and 2012 , respectively, as well as related tax benefits of $1.5 million and $1.1 million , respectively.

As of March 31, 2013 , the total remaining unrecognized compensation cost related to nonvested awards amounted to $28.4 million , which will be amortized over the weighted-average remaining requisite service period of 2.3 years .

Stock Options. As of March 31, 2013 , approximately 1.0 million options were outstanding and exercisable with a weighted average strike price of $22.38 . No options were granted during the three months ended March 31, 2013 and 2012 . As of March 31, 2013 , the aggregate intrinsic value for the options outstanding and exercisable was $6.7 million . During the three months ended March 31, 2013 and 2012 , cash received from the exercise of options was $13.1 million and $13.4 million , respectively.

Restricted Stock Units and Restricted Stock. During the three months ended March 31, 2013 , NiSource granted 17,200 restricted stock units and shares of restricted stock, subject to service conditions. The total grant date fair value of the shares of restricted stock units and shares of restricted stock was $0.4 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, 2013 , 372,078 nonvested (all of which are expected to vest) restricted stock units and shares of restricted stock were granted and outstanding.

Performance Shares. During the three months ended March 31, 2013 , NiSource granted 650,853 performance shares subject to performance conditions. The grant date fair-value of the awards was $15.3 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 certain 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, a non-GAAP market measure 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, 2012 and ending on December 31, 2015) compared to the total shareholder return performance of a predetermined peer group of companies. The service conditions lapse on February 29, 2016 when the shares vest provided the performance criteria are satisfied. In general, if the employee terminates employment before February 29, 2016 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, 2013 , 2,020,670 nonvested performance shares were granted and outstanding.

Non-employee Director Awards. As of May 11, 2010, awards to non-employee directors may be made only under the Omnibus Plan. Currently, restricted stock units are granted annually to non-employee directors, subject to a non-employee director's election to defer receipt of such restricted stock unit award. The non-employee director's restricted stock units vest on the last day of the non-employee director's annual term corresponding to the year the restricted stock units were awarded subject to special pro-rata vesting rules in the event of Retirement or Disability (as defined in the award agreement), or death. The vested restricted stock units are payable as soon as practicable following vesting except as otherwise provided pursuant to the non-employee director's election to defer. As of March 31, 2013 , 141,961 restricted stock units are outstanding to non-employee directors under the Omnibus Plan.

Only restricted stock units remain outstanding under the prior plan for non-employee directors, the Amended and Restated Non-employee Director Stock Incentive Plan (the "Director Plan"). All such awards are fully vested and shall be distributed to the directors upon their separation from the Board. As of March 31, 2013 , 193,366 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, 2013 and 2012 , NiSource recognized 401(k) match, profit sharing and non-elective contribution expense of $6.4 million and $5.8 million , respectively.

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 guarantees and indemnities in existence at March 31, 2013 and the years in which they expire were:

(in millions)	Total	2013	2014	2015	2016	2017	After
Guarantees of subsidiaries debt	$ 6,385.5	$ —	$ 500.0	$ 480.0	$ 291.5	$ 507.0	$ 4,607.0
Guarantees supporting commodity transactions of subsidiaries	37.7	12.0	—	25.0	—	—	0.7
Accounts receivable securitization	444.7	444.7	—	—	—	—	—
Lines of credit	686.5	686.5	—	—	—	—	—
Letters of credit	36.2	17.2	2.8	16.2	—	—	—
Other guarantees	351.5	243.6	44.4	3.0	—	—	60.5
Total commercial commitments	$ 7,942.1	$ 1,404.0	$ 547.2	$ 524.2	$ 291.5	$ 507.0	$ 4,668.2

Guarantees of Subsidiaries Debt. NiSource has guaranteed the payment of $6.4 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 $37.7 million of commodity-related payments for its current subsidiaries involved in energy marketing activities. These guarantees were provided to counterparties in order to facilitate physical and financial transactions involving natural gas services. To the extent liabilities exist under the commodity-related contracts subject to these guarantees, such liabilities are included in the Condensed Consolidated Balance Sheets (unaudited).

Lines and Letters of Credit and Accounts Receivable Advances. During May 2012, NiSource Finance amended its existing $1.5 billion revolving credit facility with a syndicate of banks led by Barclays Capital, extending the termination date to May 15, 2017 and also reducing the borrowing costs under the facility. The purpose of the facility is to fund ongoing working capital requirements including the provision of liquidity support for NiSource's commercial paper program, provide for the issuance of letters of credit, and also for general corporate purposes. At March 31, 2013 , NiSource had no borrowings under its five-year revolving credit facility, $686.5 million in commercial paper outstanding and $444.7 million outstanding under its accounts receivable securitization agreements. At March 31, 2013 , NiSource issued stand-by letters of credit of approximately $36.2 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'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, 2013 . These guarantees are due to expire in June 2013 .

NiSource has additional purchase and sales agreement guarantees totaling $42.0 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 Inc.
Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

NiSource has on deposit a letter of credit with Union Bank, N.A., Collateral Agent in a debt service reserve account in association with Millennium's notes as required under the Deposit and Disbursement Agreement that governs the Millennium notes. 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, 2013 .

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.

In 2003, the Company divested itself of a certain non-utility subsidiary, which subsequently became involved in litigation around business transactions, some of which predated its sale to a third party. Successors in interest to that third party looked to the Company for indemnification under the Asset Purchase Agreement ("APA") negotiated by the Company at the time of sale. As the litigation wound down and was concluded over the years, the Company advanced settlement and defense costs associated with all claims made in the litigation and reserved its rights to seek reimbursement for claims potentially not within the scope of the indemnities under the APA. Later, the Company looked to the successors in interest to the APA for reimbursement of settlement and defense related charges associated with claims that were not subject to the indemnification provisions in the APA. Ultimately, the amount of claims subject to the indemnities provided for in the APA was the subject of an arbitration claim between the Company and the successors in interest to the APA. In January of 2013, the parties to the arbitration proceeding agreed that the Company would be reimbursed $17.5 million for settlement amounts advanced and defense costs incurred beyond the scope of indemnities under the APA, which has since been paid to the Company in full. This amount was recorded in income from discontinued operations, net of tax, as of March 31, 2013.

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 March 31, 2013 and December 31, 2012 , NiSource had recorded reserves of approximately $155.3 million and $160.6 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 Sheets (unaudited). The noncurrent portion is included in "Other noncurrent liabilities" in the Condensed Consolidated Balance Sheets (unaudited). NiSource accrues for costs associated with environmental remediation obligations when the incurrence of such costs is probable and the amounts can be reasonably estimated. The original estimates for cleanup can differ materially from the amount ultimately expended. The actual future expenditures depend on many factors, including currently enacted laws and regulations, the nature and extent of contamination, the method of cleanup, and the availability of cost recovery from customers. These expenditures are not currently estimable at some sites. NiSource periodically adjusts its reserves as information is collected and estimates become more refined.

Air

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

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

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

If the EPA develops a GHG new source performance standard for existing units or if a federal or state comprehensive climate change bill were to be enacted into law, the impact on NiSource's financial performance would depend on a number of factors, including the overall level of required GHG reductions, the renewable energy targets, the degree to which offsets may be used for compliance, the amount of recovery allowed from customers, and the extent to which NiSource would be entitled to receive 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 the 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 the 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 December 2009, the EPA issued area designations for the 2006 24-hour $PM_{2.5}$ standard, and several counties in which NiSource operates were designated as non-attainment. In addition, a final rule was promulgated in December 2012 that lowered the annual $PM_{2.5}$ standard from 15 to 12 micrograms per cubic meter. NiSource will continue to monitor these matters and cannot estimate their impact 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 designated the Chicago metropolitan area, including the area in which Northern Indiana operates one of its electric generation facilities, as non-attainment for ozone. NiSource will continue to monitor this matter and cannot estimate the impact of any new rules at this time.

Nitrogen Dioxide (NO_2): The EPA revised the NO_2 NAAQS by adding a one-hour standard while retaining the annual standard. The new standard could impact some NiSource combustion sources. The EPA designated all areas of the country as unclassifiable/attainment in January 2012. After the establishment of a new monitoring network and possible modeling implementation, areas will potentially be re-designated sometime in 2016. States with areas that do not meet the standard will be required 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 mitigated. 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 has received a one year compliance extension for the affected engines and estimates the cost of compliance to be approximately $10 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 with the assistance of a third party and incorporates NiSource and general industry experience with remediating MGP sites. NiSource accordingly increased its liability for estimated remediation costs by $71.1 million . Since the fourth quarter of 2011, NiSource has monitored the liability on a quarterly basis and in the second quarter of 2012, completed an annual refresh of the model. No material changes to the liability were noted as a result of the refresh. The total liability at NiSource related to the facilities subject to remediation was $130.4 million and $132.6 million at March 31, 2013 and December 31, 2012 , 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 below describe various regulatory actions that affect Columbia Pipeline Group Operations, Electric Operations, and certain other discontinued operations for which NiSource has retained a liability.

Columbia Pipeline Group Operations.

Waste

Columbia Transmission continues to conduct characterization and remediation activities at specific sites under a 1995 AOC (subsequently modified in 1996 and 2007). The 1995 AOC originally covered 245 major facilities, approximately 13,000 liquid removal points, approximately 2,200 mercury measurement stations and about 3,700 storage well locations. As a result of the 2007 amendment, approximately 50 facilities remain subject to the terms of the AOC. During the third quarter of 2011, Columbia Transmission completed a study to estimate its future remediation requirements related to the AOC. Columbia Transmission accordingly increased its liability for estimated remediation costs by $25.6 million . Since the third quarter of 2011, Columbia Transmission has been monitoring its liability on a quarterly basis and performed an annual refresh of the study during the second quarter of 2012. An additional $3.5 million was added to the liability due to estimate changes and cost increases as a result of the refresh. The total liability at Columbia Transmission related to the facilities subject to remediation was $18.5 million and $21.7 million at March 31, 2013 and December 31, 2012 , respectively. The liability represents Columbia Transmission's best estimate of the cost to remediate the facilities or manage the sites. 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 $835 million to $865 million . This figure includes additional capital improvements associated with the New Source Review Consent Decree and the Utility Mercury and Air Toxics Standards Rule. Northern Indiana believes that the capital costs will likely be recoverable from ratepayers.

Sulfur dioxide: In June 2010, EPA promulgated a revised primary one-hour SO_2 NAAQS. In a May 11, 2011, letter to EPA, IDEM recommended that all counties containing Northern Indiana coal-fired generating stations are unclassifiable under this standard. Final EPA designations are expected in June 2013. Discussion is ongoing regarding the use of modeling for unclassifiable areas. 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 was scheduled to begin in 2012. In a decision issued on August 21, 2012 the D.C. Circuit Court vacated the CSAPR leaving the CAIR trading program provisions and requirements in place. 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 CAIR, while a replacement for CSAPR is developed to address the court's decision.

NiSource Inc.
Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

Utility Mercury and Air Toxics Standards Rule: On February 8, 2008, the United States Court of Appeals for the District of Columbia Circuit vacated two EPA rules that are the basis for the Indiana Air Pollution Control Board's Clean Air Mercury Rule (CAMR) that established utility mercury emission limits in two phases (2010 and 2018) and a cap-and-trade program to meet those limits. In response to the vacatur, the EPA pursued a new Section 112 rulemaking to establish MACT standards for electric utilities. The EPA finalized the Mercury and Air Toxics Standards (MATS) Rule on December 16, 2011. Compliance for Northern Indiana's affected units is required by April 2016. Northern Indiana has developed a plan for further environmental controls to comply with MATS.

New Source Review: On September 29, 2004, the EPA issued an NOV to Northern Indiana for alleged violations of the CAA and the Indiana SIP. The NOV alleged that modifications were made to certain boiler units at three of Northern Indiana's generating stations between the years 1985 and 1995 without obtaining appropriate air permits for the modifications. Northern Indiana, EPA, the Department of Justice, and IDEM have settled the matter through a consent decree, entered on July 22, 2011.

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

Waste
On March 31, 2005, the EPA and Northern Indiana entered into an AOC under the authority of Section 3008(h) of the RCRA for the Bailly Station. The order requires Northern Indiana to identify the nature and extent of releases of hazardous waste and hazardous constituents from the facility. Northern Indiana must also remediate any release of hazardous constituents that present an unacceptable risk to human health or the environment. In July 2012, the EPA issued a Final Decision for Areas A and B of the Bailly facility. Remedial activities will likely occur in 2013. The process to investigate and select appropriate remedial activities at a third area is ongoing.

The Indiana Department of Environmental Management requested that Northern Indiana enter into AOCs to identify the nature and extent of releases of hazardous waste and hazardous constituents at the Michigan City and Mitchell Generating Stations. Northern Indiana cannot estimate the cost of compliance with any AOCs at this time.

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

Other Operations.

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

D. Other Matters. On November 23, 2012, while Columbia of Massachusetts was investigating the source of an odor of gas at a service location in Springfield, Massachusetts, a gas service line was pierced and an explosion occurred. While this explosion impacted multiple buildings and resulted in several injuries, no life threatening injuries or fatalities have been reported. Columbia of Massachusetts is fully cooperating with both the Massachusetts DPU and the Occupational Safety & Health Administration in their investigations of this incident. Columbia of Massachusetts believes any costs associated with damages, injuries, and other losses related to this incident are substantially covered by insurance. Any amounts not covered by insurance are not expected to have a material impact on NiSource's consolidated financial statements. In accordance with GAAP, NiSource recorded any reserves and the related insurance recoveries resulting from this incident on a gross basis within the Condensed Consolidated Balance Sheets (unaudited).

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)	Gains and Losses on Securities [1]	Gains and Losses on Cash Flow Hedges [1]	Pension and OPEB Items [1]	Accumulated Other Comprehensive Loss [1]
Balance as of January 1, 2013	$ 2.6	$ (28.6)	$ (39.5)	$ (65.5)
Other comprehensive income before reclassifications	(0.1)	0.1	1.3	1.3
Amounts reclassified from accumulated other comprehensive income	(0.3)	0.8	1.4	1.9
Net current-period other comprehensive income	(0.4)	0.9	2.7	3.2
Balance as of March 31, 2013	**$ 2.2**	**$ (27.7)**	**$ (36.8)**	**$ (62.3)**

[1] All amounts are net of tax. Amounts in parentheses indicate debits.

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, 2013 of $18.5 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 $18.5 million and $18.7 million at March 31, 2013 and December 31, 2012 , respectively, is 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 March 31, 2013 , 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 Columbia Pipeline Group (formerly known as 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.

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)	**2013**	2012
REVENUES		
Gas Distribution Operations		
Unaffiliated	**$ 1,144.9**	$ 1,060.8
Intersegment	**0.2**	0.2
Total	**1,145.1**	1,061.0
Columbia Pipeline Group Operations		
Unaffiliated	**258.4**	233.0
Intersegment	**43.0**	42.4
Total	**301.4**	275.4
Electric Operations		
Unaffiliated	**377.4**	352.9
Intersegment	**0.2**	0.2
Total	**377.6**	353.1
Corporate and Other		
Unaffiliated	**13.6**	2.2
Intersegment	**121.7**	110.7
Total	**135.3**	112.9
Eliminations	**(165.1)**	(153.5)
Consolidated Gross Revenues	**$ 1,794.3**	$ 1,648.9
Operating Income (Loss)		
Gas Distribution Operations	**$ 234.1**	$ 210.3
Columbia Pipeline Group Operations	**133.5**	138.6
Electric Operations	**65.2**	46.2
Corporate and Other	**(4.7)**	2.6
Consolidated Operating Income	**$ 428.1**	$ 397.7

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 three months ended March 31, 2013 and 2012 :

(in millions)	Three Months Ended March 31, 2013	2012
Supplemental Disclosures of Cash Flow Information		
Non-cash transactions:		
Capital expenditures included in current liabilities	**$ 114.3**	$ 71.0
Stock issuance to employee savings plans	**6.4**	5.7
Schedule of interest and income taxes paid:		
Cash paid for interest, net of interest capitalized amounts	**$ 161.8**	$ 142.7
Cash paid for income taxes	**2.9**	1.7

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 2012 Form 10-K, many of which are beyond the control of NiSource. In addition, the relative contributions to profitability by each segment, and the assumptions underlying the forward-looking statements relating thereto, may change over time. NiSource expressly disclaims a duty to update any of the forward-looking statements contained in this report.

The following Management's Discussion and Analysis of Financial Conditions and Results of Operations should be read in conjunction with NiSource's Annual Report on Form 10-K for the fiscal year ended December 31, 2012 .

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, 2013, NiSource reported income from continuing operations of $215.4 million, or $0.69 per basic share, compared to $192.5 million, or $0.68 per basic share reported for the same period in 2012.

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

- Colder weather in the current quarter resulted in an increase in income from continuing operations of $40.9 million compared to the prior year, primarily affecting the Gas Distribution Operations segment. Weather statistics are provided in the Gas Distribution Operations' segment discussion.
- Regulatory and service programs at Gas Distributions Operations increased net revenues by $9.3 million primarily due to the impact from the rate case at Columbia of Massachusetts and the implementation of rates under Columbia of Ohio's approved infrastructure replacement program. Refer to Note 8, "Regulatory Matters," of NiSource's Annual Report on Form 10-K for the fiscal year ended December 31, 2012 for more information.

These increases to income from continuing operations were partially offset by the following:

- Employee and administrative expense increased by $12.7 million due to higher head count, and outside service costs increased by $9.0 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 continued to deliver strong operational and financial performance during the first quarter, while executing on significant environmental investments at its largest electric generating facility.

- Initial preparation and construction of the approximately $250 million FGD project began at the Michigan City generating station. The more than $500 million FGD project at Northern Indiana's Schahfer generating station remains on track, with units to be placed into service in the fourth quarter of 2013 and in 2014.

- In February 2013, Northern Indiana began installing automated meter reading devices in its electric and gas service territories. The devices will be installed on all meters by 2016, with an investment of approximately $90 million over the three years.

- During the first quarter of 2013, Northern Indiana received regulatory approval for the introduction of a Green Power Rate pilot program, which complements a variety of other renewable energy and customer programs currently offered in Indiana. The program allows customers to designate a portion or all of their monthly electric usage to be attributable to power generated by renewable energy sources.

NiSource's 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 regulatory initiatives.

- On April 16, 2013, Columbia of Massachusetts submitted a filing with the Massachusetts DPU requesting an annual revenue requirement increase of $30.1 million and is designed to support Columbia of Massachusetts' expanded infrastructure modernization and replacement plans with timely investment recovery. An order is expected by February 28, 2014, with new rates going into effect on March 1, 2014.

- On March 15, 2013, Columbia of Pennsylvania filed a unanimous settlement of its 2012 base rate case with the Pennsylvania PUC. The settlement would increase annual revenues by approximately $55 million. The case includes a simplified residential rate design that includes a weather normalization adjustment and full recovery of safety-related expenditures. Columbia of Pennsylvania is the first utility in Pennsylvania to establish rates based on investments and expenses as reflected in a fully forecasted test year, consistent with Pennsylvania's recently enacted Act 11. An order is expected to be issued in the second quarter of 2013, with rates going into effect in the third quarter of 2013.

- On February 27, 2013, Columbia Gas of Maryland filed a base rate case with the Maryland PSC, seeking a revenue increase of approximately $5.3 million annually and seeking to implement a residential Revenue Normalization Adjustment in order to decouple revenues from customer usage. The case is set for hearing in June 2013, with new rates expected to take effect beginning with the October 2013 billing cycle.

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 Columbia Pipeline Group (formerly known as Gas Transmission and Storage) Operations

Columbia Pipeline Group Operations continues to modernize its core interstate natural gas pipeline system, execute on market-driven and supply-driven growth projects, and pursue midstream and minerals opportunities linked to NiSource's asset position in the Utica and Marcellus Shale production regions.

- Columbia Transmission began to fully execute against its modernization settlement, which was approved by the FERC on January 24, 2013. With an inventory of projects spanning up to 15 years and an overall investment of more than $4 billion, the long-term plan is designed to systematically enhance the safety, reliability and flexibility of the 12,000 mile system. The settlement approved the initial five years of the plan, including a planned $300 million annual modernization investment.

- During the first quarter of 2013, Columbia Transmission reached an agreement to extend its system to support the conversion of a large end-user's coal boilers to natural gas. Columbia Transmission will extend its system approximately 13 miles to an interconnect with Columbia of Virginia, which in turn will expand its distribution system to reach the customer. The project investment is approximately $25 million for Columbia Transmission and approximately $15 million for Columbia of Virginia. The project has an expected in-service date in the fourth quarter 2014.

- The Big Pine Gathering System project, involving an investment of approximately $160 million and designed to transport up to 425,000 Dth per day of Marcellus Shale production, was placed into service in April 2013.

- The first phase of the Pennant Midstream's pipeline and processing facilities remains on schedule for completion by the end of 2013. It is anticipated that NiSource's share will be approximately $150 million of the total investment in the project's first phase.

- Columbia Transmission and Columbia Gulf are moving forward with plans to upgrade and modify facilities to support the West Side Expansion project. This approximately $200 million project will reverse the flow of gas on part of the system to transport approximately 500,000 Dth per day of Marcellus production to Gulf Coast markets. An initial level of service has already begun on part of the project, which is scheduled to be fully completed by late 2014. Columbia Transmission is also moving ahead with the East Side Expansion project, an approximately $210 million project providing 300,000 Dth per day of transportation capacity for Marcellus supplies to northeastern and Mid-Atlantic markets. This project is expected to be placed in service during the third quarter of 2015.

Financial Management of the Balance Sheet

At the end of the first quarter, NiSource maintained approximately $896.6 million in net available liquidity. Additionally, during the first quarter of 2013, Standard & Poor's reaffirmed NiSource's BBB- credit rating and stable outlook.

On April 12, 2013, NiSource Finance issued $750.0 million of 4.80% senior unsecured notes that mature on February 15, 2044.

On March 1, 2013, NiSource Finance redeemed $420.3 million of 6.15% senior unsecured notes.

On April 5, 2012, NiSource Finance negotiated a $250.0 million three-year bank term loan with a syndicate of banks having an original maturity date of April 3, 2015. On April 15, 2013, NiSource Finance amended the term loan to add an additional lender to the syndicate of banks, increase borrowings under the term loan to $325 million and extend the maturity date to April 15, 2016. Borrowings under the term loan have an interest rate of LIBOR plus 125 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, 2013

Net Income
NiSource reported net income of $260.5 million , or $0.84 per basic share, for the three months ended March 31, 2013 , compared to net income of $193.4 million , or $0.68 per basic share, for the first quarter of 2012 . Income from continuing operations was $215.4 million , or $0.69 per basic share, for the three months ended March 31, 2013 , compared to income from continuing operations of $192.5 million , or $0.68 per basic share, for the first quarter of 2012 . Operating income was $428.1 million , an increase of $30.4 million from the same period in 2012 . All per share amounts are basic earnings per share. Basic average shares of common stock outstanding at March 31, 2013 were 311.1 million compared to 282.9 million at March 31, 2012 .

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 March 31, 2013 , were $1,106.6 million , an $85.1 million increase from the same period last year. This increase in net revenues was primarily due to increased Gas Distribution Operations' net revenues of $44.0 million, increased Columbia Pipeline Group Operations' net revenues of $26.8 million and increased Electric Operations' net revenues of $15.7.

- Gas Distribution Operations' net revenues increased primarily due to the effects of colder weather of $35.2 million, an increase of $9.3 million for regulatory and service programs, including the impacts from the rate case at Columbia of Massachusetts and the implementation of rates under Columbia of Ohio's approved infrastructure replacement program, and increased regulatory and tax trackers, which are offset in expense, of $3.7 million. These increases were partially offset by a decrease in industrial and commercial usage of $3.1 million.

- Columbia Pipeline Group Operations' net revenues increased primarily due to higher regulatory trackers, which are offset in expense, of $29.8 million, higher commodity and demand revenue of $3.8 million as a result of growth projects placed in service, and a settlement of $2.5 million during the first quarter of 2013. These increases were partially offset by the impacts of the customer settlement at Columbia Transmission, which decreased net revenues by $9.1 million.

- Electric Operations' net revenues increased due primarily to an increase in environmental cost recovery of $6.6 million due to an increased plant balance eligible for recovery, transmission upgrade revenue of $6.3 million, and $5.7 million due to the effects of weather. These increases were partially offset by a decrease in a RTO recovery mechanism of $3.0 million.

Operating Expenses
Operating expenses for the first quarter of 2013 were $685.6 million , an increase of $54.1 million from the 2012 period. This increase was primarily due to higher operation and maintenance expenses of $54.5 million. The increase in operation and maintenance expenses was primarily due to increased regulatory trackers, which are offset in revenue, of $36.7 million, higher employee and administrative costs of $12.7 million, increased outside services of $9.0 million and a mark-to-market adjustment of corporate owned life insurance assets in the prior year of $6.9 million. These increases were partially offset by lower electric generation costs of $9.1 million as a result of the timing of planned and unplanned outages.

Equity Earnings in Unconsolidated Affiliates
Equity Earnings in Unconsolidated Affiliates were $7.1 million during the first quarter of 2013 compared to $7.7 million for the first quarter of 2012 . Equity Earnings in Unconsolidated Affiliates includes investments in Millennium and Hardy Storage, which are integral to the Columbia Pipeline Group Operations' business.

Other Income (Deductions)
Other Income (Deductions) reduced income by $94.5 million in 2013 compared to a reduction in income of $103.0 million in the prior year. The decrease in deductions is primarily due to a decrease in interest expense of $4.7 million resulting from the maturity of $420.3 million of long-term debt in March 2013 and $315.0 million of long-term debt in November 2012, and lower average short-term borrowings partially offset by higher interest expense from the issuance of $750 million of long-term debt in June 2012. Other, net of $4.1 million was recorded in 2013 compared to $0.3 million in 2012 . The increase in other, net is primarily attributable to AFUDC earnings at Northern Indiana.

Income Taxes
Income tax expense for the first quarter of 2013 was $118.2 million compared to $102.2 million in the prior year. NiSource's interim effective tax rates reflect the estimated annual effective tax rates for 2013 and 2012, adjusted for tax expense associated with certain discrete items. The effective tax rates for the three months ended March 31, 2013 and 2012 were 35.4% and 34.7% , 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.

On January 2, 2013, the President signed into law the American Taxpayer Relief Act of 2012 (ATRA). ATRA, among other things, extends retroactively the research credit under Internal Revenue Code section 41 until December 31, 2013, and also extends and modifies 50% bonus depreciation for 2013. In general, 50% bonus depreciation will be available for property placed in service before January 1, 2014, or in the case of certain property having longer production periods, before January 1, 2015. NiSource recorded the effects of ATRA in the first quarter 2013. The retroactive extension of the research credit did not have a significant effect on net income.

On March 7, 2013, the congressional Joint Committee on Taxation took no exception to the conclusions reached by the IRS in its 2008-2010 audit examination. Therefore, in the first quarter of 2013, NiSource recognized a federal income tax receivable of $15.9 million that was related to the 2008 and 2009 tax years and increases in net operating loss carryforwards of $0.6 million that was related to uncertain tax positions in the 2010-2012 tax years. NiSource received payments of $75.1 million in March 2013 and $70.6 million in April 2013 of principal and interest from the IRS related to the audit examination. The recognition of the receivables and net operating loss carryforwards did not materially affect tax expense or net income.

Discontinued Operations
There was net income of $8.7 million in the first quarter of 2013 from discontinued operations compared to net income of $0.9 million in the first quarter of 2012 . The increase is primarily the result of a one-time settlement received in the first quarter of 2013. A gain on the disposition of discontinued operations of $36.4 million was recorded during the first quarter of 2013 as a result of the sale of the service plan and leasing business lines of NiSource's Retail Services business.

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 2013 .

Operating Activities
Net cash from operating activities for the three months ended March 31, 2013 was $449.1 million , a decrease of $30.9 million compared to the three months ended March 31, 2012 . The decrease in net cash from operating activities was primarily due to a decrease in working capital from accounts receivable of $288.8 million due to the timing of receipts and colder weather in the current period. This decrease was partially offset by an increase in net income, higher working capital from accounts payable of $66.7 million due to the reasons noted above, an increase in working capital from income tax receivables of $50.2 million due to a refund received in 2013, and increased working capital of $43.6 million from inventory due to the timing and weather noted above.

Pension and Other Postretirement Plan Funding. NiSource expects to make contributions of approximately $11.3 million to its pension plans and approximately $40.4 million to its postretirement medical and life plans in 2013 , which could change depending on market conditions. For the three months ended March 31, 2013 , NiSource has contributed $5.5 million to its pension plans and $10.1 million to its other postretirement benefit plans.

Investing Activities

NiSource's capital expenditures for the three months ended March 31, 2013 were $369.3 million , compared to $291.8 million for the comparable period in 2012 . This increased spending is mainly due to higher expenditures in the Columbia Pipeline Group Operations segment for various growth projects primarily in the Marcellus and Utica Shale areas and for expenditures under its modernization replacement program. Additionally, there were increased expenditures in the Electric Operations segment due primarily to the FGD projects. NiSource projects 2013 capital expenditures to be approximately $1.8 billion .

Restricted cash was $23.1 million and $46.8 million as of March 31, 2013 and December 31, 2012 , 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 15, "Long-Term Debt," in the Notes to Condensed Consolidated Financial Statements (unaudited) for information on long-term debt.

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

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. The program capacity was expanded to $1.5 billion with the addition of RBS as a fifth dealer on February 15, 2013. Commercial paper issuances are supported by available capacity under NiSource's $1.5 billion unsecured revolving credit facility, which expires in May 2017.

NiSource Finance had no outstanding borrowings under its five-year revolving credit facility at March 31, 2013 and borrowings of $44.0 million at December 31, 2012 , at a weighted average interest rate of 3.73% . In addition, NiSource Finance had $686.5 million in commercial paper outstanding at March 31, 2013 , at a weighted average interest rate of 1.02% and $499.6 million in commercial paper outstanding at December 31, 2012 , at a weighted average interest rate of 1.11% .

As of March 31, 2013 and December 31, 2012 , NiSource had $444.7 million and $233.3 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 March 31, 2013 NiSource had $36.2 million of stand-by letters of credit outstanding of which $18.3 million were under the revolving credit facility. At December 31, 2012 , NiSource had $36.4 million of stand-by letters of credit outstanding of which $ 18.3 million were under the revolving credit facility.

As of March 31, 2013 , an aggregate of $795.2 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.

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 25, 2013, 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 11, 2012, 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 16, 2012, Moody's Investors Service affirmed the senior unsecured ratings for NiSource at Baa3, and the existing ratings of all other subsidiaries. Moody's outlook for NiSource and all of its subsidiaries is

stable. Although all ratings continue to be investment grade, a downgrade by Standard & Poor's, Moody's or Fitch would result in a rating that is below investment grade.

Certain NiSource affiliates have agreements that contain "ratings triggers" that require increased collateral if the credit ratings of NiSource or certain of its subsidiaries are rated below BBB- by Standard & Poor's or Baa3 by Moody's. These agreements are primarily for insurance purposes and for the physical purchase or sale of power. The collateral requirement that would be required in the event of a downgrade below the ratings trigger levels would amount to approximately $31.9 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.

Contractual Obligations. Refer to Note 12, "Income Taxes," in the Notes to Condensed Consolidated Financial Statements (unaudited) for material changes recorded during the three months ended March 31, 2013 to NiSource's uncertain tax positions recorded as of December 31, 2012 .

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

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, compliance 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.

Interest Rate Risk

NiSource is exposed to interest rate risk as a result of changes in interest rates on borrowings under its revolving credit agreement, term loan, commercial paper program and accounts receivable programs, which have interest rates that are indexed to short-term market interest rates. NiSource is also exposed to interest rate risk due to changes in interest rates on fixed-to-variable interest rate swaps that hedge the fair value of long-term debt. Based upon average borrowings and debt obligations subject to fluctuations in

short-term market interest rates, an increase (or decrease) in short-term interest rates of 100 basis points (1%) would have increased (or decreased) interest expense by $4.0 million for the three months ended March 31, 2013 and $4.4 million for the three months ended March 31, 2012 .

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 zero , respectively, for the first quarter of 2013 . 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 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 $37.7 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 $262.0 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.

Other Information

Critical Accounting Policies
There were no significant changes to critical accounting policies for the period ended March 31, 2013 .

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

Dodd-Frank Financial Reform Act
The Dodd-Frank Wall Street Reform and Consumer Protection Act ("the Act") was passed by Congress on July 15, 2010 and was signed into law on July 21, 2010. The Act, among other things, establishes a Financial Stability Oversight Council ("FSOC") and a Consumer Financial Protection Bureau ("CFPB") whose duties will include the monitoring of domestic and international financial regulatory proposals and developments, as well as the protection of consumers. The FSOC may submit comments to the SEC and any standard-setting body with respect to an existing or proposed accounting principle, standard or procedure. The Act also creates increased oversight of the over-the-counter ("OTC") derivative market, requiring certain OTC transactions in instruments defined as "swaps" under the new regulations to be cleared through a clearing house and requiring cash margins to be posted for those transactions. During 2012, the Commodity Futures Trading Commission ("CFTC') finalized most of its remaining key regulations under the Act, which started to go into effect in late 2012 in accordance with a schedule promulgated by the CFTC. Under the CFTC's final rules, very few of NiSource's transactions will be considered uncleared "swaps." To the extent any of NiSource's transactions come within the definition of a swap, NiSource has determined that it will qualify as an "end user" and, therefore, various exemptions from mandatory clearing and real-time reporting will apply to most such transactions. While the Act and the new regulations are expected to have some impact on capital markets and derivatives markets generally, NiSource does not expect the Act to have any material effect on its operations.

RESULTS AND DISCUSSION OF SEGMENT OPERATIONS

Presentation of Segment Information

NiSource's operations are divided into three primary business segments: Gas Distribution Operations, Columbia Pipeline Group (formerly known as 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

	Three Months Ended March 31,	
(in millions)	**2013**	2012
Net Revenues		
Sales revenues	**$ 1,145.1**	$ 1,061.0
Less: Cost of gas sold (excluding depreciation and amortization)	**593.8**	553.7
Net Revenues	**551.3**	507.3
Operating Expenses		
Operation and maintenance	**218.4**	200.1
Depreciation and amortization	**48.5**	46.1
Other taxes	**50.3**	50.8
Total Operating Expenses	**317.2**	297.0
Operating Income	**$ 234.1**	$ 210.3
Revenues ($ in millions)		
Residential	**$ 743.9**	$ 726.5
Commercial	**270.3**	241.7
Industrial	**65.0**	60.3
Off System	**79.4**	35.1
Other	**(13.5)**	(2.6)
Total	**$ 1,145.1**	$ 1,061.0
Sales and Transportation (MMDth)		
Residential	**132.0**	102.9
Commercial	**75.3**	61.2
Industrial	**133.3**	131.3
Off System	**21.7**	13.5
Other	**0.2**	0.1
Total	**362.5**	309.0
Heating Degree Days	**2,919**	2,262
Normal Heating Degree Days	**2,892**	2,931
% Colder (Warmer) than Normal	**1%**	(23)%
Customers		
Residential	**3,072,919**	3,050,576
Commercial	**281,933**	281,539
Industrial	**7,553**	7,859
Other	**23**	18
Total	**3,362,428**	3,339,992

NiSource's Gas Distribution Operations serve approximately 3.4 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 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. 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. Usage for the three months ended March 31, 2013 increased

from the same period last year primarily due to colder 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 costs incurred. 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 last approved base rate proceeding, 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, 2013 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 first quarter of 2013 was 1% colder than normal and 29% colder than the first quarter in 2012 .

Throughput
Total volumes sold and transported of 362.5 MMDth for the first quarter of 2013 increased by 53.5 MMDth from the same period last year. This 17.3% increase in volume was primarily attributable to colder weather.

Net Revenues
Net revenues for the first quarter of 2013 were $551.3 million , an increase of $44.0 million from the same period in 2012 . The increase in net revenues is due primarily to the effects of colder weather of $35.2 million, an increase of $9.3 million for regulatory and service programs, including the impacts from the rate case at Columbia of Massachusetts and the implementation of rates under Columbia of Ohio's approved infrastructure replacement program, and increased regulatory and tax trackers, which are offset in expense, of $3.7 million. These increases were partially offset by a decrease in industrial and commercial usage of $3.1 million.

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, 2013 was a revenue decrease of $24.7 million compared to a decrease of $36.2 million for the three months ended March 31, 2012.

Operating Income
For the first quarter of 2013 , Gas Distribution Operations reported operating income of $234.1 million , an increase of $23.8 million from the comparable 2012 period. Operating income increased as a result of higher net revenues, as described above, partially offset by increased operating expenses. Operating expenses were $20.2 million higher than the comparable period reflecting increased employee and administrative expenses of $7.9 million, higher outside service costs of $5.8 million, increased regulatory and tax trackers, which are offset in net revenue, of $3.7 million and an increase of $2.4 million in depreciation due to an increase in capital expenditures.

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

NiSource Inc.

Columbia Pipeline Group Operations

	Three Months Ended March 31,	
(in millions)	**2013**	2012
Net Revenues		
Transportation revenues	$ **210.9**	$ 218.1
Storage revenues	**50.5**	49.3
Other revenues	**40.0**	8.0
Total Sales Revenues	**301.4**	275.4
Less: Cost of sales (excluding depreciation and amortization)	**0.1**	0.9
Net Revenues	**301.3**	274.5
Operating Expenses		
Operation and maintenance	**132.6**	94.7
Depreciation and amortization	**25.7**	33.0
Gain on sale of assets	**(0.2)**	—
Other taxes	**16.8**	15.9
Total Operating Expenses	**174.9**	143.6
Equity Earnings in Unconsolidated Affiliates	**7.1**	7.7
Operating Income	$ **133.5**	$ 138.6
Throughput (MMDth)		
Columbia Transmission	**435.8**	379.4
Columbia Gulf	**190.2**	227.5
Crossroads Pipeline	**5.0**	4.3
Intrasegment eliminations	**(93.9)**	(105.7)
Total	**537.1**	505.5

NiSource's Columbia Pipeline Group Operations segment primarily consists of the operations of Columbia Transmission, Columbia Gulf, NiSource Midstream, NEVCO, Crossroads Pipeline, and the equity investments in Pennant, 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 Columbia Pipeline Group Operations segment operates one of the nation's largest underground natural gas storage systems.

Columbia Pipeline Group Operations' most significant projects are as follows:

Big Pine Gathering System Project. The Columbia Pipeline Group Operations segment is making an investment of approximately $160 million, which includes right-of-way acquisitions and installation, refurbishment and operation of approximately 57 miles of pipeline facilities in the hydrocarbon-rich Western Pennsylvania shale production region. The newly constructed pipeline will have an initial combined capacity of 425,000 Dth per day. Natural gas will initially be sourced from XTO Energy Inc., a subsidiary of ExxonMobil, Butler County, Pennsylvania production, and delivered to Columbia Transmission and two other third-party pipelines in Pennsylvania. The project was placed into service in April 2013.

Power Plant Generation Project. The Columbia Pipeline Group Operations segment is spending approximately $36 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.

West Side Expansion. The Columbia Pipeline Group Operations segment is planning to invest approximately $200 million in new pipeline and compression to increase supply origination from the Smithfield and Waynesburg areas on the Columbia Transmission system and provide a backhaul transportation path to Gulf Coast markets on the Columbia Gulf system. This investment will increase capacity up to 444,000 Dth per day from the Smithfield and Waynesburg areas and up to 540,000 Dth per day from Leach

to Rayne transporting Marcellus production under long-term, firm contracts. The project is expected to be in service by the fourth quarter of 2014 with limited interim service provided in 2012 through 2014.

East Side Expansion. The Columbia Pipeline Group Operations segment entered into binding precedent agreements with customers to develop its East Side Expansion project, which will provide access for Marcellus supplies to the Northeastern and Mid-Atlantic markets. The approximately $210 million project will add up to 300,000 Dth per day of capacity through pipeline looping and interconnects. The project is expected to be placed in service in mid-2015.

Giles County Project. The Columbia Pipeline Group Operations segment plans to spend nearly $25 million to construct nearly thirteen miles of pipeline to provide 45,000 Dth per day of firm service to a third party off of its Line KA system into Columbia of Virginia's system. Columbia of Virginia will expand pipeline facilities and an existing direct connection with the third party's plant in Giles County, Virginia. The project is planned to be in-service by the fourth quarter 2014.

Equity Investments

Pennant. NiSource Midstream entered into a 50:50 joint venture in 2012 with affiliates of Hilcorp to construct new wet natural gas gathering pipeline infrastructure and natural gas liquids (NGL) processing facilities to support natural gas production in the Utica Shale region of northeastern Ohio and western Pennsylvania. NiSource Midstream and Hilcorp jointly own Pennant with NiSource Midstream serving as the operator of Pennant and the facilities. NiSource accounts for the joint venture under the equity method of accounting.

Pennant is investing in the construction of approximately 50 miles of 20-24 inch wet gas gathering pipeline facilities with a capacity of approximately 600 Mcf per day. In addition, Pennant is installing an initial 200 Mcf per day cryogenic natural gas processing plant in Ohio. Consistent with the terms of the joint venture, NiSource Midstream will operate the cryogenic processing facility and associated wet gas gathering system. The joint venture is designed and anticipated to serve other producers with significant acreage development in the area with interest in obtaining capacity on the system. NiSource Midstream's initial investment in this area, including the pipeline and the processing plant, is expected to be approximately $150 million. The facilities are expected to be in service in the second half of 2013.

During the first quarter of 2013, NiSource Midstream made a cash contribution to Pennant of $10.5 million. No cash contributions were made to Pennant during the first quarter of 2012.

In a separate agreement with Hilcorp, test wells were drilled in 2012 and are being drilled in 2013 to support the development of the hydrocarbon potential on more than 100,000 combined acres in the Utica/Point Pleasant Shale formation. Delineation and test wells have continued in 2013 with a full development program to be developed over the course of the year. NiSource will invest alongside Hilcorp in the development of the acreage, owning both a working and overriding royalty interest. All of the Hilcorp/NiSource acreage is dedicated to Pennant.

Millennium. Millennium 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.

During the first quarter of 2013, Columbia Transmission made contributions of $6.7 million to Millennium to fund its share of capital projects and received distributions of earnings of $6.7 million. For the same period last year, contributions of $5.2 million were made and distributions of earnings of $12.4 million were received.

Millennium continued to make progress on two projects, which began in 2012, that will add nearly 30,000 hp of compression to its system, driven to meet the contractual obligations of its anchor shippers. The first project will increase capacity at its interconnections with Algonquin Gas Transmission to 675,000 Dth per day, a total investment of approximately $45 million. The first project is projected to be in service by the end of the second quarter 2013. The second project includes a total investment of approximately $45 million that will increase capacity by 175,000 Dth per day with interconnections to other third-party facilities. The second project is expected to be in service in the fourth quarter 2013. Columbia Transmission's share of the above investments is limited to its 47.5% interest in Millennium.

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

NiSource Inc.

Columbia Pipeline Group Operations

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.

During the first quarters of 2013 and 2012, NiSource received $0.4 million and $0.5 million of available accumulated earnings, respectively. NiSource made no contributions during 2013 or 2012.

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 Columbia Pipeline Group Operations segment due to changes in near-term supply and demand conditions. For the quarter ended March 31, 2013 , approximately 92.1% 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 91.8% and 6.5%, respectively, for the quarter ended March 31, 2012 .

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. Columbia Pipeline Group 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, 2013 and 2012 , approximately 1.4% and 1.7%, 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 Columbia Pipeline Group Operations segment.

Environmental Matters

Various environmental matters occasionally impact the Columbia Pipeline Group Operations segment. As of March 31, 2013 , 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 Columbia Pipeline Group 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.

NiSource Inc.

Columbia Pipeline Group Operations

Throughput for the Columbia Pipeline Group Operations segment totaled 537.1 MMDth for the three months ended March 31, 2013 , compared to 505.5 MMDth for the same period in 2012 . The increase of 31.6 MMDth was primarily attributable to colder weather, which drove a majority of the increase on the Columbia Transmission system.

Net Revenues

Net revenues were $301.3 million for the first quarter of 2013 , an increase of $26.8 million from the same period in 2012 . The increase in net revenues is due primarily to higher regulatory trackers, which are offset in expense, of $29.8 million, higher commodity and demand revenue of $3.8 million as a result of growth projects placed in service, and a settlement of $2.5 million during the first quarter of 2013. These increases were partially offset by the impacts of the customer settlement at Columbia Transmission, which decreased net revenues by $9.1 million.

Operating Income

Operating income was $133.5 million for the first quarter of 2013 , a decrease of $5.1 million from the first quarter of 2012. This decrease is due to an increase in operating expenses, partially offset by higher net revenues, as described above. Operating expenses increased $31.3 million primarily as a result of increased regulatory trackers, which are offset in revenue, of $29.8 million, increased outside service costs of $3.2 million, and higher employee and administrative expenses of $1.9 million. These increases were partially offset by lower depreciation of $8.6 million as a result of the Columbia Transmission customer settlement.

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)	**2013**	2012
Net Revenues		
Sales revenues	$ **377.6**	$ 353.1
Less: Cost of sales (excluding depreciation and amortization)	**124.9**	116.1
Net Revenues	**252.7**	237.0
Operating Expenses		
Operation and maintenance	**107.9**	113.7
Depreciation and amortization	**63.2**	60.9
Other taxes	**16.4**	16.2
Total Operating Expenses	**187.5**	190.8
Operating Income	$ **65.2**	$ 46.2
Revenues ($ in millions)		
Residential	$ **108.3**	$ 96.0
Commercial	**103.7**	100.4
Industrial	**159.4**	158.0
Wholesale	**1.7**	0.4
Other	**4.5**	(1.7)
Total	$ **377.6**	$ 353.1
Sales (Gigawatt Hours)		
Residential	**864.1**	781.2
Commercial	**921.2**	907.8
Industrial	**2,319.6**	2,385.0
Wholesale	**61.3**	19.1
Other	**33.2**	32.5
Total	**4,199.4**	4,125.6
Electric Customers		
Residential	**401,559**	400,348
Commercial	**54,084**	53,928
Industrial	**2,373**	2,457
Wholesale	**725**	717
Other	**6**	16
Total	**458,747**	457,466

NiSource generates and distributes electricity, through its subsidiary Northern Indiana, to approximately 459 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.

Electric Supply

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

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

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 March 31, 2013 , 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 three months ended March 31, 2013 were 4,199.4 gwh, an increase of 73.8 gwh compared to the same period in 2012 . The 1.8% increase is primarily attributable to an increase in residential and wholesale usage.

Net Revenues
Net revenues were $252.7 million for the first quarter of 2013, an increase of $15.7 million from the same period in 2012. The increase in net revenues is due primarily to an increase in environmental cost recovery of $6.6 million due to an increased plant balance eligible for recovery, transmission upgrade revenue of $6.3 million, and $5.7 million due to the effects of weather. These increases were partially offset by a decrease in a RTO recovery mechanism of $3.0 million.

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, 2013 was a revenue decrease of $7.2 million compared to an decrease of $20.1 million for the three months ended March 31, 2012 .

Operating Income
For the first quarter of 2013, Electric Operations reported operating income of $65.2 million , an increase of $19.0 million from the comparable 2012 period. Operating income increased as a result of higher net revenues, as described above, and decreased operating expenses. Operating expenses decreased $3.3 million due primarily to lower electric generation costs of $9.1 million as a result of the timing of planned and unplanned outages and decreased MISO fees of $3.0 million. These decreases were partially offset by increased employee and administrative expenses of $3.6 million, a 2012 legal reserve adjustment of $3.1 million and increased depreciation and amortization of $2.3 million as a result of increased capital spend.

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.

There were no material changes from the legal proceedings disclosed in NiSource's 2012 Annual Report on Form 10-K filed on February 19, 2013.

ITEM 1A. RISK FACTORS

There were no material changes from the risk factors disclosed in NiSource's 2012 Annual Report on Form 10-K filed on February 19, 2013.

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.

(31.1)	Certification of Robert C. Skaggs, Jr., Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
(31.2)	Certification of Stephen P. Smith, Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
(32.1)	Certification of Robert C. Skaggs, Jr., Chief Executive Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
(32.2)	Certification of Stephen P. Smith, Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
(101.INS)	XBRL Instance Document
(101.SCH)	XBRL Schema Document
(101.CAL)	XBRL Calculation Linkbase Document
(101.LAB)	XBRL Labels Linkbase Document
(101.PRE)	XBRL Presentation Linkbase Document
(101.DEF)	XBRL Definition Linkbase Document

Pursuant to Item 601(b)(4)(iii) of Regulation S-K, NiSource hereby agrees to furnish the SEC, upon request, any instrument defining the rights 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 the undersigned thereunto duly authorized.

NiSource Inc.
(Registrant)

Date: April 30, 2013

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

Exhibit 31.1

Certification Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002

I, Robert C. Skaggs, Jr., certify that:

1. I have reviewed this Quarterly Report of NiSource Inc. on Form 10-Q for the quarter ended March 31, 2013 ;

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: April 30, 2013 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 March 31, 2013 ;

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: April 30, 2013

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, 2013 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: April 30, 2013

Exhibit 32.2

Certification Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of NiSource Inc. (the "Company") on Form 10-Q for the quarter ending March 31, 2013 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: April 30, 2013