



EQUITY RESEARCH | INSTANT INSIGHTS

19 March 2013

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BCI, New
York

NI: Columbia Gas of Pennsylvania Settlement Reached

Stock Rating/Industry View: Overweight / Positive

Price Target: \$29

Price (18-Mar-2013): \$28.10

Potential Upside/Downside: 3%

Ticker: NI

On March 15, NI's Columbia Gas of Pennsylvania utility entered into a settlement with the Pennsylvania PUC and consumer advocates for its rate case filed in September 2012. The agreement allows for a \$55.25 million revenue increase, compared to an ask of \$77.3 million. The black box settlement was silent on ROE and other traditional rate case parameters. Importantly, however, the settlement allows for a forecasted rate base, to be based on a projection through June 30, 2014, and a quarterly tracker for infrastructure capex not included in base rates.

The constructive result was consistent with our expectations, as the new recovery mechanisms were enabled by Act 11, a state law enacted in 2012 allowing utilities to 1) recover modernization costs via a quarterly-adjusted distribution system improvement charge (DSIC) based on costs incurred in the previous quarter, and 2) use fully forecasted test years in rate case filings. With this settlement, we note that nearly all 7 of the states in which NI's gas utilities operate now have expedited rate treatment. We estimate Columbia Gas of Pennsylvania represents around 20% of total rate base for NI's Gas Distribution segment.



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1 February 2013

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NI: Divestiture of Non-Core Gas Retail Services Announced

Stock Rating/Industry View: Overweight / Positive

Price Target: \$27

Price (31-Jan-2013): \$27.03

Potential Upside/Downside: 0%

Ticker: NI

On January 31, NI announced the sale of a portion of its non-core Natural Gas Distribution retail services business for around \$120 million to AGL Resources. The sale encompasses the ESP and Columbia Retail Services businesses, which provide appliance repair services and line protection insurance for residential and small-business gas utility customers. We believe the divestiture of the non-core assets for NI would allow the company to further invest in its core utility and infrastructure businesses.

We expect no significant earnings impact for NI in 2012 and 2013. However, the proceeds from the sale could potentially offset the size of the equity offering expected in 2015. In our view, NI could apply the proceeds towards its \$1.5-1.8 billion annual infrastructure investment plan.



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25 January 2013

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NI: FERC Approves Columbia Gas Transmission Customer Settlement

Stock Rating/Industry View: Overweight / Positive

Price Target: \$27

Price (24-Jan-2013): \$26.50

Potential Upside/Downside: 2%

Ticker: NI

Earlier today the FERC approved Columbia Gas Transmission's settlement with customers, laying out a multi-year plan for pipeline infrastructure investment. The settlement was approved in its original form. We believe this result was positive but largely in line with expectations, given the broad support among pipeline customers for the settlement prior to its approval.

The settlement provides for \$300 million per year in growth capex and \$100 million per year in maintenance capex over an initial 5-year period from 2013 to 2017. It also provides for an annual tracker for recovery of returns, taxes, and depreciation. Investments include replacing 1,000 miles of aging interstate pipeline, upgrading compressors along the pipeline system, and increasing system reliability and maintenance capabilities. As previously announced, the settlement would come with a \$25 million annual refund to customers starting in 2014. A \$50 million refund was recorded as a charge in 3Q12 towards the 2012 and 2013 years. The settlement should be earnings-accretive in 2014, and cash-accretive in 2015.

Over the longer term, there are opportunities to expand the settlement plan beyond the initial 5-year period to include a total of around \$4 billion in capex over a 10-15 year period.



NiSource, Inc.

Plenty of Value Left

A high-quality utility: NI is one of our favorite utility stocks with a deep capital spending program underpinned by solid regulation. We believe NI is one of the highest quality names in our coverage with: 1) long-term capex visibility supporting ~10% rate base growth in the regulated businesses over at least the next 5 years; 2) supportive regulation across its geographic footprint; and 3) an attractive valuation that we believe provides optionality and upside to expansion of its capex program above \$1.8 billion per year and possible dividend growth acceleration.

Levered to the right themes: NI benefits from the build out of natural gas infrastructure in the Marcellus and Utica shale plays. We see several opportunities for NI to grow its midstream footprint, including an extension of the Pennant JV to Phase II, pipeline expansions if additional LNG export terminals in Louisiana and Maryland are built, and the potential to monetize its acreage in the Utica. On the Electric side, NI also has two MISO transmission projects in Indiana currently in the planning stages, which combined with a 7-year T&D modernization tracker plan to be filed in Q3 should lead to sustained growth over the next several years behind the current environmental backlog.

NI has transitioned from being a catalyst-driven story to an execution story: With improvements in the regulatory environment over the last two years and a \$1.5-1.8 billion per year capex program in place over at least the next several years, we believe the lack of catalysts in the near term has become less relevant given the low-risk nature of the projects and regulatory quality. Our Overweight call is not predicated on a potential MLP as a near-term catalyst.

Valuation remains attractive: We see a 9.6% return potential for shares based on our sum of the parts. We apply a 16.2x 2015 P/E multiple, which is a 10% high-quality premium to regulated utility group to the Electric and Gas Distribution segments, a 9.5x EV/EBITDA multiple for the Pipeline Group, and \$1.50/share for NI's Utica acreage.

NI: Quarterly and Annual EPS (USD)

FY Dec	2012		2013		2014		Change y/y		
	Actual	Old	New	Cons	Old	New	Cons	2013	2014
Q1	0.76A	0.69A	0.69A	0.69A	N/A	N/A	0.76E	-9%	N/A
Q2	0.23A	N/A	N/A	0.25E	N/A	N/A	0.27E	N/A	N/A
Q3	0.05A	N/A	N/A	0.15E	N/A	N/A	0.15E	N/A	N/A
Q4	0.44A	N/A	N/A	0.48E	N/A	N/A	0.47E	N/A	N/A
Year	1.46A	1.56E	1.56E	1.55E	1.68E	1.68E	1.67E	7%	8%
P/E	20.6		19.3			17.9			

Source: Barclays Research.

Consensus numbers are from Thomson Reuters

Stock Rating	OVERWEIGHT Unchanged
Industry View	POSITIVE Unchanged
Price Target	USD 32.00 Unchanged

Price (11-Jul-2013)	USD 30.14
Potential Upside/Downside	+6%
Tickers	NI

Market Cap (USD mn)	9405
Shares Outstanding (mn)	312.04
Free Float (%)	99.20
52 Wk Avg Daily Volume (mn)	2.2
Dividend Yield (%)	3.2
Return on Equity TTM (%)	8.03
Current BVPS (USD)	18.25

Source: FactSet Fundamentals

Price Performance	Exchange-NYSE
52 Week range	USD 31.39-23.14



[Link to Barclays Live for interactive charting](#)

North America Utilities

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NiSource, Inc (NI)

Stock Rating: OVERWEIGHT

Income statement (\$mn)	2012A	2013E	2014E	2015E	CAGR
EBITDA (adj)	1,633	1,765	1,898	2,037	7.6%
EBIT (adj)	1,071	1,170	1,266	1,373	8.6%
Pre-tax income (adj)	656	705	766	838	8.5%
Net income (adj)	N/A	N/A	N/A	N/A	N/A
EPS (adj) (\$)	1.46	1.56	1.68	1.77	6.7%
Diluted shares (mn)	291.9	293.8	295.5	307.6	1.8%
DPS (\$)	0.96	1.00	1.08	1.12	5.3%

Price (11-Jul-2013) USD 30.14
 Price Target USD 32.00
 Why Overweight? We rate NI as an Overweight because of the attractive risk/reward profile from NI's well-defined rate base growth strategy which we see as relatively low-risk. Moreover, we believe additional value can be captured in NI's shale acreage, to which we assign a value of \$1.50/share.

Margin and return data	2012A	2013E	2014E	2015E	Average
EBITDA (adj) margin (%)	32.2	32.1	33.4	34.7	33.1
EBIT (adj) margin (%)	21.1	21.3	22.3	23.4	22.0
Pre-tax (adj) margin (%)	12.9	12.8	13.5	14.3	13.4
Net (adj) margin (%)	8.4	8.3	8.8	9.3	8.7
ROIC (%)	8.3	8.5	8.6	8.6	8.5
ROA (%)	2.0	2.0	2.1	2.1	2.0
ROE (%)	7.7	7.9	8.3	8.3	8.1

Upside case USD 36.00
 Our upside case assigns a 11x 2015 EV/EBITDA multiple to the Columbia Pipeline Group under an MLP scenario.

Downside case USD 27.00
 Our downside case assumes NI trades in-line with the regulated group's multiple on 2015 EPS.

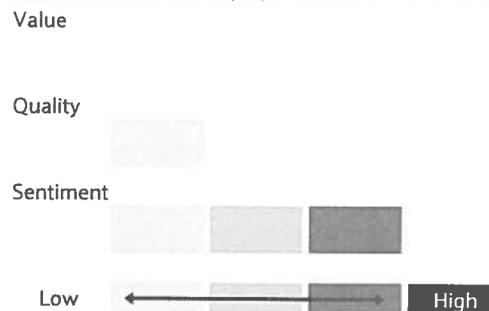
Balance sheet and cash flow (\$mn)	2012A	2013E	2014E	2015E	CAGR
Net PP&E	12,916	14,107	15,225	16,312	8.1%
Total net assets	21,845	23,131	24,261	25,534	5.3%
Capital employed	12,881	13,809	14,788	16,061	7.6%
Shareholders' equity	5,554	5,774	6,003	6,553	5.7%
Net debt/(funds)	7,243	7,934	8,705	9,273	8.6%
Cash flow from operations	1,276	1,259	1,248	1,176	-2.7%
Capital expenditure	-1,499	-1,787	-1,750	-1,750	N/A
Free cash flow	-359	-719	-646	-571	N/A
Pre-dividend FCF	-86	-425	-327	-226	N/A

Upside/Downside scenarios



Valuation and leverage metrics	2012A	2013E	2014E	2015E	Average
P/E (adj) (x)	20.6	19.3	17.9	17.0	18.7
EV/EBITDA (adj) (x)	9.8	9.5	9.2	8.9	9.3
EV/EBIT (adj) (x)	15.0	14.3	13.8	13.2	14.1
P/BV (x)	1.6	1.5	1.5	1.4	1.5
Dividend yield (%)	3.2	3.3	3.6	3.7	3.5
Total debt/capital (%)	56.9	58.2	59.4	59.2	58.4
Net debt/EBITDA (adj) (x)	N/A	N/A	N/A	N/A	N/A

POINT® Quantitative Equity Scores



Source: POINT. The scores are valid as of the date of this report and are independent of the fundamental analysts' views. To view the latest scores, click here.

Source: Company data, Barclays Research
 Note: FY End Dec

A High Quality Utility Levered to Midstream Buildout

Investment Thesis

The extended period of strong regulated utility group performance in 2011-1H13 saw a convergence in valuations across the group, despite differences in regulatory quality, earnings and dividend growth visibility, or business risk. With the recent rise in interest rates following signals from the Federal Reserve indicating coming changes in monetary policy, we believe valuations within the group will again begin to diverge. In this environment we prefer utilities with regulatory certainty and clarity with regards to earnings and dividend growth prospects. Since over the next two years, we expect rate base growth across the regulated utility space to moderate from a ~6% annual rate to a more normal ~3% growth rate after 2015 as compliance-driven environmental spending tapers, we also favor utilities levered to transmission growth and midstream gas infrastructure build out. We believe those companies offer the potential to sustain further rate base growth beyond the current environmental-driven capex cycle.

In our view, NiSource is a high-quality core utility holding with a significant capital spending backlog driving rate base growth with constructive regulation across its footprint. The company differentiates itself from the rest of the space with the high level of visibility regarding its spending program beyond the 2015 timeframe. The capital spending in its electric utility, gas utility, and interstate gas pipeline operations largely earn rates under expedited/tracker recovery. We reiterate our Overweight rating on shares as it remains one of our favorite names among regulated utilities.

The Valuation is Still Attractive

We believe it is appropriate to assign a 10% premium to the regulated group multiple for the utility operation earnings given the quality of regulation and the high rate base growth visibility. Assigning a 9.5x EBITDA multiple to the Columbia Pipeline Group and \$1.50 per share for NI's Utica acreage, which we believe is still conservative, gives us a \$32 price target. This implies a 9.6% total return to shares without assuming any valuation uplift from an MLP.

Some Thoughts on MLP Opportunities

There has been considerable interest and speculation on whether NiSource will form an MLP from its Columbia Pipeline Group assets, especially given the recent activity within the MLP space, including the announcements from OGE Energy (OGE) and CenterPoint Energy (CNP). We believe the potential formation of an MLP remains on the periphery for upside longer-term but is not a core part of the story today, and NI shares remain attractive even without an MLP as a catalyst near-term.

We believe that an MLP remains on the table longer term but is not a near-term (next 12-18 months) prospect for 2 main reasons: 1) from a credit perspective forming an MLP could jeopardize NI's investment grade rating; and 2) the legacy Columbia assets are fully depreciated, which could lead to significant tax leakage under an MLP structure. Of these two, we believe the credit consideration is the gating factor, as, in our view, it could make sense for NI to pursue a drop-down growth strategy with a smaller initial asset dropdown as the company grows its midstream footprint.

Management indicated during meetings that capex could be north of the \$1.5-1.8 billion target range over the next several years. If this is the case, and with the reinstatement of dividend growth of 3-5% per year, we believe achieving an MLP transaction is not immediately on the horizon. That said, we highlight our view that the NI story is not

predicated on an MLP, but rather on execution of its growth strategy focused on visibility of returns.

So where is the upside, if not in an MLP?

We believe the upside for NI will be execution driven, with our thesis to play out over time as one of the best quality names in our space. Based on the company's current opportunity set and management comments, the company can likely achieve the higher end of \$1.5-1.8 billion capex program, which we believe will push earnings growth towards the higher end of its guided 5-7% earnings growth range. We also see the possibility of accelerating dividend growth to a 5-7% rate from 3-5% currently to match earnings growth.

A number of incremental investment opportunities would allow NiSource to achieve the higher end of its growth targets:

Indiana T&D Modernization Plan Filing

Under SB 560 enacted in Indiana in May, NIPSCO is expected to file a 7-year plan for capital spending to modernize and expand its electric distribution system in order to benefit from tracker recovery under the legislation. The company expects to file the plan some time in Q3. We believe the filing would give investors additional clarity on the capex run rate post-2015. Our current expectation is capex continuing at a run rate of \$400-450 million per year, which is the current level of spend.

Pennant Midstream JV "Phase II"

In July 2012, NiSource and Hilcorp Energy, a private oil exploration and production company, announced a joint venture investing in constructing midstream infrastructure in eastern Ohio and western Pennsylvania. "Phase I" of the JV consists of building 50 miles of gathering pipeline in eastern Ohio and western Pennsylvania, as well as a NGL processing plant with initial capacity of 200Mmcf per day, which is a total investment of \$300 million (\$150 million NI share). The company has indicated the possibility of expanding the Pennant Midstream JV with Hilcorp Energy to a "Phase II" by building pipeline and processing capacity, which would add an incremental \$300 million (\$150 million NI share) in capex.

LNG Exports

NI also has opportunities to identify and pursue additional pipeline projects transporting natural gas from the Marcellus to export terminals if additional LNG export terminals are approved. There could be up to \$1 billion in incremental natural gas midstream projects depending on additional LNG export terminal approvals.

We believe NI can deploy incremental capital in the Marcellus and Utica shale plays given the strategic location of its assets.

Monetization of Utica Lease Holdings

We estimate NiSource has roughly 163K acres of lease holdings in the Utica, much of it located in Ashland and Hocking counties in Ohio. A portion of the acreage, principally in Columbiana and Trumbull counties, is dedicated to the Pennant JV. We believe management is waiting for the rest of the play to develop and may be able to monetize the remaining acreage holdings, particularly in the western portion of the play through a similar arrangement with producers.

NiSource at a Glance

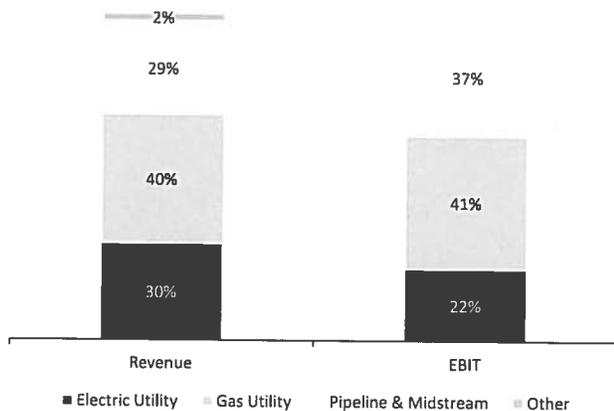
NiSource operates in three business segments, with most of its operations earning regulated rates of return and with a tilt towards natural gas transportation and distribution.

The company's electric utility business is NIPSCO Electric, which owns and operates electric generation, distribution, and transmission assets serving 455,000 customers in Northern Indiana. Rate base for NIPSCO Electric is around \$2.8 billion, and the utility has an authorized 10.20% ROE.

NiSource Gas Distribution is the company's largest segment by revenues and operating income. The segment consists of gas utilities in 7 states: Indiana, Ohio, Kentucky, Virginia, Pennsylvania, Maryland, and Massachusetts, which all operate under the Columbia Gas brand outside of Indiana. The service areas are geographically located around the Marcellus and Utica shale regions, which allow the utilities to be serviced by Ni's Columbia pipeline system. Collectively, the gas utilities have a rate base of around \$3.7 billion with an average allowed ROE of 10%.

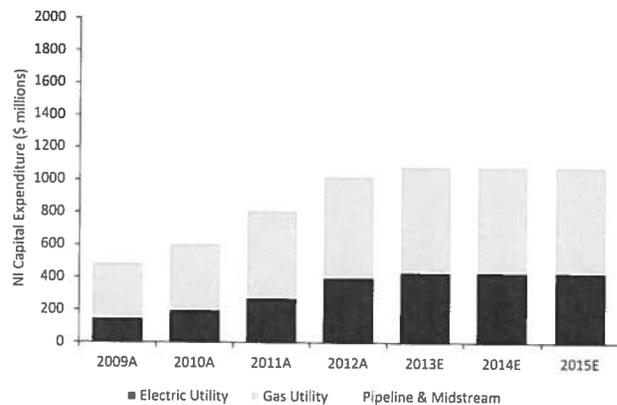
The Columbia Pipeline Group (formerly NiSource Gas Transmission & Storage) houses the company's interstate gas pipeline, storage, and midstream operations. CPG's assets and operations are principally located in the U.S. Northeast and Midwest around the Marcellus and Utica shale regions, which provide a range of pipeline expansion and midstream opportunities.

FIGURE 1
 NI 2012 Revenue and Operating Income by Segment



Source: Company filings

FIGURE 2
 NI Capital Expenditure Forecasts

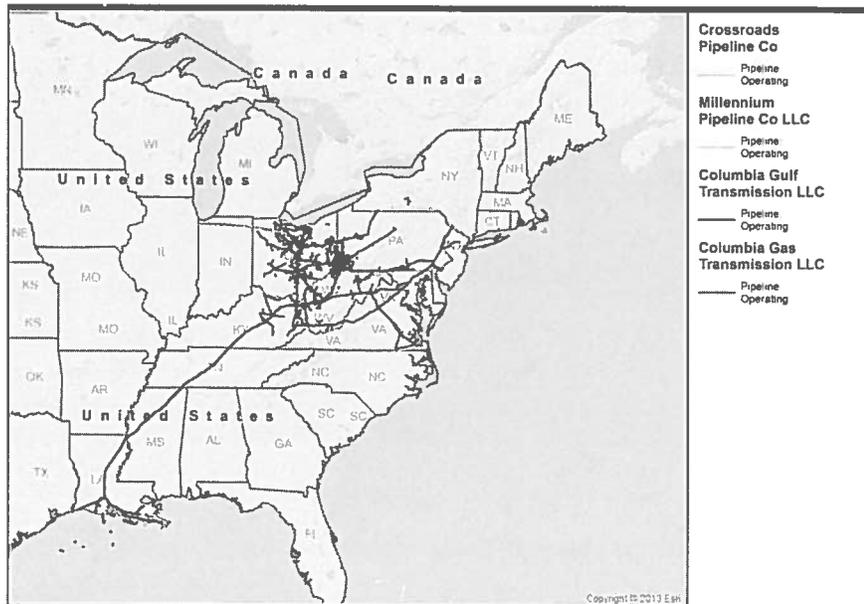


Source: Company filings, Barclays Research

Columbia Pipeline Group

The Columbia Pipeline Group (formerly NiSource Gas Transmission & Storage) operates a total of 15,000 miles of interstate natural gas pipelines and 37 storage fields across its footprint. The Columbia Gas Transmission system overlies the Marcellus and Utica shale regions, and the Columbia Gulf Transmission pipeline runs from the Marcellus to the Gulf Coast.

FIGURE 1
 CPG Pipeline Locations



Source: SNL Financial, Barclays Research

Columbia Pipeline Modernization Program

The company obtained a settlement with customers allowing a \$1.5 billion project to modernize and replace over 1,000 miles of aging pipeline in the Columbia Gas Transmission network. The project calls for \$300 million of growth capex and \$100 million of maintenance capex per year over an initial period of 5 years, with potential to extend the project to what can potentially be a \$4-5 billion opportunity over an extended 10-15 year period. We believe the program is a key driver of capex for the segment. Rates are determined by FERC formula rates and are recovered via tracker.

Pennant Midstream Joint Venture

In July 2012, NiSource and Hilcorp Energy, a private oil exploration and production company, announced a joint venture investing in constructing midstream infrastructure in eastern Ohio and western Pennsylvania. "Phase I" of the JV consists of building 50 miles of gathering pipeline in eastern Ohio and western Pennsylvania, as well as a NGL processing plant with initial capacity of 200Mmcf per day, which is a total investment of \$300 million (\$150 million NI share). The project, which is expected to be in service in 3Q13, is anchored with a long-term gathering and processing agreement and additional capacity can be sold to other producers in the region. There is the possibility of expanding the JV to a "Phase II" based on well results, which would be an additional \$300 million.

Big Pine Gathering System

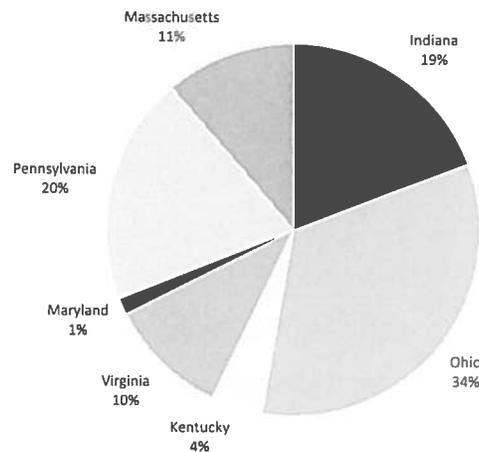
In June, NiSource completed a \$160 million 57-mile gathering system in the Marcellus play in Pennsylvania backed by a long-term gathering agreement with XTO Energy and another agreement with PennEnergy. We believe NI is in a position to execute additional projects in

the Marcellus and Utica of comparable size given the strategic location of its assets and management's track record.

NiSource Gas Distribution

NiSource Gas Distribution is the company's largest segment by revenues and operating income. The segment consists of gas utilities in 7 states: Indiana, Ohio, Kentucky, Virginia, Pennsylvania, Maryland, and Massachusetts, which all operate under the Columbia Gas brand outside of Indiana. The service areas are geographically located around the Marcellus and Utica shale regions, which allow the utilities to be serviced by NI's Columbia pipeline system. Collectively, the gas utilities have a rate base of around \$3.7 billion with an average allowed ROE of 10%.

FIGURE 2
Gas Distribution Rate Base by State



Source: Company filings, Barclays Research

Rate base growth at NiSource Gas Distribution is primarily driven by the Infrastructure Replacement Program, a multi-year program leading to annual capital spending of around \$600-650 million, which should lead to 7-9% annual operating earnings growth over the next several years. The spending program, which is in place for all the states except Indiana, is backed by forward test years or annual tracker filings in their respective jurisdictions. With the passage of SB 560 in Indiana in May, the company is evaluating opportunities to modernize and expand the system in the state, backed by the recently enacted tracker legislation.

NIPSCO Electric

NIPSCO Electric serves around 455,000 customers in Northern Indiana. As of year-end 2012, rate base for NIPSCO Electric was around \$2.8 billion, and earns an authorized 10.20% ROE. The segment is expected to invest \$400-450 million of annual capex leading to operating earnings growth of 7-9% over the next several years. This assumes flat to modest customer growth, which we believe is reasonable.

The main projects currently underway at NIPSCO Electric are environmental upgrades for the coal fleet. Flue Gas Desulfurization (FGD) facilities are being constructed for NIPSCO's Shahfer and Michigan City Generating Stations. The FGD units are expected to be in service before year-end 2015, and cost a total of \$740 million. NOx and MATS compliance upgrades comprise the balance of the capital program through 2015. Currently, these projects are all covered under Indiana's Environmental Cost Recovery Mechanism for tracker recovery.

In May, the Indiana General Assembly passed Senate Bill 560 allowing electric and gas utilities to recover costs for transmission, distribution, and storage improvements via a tracker, based on a commission approved 7- year plan for the projects.

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Primary Stocks (Ticker, Date, Price)

NiSource, Inc. (NI, 11-Jul-2013, USD 30.14), Overweight/Positive, A/C/D/J/K/L/M/O

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Equal Weight - The stock is expected to perform in line with the unweighted expected total return of the industry coverage universe over a 12-month investment horizon.

Underweight - The stock is expected to underperform the unweighted expected total return of the industry coverage universe over a 12-month investment horizon.

Rating Suspended - The rating and target price have been suspended temporarily due to market events that made coverage impracticable or to comply with applicable regulations and/or firm policies in certain circumstances including where the Corporate and Investment Banking Division of Barclays is acting in an advisory capacity in a merger or strategic transaction involving the company.

Industry View

Positive - industry coverage universe fundamentals/valuations are improving.

Neutral - industry coverage universe fundamentals/valuations are steady, neither improving nor deteriorating.

Negative - industry coverage universe fundamentals/valuations are deteriorating.

Below is the list of companies that constitute the "industry coverage universe":

North America Utilities

Alliant Energy (LNT)	Ameren Corp. (AEE)	American Electric Power (AEP)
American Water Works (AWK)	Aqua America (WTR)	Canadian Utilities Ltd. (CU.TO)
CenterPoint Energy Inc. (CNP)	CMS Energy (CMS)	Consolidated Edison (ED)
Dominion Resources (D)	DTE Energy (DTE)	Duke Energy (DUK)
Edison International (EIX)	Emera Inc. (EMA.TO)	Fortis Inc. (FTS.TO)
Great Plains Energy Inc. (GXP)	Hawaiian Electric Inds (HE)	ITC Holdings (ITC)
National Grid Plc (NGG)	NiSource, Inc. (NI)	Northeast Utilities (NU)
NV Energy, Inc. (NVE)	OGE Energy Corp. (OGE)	Pepco Holdings (POM)
PG&E Corp. (PCG)	Pinnacle West Capital (PNW)	PNM Resources (PNM)
Portland General Electric Co. (POR)	SCANA Corp. (SCG)	Sempra Energy (SRE)
Southern Co. (SO)	TECO Energy (TE)	Westar Energy (WR)
Wisconsin Energy (WEC)	Xcel Energy (XEL)	

Distribution of Ratings:

Barclays Equity Research has 2366 companies under coverage.

44% have been assigned an Overweight rating which, for purposes of mandatory regulatory disclosures, is classified as a Buy rating; 52% of companies with this rating are investment banking clients of the Firm.

41% have been assigned an Equal Weight rating which, for purposes of mandatory regulatory disclosures, is classified as a Hold rating; 47% of companies with this rating are investment banking clients of the Firm.

13% have been assigned an Underweight rating which, for purposes of mandatory regulatory disclosures, is classified as a Sell rating; 42% of companies with this rating are investment banking clients of the Firm.

IMPORTANT DISCLOSURES CONTINUED

Guide to the Barclays Research Price Target:

Each analyst has a single price target on the stocks that they cover. The price target represents that analyst's expectation of where the stock will trade in the next 12 months. Upside/downside scenarios, where provided, represent potential upside/potential downside to each analyst's price target over the same 12-month period.

Guide to the POINT® Quantitative Equity Scores:

The POINT Quantitative Equity Scores (POINT Scores) are based on consensus historical data and are independent of the Barclays fundamental analysts' views. Each score is composed of a number of standard industry metrics.

A high/low Value score indicates attractive/unattractive valuation. Measures of value include P/E, EV/EBITDA and Free Cash Flow.

A high/low Quality score indicates financial statement strength/weakness. Measures of quality include ROIC and corporate default probability.

A high/low Sentiment score indicates bullish/bearish market sentiment. Measures of sentiment include price momentum and earnings revisions.

These scores are valid as of the date of this report. To view the latest scores, which are updated monthly, [click here](#).

For a more detailed description of the underlying methodology for each score, please [click here](#).

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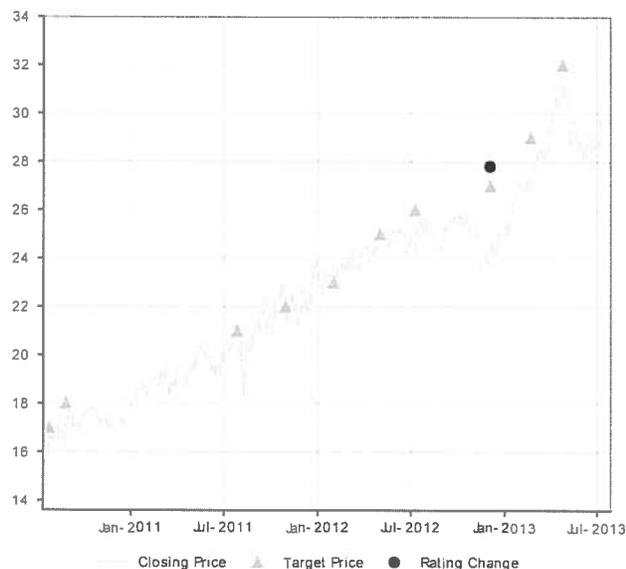
NiSource, Inc. (NI)
 USD 30.14 (11-Jul-2013)

Stock Rating
OVERWEIGHT

Industry View
POSITIVE

Rating and Price Target Chart - USD (as of 11-Jul-2013)

Currency=USD



Date	Closing Price	Rating	Price Target
24-Apr-2013	31.14		32.00
20-Feb-2013	27.04		29.00
03-Dec-2012	24.34	Overweight	27.00
09-Jul-2012	24.41		26.00
01-May-2012	25.33		25.00
01-Feb-2012	23.45		23.00
28-Oct-2011	22.52		22.00
26-Jul-2011	20.85		21.00
25-Aug-2010	16.90		18.00
23-Jul-2010	16.49		17.00

[Link to Barclays Live for interactive charting](#)

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Valuation Methodology: Our PT is based on a sum-of-the-parts valuation, assigning a 15.3x regulated utility group '15 P/E multiple for NIPSCO Electric and Gas Distribution, and a 9.5x '15 EV/EBITDA multiple for Gas Transmission & Storage. In addition we assign a \$1.50/share value to NI's western Utica acreage.

Risks which May Impede the Achievement of the Barclays Research Price Target: Risks to the outlook include the outcome of regulatory proceedings, rating agency actions, interest rates, and access to the capital markets.

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NISOURCE, INC.
NI Investor Day: Solid Story, Few Surprises

Greater Clarity, But Fairly Valued: Yesterday, on September 12, 2012, NI held an Investor Day meeting in which management outlined strategic initiatives in each of its three business segments centered on capex-driven growth. Management described capital investment opportunities that would allow the company to spend ~\$1.5-1.8 billion in capex annually over the next five years, driving 5-7% y/y operating EPS growth and sustaining 3-5% y/y dividend growth over the period. Overall, growth capital spending was modestly lower than what we had expected, but our view remains largely unchanged as we think the share price largely reflects the growth opportunities presented during the Investor Day meeting. We believe the better visibility into NI's capital investment plans provides for a clean, solid earnings growth story, and note that execution of growth projects and the company's ability to finance the significant capital needs under its plan while maintaining balance sheet health are key to the outlook.

Stable Growth: Management guided to operating earnings growth of 7-9% annually for Natural Gas Distribution and NIPSCO Electric, and 10-12% annually for Natural Gas Transmission & Storage over the next five years. We believe that these growth rates should be stable, as the businesses operate in fair regulatory environments with revenue structures that are relatively insulated to economic downturn risk.

Slightly Lower Estimates on CapEx: We reiterate our Equal Weight rating and our \$26 price target, while lowering our 2012, 2013, and 2014 EPS estimates to \$1.45/\$1.54/\$1.64 from \$1.46/\$1.57/\$1.70, respectively. We have adjusted our model to better reflect management's 2012 capex guidance of \$625 million in Gas Distribution, \$475 million in Natural Gas Transmission & Storage, and \$400 million in NIPSCO Electric.

NI: Quarterly and Annual EPS (USD)

FY Dec	2011		2012		2013			Change y/y	
	Actual	Old	New	Cons	Old	New	Cons	2012	2013
Q1	0.71A	0.76A	0.76A	0.76A	N/A	N/A	0.79E	7%	N/A
Q2	0.17A	0.23A	0.23A	0.23A	N/A	N/A	0.23E	35%	N/A
Q3	0.11A	N/A	N/A	0.15E	N/A	N/A	0.19E	N/A	N/A
Q4	0.35A	N/A	N/A	0.37E	N/A	N/A	0.41E	N/A	N/A
Year	1.35A	1.46E	1.45E	1.46E	1.57E	1.54E	1.56E	7%	6%
P/E	18.8		17.5			16.5			

Source: Barclays Research.
Consensus numbers are from Thomson Reuters

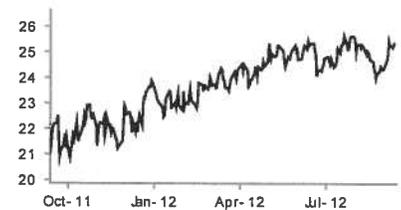
Stock Rating	EQUAL WEIGHT Unchanged
Industry View	POSITIVE Unchanged
Price Target	USD 26.00 Unchanged

Price (12-Sep-2012)	USD 25.35
Potential Upside/Downside	+3%
Tickers	NI

Market Cap (USD mn)	7222
Shares Outstanding (mn)	284.91
Free Float (%)	99.19
52 Wk Avg Daily Volume (mn)	2.8
Dividend Yield (%)	3.7
Return on Equity TTM (%)	6.40
Current BVPS (USD)	17.93

Source: FactSet Fundamentals

Price Performance	Exchange-NYSE
52 Week range	USD 26.15-20.31



[Link to Barclays Live for interactive charting](#)

North America Utilities

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PLEASE SEE ANALYST(S) CERTIFICATION(S) AND IMPORTANT DISCLOSURES BEGINNING ON PAGE 5.

COMPANY SNAPSHOT

NiSource, Inc

North America Utilities

Income statement (\$mn)	2011A	2012E	2013E	2014E	CAGR
EBITDA (adj)	1,500	1,621	1,722	1,828	6.8%
EBIT (adj)	961	1,078	1,174	1,275	9.9%
Pre-tax income (adj)	577	627	695	747	9.0%
Net income (adj)	378	416	460	494	9.3%
EPS (adj) (\$)	1.35	1.45	1.54	1.64	6.7%
Diluted shares (mn)	280	287	299	301	2.4%
DPS (\$)	0.92	0.96	1.00	1.04	4.1%

Stock Rating	EQUAL WEIGHT
Industry View	POSITIVE
Price (12-Sep-2012)	USD 25.35
Price Target	USD 26.00
Ticker	NI

Margin and return data	Average				
EBITDA (adj) margin (%)	25.9	27.4	28.4	29.5	27.8
EBIT (adj) margin (%)	16.6	18.2	19.4	20.6	18.7
Pre-tax (adj) margin (%)	10.0	10.6	11.5	12.0	11.0
Net (adj) margin (%)	6.5	7.0	7.6	8.0	7.3
ROIC (%)	4.9	5.1	5.2	5.3	5.1
ROA (%)	3.0	3.2	3.3	3.5	3.3
ROE (%)	7.6	7.5	8.0	8.3	7.8

Investment case

Why Equal Weight? We rate NI as Equal Weight because while the company has taken large steps recently to alleviate regulatory concerns, we see limited upside potential for the base business, which we value at a 10% premium to NI's regulated peers.

Upside case USD 28.00

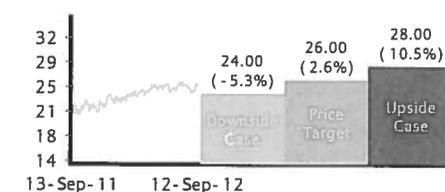
Our upside case on NI's base business embeds a 15% premium to the regulated group's multiple while additional upside may exist through the company's position around shale acreage that we assign \$1.50/sh of value to.

Downside case USD 24.00

Our downside case assumes NI trades at a 5% premium to the regulated group's multiple on '14 EPS.

Balance sheet and cash flow (\$mn)	CAGR				
Net PP&E	11,800	12,778	13,801	14,819	7.9%
Total net assets	20,708	22,121	23,187	24,093	5.2%
Capital employed	12,940	13,717	14,740	15,758	6.8%
Shareholders' equity	4,997	5,537	5,748	5,979	6.2%
Net debt/(funds)	7,942	8,180	8,992	9,779	7.2%
Cash flow from operations	870	1,159	1,008	1,047	6.4%
Capital expenditure	-1,131	-1,521	-1,571	-1,571	N/A
Free cash flow	-518	-638	-862	-837	N/A
Pre-dividend FCF	-260	-362	-563	-524	N/A

Upside/Downside scenarios



Source: Barclays Research

Valuation and leverage metrics	Average				
P/E (adj) (x)	18.8	17.5	16.5	15.5	17.1
EV/EBITDA (adj) (x)	10.3	9.7	9.6	9.5	9.7
EV/EBIT (adj) (x)	16.1	14.5	14.0	13.6	14.6
P/BV (x)	1.4	1.3	1.3	1.3	1.3
Dividend yield (%)	3.6	3.8	3.9	4.1	3.9
Total debt/capital (%)	38.4	37.0	38.8	40.6	38.7
Net debt/EBITDA (adj) (x)	N/A	N/A	N/A	N/A	N/A

Selected operating metrics

Payout ratio (%)	68.3	66.4	65.0	63.4
Interest cover (x)	2.6	2.4	2.5	2.4
Regulated (%)	100.0	100.0	100.0	100.0

Source: Company data, Barclays Research
 Note: FY End Dec

Segment Updates

Gas Transmission & Storage

The company expects to grow operating earnings at 10-12% annually over the longer term by investing \$500-700 million annually in capital expenditures.

NI recently obtained a settlement with the FERC in which the company would spend \$300 million in annual capex over an initial term of 5 years that will be used towards replacing over 1000 miles of aging pipeline and 100k horsepower of compression facilities in its Columbia Gas Transmission network. The settlement features trackers to minimize regulatory lag and contains provisions to extend the length of the investments beyond the initial 5-year term. This settlement, which is expected to be approved late 2012, is accompanied by an ongoing \$35 million rate reduction offset by depreciation, \$25 million in customer refunds for each of 2012 and 2013 booked in 3Q12, and an ongoing annual reduction of \$25 million in 2014 onwards. The settlement should be earnings-accretive in 2014 and cash-accretive in 2015. Over the longer term, NI expects to spend \$4-5 billion on infrastructure modernization.

Pipeline network expansions represent another \$3-4 billion capital investment, and will bring natural gas from the Marcellus and Utica shale regions to hubs in the Mid-Atlantic and Gulf regions. One key project is the West Side Expansion project, a \$200-250 million investment that will expand the Columbia Gas Transmission network by 440k dekatherms a day and bring 540k dekatherms a day to Gulf Coast markets out of Marcellus shale. The project is expected to come on-line in November 2014.

The company is also partnering with Marcellus and Utica region producers to develop midstream projects, primarily under fee-driven agreements. Notably, NI recently partnered with Hilcorp Energy Company (Hilcorp) to develop the Pennant Midstream project. The partnership will construct new pipeline infrastructure and natural gas liquids (NGL) processing facilities to support natural gas production and processing in the Utica shale region. NI has contributed 100k acres towards the JV in the first phase, with the possibility of additional phases in the future. Pennant Midstream is expected to come online in 3Q 2013, and will provide for processing capacity of 200k dekatherms a day and carry 400k dekatherms a day in throughput. Management noted that producers from surrounding regions have also expressed interest, and future phases are likely.

NIPSCO Electric

NI management expects to invest \$400-450 million annually in the utility, on which it expects to generate 7-9% annual operating earnings growth over the next several years assuming a flat economic outlook in Indiana.

Environmental upgrades on generation assets represent a potential ~\$1 billion investment opportunity over several years. The cost of these upgrades, which include the installation of scrubbers at the Schahfer and Michigan City plants (\$525-775 million capex), MATS compliance controls (\$80-200 million capex), water pollution controls (\$25-100 million capex), and ash disposal systems (\$100-300 million capex), is recoverable through trackers. In 2013, NI anticipates the passage of DSIC-type legislation which would allow for rate increases outside of general rate proceedings for aging infrastructure replacements. If the law is passed, NI would have no plans to file for rate cases in the next five years.

NIPSCO expects to earn close to its 10.2% allowed ROE, given the stable regulatory environment in Indiana and reduced regulatory lag due to a number of tracking mechanisms.

The utility also plans to invest \$500 million to \$1 billion in the FERC-regulated, transmission portion of the rate base. The company expects these costs to be spread across the entire MISO pool, resulting in only 3% of the costs to be borne by NIPSCO customers and an overall annual customer bill increase in-line with historical rates of inflation over the next several years.

Gas Distribution

The company expects to achieve annual operating earnings growth of 7-9% in the gas utility through \$600-650 million in annual capex spending. Management plans to spend ~75% of rate base investments on modernization. Company management also pointed to a stable revenue profile. Residential and commercial customers comprise ~90% of gross margins, of which 80% is hedged from throughput variability by rate design.

Financial Updates

Management reiterated 2012 EPS guidance of \$1.40–1.50 per share, with an EPS CAGR of 5-7% over the next five years. The company expects to grow dividends at a 3-5% CAGR while remaining within the limits of the board-approved 60-70% payout ratio policy.

Given the company's substantial capex spending plans over the five years, NI expects to issue ~\$1 billion in debt per year to meet financing needs. However, management emphasized its commitment to retaining its investment-grade credit rating, and expects to issue another \$300-400 million in equity in 2015 in addition to the \$340 million coming from the 2010 forward sale agreement and \$50 million from annual DRIPS. Company management stated that it does not foresee M&A as a potential avenue for funding.

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Primary Stocks (Ticker, Date, Price)

NiSource, Inc. (NI, 12-Sep-2012, USD 25.35), Equal Weight/Positive

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Our coverage analysts use a relative rating system in which they rate stocks as Overweight, Equal Weight or Underweight (see definitions below) relative to other companies covered by the analyst or a team of analysts that are deemed to be in the same industry (the "industry coverage universe").

In addition to the stock rating, we provide industry views which rate the outlook for the industry coverage universe as Positive, Neutral or Negative (see definitions below). A rating system using terms such as buy, hold and sell is not the equivalent of our rating system. Investors should carefully read the entire research report including the definitions of all ratings and not infer its contents from ratings alone.

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Overweight - The stock is expected to outperform the unweighted expected total return of the industry coverage universe over a 12-month investment horizon.

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North America Utilities

Alliant Energy (LNT)	American Electric Power (AEP)	American Water Works (AWK)
Aqua America (WTR)	Canadian Utilities Ltd. (CU.TO)	CenterPoint Energy Inc. (CNP)
CMS Energy (CMS)	Consolidated Edison (ED)	Dominion Resources (D)
DTE Energy (DTE)	Duke Energy (DUK)	Edison International (EIX)
Emera Inc. (EMA.TO)	Fortis Inc. (FTS.TO)	Great Plains Energy Inc. (GXP)
Hawaiian Electric Inds (HE)	ITC Holdings (ITC)	National Grid Plc (NGG)
NiSource, Inc. (NI)	Northeast Utilities (NU)	NV Energy, Inc. (NVE)

IMPORTANT DISCLOSURES CONTINUED

OGE Energy Corp. (OGE)	Pepco Holdings (POM)	PG&E Corp. (PCG)
Pinnacle West Capital (PNW)	PNM Resources (PNM)	Portland General Electric Co. (POR)
SCANA Corp. (SCG)	Sempra Energy (SRE)	Southern Co. (SO)
TECO Energy (TE)	Westar Energy (WR)	Wisconsin Energy (WEC)
Xcel Energy (XEL)		

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IMPORTANT DISCLOSURES CONTINUED

NiSource, Inc. (NI)
USD 25.35 (12-Sep-2012)

Stock Rating

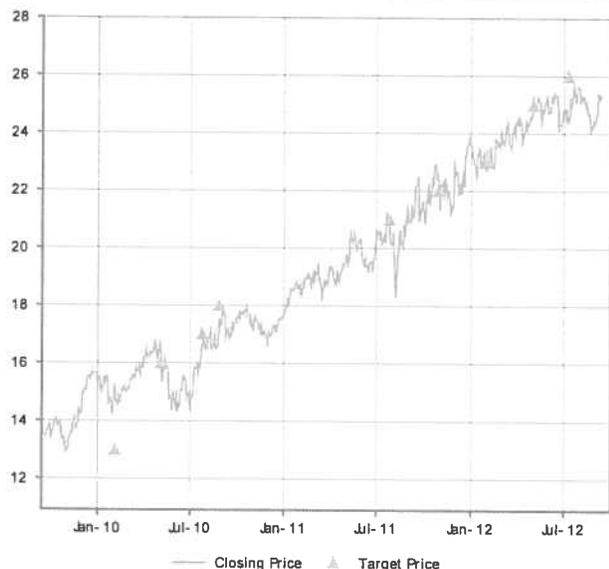
Industry View

EQUAL WEIGHT

POSITIVE

Rating and Price Target Chart - USD (as of 12-Sep-2012)

Currency=USD



Date	Closing Price	Rating	Price Target
09-Jul-2012	24.41		26.00
01-May-2012	25.33		25.00
01-Feb-2012	23.45		23.00
28-Oct-2011	22.52		22.00
26-Jul-2011	20.85		21.00
25-Aug-2010	16.90		18.00
23-Jul-2010	16.49		17.00
04-May-2010	16.60		16.00
02-Feb-2010	15.17		13.00

[Link to Barclays Live for interactive charting](#)

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Valuation Methodology: Our \$26 price target is premised upon our '14E EPS of \$1.64 and the '14 group PE multiple of 14.2x, adjusted upwards by 10% for NI's gas heavy business mix.

Risks which May Impede the Achievement of the Barclays Research Price Target: Risks to the outlook include the outcome of regulatory proceedings, rating agency actions, interest rates, and access to the capital markets.

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NISOURCE, INC.

Utica Joint Ventures Announced

Two Utica Joint Ventures: This morning NiSource announced two joint ventures with Hilcorp Energy Company (Hilcorp), a private oil & gas exploration company based in Houston, TX. The first joint venture will construct new pipeline infrastructure and natural gas liquids (NGL) processing facilities to support natural gas production in the Utica shale in northeast Ohio and western Pennsylvania. The first phase of the project will deploy \$300 million in capital later in 2012. The second joint venture, also with Hilcorp will develop hydrocarbons on a combined acreage block in the Utica/Point Pleasant share formation. NiSource will be a non-operating working interest owner in the total acreage position. Hilcorp will operate and manage the development of the combined acreage.

Working through the Numbers: We reiterate our 2-EW rating and are increasing our eps estimates from \$1.46/\$1.57/\$1.69E to \$1.48/\$1.60/\$1.73E on increased 2012 capex and royalty revenues related to the joint venture. We had assumed \$400 million in pipeline project capex and \$150 million in shale related capex annually from 2013, and have moved spending into '12 related to the joint venture. We also increased '14 revenues by \$10 million related to royalties from the shale joint venture. Our price target increases from \$25 to \$26. Valuation methodologies are provided below.

Oil Price Decline May Impact NGL: As the oil price has declined the more natural gas liquids (NGL) sensitive stocks have fallen related to the thought that lower oil prices may reduce NGL pricing and slow future drilling growth in the various national shale plays.

NI: Quarterly and Annual EPS (USD)

FY Dec	2011		2012		2013		Change y/y		
	Actual	Old	New	Cons	Old	New	Cons	2012	2013
Q1	0.71A	0.76A	0.76A	0.76A	N/A	N/A	0.77E	7%	N/A
Q2	0.17A	N/A	N/A	0.19E	N/A	N/A	0.21E	N/A	N/A
Q3	0.11A	N/A	N/A	0.16E	N/A	N/A	0.17E	N/A	N/A
Q4	0.35A	N/A	N/A	0.38E	N/A	N/A	0.40E	N/A	N/A
Year	1.35A	1.46E	1.48E	1.44E	1.57E	1.60E	1.53E	10%	8%
P/E	18.4		16.8			15.5			

Source: Barclays Research.
 Consensus numbers are from Thomson Reuters

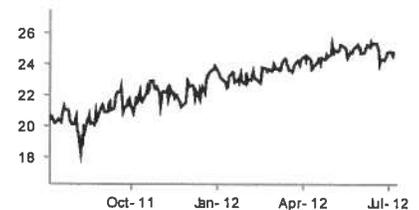
Stock Rating	2-EQUAL WEIGHT Unchanged
Sector View	1-POSITIVE Unchanged
Price Target	USD 26.00 raised 4% from USD 25.00

Price (06-Jul-2012)	USD 24.75
Potential Upside/Downside	+5%
Tickers	NI

Market Cap (USD mn)	7031
Shares Outstanding (mn)	284.09
Free Float (%)	99.18
52 Wk Avg Daily Volume (mn)	3.1
Dividend Yield (%)	3.7
Return on Equity TTM (%)	5.80
Current BVPS (USD)	17.90

Source: FactSet Fundamentals

Price Performance	Exchange-NYSE
52 Week range	USD 25.79-17.95



[Link to Barclays Live for interactive charting](#)

U.S. Utilities

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PLEASE SEE ANALYST(S) CERTIFICATION(S) AND IMPORTANT DISCLOSURES BEGINNING ON PAGE 4.

COMPANY SNAPSHOT

NiSource, Inc

U.S. Utilities

Income statement (\$mn)	2011A	2012E	2013E	2014E	CAGR
EBITDA (adj)	1,500	1,629	1,745	1,886	7.9%
EBIT (adj)	961	1,081	1,188	1,320	11.1%
Pre-tax income (adj)	577	646	740	827	12.7%
Net income (adj)	378	428	489	546	13.1%
EPS (adj) (\$)	1.35	1.48	1.60	1.73	8.7%
Diluted shares (mn)	280	290	307	315	4.0%
DPS (\$)	0.92	0.92	0.92	0.92	0.0%

Stock Rating	2-EQUAL WEIGHT
Sector View	1-POSITIVE
Price (06-Jul-2012)	USD 24.75
Price Target	USD 26.00
Ticker	NI

Margin and return data	Average				
EBITDA (adj) margin (%)	25.9	27.4	28.7	30.1	28.0
EBIT (adj) margin (%)	16.6	18.2	19.5	21.1	18.8
Pre-tax (adj) margin (%)	10.0	10.9	12.2	13.2	11.5
Net (adj) margin (%)	6.5	7.2	8.0	8.7	7.6
ROIC (%)	4.9	5.2	5.2	5.4	5.2
ROA (%)	3.0	3.3	3.4	3.6	3.3
ROE (%)	7.6	7.7	8.4	8.4	8.0

Investment case

Why a 2-Equal Weight? We rate NI as 2-EW because while the company has taken large steps recently to alleviate regulatory concerns, we see limited upside potential for the base business, which we value at a 5% premium to NI's regulated peers.

Upside case USD 29.00

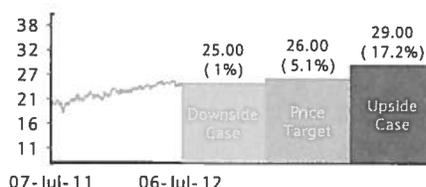
Our upside case on NI's base business embeds a 10% premium to the regulated group's multiple while additional upside may exist through the company's position around shale acreage that we assign \$1.50/sh of value to.

Downside case USD 25.00

Our downside case assumes NI trades in line with its regulated peers on '14 EPS.

Balance sheet and cash flow (\$mn)	CAGR				
Net PP&E	11,800	12,727	13,898	15,060	8.5%
Total net assets	20,708	21,642	22,734	23,945	5.0%
Capital employed	12,940	13,666	14,837	15,999	7.3%
Shareholders' equity	4,997	5,558	5,796	6,482	9.1%
Net debt/(funds)	7,942	8,108	9,042	9,518	6.2%
Cash flow from operations	870	1,176	1,046	1,112	8.5%
Capital expenditure	-1,131	-1,474	-1,728	-1,728	N/A
Free cash flow	-518	-565	-964	-906	N/A
Pre-dividend FCF	-260	-299	-682	-616	N/A

Upside/downside scenarios



Source: Barclays Research

Valuation and leverage metrics	Average				
P/E (adj) (x)	18.4	16.8	15.5	14.3	16.3
EV/EBITDA (adj) (x)	9.9	9.2	9.2	8.7	9.3
EV/EBIT (adj) (x)	15.5	13.9	13.4	12.5	13.8
P/BV (x)	1.4	1.3	1.3	1.2	1.3
Dividend yield (%)	3.7	3.7	3.7	3.7	3.7
Total debt/capital (%)	38.4	37.5	39.8	39.7	38.8
Net debt/EBITDA (adj) (x)	N/A	N/A	N/A	N/A	N/A

Selected operating metrics

Payout ratio (%)	68.3	62.4	57.7	53.1
Interest cover (x)	2.6	2.5	2.7	2.7
Regulated (%)	100.0	100.0	100.0	100.0

Source: Company data, Barclays Research
Note: FY End Dec

Utica Joint Ventures

Pennant Midstream LLC

Pennant Midstream LLC will be a joint venture between NiSource and Hilcorp that will build out and develop midstream assets in the shale acreage. The JV will initially invest in 50 miles of 20 inch gathering pipeline in northeast Ohio and western Pennsylvania. Pennant will also install a cryogenic NGL processing plant in Ohio that will have an initial capacity of 200 Mcf/day. NiSource Midstream Services, LLC will operate the system which should have initial volumes of 400 Mcf/day of both wet and dry gas. Upstream assets will provide a long term gathering and processing agreement to feed the midstream joint venture. Additional capacity will be marketed to other regional producers. The project is expected to be in service by the second half of 2013. The JV will also review several downstream options with potential partners, or alternatively self development of fractionation facilities.

Running Through Some Numbers

Our model had assumed \$400 million in pipeline related project cap-ex and \$150 million in shale related infrastructure capital per year beginning in 2013. We have moved a portion of the spending into 2012 to account for the joint-venture with Hilcorp. Further, we have increased revenues by \$10 million in 2014 to account for the royalty and production opportunity related to the second part of the joint venture. There could be upside to this number, but we await further detail from the company on the second quarter earnings call, and ultimate production results once drilling commences. On the growth project spend we have assumed a 15% return on equity and a 50% equity ratio.

We reiterate our 2-EW rating and are updating our eps estimates from 1.46/\$1.57/\$1.69E to \$1.48/\$1.60/\$1.73E as a result of these model changes. Our price target increases from \$25 to \$26 as a result of multiple expansion and our higher eps estimates. Our prior price target of \$25 was premised upon our prior '14E eps of \$1.69E and the then '14 group P/E multiple of 13.9x with a 5% premium for NI's gas heavy business mix. Our current \$26 price target is premised upon our '14E eps of \$1.73E and the '14 group P/E multiple of 15.0x with a 5% premium for NI's gas heavy business mix. We have lowered the NPV for the shale opportunity in our upside case from \$2/share to \$1.50/share. The 15,000 acres committed to the joint venture are in eastern Ohio in the more NGL rich portion of NiSource's total position vs. the more oil rich acres to the west which constitute the remainder of the company's 150,000 acres. In our view these NGL rich acres, while only 10% of the total acreage, represent about 25% of the total value.

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Primary Stocks (Ticker, Date, Price)

NiSource, Inc. (NI, 06-Jul-2012, USD 24.75), 2-Equal Weight/1-Positive

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Stock Rating

1-Overweight - The stock is expected to outperform the unweighted expected total return of the sector coverage universe over a 12-month investment horizon.

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Aqua America (WTR)	CenterPoint Energy Inc. (CNP)	CMS Energy (CMS)
Consolidated Edison (ED)	Dominion Resources (D)	DTE Energy (DTE)
Duke Energy (DUK)	Edison International (EIX)	Great Plains Energy Inc. (GXP)
Hawaiian Electric Inds (HE)	ITC Holdings (ITC)	National Grid Plc (NGG)
NiSource, Inc. (NI)	Northeast Utilities (NU)	NV Energy, Inc. (NVE)
OGE Energy Corp. (OGE)	Pepeco Holdings (POM)	PG&E Corp. (PCG)

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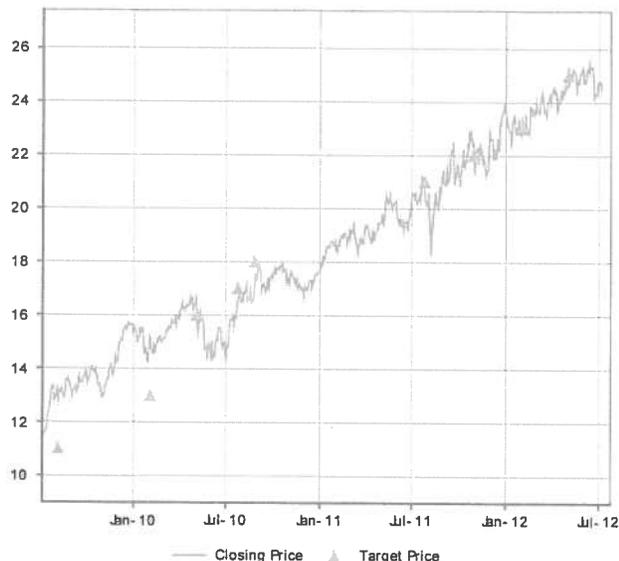
NiSource, Inc. (NI)
USD 24.75 (06-Jul-2012)

Stock Rating
2-EQUAL WEIGHT

Sector View
1-POSITIVE

Rating and Price Target Chart - USD (as of 06-Jul-2012)

Currency=USD



Date	Closing Price	Rating	Price Target
01-May-2012	25.33		25.00
01-Feb-2012	23.45		23.00
28-Oct-2011	22.52		22.00
26-Jul-2011	20.85		21.00
25-Aug-2010	16.90		18.00
23-Jul-2010	16.49		17.00
04-May-2010	16.60		16.00
02-Feb-2010	15.17		13.00
05-Aug-2009	12.97		11.00

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Valuation Methodology: Our \$26 price target is premised upon our '14E EPS of \$1.73 and the '14 group PE multiple of 15.0x, adjusted upwards by 5% for NI's gas heavy business mix.

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Equity Research | Instant Insights

25 July 2013

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NiSource, Inc.

NIPSCO Files 7-Year Electric Plan

Stock Rating/Industry View: Overweight / Positive

Price Target: \$32

Price (24-Jul-2013): \$30.59

Potential Upside/Downside: +5%

Ticker: NI

Proposal provides capex visibility through 2020 with tracker recovery

Last Friday, NIPSCO Electric filed a 7-year electric infrastructure development plan for approval in Indiana. The filing details the company's electric transmission and distribution spending program through 2020 which it expects to recover via the state's newly enacted utility infrastructure tracker law (S.B. 560). Under the legislation, NIPSCO would be able to recover on 80% of approved TDSIC expenditures via a periodic tracker. The filing states that the annual revenue increase from the TDSIC program is below 2% each year.

The remaining 20% of capex under the spending program would need to be recovered under a general rate case proceeding, which NIPSCO is required to file before the expiration of the 7-year plan. We expect the rate case will be filed in the latter part of the 7-year timeframe (2017-2020). NIPSCO will be allowed to use a forward-looking test year in the general rate case, under S.B. 560. In the meantime, NIPSCO will continue to earn based on its authorized ROE of 10.2%.

NIPSCO's 7-year spending proposal is as follows:

NIPSCO 7-Year Capex Proposal in Filing (\$ in millions)

Source: Company filings

We still expect NIPSCO annual capex of \$400-450 million

While the initial take from the chart would be that the program is heavily back-weighted with spending lighter in the front end, we expect overall capex at NIPSCO to remain at a steady \$400-450 million run rate over the 7-year period. This is because the filing excludes a number of items, including:

Environmental: The lighter capex numbers in the program in 2014-2015 are made up by capital investments on Scrubbers at the Schahfer and Michigan City generating stations in those years which are not included in the filing, as they are already covered under the Environmental Cost Recovery Mechanism (ECRM), a separate tracker in Indiana.

MISO transmission: The filing also does not include two larger, FERC-approved transmission projects which are planned to fall within the 7-year timeframe. The 345Kv Reynolds-Topeka line represents \$250-300 million in capex and the \$765 Kv Reynolds to Greentown line represents \$150-200 million in capex for NIPSCO.

Maintenance capital: NIPSCO expects maintenance capital to continue at around a \$150 million annual run rate.

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NiSource, Inc.

Solid Q1 Results; Remain OW

Reiterating our Overweight rating: We reiterate our Overweight rating, our \$32 price target, and our 2013/2014/2015 EPS estimates of \$1.56/\$1.68/\$1.77, respectively.

Q1 adjusted EPS of \$0.69 in-line; 2013 guidance reiterated: NI reported 1Q13 adj. EPS of \$0.69, vs. \$0.76 last year and consensus of \$0.71. The q/q decline was primarily driven by the \$340 million forward equity sale in September 2012. Management reiterated guidance of \$1.50-1.60 for the full-year 2013, as the balance of 2013 will benefit from the completion of the Big Pine Gathering System earlier this month and the Columbia Gas of Pennsylvania rate settlement with a \$55 million revenue increase, effective in July.

Good visibility with limited risk: We continue to believe that NI has one of the cleanest growth stories in the sector, with visibility for 5-7% earnings growth past 2017. Generally constructive regulatory environments with accelerated recovery mechanisms in the regulated electric and gas utilities allow for steady rate base growth. Meanwhile, the Columbia Pipeline Group segment provides attractive exposure to infrastructure build out in the Marcellus and Utica shale regions.

MLP a longer-term possibility: Although not mentioned on the call, the formation of an MLP is still a possible upside catalyst; although the lack of meaningful near-term financing needs and the relatively low cost basis of NI's current midstream assets lead us to believe that this would be a longer-term prospect.

NI: Quarterly and Annual EPS (USD)

FY Dec	2012		2013		2014		Change y/y		
	Actual	Old	New	Cons	Old	New	Cons	2013	2014
Q1	0.76A	0.70E	0.69A	0.71E	N/A	N/A	0.81E	-9%	N/A
Q2	0.23A	N/A	N/A	0.24E	N/A	N/A	0.26E	N/A	N/A
Q3	0.05A	N/A	N/A	0.13E	N/A	N/A	0.12E	N/A	N/A
Q4	0.44A	N/A	N/A	0.47E	N/A	N/A	0.46E	N/A	N/A
Year	1.46A	1.56E	1.56E	1.56E	1.68E	1.68E	1.67E	7%	8%
P/E	21.3		20.0			18.5			

Source: Barclays Research.

Consensus numbers are from Thomson Reuters

Stock Rating **OVERWEIGHT**
Unchanged

Industry View **POSITIVE**
Unchanged

Price Target **USD 32.00**
Unchanged

Price (29-Apr-2013) **USD 31.15**
 Potential Upside/Downside **+3%**
 Tickers **NI**

Market Cap (USD mn) **9712**
 Shares Outstanding (mn) **311.80**
 Free Float (%) **99.23**
 52 Wk Avg Daily Volume (mn) **2.2**
 Dividend Yield (%) **3.0**
 Return on Equity TTM (%) **7.78**
 Current BVPS (USD) **17.90**

Source: FactSet Fundamentals

Price Performance **Exchange-NYSE**
 52 Week range **USD 31.39-23.14**



[Link to Barclays Live for interactive charting](#)

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NiSource, Inc (NI)

Stock Rating: OVERWEIGHT

Income statement (\$mn)	2012A	2013E	2014E	2015E	CAGR
EBITDA (adj)	1,633	1,765	1,898	2,037	7.6%
EBIT (adj)	1,071	1,170	1,266	1,373	8.6%
Pre-tax income (adj)	656	705	766	838	8.5%
Net income (adj)	N/A	N/A	N/A	N/A	N/A
EPS (adj) (\$)	1.46	1.56	1.68	1.77	6.7%
Diluted shares (mn)	291.9	293.8	295.5	307.6	1.8%
DPS (\$)	0.96	1.00	1.08	1.12	5.3%

Price (29-Apr-2013) USD 31.15
 Price Target USD 32.00
Why Overweight? We rate NI as an Overweight because of the attractive risk/reward profile from NI's well-defined rate base growth strategy which we see as relatively low-risk. Moreover, we believe additional value can be captured in NI's shale acreage, to which we assign a value of \$1.50/share.

Margin and return data					Average
EBITDA (adj) margin (%)	32.2	32.1	33.4	34.7	33.1
EBIT (adj) margin (%)	21.1	21.3	22.3	23.4	22.0
Pre-tax (adj) margin (%)	12.9	12.8	13.5	14.3	13.4
Net (adj) margin (%)	8.4	8.3	8.8	9.3	8.7
ROIC (%)	8.3	8.5	8.6	8.6	8.5
ROA (%)	2.0	2.0	2.1	2.1	2.0
ROE (%)	7.7	7.9	8.3	8.3	8.1

Upside case USD 36.00
 Our upside case assigns a 11x 2015 EV/EBITDA multiple to the Columbia Pipeline Group under an MLP scenario.

Downside case USD 27.00
 Our downside case assumes NI trades in-line with the regulated group's multiple on 2015 EPS.

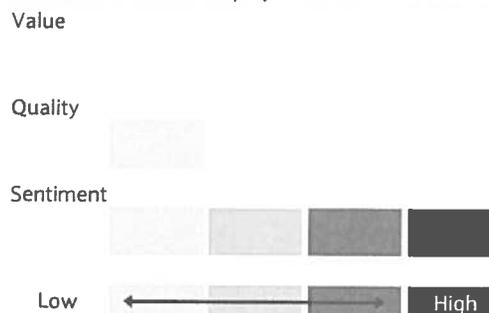
Balance sheet and cash flow (\$mn)					CAGR
Net PP&E	12,916	14,107	15,225	16,312	8.1%
Total net assets	21,845	23,131	24,261	25,534	5.3%
Capital employed	12,881	13,809	14,788	16,061	7.6%
Shareholders' equity	5,554	5,774	6,003	6,553	5.7%
Net debt/(funds)	7,243	7,934	8,705	9,273	8.6%
Cash flow from operations	1,276	1,259	1,248	1,176	-2.7%
Capital expenditure	-1,499	-1,787	-1,750	-1,750	N/A
Free cash flow	-359	-719	-646	-571	N/A
Pre-dividend FCF	-86	-425	-327	-226	N/A

Upside/Downside scenarios



Valuation and leverage metrics					Average
P/E (adj) (x)	21.3	20.0	18.5	17.6	19.4
EV/EBITDA (adj) (x)	10.0	9.6	9.4	9.0	9.5
EV/EBIT (adj) (x)	15.2	14.6	14.1	13.4	14.3
P/BV (x)	1.6	1.6	1.5	1.5	1.6
Dividend yield (%)	3.1	3.2	3.5	3.6	3.3
Total debt/capital (%)	56.9	58.2	59.4	59.2	58.4
Net debt/EBITDA (adj) (x)	N/A	N/A	N/A	N/A	N/A

POINT® Quantitative Equity Scores



Source: POINT. The scores are valid as of the date of this report and are independent of the fundamental analysts' views. To view the latest scores, click here.

Source: Company data, Barclays Research
 Note: FY End Dec

Q1 Segment Updates

NIPSCO

NIPSCO continues to make progress on its Shahfer flue gas desulfurization (FGD) units, one of which will be completed in 4Q13 and the other in 2014. Construction has begun on the Michigan City station FGD. During the quarter, NIPSCO also began installing automated meter reading devices in its service territory, which represents a \$90 million investment over 3 years. The Indiana S.B. 560 legislation will allow NIPSCO to continue to make investments with accelerated cost recovery, and will apply to distribution and transmission system modernization upgrades likely to begin in 2014.

Columbia Pipeline Group

The company is continuing to execute under its \$300million per year Columbia Gas modernization settlement, and expects its first tracker filing in November 2013 for recovery in February 2014. The \$200 million West Side Expansion and \$210 million East Side Expansion projects are on track for completion in 4Q14 and 3Q15 respectively. In the midstream businesses, the \$160 million Big Pine Gathering System project was completed earlier this month with 425 mcf/day capacity and long-term gathering agreements with XTO energy and PennEnergy. Additionally, Phase I of the Pennant JV, of which NI has a \$150 million share, is on track to complete by year-end 2013.

Gas Distribution

During the quarter, Columbia Gas of Pennsylvania reached a settlement allowing a \$55 million revenue increase, as well as a fully forecasted test year under the state's newly enacted Act 11. Columbia Gas of Massachusetts filed a rate case on April 16, requesting a \$30 million revenue increase with new rates expected for March 2014. Additionally, Columbia Gas of Maryland filed a rate case requesting a \$5 million revenue increase in February. A decision is expected on August 26.

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Primary Stocks (Ticker, Date, Price)

NiSource, Inc. (NI, 29-Apr-2013, USD 31.15), Overweight/Positive, C/D/J/K/L/M/O

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Overweight - The stock is expected to outperform the unweighted expected total return of the industry coverage universe over a 12-month investment horizon.

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American Water Works (AWK)	Aqua America (WTR)	Canadian Utilities Ltd. (CU.TO)
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Dominion Resources (D)	DTE Energy (DTE)	Duke Energy (DUK)
Edison International (EIX)	Emera Inc. (EMA.TO)	Fortis Inc. (FTS.TO)
Great Plains Energy Inc. (GXP)	Hawaiian Electric Inds (HE)	ITC Holdings (ITC)
National Grid Plc (NGG)	NiSource, Inc. (NI)	Northeast Utilities (NU)
NV Energy, Inc. (NVE)	OGE Energy Corp. (OGE)	Pepco Holdings (POM)
PG&E Corp. (PCG)	Pinnacle West Capital (PNW)	PNM Resources (PNM)
Portland General Electric Co. (POR)	SCANA Corp. (SCG)	Sempra Energy (SRE)
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USD 31.15 (29-Apr-2013)

Stock Rating

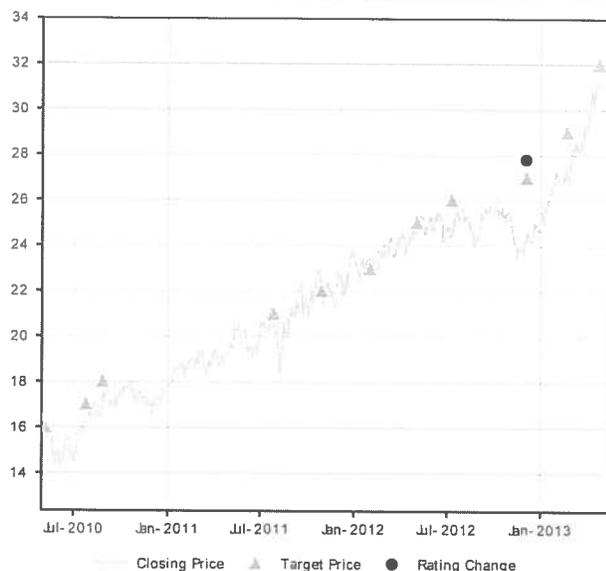
OVERWEIGHT

Industry View

POSITIVE

Rating and Price Target Chart - USD (as of 29-Apr-2013)

Currency=USD



Date	Closing Price	Rating	Price Target
24-Apr-2013	31.14		32.00
20-Feb-2013	27.04		29.00
03-Dec-2012	24.34	Overweight	27.00
09-Jul-2012	24.41		26.00
01-May-2012	25.33		25.00
01-Feb-2012	23.45		23.00
28-Oct-2011	22.52		22.00
26-Jul-2011	20.85		21.00
25-Aug-2010	16.90		18.00
23-Jul-2010	16.49		17.00
04-May-2010	16.60		16.00

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NISOURCE, INC.

Good Q1 from NI, Continuing to Execute

NI reported good Q1'12 results and reaffirmed their '12 guidance range. NI reported non-GAAP Q1'12 EPS of \$0.76 and reaffirmed '12 EPS guidance of \$1.40-\$1.50. The most important drivers for the quarter were incremental projects and Columbia Gulf rate relief at midstream, while recovery of infrastructure investments at the LDCs drove results Y/Y. Results at NIPSCO-Electric were flattish as rate relief from the 2011 settlement will likely be phased in during 2H'12.

Most important takeaways from the quarter were in the midstream segment. 1) NI announced a \$220M midstream project known as the "west side expansion," 2) Another open season for the "east side expansion" closed with good interest and negotiations with shippers are underway, 3) NI is in "advanced negotiations" with a producer counterparty around a JV to optimize the company's mineral rights position in the Utica that should be announced "in the next month or so", with acreage dedications in the ~100K range, and 4) Most importantly, is making good progress on the pipeline modernization program for CGT that will spend ~\$4B over the next 10-15 years.

We think pipeline modernization could be a good opportunity for the NI story. NI has support from the federal government to undertake a \$4B modernization plan on their Columbia Gas Transmission system. This spending will improve reliability and safety. While it is not yet clear if recovery will be made through FERC rate cases or potentially a settlement, NI will be spending this money, likely starting in 2013. We are assuming that NI's capex profile rises from \$1.4B in '12 to \$1.7B+ in '13/'14.

Raising PT and out year estimates due to adjusted CapEx outlook. Our PT moves to \$25 and our '13/'14 estimates go to \$1.57/\$1.69. Price target methodology is on pg 3.

NI: Quarterly and Annual EPS (USD)

FY Dec	2011		2012		2013		Change y/y		
	Actual	Old	New	Cons	Old	New	Cons	2012	2013
Q1	0.71A	0.76E	0.76A	0.71E	N/A	N/A	0.72E	7%	N/A
Q2	0.17A	N/A	N/A	0.19E	N/A	N/A	0.21E	N/A	N/A
Q3	0.11A	N/A	N/A	0.16E	N/A	N/A	0.17E	N/A	N/A
Q4	0.35A	N/A	N/A	0.38E	N/A	N/A	0.40E	N/A	N/A
Year	1.35A	1.46E	1.46E	1.44E	1.56E	1.57E	1.52E	8%	8%
P/E	18.3		16.9			15.7			

Source: Barclays Research.
Consensus numbers are from Thomson Reuters

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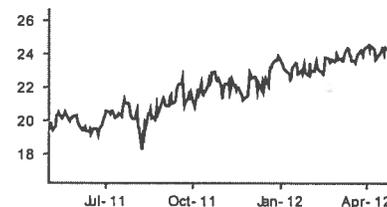
Stock Rating	2-EQUAL WEIGHT Unchanged
Sector View	1-POSITIVE Unchanged
Price Target	USD 25.00 raised 9% from USD 23.00

Price (30-Apr-2012)	USD 24.65
Potential Upside/Downside	+1%
Tickers	NI

Market Cap (USD mn)	6995
Shares Outstanding (mn)	283.79
Free Float (%)	99.20
52 Wk Avg Daily Volume (mn)	3.2
Dividend Yield (%)	3.7
Return on Equity TTM (%)	6.12
Current BVPS (USD)	17.73

Source: FactSet Fundamentals

Price Performance	Exchange-NYSE
52 Week range	USD 24.76-17.95



[Link to Barclays Live for interactive charting](#)

U.S. Utilities

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COMPANY SNAPSHOT

NiSource, Inc

U.S. Utilities

Income statement (\$mn)	2011A	2012E	2013E	2014E	CAGR
EBITDA (adj)	1,500	1,624	1,735	1,866	7.6%
EBIT (adj)	961	1,076	1,178	1,300	10.6%
Pre-tax income (adj)	577	640	729	806	11.8%
Net income (adj)	378	424	482	533	12.1%
EPS (adj) (\$)	1.35	1.46	1.57	1.69	7.8%
Diluted shares (mn)	280	290	307	315	4.0%
DPS (\$)	0.92	0.92	0.92	0.92	0.0%

Margin and return data	Average				
EBITDA (adj) margin (%)	25.9	27.4	28.5	29.9	27.9
EBIT (adj) margin (%)	16.6	18.1	19.4	20.8	18.7
Pre-tax (adj) margin (%)	10.0	10.8	12.0	12.9	11.4
Net (adj) margin (%)	6.5	7.2	7.9	8.5	7.5
ROIC (%)	4.9	5.2	5.2	5.3	5.2
ROA (%)	3.0	3.2	3.4	3.6	3.3
ROE (%)	7.6	7.6	8.3	8.2	8.0

Balance sheet and cash flow (\$mn)	CAGR				
Net PP&E	11,800	12,652	13,823	14,985	8.3%
Total net assets	20,708	21,639	22,724	23,921	4.9%
Capital employed	12,940	13,591	14,762	15,924	7.2%
Shareholders' equity	4,997	5,555	5,785	6,458	8.9%
Net debt/(funds)	7,942	8,036	8,977	9,467	6.0%
Cash flow from operations	870	1,172	1,039	1,099	8.1%
Capital expenditure	-1,131	-1,399	-1,728	-1,728	N/A
Free cash flow	-518	-494	-971	-919	N/A
Pre-dividend FCF	-260	-227	-689	-629	N/A

Valuation and leverage metrics	Average				
P/E (adj) (x)	18.3	16.9	15.7	14.6	16.4
EV/EBITDA (adj) (x)	9.9	9.2	9.2	8.8	9.3
EV/EBIT (adj) (x)	15.4	13.9	13.5	12.6	13.9
Price/BV (x)	1.4	1.3	1.3	1.2	1.3
Dividend yield (%)	3.7	3.7	3.7	3.7	3.7
Total debt/capital (%)	38.4	37.1	39.5	39.6	38.6
Net debt/EBITDA (adj) (x)	N/A	N/A	N/A	N/A	N/A

Selected operating metrics					
Payout ratio (%)	68.3	62.9	58.5	54.5	
Interest cover (x)	2.6	2.5	2.6	2.6	
Regulated (%)	100.0	100.0	100.0	100.0	

Source: Company data, Barclays Research
Note: FY end Dec

Stock Rating	2-EQUAL WEIGHT
Sector View	1-POSITIVE
Price (30-Apr-2012)	USD 24.65
Price Target	USD 25.00
Ticker	NI

Investment case

Why a 2-Equal Weight? We rate NI as 2-EW because while the company has taken large steps recently to alleviate regulatory concerns, we see limited upside potential for the base business, which we value at a 5% premium to NI's regulated peers.

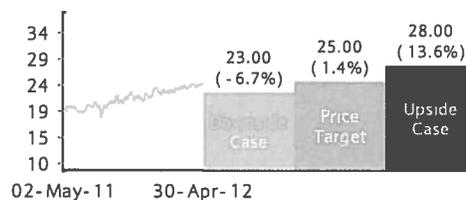
Upside case USD 28.00

Our upside case on NI's base business embeds a 10% premium to the regulated group's multiple while additional upside may exist through the company's position around shale acreage that we assign \$2/sh of value to.

Downside case USD 23.00

Our downside case assumes NI trades in line with its regulated peers on '13 EPS.

Upside/downside scenarios



Source: FactSet Fundamentals

Price Target Methodology

Our \$25 price target is premised upon our '14E EPS of \$1.69 and the '14 group PE multiple of 13.9x, adjusted upwards by 5% for NI's gas heavy business mix.

Our prior \$23 price target was premised upon our '13E EPS of \$1.56 and the '13 group PE multiple of 14.0x, adjusted upwards by 5% for NI's gas heavy business mix.

ANALYST(S) CERTIFICATION(S)

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Primary Stocks (Ticker, Date, Price)

NiSource, Inc. (NI, 30-Apr-2012, USD 24.65), 2-Equal Weight/1-Positive

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Our coverage analysts use a relative rating system in which they rate stocks as 1-Overweight, 2-Equal Weight or 3-Underweight (see definitions below) relative to other companies covered by the analyst or a team of analysts that are deemed to be in the same industry sector (the "sector coverage universe").

In addition to the stock rating, we provide sector views which rate the outlook for the sector coverage universe as 1-Positive, 2-Neutral or 3-Negative (see definitions below). A rating system using terms such as buy, hold and sell is not the equivalent of our rating system. Investors should carefully read the entire research report including the definitions of all ratings and not infer its contents from ratings alone.

Stock Rating

1-Overweight - The stock is expected to outperform the unweighted expected total return of the sector coverage universe over a 12-month investment horizon.

2-Equal Weight - The stock is expected to perform in line with the unweighted expected total return of the sector coverage universe over a 12-month investment horizon.

3-Underweight - The stock is expected to underperform the unweighted expected total return of the sector coverage universe over a 12-month investment horizon.

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1-Positive - sector coverage universe fundamentals/valuations are improving.

2-Neutral - sector coverage universe fundamentals/valuations are steady, neither improving nor deteriorating.

3-Negative - sector coverage universe fundamentals/valuations are deteriorating.

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U.S. Utilities

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Aqua America (WTR)	CenterPoint Energy Inc. (CNP)	CMS Energy (CMS)
Consolidated Edison (ED)	Dominion Resources (D)	DTE Energy (DTE)
Duke Energy (DUK)	Edison International (EIX)	Great Plains Energy Inc. (GXP)
Hawaiian Electric Inds (HE)	ITC Holdings (ITC)	National Grid Plc (NGG)
NiSource, Inc. (NI)	Northeast Utilities (NU)	NV Energy, Inc. (NVE)
OGE Energy Corp. (OGE)	Pepco Holdings (POM)	PG&E Corp. (PCG)

IMPORTANT DISCLOSURES CONTINUED

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Progress Energy (PGN)	SCANA Corp. (SCG)	Sempra Energy (SRE)
Southern Co. (SO)	TECO Energy (TE)	Westar Energy (WR)
Wisconsin Energy (WEC)	Xcel Energy (XEL)	

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IMPORTANT DISCLOSURES CONTINUED

NiSource, Inc. (NI)
 USD 24.65 (30-Apr-2012)

Stock Rating

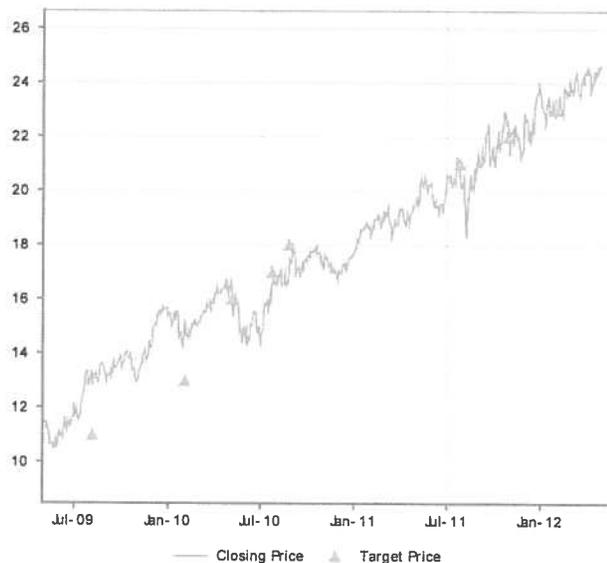
Sector View

2-EQUAL WEIGHT

1-POSITIVE

Rating and Price Target Chart - USD (as of 30-Apr-2012)

Currency=USD



Date	Closing Price	Rating	Price Target
01-Feb-2012	23.45		23.00
28-Oct-2011	22.52		22.00
26-Jul-2011	20.85		21.00
25-Aug-2010	16.90		18.00
23-Jul-2010	16.49		17.00
04-May-2010	16.60		16.00
02-Feb-2010	15.17		13.00
05-Aug-2009	12.97		11.00

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Valuation Methodology: Our \$25 price target is premised upon our '14E EPS of \$1.69 and the '14 group PE multiple of 13.9x, adjusted upwards by 5% for NI's gas heavy business mix.

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NISOURCE, INC.

Growth Capex the Key

Fairly Valued, Growth Projects are Key: We reiterate our Equal Weight rating and our \$26 price target while lowering our eps estimates from \$1.48/\$1.60/\$1.73E to \$1.46/\$1.57/\$1.70E for '12/'13/'14E respectively. From current levels the shares only offer 1% upside to our price target and we believe our model accurately reflects earnings upside from growth opportunities through 2014. Upside to our numbers is possible if the company can execute on additional growth projects vs. what we have modeled (\$550 in capex in both '13 and '14), or if growth capital were accelerated. Alternatively if growth project timelines begin to stretch or projects do not provide as much opportunity for capital deployment as expected, our numbers could be lower. Execution of the growth projects while operating the core business effectively is key for the outlook going forward. Management reiterated '12 eps guidance of \$1.40-\$1.50.

Model Updates: We have refined our growth capex at Gas T&S from \$296 million to \$225 million to better align with management's projected capex in '12 of \$1.4 Billion. We also increased equity needs in '13 from \$430 to \$450 million and increased debt funding by \$50 million in both '13 and '14 to fund additional growth capex and to keep debt/equity ratios approximately 60% throughout our forecast period.

A Good Quarter: For the quarter the company reported ongoing eps of \$0.23 vs. \$0.17 last year and consensus expectations of \$0.20. Results were driven by growth projects and equity earnings for the Millennium Pipeline at Gas Transmission & Storage, increased margins at NIPSCO Electric, partially offset by higher D&A that was previously deferred and MISO fees, increased infrastructure program related revenue at Gas Distribution, partially offset by higher D&A related to higher capital spending.

NI: Quarterly and Annual EPS (USD)

FY Dec	2011		2012		2013			Change y/y	
	Actual	Old	New	Cons	Old	New	Cons	2012	2013
Q1	0.71A	0.76A	0.76A	0.76A	N/A	N/A	0.77E	7%	N/A
Q2	0.17A	0.21E	0.23A	0.20E	N/A	N/A	0.19E	35%	N/A
Q3	0.11A	N/A	N/A	0.16E	N/A	N/A	0.17E	N/A	N/A
Q4	0.35A	N/A	N/A	0.37E	N/A	N/A	0.40E	N/A	N/A
Year	1.35A	1.48E	1.46E	1.45E	1.60E	1.57E	1.54E	8%	8%
P/E	19.0		17.5			16.3			

Source: Barclays Research.
Consensus numbers are from Thomson Reuters

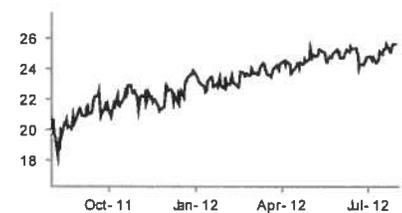
Stock Rating	EQUAL WEIGHT
	Unchanged
Industry View	POSITIVE
	Unchanged
Price Target	USD 26.00
	Unchanged

Price (30-Jul-2012)	USD 25.63
Potential Upside/Downside	+1%
Tickers	NI

Market Cap (USD mn)	7281
Shares Outstanding (mn)	284.09
Free Float (%)	99.18
52 Wk Avg Daily Volume (mn)	3.1
Dividend Yield (%)	3.6
Return on Equity TTM (%)	5.80
Current BVPS (USD)	17.90

Source: FactSet Fundamentals

Price Performance	Exchange-NYSE
52 Week range	USD 25.84-17.95



[Link to Barclays Live for interactive charting](#)

U.S. Utilities

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COMPANY SNAPSHOT

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Stock Rating	EQUAL WEIGHT
Industry View	POSITIVE
Price (30-Jul-2012)	USD 25.63
Price Target	USD 26.00
Ticker	NI

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Net (adj) margin (%)	6.5	7.2	7.9	8.6	7.6
ROIC (%)	4.9	5.2	5.2	5.4	5.2
ROA (%)	3.0	3.3	3.4	3.6	3.3
ROE (%)	7.6	7.7	8.3	8.3	8.0

Investment case

Why Equal Weight? We rate NI as Equal Weight because while the company has taken large steps recently to alleviate regulatory concerns, we see limited upside potential for the base business, which we value at a 5% premium to NI's regulated peers.

Upside case USD 29.00

Our upside case on NI's base business embeds a 10% premium to the regulated group's multiple while additional upside may exist through the company's position around shale acreage that we assign \$1.50/sh of value to.

Downside case USD 25.00

Our downside case assumes NI trades in line with its regulated peers on '14 EPS.

Balance sheet and cash flow (\$mn)	CAGR				
Net PP&E	11,800	12,656	13,827	14,989	8.3%
Total net assets	20,708	21,627	22,744	24,003	5.0%
Capital employed	12,940	13,595	14,766	15,928	7.2%
Shareholders' equity	4,997	5,543	5,806	6,490	9.1%
Net debt/(funds)	7,942	8,052	8,960	9,439	5.9%
Cash flow from operations	870	1,172	1,040	1,105	8.3%
Capital expenditure	-1,131	-1,403	-1,728	-1,728	N/A
Free cash flow	-518	-509	-984	-928	N/A
Pre-dividend FCF	-260	-231	-688	-624	N/A

Upside/Downside scenarios



01-Aug-11 30-Jul-12

Source: Barclays Research

Valuation and leverage metrics	Average				
P/E (adj) (x)	19.0	17.5	16.3	15.1	17.0
EV/EBITDA (adj) (x)	10.2	9.4	9.4	8.9	9.5
EV/EBIT (adj) (x)	15.8	14.2	13.8	12.8	14.2
P/BV (x)	1.4	1.3	1.4	1.3	1.3
Dividend yield (%)	3.6	3.7	3.7	3.7	3.7
Total debt/capital (%)	38.4	37.2	39.4	39.3	38.6
Net debt/EBITDA (adj) (x)	N/A	N/A	N/A	N/A	N/A

Selected operating metrics

Payout ratio (%)	68.3	65.6	61.2	56.6
Interest cover (x)	2.6	2.5	2.6	2.6
Regulated (%)	100.0	100.0	100.0	100.0

Source: Company data, Barclays Research
 Note: FY End Dec

Model Updates

We have refined our growth capex at Gas Transmission and Storage from \$296 million to \$225 million to better align with management's projected capex in 2012 of \$1.4 Billion. We also increased equity needs in 2013 from \$430 million to \$450 million and increased debt funding by \$50 million in both '13 and '14 to fund additional growth capex opportunities and to keep debt/equity ratios approximately 60% throughout our forecast period.

We are lowering our earnings per share estimates as a result of these refinements to our model from \$1.48/\$1.60/\$1.73E to \$1.46/\$1.57/\$1.70E for '12/13/14E respectively. Our price target remains \$26 premised upon the 2014 regulated utility multiple of 14.8x our 2014E eps of \$1.70E at a 5% premium for the company's gas heavy business mix.

Project Updates

Gas Transmission & Storage

The company announced two joint ventures in the Utica shale formation in early July. Currently the Pennant Midstream LLC, a 50/50 joint venture with Hilcorp is on schedule for an in service date in the second half of 2013. The first phase of the project will entail 400 million cubic feet of gathering and 200 million cubic feet of processing capability for a \$300 million initial investment. The project is anchored by Hilcorp, NiSource's JV partner, who is marketing additional capacity and there are plans for significant expansion in future years premised upon producer activity.

The Big Pine Gathering System is a \$150 million investment that will have volumes of 425 million cubic feet per day anchored by a long term tenant agreement with XTO Energy. The project is on schedule to be in service late this year.

The West Side Expansion project will bring 500k dekatherms a day to Gulf Coast markets out of the Marcellus Shale. The project constitutes a \$200 million investment and agreements have been signed with two shippers. The project remains on schedule with an in service date in late 2014.

The company is currently negotiating with customers to implement a infrastructure replacement and modernization program on the transportation pipeline network. Negotiations are currently underway management expects to file the program with the Federal Energy Regulatory Commission by the end of the year.

Management indicated they would likely provide more details on the Utica joint ventures and the transportation pipeline program at their Analyst Day to be held in New York City on Wednesday September 12th.

NIPSCO Electric

Approximately \$850 million in environmental control investments continue on the coal fleet with flue gas desulfurization equipment currently being installed on the Schahfer plant units. The Schahfer units are currently on schedule and on budget for completion.

The company is also building a 100 mile 345 kV transmission line for approximately \$270 million as part of the long term MISO transmission plan. Cost recovery and construction incentives were approved by the Federal Energy Regulatory Commission in mid-July.

Preliminary planning and community outreach is underway. The project is not expected to be in service until the later part of the decade.

Gas Distribution

The company filed a rate case in Massachusetts for Bay State Gas requesting expanded infrastructure moderization with timely recovery premised upon a tracking mechanism. Increased rates were also requested to cover ongoing O&M expenses. Management has also indicated an expectation of filing a rate case in the third quarter for Columbia Gas of Pennsylvania to support ongoing infrastructure replacement and moderization programs.

As a refresher the company filed on April 13th, 2012 under docket DPU 12-25 for a \$29.2 million revenue increase. This increase was premised upon a year end 2011 rate base of \$437.6 million a 53.7% equity ratio, and a 11.75% requested allowed return on equity. The Massachusetts Attorney General's office filed intervening testimony in the case on June 29th with no specified revenue recommendation. The testimony did however indicate a recommended 49.23% equity ratio and an allowed return on equity of 8.50%. The final order in the rate case is expected in October.

Current infrastructure moderization and replacement programs are underway in Kentucky, Massachusetts, Ohio, Pennsylvania, and Virginia. Total capital expenditures related to these programs is expected to total over \$4 Billion with approximately \$320 million in spending expected to be incurred in 2012.

Q2 2012 Results

For the quarter the company reported ongoing eps of \$0.23 vs. \$0.17 last year and consensus expectations of \$0.20. Results were driven by growth projects and equity earnings for the Millennium Pipeline at Gas Transmission & Storage, increased margins at NIPSCO Electric, partially offset by higher D&A and previously deferred MISO fees, increased infrastructure program related revenue at Gas Distribution, partially offset by higher D&A related to higher capital spending.

Management reiterated 2012 earnings per share guidance of \$1.40 - \$1.50 per share.

Gas Transmission & Storage operating earnings increased from \$84.6 million to \$91.6 million as a result of growth projects providing incremental revenue and equity earnings related to the Millennium Pipeline.

NIPSCO Electric operating earnings increased from \$37.8 million to \$59.8 million as a result of higher revenues of \$29.6 million increasing margins partially driven by warmer weather. Expenses increased \$7.6 million related to higher depreciation costs that were previously deferred and MISO fees.

Gas Distribution operating earnings increased from \$48.9 million to \$54.6 million. Revenues were \$8.0 million higher due to infrastructure programs and regulatory outcomes, while expenses increased by \$2.3 million related to increased depreciation expenses resulting from higher capital expenditures.

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Primary Stocks (Ticker, Date, Price)

NiSource, Inc. (NI, 30-Jul-2012, USD 25.63), Equal Weight/Positive

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Consolidated Edison (ED)	Dominion Resources (D)	DTE Energy (DTE)
Duke Energy (DUK)	Edison International (EIX)	Great Plains Energy Inc. (GXP)
Hawaiian Electric Inds (HE)	ITC Holdings (ITC)	National Grid Plc (NGG)
NiSource, Inc. (NI)	Northeast Utilities (NU)	NV Energy, Inc. (NVE)
OGE Energy Corp. (OGE)	Pepco Holdings (POM)	PG&E Corp. (PCG)

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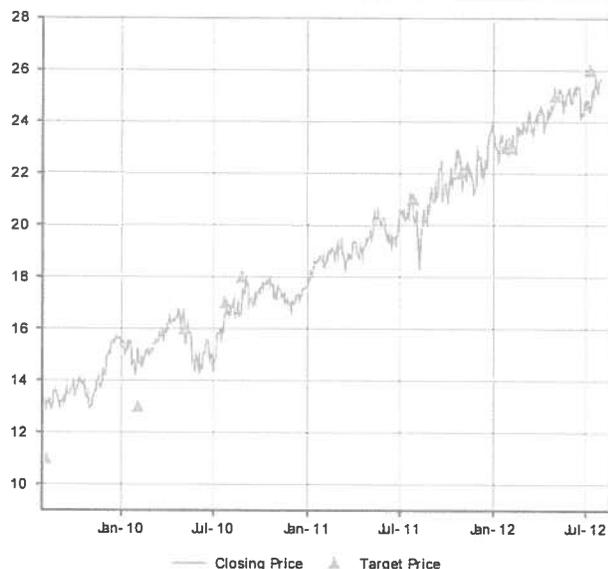
NiSource, Inc. (NI)
 USD 25.63 (30-Jul-2012)

Stock Rating
 EQUAL WEIGHT

Industry View
 POSITIVE

Rating and Price Target Chart - USD (as of 30-Jul-2012)

Currency=USD



Date	Closing Price	Rating	Price Target
09-Jul-2012	24.41		26.00
01-May-2012	25.33		25.00
01-Feb-2012	23.45		23.00
28-Oct-2011	22.52		22.00
26-Jul-2011	20.85		21.00
25-Aug-2010	16.90		18.00
23-Jul-2010	16.49		17.00
04-May-2010	16.60		16.00
02-Feb-2010	15.17		13.00
05-Aug-2009	12.97		11.00

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Valuation Methodology: Our \$26 price target is premised upon our '14E EPS of \$1.70 and the '14 group PE multiple of 14.8x, adjusted upwards by 5% for NI's gas heavy business mix.

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EQUITY RESEARCH | INSTANT INSIGHTS

2 November 2012

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BCI, New York

NI: 3Q Largely In-Line

Stock Rating/Industry View: Equal Weight/Positive

Price Target: \$26

Price (02-Nov-2012): \$25.24

Potential Upside/Downside: 3%

Ticker: NI

NiSource reported 3Q12 adjusted earnings of \$0.05 per share, slightly above our and consensus estimate of \$0.04. Management reiterated full-year 2012 guidance of \$1.40-1.50 per share. Results were generally in-line with our expectations and with what the company had stated during the Investor Day in September. Compared to 3Q11, during which NI earned \$0.11 per share, higher earnings in Electric Operations and Gas Distribution were offset by higher interest expense and a ~\$50 million charge to net income related to a settlement for approval of the pipeline modernization program at NiSource Gas Transmission & Storage (NGT&S).

The biggest incremental takeaway from the earnings call, in our view, was the expansion of the Pennant Midstream joint venture with Hilcorp. Based on positive results from test drilling, the JV may be expanded to \$1 billion in total spend, compared to the \$300 million size announced in September during the Investor Day.

Overall we see 3Q12 as a solid quarter for NI, as many of the projects NI laid out during the Investor Day show signs of progress. We continue to believe however that shares fully reflect ongoing progress and execution in the projects that have been announced, and so we reaffirm our \$1.45/\$1.54/\$1.64 EPS estimates for 2012/2013/2014 and our Equal Weight rating.

3Q Segment Details:

NIPSCO Electric

NIPSCO reported operating earnings of \$77.7 million in the quarter vs. \$72.9 million in the third quarter of last year. The increase was mainly driven by the 2011 rate case taking effect this year, leading to improved margins.

The company gave updates on its environmental and transmission improvements which should lead to ~\$400-450 million in annual capex for the segment. The Michigan City Flue Gas Desulfurization (FGD) project gained approval, and construction for the Schahfer FGD units is on schedule and on budget. The total environmental investment pipeline for NIPSCO totals \$800 million, while on the

transmission side, the Reynolds to Hiple and Reynolds to Greentown transmission projects should bring \$270 million and \$165 million in capex respectively. Both transmission projects are in the planning phases and have an in-service date later in the decade.

Gas Distribution

Gas Distribution operating earnings were \$15.5 million for the quarter vs. \$8.0 million in 3Q11. The increase was partly driven by the impact of 2011 rate cases at Columbia Gas of Ohio and Columbia Gas of Pennsylvania. During the quarter, Columbia Gas of Pennsylvania filed another rate case under the newly enacted Act 11 which allows for fully forecasted test years and accelerated recovery for infrastructure investment costs. During the call, management reiterated plans for \$600-650 million in annual capex over the next several years.

On November 1, the Massachusetts DPU issued an order for Columbia Gas of Massachusetts granting a \$7.9 million revenue increase on a rate base of \$466 million and allowing a 9.45% ROE. The LDC, which represents just over 10% of NiSource Gas Distribution total rate base, had requested a \$27.4 million revenue increase with a rate base of \$488 million and an 11.75% ROE.

Gas Transmission & Storage

The NGT&S segment reported operating earnings of \$38.8 million in the quarter vs. \$68.2 million last year. The key difference was a roughly \$50 million charge taken in the quarter as part of a settlement for the company's \$4 billion pipeline modernization program. All firm customers have either shown support or no opposition to the project, which expects FERC approval by December 1 and should contribute about \$300 million a year to the capex pipeline.

The Pennant Midstream JV with Hilcorp may be expanded to total \$1 billion for the partnership (\$500 million NI share) from the \$300 million (\$150 million NI share) announced during the September Investor Day. Management pointed to promising results from test drilling, which should lead to a full drilling program in 2013.

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NiSource, Inc.

Solid 2012 Results; Focus on Execution

NI reported 2012 adjusted EPS of \$1.46 vs. our and consensus estimates of \$1.45:

NI's full-year results for 2012 were broadly in-line with expectations. During the call management introduced 2013 EPS guidance of \$1.50-1.60. We believe that NI remains a clean growth story with good visibility in its investment project pipeline. In our view, continued solid execution of its \$1.5-1.8B annual capex plan and potentially constructive regulatory developments could push NI towards the higher end of its targeted long-term EPS growth rate of 5-7% over the next five years.

We are raising our PT to \$29 (from \$27), reiterating OW: Our new PT is based on a sum-of-the parts valuation, assigning a 5% premium to the 14.6x regulated utility group '14 P/E multiple for NIPSCO Electric, a 9.6x '14 EV/EBITDA multiple for Gas Transmission & Storage (rebranded as Columbia Pipeline Group), and an 8.5x gas utility '14 EV/EBITDA multiple for Gas Distribution. In addition we assign a \$1.50/share value to NI's western Utica acreage. Our previous PT of \$27 was based on a 10% premium to the previous regulated utility '14 P/E multiple of 13.7x, and \$1.50/share for NI's Utica holdings. We also introduce our 2015 EPS estimate of \$1.77.

Execution remains the key to the outlook: Going forward, we look for continued execution across the three business segments. At NIPSCO Electric, we watch for ongoing progress in environmental projects. For Gas Distribution, we see the potential PUC approval of Columbia Gas of Pennsylvania's rate case settlement with customers in March as a key calendar item as it would implement lag-reduction mechanisms under new state legislation in the gas utility. In Gas Transmission & Storage we look for incremental updates in the Columbia Gas modernization program, drilling updates from the Pennant JV with Hilcorp, and construction progress on the other major gas midstream projects.

NI: Quarterly and Annual EPS (USD)

FY Dec	2012		2013		2014			Change y/y	
	Actual	Old	New	Cons	Old	New	Cons	2013	2014
Q1	0.76A	N/A	N/A	0.76E	N/A	N/A	0.73E	N/A	N/A
Q2	0.23A	N/A	N/A	0.25E	N/A	N/A	0.28E	N/A	N/A
Q3	0.05A	N/A	N/A	0.09E	N/A	N/A	0.19E	N/A	N/A
Q4	0.44A	N/A	N/A	0.46E	N/A	N/A	0.51E	N/A	N/A
Year	1.46A	1.56E	1.56E	1.56E	N/A	1.68E	1.67E	7%	8%
P/E	18.7		17.5			16.2			

Source: Barclays Research.

Consensus numbers are from Thomson Reuters

Stock Rating	OVERWEIGHT Unchanged
Industry View	POSITIVE Unchanged
Price Target	USD 29.00 raised 7% from USD 27.00
Price (19-Feb-2013)	USD 27.26
Potential Upside/Downside	+6%
Tickers	NI
Market Cap (USD mn)	8295
Shares Outstanding (mn)	309.75
Free Float (%)	99.20
52 Wk Avg Daily Volume (mn)	2.4
Dividend Yield (%)	3.5
Return on Equity TTM (%)	5.91
Current BVPS (USD)	17.48
Source: FactSet Fundamentals	

Price Performance Exchange-NYSE
 52 Week range USD 27.40-23.11



[Link to Barclays Live for interactive charting](#)

North America Utilities

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PLEASE SEE ANALYST(S) CERTIFICATION(S) AND IMPORTANT DISCLOSURES BEGINNING ON PAGE 5.

North America Utilities

Industry View: POSITIVE

NiSource, Inc (NI)

Stock Rating: OVERWEIGHT

Income statement (\$mn)	2012A	2013E	2014E	2015E	CAGR
EBITDA (adj)	1,633	1,765	1,897	2,036	7.6%
EBIT (adj)	1,071	1,169	1,265	1,373	8.6%
Pre-tax income (adj)	656	704	765	838	8.5%
Net income (adj)	N/A	N/A	N/A	N/A	N/A
EPS (adj) (\$)	1.46	1.56	1.68	1.77	6.6%
Diluted shares (mn)	291.9	293.8	295.5	307.6	1.8%
DPS (\$)	0.96	1.00	1.08	1.12	5.3%

Price (19-Feb-2013) USD 27.26
Price Target USD 29.00
Why Overweight? We rate NI as an Overweight because of the attractive risk/reward profile from NI's well-defined rate base growth strategy which we see as relatively low-risk. Moreover, we believe additional value can be captured in NI's shale acreage, to which we assign a value of \$1.50/share.

Margin and return data					Average
EBITDA (adj) margin (%)	32.2	32.1	33.4	34.7	33.1
EBIT (adj) margin (%)	21.1	21.2	22.3	23.4	22.0
Pre-tax (adj) margin (%)	12.9	12.8	13.5	14.3	13.4
Net (adj) margin (%)	8.4	8.3	8.8	9.3	8.7
ROIC (%)	8.3	8.5	8.6	8.5	8.5
ROA (%)	2.0	2.0	2.1	2.1	2.0
ROE (%)	7.7	7.9	8.3	8.3	8.1

Upside case USD 31.00
Our upside case assigns a 5% EV/EBITDA multiple premium to the peer group averages for the Gas Distribution and Gas Transmission & Storage segments.

Downside case USD 25.00
Our downside case assumes NI trades in-line with the regulated group's multiple on '14 EPS.

Balance sheet and cash flow (\$mn)					CAGR
Net PP&E	12,916	14,100	15,219	16,305	8.1%
Total net assets	21,845	23,131	24,260	25,532	5.3%
Capital employed	12,881	13,809	14,788	16,060	7.6%
Shareholders' equity	5,554	5,774	6,002	6,552	5.7%
Net debt/(funds)	7,243	7,927	8,699	9,268	8.6%
Cash flow from operations	1,276	1,259	1,247	1,176	-2.7%
Capital expenditure	-1,499	-1,780	-1,750	-1,750	N/A
Free cash flow	-359	-713	-647	-571	N/A
Pre-dividend FCF	-86	-419	-328	-227	N/A

Upside/Downside scenarios



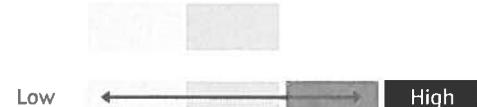
Valuation and leverage metrics					Average
P/E (adj) (x)	18.7	17.5	16.2	15.4	17.0
EV/EBITDA (adj) (x)	9.3	9.0	8.8	8.5	8.9
EV/EBIT (adj) (x)	14.2	13.6	13.2	12.5	13.4
P/BV (x)	1.4	1.4	1.3	1.3	1.4
Dividend yield (%)	3.5	3.7	4.0	4.1	3.8
Total debt/capital (%)	56.9	58.2	59.4	59.2	58.4
Net debt/EBITDA (adj) (x)	N/A	N/A	N/A	N/A	N/A

POINT® Quantitative Equity Scores Value

Selected operating metrics				
Payout ratio (%)	65.8	64.2	64.2	63.3
Interest cover (x)	2.6	2.5	2.5	2.6
Regulated (%)	N/A	N/A	N/A	N/A

Quality

Sentiment



Source: POINT. The scores are valid as of the date of this report and are independent of the fundamental analysts' views. To view the latest scores, click here.

Source: Company data, Barclays Research
Note: FY End Dec

A Closer Look at the Results

NI reported full-year 2012 non-GAAP EPS of \$427 million, or \$1.46 per share, vs. \$369 million, or \$1.32 per share, in 2011. During the fourth quarter NI reported non-GAAP EPS of \$136 million, or \$0.44 per share vs. \$89 million, or \$0.32 per share in 4Q11.

NIPSCO Electric

NIPSCO Electric reported full-year operating earnings of \$237.6 million in 2012 vs. \$201.9 million in 2011. The increase was mainly driven by the impact of an electric rate case, which resulted in higher rates partly offset by the recognition of deferrals including previously deferred depreciation from the Sugar Creek facility.

We believe NIPSCO should continue to earn close to its authorized 10.2% ROE, with \$400-450 million in annual capex driving 7-9% in operating earnings growth over the next five years. In the near term, growth should be driven by tracked environmental projects, including FGD installations at its Schahfer and Michigan City facilities, MATS upgrades at all of NIPSCO's coal plants, and NOx upgrades. Beyond 2015, NIPSCO plans to implement tracked wastewater and ash treatment upgrades at its coal plants. In addition, the electric utility currently has two FERC-approved transmission projects representing \$400-500 million in capex which may be undertaken later during the decade. Distribution system modernization represents potentially a \$3-4 billion investment opportunity.

A key calendar item for the electric utility is the potential passage of Senate Bill 560 in Indiana, which would allow for tracker based recovery for distribution system investments. The bill, which has passed in the Indiana Senate and is awaiting introduction in the House of Representatives, would pave the way for a multi-year distribution infrastructure modernization program with expedited recovery later in the decade. The Indiana House is expected to take up the bill in March and should vote on the bill prior to the conclusion of the 2013 legislative session at the end of April. We believe the Republican control of both legislative houses as well as the governorship may reduce political friction for the bill.

Gas Distribution

Gas Distribution reported full-year operating earnings of \$441.2 million in 2012 vs. \$424.9 million in 2011. The results were driven primarily by new rates for Columbia Gas of Ohio, the impact of the 2011 Columbia Gas of Pennsylvania rate case, and higher depreciation rates.

Gas Distribution annual capex of \$600-650 million should drive 7-9% segment operating earnings growth over the next five years. We view the settlement of the Columbia Gas of Pennsylvania rate case as a constructive sign, given the size of the revenue request (\$77 million) and the request for use of a forward test year under Pennsylvania's Act 11 legislation. The utility is also requesting a tracker for infrastructure investments. We expect further details upon filing with the Pennsylvania PUC in March. We remind investors that Columbia Gas of Pennsylvania represents ~\$784 million in rate base, vs. a total of roughly \$4 billion in rate base across all of NI's gas utilities.

Gas Transmission & Storage

Gas Transmission & Storage (recently rebranded as Columbia Pipeline Group) reported full-year operating earnings of \$397.8 million in 2012 vs. \$360.1 million in 2011. Key drivers during the year were new higher rates for the Columbia Gulf pipeline, earnings contributions from growth projects, lower depreciation, and lower administrative costs partly offset by a charge recorded in 3Q12 under the Columbia customer settlement.

The segment is expected to grow operating earnings at a 10-12% annual rate through 2017, driven by \$500-700 million in annual capex. The segment's current inventory of midstream projects is progressing as planned. Longer term, we see incremental growth opportunities from 1) potential expansion of the Pennant JV, 2) a renewal of the Columbia Gas modernization program beyond the initial 5-year period (potentially a 3-4 billion investment opportunity), and 3) monetization of NI's acreage holdings in the western portion of the Utica shale region through a gathering and processing partnership with another producer.

Valuation

Our new \$29 price target is based on a sum-of-the parts valuation, assigning a 5% premium to the 14.6x regulated utility group '14 P/E multiple for NIPSCO Electric, a 9.6x '14 EV/EBITDA multiple for Columbia Pipeline Group, and an 8.5x gas utility '14 EV/EBITDA multiple for Gas Distribution. In addition we assign a \$1.50/share value to NI's western Utica acreage.

Our previous price target of \$27 was premised on our '14E EPS of \$1.69 and the '14 group PE multiple of 13.7x, adjusted upwards by 10% for NI's clearly defined and relatively low-risk growth plan.

ANALYST(S) CERTIFICATION(S)

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Primary Stocks (Ticker, Date, Price)

NiSource, Inc. (NI, 19-Feb-2013, USD 27.26), Overweight/Positive

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Overweight - The stock is expected to outperform the unweighted expected total return of the industry coverage universe over a 12-month investment horizon.

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Pinnacle West Capital (PNW)	PNM Resources (PNM)	Portland General Electric Co. (POR)
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A high/low Quality score indicates financial statement strength/weakness. Measures of quality include ROIC and corporate default probability.

A high/low Sentiment score indicates bullish/bearish market sentiment. Measures of sentiment include price momentum and earnings revisions.

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20 February 2013

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USD 27.26 (19-Feb-2013)

Stock Rating

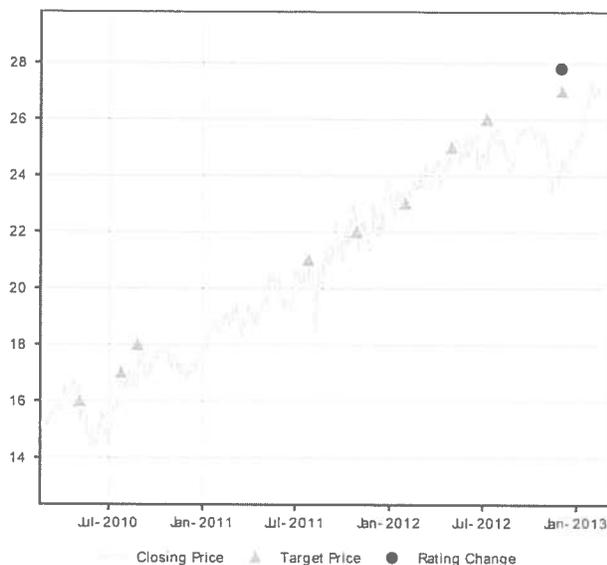
OVERWEIGHT

Industry View

POSITIVE

Rating and Price Target Chart- USD (as of 19-Feb-2013)

Currency=USD



Date	Closing Price	Rating	Price Target
03-Dec-2012	24.34	Overweight	27.00
09-Jul-2012	24.41		26.00
01-May-2012	25.33		25.00
01-Feb-2012	23.45		23.00
28-Oct-2011	22.52		22.00
26-Jul-2011	20.85		21.00
25-Aug-2010	16.90		18.00
23-Jul-2010	16.49		17.00
04-May-2010	16.60		16.00

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EQUITY RESEARCH | INSTANT INSIGHTS

15 May 2012

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NI: Dividend Increase Announced

Stock Rating/Sector View: 2-Equal Weight/1-Positive

Price Target: \$25

Price (14-May-2012): \$25.12

Potential Upside/Downside: -0%

Ticker: NI

NiSource Announces 4.3% Dividend Increase

The Board of Directors of NiSource this morning approved a 4.3% dividend increase resulting in an increased indicated annual dividend of \$0.96/share vs. the prior dividend of \$0.92/share. The quarterly dividend of \$0.24/share will be payable August 20, 2012 to shareholders of record at the close of business on July 31, 2012. The board has developed a general policy of targeting a dividend payout in the range of 60% to 70% of net operating earnings per share (non-GAAP). The indicated annual yield is now 3.8% vs. 3.6% previously and a utility group average yield of 4.3%.

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Mentioned Stocks (Ticker, Date, Price)

NiSource, Inc. (NI, 14-May-2012, USD 25.12), 2-Equal Weight/1-Positive, A/C/D/J/K/L/M/O

Valuation Methodology: Our \$25 price target is premised upon our '14E EPS of \$1.69 and the '14 group PE multiple of 13.9x, adjusted upwards by 5% for NI's gas heavy business mix.

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EQUITY RESEARCH |
INSTANT INSIGHTS

26 November 2012

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BCI, New York

NI- Bay State Gas Pipe Explosion in Springfield, MA

Stock Rating/Industry View: Equal Weight / Positive

Price Target: \$26

Price (23-Nov-2012): \$24.02

Potential Upside/Downside: 8%

Ticker: NI

A natural gas pipe exploded in Springfield, MA on November 23 after a Bay State Gas utility worker damaged an underground pipe and a spark from an unknown source triggered the explosion. The explosion injured 18 people and damaged nearby buildings. The utility worker was investigating a reported leak with a metal probe to test gas levels, and accidentally pierced an underground pipe.

The Massachusetts Department of Public Utilities is holding an investigation on the incident, and NiSource is accepting claims by individuals and businesses related to the explosion. We believe it is too early to determine total cost at this stage. However, because current reports suggest that the accident was attributable to individual human error rather than neglected infrastructure problems, we would not draw parallels to the San Bruno incident.

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EQUITY RESEARCH |
INSTANT INSIGHTS

11 December 2012

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BCI, New York

Gas Pipeline Explosion in West Virginia

Stock Rating/Industry View: Overweight/Positive

Price Target: \$27

Price (10-Dec-2012): \$24.49

Potential Upside/Downside: 10%

Ticker: NI

A gas pipeline exploded earlier this afternoon in Sissonville, West Virginia, resulting in flames that destroyed a number of nearby homes and shutting down the Interstate 77 highway. Reportedly, the gas pipeline was a 36" interstate line belonging to Columbia Gas, a NiSource subsidiary. There have been no reported injuries or deaths so far.

The causes of this explosion have yet to be determined, and so we believe it is too early to assess the financial impact. Although we note that this is the second gas pipeline incident involving NI in the last month, this is likely coincidental, given the accident in Massachusetts was attributable to human error rather than neglect.

Fundamentally, we are positive on the stock given clarity around its growth plans and valuation. In light of this incident, we will observe and assess developments as more information is available. Currently, data regarding the incident is still being gathered, and information is limited and may be imperfect.

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NiSource, Inc.

Upgrading to OW on Clean Story; Attractive Valuation

We are upgrading NI to Overweight and raising our PT to \$27 from \$26. Our new PT is based on a 10% premium to the regulated electric utility group multiple of our new 2014 EPS estimate of \$1.68/share, with an additional \$1.50/share value assigned to the company's Utica holdings. We are also updating our 2012/2013/2014 EPS estimates to \$1.45/1.56/1.68, from \$1.45/1.54/1.64 previously.

NI trades at only a 3% premium to regulated names on '14E earnings despite a clear-cut growth story and lack of near-term risks. In our view, NI's clean plan towards 5-7% EPS CAGR through 2017 involving a highly visible and sustainable rate base growth plan and limited foreseeable risks warrants a 10% premium to the regulated group. We model annual capex of \$425M in NIPSCO, \$625M in Gas Distribution, and \$600-650M in NGT&S in 2013-14, leading to ~8% annual earnings growth over the next two years.

We see a number of meaningful catalysts for shares, which include: FERC approval of the \$300M per year Columbia pipeline modernization settlement in the next 2 months, possible passage of Indiana legislation in 1H13 allowing tracker recovery of T&D modernization investments, and the likely capture of value of NI's Utica assets.

We would not draw parallels between the recent Columbia Gas pipe explosion and the San Bruno incident. The blast in Springfield, MA injured 17, but no deaths, and destroyed surrounding buildings. There is a thorough investigation underway, but reports currently indicate the cause of the explosion was human error. As such, we would not make direct comparisons to the San Bruno explosion.

NI: Quarterly and Annual EPS (USD)

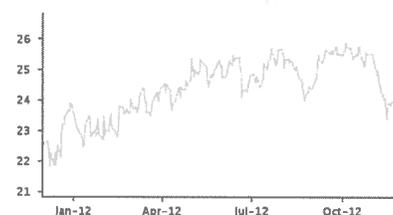
FY/Dec	2011		2012		2013		Change y/y		
	Actual	Old	New	Cons	Old	New	Cons	2012	2013
Q1	0.71A	0.76A	0.76A	0.76A	N/A	N/A	0.74E	7%	N/A
Q2	0.17A	0.23A	0.23A	0.23A	N/A	N/A	0.26E	35%	N/A
Q3	0.11A	0.04E	0.05A	0.05A	N/A	N/A	0.14E	-55%	N/A
Q4	0.35A	N/A	0.41E	0.43E	N/A	N/A	0.46E	17%	N/A
Year	1.35A	1.45E	1.45E	1.45E	1.54E	1.56E	1.56E	7%	8%
P/E	17.9		16.7			15.5			

Source: Barclays Research.
 Consensus numbers are from Thomson Reuters

Stock Rating	OVERWEIGHT from Equal Weight
Industry View	POSITIVE Unchanged
Price Target	USD 27.00 raised 4% from USD 26.00
Price (30-Nov-2012)	USD 24.17
Potential Upside/Downside	+12%
Tickers	NI
Market Cap (USD mn)	7412
Shares Outstanding (mn)	309.75
Free Float (%)	99.20
52 Wk Avg Daily Volume (mn)	2.5
Dividend Yield (%)	3.9
Return on Equity TTM (%)	5.91
Current BVPS (USD)	17.48

Source: FactSet Fundamentals

Price Performance	Exchange-NYSE
52 Week range	USD 26.15-21.67



[Link to Barclays Live for interactive charting](#)

North America Utilities

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North America Utilities

Industry View: POSITIVE

NiSource, Inc (NI)

Stock Rating: OVERWEIGHT

Income statement (\$mn)	2011A	2012E	2013E	2014E	CAGR
EBITDA (adj)	1,443	1,682	1,823	1,971	11.0%
EBIT (adj)	905	1,105	1,204	1,308	13.1%
Pre-tax income (adj)	467	664	719	782	18.7%
Net income (adj)	N/A	N/A	N/A	N/A	N/A
EPS (adj) (\$)	1.35	1.45	1.56	1.68	7.6%
Diluted shares (mn)	288.5	298.0	300.0	301.9	1.5%
DPS (\$)	0.92	0.96	1.00	1.08	5.5%

Margin and return data					Average
EBITDA (adj) margin (%)	24.0	26.9	27.9	29.0	26.9
EBIT (adj) margin (%)	15.0	17.7	18.4	19.2	17.6
Pre-tax (adj) margin (%)	7.8	10.6	11.0	11.5	10.2
Net (adj) margin (%)	5.0	6.9	7.2	7.5	6.6
ROIC (%)	7.8	8.7	8.8	9.0	8.6
ROA (%)	1.5	2.0	2.0	2.1	1.9
ROE (%)	6.1	7.9	8.2	8.6	7.7

Balance sheet and cash flow (\$mn)					CAGR
Net PP&E	11,800	12,723	13,753	14,791	7.8%
Total net assets	20,708	21,847	22,819	23,717	4.6%
Capital employed	11,592	12,728	13,684	14,567	7.9%
Shareholders' equity	4,997	5,482	5,700	5,932	5.9%
Net debt/(funds)	6,422	6,891	7,727	8,557	10.0%
Cash flow from operations	870	944	1,064	1,147	9.6%
Capital expenditure	-1,125	-1,500	-1,650	-1,700	N/A
Free cash flow	-308	-522	-571	-537	N/A
Pre-dividend FCF	-50	-236	-271	-211	N/A

Valuation and leverage metrics					Average
P/E (adj) (x)	17.9	16.7	15.5	14.4	16.1
EV/EBITDA (adj) (x)	9.5	8.4	8.2	8.0	8.5
EV/EBIT (adj) (x)	15.1	12.8	12.4	12.1	13.1
P/BV (x)	1.4	1.3	1.3	1.2	1.3
Dividend yield (%)	3.8	4.0	4.1	4.5	4.1
Total debt/capital (%)	56.9	56.9	58.3	59.3	57.9
Net debt/EBITDA (adj) (x)	N/A	N/A	N/A	N/A	N/A

Selected operating metrics				
Payout ratio (%)	68.1	66.2	64.2	64.2
Interest cover (x)	2.4	2.5	2.5	2.5
Regulated (%)	N/A	N/A	N/A	N/A

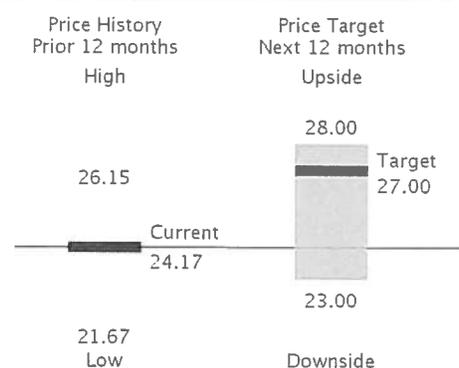
Price (30-Nov-2012) USD 24.17
 Price Target USD 27.00

Why Overweight? We rate NI as an Overweight because of the attractive risk/reward profile from NI's well-defined rate base growth strategy which we see as relatively low-risk. Moreover, we believe additional value can be captured in NI's shale acreage, to which we assign a value of \$1.50/share.

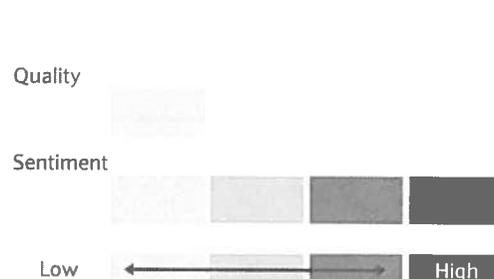
Upside case USD 28.00
 Our upside case is based on a sum of the parts valuation of the businesses, using a 5% premium to the regulated group's multiple and assigning \$1.50/share value to the company's shale acreage.

Downside case USD 23.00
 Our downside case assumes NI trades in-line with the regulated group's multiple on '14 EPS.

Upside/Downside scenarios



POINT® Quantitative Equity Scores



Source: POINT, Barclays global multi-asset class portfolio analysis platform. These scores are valid as of the date of this report and are independent of the fundamental analysts' views. To view the latest scores, which are updated monthly, click here. For an explanation of these scores, see the back page.

Source: Company data, Barclays Research
 Note: FY End Dec

Updated Thoughts on NiSource

We believe that NI's capital investment plan makes for a clean story, given the comparative lack of major overhangs and risks associated with the investments being made and their respective regulatory jurisdictions. We believe shares offer a compelling opportunity at current valuation levels, which represent only a 3% premium to the regulated group. The company expects to spend \$1.5-1.8 billion per year in capital investments in the next several years between the three business segments. We model annual capex of \$425M in NIPSCO, \$625M in Gas Distribution, and \$600-650M in NGT&S in 2013-14, leading to segment operating income growth of 8%, 7%, and 12% respectively over the next four years. Below, we lay out the growth plan and our views for each of the segments:

NIPSCO Electric

The company's guidance for NIPSCO capex is currently \$400-450M per year. Our recent conversations with management indicate that this level of investment can be sustained well beyond the 2017 time horizon implied during the September Analyst Day. The sustainability of current investment levels over a longer time period supports our view that NI should trade at a premium multiple to peers.

In addition to a baseline \$125M of annual maintenance capex, NIPSCO can sustain an additional ~\$300M of growth capex per year in three areas with timelines that are spread out over the next 15-20 years. In the near term, growth capex is expected to be driven by environmental capex from the installation of scrubbers at the Schahfer and Michigan City plants, MATS controls for all plants, and water and waste treatment controls. Beyond the 2014-15 timeframe, MISO transmission system projects should drive growth capex. The company currently has two announced projects in the Reynolds to Hiple and Reynolds to Greentown lines, totalling \$400-500M, and several projects pending MISO approval also aimed at reducing congestion in the MISO. Distribution system modernization comprises the third leg of growth. Indiana legislation that would allow for tracker-based cost recovery of distribution modernization investments could be introduced and passed in early 2013. If it passes, it would pave the way for NI to enter into a round of investments in distribution assets that would be needed to support new gas-fired generation to come online at the end of the decade.

Gas Distribution

Gas Distribution expects capex of \$600-650M per year through 2017, mainly on aging pipeline replacements. Because of constructive regulation across a number of jurisdictions of the LDCs, roughly 75% of these investments have expedited recovery mechanisms with minimal regulatory lag. Customer switching from oil-fuelled heating in Massachusetts (currently 12% of the current total LDC rate base) could create additional upside.

Gas Transmission & Storage

We expect FERC approval of NI's Columbia gas pipeline modernization settlement, which proposes to replace over 1,000 miles of aging interstate pipeline, sometime within the next 2 months. We believe that approval is likely given the lack of major parties opposed to the settlement. This would greenlight NI's \$300M per year infrastructure modernization plan which has an initial length of 5 years with provisions for extensions of the project. Costs will be recovered on an annual basis with a tracker. The conditions of the settlement include a \$25M annual refund (of which the amounts for 2012 and 2013 were charged in 3Q12 earnings). With this in mind, the settlement is expected to be earnings-accretive in 2014 and cash-accretive in 2015.

During the 3Q call NI suggested that the Pennant Midstream JV with Hilcorp may be expanded to a \$1 billion project, from the initial announcement of \$300M. Under the current agreement, NI contributed Utica shale acreage for a 50% stake in the gathering and processing JV formed by the two companies. We believe that a similar project could be developed to monetize NI's holdings of 300,000 acres in the western portion of the Utica, which have unproven oil reserves. While drilling activity in the western Utica may be muted near-term, we believe NI would be well-positioned to benefit via joint gathering/processing and midstream projects if producers in the region report positive well results over time. We currently assign a \$1.50/share value to the undeveloped western Utica acreage, assuming that the holdings are worth approximately \$1,500/acre, after applying a heavy discount to recent prices from asset sales in other portions of the Utica.

Valuation

Our \$27 price target is premised upon our '14E EPS of \$1.68 and the '14 group PE multiple of 13.8x, adjusted upwards by 10% for NI's clearly defined and relatively low-risk growth plan. In addition, we assign a \$1.50/share value for the company's Utica holdings.

In our upside scenario, we value the company on the sum of the parts. We assign a 5% premium to the respective group multiples of electric utilities and gas LDCs to value the regulated businesses, and assign the western Utica holdings a value of \$1.50/share.

Figure 1: NI Sum of the Parts Valuation

	FY'14E Net Income	P/E Multiple	Value Per Share
NIPSCO Electric	106.7	14.5x	\$5.15
Gas Distribution	221.4	15.3x	\$11.32
Gas Transmission & Storage	203.8	16.0x	\$10.87
Corporate	(36.6)	6.5x	(\$0.79)
Tax Impact of Corp. Expense	12.8	6.5x	\$0.28
W. Utica Acreage			\$1.50
Diluted Shares (millions)			300.0
Total			\$28.32

Source: Company filings, Barclays Research estimates.

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Primary Stocks (Ticker, Date, Price)

NiSource, Inc. (NI, 30-Nov-2012, USD 24.17), Overweight/Positive

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Overweight - The stock is expected to outperform the unweighted expected total return of the industry coverage universe over a 12-month investment horizon.

Equal Weight - The stock is expected to perform in line with the unweighted expected total return of the industry coverage universe over a 12-month investment horizon.

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American Water Works (AWK)

Aqua America (WTR)

Canadian Utilities Ltd. (CU.TO)

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CMS Energy (CMS)

Consolidated Edison (ED)

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DTE Energy (DTE)

Duke Energy (DUK)

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NiSource, Inc. (NI)	Northeast Utilities (NU)	NV Energy, Inc. (NVE)
OGE Energy Corp. (OGE)	Pepco Holdings (POM)	PG&E Corp. (PCG)
Pinnacle West Capital (PNW)	PNM Resources (PNM)	Portland General Electric Co. (POR)
SCANA Corp. (SCG)	Sempra Energy (SRE)	Southern Co. (SO)
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A high/low Quality score indicates financial statement strength/weakness. Measures of quality include ROIC and corporate default probability.

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NiSource, Inc. (NI)

USD 24.17 (30-Nov-2012)

Stock Rating

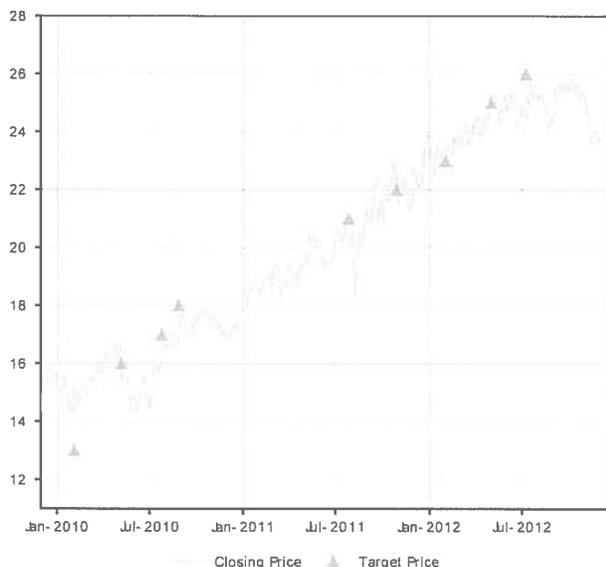
OVERWEIGHT

Industry View

POSITIVE

Rating and Price Target Chart - USD (as of 30-Nov-2012)

Currency=USD



Date	Closing Price	Rating *	Price Target
09-Jul-2012	24.41		26.00
01-May-2012	25.33		25.00
01-Feb-2012	23.45		23.00
28-Oct-2011	22.52		22.00
26-Jul-2011	20.85		21.00
25-Aug-2010	16.90		18.00
23-Jul-2010	16.49		17.00
04-May-2010	16.60		16.00
02-Feb-2010	15.17		13.00

*The rating for this security remained Equal Weight during the relevant period.

[Link to Barclays Live for interactive charting](#)

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Valuation Methodology: Our \$27 price target is premised upon our '14E EPS of \$1.69 and the '14 group PE multiple of 13.7x, adjusted upwards by 10% for NI's clearly defined and relatively low-risk growth plan. In addition, we assign a \$1.50/share value for the company's Utica holdings.

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EQUITY RESEARCH | INSTANT INSIGHTS

19 March 2013

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BCI, New
York

NI: Columbia Gas of Pennsylvania Settlement Reached

Stock Rating/Industry View: Overweight / Positive

Price Target: \$29

Price (18-Mar-2013): \$28.10

Potential Upside/Downside: 3%

Ticker: NI

On March 15, NI's Columbia Gas of Pennsylvania utility entered into a settlement with the Pennsylvania PUC and consumer advocates for its rate case filed in September 2012. The agreement allows for a \$55.25 million revenue increase, compared to an ask of \$77.3 million. The black box settlement was silent on ROE and other traditional rate case parameters. Importantly, however, the settlement allows for a forecasted rate base, to be based on a projection through June 30, 2014, and a quarterly tracker for infrastructure capex not included in base rates.

The constructive result was consistent with our expectations, as the new recovery mechanisms were enabled by Act 11, a state law enacted in 2012 allowing utilities to 1) recover modernization costs via a quarterly-adjusted distribution system improvement charge (DSIC) based on costs incurred in the previous quarter, and 2) use fully forecasted test years in rate case filings. With this settlement, we note that nearly all 7 of the states in which NI's gas utilities operate now have expedited rate treatment. We estimate Columbia Gas of Pennsylvania represents around 20% of total rate base for NI's Gas Distribution segment.



EQUITY RESEARCH | INSTANT INSIGHTS

1 February 2013

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BCI,
New
York

NI: Divestiture of Non-Core Gas Retail Services Announced

Stock Rating/Industry View: Overweight / Positive

Price Target: \$27

Price (31-Jan-2013): \$27.03

Potential Upside/Downside: 0%

Ticker: NI

On January 31, NI announced the sale of a portion of its non-core Natural Gas Distribution retail services business for around \$120 million to AGL Resources. The sale encompasses the ESP and Columbia Retail Services businesses, which provide appliance repair services and line protection insurance for residential and small-business gas utility customers. We believe the divestiture of the non-core assets for NI would allow the company to further invest in its core utility and infrastructure businesses.

We expect no significant earnings impact for NI in 2012 and 2013. However, the proceeds from the sale could potentially offset the size of the equity offering expected in 2015. In our view, NI could apply the proceeds towards its \$1.5-1.8 billion annual infrastructure investment plan.



EQUITY RESEARCH | INSTANT INSIGHTS

25 January 2013

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BCI,
New
York

NI: FERC Approves Columbia Gas Transmission Customer Settlement

Stock Rating/Industry View: Overweight / Positive

Price Target: \$27

Price (24-Jan-2013): \$26.50

Potential Upside/Downside: 2%

Ticker: NI

Earlier today the FERC approved Columbia Gas Transmission's settlement with customers, laying out a multi-year plan for pipeline infrastructure investment. The settlement was approved in its original form. We believe this result was positive but largely in line with expectations, given the broad support among pipeline customers for the settlement prior to its approval.

The settlement provides for \$300 million per year in growth capex and \$100 million per year in maintenance capex over an initial 5-year period from 2013 to 2017. It also provides for an annual tracker for recovery of returns, taxes, and depreciation. Investments include replacing 1,000 miles of aging interstate pipeline, upgrading compressors along the pipeline system, and increasing system reliability and maintenance capabilities. As previously announced, the settlement would come with a \$25 million annual refund to customers starting in 2014. A \$50 million refund was recorded as a charge in 3Q12 towards the 2012 and 2013 years. The settlement should be earnings-accretive in 2014, and cash-accretive in 2015.

Over the longer term, there are opportunities to expand the settlement plan beyond the initial 5-year period to include a total of around \$4 billion in capex over a 10-15 year period.



NiSource, Inc.

Plenty of Value Left

A high-quality utility: NI is one of our favorite utility stocks with a deep capital spending program underpinned by solid regulation. We believe NI is one of the highest quality names in our coverage with: 1) long-term capex visibility supporting ~10% rate base growth in the regulated businesses over at least the next 5 years; 2) supportive regulation across its geographic footprint; and 3) an attractive valuation that we believe provides optionality and upside to expansion of its capex program above \$1.8 billion per year and possible dividend growth acceleration.

Levered to the right themes: NI benefits from the build out of natural gas infrastructure in the Marcellus and Utica shale plays. We see several opportunities for NI to grow its midstream footprint, including an extension of the Pennant JV to Phase II, pipeline expansions if additional LNG export terminals in Louisiana and Maryland are built, and the potential to monetize its acreage in the Utica. On the Electric side, NI also has two MISO transmission projects in Indiana currently in the planning stages, which combined with a 7-year T&D modernization tracker plan to be filed in Q3 should lead to sustained growth over the next several years behind the current environmental backlog.

NI has transitioned from being a catalyst-driven story to an execution story: With improvements in the regulatory environment over the last two years and a \$1.5-1.8 billion per year capex program in place over at least the next several years, we believe the lack of catalysts in the near term has become less relevant given the low-risk nature of the projects and regulatory quality. Our Overweight call is not predicated on a potential MLP as a near-term catalyst.

Valuation remains attractive: We see a 9.6% return potential for shares based on our sum of the parts. We apply a 16.2x 2015 P/E multiple, which is a 10% high-quality premium to regulated utility group to the Electric and Gas Distribution segments, a 9.5x EV/EBITDA multiple for the Pipeline Group, and \$1.50/share for NI's Utica acreage.

NI: Quarterly and Annual EPS (USD)

FY Dec	2012		2013		2014		Change y/y		
	Actual	Old	New	Cons	Old	New	Cons	2013	2014
Q1	0.76A	0.69A	0.69A	0.69A	N/A	N/A	0.76E	-9%	N/A
Q2	0.23A	N/A	N/A	0.25E	N/A	N/A	0.27E	N/A	N/A
Q3	0.05A	N/A	N/A	0.15E	N/A	N/A	0.15E	N/A	N/A
Q4	0.44A	N/A	N/A	0.48E	N/A	N/A	0.47E	N/A	N/A
Year	1.46A	1.56E	1.56E	1.55E	1.68E	1.68E	1.67E	7%	8%
P/E	20.6		19.3			17.9			

Source: Barclays Research.

Consensus numbers are from Thomson Reuters

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Investors should consider this report as only a single factor in making their investment decision.

PLEASE SEE ANALYST(S) CERTIFICATION(S) AND IMPORTANT DISCLOSURES BEGINNING ON PAGE 9.

Stock Rating	OVERWEIGHT
	Unchanged
Industry View	POSITIVE
	Unchanged
Price Target	USD 32.00
	Unchanged
Price (11-Jul-2013)	USD 30.14
Potential Upside/Downside	+6%
Tickers	NI
Market Cap (USD mn)	9405
Shares Outstanding (mn)	312.04
Free Float (%)	99.20
52 Wk Avg Daily Volume (mn)	2.2
Dividend Yield (%)	3.2
Return on Equity TTM (%)	8.03
Current BVPS (USD)	18.25

Source: FactSet Fundamentals

Price Performance	Exchange-NYSE
52 Week range	USD 31.39-23.14



[Link to Barclays Live for interactive charting](#)

North America Utilities

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NiSource, Inc (NI)

Stock Rating: OVERWEIGHT

Income statement (\$mn)	2012A	2013E	2014E	2015E	CAGR
EBITDA (adj)	1,633	1,765	1,898	2,037	7.6%
EBIT (adj)	1,071	1,170	1,266	1,373	8.6%
Pre-tax income (adj)	656	705	766	838	8.5%
Net income (adj)	N/A	N/A	N/A	N/A	N/A
EPS (adj) (\$)	1.46	1.56	1.68	1.77	6.7%
Diluted shares (mn)	291.9	293.8	295.5	307.6	1.8%
DPS (\$)	0.96	1.00	1.08	1.12	5.3%

Price (11-Jul-2013) USD 30.14
 Price Target USD 32.00
 Why Overweight? We rate NI as an Overweight because of the attractive risk/reward profile from NI's well-defined rate base growth strategy which we see as relatively low-risk. Moreover, we believe additional value can be captured in NI's shale acreage, to which we assign a value of \$1.50/share.

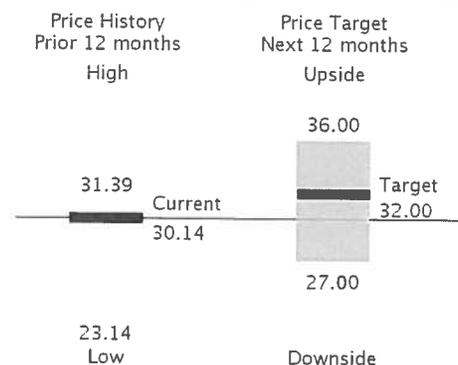
Margin and return data					Average
EBITDA (adj) margin (%)	32.2	32.1	33.4	34.7	33.1
EBIT (adj) margin (%)	21.1	21.3	22.3	23.4	22.0
Pre-tax (adj) margin (%)	12.9	12.8	13.5	14.3	13.4
Net (adj) margin (%)	8.4	8.3	8.8	9.3	8.7
ROIC (%)	8.3	8.5	8.6	8.6	8.5
ROA (%)	2.0	2.0	2.1	2.1	2.0
ROE (%)	7.7	7.9	8.3	8.3	8.1

Upside case USD 36.00
 Our upside case assigns a 11x 2015 EV/EBITDA multiple to the Columbia Pipeline Group under an MLP scenario.

Downside case USD 27.00
 Our downside case assumes NI trades in-line with the regulated group's multiple on 2015 EPS.

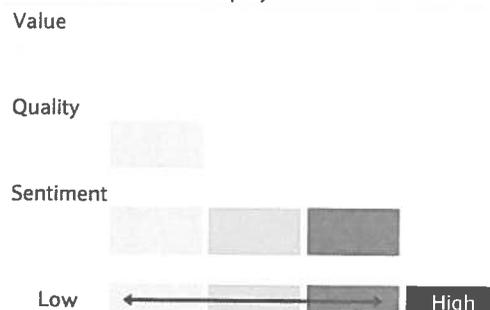
Balance sheet and cash flow (\$mn)					CAGR
Net PP&E	12,916	14,107	15,225	16,312	8.1%
Total net assets	21,845	23,131	24,261	25,534	5.3%
Capital employed	12,881	13,809	14,788	16,061	7.6%
Shareholders' equity	5,554	5,774	6,003	6,553	5.7%
Net debt/(funds)	7,243	7,934	8,705	9,273	8.6%
Cash flow from operations	1,276	1,259	1,248	1,176	-2.7%
Capital expenditure	-1,499	-1,787	-1,750	-1,750	N/A
Free cash flow	-359	-719	-646	-571	N/A
Pre-dividend FCF	-86	-425	-327	-226	N/A

Upside/Downside scenarios



Valuation and leverage metrics					Average
P/E (adj) (x)	20.6	19.3	17.9	17.0	18.7
EV/EBITDA (adj) (x)	9.8	9.5	9.2	8.9	9.3
EV/EBIT (adj) (x)	15.0	14.3	13.8	13.2	14.1
P/BV (x)	1.6	1.5	1.5	1.4	1.5
Dividend yield (%)	3.2	3.3	3.6	3.7	3.5
Total debt/capital (%)	56.9	58.2	59.4	59.2	58.4
Net debt/EBITDA (adj) (x)	N/A	N/A	N/A	N/A	N/A

POINT® Quantitative Equity Scores



Source: POINT. The scores are valid as of the date of this report and are independent of the fundamental analysts' views. To view the latest scores, click here.

Source: Company data, Barclays Research
 Note: FY End Dec

A High Quality Utility Levered to Midstream Buildout

Investment Thesis

The extended period of strong regulated utility group performance in 2011-1H13 saw a convergence in valuations across the group, despite differences in regulatory quality, earnings and dividend growth visibility, or business risk. With the recent rise in interest rates following signals from the Federal Reserve indicating coming changes in monetary policy, we believe valuations within the group will again begin to diverge. In this environment we prefer utilities with regulatory certainty and clarity with regards to earnings and dividend growth prospects. Since over the next two years, we expect rate base growth across the regulated utility space to moderate from a ~6% annual rate to a more normal ~3% growth rate after 2015 as compliance-driven environmental spending tapers, we also favor utilities levered to transmission growth and midstream gas infrastructure build out. We believe those companies offer the potential to sustain further rate base growth beyond the current environmental-driven capex cycle.

In our view, NiSource is a high-quality core utility holding with a significant capital spending backlog driving rate base growth with constructive regulation across its footprint. The company differentiates itself from the rest of the space with the high level of visibility regarding its spending program beyond the 2015 timeframe. The capital spending in its electric utility, gas utility, and interstate gas pipeline operations largely earn rates under expedited/tracker recovery. We reiterate our Overweight rating on shares as it remains one of our favorite names among regulated utilities.

The Valuation is Still Attractive

We believe it is appropriate to assign a 10% premium to the regulated group multiple for the utility operation earnings given the quality of regulation and the high rate base growth visibility. Assigning a 9.5x EBITDA multiple to the Columbia Pipeline Group and \$1.50 per share for NI's Utica acreage, which we believe is still conservative, gives us a \$32 price target. This implies a 9.6% total return to shares without assuming any valuation uplift from an MLP.

Some Thoughts on MLP Opportunities

There has been considerable interest and speculation on whether NiSource will form an MLP from its Columbia Pipeline Group assets, especially given the recent activity within the MLP space, including the announcements from OGE Energy (OGE) and CenterPoint Energy (CNP). We believe the potential formation of an MLP remains on the periphery for upside longer-term but is not a core part of the story today, and NI shares remain attractive even without an MLP as a catalyst near-term.

We believe that an MLP remains on the table longer term but is not a near-term (next 12-18 months) prospect for 2 main reasons: 1) from a credit perspective forming an MLP could jeopardize NI's investment grade rating; and 2) the legacy Columbia assets are fully depreciated, which could lead to significant tax leakage under an MLP structure. Of these two, we believe the credit consideration is the gating factor, as, in our view, it could make sense for NI to pursue a drop-down growth strategy with a smaller initial asset dropdown as the company grows its midstream footprint.

Management indicated during meetings that capex could be north of the \$1.5-1.8 billion target range over the next several years. If this is the case, and with the reinstatement of dividend growth of 3-5% per year, we believe achieving an MLP transaction is not immediately on the horizon. That said, we highlight our view that the NI story is not

predicated on an MLP, but rather on execution of its growth strategy focused on visibility of returns.

So where is the upside, if not in an MLP?

We believe the upside for NI will be execution driven, with our thesis to play out over time as one of the best quality names in our space. Based on the company's current opportunity set and management comments, the company can likely achieve the higher end of \$1.5-1.8 billion capex program, which we believe will push earnings growth towards the higher end of its guided 5-7% earnings growth range. We also see the possibility of accelerating dividend growth to a 5-7% rate from 3-5% currently to match earnings growth.

A number of incremental investment opportunities would allow NiSource to achieve the higher end of its growth targets:

Indiana T&D Modernization Plan Filing

Under SB 560 enacted in Indiana in May, NIPSCO is expected to file a 7-year plan for capital spending to modernize and expand its electric distribution system in order to benefit from tracker recovery under the legislation. The company expects to file the plan some time in Q3. We believe the filing would give investors additional clarity on the capex run rate post-2015. Our current expectation is capex continuing at a run rate of \$400-450 million per year, which is the current level of spend.

Pennant Midstream JV "Phase II"

In July 2012, NiSource and Hilcorp Energy, a private oil exploration and production company, announced a joint venture investing in constructing midstream infrastructure in eastern Ohio and western Pennsylvania. "Phase I" of the JV consists of building 50 miles of gathering pipeline in eastern Ohio and western Pennsylvania, as well as a NGL processing plant with initial capacity of 200Mmcf per day, which is a total investment of \$300 million (\$150 million NI share). The company has indicated the possibility of expanding the Pennant Midstream JV with Hilcorp Energy to a "Phase II" by building pipeline and processing capacity, which would add an incremental \$300 million (\$150 million NI share) in capex.

LNG Exports

NI also has opportunities to identify and pursue additional pipeline projects transporting natural gas from the Marcellus to export terminals if additional LNG export terminals are approved. There could be up to \$1 billion in incremental natural gas midstream projects depending on additional LNG export terminal approvals.

We believe NI can deploy incremental capital in the Marcellus and Utica shale plays given the strategic location of its assets.

Monetization of Utica Lease Holdings

We estimate NiSource has roughly 163K acres of lease holdings in the Utica, much of it located in Ashland and Hocking counties in Ohio. A portion of the acreage, principally in Columbiana and Trumbull counties, is dedicated to the Pennant JV. We believe management is waiting for the rest of the play to develop and may be able to monetize the remaining acreage holdings, particularly in the western portion of the play through a similar arrangement with producers.

NiSource at a Glance

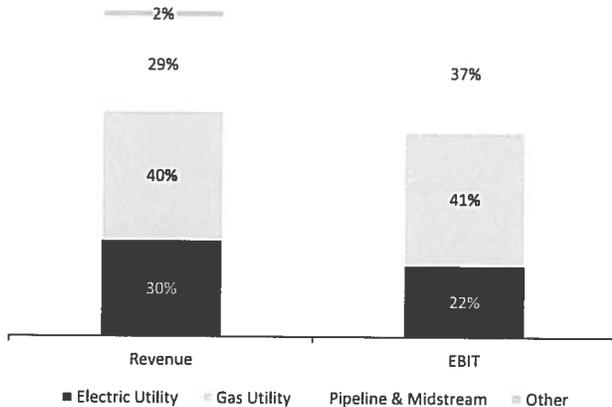
NiSource operates in three business segments, with most of its operations earning regulated rates of return and with a tilt towards natural gas transportation and distribution.

The company's electric utility business is NIPSCO Electric, which owns and operates electric generation, distribution, and transmission assets serving 455,000 customers in Northern Indiana. Rate base for NIPSCO Electric is around \$2.8 billion, and the utility has an authorized 10.20% ROE.

NiSource Gas Distribution is the company's largest segment by revenues and operating income. The segment consists of gas utilities in 7 states: Indiana, Ohio, Kentucky, Virginia, Pennsylvania, Maryland, and Massachusetts, which all operate under the Columbia Gas brand outside of Indiana. The service areas are geographically located around the Marcellus and Utica shale regions, which allow the utilities to be serviced by NI's Columbia pipeline system. Collectively, the gas utilities have a rate base of around \$3.7 billion with an average allowed ROE of 10%.

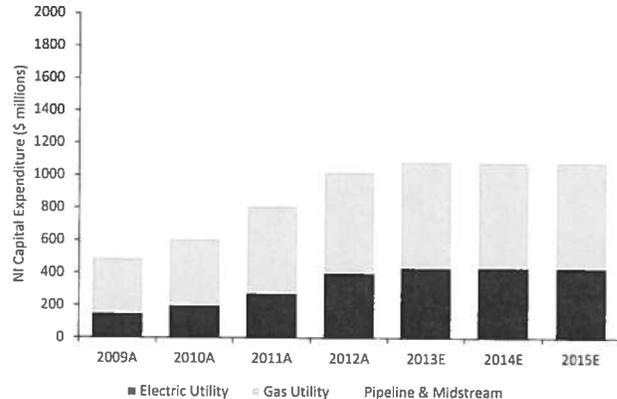
The Columbia Pipeline Group (formerly NiSource Gas Transmission & Storage) houses the company's interstate gas pipeline, storage, and midstream operations. CPG's assets and operations are principally located in the U.S. Northeast and Midwest around the Marcellus and Utica shale regions, which provide a range of pipeline expansion and midstream opportunities.

FIGURE 1
 NI 2012 Revenue and Operating Income by Segment



Source: Company filings

FIGURE 2
 NI Capital Expenditure Forecasts

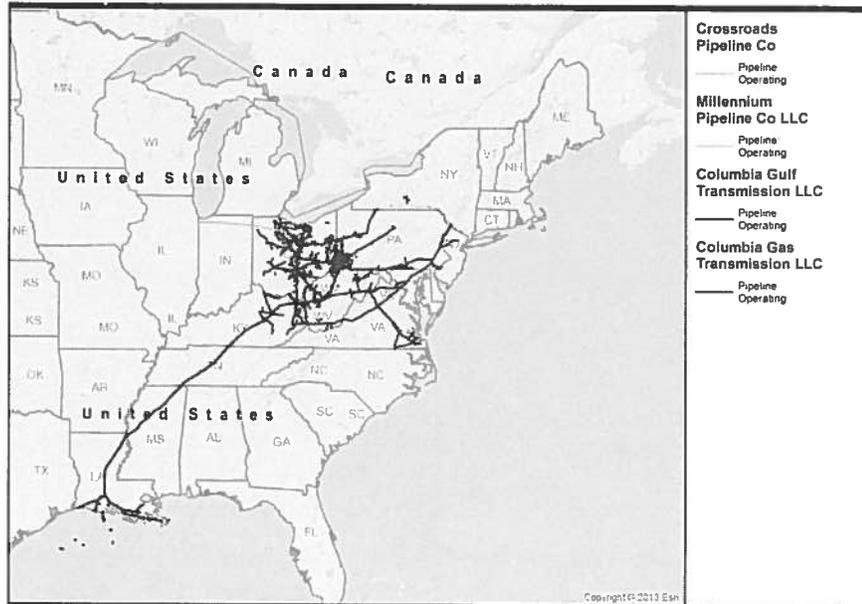


Source: Company filings, Barclays Research

Columbia Pipeline Group

The Columbia Pipeline Group (formerly NiSource Gas Transmission & Storage) operates a total of 15,000 miles of interstate natural gas pipelines and 37 storage fields across its footprint. The Columbia Gas Transmission system overlies the Marcellus and Utica shale regions, and the Columbia Gulf Transmission pipeline runs from the Marcellus to the Gulf Coast.

FIGURE 1
 CPG Pipeline Locations



Source: SNL Financial, Barclays Research

Columbia Pipeline Modernization Program

The company obtained a settlement with customers allowing a \$1.5 billion project to modernize and replace over 1,000 miles of aging pipeline in the Columbia Gas Transmission network. The project calls for \$300 million of growth capex and \$100 million of maintenance capex per year over an initial period of 5 years, with potential to extend the project to what can potentially be a \$4-5 billion opportunity over an extended 10-15 year period. We believe the program is a key driver of capex for the segment. Rates are determined by FERC formula rates and are recovered via tracker.

Pennant Midstream Joint Venture

In July 2012, NiSource and Hilcorp Energy, a private oil exploration and production company, announced a joint venture investing in constructing midstream infrastructure in eastern Ohio and western Pennsylvania. “Phase I” of the JV consists of building 50 miles of gathering pipeline in eastern Ohio and western Pennsylvania, as well as a NGL processing plant with initial capacity of 200Mmcf per day, which is a total investment of \$300 million (\$150 million NI share). The project, which is expected to be in service in 3Q13, is anchored with a long-term gathering and processing agreement and additional capacity can be sold to other producers in the region. There is the possibility of expanding the JV to a “Phase II” based on well results, which would be an additional \$300 million.

Big Pine Gathering System

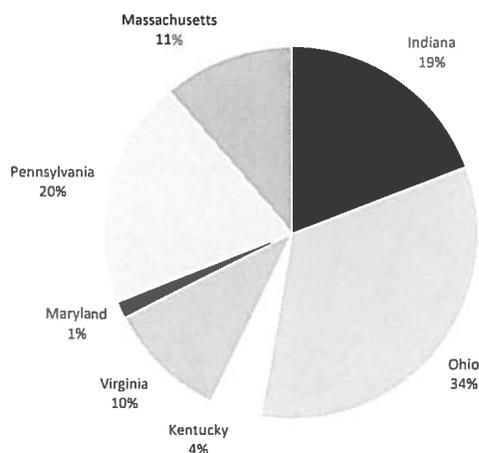
In June, NiSource completed a \$160 million 57-mile gathering system in the Marcellus play in Pennsylvania backed by a long-term gathering agreement with XTO Energy and another agreement with PennEnergy. We believe NI is in a position to execute additional projects in

the Marcellus and Utica of comparable size given the strategic location of its assets and management's track record.

NiSource Gas Distribution

NiSource Gas Distribution is the company's largest segment by revenues and operating income. The segment consists of gas utilities in 7 states: Indiana, Ohio, Kentucky, Virginia, Pennsylvania, Maryland, and Massachusetts, which all operate under the Columbia Gas brand outside of Indiana. The service areas are geographically located around the Marcellus and Utica shale regions, which allow the utilities to be serviced by NI's Columbia pipeline system. Collectively, the gas utilities have a rate base of around \$3.7 billion with an average allowed ROE of 10%.

FIGURE 2
 Gas Distribution Rate Base by State



Source: Company filings, Barclays Research

Rate base growth at NiSource Gas Distribution is primarily driven by the Infrastructure Replacement Program, a multi-year program leading to annual capital spending of around \$600-650 million, which should lead to 7-9% annual operating earnings growth over the next several years. The spending program, which is in place for all the states except Indiana, is backed by forward test years or annual tracker filings in their respective jurisdictions. With the passage of SB 560 in Indiana in May, the company is evaluating opportunities to modernize and expand the system in the state, backed by the recently enacted tracker legislation.

NIPSCO Electric

NIPSCO Electric serves around 455,000 customers in Northern Indiana. As of year-end 2012, rate base for NIPSCO Electric was around \$2.8 billion, and earns an authorized 10.20% ROE. The segment is expected to invest \$400-450 million of annual capex leading to operating earnings growth of 7-9% over the next several years. This assumes flat to modest customer growth, which we believe is reasonable.

The main projects currently underway at NIPSCO Electric are environmental upgrades for the coal fleet. Flue Gas Desulfurization (FGD) facilities are being constructed for NIPSCO's Shahfer and Michigan City Generating Stations. The FGD units are expected to be in service before year-end 2015, and cost a total of \$740 million. NOx and MATS compliance upgrades comprise the balance of the capital program through 2015. Currently, these projects are all covered under Indiana's Environmental Cost Recovery Mechanism for tracker recovery.

In May, the Indiana General Assembly passed Senate Bill 560 allowing electric and gas utilities to recover costs for transmission, distribution, and storage improvements via a tracker, based on a commission approved 7- year plan for the projects.

ANALYST(S) CERTIFICATION(S)

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Primary Stocks (Ticker, Date, Price)

NiSource, Inc. (NI, 11-Jul-2013, USD 30.14), Overweight/Positive, A/C/D/J/K/L/M/O

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In addition to the stock rating, we provide industry views which rate the outlook for the industry coverage universe as Positive, Neutral or Negative (see definitions below). A rating system using terms such as buy, hold and sell is not the equivalent of our rating system. Investors should carefully read the entire research report including the definitions of all ratings and not infer its contents from ratings alone.

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Overweight - The stock is expected to outperform the unweighted expected total return of the industry coverage universe over a 12-month investment horizon.

Equal Weight - The stock is expected to perform in line with the unweighted expected total return of the industry coverage universe over a 12-month investment horizon.

Underweight - The stock is expected to underperform the unweighted expected total return of the industry coverage universe over a 12-month investment horizon.

Rating Suspended - The rating and target price have been suspended temporarily due to market events that made coverage impracticable or to comply with applicable regulations and/or firm policies in certain circumstances including where the Corporate and Investment Banking Division of Barclays is acting in an advisory capacity in a merger or strategic transaction involving the company.

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Positive - industry coverage universe fundamentals/valuations are improving.

Neutral - industry coverage universe fundamentals/valuations are steady, neither improving nor deteriorating.

Negative - industry coverage universe fundamentals/valuations are deteriorating.

Below is the list of companies that constitute the "industry coverage universe":

North America Utilities

Alliant Energy (LNT)	Ameren Corp. (AEE)	American Electric Power (AEP)
American Water Works (AWK)	Aqua America (WTR)	Canadian Utilities Ltd. (CU.TO)
CenterPoint Energy Inc. (CNP)	CMS Energy (CMS)	Consolidated Edison (ED)
Dominion Resources (D)	DTE Energy (DTE)	Duke Energy (DUK)
Edison International (EIX)	Emera Inc. (EMA.TO)	Fortis Inc. (FTS.TO)
Great Plains Energy Inc. (GXP)	Hawaiian Electric Inds (HE)	ITC Holdings (ITC)
National Grid Plc (NGG)	NiSource, Inc. (NI)	Northeast Utilities (NU)
NV Energy, Inc. (NVE)	OGE Energy Corp. (OGE)	Pepco Holdings (POM)
PG&E Corp. (PCG)	Pinnacle West Capital (PNW)	PNM Resources (PNM)
Portland General Electric Co. (POR)	SCANA Corp. (SCG)	Sempra Energy (SRE)
Southern Co. (SO)	TECO Energy (TE)	Westar Energy (WR)
Wisconsin Energy (WEC)	Xcel Energy (XEL)	

Distribution of Ratings:

Barclays Equity Research has 2366 companies under coverage.

44% have been assigned an Overweight rating which, for purposes of mandatory regulatory disclosures, is classified as a Buy rating; 52% of companies with this rating are investment banking clients of the Firm.

41% have been assigned an Equal Weight rating which, for purposes of mandatory regulatory disclosures, is classified as a Hold rating; 47% of companies with this rating are investment banking clients of the Firm.

13% have been assigned an Underweight rating which, for purposes of mandatory regulatory disclosures, is classified as a Sell rating; 42% of companies with this rating are investment banking clients of the Firm.

IMPORTANT DISCLOSURES CONTINUED

Guide to the Barclays Research Price Target:

Each analyst has a single price target on the stocks that they cover. The price target represents that analyst's expectation of where the stock will trade in the next 12 months. Upside/downside scenarios, where provided, represent potential upside/potential downside to each analyst's price target over the same 12-month period.

Guide to the POINT® Quantitative Equity Scores:

The POINT Quantitative Equity Scores (POINT Scores) are based on consensus historical data and are independent of the Barclays fundamental analysts' views. Each score is composed of a number of standard industry metrics.

A high/low Value score indicates attractive/unattractive valuation. Measures of value include P/E, EV/EBITDA and Free Cash Flow.

A high/low Quality score indicates financial statement strength/weakness. Measures of quality include ROIC and corporate default probability.

A high/low Sentiment score indicates bullish/bearish market sentiment. Measures of sentiment include price momentum and earnings revisions.

These scores are valid as of the date of this report. To view the latest scores, which are updated monthly, [click here](#).

For a more detailed description of the underlying methodology for each score, please [click here](#).

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IMPORTANT DISCLOSURES CONTINUED

NiSource, Inc. (NI)
 USD 30.14 (11-Jul-2013)

Stock Rating

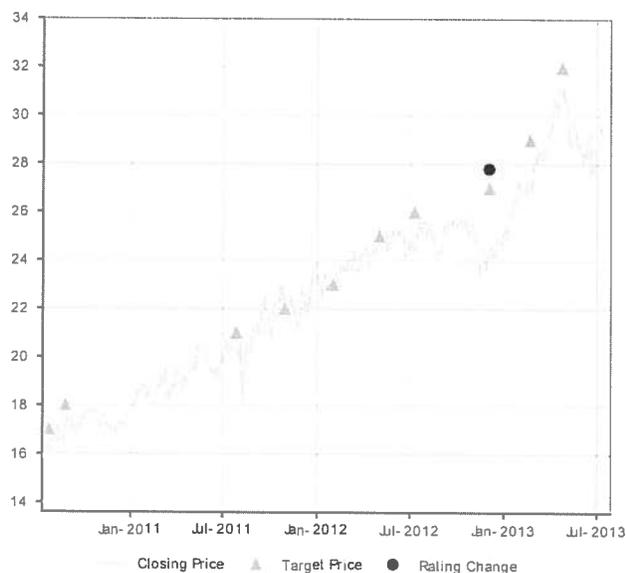
Industry View

OVERWEIGHT

POSITIVE

Rating and Price Target Chart - USD (as of 11-Jul-2013)

Currency=USD



Date	Closing Price	Rating	Price Target
24-Apr-2013	31.14		32.00
20-Feb-2013	27.04		29.00
03-Dec-2012	24.34	Overweight	27.00
09-Jul-2012	24.41		26.00
01-May-2012	25.33		25.00
01-Feb-2012	23.45		23.00
28-Oct-2011	22.52		22.00
26-Jul-2011	20.85		21.00
25-Aug-2010	16.90		18.00
23-Jul-2010	16.49		17.00

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A: Barclays Bank PLC and/or an affiliate has been lead manager or co-lead manager of a publicly disclosed offer of securities of NiSource, Inc. in the previous 12 months.

C: Barclays Bank PLC and/or an affiliate is a market-maker and/or liquidity provider in securities issued by NiSource, Inc. or one of its affiliates.

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Valuation Methodology: Our PT is based on a sum-of-the-parts valuation, assigning a 15.3x regulated utility group '15 P/E multiple for NIPSCO Electric and Gas Distribution, and a 9.5x '15 EV/EBITDA multiple for Gas Transmission & Storage. In addition we assign a \$1.50/share value to NI's western Utica acreage.

Risks which May Impede the Achievement of the Barclays Research Price Target: Risks to the outlook include the outcome of regulatory proceedings, rating agency actions, interest rates, and access to the capital markets.

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NISOURCE, INC.

NI Investor Day: Solid Story, Few Surprises

Greater Clarity, But Fairly Valued: Yesterday, on September 12, 2012, NI held an Investor Day meeting in which management outlined strategic initiatives in each of its three business segments centered on capex-driven growth. Management described capital investment opportunities that would allow the company to spend ~\$1.5-1.8 billion in capex annually over the next five years, driving 5-7% y/y operating EPS growth and sustaining 3-5% y/y dividend growth over the period. Overall, growth capital spending was modestly lower than what we had expected, but our view remains largely unchanged as we think the share price largely reflects the growth opportunities presented during the Investor Day meeting. We believe the better visibility into NI's capital investment plans provides for a clean, solid earnings growth story, and note that execution of growth projects and the company's ability to finance the significant capital needs under its plan while maintaining balance sheet health are key to the outlook.

Stable Growth: Management guided to operating earnings growth of 7-9% annually for Natural Gas Distribution and NIPSCO Electric, and 10-12% annually for Natural Gas Transmission & Storage over the next five years. We believe that these growth rates should be stable, as the businesses operate in fair regulatory environments with revenue structures that are relatively insulated to economic downturn risk.

Slightly Lower Estimates on CapEx: We reiterate our Equal Weight rating and our \$26 price target, while lowering our 2012, 2013, and 2014 EPS estimates to \$1.45/\$1.54/\$1.64 from \$1.46/\$1.57/\$1.70, respectively. We have adjusted our model to better reflect management's 2012 capex guidance of \$625 million in Gas Distribution, \$475 million in Natural Gas Transmission & Storage, and \$400 million in NIPSCO Electric.

NI: Quarterly and Annual EPS (USD)

FY Dec	2011		2012		2013		Change y/y		
	Actual	Old	New	Cons	Old	New	Cons	2012	2013
Q1	0.71A	0.76A	0.76A	0.76A	N/A	N/A	0.79E	7%	N/A
Q2	0.17A	0.23A	0.23A	0.23A	N/A	N/A	0.23E	35%	N/A
Q3	0.11A	N/A	N/A	0.15E	N/A	N/A	0.19E	N/A	N/A
Q4	0.35A	N/A	N/A	0.37E	N/A	N/A	0.41E	N/A	N/A
Year	1.35A	1.46E	1.45E	1.46E	1.57E	1.54E	1.56E	7%	6%
P/E	18.8		17.5			16.5			

Source: Barclays Research.
 Consensus numbers are from Thomson Reuters

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PLEASE SEE ANALYST(S) CERTIFICATION(S) AND IMPORTANT DISCLOSURES BEGINNING ON PAGE 5.

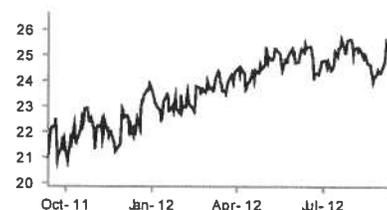
Stock Rating	EQUAL WEIGHT Unchanged
Industry View	POSITIVE Unchanged
Price Target	USD 26.00 Unchanged

Price (12-Sep-2012)	USD 25.35
Potential Upside/Downside	+3%
Tickers	NI

Market Cap (USD mn)	7222
Shares Outstanding (mn)	284.91
Free Float (%)	99.19
52 Wk Avg Daily Volume (mn)	2.8
Dividend Yield (%)	3.7
Return on Equity TTM (%)	6.40
Current BVPS (USD)	17.93

Source: FactSet Fundamentals

Price Performance	Exchange-NYSE
52 Week range	USD 26.15-20.31



[Link to Barclays Live for interactive charting](#)

North America Utilities

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COMPANY SNAPSHOT

NiSource, Inc

North America Utilities

Income statement (\$mn)	2011A	2012E	2013E	2014E	CAGR
EBITDA (adj)	1,500	1,621	1,722	1,828	6.8%
EBIT (adj)	961	1,078	1,174	1,275	9.9%
Pre-tax income (adj)	577	627	695	747	9.0%
Net income (adj)	378	416	460	494	9.3%
EPS (adj) (\$)	1.35	1.45	1.54	1.64	6.7%
Diluted shares (mn)	280	287	299	301	2.4%
DPS (\$)	0.92	0.96	1.00	1.04	4.1%

Stock Rating	EQUAL WEIGHT
Industry View	POSITIVE
Price (12-Sep-2012)	USD 25.35
Price Target	USD 26.00
Ticker	NI

Margin and return data	Average				
EBITDA (adj) margin (%)	25.9	27.4	28.4	29.5	27.8
EBIT (adj) margin (%)	16.6	18.2	19.4	20.6	18.7
Pre-tax (adj) margin (%)	10.0	10.6	11.5	12.0	11.0
Net (adj) margin (%)	6.5	7.0	7.6	8.0	7.3
ROIC (%)	4.9	5.1	5.2	5.3	5.1
ROA (%)	3.0	3.2	3.3	3.5	3.3
ROE (%)	7.6	7.5	8.0	8.3	7.8

Investment case

Why Equal Weight? We rate NI as Equal Weight because while the company has taken large steps recently to alleviate regulatory concerns, we see limited upside potential for the base business, which we value at a 10% premium to NI's regulated peers.

Upside case USD 28.00

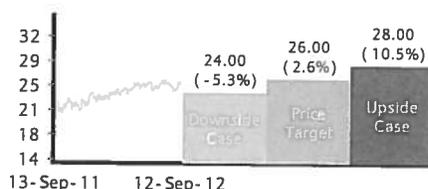
Our upside case on NI's base business embeds a 15% premium to the regulated group's multiple while additional upside may exist through the company's position around shale acreage that we assign \$1.50/sh of value to.

Downside case USD 24.00

Our downside case assumes NI trades at a 5% premium to the regulated group's multiple on '14 EPS.

Balance sheet and cash flow (\$mn)	CAGR				
Net PP&E	11,800	12,778	13,801	14,819	7.9%
Total net assets	20,708	22,121	23,187	24,093	5.2%
Capital employed	12,940	13,717	14,740	15,758	6.8%
Shareholders' equity	4,997	5,537	5,748	5,979	6.2%
Net debt/(funds)	7,942	8,180	8,992	9,779	7.2%
Cash flow from operations	870	1,159	1,008	1,047	6.4%
Capital expenditure	-1,131	-1,521	-1,571	-1,571	N/A
Free cash flow	-518	-638	-862	-837	N/A
Pre-dividend FCF	-260	-362	-563	-524	N/A

Upside/Downside scenarios



Source: Barclays Research

Valuation and leverage metrics	Average				
P/E (adj) (x)	18.8	17.5	16.5	15.5	17.1
EV/EBITDA (adj) (x)	10.3	9.7	9.6	9.5	9.7
EV/EBIT (adj) (x)	16.1	14.5	14.0	13.6	14.6
P/BV (x)	1.4	1.3	1.3	1.3	1.3
Dividend yield (%)	3.6	3.8	3.9	4.1	3.9
Total debt/capital (%)	38.4	37.0	38.8	40.6	38.7
Net debt/EBITDA (adj) (x)	N/A	N/A	N/A	N/A	N/A

Selected operating metrics

Payout ratio (%)	68.3	66.4	65.0	63.4
Interest cover (x)	2.6	2.4	2.5	2.4
Regulated (%)	100.0	100.0	100.0	100.0

Source: Company data, Barclays Research
 Note: FY End Dec

Segment Updates

Gas Transmission & Storage

The company expects to grow operating earnings at 10-12% annually over the longer term by investing \$500-700 million annually in capital expenditures.

NI recently obtained a settlement with the FERC in which the company would spend \$300 million in annual capex over an initial term of 5 years that will be used towards replacing over 1000 miles of aging pipeline and 100k horsepower of compression facilities in its Columbia Gas Transmission network. The settlement features trackers to minimize regulatory lag and contains provisions to extend the length of the investments beyond the initial 5-year term. This settlement, which is expected to be approved late 2012, is accompanied by an ongoing \$35 million rate reduction offset by depreciation, \$25 million in customer refunds for each of 2012 and 2013 booked in 3Q12, and an ongoing annual reduction of \$25 million in 2014 onwards. The settlement should be earnings-accretive in 2014 and cash-accretive in 2015. Over the longer term, NI expects to spend \$4-5 billion on infrastructure modernization.

Pipeline network expansions represent another \$3-4 billion capital investment, and will bring natural gas from the Marcellus and Utica shale regions to hubs in the Mid-Atlantic and Gulf regions. One key project is the West Side Expansion project, a \$200-250 million investment that will expand the Columbia Gas Transmission network by 440k dekatherms a day and bring 540k dekatherms a day to Gulf Coast markets out of Marcellus shale. The project is expected to come on-line in November 2014.

The company is also partnering with Marcellus and Utica region producers to develop midstream projects, primarily under fee-driven agreements. Notably, NI recently partnered with Hilcorp Energy Company (Hilcorp) to develop the Pennant Midstream project. The partnership will construct new pipeline infrastructure and natural gas liquids (NGL) processing facilities to support natural gas production and processing in the Utica shale region. NI has contributed 100k acres towards the JV in the first phase, with the possibility of additional phases in the future. Pennant Midstream is expected to come online in 3Q 2013, and will provide for processing capacity of 200k dekatherms a day and carry 400k dekatherms a day in throughput. Management noted that producers from surrounding regions have also expressed interest, and future phases are likely.

NIPSCO Electric

NI management expects to invest \$400-450 million annually in the utility, on which it expects to generate 7-9% annual operating earnings growth over the next several years assuming a flat economic outlook in Indiana.

Environmental upgrades on generation assets represent a potential ~\$1 billion investment opportunity over several years. The cost of these upgrades, which include the installation of scrubbers at the Schahfer and Michigan City plants (\$525-775 million capex), MATS compliance controls (\$80-200 million capex), water pollution controls (\$25-100 million capex), and ash disposal systems (\$100-300 million capex), is recoverable through trackers. In 2013, NI anticipates the passage of DSIC-type legislation which would allow for rate increases outside of general rate proceedings for aging infrastructure replacements. If the law is passed, NI would have no plans to file for rate cases in the next five years.

NIPSCO expects to earn close to its 10.2% allowed ROE, given the stable regulatory environment in Indiana and reduced regulatory lag due to a number of tracking mechanisms.

The utility also plans to invest \$500 million to \$1 billion in the FERC-regulated, transmission portion of the rate base. The company expects these costs to be spread across the entire MISO pool, resulting in only 3% of the costs to be borne by NIPSCO customers and an overall annual customer bill increase in-line with historical rates of inflation over the next several years.

Gas Distribution

The company expects to achieve annual operating earnings growth of 7-9% in the gas utility through \$600-650 million in annual capex spending. Management plans to spend ~75% of rate base investments on modernization. Company management also pointed to a stable revenue profile. Residential and commercial customers comprise ~90% of gross margins, of which 80% is hedged from throughput variability by rate design.

Financial Updates

Management reiterated 2012 EPS guidance of \$1.40–1.50 per share, with an EPS CAGR of 5-7% over the next five years. The company expects to grow dividends at a 3-5% CAGR while remaining within the limits of the board-approved 60-70% payout ratio policy.

Given the company's substantial capex spending plans over the five years, NI expects to issue ~\$1 billion in debt per year to meet financing needs. However, management emphasized its commitment to retaining its investment-grade credit rating, and expects to issue another \$300-400 million in equity in 2015 in addition to the \$340 million coming from the 2010 forward sale agreement and \$50 million from annual DRIPS. Company management stated that it does not foresee M&A as a potential avenue for funding.

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Primary Stocks (Ticker, Date, Price)

NiSource, Inc. (NI, 12-Sep-2012, USD 25.35), Equal Weight/Positive

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Overweight - The stock is expected to outperform the unweighted expected total return of the industry coverage universe over a 12-month investment horizon.

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Aqua America (WTR)	Canadian Utilities Ltd. (CU.TO)	CenterPoint Energy Inc. (CNP)
CMS Energy (CMS)	Consolidated Edison (ED)	Dominion Resources (D)
DTE Energy (DTE)	Duke Energy (DUK)	Edison International (EIX)
Emera Inc. (EMA.TO)	Fortis Inc. (FTS.TO)	Great Plains Energy Inc. (GXP)
Hawaiian Electric Inds (HE)	ITC Holdings (ITC)	National Grid Plc (NGG)
NiSource, Inc. (NI)	Northeast Utilities (NU)	NV Energy, Inc. (NVE)

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Pinnacle West Capital (PNW)	PNM Resources (PNM)	Portland General Electric Co. (POR)
SCANA Corp. (SCG)	Sempra Energy (SRE)	Southern Co. (SO)
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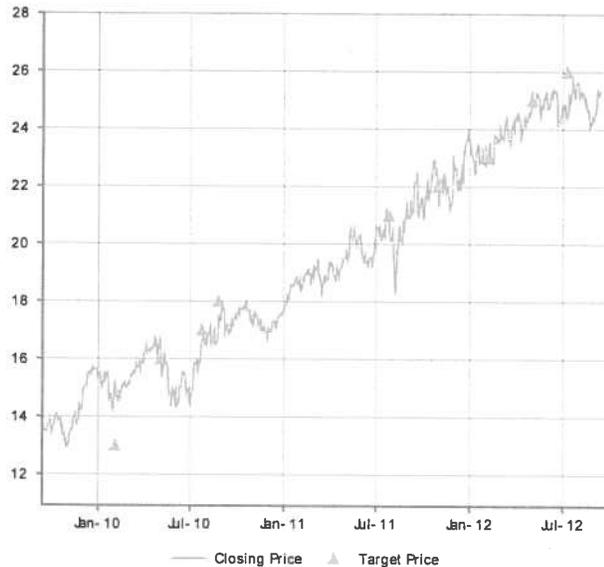
NiSource, Inc. (NI)
USD 25.35 (12-Sep-2012)

Stock Rating
EQUAL WEIGHT

Industry View
POSITIVE

Rating and Price Target Chart - USD (as of 12-Sep-2012)

Currency=USD



Date	Closing Price	Rating	Price Target
09-Jul-2012	24.41		26.00
01-May-2012	25.33		25.00
01-Feb-2012	23.45		23.00
28-Oct-2011	22.52		22.00
26-Jul-2011	20.85		21.00
25-Aug-2010	16.90		18.00
23-Jul-2010	16.49		17.00
04-May-2010	16.60		16.00
02-Feb-2010	15.17		13.00

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Valuation Methodology: Our \$26 price target is premised upon our '14E EPS of \$1.64 and the '14 group PE multiple of 14.2x, adjusted upwards by 10% for NI's gas heavy business mix.

Risks which May Impede the Achievement of the Barclays Research Price Target: Risks to the outlook include the outcome of regulatory proceedings, rating agency actions, interest rates, and access to the capital markets.

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NISOURCE, INC.

Utica Joint Ventures Announced

Two Utica Joint Ventures: This morning NiSource announced two joint ventures with Hilcorp Energy Company (Hilcorp), a private oil & gas exploration company based in Houston, TX. The first joint venture will construct new pipeline infrastructure and natural gas liquids (NGL) processing facilities to support natural gas production in the Utica shale in northeast Ohio and western Pennsylvania. The first phase of the project will deploy \$300 million in capital later in 2012. The second joint venture, also with Hilcorp will develop hydrocarbons on a combined acreage block in the Utica/Point Pleasant share formation. NiSource will be a non-operating working interest owner in the total acreage position. Hilcorp will operate and manage the development of the combined acreage.

Working through the Numbers: We reiterate our 2-EW rating and are increasing our eps estimates from \$1.46/\$1.57/\$1.69E to \$1.48/\$1.60/\$1.73E on increased 2012 capex and royalty revenues related to the joint venture. We had assumed \$400 million in pipeline project capex and \$150 million in shale related capex annually from 2013, and have moved spending into '12 related to the joint venture. We also increased '14 revenues by \$10 million related to royalties from the shale joint venture. Our price target increases from \$25 to \$26. Valuation methodologies are provided below.

Oil Price Decline May Impact NGL: As the oil price has declined the more natural gas liquids (NGL) sensitive stocks have fallen related to the thought that lower oil prices may reduce NGL pricing and slow future drilling growth in the various national shale plays.

NI: Quarterly and Annual EPS (USD)

FY Dec	2011		2012		2013		Change y/y		
	Actual	Old	New	Cons	Old	New	Cons	2012	2013
Q1	0.71A	0.76A	0.76A	0.76A	N/A	N/A	0.77E	7%	N/A
Q2	0.17A	N/A	N/A	0.19E	N/A	N/A	0.21E	N/A	N/A
Q3	0.11A	N/A	N/A	0.16E	N/A	N/A	0.17E	N/A	N/A
Q4	0.35A	N/A	N/A	0.38E	N/A	N/A	0.40E	N/A	N/A
Year	1.35A	1.46E	1.48E	1.44E	1.57E	1.60E	1.53E	10%	8%
P/E	18.4		16.8			15.5			

Source: Barclays Research.
 Consensus numbers are from Thomson Reuters

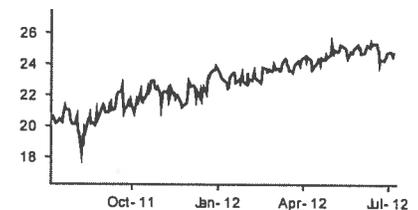
Stock Rating	2-EQUAL WEIGHT Unchanged
Sector View	1-POSITIVE Unchanged
Price Target	USD 26.00 raised 4% from USD 25.00

Price (06-Jul-2012)	USD 24.75
Potential Upside/Downside	+5%
Tickers	NI

Market Cap (USD mn)	7031
Shares Outstanding (mn)	284.09
Free Float (%)	99.18
52 Wk Avg Daily Volume (mn)	3.1
Dividend Yield (%)	3.7
Return on Equity TTM (%)	5.80
Current BVPS (USD)	17.90

Source: FactSet Fundamentals

Price Performance	Exchange-NYSE
52 Week range	USD 25.79-17.95



[Link to Barclays Live for interactive charting](#)

U.S. Utilities

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PLEASE SEE ANALYST(S) CERTIFICATION(S) AND IMPORTANT DISCLOSURES BEGINNING ON PAGE 4.

COMPANY SNAPSHOT

NiSource, Inc

U.S. Utilities

Income statement (\$mn)	2011A	2012E	2013E	2014E	CAGR
EBITDA (adj)	1,500	1,629	1,745	1,886	7.9%
EBIT (adj)	961	1,081	1,188	1,320	11.1%
Pre-tax income (adj)	577	646	740	827	12.7%
Net income (adj)	378	428	489	546	13.1%
EPS (adj) (\$)	1.35	1.48	1.60	1.73	8.7%
Diluted shares (mn)	280	290	307	315	4.0%
DPS (\$)	0.92	0.92	0.92	0.92	0.0%

Stock Rating	2-EQUAL WEIGHT
Sector View	1-POSITIVE
Price (06-Jul-2012)	USD 24.75
Price Target	USD 26.00
Ticker	NI

Margin and return data

	Average				
EBITDA (adj) margin (%)	25.9	27.4	28.7	30.1	28.0
EBIT (adj) margin (%)	16.6	18.2	19.5	21.1	18.8
Pre-tax (adj) margin (%)	10.0	10.9	12.2	13.2	11.5
Net (adj) margin (%)	6.5	7.2	8.0	8.7	7.6
ROIC (%)	4.9	5.2	5.2	5.4	5.2
ROA (%)	3.0	3.3	3.4	3.6	3.3
ROE (%)	7.6	7.7	8.4	8.4	8.0

Investment case

Why a 2-Equal Weight? We rate NI as 2-EW because while the company has taken large steps recently to alleviate regulatory concerns, we see limited upside potential for the base business, which we value at a 5% premium to NI's regulated peers.

Upside case USD 29.00

Our upside case on NI's base business embeds a 10% premium to the regulated group's multiple while additional upside may exist through the company's position around shale acreage that we assign \$1.50/sh of value to.

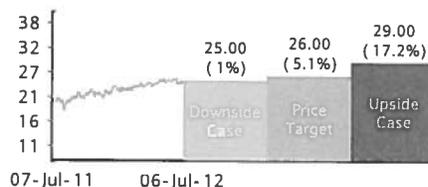
Downside case USD 25.00

Our downside case assumes NI trades in line with its regulated peers on '14 EPS.

Balance sheet and cash flow (\$mn)

	CAGR				
Net PP&E	11,800	12,727	13,898	15,060	8.5%
Total net assets	20,708	21,642	22,734	23,945	5.0%
Capital employed	12,940	13,666	14,837	15,999	7.3%
Shareholders' equity	4,997	5,558	5,796	6,482	9.1%
Net debt/(funds)	7,942	8,108	9,042	9,518	6.2%
Cash flow from operations	870	1,176	1,046	1,112	8.5%
Capital expenditure	-1,131	-1,474	-1,728	-1,728	N/A
Free cash flow	-518	-565	-964	-906	N/A
Pre-dividend FCF	-260	-299	-682	-616	N/A

Upside/downside scenarios



Source: Barclays Research

Valuation and leverage metrics

	Average				
P/E (adj) (x)	18.4	16.8	15.5	14.3	16.3
EV/EBITDA (adj) (x)	9.9	9.2	9.2	8.7	9.3
EV/EBIT (adj) (x)	15.5	13.9	13.4	12.5	13.8
P/BV (x)	1.4	1.3	1.3	1.2	1.3
Dividend yield (%)	3.7	3.7	3.7	3.7	3.7
Total debt/capital (%)	38.4	37.5	39.8	39.7	38.8
Net debt/EBITDA (adj) (x)	N/A	N/A	N/A	N/A	N/A

Selected operating metrics

Payout ratio (%)	68.3	62.4	57.7	53.1
Interest cover (x)	2.6	2.5	2.7	2.7
Regulated (%)	100.0	100.0	100.0	100.0

Source: Company data, Barclays Research
 Note: FY End Dec

Utica Joint Ventures

Pennant Midstream LLC

Pennant Midstream LLC will be a joint venture between NiSource and Hilcorp that will build out and develop midstream assets in the shale acreage. The JV will initially invest in 50 miles of 20 inch gathering pipeline in northeast Ohio and western Pennsylvania. Pennant will also install a cryogenic NGL processing plant in Ohio that will have an initial capacity of 200 Mcf/day. NiSource Midstream Services, LLC will operate the system which should have initial volumes of 400 Mcf/day of both wet and dry gas. Upstream assets will provide a long term gathering and processing agreement to feed the midstream joint venture. Additional capacity will be marketed to other regional producers. The project is expected to be in service by the second half of 2013. The JV will also review several downstream options with potential partners, or alternatively self development of fractionation facilities.

Running Through Some Numbers

Our model had assumed \$400 million in pipeline related project cap-ex and \$150 million in shale related infrastructure capital per year beginning in 2013. We have moved a portion of the spending into 2012 to account for the joint-venture with Hilcorp. Further, we have increased revenues by \$10 million in 2014 to account for the royalty and production opportunity related to the second part of the joint venture. There could be upside to this number, but we await further detail from the company on the second quarter earnings call, and ultimate production results once drilling commences. On the growth project spend we have assumed a 15% return on equity and a 50% equity ratio.

We reiterate our 2-EW rating and are updating our eps estimates from 1.46/\$1.57/\$1.69E to \$1.48/\$1.60/\$1.73E as a result of these model changes. Our price target increases from \$25 to \$26 as a result of multiple expansion and our higher eps estimates. Our prior price target of \$25 was premised upon our prior '14E eps of \$1.69E and the then '14 group P/E multiple of 13.9x with a 5% premium for NI's gas heavy business mix. Our current \$26 price target is premised upon our '14E eps of \$1.73E and the '14 group P/E multiple of 15.0x with a 5% premium for NI's gas heavy business mix. We have lowered the NPV for the shale opportunity in our upside case from \$2/share to \$1.50/share. The 15,000 acres committed to the joint venture are in eastern Ohio in the more NGL rich portion of NiSource's total position vs. the more oil rich acres to the west which constitute the remainder of the company's 150,000 acres. In our view these NGL rich acres, while only 10% of the total acreage, represent about 25% of the total value.

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Primary Stocks (Ticker, Date, Price)

NiSource, Inc. (NI, 06-Jul-2012, USD 24.75), 2-Equal Weight/1-Positive

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Stock Rating

1-Overweight - The stock is expected to outperform the unweighted expected total return of the sector coverage universe over a 12-month investment horizon.

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Duke Energy (DUK)	Edison International (EIX)	Great Plains Energy Inc. (GXP)
Hawaiian Electric Inds (HE)	ITC Holdings (ITC)	National Grid Plc (NGG)
NiSource, Inc. (NI)	Northeast Utilities (NU)	NV Energy, Inc. (NVE)
OGE Energy Corp. (OGE)	Pepco Holdings (POM)	PG&E Corp. (PCC)

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Wisconsin Energy (WEC)	Xcel Energy (XEL)	

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NiSource, Inc. (NI)
 USD 24.75 (06-Jul-2012)

Stock Rating

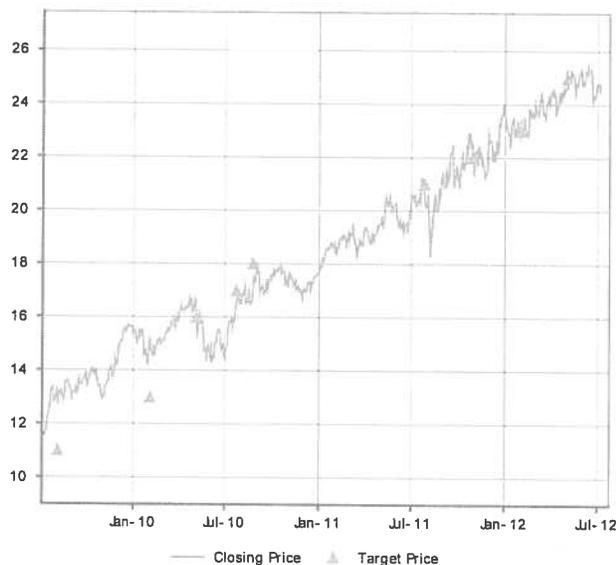
Sector View

2-EQUAL WEIGHT

1-POSITIVE

Rating and Price Target Chart - USD (as of 06-Jul-2012)

Currency=USD



Date	Closing Price	Rating	Price Target
01-May-2012	25.33		25.00
01-Feb-2012	23.45		23.00
28-Oct-2011	22.52		22.00
26-Jul-2011	20.85		21.00
25-Aug-2010	16.90		18.00
23-Jul-2010	16.49		17.00
04-May-2010	16.60		16.00
02-Feb-2010	15.17		13.00
05-Aug-2009	12.97		11.00

[Link to Barclays Live for interactive charting](#)

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Valuation Methodology: Our \$26 price target is premised upon our '14E EPS of \$1.73 and the '14 group PE multiple of 15.0x, adjusted upwards by 5% for NI's gas heavy business mix.

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Equity Research | Instant Insights

25 July 2013

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NiSource, Inc. NIPSCO Files 7-Year Electric Plan

Stock Rating/Industry View: Overweight / Positive

Price Target: \$32

Price (24-Jul-2013): \$30.59

Potential Upside/Downside: +5%

Ticker: NI

Proposal provides capex visibility through 2020 with tracker recovery

Last Friday, NIPSCO Electric filed a 7-year electric infrastructure development plan for approval in Indiana. The filing details the company's electric transmission and distribution spending program through 2020 which it expects to recover via the state's newly enacted utility infrastructure tracker law (S.B. 560). Under the legislation, NIPSCO would be able to recover on 80% of approved TDSIC expenditures via a periodic tracker. The filing states that the annual revenue increase from the TDSIC program is below 2% each year.

The remaining 20% of capex under the spending program would need to be recovered under a general rate case proceeding, which NIPSCO is required to file before the expiration of the 7-year plan. We expect the rate case will be filed in the latter part of the 7-year timeframe (2017-2020). NIPSCO will be allowed to use a forward-looking test year in the general rate case, under S.B. 560. In the meantime, NIPSCO will continue to earn based on its authorized ROE of 10.2%.

NIPSCO's 7-year spending proposal is as follows:

NIPSCO 7-Year Capex Proposal in Filing (\$ in millions)

Source: Company filings

We still expect NIPSCO annual capex of \$400-450 million

While the initial take from the chart would be that the program is heavily back-weighted with spending lighter in the front end, we expect overall capex at NIPSCO to remain at a steady \$400-450 million run rate over the 7-year period. This is because the filing excludes a number of items, including:

Environmental: The lighter capex numbers in the program in 2014-2015 are made up by capital investments on Scrubbers at the Schahfer and Michigan City generating stations in those years which are not included in the filing, as they are already covered under the Environmental Cost Recovery Mechanism (ECRM), a separate tracker in Indiana.

MISO transmission: The filing also does not include two larger, FERC-approved transmission projects which are planned to fall within the 7-year timeframe. The 345Kv Reynolds-Topeka line represents \$250-300 million in capex and the \$765 Kv Reynolds to Greentown line represents \$150-200 million in capex for NIPSCO.

Maintenance capital: NIPSCO expects maintenance capital to continue at around a \$150 million annual run rate.

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NiSource, Inc.

Solid Q1 Results; Remain OW

Reiterating our Overweight rating: We reiterate our Overweight rating, our \$32 price target, and our 2013/2014/2015 EPS estimates of \$1.56/\$1.68/\$1.77, respectively.

Q1 adjusted EPS of \$0.69 in-line; 2013 guidance reiterated: NI reported 1Q13 adj. EPS of \$0.69, vs. \$0.76 last year and consensus of \$0.71. The q/q decline was primarily driven by the \$340 million forward equity sale in September 2012. Management reiterated guidance of \$1.50-1.60 for the full-year 2013, as the balance of 2013 will benefit from the completion of the Big Pine Gathering System earlier this month and the Columbia Gas of Pennsylvania rate settlement with a \$55 million revenue increase, effective in July.

Good visibility with limited risk: We continue to believe that NI has one of the cleanest growth stories in the sector, with visibility for 5-7% earnings growth past 2017. Generally constructive regulatory environments with accelerated recovery mechanisms in the regulated electric and gas utilities allow for steady rate base growth. Meanwhile, the Columbia Pipeline Group segment provides attractive exposure to infrastructure build out in the Marcellus and Utica shale regions.

MLP a longer-term possibility: Although not mentioned on the call, the formation of an MLP is still a possible upside catalyst; although the lack of meaningful near-term financing needs and the relatively low cost basis of NI's current midstream assets lead us to believe that this would be a longer-term prospect.

NI: Quarterly and Annual EPS (USD)

FY Dec	2012		2013			2014			Change y/y	
	Actual	Old	New	Cons	Old	New	Cons	2013	2014	
Q1	0.76A	0.70E	0.69A	0.71E	N/A	N/A	0.81E	-9%	N/A	
Q2	0.23A	N/A	N/A	0.24E	N/A	N/A	0.26E	N/A	N/A	
Q3	0.05A	N/A	N/A	0.13E	N/A	N/A	0.12E	N/A	N/A	
Q4	0.44A	N/A	N/A	0.47E	N/A	N/A	0.46E	N/A	N/A	
Year	1.46A	1.56E	1.56E	1.56E	1.68E	1.68E	1.67E	7%	8%	
P/E	21.3		20.0			18.5				

Source: Barclays Research.
Consensus numbers are from Thomson Reuters

Stock Rating	OVERWEIGHT Unchanged
Industry View	POSITIVE Unchanged
Price Target	USD 32.00 Unchanged
Price (29-Apr-2013)	USD 31.15
Potential Upside/Downside	+3%
Tickers	NI
Market Cap (USD mn)	9712
Shares Outstanding (mn)	311.80
Free Float (%)	99.23
52 Wk Avg Daily Volume (mn)	2.2
Dividend Yield (%)	3.0
Return on Equity TTM (%)	7.78
Current BVPS (USD)	17.90

Source: FactSet Fundamentals

Price Performance Exchange-NYSE
52 Week range USD 31.39-23.14



[Link to Barclays Live for interactive charting](#)

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PLEASE SEE ANALYST(S) CERTIFICATION(S) AND IMPORTANT DISCLOSURES BEGINNING ON PAGE 4.

NiSource, Inc (NI)

Stock Rating: OVERWEIGHT

Income statement (\$mn)	2012A	2013E	2014E	2015E	CAGR
EBITDA (adj)	1,633	1,765	1,898	2,037	7.6%
EBIT (adj)	1,071	1,170	1,266	1,373	8.6%
Pre-tax income (adj)	656	705	766	838	8.5%
Net income (adj)	N/A	N/A	N/A	N/A	N/A
EPS (adj) (\$)	1.46	1.56	1.68	1.77	6.7%
Diluted shares (mn)	291.9	293.8	295.5	307.6	1.8%
DPS (\$)	0.96	1.00	1.08	1.12	5.3%

Price (29-Apr-2013) USD 31.15
 Price Target USD 32.00
Why Overweight? We rate NI as an Overweight because of the attractive risk/reward profile from NI's well-defined rate base growth strategy which we see as relatively low-risk. Moreover, we believe additional value can be captured in NI's shale acreage, to which we assign a value of \$1.50/share.

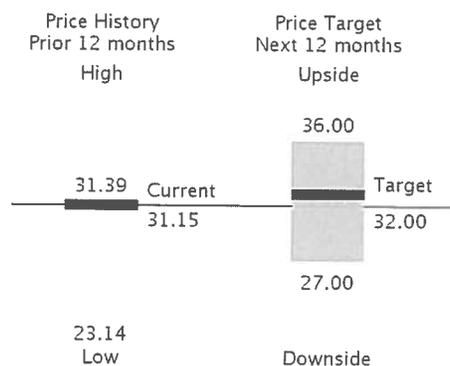
Margin and return data					Average
EBITDA (adj) margin (%)	32.2	32.1	33.4	34.7	33.1
EBIT (adj) margin (%)	21.1	21.3	22.3	23.4	22.0
Pre-tax (adj) margin (%)	12.9	12.8	13.5	14.3	13.4
Net (adj) margin (%)	8.4	8.3	8.8	9.3	8.7
ROIC (%)	8.3	8.5	8.6	8.6	8.5
ROA (%)	2.0	2.0	2.1	2.1	2.0
ROE (%)	7.7	7.9	8.3	8.3	8.1

Upside case USD 36.00
 Our upside case assigns a 11x 2015 EV/EBITDA multiple to the Columbia Pipeline Group under an MLP scenario.

Downside case USD 27.00
 Our downside case assumes NI trades in-line with the regulated group's multiple on 2015 EPS.

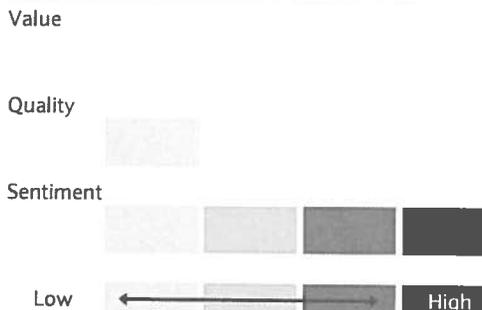
Balance sheet and cash flow (\$mn)					CAGR
Net PP&E	12,916	14,107	15,225	16,312	8.1%
Total net assets	21,845	23,131	24,261	25,534	5.3%
Capital employed	12,881	13,809	14,788	16,061	7.6%
Shareholders' equity	5,554	5,774	6,003	6,553	5.7%
Net debt/(funds)	7,243	7,934	8,705	9,273	8.6%
Cash flow from operations	1,276	1,259	1,248	1,176	-2.7%
Capital expenditure	-1,499	-1,787	-1,750	-1,750	N/A
Free cash flow	-359	-719	-646	-571	N/A
Pre-dividend FCF	-86	-425	-327	-226	N/A

Upside/Downside scenarios



Valuation and leverage metrics					Average
P/E (adj) (x)	21.3	20.0	18.5	17.6	19.4
EV/EBITDA (adj) (x)	10.0	9.6	9.4	9.0	9.5
EV/EBIT (adj) (x)	15.2	14.6	14.1	13.4	14.3
P/BV (x)	1.6	1.6	1.5	1.5	1.6
Dividend yield (%)	3.1	3.2	3.5	3.6	3.3
Total debt/capital (%)	56.9	58.2	59.4	59.2	58.4
Net debt/EBITDA (adj) (x)	N/A	N/A	N/A	N/A	N/A

POINT® Quantitative Equity Scores



Source: POINT. The scores are valid as of the date of this report and are independent of the fundamental analysts' views. To view the latest scores, click here.

Source: Company data, Barclays Research
 Note: FY End Dec

Q1 Segment Updates

NIPSCO

NIPSCO continues to make progress on its Shahfer flue gas desulfurization (FGD) units, one of which will be completed in 4Q13 and the other in 2014. Construction has begun on the Michigan City station FGD. During the quarter, NIPSCO also began installing automated meter reading devices in its service territory, which represents a \$90 million investment over 3 years. The Indiana S.B. 560 legislation will allow NIPSCO to continue to make investments with accelerated cost recovery, and will apply to distribution and transmission system modernization upgrades likely to begin in 2014.

Columbia Pipeline Group

The company is continuing to execute under its \$300million per year Columbia Gas modernization settlement, and expects its first tracker filing in November 2013 for recovery in February 2014. The \$200 million West Side Expansion and \$210 million East Side Expansion projects are on track for completion in 4Q14 and 3Q15 respectively. In the midstream businesses, the \$160 million Big Pine Gathering System project was completed earlier this month with 425 mcf/day capacity and long-term gathering agreements with XTO energy and PennEnergy. Additionally, Phase I of the Pennant JV, of which NI has a \$150 million share, is on track to complete by year-end 2013.

Gas Distribution

During the quarter, Columbia Gas of Pennsylvania reached a settlement allowing a \$55 million revenue increase, as well as a fully forecasted test year under the state's newly enacted Act 11. Columbia Gas of Massachusetts filed a rate case on April 16, requesting a \$30 million revenue increase with new rates expected for March 2014. Additionally, Columbia Gas of Maryland filed a rate case requesting a \$5 million revenue increase in February. A decision is expected on August 26.

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Primary Stocks (Ticker, Date, Price)

NiSource, Inc. (NI, 29-Apr-2013, USD 31.15), Overweight/Positive, C/D/J/K/L/M/O

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In addition to the stock rating, we provide industry views which rate the outlook for the industry coverage universe as Positive, Neutral or Negative (see definitions below). A rating system using terms such as buy, hold and sell is not the equivalent of our rating system. Investors should carefully read the entire research report including the definitions of all ratings and not infer its contents from ratings alone.

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Overweight - The stock is expected to outperform the unweighted expected total return of the industry coverage universe over a 12-month investment horizon.

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Alliant Energy (LNT)	Ameren Corp. (AEE)	American Electric Power (AEP)
American Water Works (AWK)	Aqua America (WTR)	Canadian Utilities Ltd. (CU.TO)
CenterPoint Energy Inc. (CNP)	CMS Energy (CMS)	Consolidated Edison (ED)
Dominion Resources (D)	DTE Energy (DTE)	Duke Energy (DUK)
Edison International (EIX)	Emera Inc. (EMA.TO)	Fortis Inc. (FTS.TO)
Great Plains Energy Inc. (GXP)	Hawaiian Electric Inds (HE)	ITC Holdings (ITC)
National Grid Plc (NGG)	NiSource, Inc. (NI)	Northeast Utilities (NU)
NV Energy, Inc. (NVE)	OGE Energy Corp. (OGE)	Pepco Holdings (POM)
PG&E Corp. (PCG)	Pinnacle West Capital (PNW)	PNM Resources (PNM)
Portland General Electric Co. (POR)	SCANA Corp. (SCG)	Sempra Energy (SRE)
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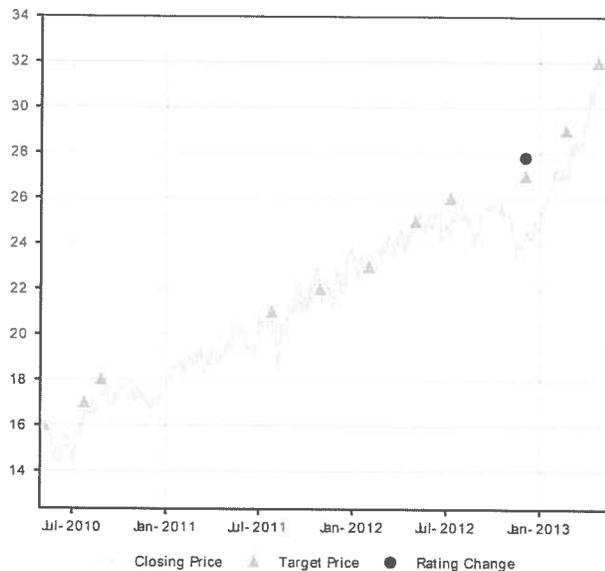
NiSource, Inc. (NI)
USD 31.15 (29-Apr-2013)

Stock Rating
OVERWEIGHT

Industry View
POSITIVE

Rating and Price Target Chart - USD (as of 29-Apr-2013)

Currency=USD



Date	Closing Price	Rating	Price Target
24-Apr-2013	31.14		32.00
20-Feb-2013	27.04		29.00
03-Dec-2012	24.34	Overweight	27.00
09-Jul-2012	24.41		26.00
01-May-2012	25.33		25.00
01-Feb-2012	23.45		23.00
28-Oct-2011	22.52		22.00
26-Jul-2011	20.85		21.00
25-Aug-2010	16.90		18.00
23-Jul-2010	16.49		17.00
04-May-2010	16.60		16.00

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NISOURCE, INC.

Good Q1 from NI, Continuing to Execute

NI reported good Q1'12 results and reaffirmed their '12 guidance range. NI reported non-GAAP Q1'12 EPS of \$0.76 and reaffirmed '12 EPS guidance of \$1.40-\$1.50. The most important drivers for the quarter were incremental projects and Columbia Gulf rate relief at midstream, while recovery of infrastructure investments at the LDCs drove results Y/Y. Results at NIPSCO-Electric were flattish as rate relief from the 2011 settlement will likely be phased in during 2H'12.

Most important takeaways from the quarter were in the midstream segment. 1) NI announced a \$220M midstream project known as the "west side expansion," 2) Another open season for the "east side expansion" closed with good interest and negotiations with shippers are underway, 3) NI is in "advanced negotiations" with a producer counterparty around a JV to optimize the company's mineral rights position in the Utica that should be announced "in the next month or so", with acreage dedications in the ~100K range, and 4) Most importantly, is making good progress on the pipeline modernization program for CGT that will spend ~\$4B over the next 10-15 years.

We think pipeline modernization could be a good opportunity for the NI story. NI has support from the federal government to undertake a \$4B modernization plan on their Columbia Gas Transmission system. This spending will improve reliability and safety. While it is not yet clear if recovery will be made through FERC rate cases or potentially a settlement, NI will be spending this money, likely starting in 2013. We are assuming that NI's capex profile rises from \$1.4B in '12 to \$1.7B+ in '13/'14.

Raising PT and out year estimates due to adjusted CapEx outlook. Our PT moves to \$25 and our '13/'14 estimates go to \$1.57/\$1.69. Price target methodology is on pg 3.

NI: Quarterly and Annual EPS (USD)

FY Dec	2011		2012		2013		Change y/y		
	Actual	Old	New	Cons	Old	New	Cons	2012	2013
Q1	0.71A	0.76E	0.76A	0.71E	N/A	N/A	0.72E	7%	N/A
Q2	0.17A	N/A	N/A	0.19E	N/A	N/A	0.21E	N/A	N/A
Q3	0.11A	N/A	N/A	0.16E	N/A	N/A	0.17E	N/A	N/A
Q4	0.35A	N/A	N/A	0.38E	N/A	N/A	0.40E	N/A	N/A
Year	1.35A	1.46E	1.46E	1.44E	1.56E	1.57E	1.52E	8%	8%
P/E	18.3		16.9			15.7			

Source: Barclays Research.
 Consensus numbers are from Thomson Reuters

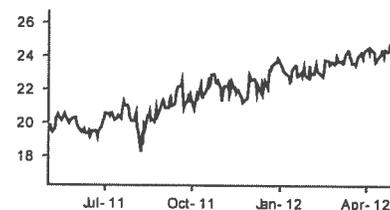
Stock Rating	2-EQUAL WEIGHT
	Unchanged
Sector View	1-POSITIVE
	Unchanged
Price Target	USD 25.00
	raised 9% from USD 23.00

Price (30-Apr-2012)	USD 24.65
Potential Upside/Downside	+1%
Tickers	NI

Market Cap (USD mn)	6995
Shares Outstanding (mn)	283.79
Free Float (%)	99.20
52 Wk Avg Daily Volume (mn)	3.2
Dividend Yield (%)	3.7
Return on Equity TTM (%)	6.12
Current BVPS (USD)	17.73

Source: FactSet Fundamentals

Price Performance	Exchange-NYSE
52 Week range	USD 24.76-17.95



[Link to Barclays Live for interactive charting](#)

U.S. Utilities

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COMPANY SNAPSHOT

NiSource, Inc

U.S. Utilities

Income statement (\$mn)	2011A	2012E	2013E	2014E	CAGR
EBITDA (adj)	1,500	1,624	1,735	1,866	7.6%
EBIT (adj)	961	1,076	1,178	1,300	10.6%
Pre-tax income (adj)	577	640	729	806	11.8%
Net income (adj)	378	424	482	533	12.1%
EPS (adj) (\$)	1.35	1.46	1.57	1.69	7.8%
Diluted shares (mn)	280	290	307	315	4.0%
DPS (\$)	0.92	0.92	0.92	0.92	0.0%

Margin and return data	Average				
EBITDA (adj) margin (%)	25.9	27.4	28.5	29.9	27.9
EBIT (adj) margin (%)	16.6	18.1	19.4	20.8	18.7
Pre-tax (adj) margin (%)	10.0	10.8	12.0	12.9	11.4
Net (adj) margin (%)	6.5	7.2	7.9	8.5	7.5
ROIC (%)	4.9	5.2	5.2	5.3	5.2
ROA (%)	3.0	3.2	3.4	3.6	3.3
ROE (%)	7.6	7.6	8.3	8.2	8.0

Balance sheet and cash flow (\$mn)	CAGR				
Net PP&E	11,800	12,652	13,823	14,985	8.3%
Total net assets	20,708	21,639	22,724	23,921	4.9%
Capital employed	12,940	13,591	14,762	15,924	7.2%
Shareholders' equity	4,997	5,555	5,785	6,458	8.9%
Net debt/(funds)	7,942	8,036	8,977	9,467	6.0%
Cash flow from operations	870	1,172	1,039	1,099	8.1%
Capital expenditure	-1,131	-1,399	-1,728	-1,728	N/A
Free cash flow	-518	-494	-971	-919	N/A
Pre-dividend FCF	-260	-227	-689	-629	N/A

Valuation and leverage metrics	Average				
P/E (adj) (x)	18.3	16.9	15.7	14.6	16.4
EV/EBITDA (adj) (x)	9.9	9.2	9.2	8.8	9.3
EV/EBIT (adj) (x)	15.4	13.9	13.5	12.6	13.9
Price/BV (x)	1.4	1.3	1.3	1.2	1.3
Dividend yield (%)	3.7	3.7	3.7	3.7	3.7
Total debt/capital (%)	38.4	37.1	39.5	39.6	38.6
Net debt/EBITDA (adj) (x)	N/A	N/A	N/A	N/A	N/A

Selected operating metrics					
Payout ratio (%)	68.3	62.9	58.5	54.5	
Interest cover (x)	2.6	2.5	2.6	2.6	
Regulated (%)	100.0	100.0	100.0	100.0	

Source: Company data, Barclays Research
 Note: FY end Dec

Stock Rating	2-EQUAL WEIGHT
Sector View	1-POSITIVE
Price (30-Apr-2012)	USD 24.65
Price Target	USD 25.00
Ticker	NI

Investment case

Why a 2-Equal Weight? We rate NI as 2-EW because while the company has taken large steps recently to alleviate regulatory concerns, we see limited upside potential for the base business, which we value at a 5% premium to NI's regulated peers.

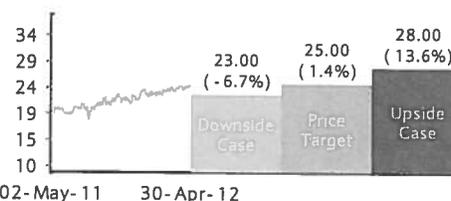
Upside case USD 28.00

Our upside case on NI's base business embeds a 10% premium to the regulated group's multiple while additional upside may exist through the company's position around shale acreage that we assign \$2/sh of value to.

Downside case USD 23.00

Our downside case assumes NI trades in line with its regulated peers on '13 EPS.

Upside/downside scenarios



Source: FactSet Fundamentals

Price Target Methodology

Our \$25 price target is premised upon our '14E EPS of \$1.69 and the '14 group PE multiple of 13.9x, adjusted upwards by 5% for NI's gas heavy business mix.

Our prior \$23 price target was premised upon our '13E EPS of \$1.56 and the '13 group PE multiple of 14.0x, adjusted upwards by 5% for NI's gas heavy business mix.

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Primary Stocks (Ticker, Date, Price)

NiSource, Inc. (NI, 30-Apr-2012, USD 24.65), 2-Equal Weight/1-Positive

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In addition to the stock rating, we provide sector views which rate the outlook for the sector coverage universe as 1-Positive, 2-Neutral or 3-Negative (see definitions below). A rating system using terms such as buy, hold and sell is not the equivalent of our rating system. Investors should carefully read the entire research report including the definitions of all ratings and not infer its contents from ratings alone.

Stock Rating

1-Overweight - The stock is expected to outperform the unweighted expected total return of the sector coverage universe over a 12-month investment horizon.

2-Equal Weight - The stock is expected to perform in line with the unweighted expected total return of the sector coverage universe over a 12-month investment horizon.

3-Underweight - The stock is expected to underperform the unweighted expected total return of the sector coverage universe over a 12-month investment horizon.

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Sector View

1-Positive - sector coverage universe fundamentals/valuations are improving.

2-Neutral - sector coverage universe fundamentals/valuations are steady, neither improving nor deteriorating.

3-Negative - sector coverage universe fundamentals/valuations are deteriorating.

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U.S. Utilities

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Aqua America (WTR)	CenterPoint Energy Inc. (CNP)	CMS Energy (CMS)
Consolidated Edison (ED)	Dominion Resources (D)	DTE Energy (DTE)
Duke Energy (DUK)	Edison International (EIX)	Great Plains Energy Inc. (GXP)
Hawaiian Electric Inds (HE)	ITC Holdings (ITC)	National Grid Plc (NGG)
NiSource, Inc. (NI)	Northeast Utilities (NU)	NV Energy, Inc. (NVE)
OGE Energy Corp. (OGE)	Pepco Holdings (POM)	PG&E Corp. (PCG)

IMPORTANT DISCLOSURES CONTINUED

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Progress Energy (PGN)	SCANA Corp. (SCG)	Sempra Energy (SRE)
Southern Co. (SO)	TECO Energy (TE)	Westar Energy (WR)
Wisconsin Energy (WEC)	Xcel Energy (XEL)	

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IMPORTANT DISCLOSURES CONTINUED

NiSource, Inc. (NI)
USD 24.65 (30-Apr-2012)

Stock Rating

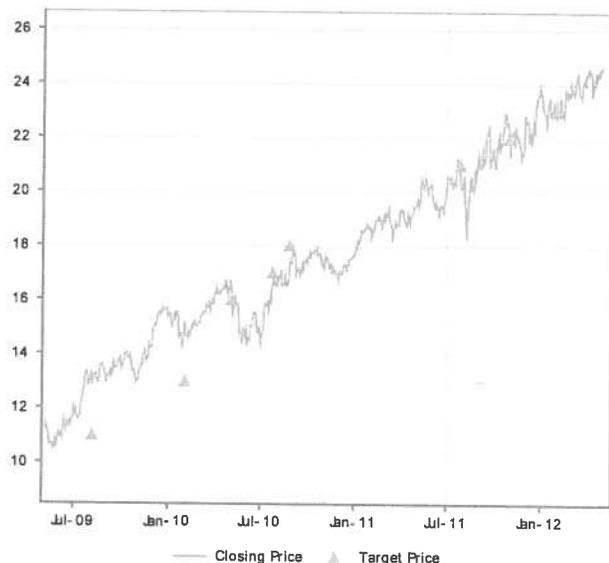
Sector View

2-EQUAL WEIGHT

1-POSITIVE

Rating and Price Target Chart - USD (as of 30-Apr-2012)

Currency=USD



Date	Closing Price	Rating	Price Target
01-Feb-2012	23.45		23.00
28-Oct-2011	22.52		22.00
26-Jul-2011	20.85		21.00
25-Aug-2010	16.90		18.00
23-Jul-2010	16.49		17.00
04-May-2010	16.60		16.00
02-Feb-2010	15.17		13.00
05-Aug-2009	12.97		11.00

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Valuation Methodology: Our \$25 price target is premised upon our '14E EPS of \$1.69 and the '14 group PE multiple of 13.9x, adjusted upwards by 5% for NI's gas heavy business mix.

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NISOURCE, INC.

Growth Capex the Key

Fairly Valued, Growth Projects are Key: We reiterate our Equal Weight rating and our \$26 price target while lowering our eps estimates from \$1.48/\$1.60/\$1.73E to \$1.46/\$1.57/\$1.70E for '12/'13/'14E respectively. From current levels the shares only offer 1% upside to our price target and we believe our model accurately reflects earnings upside from growth opportunities through 2014. Upside to our numbers is possible if the company can execute on additional growth projects vs. what we have modeled (\$550 in capex in both '13 and '14), or if growth capital were accelerated. Alternatively if growth project timelines begin to stretch or projects do not provide as much opportunity for capital deployment as expected, our numbers could be lower. Execution of the growth projects while operating the core business effectively is key for the outlook going forward. Management reiterated '12 eps guidance of \$1.40-\$1.50.

Model Updates: We have refined our growth capex at Gas T&S from \$296 million to \$225 million to better align with management's projected capex in '12 of \$1.4 Billion. We also increased equity needs in '13 from \$430 to \$450 million and increased debt funding by \$50 million in both '13 and '14 to fund additional growth capex and to keep debt/equity ratios approximately 60% throughout our forecast period.

A Good Quarter: For the quarter the company reported ongoing eps of \$0.23 vs. \$0.17 last year and consensus expectations of \$0.20. Results were driven by growth projects and equity earnings for the Millennium Pipeline at Gas Transmission & Storage, increased margins at NIPSCO Electric, partially offset by higher D&A that was previously deferred and MISO fees, increased infrastructure program related revenue at Gas Distribution, partially offset by higher D&A related to higher capital spending.

NI: Quarterly and Annual EPS (USD)

	2011		2012		2013		Change y/y		
FY Dec	Actual	Old	New	Cons	Old	New	Cons	2012	2013
Q1	0.71A	0.76A	0.76A	0.76A	N/A	N/A	0.77E	7%	N/A
Q2	0.17A	0.21E	0.23A	0.20E	N/A	N/A	0.19E	35%	N/A
Q3	0.11A	N/A	N/A	0.16E	N/A	N/A	0.17E	N/A	N/A
Q4	0.35A	N/A	N/A	0.37E	N/A	N/A	0.40E	N/A	N/A
Year	1.35A	1.48E	1.46E	1.45E	1.60E	1.57E	1.54E	8%	8%
P/E	19.0		17.5			16.3			

Source: Barclays Research.
 Consensus numbers are from Thomson Reuters

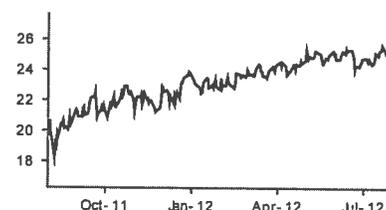
Stock Rating	EQUAL WEIGHT Unchanged
Industry View	POSITIVE Unchanged
Price Target	USD 26.00 Unchanged

Price (30-Jul-2012)	USD 25.63
Potential Upside/Downside	+1%
Tickers	NI

Market Cap (USD mn)	7281
Shares Outstanding (mn)	284.09
Free Float (%)	99.18
52 Wk Avg Daily Volume (mn)	3.1
Dividend Yield (%)	3.6
Return on Equity TTM (%)	5.80
Current BVPS (USD)	17.90

Source: FactSet Fundamentals

Price Performance	Exchange-NYSE
52 Week range	USD 25.84-17.95



[Link to Barclays Live for interactive charting](#)

U.S. Utilities

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COMPANY SNAPSHOT

NiSource, Inc

U.S. Utilities

Income statement (\$mn)	2011A	2012E	2013E	2014E	CAGR
EBITDA (adj)	1,500	1,624	1,735	1,876	7.8%
EBIT (adj)	961	1,076	1,178	1,310	10.9%
Pre-tax income (adj)	577	641	730	815	12.2%
Net income (adj)	378	424	483	539	12.5%
EPS (adj) (\$)	1.35	1.46	1.57	1.70	8.0%
Diluted shares (mn)	280	290	308	318	4.2%
DPS (\$)	0.92	0.96	0.96	0.96	1.4%

Stock Rating	EQUAL WEIGHT
Industry View	POSITIVE
Price (30-Jul-2012)	USD 25.63
Price Target	USD 26.00
Ticker	NI

Margin and return data	Average				
EBITDA (adj) margin (%)	25.9	27.4	28.5	30.0	27.9
EBIT (adj) margin (%)	16.6	18.1	19.4	20.9	18.8
Pre-tax (adj) margin (%)	10.0	10.8	12.0	13.0	11.4
Net (adj) margin (%)	6.5	7.2	7.9	8.6	7.6
ROIC (%)	4.9	5.2	5.2	5.4	5.2
ROA (%)	3.0	3.3	3.4	3.6	3.3
ROE (%)	7.6	7.7	8.3	8.3	8.0

Investment case

Why Equal Weight? We rate NI as Equal Weight because while the company has taken large steps recently to alleviate regulatory concerns, we see limited upside potential for the base business, which we value at a 5% premium to NI's regulated peers.

Upside case USD 29.00

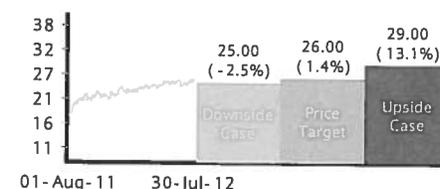
Our upside case on NI's base business embeds a 10% premium to the regulated group's multiple while additional upside may exist through the company's position around shale acreage that we assign \$1.50/sh of value to.

Downside case USD 25.00

Our downside case assumes NI trades in line with its regulated peers on '14 EPS.

Balance sheet and cash flow (\$mn)	CAGR				
Net PP&E	11,800	12,656	13,827	14,989	8.3%
Total net assets	20,708	21,627	22,744	24,003	5.0%
Capital employed	12,940	13,595	14,766	15,928	7.2%
Shareholders' equity	4,997	5,543	5,806	6,490	9.1%
Net debt/(funds)	7,942	8,052	8,960	9,439	5.9%
Cash flow from operations	870	1,172	1,040	1,105	8.3%
Capital expenditure	-1,131	-1,403	-1,728	-1,728	N/A
Free cash flow	-518	-509	-984	-928	N/A
Pre-dividend FCF	-260	-231	-688	-624	N/A

Upside/Downside scenarios



01-Aug-11 30-Jul-12

Source: Barclays Research

Valuation and leverage metrics	Average				
P/E (adj) (x)	19.0	17.5	16.3	15.1	17.0
EV/EBITDA (adj) (x)	10.2	9.4	9.4	8.9	9.5
EV/EBIT (adj) (x)	15.8	14.2	13.8	12.8	14.2
P/BV (x)	1.4	1.3	1.4	1.3	1.3
Dividend yield (%)	3.6	3.7	3.7	3.7	3.7
Total debt/capital (%)	38.4	37.2	39.4	39.3	38.6
Net debt/EBITDA (adj) (x)	N/A	N/A	N/A	N/A	N/A

Selected operating metrics

Payout ratio (%)	68.3	65.6	61.2	56.6
Interest cover (x)	2.6	2.5	2.6	2.6
Regulated (%)	100.0	100.0	100.0	100.0

Source: Company data, Barclays Research
 Note: FY End Dec

Model Updates

We have refined our growth capex at Gas Transmission and Storage from \$296 million to \$225 million to better align with management's projected capex in 2012 of \$1.4 Billion. We also increased equity needs in 2013 from \$430 million to \$450 million and increased debt funding by \$50 million in both '13 and '14 to fund additional growth capex opportunities and to keep debt/equity ratios approximately 60% throughout our forecast period.

We are lowering our earnings per share estimates as a result of these refinements to our model from \$1.48/\$1.60/\$1.73E to \$1.46/\$1.57/\$1.70E for '12/13/14E respectively. Our price target remains \$26 premised upon the 2014 regulated utility multiple of 14.8x our 2014E eps of \$1.70E at a 5% premium for the company's gas heavy business mix.

Project Updates

Gas Transmission & Storage

The company announced two joint ventures in the Utica shale formation in early July. Currently the Pennant Midstream LLC, a 50/50 joint venture with Hilcorp is on schedule for an in service date in the second half of 2013. The first phase of the project will entail 400 million cubic feet of gathering and 200 million cubic feet of processing capability for a \$300 million initial investment. The project is anchored by Hilcorp, NiSource's JV partner, who is marketing additional capacity and there are plans for significant expansion in future years premised upon producer activity.

The Big Pine Gathering System is a \$150 million investment that will have volumes of 425 million cubic feet per day anchored by a long term tenant agreement with XTO Energy. The project is on schedule to be in service late this year.

The West Side Expansion project will bring 500k dekatherms a day to Gulf Coast markets out of the Marcellus Shale. The project constitutes a \$200 million investment and agreements have been signed with two shippers. The project remains on schedule with an in service date in late 2014.

The company is currently negotiating with customers to implement a infrastructure replacement and modernization program on the transportation pipeline network. Negotiations are currently underway management expects to file the program with the Federal Energy Regulatory Commission by the end of the year.

Management indicated they would likely provide more details on the Utica joint ventures and the transportation pipeline program at their Analyst Day to be held in New York City on Wednesday September 12th.

NIPSCO Electric

Approximately \$850 million in environmental control investments continue on the coal fleet with flue gas desulfurization equipment currently being installed on the Schahfer plant units. The Schahfer units are currently on schedule and on budget for completion.

The company is also building a 100 mile 345 kV transmission line for approximately \$270 million as part of the long term MISO transmission plan. Cost recovery and construction incentives were approved by the Federal Energy Regulatory Commission in mid-July.

Preliminary planning and community outreach is underway. The project is not expected to be in service until the later part of the decade.

Gas Distribution

The company filed a rate case in Massachusetts for Bay State Gas requesting expanded infrastructure moderization with timely recovery premised upon a tracking mechanism. Increased rates were also requested to cover ongoing O&M expenses. Management has also indicated an expectation of filing a rate case in the third quarter for Columbia Gas of Pennsylvania to support ongoing infrastructure replacement and moderization programs.

As a refresher the company filed on April 13th, 2012 under docket DPU 12-25 for a \$29.2 million revenue increase. This increase was premised upon a year end 2011 rate base of \$437.6 million a 53.7% equity ratio, and a 11.75% requested allowed return on equity. The Massachusetts Attorney General's office filed intervening testimony in the case on June 29th with no specified revenue recommendation. The testimony did however indicate a recommended 49.23% equity ratio and an allowed return on equity of 8.50%. The final order in the rate case is expected in October.

Current infrastructure moderization and replacement programs are underway in Kentucky, Massachusetts, Ohio, Pennsylvania, and Virginia. Total capital expenditures related to these programs is expected to total over \$4 Billion with approximately \$320 million in spending expected to be incurred in 2012.

Q2 2012 Results

For the quarter the company reported ongoing eps of \$0.23 vs. \$0.17 last year and consensus expectations of \$0.20. Results were driven by growth projects and equity earnings for the Millennium Pipeline at Gas Transmission & Storage, increased margins at NIPSCO Electric, partially offset by higher D&A and previously deferred MISO fees, increased infrastructure program related revenue at Gas Distribution, partially offset by higher D&A related to higher capital spending.

Management reiterated 2012 earnings per share guidance of \$1.40 - \$1.50 per share.

Gas Transmission & Storage operating earnings increased from \$84.6 million to \$91.6 million as a result of growth projects providing incremental revenue and equity earnings related to the Millennium Pipeline.

NIPSCO Electric operating earnings increased from \$37.8 million to \$59.8 million as a result of higher revenues of \$29.6 million increasing margins partially driven by warmer weather. Expenses increased \$7.6 million related to higher depreciation costs that were previously deferred and MISO fees.

Gas Distribution operating earnings increased from \$48.9 million to \$54.6 million. Revenues were \$8.0 million higher due to infrastructure programs and regulatory outcomes, while expenses increased by \$2.3 million related to increased depreciation expenses resulting from higher capital expenditures.

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Primary Stocks (Ticker, Date, Price)

NiSource, Inc. (NI, 30-Jul-2012, USD 25.63), Equal Weight/Positive

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Aqua America (WTR)	CenterPoint Energy Inc. (CNP)	CMS Energy (CMS)
Consolidated Edison (ED)	Dominion Resources (D)	DTE Energy (DTE)
Duke Energy (DUK)	Edison International (EIX)	Great Plains Energy Inc. (GXP)
Hawaiian Electric Inds (HE)	ITC Holdings (ITC)	National Grid Plc (NGG)
NiSource, Inc. (NI)	Northeast Utilities (NU)	NV Energy, Inc. (NVE)
OGE Energy Corp. (OGE)	Pepco Holdings (POM)	PG&E Corp. (PCG)

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Portland General Electric Co. (POR)

SCANA Corp. (SCG)

Sempra Energy (SRE)

Southern Co. (SO)

TECO Energy (TE)

Westar Energy (WR)

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NiSource, Inc. (NI)
USD 25.63 (30-Jul-2012)

Stock Rating

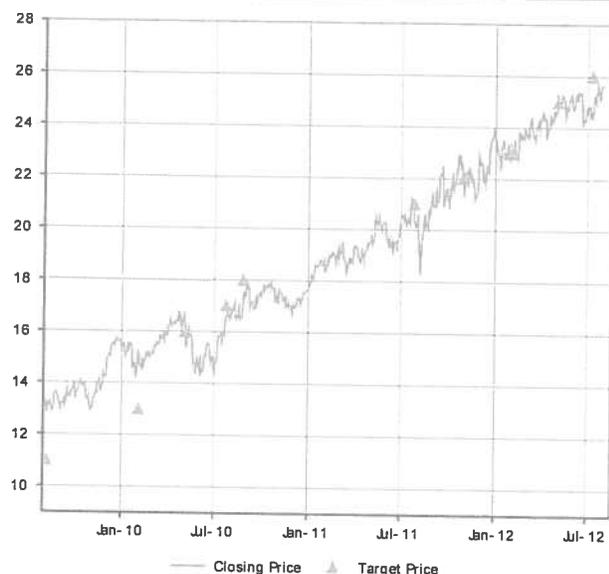
Industry View

EQUAL WEIGHT

POSITIVE

Rating and Price Target Chart - USD (as of 30-Jul-2012)

Currency=USD



Date	Closing Price	Rating	Price Target
09-Jul-2012	24.41		26.00
01-May-2012	25.33		25.00
01-Feb-2012	23.45		23.00
28-Oct-2011	22.52		22.00
26-Jul-2011	20.85		21.00
25-Aug-2010	16.90		18.00
23-Jul-2010	16.49		17.00
04-May-2010	16.60		16.00
02-Feb-2010	15.17		13.00
05-Aug-2009	12.97		11.00

[Link to Barclays Live for interactive charting](#)

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Valuation Methodology: Our \$26 price target is premised upon our '14E EPS of \$1.70 and the '14 group PE multiple of 14.8x, adjusted upwards by 5% for NI's gas heavy business mix.

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EQUITY RESEARCH | INSTANT INSIGHTS

2 November 2012

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BCI, New York

NI: 3Q Largely In-Line

Stock Rating/Industry View: Equal Weight/Positive

Price Target: \$26

Price (02-Nov-2012): \$25.24

Potential Upside/Downside: 3%

Ticker: NI

NiSource reported 3Q12 adjusted earnings of \$0.05 per share, slightly above our and consensus estimate of \$0.04. Management reiterated full-year 2012 guidance of \$1.40-1.50 per share. Results were generally in-line with our expectations and with what the company had stated during the Investor Day in September. Compared to 3Q11, during which NI earned \$0.11 per share, higher earnings in Electric Operations and Gas Distribution were offset by higher interest expense and a ~\$50 million charge to net income related to a settlement for approval of the pipeline modernization program at NiSource Gas Transmission & Storage (NGT&S).

The biggest incremental takeaway from the earnings call, in our view, was the expansion of the Pennant Midstream joint venture with Hilcorp. Based on positive results from test drilling, the JV may be expanded to \$1 billion in total spend, compared to the \$300 million size announced in September during the Investor Day.

Overall we see 3Q12 as a solid quarter for NI, as many of the projects NI laid out during the Investor Day show signs of progress. We continue to believe however that shares fully reflect ongoing progress and execution in the projects that have been announced, and so we reaffirm our \$1.45/\$1.54/\$1.64 EPS estimates for 2012/2013/2014 and our Equal Weight rating.

3Q Segment Details:

NIPSCO Electric

NIPSCO reported operating earnings of \$77.7 million in the quarter vs. \$72.9 million in the third quarter of last year. The increase was mainly driven by the 2011 rate case taking effect this year, leading to improved margins.

The company gave updates on its environmental and transmission improvements which should lead to ~\$400-450 million in annual capex for the segment. The Michigan City Flue Gas Desulfurization (FGD) project gained approval, and construction for the Schahfer FGD units is on schedule and on budget. The total environmental investment pipeline for NIPSCO totals \$800 million, while on the

transmission side, the Reynolds to Hiple and Reynolds to Greentown transmission projects should bring \$270 million and \$165 million in capex respectively. Both transmission projects are in the planning phases and have an in-service date later in the decade.

Gas Distribution

Gas Distribution operating earnings were \$15.5 million for the quarter vs. \$8.0 million in 3Q11. The increase was partly driven by the impact of 2011 rate cases at Columbia Gas of Ohio and Columbia Gas of Pennsylvania. During the quarter, Columbia Gas of Pennsylvania filed another rate case under the newly enacted Act 11 which allows for fully forecasted test years and accelerated recovery for infrastructure investment costs. During the call, management reiterated plans for \$600-650 million in annual capex over the next several years.

On November 1, the Massachusetts DPU issued an order for Columbia Gas of Massachusetts granting a \$7.9 million revenue increase on a rate base of \$466 million and allowing a 9.45% ROE. The LDC, which represents just over 10% of NiSource Gas Distribution total rate base, had requested a \$27.4 million revenue increase with a rate base of \$488 million and an 11.75% ROE.

Gas Transmission & Storage

The NGT&S segment reported operating earnings of \$38.8 million in the quarter vs. \$68.2 million last year. The key difference was a roughly \$50 million charge taken in the quarter as part of a settlement for the company's \$4 billion pipeline modernization program. All firm customers have either shown support or no opposition to the project, which expects FERC approval by December 1 and should contribute about \$300 million a year to the capex pipeline.

The Pennant Midstream JV with Hilcorp may be expanded to total \$1 billion for the partnership (\$500 million NI share) from the \$300 million (\$150 million NI share) announced during the September Investor Day. Management pointed to promising results from test drilling, which should lead to a full drilling program in 2013.

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NiSource, Inc.

Solid 2012 Results; Focus on Execution

NI reported 2012 adjusted EPS of \$1.46 vs. our and consensus estimates of \$1.45:

NI's full-year results for 2012 were broadly in-line with expectations. During the call management introduced 2013 EPS guidance of \$1.50-1.60. We believe that NI remains a clean growth story with good visibility in its investment project pipeline. In our view, continued solid execution of its \$1.5-1.8B annual capex plan and potentially constructive regulatory developments could push NI towards the higher end of its targeted long-term EPS growth rate of 5-7% over the next five years.

We are raising our PT to \$29 (from \$27), reiterating OW: Our new PT is based on a sum-of-the parts valuation, assigning a 5% premium to the 14.6x regulated utility group '14 P/E multiple for NIPSCO Electric, a 9.6x '14 EV/EBITDA multiple for Gas Transmission & Storage (rebranded as Columbia Pipeline Group), and an 8.5x gas utility '14 EV/EBITDA multiple for Gas Distribution. In addition we assign a \$1.50/share value to NI's western Utica acreage. Our previous PT of \$27 was based on a 10% premium to the previous regulated utility '14 P/E multiple of 13.7x, and \$1.50/share for NI's Utica holdings. We also introduce our 2015 EPS estimate of \$1.77.

Execution remains the key to the outlook: Going forward, we look for continued execution across the three business segments. At NIPSCO Electric, we watch for ongoing progress in environmental projects. For Gas Distribution, we see the potential PUC approval of Columbia Gas of Pennsylvania's rate case settlement with customers in March as a key calendar item as it would implement lag-reduction mechanisms under new state legislation in the gas utility. In Gas Transmission & Storage we look for incremental updates in the Columbia Gas modernization program, drilling updates from the Pennant JV with Hilcorp, and construction progress on the other major gas midstream projects.

NI: Quarterly and Annual EPS (USD)

FY Dec	2012		2013		2014		Change y/y		
	Actual	Old	New	Cons	Old	New	Cons	2013	2014
Q1	0.76A	N/A	N/A	0.76E	N/A	N/A	0.73E	N/A	N/A
Q2	0.23A	N/A	N/A	0.25E	N/A	N/A	0.28E	N/A	N/A
Q3	0.05A	N/A	N/A	0.09E	N/A	N/A	0.19E	N/A	N/A
Q4	0.44A	N/A	N/A	0.46E	N/A	N/A	0.51E	N/A	N/A
Year	1.46A	1.56E	1.56E	1.56E	N/A	1.68E	1.67E	7%	8%
P/E	18.7		17.5			16.2			

Source: Barclays Research.

Consensus numbers are from Thomson Reuters

Stock Rating **OVERWEIGHT**
Unchanged

Industry View **POSITIVE**
Unchanged

Price Target **USD 29.00**
raised 7% from USD 27.00

Price (19-Feb-2013) **USD 27.26**
 Potential Upside/Downside **+6%**
 Tickers **NI**

Market Cap (USD mn) **8295**
 Shares Outstanding (mn) **309.75**
 Free Float (%) **99.20**
 52 Wk Avg Daily Volume (mn) **2.4**
 Dividend Yield (%) **3.5**
 Return on Equity TTM (%) **5.91**
 Current BVPS (USD) **17.48**

Source: FactSet Fundamentals

Price Performance **Exchange-NYSE**
 52 Week range **USD 27.40-23.11**



[Link to Barclays Live for interactive charting](#)

North America Utilities

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North America Utilities

Industry View: POSITIVE

NiSource, Inc (NI)

Stock Rating: OVERWEIGHT

Income statement (\$mn)	2012A	2013E	2014E	2015E	CAGR	Price (19-Feb-2013)	USD 27.26
EBITDA (adj)	1,633	1,765	1,897	2,036	7.6%	Price Target	USD 29.00
EBIT (adj)	1,071	1,169	1,265	1,373	8.6%	Why Overweight? We rate NI as an Overweight because of the attractive risk/reward profile from NI's well-defined rate base growth strategy which we see as relatively low-risk. Moreover, we believe additional value can be captured in NI's shale acreage, to which we assign a value of \$1.50/share.	
Pre-tax income (adj)	656	704	765	838	8.5%		
Net income (adj)	N/A	N/A	N/A	N/A	N/A		
EPS (adj) (\$)	1.46	1.56	1.68	1.77	6.6%		
Diluted shares (mn)	291.9	293.8	295.5	307.6	1.8%		
DPS (\$)	0.96	1.00	1.08	1.12	5.3%		
Margin and return data					Average	Upside case	USD 31.00
EBITDA (adj) margin (%)	32.2	32.1	33.4	34.7	33.1	Our upside case assigns a 5% EV/EBITDA multiple premium to the peer group averages for the Gas Distribution and Gas Transmission & Storage segments.	
EBIT (adj) margin (%)	21.1	21.2	22.3	23.4	22.0		
Pre-tax (adj) margin (%)	12.9	12.8	13.5	14.3	13.4		
Net (adj) margin (%)	8.4	8.3	8.8	9.3	8.7		
ROIC (%)	8.3	8.5	8.6	8.5	8.5		
ROA (%)	2.0	2.0	2.1	2.1	2.0	Downside case	USD 25.00
ROE (%)	7.7	7.9	8.3	8.3	8.1	Our downside case assumes NI trades in-line with the regulated group's multiple on '14 EPS.	
Balance sheet and cash flow (\$mn)					CAGR	Upside/Downside scenarios	
Net PP&E	12,916	14,100	15,219	16,305	8.1%	Price History Prior 12 months High	
Total net assets	21,845	23,131	24,260	25,532	5.3%	Price Target Next 12 months Upside	
Capital employed	12,881	13,809	14,788	16,060	7.6%	31.00 Target 29.00	
Shareholders' equity	5,554	5,774	6,002	6,552	5.7%	27.40 Current 27.26	
Net debt/(funds)	7,243	7,927	8,699	9,268	8.6%	23.11 Low	
Cash flow from operations	1,276	1,259	1,247	1,176	-2.7%	25.00 Downside	
Capital expenditure	-1,499	-1,780	-1,750	-1,750	N/A		
Free cash flow	-359	-713	-647	-571	N/A		
Pre-dividend FCF	-86	-419	-328	-227	N/A		
Valuation and leverage metrics					Average	POINT® Quantitative Equity Scores	
P/E (adj) (x)	18.7	17.5	16.2	15.4	17.0	Value	
EV/EBITDA (adj) (x)	9.3	9.0	8.8	8.5	8.9	Quality	
EV/EBIT (adj) (x)	14.2	13.6	13.2	12.5	13.4	Sentiment	
P/BV (x)	1.4	1.4	1.3	1.3	1.4	Low High	
Dividend yield (%)	3.5	3.7	4.0	4.1	3.8		
Total debt/capital (%)	56.9	58.2	59.4	59.2	58.4		
Net debt/EBITDA (adj) (x)	N/A	N/A	N/A	N/A	N/A		
Selected operating metrics							
Payout ratio (%)	65.8	64.2	64.2	63.3			
Interest cover (x)	2.6	2.5	2.5	2.6			
Regulated (%)	N/A	N/A	N/A	N/A			

POINT® Quantitative Equity Scores
Value

Quality

Sentiment

Low High

Source: POINT. The scores are valid as of the date of this report and are independent of the fundamental analysts' views. To view the latest scores, click here.

Source: Company data, Barclays Research
Note: FY End Dec

A Closer Look at the Results

NI reported full-year 2012 non-GAAP EPS of \$427 million, or \$1.46 per share, vs. \$369 million, or \$1.32 per share, in 2011. During the fourth quarter NI reported non-GAAP EPS of \$136 million, or \$0.44 per share vs. \$89 million, or \$0.32 per share in 4Q11.

NIPSCO Electric

NIPSCO Electric reported full-year operating earnings of \$237.6 million in 2012 vs. \$201.9 million in 2011. The increase was mainly driven by the impact of an electric rate case, which resulted in higher rates partly offset by the recognition of deferrals including previously deferred depreciation from the Sugar Creek facility.

We believe NIPSCO should continue to earn close to its authorized 10.2% ROE, with \$400-450 million in annual capex driving 7-9% in operating earnings growth over the next five years. In the near term, growth should be driven by tracked environmental projects, including FGD installations at its Schahfer and Michigan City facilities, MATS upgrades at all of NIPSCO's coal plants, and NOx upgrades. Beyond 2015, NIPSCO plans to implement tracked wastewater and ash treatment upgrades at its coal plants. In addition, the electric utility currently has two FERC-approved transmission projects representing \$400-500 million in capex which may be undertaken later during the decade. Distribution system modernization represents potentially a \$3-4 billion investment opportunity.

A key calendar item for the electric utility is the potential passage of Senate Bill 560 in Indiana, which would allow for tracker based recovery for distribution system investments. The bill, which has passed in the Indiana Senate and is awaiting introduction in the House of Representatives, would pave the way for a multi-year distribution infrastructure modernization program with expedited recovery later in the decade. The Indiana House is expected to take up the bill in March and should vote on the bill prior to the conclusion of the 2013 legislative session at the end of April. We believe the Republican control of both legislative houses as well as the governorship may reduce political friction for the bill.

Gas Distribution

Gas Distribution reported full-year operating earnings of \$441.2 million in 2012 vs. \$424.9 million in 2011. The results were driven primarily by new rates for Columbia Gas of Ohio, the impact of the 2011 Columbia Gas of Pennsylvania rate case, and higher depreciation rates.

Gas Distribution annual capex of \$600-650 million should drive 7-9% segment operating earnings growth over the next five years. We view the settlement of the Columbia Gas of Pennsylvania rate case as a constructive sign, given the size of the revenue request (\$77 million) and the request for use of a forward test year under Pennsylvania's Act 11 legislation. The utility is also requesting a tracker for infrastructure investments. We expect further details upon filing with the Pennsylvania PUC in March. We remind investors that Columbia Gas of Pennsylvania represents ~\$784 million in rate base, vs. a total of roughly \$4 billion in rate base across all of NI's gas utilities.

Gas Transmission & Storage

Gas Transmission & Storage (recently rebranded as Columbia Pipeline Group) reported full-year operating earnings of \$397.8 million in 2012 vs. \$360.1 million in 2011. Key drivers during the year were new higher rates for the Columbia Gulf pipeline, earnings contributions from growth projects, lower depreciation, and lower administrative costs partly offset by a charge recorded in 3Q12 under the Columbia customer settlement.

The segment is expected to grow operating earnings at a 10-12% annual rate through 2017, driven by \$500-700 million in annual capex. The segment's current inventory of midstream projects is progressing as planned. Longer term, we see incremental growth opportunities from 1) potential expansion of the Pennant JV, 2) a renewal of the Columbia Gas modernization program beyond the initial 5-year period (potentially a 3-4 billion investment opportunity), and 3) monetization of NI's acreage holdings in the western portion of the Utica shale region through a gathering and processing partnership with another producer.

Valuation

Our new \$29 price target is based on a sum-of-the parts valuation, assigning a 5% premium to the 14.6x regulated utility group '14 P/E multiple for NIPSCO Electric, a 9.6x '14 EV/EBITDA multiple for Columbia Pipeline Group, and an 8.5x gas utility '14 EV/EBITDA multiple for Gas Distribution. In addition we assign a \$1.50/share value to NI's western Utica acreage.

Our previous price target of \$27 was premised on our '14E EPS of \$1.69 and the '14 group PE multiple of 13.7x, adjusted upwards by 10% for NI's clearly defined and relatively low-risk growth plan.

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Primary Stocks (Ticker, Date, Price)

NiSource, Inc. (NI, 19-Feb-2013, USD 27.26), Overweight/Positive

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NiSource, Inc. (NI)	Northeast Utilities (NU)	NV Energy, Inc. (NVE)
OGE Energy Corp. (OGE)	Pepco Holdings (POM)	PG&E Corp. (PCG)
Pinnacle West Capital (PNW)	PNM Resources (PNM)	Portland General Electric Co. (POR)
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NiSource, Inc. (NI)

USD 27.26 (19-Feb-2013)

Stock Rating

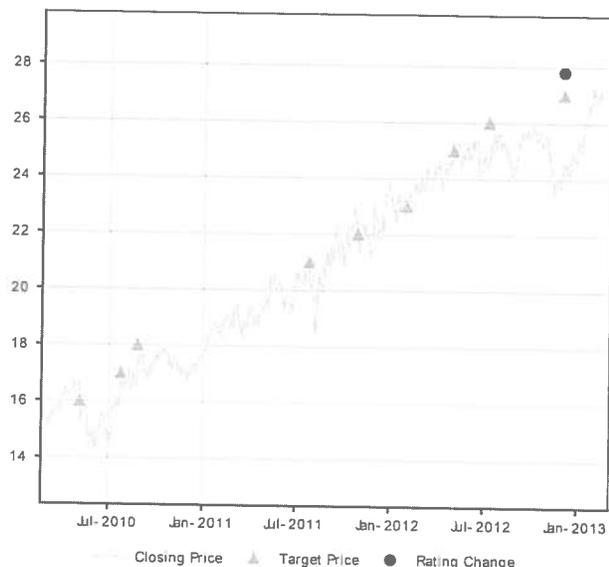
OVERWEIGHT

Industry View

POSITIVE

Rating and Price Target Chart - USD (as of 19-Feb-2013)

Currency=USD



Date	Closing Price	Rating	Price Target
03-Dec-2012	24.34	Overweight	27.00
09-Jul-2012	24.41		26.00
01-May-2012	25.33		25.00
01-Feb-2012	23.45		23.00
28-Oct-2011	22.52		22.00
26-Jul-2011	20.85		21.00
25-Aug-2010	16.90		18.00
23-Jul-2010	16.49		17.00
04-May-2010	16.60		16.00

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EQUITY RESEARCH | INSTANT INSIGHTS

15 May 2012

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NI: Dividend Increase Announced

Stock Rating/Sector View: 2-Equal Weight/1-Positive

Price Target: \$25

Price (14-May-2012): \$25.12

Potential Upside/Downside: -0%

Ticker: NI

NISource Announces 4.3% Dividend Increase

The Board of Directors of NISource this morning approved a 4.3% dividend increase resulting in an increased indicated annual dividend of \$0.96/share vs. the prior dividend of \$0.92/share. The quarterly dividend of \$0.24/share will be payable August 20, 2012 to shareholders of record at the close of business on July 31, 2012. The board has developed a general policy of targeting a dividend payout in the range of 60% to 70% of net operating earnings per share (non-GAAP). The indicated annual yield is now 3.8% vs. 3.6% previously and a utility group average yield of 4.3%.

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Mentioned Stocks (Ticker, Date, Price)

NiSource, Inc. (NI, 14-May-2012, USD 25.12), 2-Equal Weight/1-Positive, A/C/D/J/K/L/M/O

Valuation Methodology: Our \$25 price target is premised upon our '14E EPS of \$1.69 and the '14 group PE multiple of 13.9x, adjusted upwards by 5% for NI's gas heavy business mix.

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EQUITY RESEARCH |
INSTANT INSIGHTS

26 November 2012

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BCI, New York

NI- Bay State Gas Pipe Explosion in Springfield, MA

Stock Rating/Industry View: Equal Weight / Positive

Price Target: \$26

Price (23-Nov-2012): \$24.02

Potential Upside/Downside: 8%

Ticker: NI

A natural gas pipe exploded in Springfield, MA on November 23 after a Bay State Gas utility worker damaged an underground pipe and a spark from an unknown source triggered the explosion. The explosion injured 18 people and damaged nearby buildings. The utility worker was investigating a reported leak with a metal probe to test gas levels, and accidentally pierced an underground pipe.

The Massachusetts Department of Public Utilities is holding an investigation on the incident, and NiSource is accepting claims by individuals and businesses related to the explosion. We believe it is too early to determine total cost at this stage. However, because current reports suggest that the accident was attributable to individual human error rather than neglected infrastructure problems, we would not draw parallels to the San Bruno incident.

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EQUITY RESEARCH |
INSTANT INSIGHTS

11 December 2012

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BCI, New York

Gas Pipeline Explosion in West Virginia

Stock Rating/Industry View: Overweight/Positive

Price Target: \$27

Price (10-Dec-2012): \$24.49

Potential Upside/Downside: 10%

Ticker: NI

A gas pipeline exploded earlier this afternoon in Sissonville, West Virginia, resulting in flames that destroyed a number of nearby homes and shutting down the Interstate 77 highway. Reportedly, the gas pipeline was a 36" interstate line belonging to Columbia Gas, a NiSource subsidiary. There have been no reported injuries or deaths so far.

The causes of this explosion have yet to be determined, and so we believe it is too early to assess the financial impact. Although we note that this is the second gas pipeline incident involving NI in the last month, this is likely coincidental, given the accident in Massachusetts was attributable to human error rather than neglect.

Fundamentally, we are positive on the stock given clarity around its growth plans and valuation. In light of this incident, we will observe and assess developments as more information is available. Currently, data regarding the incident is still being gathered, and information is limited and may be imperfect.

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NiSource, Inc.

Upgrading to OW on Clean Story; Attractive Valuation

We are upgrading NI to Overweight and raising our PT to \$27 from \$26. Our new PT is based on a 10% premium to the regulated electric utility group multiple of our new 2014 EPS estimate of \$1.68/share, with an additional \$1.50/share value assigned to the company's Utica holdings. We are also updating our 2012/2013/2014 EPS estimates to \$1.45/1.56/1.68, from \$1.45/1.54/1.64 previously.

NI trades at only a 3% premium to regulated names on '14E earnings despite a clear-cut growth story and lack of near-term risks. In our view, NI's clean plan towards 5-7% EPS CAGR through 2017 involving a highly visible and sustainable rate base growth plan and limited foreseeable risks warrants a 10% premium to the regulated group. We model annual capex of \$425M in NIPSCO, \$625M in Gas Distribution, and \$600-650M in NGT&S in 2013-14, leading to ~8% annual earnings growth over the next two years.

We see a number of meaningful catalysts for shares, which include: FERC approval of the \$300M per year Columbia pipeline modernization settlement in the next 2 months, possible passage of Indiana legislation in 1H13 allowing tracker recovery of T&D modernization investments, and the likely capture of value of NI's Utica assets.

We would not draw parallels between the recent Columbia Gas pipe explosion and the San Bruno incident. The blast in Springfield, MA injured 17, but no deaths, and destroyed surrounding buildings. There is a thorough investigation underway, but reports currently indicate the cause of the explosion was human error. As such, we would not make direct comparisons to the San Bruno explosion.

NI: Quarterly and Annual EPS (USD)

FY Dec	2011		2012		2013		Change y/y		
	Actual	Old	New	Cons	Old	New	Cons	2012	2013
Q1	0.71A	0.76A	0.76A	0.76A	N/A	N/A	0.74E	7%	N/A
Q2	0.17A	0.23A	0.23A	0.23A	N/A	N/A	0.26E	35%	N/A
Q3	0.11A	0.04E	0.05A	0.05A	N/A	N/A	0.14E	-55%	N/A
Q4	0.35A	N/A	0.41E	0.43E	N/A	N/A	0.46E	17%	N/A
Year	1.35A	1.45E	1.45E	1.45E	1.54E	1.56E	1.56E	7%	8%
P/E	17.9		16.7			15.5			

Source: Barclays Research.

Consensus numbers are from Thomson Reuters

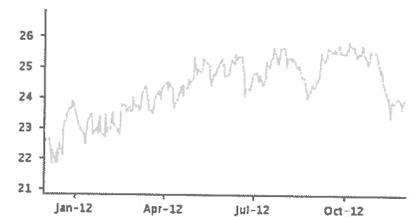
Stock Rating	OVERWEIGHT from Equal Weight
Industry View	POSITIVE Unchanged
Price Target	USD 27.00 raised 4% from USD 26.00

Price (30-Nov-2012)	USD 24.17
Potential Upside/Downside	+12%
Tickers	NI

Market Cap (USD mn)	7412
Shares Outstanding (mn)	309.75
Free Float (%)	99.20
52 Wk Avg Daily Volume (mn)	2.5
Dividend Yield (%)	3.9
Return on Equity TTM (%)	5.91
Current BVPS (USD)	17.48

Source: FactSet Fundamentals

Price Performance	Exchange-NYSE
52 Week range	USD 26.15-21.67



[Link to Barclays Live for interactive charting](#)

North America Utilities

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North America Utilities

Industry View: POSITIVE

NiSource, Inc (NI)

Stock Rating: OVERWEIGHT

Income statement (\$mn)	2011A	2012E	2013E	2014E	CAGR
EBITDA (adj)	1,443	1,682	1,823	1,971	11.0%
EBIT (adj)	905	1,105	1,204	1,308	13.1%
Pre-tax income (adj)	467	664	719	782	18.7%
Net income (adj)	N/A	N/A	N/A	N/A	N/A
EPS (adj) (\$)	1.35	1.45	1.56	1.68	7.6%
Diluted shares (mn)	288.5	298.0	300.0	301.9	1.5%
DPS (\$)	0.92	0.96	1.00	1.08	5.5%

Margin and return data					Average
EBITDA (adj) margin (%)	24.0	26.9	27.9	29.0	26.9
EBIT (adj) margin (%)	15.0	17.7	18.4	19.2	17.6
Pre-tax (adj) margin (%)	7.8	10.6	11.0	11.5	10.2
Net (adj) margin (%)	5.0	6.9	7.2	7.5	6.6
ROIC (%)	7.8	8.7	8.8	9.0	8.6
ROA (%)	1.5	2.0	2.0	2.1	1.9
ROE (%)	6.1	7.9	8.2	8.6	7.7

Balance sheet and cash flow (\$mn)					CAGR
Net PP&E	11,800	12,723	13,753	14,791	7.8%
Total net assets	20,708	21,847	22,819	23,717	4.6%
Capital employed	11,592	12,728	13,684	14,567	7.9%
Shareholders' equity	4,997	5,482	5,700	5,932	5.9%
Net debt/(funds)	6,422	6,891	7,727	8,557	10.0%
Cash flow from operations	870	944	1,064	1,147	9.6%
Capital expenditure	-1,125	-1,500	-1,650	-1,700	N/A
Free cash flow	-308	-522	-571	-537	N/A
Pre-dividend FCF	-50	-236	-271	-211	N/A

Valuation and leverage metrics					Average
P/E (adj) (x)	17.9	16.7	15.5	14.4	16.1
EV/EBITDA (adj) (x)	9.5	8.4	8.2	8.0	8.5
EV/EBIT (adj) (x)	15.1	12.8	12.4	12.1	13.1
P/BV (x)	1.4	1.3	1.3	1.2	1.3
Dividend yield (%)	3.8	4.0	4.1	4.5	4.1
Total debt/capital (%)	56.9	56.9	58.3	59.3	57.9
Net debt/EBITDA (adj) (x)	N/A	N/A	N/A	N/A	N/A

Selected operating metrics				
Payout ratio (%)	68.1	66.2	64.2	64.2
Interest cover (x)	2.4	2.5	2.5	2.5
Regulated (%)	N/A	N/A	N/A	N/A

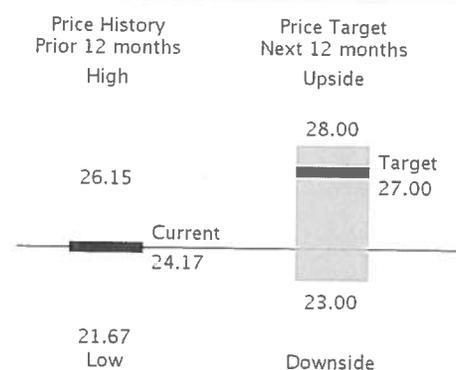
Price (30-Nov-2012) USD 24.17
Price Target USD 27.00

Why Overweight? We rate NI as an Overweight because of the attractive risk/reward profile from NI's well-defined rate base growth strategy which we see as relatively low-risk. Moreover, we believe additional value can be captured in NI's shale acreage, to which we assign a value of \$1.50/share.

Upside case USD 28.00
Our upside case is based on a sum of the parts valuation of the businesses, using a 5% premium to the regulated group's multiple and assigning \$1.50/share value to the company's shale acreage.

Downside case USD 23.00
Our downside case assumes NI trades in-line with the regulated group's multiple on '14 EPS.

Upside/Downside scenarios



POINT® Quantitative Equity Scores

Value

Quality

Sentiment

Low

High

Source: POINT, Barclays global multi-asset class portfolio analysis platform. These scores are valid as of the date of this report and are independent of the fundamental analysts' views. To view the latest scores, which are updated monthly, click here. For an explanation of these scores, see the back page.

Source: Company data, Barclays Research
Note: FY End Dec

Updated Thoughts on NiSource

We believe that NI's capital investment plan makes for a clean story, given the comparative lack of major overhangs and risks associated with the investments being made and their respective regulatory jurisdictions. We believe shares offer a compelling opportunity at current valuation levels, which represent only a 3% premium to the regulated group. The company expects to spend \$1.5-1.8 billion per year in capital investments in the next several years between the three business segments. We model annual capex of \$425M in NIPSCO, \$625M in Gas Distribution, and \$600-650M in NGT&S in 2013-14, leading to segment operating income growth of 8%, 7%, and 12% respectively over the next four years. Below, we lay out the growth plan and our views for each of the segments:

NIPSCO Electric

The company's guidance for NIPSCO capex is currently \$400-450M per year. Our recent conversations with management indicate that this level of investment can be sustained well beyond the 2017 time horizon implied during the September Analyst Day. The sustainability of current investment levels over a longer time period supports our view that NI should trade at a premium multiple to peers.

In addition to a baseline \$125M of annual maintenance capex, NIPSCO can sustain an additional ~\$300M of growth capex per year in three areas with timelines that are spread out over the next 15-20 years. In the near term, growth capex is expected to be driven by environmental capex from the installation of scrubbers at the Schahfer and Michigan City plants, MATS controls for all plants, and water and waste treatment controls. Beyond the 2014-15 timeframe, MISO transmission system projects should drive growth capex. The company currently has two announced projects in the Reynolds to Hiple and Reynolds to Greentown lines, totalling \$400-500M, and several projects pending MISO approval also aimed at reducing congestion in the MISO. Distribution system modernization comprises the third leg of growth. Indiana legislation that would allow for tracker-based cost recovery of distribution modernization investments could be introduced and passed in early 2013. If it passes, it would pave the way for NI to enter into a round of investments in distribution assets that would be needed to support new gas-fired generation to come online at the end of the decade.

Gas Distribution

Gas Distribution expects capex of \$600-650M per year through 2017, mainly on aging pipeline replacements. Because of constructive regulation across a number of jurisdictions of the LDCs, roughly 75% of these investments have expedited recovery mechanisms with minimal regulatory lag. Customer switching from oil-fuelled heating in Massachusetts (currently 12% of the current total LDC rate base) could create additional upside.

Gas Transmission & Storage

We expect FERC approval of NI's Columbia gas pipeline modernization settlement, which proposes to replace over 1,000 miles of aging interstate pipeline, sometime within the next 2 months. We believe that approval is likely given the lack of major parties opposed to the settlement. This would greenlight NI's \$300M per year infrastructure modernization plan which has an initial length of 5 years with provisions for extensions of the project. Costs will be recovered on an annual basis with a tracker. The conditions of the settlement include a \$25M annual refund (of which the amounts for 2012 and 2013 were charged in 3Q12 earnings). With this in mind, the settlement is expected to be earnings-accretive in 2014 and cash-accretive in 2015.

During the 3Q call NI suggested that the Pennant Midstream JV with Hilcorp may be expanded to a \$1 billion project, from the initial announcement of \$300M. Under the current agreement, NI contributed Utica shale acreage for a 50% stake in the gathering and processing JV formed by the two companies. We believe that a similar project could be developed to monetize NI's holdings of 300,000 acres in the western portion of the Utica, which have unproven oil reserves. While drilling activity in the western Utica may be muted near-term, we believe NI would be well-positioned to benefit via joint gathering/processing and midstream projects if producers in the region report positive well results over time. We currently assign a \$1.50/share value to the undeveloped western Utica acreage, assuming that the holdings are worth approximately \$1,500/acre, after applying a heavy discount to recent prices from asset sales in other portions of the Utica.

Valuation

Our \$27 price target is premised upon our '14E EPS of \$1.68 and the '14 group PE multiple of 13.8x, adjusted upwards by 10% for NI's clearly defined and relatively low-risk growth plan. In addition, we assign a \$1.50/share value for the company's Utica holdings.

In our upside scenario, we value the company on the sum of the parts. We assign a 5% premium to the respective group multiples of electric utilities and gas LDCs to value the regulated businesses, and assign the western Utica holdings a value of \$1.50/share.

Figure 1: NI Sum of the Parts Valuation

	FY'14E Net Income	P/E Multiple	Value Per Share
NIPSCO Electric	106.7	14.5x	\$5.15
Gas Distribution	221.4	15.3x	\$11.32
Gas Transmission & Storage	203.8	16.0x	\$10.87
Corporate	(36.6)	6.5x	(\$0.79)
Tax Impact of Corp. Expense	12.8	6.5x	\$0.28
W. Utica Acreage			\$1.50
Diluted Shares (millions)			300.0
Total			\$28.32

Source: Company filings, Barclays Research estimates.

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Primary Stocks (Ticker, Date, Price)

NiSource, Inc. (NI, 30-Nov-2012, USD 24.17), Overweight/Positive

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Emera Inc. (EMA.TO)	Fortis Inc. (FTS.TO)	Great Plains Energy Inc. (GXP)
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NiSource, Inc. (NI)	Northeast Utilities (NU)	NV Energy, Inc. (NVE)
OGE Energy Corp. (OGE)	Pepco Holdings (POM)	PG&E Corp. (PCG)
Pinnacle West Capital (PNW)	PNM Resources (PNM)	Portland General Electric Co. (POR)
SCANA Corp. (SCG)	Sempra Energy (SRE)	Southern Co. (SO)
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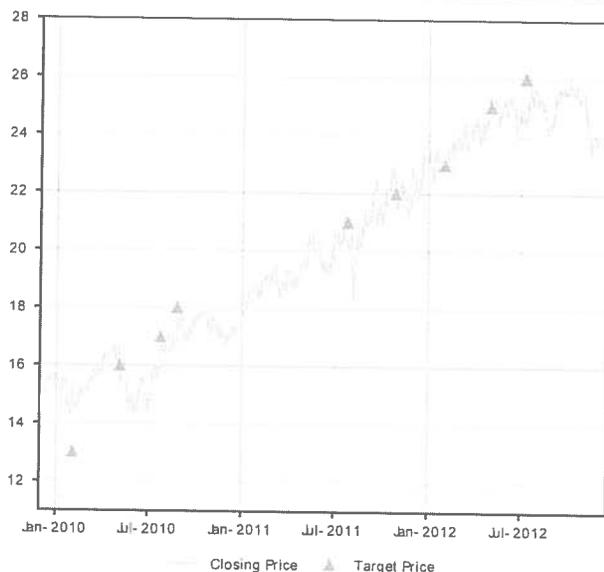
NiSource, Inc. (NI)
USD 24.17 (30-Nov-2012)

Stock Rating
OVERWEIGHT

Industry View
POSITIVE

Rating and Price Target Chart - USD (as of 30-Nov-2012)

Currency=USD



Date	Closing Price	Rating *	Price Target
09-Jul-2012	24.41		26.00
01-May-2012	25.33		25.00
01-Feb-2012	23.45		23.00
28-Oct-2011	22.52		22.00
26-Jul-2011	20.85		21.00
25-Aug-2010	16.90		18.00
23-Jul-2010	16.49		17.00
04-May-2010	16.60		16.00
02-Feb-2010	15.17		13.00

*The rating for this security remained Equal Weight during the relevant period.

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September 13, 2012

NiSource

(NI-NYSE)

Stock Rating: **Market Perform**

Industry Rating: **Market Perform**

North American Pipelines

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From Troubled to Traction

Event

After digesting NI's biannual analyst day yesterday—and having gone into it with relatively neutral expectations with most of the news “shoes” having dropped—we came away with a more positive outlook reflecting a higher-than-expected growth rate, one which is credibly sustainable for a longer period given a deeper inventory of investment, and with a reduced overall risk profile. EPS growth has gone from a much discussed 5% CAGR to 5%-7% over the next five years, with further upside possible depending on new project success. Most of the increment to us came from higher rate base spend not just at the pipeline level (which was relatively digested from last week's modernization settlement), but higher-than-expected long-term spending in both the electric and gas utility segments—the vast majority of which is (or is expected to soon be) backstopped by regulatory trackers. In short, we see EPS progressing on the high end of the range through 2015, sliding back to 5% as the base grows (and as management indicated, a modest equity injection in 2015 to maintain its investment grade rating). While the stock today already reflects much of the positive developments and is trading in a fair value range, we see NI moving forward over time along with the dividend growing by 3%-5% as growth is delivered.

Impact

Positive

Forecasts

Our 2012 EPS reduces slightly to \$1.45 from \$1.48, while our 2013 EPS moves higher to \$1.58 from \$1.52 and our 2014 rises to \$1.65 and 2015 to \$1.75.

Valuation

We're raising our near-term valuation to \$26, reflecting the net of higher growth, NPV of pipe tracker offset by zeroing value of western Utica. As we ultimately roll forward our group to 2014 metrics, we'd note the target further improves to \$28.

Recommendation

Maintain **MARKET PERFORM** rating, albeit with a positive bias.

Changes

Annual EPS

2012E \$1.48 to \$1.45

2013E \$1.52 to \$1.58

Annual FCF

2012E \$4.06 to \$4.02

Quarterly EPS

Q3/12E \$0.14 to \$0.05

Q4/12E \$0.38 to \$0.44

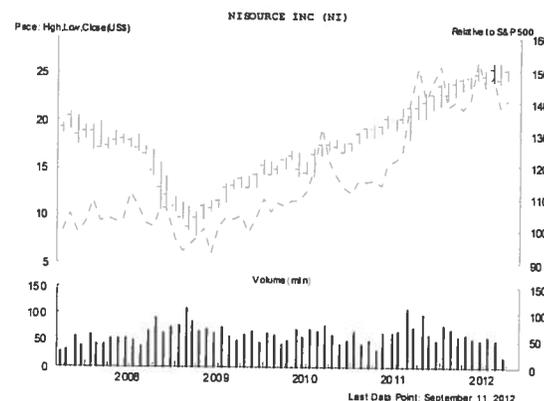
Target

\$25.00 to \$26.00

Securities Info

Price (13-Sep)	\$25.61	Target Price	\$26 ↑
52-Wk High/Low	\$26/\$20	Dividend	\$0.96
Mkt Cap (mm)	\$7,276	Yield	3.7%
Shs O/S (mm, BASIC)	284.1	Float O/S (mm)	281.5
Options O/S (mm)	na	ADVol (30-day, 000s)	2,290

Price Performance



Valuation/Financial Data

(FY-Dec.)	2010A	2011A	2012E	2013E
EPS Pro Forma	\$1.22	\$1.31	\$1.45↓	\$1.58↑
P/E			17.7x	16.2x
First Call Cons.			\$1.46	\$1.56
EPS GAAP	\$0.53	\$0.52	\$1.39	\$1.58
FCF	\$4.27	\$4.10	\$4.02↓	\$4.04
P/FCF			6.4x	6.3x
EBITDA (\$mm)	\$1,514	\$1,382	\$1,636	\$1,768
EV/EBITDA			8.6x	7.9x
Rev. (\$mm)	\$6,335	\$6,019	\$5,316	\$5,787
EV/Rev			2.6x	2.4x
Quarterly EPS	1Q	2Q	3Q	4Q
2011A	\$0.71	\$0.16	\$0.11	\$0.31
2012E	\$0.73A	\$0.23A	\$0.05↓	\$0.44↑

Balance Sheet Data (30-Jun)

Net Debt (\$mm)	\$6,740	Total Debt/EBITDA	4.3x
Total Debt (\$mm)	\$6,988	EBITDA/IntExp	4.0x
Net Debt/Cap.	51.8%	Price/Book	1.4x

Notes: All values in US\$.

Source: BMO Capital Markets estimates, Bloomberg, Thomson Reuters, and IHS Global Insight.

Analyst Day Highlights

After digesting NI's biannual analyst day yesterday—and having gone into it with relatively neutral expectations with most of the news “shoes” having dropped—we still came away with a more positive outlook reflecting a higher-than-expected growth rate, one which is credibly sustainable for a longer period given a deeper inventory of investment, and with a reduced overall risk profile. EPS growth has gone from a much discussed 5% CAGR to 5%-7% over the next five years, with further upside possible depending on new project success.

Most of the increment to us came from higher rate base spend not just at the pipeline level (which was relatively digested from last week's modernization settlement), but higher-than-expected long-term spending in both the electric and gas utility segments—the vast majority of which is (or is expected to soon be) backstopped by regulatory trackers. In short, we see EPS progressing on the high end of the range through 2015, sliding back to 5% as the base grows (and as management indicated, a modest equity injection in 2015 of \$350mm—on par with what was just issued—to maintain its investment-grade rating). While the stock today already reflects much of the positive developments and is trading in a fair value range, we see NI moving forward over time along with a dividend growing 3%-5% as growth is delivered.

NiSource Gas Distribution (NGD)

- NGD includes LDCs in seven states with an aggregate rate base of almost \$4bn, up 28% from just two years ago despite unchanged customer count owing to infrastructure modernization and replacement programs mostly supported by trackers. NI's ability to continually grow the rate base while earning its allowed returns has been the fundamental driver to this business segment. We expect this dynamic to continue given ~\$10Bn of identified investment opportunity over the next 20+ years through additional infrastructure modernization and replacement via trackers.
- The current ~\$10Bn investment opportunity set has expanded from solely bare steel and cast iron pipes for replacement and modernization to now include aging plastic pipe, other coated steel pipe and related assets.
- Annually, NI plans to spend \$600-650mm on capital investment at NGD (including \$150mm for maintenance), supporting a 7%-9% operating earnings growth rate. We note management's growth outlook includes low customer growth of 0.5%, which is consistent with our model. On a 2012 annual basis, we note that LDC targeted investment spend has increased just in the last three months from \$541mm to \$625mm (effectively notching up total cap ex to \$1.5bn). With all of this inventory backstopped by tracker, we think the risk of execution on this front is relatively nominal.

NIPSCO Electric

- While industrial customers (mainly steel mills) have maintained a high proportional share of total throughput for NIPSCO Electric at 43%, they only reflect about 22% of the business segment's margin owing to rate designs that have reduced volumetric sensitivity of industrial customers to about 5% of total margin. As such, NIPSCO Electric provides a relatively stable cash flow stream despite sustained weak economic conditions in the region with unemployment still hovering above 10% today. Notably, NI assumes flat customer demand in the future, with any economic growth proving to be upside to management's forecast.
- With an estimated \$6-\$8Bn of investment opportunities identified at NIPSCO Electric for the next 10-15 years, NI plans to spend \$400-450mm annually on capital investment (including \$125mm for maintenance), supporting a 7%-9% EBIT growth rate. This inventory includes the following:
 - Upgrade generation fleet: \$700mm-\$1.4Bn
 - The largest investment in this section at an estimated cost of \$525-\$775mm involves installing three scrubbers at NI's last remaining "unscrubbed" coal plants in its fleet; this will be recovered through a tracker like all of the other upgrade generation fleet projects.
 - The other projects include: 1) \$80-\$200mm to comply with MATS ruling; and 2) \$125-\$400mm to comply with the expected EPA mandates for enhanced wastewater and ash treatment. On this front, the utility industry has worked with the state of Indiana on Senate Bill 251 which, if passed, would allow for full investment tracker status; we watch for this in 2013 to help extend NIPSCO's growth rate at very low risk.
 - Enhance transmission system: \$500mm-\$1Bn
 - With its current transmission system located strategically between MISO and PJM, NI will be able to provide connections (e.g., the on-ramps and off-ramps) to support the infrastructure need in shifting more supply to the high-demand PJM market of the Northeast. Two current investments approved by MISO total \$400-\$500mm, which earn FERC allowed returns north of 12%. An additional ~\$500mm of future investment comes from six additional projects in various stages with MISO.
 - Modernize infrastructure: \$3-\$4Bn
 - Upgrading NIPSCO Electric's infrastructure includes replacing poles, power lines, transformers, breakers and other substation equipment in addition to its underground system.

- NI, along with the other electric utility companies in Indiana, is working to have a tracker put in place for modernization spending like it has done in most of its NGD states. If not, NIPSCO Electric will continue to file rate cases as needed.
- Enhance generation fleet: \$600mm-\$1Bn
 - Currently, NIPSCO Electric's generation fleet is 78% coal and 22% natural gas. NI plans to begin adding new gas-fired generation to its fleet, currently targeted for 2022, which means more visible investment arguably around 2018.

NiSource Gas Transmission & Storage (NGT&S)

- NI has identified an \$8-\$10Bn investment inventory for NGT&S, estimating an annual capital investment spend of \$500-\$700mm which will support a 10%-12% operating earnings growth rate through 2017.
- The core business at NGT&S is associated with its regulated pipeline and storage assets. For these assets, NI has identified \$7-\$9Bn of investment opportunity over the next 10-15 years to link new supplies (e.g. Utica, Marcellus) to markets, which we further detail below:
 - System modernization: \$4-\$5Bn
 - This is the much anticipated, and recently settled, infrastructure modernization program with tracker for Columbia Gas Transmission. Last week NI settled with its customers for an initial \$1.5Bn, five-year program with extension. Long term, management sees \$4-\$5Bn of long-term investment over the next 15 years. While the program includes a tracker—heretofore unprecedented on an interstate pipeline—NiSource is also providing customer benefits in the form of 1) a \$50mm refund for 2012/2013 (to be taken 3Q12), 2) a \$35mm tariff reduction offset by a like reduction in depreciation (making for a cash impact but net neutral to EPS), and 3) a \$25mm reduction in tariffs beginning 2014. In short, the positives and negatives net to approximately \$374mm in NPV for the ten-year \$4Bn program, or ~\$1/sh. We anticipate the FERC to confirm this settlement by year-end, if not sooner.
 - Marketing: \$3-\$4Bn (stressing here traditional pipeline marketing, not wholesale natural gas marketing)
 - For \$200-\$250mm, the West Side Expansion includes expansions of Columbia Gas and Columbia Gulf pipelines by 440 mmcf/d and 540 mmcf/d, respectively, to move Marcellus gas to the Southeast. With a FERC filing anticipated for spring 2013, in service is expected in November 2014.
 - For \$200-\$300mm, the East Side Expansion includes an expansion of Columbia Gas Transmission by 220-300 mmcf/d that will move additional northern

Marcellus gas to northeast and mid-Atlantic markets. With precedent agreements currently in negotiation, expected in service is September 2015.

- For ~\$300mm, the Quick Link Expansion will expand Columbia Gas Transmission by 500 mmcf/d to provide an outlet for Utica producers. This project is in development and in service is expected 4Q15.
 - For \$500mm-\$1.3Bn, NI plans to expand its Columbia Gas and Columbia Gulf pipeline systems by 1-2 Bcf/d to provide northeast shale gas supply to proposed LNG export terminals (e.g. Cove Point and Cameron). Currently, NI is negotiating precedent agreements and an in service date would be as early as 2016.
 - For \$500mm-\$1Bn, NI anticipates expanding its pipeline systems in order to provide additional gas supply to coal-fired generation conversions and new gas-fired generation builds in the northeast. In service for these various projects current under negotiation would be in 2015 and beyond.
 - For ~\$35mm, the Warren County Expansion includes a 250 mmcf/d expansion of Columbia Gas Transmission in order to provide gas to a new 1,300 MW generating facility in Virginia. FERC approval was received in February 2012, and in service is expected in April 2014.
 - For ~\$40mm net to NI, two compressor stations along the Millennium Pipeline will be expanded: 120 mmcf/d expansion at Minisink in service 1Q13 and 150 mmcf/d at Hancock in service 4Q13.
 - Notably, the \$3-4Bn of marketing projects are (or will be) underpinned by long-term fee-based contracts.
- A growing business at NGT&S is midstream and minerals. NI has identified \$1-\$1.5Bn of investment opportunity over the next five to ten years to develop fee-based gathering and processing opportunities, which we further detail below:
 - Midstream: \$1Bn
 - NI plans to leverage its current location and asset base within the Marcellus and Utica regions to provide additional gathering and processing services.
 - Current projects in development include:
 - For ~\$150mm, NI is building 55 miles of new pipeline in western Pennsylvania, the Big Pine Gathering System, with 400 mmcf/d of capacity, which will move Marcellus gas to market. With contracts in place, in service is expected 4Q12.
 - For \$150mm net to NI, the Pennant Midstream JV with Hilcorp will build a new 50-mile wet and dry gas gathering pipeline with 400 mmcf/d capacity and an NGL processing facility with 200 mmcf/d capacity to support natural gas production in the Utica of northeastern Ohio and western Pennsylvania. This project is expected to be in service 3Q13, but

between Pennant and Big Pine, management believes upwards of \$1Bn is possible. We have modeled an additional \$400mm in net spend through 2015.

- Minerals
 - Hilcorp Upstream Agreement: self-funding investment
 - NI dedicated 100,000 acres of mineral rights associated with one of its storage facilities to its joint venture with Hilcorp. Hilcorp will develop with acreage, and NI will receive 5% working interest and 0.7% royalty interest which will help fund the project. The upfront 50% cash and 50% carry will effectively fund NI's drilling obligation for the first three years, with the royalty and building cash stream anticipated to fund any obligations over the long term.
 - NI plans to continue to leverage its mineral leases associated with its storage facilities which lie within the Marcellus and Utica shale regions via future potential JVs with area producers. The associated acreage position in western Ohio totals 300k, with 150-200k thought to be potentially prospective at this point. Given disappointing early well results by Devon of late, we're expecting the path to industry delineation and development to be a slower, longer-term process. As such, we are now treating this as a long-term free option, but have removed the \$1/sh of tangible value we previously ascribed.

Earnings & Valuation

For 2012, we're reducing our EPS slightly to \$1.45 from \$1.48, reflecting the net effect of better-than-expected growth coming from the pipelines and gas utility, offset by the \$50mm expected charge to implement the pipeline modernization program. For 2013, our EPS moves higher to \$1.58 from \$1.52, reflecting the lift that the higher rate base spending is generating. Similarly, our 2014 rises to \$1.65 and 2015 to \$1.75. Our three-year average EPS growth rate is now 7%, residing at the high end of management's 5%-7% guidance.

With respect to valuation, we're raising our near-term price target to \$26. This reflects the net combination of +\$2/sh in higher investment growth and net present value of the interstate pipeline tracker, offset by zeroing out the \$1/sh value we previously held for the western Utica potential (which we now treat as a free long-term option). Moreover, we'd also note this is year-end 2012 target; as we ultimately roll forward our group to 2014 financial metrics, we'd note the longer term 15-month target further improves to \$28.

Other companies mentioned (priced as of the close on September 13, 2012):

Devon (DVN, \$62.19, Not Rated)

Exhibit 1: NiSource Valuation

NiSource Inc.

Sum-of-the-Parts Valuation Analysis

	2013E	Valuation Multiple	Notes:
EBITDA by Segment			
Gas Distribution	\$689	8.3x	\$5,688
Gas Pipelines	\$611	10.0x	\$6,108
Electric	\$511	8.0x	\$4,090
Other	(\$38)	5.0x	(\$190)
Value of Operations	\$1,773	8.9x	\$15,696
Net Debt (year-end 2012E)			(\$7,984)
Preferred & Minority Interests			---
Pension/OPEB Underfunded Obligation	(\$919)	25%	(\$230) - est underfunded at YE12; risk adjusted at 25% (rest assumes recovery in rates)
	Gross	Risked	Net
Utica Acreage - East (Liquids Rich)	15,000	100%	15,000
Utica Acreage - Central/West	175,000	0%	0
			Value
			\$225 - 15k acres associated with Brinker Storage facility (per NI)
			--- - Management indicates 150-200k potentially prospective with geotechnical variability on size of oil window (full acreage position is 300k)
Net present value of Pipeline Modernization Program			\$346 - See tab
Net Equity Value			\$8,054
Diluted Shares Outstanding			307
\$/sh			\$26.25
Average Target Price (rounded):			\$26.00
Valuation Summary:			
Current Price			\$25.61
Current Dividend			\$0.95
Appreciation Potential			1.5%
Current Yield			3.7%
Total Return Potential			5.3%

Source: BMO Capital Markets estimates, company data.

Exhibit 2: NiSource Income Statement

Consolidated Earnings (\$ Millions Except Per Share Data)	2009A	2010A	2011A	Q1	Q2	Q3	Q4	2012E	2013E	2014E	2015E
Operating Revenues:											
Gas Distribution	\$3,303	\$3,096	\$2,918	\$874	\$283	\$399	\$901	\$2,457	\$3,236	\$3,317	\$3,398
Pipelines & Storage	1,241	1,261	1,355	409	356	234	292	1,292	1,077	1,087	1,122
Electric	1,213	1,375	1,428	353	377	377	380	1,487	1,515	1,559	1,606
Other	542	603	319	23	33	10	14	80	(41)	(42)	(42)
Revenues	6,299	6,335	6,019	1,659	1,049	1,021	1,587	5,316	5,787	5,921	6,084
Operating Expenses:											
Cost of Sales	2,978	2,898	2,556	630	241	247	620	1,738	2,021	2,016	2,012
Operation & Maintenance	1,650	1,654	1,723	405	394	400	439	1,638	1,738	1,776	1,817
DD&A	589	596	538	146	148	149	150	593	585	612	645
Loss (gain) on asset sales	16	1	17	(2)	(2)	0	0	(3)	0	0	0
Taxes and Other	283	287	295	87	67	61	76	290	298	307	316
Total Operating Expenses	5,516	5,436	5,129	1,267	849	857	1,284	4,256	4,642	4,712	4,790
Operating Income	783	899	890	392	200	164	303	1,059	1,145	1,209	1,294
Other:											
Equity in Earnings	16	15	15	8	9	9	9	33	39	56	73
Minority Interests	0	0	0	0	0	0	0	0	0	0	0
Other	(8)	4	(61)	0	0	0	0	0	0	0	0
Total Other Income	10	19	(47)	8	9	9	9	34	39	56	73
Reported EBIT	\$793	\$918	\$844	\$400	\$209	\$123	\$312	\$1,043	\$1,183	\$1,266	\$1,367
EBITDA	\$1,383	\$1,514	\$1,382	\$546	\$357	\$272	\$461	\$1,636	\$1,768	\$1,878	\$2,012
EBIT Composition											
Gas Distribution	328	324	394	212	47	15	133	407	486	532	578
Pipelines & Storage	389	377	360	139	92	37	134	401	509	520	549
Electric	117	234	210	46	70	73	47	237	258	284	310
Corporate & Other	(40)	(17)	(120)	3	(0)	(2)	(2)	(2)	(70)	(70)	(70)
Total EBIT	\$793	\$918	\$844	\$400	\$209	\$123	\$312	\$1,043	\$1,183	\$1,266	\$1,367
Interest Expense	399	392	377	103	100	100	103	407	425	460	480
Preferred Distributions of Subsidiaries	0	0	0	0	0	0	0	0	0	0	0
Financing Expense	399	392	377	103	100	100	103	407	425	460	480
Income Before Taxes	394	526	467	296	108	22	209	636	758	806	887
Income Taxes											
Current	(214)	118	(15)	11	1	1	7	20	66	141	155
Deferred	378	55	178	92	37	7	66	202	199	141	155
Total Income Taxes	165	173	163	103	38	8	73	222	265	282	310
Effective Inc. Tax Rate (%)	42%	33%	35%	35%	35%	35%	35%	35%	35%	35%	35%
Net Income From Continuing Operations	229	353	304	194	71	15	136	415	493	524	577
Discontinued Operations, net	(12)	(0)	(5)	(0)	(1)	0	0	(1)	0	0	0
Change in Accounting	(0)	(58)	0	0	0	0	0	0	0	0	0
GAAP Net Income to Common	\$218	\$294	\$299	\$193	\$69	\$15	\$136	\$413	\$493	\$524	\$577
Adjustments to Core											
Asset Impairment	0	0	0	0	0	0	0	0	0	0	0
Gain (Loss) From Disposal	(8)	0	0	0	0	0	0	0	0	0	0
Other Non-Recurring Gains (Loss)	(40)	11	(74)	(21)	4	0	0	(17)	0	0	0
Total Adjustments	(49)	11	(74)	(21)	4	0	0	(17)	0	0	0
Non-GAAP Core Earnings	\$278	\$342	\$378	\$215	\$67	\$15	\$136	\$432	\$493	\$524	\$577
Shares Outstanding (mm)											
Avg Diluted Shares Out	276	280	289	293	296	297	308	298	312	317	329
Avg Basic Shares Out	275	278	280	283	284	292	307	292	311	316	328
Period-end basic Shares Out	276	279	282	284	285	306	307	307	313	318	334
Earnings Per Share (Diluted)											
GAAP EPS	\$0.79	\$1.05	\$1.04	\$0.66	\$0.23	\$0.05	\$0.44	\$1.39	\$1.58	\$1.65	\$1.75
Core EPS	\$1.01	\$1.22	\$1.31	\$0.73	\$0.23	\$0.05	\$0.44	\$1.45	\$1.58	\$1.65	\$1.75
EPS Growth (core)	-19.4%	21.0%	7.4%	1.8%	36.2%	-58.8%	41.1%	10.5%	9.4%	4.5%	6.0%
Dividends											
Cash per share	\$0.92	\$0.92	\$0.92	\$0.23	\$0.24	\$0.24	\$0.24	\$0.95	\$0.99	\$1.03	\$1.07
Div Growth	0.0%	0.0%	0.0%	0.0%	4.3%	4.3%	4.3%	3.3%	4.2%	4.0%	3.9%
Payout Ratio (%)	116.6%	87.5%	88.7%					68.6%	62.6%	62.3%	61.1%

Source: BMO Capital Markets estimates, company data.

BMO Capital Markets

Exhibit 3: NiSource Cash Flow Statement

Cash Flow Statement (\$ Millions Except Per Share Data)	2009A	2010A	2011A	Q1	Q2	Q3	Q4	2012E	2013E	2014E	2015E
Operating Activities											
GAAP Net Income from Cont. Ops	218	292	299	193	69	15	136	413	493	524	577
DD&A	589	596	538	146	148	149	150	593	585	612	645
Deferred income tax benefit	378	200	178	92	37	7	66	202	199	141	155
Deferred Revenues	4	(20)	3	1	(1)	0	0	0	0	0	0
Amortization of premium on debt	13	10	9	2	2	0	0	(0)	0	0	0
Less Gain or Loss on assets	(4)	(0)	0	(2)	(2)	0	0	5	0	0	0
Less Equity Earnings plus Cash Distributions	(15)	7	16	12	2	(4)	(4)	6	(19)	(28)	(36)
Other non-cash income items	36	112	139	27	(41)	0	0	(14)	0	0	0
OCF (pre-working capital)	\$1,219	\$1,197	\$1,183	\$472	\$215	\$166	\$347	\$1,201	\$1,259	\$1,249	\$1,340
OCF per share	\$4.42	\$4.27	\$4.10	\$1.61	\$0.73	\$0.56	\$1.13	\$4.02	\$4.04	\$3.94	\$4.07
Working Capital:											
Accounts and notes receivable	259	(244)	318	128	177			305	0	0	0
Inventory	129	103	(142)	211	(78)			134	0	0	0
Less Change of Price Risk Management Activities	0	0	0	0	0			0	0	0	0
Accounts payable	(192)	38	(155)	(41)	(106)			(148)	0	0	0
Customer deposit, net	25	(25)	(5)	(99)	(13)			(112)	0	0	0
Other assets	83	(206)	(201)	(143)	175			33	0	0	0
Other Liabilities	382	(86)	(78)	(49)	(79)	0	0	(127)	0	0	0
Changes in Working Capital	686	(420)	(262)	8	77	0	0	85	0	0	0
Discontinued Operations	(255)	(57)	(50)	(0)	(1)	0	0	(1)	0	0	0
Cash Flow From Operations	1,651	720	670	480	292	166	347	1,286	1,259	1,249	1,340
Investing Activities											
Capital Spending (to PP&E)	(777)	(804)	(1,125)	(293)	(327)	(371)	(494)	(1,484)	(1,802)	(1,807)	(1,672)
Purchases of equity investments	0	0	0	0	0	0	0	0	0	0	0
Acquisitions	0	0	0	0	0	0	0	0	0	0	0
Proceeds from asset sales	6	1	9	2	0	0	0	2	0	0	0
Other	109	(140)	(34)	(4)	53	0	0	48	0	0	0
Cash Used in Investing	(662)	(944)	(1,149)	(295)	(274)	(371)	(494)	(1,433)	(1,802)	(1,807)	(1,672)
Discontinued Operations	8	0	0	0	0	0	0	0	0	0	0
Investing Cash Flow	(655)	(943)	(1,149)	(295)	(274)	(371)	(494)	(1,433)	(1,802)	(1,807)	(1,672)
Financing Activities											
Sale of Common Stock	26	14	24	17	13	349	13	392	50	50	400
Sale of Preferred Stock	0	0	0	0	0	0	0	0	0	0	0
Sale of L.T. Debt	1,460	250	890	0	988	0	500	1,488	1,000	1,250	500
Redemption of Common Stock	(3)	(2)	(3)	(10)	(0)	0	0	(10)	0	0	0
Redemption of Preferred Stock	0	0	0	0	0	0	0	0	0	0	0
Redemption of L.T. Debt	(1,170)	(1,071)	(287)	(6)	(2)	0	(315)	(323)	(420)	(500)	(230)
Change in Notes Payable, LC, ST Debt	(1,061)	1,280	(23)	(95)	(937)	0	0	(1,031)	200	0	0
Payments to Minority Interests	0	0	0	0	0	0	0	0	0	0	0
Dividends	(253)	(256)	(258)	(65)	(65)	(65)	(69)	(264)	(288)	(305)	(331)
Other	0	0	(62)	0	0	(12)	0	(12)	0	0	0
Cash From (For) Financing	(1,000)	216	281	(158)	(3)	272	129	239	542	495	339
Discontinued Operations	0	0	0	0	0	0	0	0	0	0	0
Financing Cash Flow	(1,000)	216	281	(158)	(3)	272	129	239	542	495	339
Change in Cash	(\$4)	(\$7)	\$2	\$27	\$14	\$67	(\$17)	\$91	(\$1)	(\$63)	\$7
Cash & Temp. Inv. Beginning of Yr.	\$21	\$16	\$9	\$12	\$38	\$53	\$120	\$12	\$103	\$102	\$39
Cash & Temp. Inv. End of Yr.	\$16	\$9	\$12	\$38	\$53	\$120	\$103	\$103	\$102	\$39	\$46

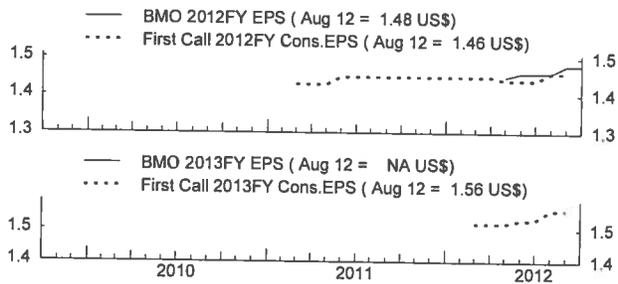
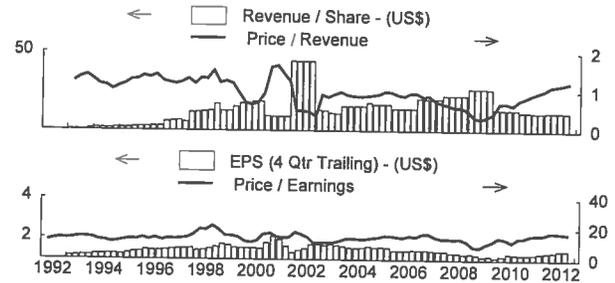
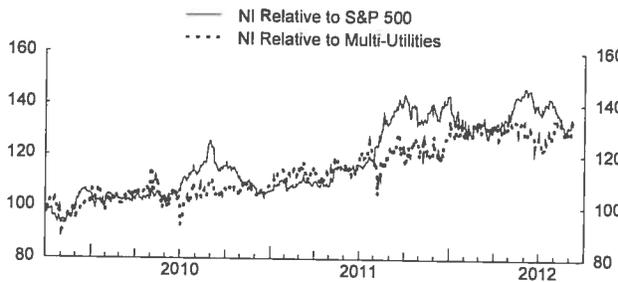
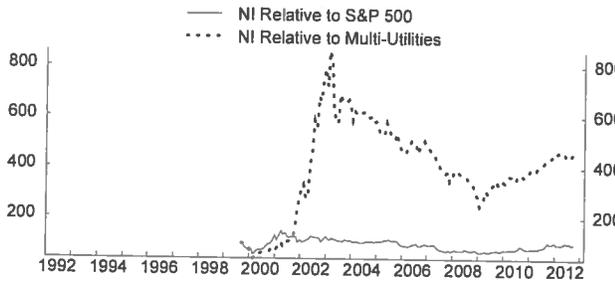
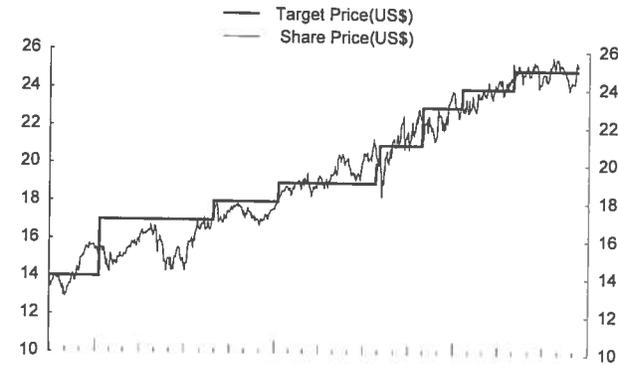
Source: BMO Capital Markets estimates, company data.

Exhibit 4: NiSource Balance Sheet

Balance Sheet (\$ Millions Except Per Share Data)	2009A	2010A	2011A	Q1	Q2	Q3	Q4	2012E	2013E	2014E	2015E
Assets:											
Cash & Equivalent	16	9	12	39	53	120	103	103	102	39	46
Restricted Cash	175	203	161	150	85	85	85	85	85	85	85
Receivables	848	1,121	951	853	639	639	639	639	639	639	639
Allowance for Uncollectable Accts.	(40)	(41)	(31)	(46)	(42)	(42)	(42)	(42)	(42)	(42)	(42)
Unbilled Revenues	0	0	0	0	0	0	0	0	0	0	0
Underrecovered gas & fuel costs	40	136	21	15	2	2	2	2	2	2	2
Inventories	385	428	566	354	428	428	428	428	428	428	428
ST Assets Price Risk Management	173	160	137	142	120	120	120	120	120	120	120
Regulatory Assets	238	152	170	186	193	193	193	193	193	193	193
Other Current Assets	<u>387</u>	<u>283</u>	<u>262</u>	<u>277</u>	<u>274</u>	<u>274</u>	<u>274</u>	<u>274</u>	<u>274</u>	<u>274</u>	<u>274</u>
Total Current Assets	2,224	2,449	2,248	1,870	1,752	1,819	1,802	1,802	1,801	1,738	1,744
Plant & Equipment (Gross)	19,038	19,590	20,470	20,708	21,032	21,403	21,896	21,896	23,698	25,505	27,177
Accumulated DD&A	<u>(8,354)</u>	<u>(8,493)</u>	<u>(8,670)</u>	<u>(8,806)</u>	<u>(8,883)</u>	<u>(9,032)</u>	<u>(9,181)</u>	<u>(9,181)</u>	<u>(9,767)</u>	<u>(10,379)</u>	<u>(11,024)</u>
Plant & Equipment, Net	10,684	11,097	11,800	11,902	12,149	12,371	12,715	12,715	13,932	15,126	16,154
Investments	295	349	356	362	369	369	369	369	369	369	369
LT Assets Price Risk Management	238	240	189	115	90	90	90	90	90	90	90
Regulatory Assets	1,644	1,650	1,978	1,940	1,899	1,899	1,899	1,899	1,899	1,899	1,899
Goodwill	3,677	3,677	3,677	3,677	3,677	3,677	3,677	3,677	3,677	3,677	3,677
Intangible Assets	320	309	298	295	292	292	292	292	292	292	292
Other Long Term Assets (& flywheel)	<u>53</u>	<u>168</u>	<u>162</u>	<u>185</u>	<u>181</u>	<u>196</u>	<u>202</u>	<u>202</u>	<u>220</u>	<u>249</u>	<u>285</u>
Total Assets	19,134	19,939	20,708	20,446	20,409	20,715	21,046	21,046	22,280	23,440	24,511
Liabilities & Equity:											
Short Term Debt	800	1,417	1,687	2,015	1,095	1,095	1,095	1,095	1,295	1,295	1,295
Accounts Payables	502	582	435	381	360	360	360	360	360	360	360
ST Liabilities Price Risk Management	190	174	168	180	133	133	133	133	133	133	133
Regulatory Liabilities	44	93	112	100	93	93	93	93	93	93	93
Other	<u>1,575</u>	<u>1,384</u>	<u>1,245</u>	<u>1,042</u>	<u>981</u>	<u>981</u>	<u>981</u>	<u>981</u>	<u>981</u>	<u>981</u>	<u>981</u>
Total Current Liab	3,111	3,649	3,646	3,718	2,662	2,662	2,662	2,662	2,862	2,862	2,862
Long Term Debt	5,988	5,936	6,267	5,834	6,807	6,807	6,992	6,992	7,572	8,322	8,592
LT Liabilities Price Risk Management	170	182	139	95	46	46	46	46	46	46	46
Accumulated Deferred Taxes	2,018	2,243	2,571	2,651	2,731	2,738	2,803	2,803	3,003	3,144	3,299
Regulatory Liabilities	1,559	1,596	1,664	1,616	1,616	1,616	1,616	1,616	1,616	1,616	1,616
Other Liabilities	<u>1,572</u>	<u>1,409</u>	<u>1,424</u>	<u>1,451</u>	<u>1,443</u>	<u>1,443</u>	<u>1,443</u>	<u>1,443</u>	<u>1,443</u>	<u>1,443</u>	<u>1,443</u>
Total Liabilities	14,418	15,016	15,711	15,385	15,304	15,311	15,562	15,562	16,541	17,432	17,857
Preferred Equity/Securities of Consolidated Subsidiaries	0	0	0	0	0	0	0	0	0	0	0
Common Equity	4,717	4,923	4,997	5,081	5,105	5,404	5,484	5,484	5,739	6,008	6,653
Other	<u>0</u>	<u>0</u>									
Total Liab & Equity	19,134	19,939	20,708	20,446	20,409	20,715	21,046	21,046	22,280	23,440	24,511

Source: BMO Capital Markets estimates, company data.

NiSource Inc. (NI)



FYE (Dec.)	EPS US\$	P/E	DPS US\$	Yield %	Payout %	BV US\$	P/B	ROE %
1992	1.00	13	0.00	0.0	0	7.87	1.7	13
1993	1.16	14	0.72	4.4	62	8.32	2.0	14
1994	1.24	12	0.78	5.2	62	8.67	1.7	15
1995	1.36	14	0.84	4.4	62	9.00	2.1	15
1996	1.43	14	0.90	4.5	63	9.20	2.2	16
1997	1.53	16	0.96	3.9	63	10.17	2.4	16
1998	1.59	19	1.02	3.4	65	9.78	3.1	16
1999	1.52	12	1.08	6.0	71	10.90	1.6	15
2000	1.89	17	1.08	3.5	60	16.62	1.9	14
2001	1.30	18	1.16	5.0	89	16.78	1.4	8
2002	2.00	11	1.16	5.8	63	20.09	1.0	11
2003	1.60	14	0.92	4.2	58	16.81	1.3	9
2004	1.61	14	0.92	4.0	57	17.69	1.3	9
2005	1.42	15	0.92	4.4	65	18.09	1.2	8
2006	1.43	17	0.92	3.8	64	18.32	1.3	8
2007	1.38	14	0.92	4.9	67	18.52	1.0	7
2008	1.27	9	0.92	8.4	72	17.24	0.6	7
2009	1.06	15	0.92	6.0	87	17.55	0.9	6
2010	1.22	14	0.92	5.2	75	17.66	1.0	7
2011	1.33	18	0.92	3.9	69	17.73	1.3	8
Current*	1.43	17	0.96	3.9	67	17.73	1.4	8
Average:		14		4.8	67		1.5	10.9
Growth(%):								
5 Year:	0.3		0.9			-0.7		
10 Year:	-0.5		-1.9			0.6		
20 Year:	2.0		nm			4.3		

* Current EPS is the 4 Quarter Trailing to Q2/2012.

NI - Rating as of 26-Jun-08 = Mkt

Last Price (September 10, 2012): \$25.19
 Sources: IHS Global Insight, Thomson Reuters, BMO Capital Markets.

Important Disclosures

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Methodology and Risks to Our Price Target/Valuation

Methodology: Our target price for NI is based on a sum-of-the parts valuation. We individually value each one of NI's business segments using a target EV/EBITDA multiple approach. Our target multiple for each segment is derived from analyzing historical multiple trading ranges, peer multiples, and adjusting for any expectation of future changes in investor sentiment, which would lead to multiple expansion/contraction. We next add together the segment valuations to reach an operating enterprise value, which is then adjusted for net debt, off-balance sheet items, operating leases, pension costs, and any other non-operating obligations. After adjustments, we then have our net equity value, which is divided by fully diluted shares outstanding to arrive at our target price.

Risks: Risks to our 12-month price target for NI include: 1) Conservation - conservation and bad debt expense from high commodity prices could impact earnings more than the base level we have accounted for; 2) Weather; 3) Interest rates; 4) Regulatory risk - rulings counter to assumptions and guidance could negatively impact our valuations going forward.

Distribution of Ratings (June 30, 2012)

Rating Category	BMO Rating	BMOCM US Universe*	BMOCM US IB Clients**	BMOCM US IB Clients***	BMOCM Universe****	BMOCM IB Clients*****	Starmine Universe
Buy	Outperform	39.2%	14.2%	66.0%	39.7%	49.1%	55.7%
Hold	Market Perform	58.8%	4.6%	31.9%	57.1%	48.6%	39.3%
Sell	Underperform	2.0%	9.1%	2.1%	3.2%	2.3%	5.0%

* Reflects rating distribution of all companies covered by BMO Capital Markets Corp. equity research analysts.

** Reflects rating distribution of all companies from which BMO Capital Markets Corp. has received compensation for Investment Banking services as percentage within ratings category.

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Mkt = Market Perform - Forecast to perform roughly in line with the market;

Und = Underperform - Forecast to underperform the market;

(S) = speculative investment;

NR = No rating at this time;

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North American Pipelines

May 14, 2013

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Industry Rating: **Market Perform**

Natural Gas IQ: Recapping AGA Conf Take-Aways

The Natural Gas IQ is aimed at developments in the natural gas infrastructure space, and importantly, the implications for our pipeline equities.

Not to be lost in the final throes of the quarterly earnings season was our attendance at last week's American Gas Association's (AGA) annual Financial Forum. Over the course of the conference we had one-on-one or dinner meetings with the mostly US half of our sector coverage, including AGL Resources (GAS), CenterPoint (CNP), National Fuel (NFG), NiSource (NI), ONEOK (OKE), Questar (STR), Spectra (SE), TransCanada (TRP), and UGI Corp (UGI). We highlight our primary takeaways for each name on the following pages, but note three in particular relating to our three Outperform-rated names we met with:

- **ONEOK (OKE, Outperform, \$60 Target).** On the heels of its recent 1Q miss and stock slide, management was clear that at the time of its revised annual guidance in February that it fully knew how challenging 1Q13 would be (albeit made more complicated in that it doesn't give quarterly guidance), and that in effect it was on plan with annual guidance to maintain at least 1.0x cash coverage of its MLP distribution. The further implication is that the implied y/y ramp in midstream volumes will itself see a strengthening through the year as assets recently placed in service April begin to ramp, and new assets come online 2H13 (e.g., Sterling 3).
- **National Fuel (NFG, Outperform, \$70 Target).** Confirming that the pilot development (nine wells) in the WDA Rich Valley will happen this summer, but WITH flexibility is the full development program in 2014 or delineation of other areas (depending on results of pilot). Management is not looking to add a fourth rig in the Marcellus, but notes that come late 2014 it should have enough production and cash flow to support an additional rig at that time without extending its balance sheet.
- **TransCanada (TRP, Outperform, C\$55 Target).** TRP reaffirmed its intent to work within the framework of the recent National Energy Board decision on the gas mainline rather than undo it (details of its recently filed Review and Variance are on page 7). We also got a better understanding of how Energy East, if a successful open season happens, would impact the mainline, as well as gained more confidence of TRP's ability to use rolled-in rates in BC to support its \$10B in LNG initiatives.

Gas Industry Snapshot

NYMEX Natural Gas 12-Mo. Strip (\$/mmbtu):	\$4.17
Weekly Change	1.2%
YTD Change	14.1%
NYMEX Crude Oil 12-Mo. Strip (\$/bbl):	\$93.31
Weekly Change	-1.0%
YTD Change	0.1%
Natural Gas Liquids (40% ethane, \$/gal):	\$0.83
Current \$ Correlation to Spot Crude Oil	37%
Weekly Change	-1.8%
YTD Change	-11.2%
Processing Frac-Spread (Gulf Coast, \$/gal):	\$0.50
Weekly Change	-2.4%
YTD Change	-22.2%
LNG U.S. Imports (monthly avg, Bcf/d):	0.12
Monthly Change	5.6%
Y-o-Y Change	-63.5%
Natural Gas in Storage (Bcf):	+88 to 1,865
Vs. this week last year	+30 to 2,602
Vs. this week 5-yr avg	+69 to 1,964
Natural Gas Directed Rig Count:	-4 to 354
Weekly Change	-1.1%
Y-o-Y Change	-41.7%

Stock Performance: Weekly

US Gas Diversifieds	0.1%
US Gas Utilities	-1.2%
Canadian Pipelines	-1.1%
Canadian Income	2.6%
UTY (Philadelphia Utility Index)	-2.0%
XOP (S&P E&P SPDR)	0.2%
OSX (Oil Service Index)	0.6%
S&P 500 (SPX)	1.0%
10-Year US Treasury Yield	6.7%

Stock Performance: YTD

US Gas Diversifieds	17.5%
US Gas Utilities	14.6%
Canadian Pipelines	6.7%
Canadian Income	4.9%
UTY (Philadelphia Utility Index)	12.6%
XOP (S&P E&P SPDR)	9.6%
OSX (Oil Service Index)	17.7%
S&P 500 (SPX)	14.6%
10-Year US Treasury Yield	7.9%

All data priced as of close May 14, 2013 in US\$.
 Source: Bloomberg, EA, Waterborne, Baker Hughes, Platts, Company data.

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AGL Resource (GAS, Underperform, \$43 Price Target)**Mgmt: John Somerhalder (CEO), Drew Evans (CFO), Steve Cave (Treasurer), Bryan Seas (CAO)**

- Looking for catalysts to a return the stock to outperformance, we note a regulatory filing at Nicor would occur by January 2014. Given an 11-month statutory process, this would put new rates into effect for 2015, aligning with the acquisition stipulation of a three-year stay-out (ending 2014). That said, GAS is closely watching potential depreciation legislation that could potentially reduce DD&A expense (NICOR has a 4.1% DD&A rate, or ~25 year asset life, versus 2.5% for AGL's broader system average), boosting in turn the Illinois utility's ROE and making a rate case filing moot for return purposes (although rate structure, such as weather normalization, could still be pursued). We would note that while lower depreciation expense would help EPS, it would not affect EBITDA, and thus has a tempered impact on our valuation (which is based on a mix of relative P/E and sum-of-the-parts EV/EBTIDA).
- The SE-led \$1 billion Renaissance Pipeline project remains in discussion with potential shippers in addition to AGL as the anchor, which may also own an equity share. We should hear a final investment decision in 3-6 months in order to meet the targeted 2017 in service.
- The storage market remains weak with current rates ranging \$0.04-\$0.08/mcf per month (dependent on location) and management does not expect a more balanced market until 2015/2016 (a view we share). In the interim, the company is evaluating the potential to repurpose some of its gas storage for other products, ranging from propane to crude, although the likelihood is less repurposing (due to costs) and more possible the addition of new adjacent caverns that would leverage surface infrastructure already in place.
- We don't see the company aggressively in the M&A market at this point given both sector valuation and NICOR digestion, although we would note that, given its larger scale, regional barriers are not overly critical; a lot can be accomplished with the right density, meaning any utility with a customer count greater than 0.5 million would likely be intriguing, whether or not GAS already operates in the region.

CenterPoint (CNP, Market Perform, \$25 Price Target)**Mgmt: Gary Whitlock (CFO), Scott Prochazka (COO), Mark Kilbride (Treasurer)**

- CNP reiterated that its new NewCo MLP joint venture will be dilutive to 2013 EPS by \$0.05, but with the expectation that such impact should taper in 2014 with the early realization of up to \$50 million in cost and revenue synergies, inflecting into EPS accretion in 2015 as full synergies are achieved. We had calculated \$0.05 of dilution with the modeled synergies, which implies that our 2015 EPS estimate of \$1.33 could be conservative by a nickel (but in line with consensus of \$1.40).
- The NewCo MLP IPO will likely raise some \$300-\$500 million of new proceeds (typically 15% of targeted market cap), with the range dependent on the partnership's needs for cash with respect to timing of growth projects. Notably, CNP's proceeds from the public offering will be prioritized into: 1) regulated investments, where CEHE expects to grow rate base by 5% and the LDC by 7% over the next several years; and 2) dividend growth.
- Management was clear that, with the MLP, its capital allocation calculus has changed, and while that no decisions have been made, the company now has greater flexibility with respect to its dividend and dividend payout ratio, raising our confidence that the rate of dividend growth will increase from the most recent 2% rate to a level closer to 5%.

- The managements of both CNP and OGE are currently evaluating leadership positions of the NewCo MLP from both internal and external candidates, with announcements we expect in the next 30 days or so.

National Fuel Gas (NFG, Outperform, \$70 Price Target)**Mgmt: Ron Tanski (CEO), Dave Bauer (CFO), Matt Cabell (VP, Seneca), Anna Marie Cellino (President, LDC)**

- We confirmed the recent increase in FY2013 production guidance is driven entirely by better performance at Tract 100. This was also accompanied by an increase in capex guidance to \$525-\$585 million, up about \$35 million at the midpoint, to accelerate completion of Tract 595 wells, which were previously uneconomic (meaning below NFG's double-digit hurdle rate) owing to lower natural gas prices. These wells, in turn, are expected to flow mostly in FY2014, thus driving the 4% improvement in production guidance of 132-142 Bcfe for the year.
- Recent well results at Rich Valley in the western Marcellus (WDA) of 7 Bcf EUR have now improved EUR expectations in this specific region to 5-8 Bcfe. Seneca expects to advance its pilot development program in Rich Valley with two wells currently drilled, with an additional seven wells planned for FY2014. The acceleration of this pilot program is currently limited by gathering capacity and the maintenance of a three-rig drilling plan, but production upside could be had with favorable test well results and improving gas prices. Importantly, as these wells commence generating cash flow, Seneca could support the addition of a fourth rig as early as mid-FY2014.
- Delineation of the WDA is also under way with two drilled wet gas wells at Owl's Nest and a dry gas well at Ridgeway; well tests results should be available this summer. Further, delineation of the Utica is also in Seneca's near-term plans with a well result from the Mount Jewett area expected by late fall/early winter (early FY2014).
- Despite rates being unchanged since 2007, the New York Public Service Commission (NYPSC) is currently evaluating retroactive review of the Utility's returns as the last three years of the NY utility has averaged 11% ROE versus its allowed 9.1% ROE (although such claw-back is limited to 12 months). Of note, the NYPSC has struck customer sharing mechanisms with other state utilities, and management is hopeful such a settlement can be achieved here as well. While it remains too early to determine the impact, NFG estimates \$0.03-\$0.05 annual earnings impact for 100 basis points of ROE, in effect putting \$0.05-\$0.10 of EPS risk into our FY2014 estimate of \$2.87.

NiSource (NI, Market Perform, \$31 Price Target)**Mgmt: Bob Skaggs (CEO), Steve Smith (CFO), Glen Kettering (VP, Corp Affairs), Jimmy Staton (Pipes CEO), Joe Hamrock (LDC CEO), Jim Stanley (Electric CEO)**

- The Indiana governor recently signed the respective legislation approving a tracking mechanism for electric T&D modernization (e.g., transformers, poles, lines). As such, NI plans to file its seven-year plan by mid-year, with the expectation to have it in place by year-end 2013. While our general expectations was that this wouldn't kick in until late decade, early investment dollars could start flowing in 2014, although it should start relatively small and ramp over time for a reaffirmed total investment of \$3-\$4 billion. Overall, the Electric business is expected to maintain its annual \$500 million capex spending over the next decade (more than double its \$225 million depreciation), and this modernization program effectively confirms an extended life and growth rate. Moreover,

the tracker, which correlates to NI's allowed 10.2% ROE, gives 80% recovery, with 20% deferred to presumably be pursued under a general rate case once the first seven-year period concludes.

- Although management's view of an MLP remains the same (meaning highly unlikely with respect to legacy assets), it did acknowledge that the opportunity remains open with respect to its growing midstream business. On that front, new midstream-related EBITDA in the \$70 million range was identified as the fulcrum where such discussion becomes more relevant, but at present not "front of mind."
- Currently, there are no ethane rejection concerns with respect to btu content on any of NI's pipes; management estimates it sees about 12-24 months of running room. Over that time, there should be additional infrastructure built in order for capacity to remain well matched with production growth, keeping concerns at bay should ethane reject persist.
- Management is evaluating an opportunity on Columbia Gulf, where open capacity exists, to isolate one of the lines and effectively turn it into a high-btu rich gas transporter, helping to move dissolved NGLs from the infrastructure-constrained Marcellus to the Gulf Coast region. Early stages, but such a debottlenecking could potentially be done at relatively minimal investment cost in the \$200 million range.
- Regarding its Utica E&P joint venture interest, Hilcorp has advanced from the 'science' stage, with seven wells now drilled. Additionally, Hilcorp has expanded its acreage position by 30%-40% since the project's original announcement. As such, NI continues to anticipate additional lateral needs in the Utica, leveraging off of the Pennant JV, above the \$300 million gross investment for phase 1. Each lateral opportunity should total about \$10-15 million of investment at consistent mid-teens returns.

ONEOK (OKE, Outperform, \$60 Price Target)
Mgmt: Pierce Norton (VP, Commercial)

- On the heels of its recent quarterly weakness and stock reaction, management was clear that at the time of its revised guidance in February that it knew how challenging 1Q13 would be, and that, in effect, it was on plan. The implication is that the implied ramp in volumes will see a much stronger year-end (4Q13 over 4Q12) growth rate relative to 1Q or the average growth through the year as assets just placed in service April begin to ramp, and new assets come in 2H13 (e.g., Sterling 3).
- The NGL optimization business was effectively zero in 1Q13, tracking the \$0.01/gal ethane price spread between Conway and Mont Belvieu (as a physical day-to-day business it is highly unlikely for its margin to go negative), implying the NGL marketing business was effectively zero in 1Q13, creating a hard baseline in which to grow from. Although the optimization business is expected to decline over time as capacity is transferred to fee-based business, we do anticipate a sequential uptick as the ethane spread has averaged \$0.07/gal 2QTD, and believe more opportunities could arise in 4Q13 with the in-service of the Sterling 3 pipeline.
- OKE continues to see ethane rejection on its systems, as expected through the year. While its Rockies assets used to receive ethane volumes, OKE's Bakken assets have never recovered ethane (nor do growth projects assume as such to gain board approval). If the geographic spread widens as it has in 2Q, then ethane rejection can be tempered, as it creates empty pipeline space that the company can then remarket for its own account.

- OKE currently has acreage dedications from 3 million out of the 5 million total developable land in the Bakken for its gas midstream operations. With an additional 1 million handled by the respective E&P producers (mainly Continental), 1 million remains up for grabs with prime competitors being Targa and the new CNP/OGE MLP joint venture. Notably, OKE sees most of its growth as organic in the Bakken.

Questar (STR, Market Perform, \$25 Price Target)

Mgmt: Ron Jibson (CEO), Kevin Hadlock (CFO), Allen Bradley (CEO Pipes), Craig Wagstaff (COO Questar Gas)

- STR remains highly focused on maximizing shareholder value through the strategic review of repurposing the Southern Trails natural gas pipeline to crude oil. The company is currently in the second phase of the bidding process, which includes detailed due diligence (i.e., data room access). Final binding bids are due by late June, with a review in July followed by the board's decision. While this places the time frame closer to 2Q results, any decision would be material enough to press release on its own. Management was clear that all options remain on the table, although we continue to believe that if the price is right, an outright sale of the project could occur. Importantly, use of proceeds in such a scenario would first go to support growth investments (e.g., acquisition of properties under Wexpro II), followed by dividend growth and share buybacks. Given break-even EBITDA and book value of only \$100 million, any incremental project is expected to be value accretive, of which we currently ascribe after-tax equity value of ~\$350 million (~\$500 million gross) in our \$25 price target.
- Given the recent approval of Wexpro II, STR is seeking ways to replicate the success of the Wexpro framework in other jurisdictions beyond its Utah and Wyoming footprints. Management stated the key to getting regulatory buy-in in different states would be to illustrate the long-term benefit to customers of having a portion of natural gas supplies coming from a cost-of-service vehicle like Wexpro II, which would benefit not only LDCs, but also small scale regulated power generators. In effect, it becomes a long-term hedge on market prices. Such opportunities could be more conducive in the West, in our opinion, given other similar utility arrangements, and overall regulatory culture. Importantly, management sees this opportunity as accretive to its long-term 4%-6% EPS growth rate.
- STR continues to advance its Questar Fueling initiative and the company now owns the largest compressed natural gas (CNG) fueling facility in the United States, located in Houston, Texas. The market for CNG has advanced rapidly over the last few years and the competitive landscape will likely change with new formidable entrants such as Chevron and Shell. That said, STR still expects Questar Fueling to add a few cents in annual EPS, but doesn't see Questar Fueling as an emerging business that will ultimately have the scale to be a fourth business segment.

Spectra Energy (SE, Market Perform, \$31 Price Target)

Mgmt: Pat Reddy (CFO)

- SE's 2013 annualized EBITDA for the Express-Platte system has moved to the \$145 million level a year earlier than expected, effectively shaving over a multiple point from the December purchase price. The increase is in part driven by higher utilization of the Express pipeline to 80% from 70% as higher refinery runs of Bakken crude has sought higher netback markets via rail. As well, the increase stems from early contract maturities moving to spot tolls, which have moved to a premium versus initial estimates. Over the

next two years even more contracts expire (with the bulk in 2015), and if such dynamics persist then the aforementioned EBITDA effectively becomes the new baseline.

- The gas utility remains in constructive discussions with customers and Ontario Energy Board over entering into a new multi-year rate framework. Management believes it will have more clarity in the coming months, and if a settlement can't be reached the company will simply revert to the traditional single-year, serial rate case filer with the primary goal of raising the utility's equity layer to 40%, from 36% currently.
- Empress remains in a state of strategic review, and management reaffirmed a decision is still expected mid-year in the June/July time frame. We continue to believe any resolution that gets Empress off the books—even though now fully expected—to be a positive one.
- Details on the bidding process for a Florida pipeline and the AIM expansion could potentially be known mid-summer (July/August), while the \$1 billion-plus Renaissance pipeline could be firmed up in 3Q13. All three projects represent upside option value to our \$31 valuation.

TransCanada (TRP, Outperform, C\$55 Price Target)
Mgmt: Steve Clark (VP, Gas Pipes)

- TRP reaffirmed its intent to work within the framework of the recent National Energy Board (NEB) decision on the natural gas mainline rather than undo it. Most of our focus was spent on better understanding the recently filed Review and Variance (R&V) of the NEB decision. There has been no early reaction at this point from the NEB (it's not uncommon for it to go dark after a major decision), but TRP believes its requests do not amount to "a big stretch." Of note, the R&V has the following elements:
 1. **Higher toll to avoid deferrals.** Given that the calculus behind the decision's C\$1.42/gj long haul toll was not clearly spelled out, TRP is asking for a slightly higher toll of C\$1.52/gj, which it still sees as being in the competitive spectrum (even if at the upper end). The delta is meant to combat a C\$95 million annual shortfall, which extends through 2017, and is recouped through a Long Term Adjustment Account (LTAA), which works like a second rate base that collects its cost of capital but grows like non cash AFUDC (and which management effectively sees as imprudent). Alternatively, TRP has suggested keeping short-haul rates unchanged (normally they would move down in lockstep with long-haul rates), in which case the LTAA deferrals could be eliminated with a lower long-haul rate in the C\$1.50/gj range. Timing??
 2. **Improved flexibility.** TRP is asking for the elimination of certain diversion processes, which would eliminate gaming of the system (e.g., shippers not indicating their future intent to hold or release capacity) and in turn allow TRP to provide new shippers incremental service via long-term firm commitments.
 3. **Delayed timing.** TRP is asking for delayed implementation of the new tolls, to November 1, 2013 from July 1, 2013 both due to the vast number of tolls that still need to be recalculated, but more in our opinion due to the better alignment of market-based short-haul rates with the relevant winter season demand period.
 4. **Cost abandonment.** TRP is asking for mechanisms to implement a surcharge to recover unplanned costs (i.e. abandonment costs), a regulatory decision that came out after the filing of the mainline rate case.

- Should the Energy East open season prove successful, TRP expects that it would reopen a new regulatory framework by the NEB. The asset base from the gas line would come out in stages, with the last section being the North Bay shortcut likely in the spring of 2016. At this point the timing of such a new mainline review is highly uncertain, and largely depends on how successful TRP would be in simplifying its contracts with its shippers, but it has the potential to take as long as the two-year regulatory review of Energy East itself.

**UGI Corp. (UGI, Market Perform, \$42 Price Target)
Mgmt: John Walsh (CEO), Kirk Oliver (CFO)**

- UGI reiterated its target long-term EPS growth rate of 6-10%. With respect to FY2014 earnings, 3-4% of the growth is coming from organic growth projects, with the balance coming from the collective of APU growth, the Poland LPG acquisition and Auburn II.
- Management reaffirmed the return of earnings power in FY2013 owing to normal weather. While lower cost of wholesale propane helped results during the quarter, the company underscored that the bulk of the rebounding earnings also came from continuing margin management rather than a parachute effect from declining wholesale propane prices during the heating season. Importantly, UGI also reiterated that its internal forecasts are done independently from a propane price outlook, and it pointed to its ability to expand margins over the last decade despite the volatility with wholesale propane. While the company does not explicitly hold a proprietary view on propane prices, management expects robust NGL supplies to continue to weigh on wholesale prices, which it sees as a positive for secular retail propane demand.
- The Heritage integration remains on target and management now expects to achieve a minimum of \$60 million in synergies. While the company does not currently provide visibility on synergy upside, it believes that further cost management and network logistics could add a meaningful incremental uplift. Importantly, after the integration is complete, AmeriGas (APU) expects to have the balance sheet to resume its 20 million gallons per year acquisition program.
- UGI's power marketing operations were a minor contributor to strong quarterly Midstream and Marketing results as margins were squeezed from higher costs. Management does not expect to grow this business to compete with larger players and would be amenable to selling Hunlock and even divesting its small electric utility for the right price.
- Auburn II remains in the field execution phase and the company expects to have a seamless regulatory process. Importantly, management noted that stronger gas prices have started to change the tone of Marcellus producers, which could present new opportunities including the possibility of an Auburn III project on the horizon.
- Management expects to initiate investments in a new gathering system sometime in 2014 as part of its upstream joint venture with Tenaska. UGI expects to spend approximately \$25 million annually to build gathering systems over the next few years.

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Company Data & Valuation

Exhibit 1: North American Pipelines Coverage Universe

Company	Ticker	FYE	Rating	Price Target	Price 05/14/13	Shares O/S (mm)	Market Cap (mm)	Enterprise Value (mm)	Indicated Dividend			Net Tot Debt/ Cap	S&P Rating	Potential Price Appr	Indicated Div Yield	Potential Total Return
									\$	2013E Payout	Yield					
BMO North American Pipeline Coverage Universe																
U.S. Commodity Sensitive																
last																
Energren Corp	EGN	Dec	MKT	\$54	51.34	72.1	\$3,703	\$5,659	\$0.58	16.8%	1.1%	33.8%	BBB	5.2%	1.1%	6.3%
National Fuel Gas Company	NFG	Sep	OP	\$70	62.81	83.3	\$5,233	\$7,004	\$1.46	47.9%	2.3%	38.4%	BBB	11.4%	2.3%	13.8%
Okeok Inc.	OKE	Dec	OP	\$60	48.60	205.1	\$9,966	\$18,186	\$1.44	79.1%	3.0%	72.2%	BBB	23.5%	3.0%	26.4%
Spectra Energy	SE	Dec	MKT	\$31	31.17	652.9	\$20,350	\$34,901	\$1.22	78.1%	3.9%	56.4%	BBB+	-0.5%	3.9%	3.4%
Williams Cos	WMB	Dec	OP	\$41	36.63	626.5	\$22,947	\$38,023	\$1.36	137.5%	3.7%	69.7%	BBB-	11.9%	3.7%	15.6%
Average							\$62,199	\$103,773		71.9%	2.6%	64.1%		10.3%	2.8%	13.1%
U.S. Gas Utilities																
AGL Resources Inc	GAS	Dec	UND	\$43	43.81	117.5	\$5,148	\$9,687	\$1.88	71.1%	4.3%	53.8%	A-	-1.8%	4.3%	2.4%
CenterPoint Energy	CNP	Dec	MKT	\$25	24.13	427.4	\$10,313	\$14,843	\$0.83	68.0%	3.4%	59.5%	A-	3.6%	3.4%	7.0%
NiSource Inc	NI	Dec	MKT	\$31	29.09	284.9	\$8,288	\$16,915	\$0.96	61.4%	3.3%	60.3%	BBB-	6.6%	3.3%	9.9%
Questar Corp	STR	Dec	MKT	\$25	25.25	178.2	\$4,499	\$6,010	\$0.72	61.7%	2.9%	55.7%	A	-1.0%	2.9%	1.9%
UGI Corp.	UGI	Sep	MKT	\$42	40.57	112.3	\$4,558	\$8,093	\$1.08	44.2%	2.7%	58.4%	A-	3.5%	2.7%	6.2%
Average							\$32,806	\$65,548		61.3%	3.3%	67.6%		2.2%	3.3%	5.6%
Canadian Pipes*																
Enbridge Inc.	ENB	Dec	OP	\$54	47.43	799.6	\$37,923	\$66,557	\$1.26	68.0%	2.7%	65.1%	A-	13.9%	2.7%	16.5%
TransCanada Corp.	TRP	Dec	OP	\$55	49.44	704.9	\$34,852	\$63,449	\$1.84	77.3%	3.7%	55.1%	A-	11.2%	3.7%	15.0%
Average							\$72,775	\$130,007		72.8%	3.2%	60.1%		12.6%	3.2%	16.7%
Canadian Income*																
AltaGas	ALA	Dec	OP	\$40	38.96	104.5	\$4,071	\$7,412	\$1.50	100.0%	3.9%	48.2%	BBB	2.7%	3.9%	6.5%
Enbridge Income Fund	ENF	Dec	MKT	\$26	26.09	51.7	\$1,349	\$1,349	\$1.34	83.3%	5.1%	0.0%	-	-0.3%	5.1%	4.8%
Gibson Energy	GEI	Dec	MKT	\$28	26.65	118.9	\$3,168	\$3,745	\$1.10	89.5%	4.1%	37.6%	-	5.1%	4.1%	9.2%
Inter Pipeline Fund	IPL	Dec	MKT	\$26	24.23	270.6	\$6,558	\$10,601	\$1.11	103.9%	4.6%	65.5%	BBB+	7.3%	4.6%	11.9%
Keyera	KEY	Dec	MKT	\$60	61.90	77.1	\$4,773	\$5,808	\$2.16	102.5%	3.5%	46.3%	-	-3.1%	3.5%	0.4%
Pembina Pipeline Corp	PPL	Dec	MKT	\$34	34.38	288.7	\$9,925	\$12,570	\$1.62	223.8%	4.7%	35.6%	BBB	-1.1%	4.7%	3.6%
Valensar	VNR	Sep	MKT	\$17	16.21	37.5	\$609	\$782	\$1.00	119.0%	6.2%	-1.9%	BBB+	4.9%	6.2%	11.9%
Veresen	VSN	Dec	OP	\$14	13.40	196.6	\$2,635	\$4,236	\$1.00	501.4%	7.5%	45.7%	BBB	4.5%	7.5%	11.9%
Average							\$33,088	\$46,503		166.4%	4.9%	34.6%		2.6%	4.8%	7.4%

Source: BMO Capital Markets estimates, company data.

Exhibit 2: BMO North American Pipeline Comparative Valuation - Estimates

Company	Ticker	Price 05/14/13	Dividend Yield	Operating EPS				Operating CFPS				EBITDA			
				2012A	2013E	2014E	2015E	2012A	2013E	2014E	2015E	2012A	2013E	2014E	2015E
BMO North American Pipeline Coverage Universe															
U.S. Commodity Sensitive															
Enbridge Corp	ENB	51.34	1.1%	\$3.15	\$3.45	\$3.66	\$2.65	\$11.30	\$12.91	\$13.89	\$12.76	\$883	\$952	\$1,101	\$1,013
National Fuel Gas Company	NFG	62.81	2.3%	\$2.58	\$3.05	\$2.87	\$2.68	\$7.48	\$8.53	\$8.07	\$8.23	\$727	\$836	\$897	\$912
Oneok Inc.	OKE	48.60	3.0%	\$1.69	\$1.82	\$2.12	\$2.45	\$6.55	\$8.51	\$9.97	\$11.21	\$1,583	\$1,645	\$2,008	\$2,275
Spectra Energy	SE	31.17	3.9%	\$1.43	\$1.56	\$1.60	\$1.75	\$2.72	\$3.21	\$3.19	\$3.22	\$3,087	\$3,311	\$3,407	\$0
Williams Cos	WMB	36.63	3.7%	\$1.11	\$0.99	\$1.44	\$1.61	\$2.99	\$3.25	\$3.94	\$3.89	\$2,556	\$2,742	\$3,528	\$3,874
Average			2.8%												
U.S. Utilities															
AGL Resources Inc	GAS	43.81	4.3%	\$2.46	\$2.64	\$2.72	\$2.92	\$7.89	\$6.45	\$6.67	\$6.89	\$1,034	\$1,124	\$1,148	\$1,186
CenterPoint Energy	CNP	24.13	3.4%	\$1.25	\$1.22	\$1.24	\$1.33	\$4.18	\$3.92	\$3.74	\$3.85	\$1,912	\$1,901	\$1,832	\$1,895
NiSource Inc	NI	29.09	3.3%	\$1.44	\$1.56	\$1.65	\$1.76	\$4.31	\$4.20	\$4.01	\$4.17	\$1,615	\$1,785	\$1,905	\$2,053
Questar Corp	STR	25.25	2.9%	\$1.19	\$1.17	\$1.21	\$1.24	\$2.96	\$2.44	\$2.39	\$2.44	\$568	\$570	\$582	\$598
UGI Corp.	UGI	40.57	2.7%	\$1.79	\$2.44	\$2.70	\$2.82	\$4.19	\$4.84	\$5.03	\$5.18	\$824	\$1,172	\$1,261	\$1,303
Average			3.3%												
Canadian Pipes*															
Enbridge Inc.	ENB	47.43	2.7%	\$1.62	\$1.85	\$2.13	\$2.39	\$4.50	\$4.14	\$4.94	\$5.12	\$2,890	\$4,136	\$5,211	\$5,814
TransCanada Corp.	TRP	49.44	3.7%	\$1.89	\$2.38	\$2.59	\$2.75	\$4.61	\$5.22	\$5.36	\$6.01	\$4,204	\$5,081	\$5,407	\$5,922
Average			3.2%												
Canadian Income*															
AltaGas	ALA	38.96	3.9%	\$1.15	\$1.50	\$1.85	\$2.13	\$2.67	\$3.61	\$3.98	\$4.37	\$330	\$509	\$590	\$646
Enbridge Income Fund	ENF	26.09	5.1%	\$1.48	\$1.60	\$1.34	\$1.07	\$1.48	\$1.60	\$1.55	\$1.35	\$60	\$90	\$92	\$93
Gibson Energy	GEI	26.65	4.1%	\$0.97	\$1.23	\$1.26	\$1.33	\$2.26	\$2.75	\$2.83	\$2.85	\$318	\$410	\$426	\$450
Inter Pipeline Fund	IPL	24.23	4.6%	\$1.02	\$1.07	\$1.15	\$1.33	\$1.56	\$1.59	\$1.69	\$1.97	\$617	\$651	\$746	\$862
Keyera	KEY	61.90	3.5%	\$1.95	\$2.11	\$2.34	\$2.79	\$3.48	\$3.91	\$4.53	\$5.19	\$308	\$364	\$406	\$473
Pembina Pipeline Corp	PPL	34.38	4.7%	\$0.84	\$0.72	\$0.94	\$1.21	\$1.81	\$1.67	\$1.97	\$2.28	\$589	\$651	\$792	\$907
Valener	VNR	16.21	6.2%	\$0.81	\$0.84	\$1.02	\$1.08	\$1.03	\$0.95	\$1.12	\$1.18	\$40	\$56	\$62	\$65
Veresen	VSN	13.40	7.5%	\$0.20	\$0.20	\$0.25	\$0.29	\$1.05	\$1.11	\$1.14	\$1.15	\$272	\$294	\$306	\$313
Average			4.9%												

Source: BMO Capital Markets estimates, company data.

Exhibit 3: BMO North American Pipeline Comparative Valuation – Metrics

Company	Ticker	P/E				TEV/EBITDA				P/CFPS				CF Reinv Yie															
		2012A	2013E	2014E	2015E	2012A	2013E	2014E	2015E	2012A	2013E	2014E	2015E	2012A	2013E	2015E	2012A	2013E	2015E	2012A	2013E	2015E	2012A	2013E	2015E	2012A	2013E	2015E	
BMO North American Pipeline Coverage Universe																													
U.S. Commodity Sensitive																													
Enbridge Corp	ENB	16.3x	14.9x	14.0x	19.4x	6.4x	5.9x	5.1x	5.6x	4.5x	4.0x	3.7x	4.0x	13.2%	16.4%														
National Fuel Gas Company	NFG	24.3x	20.6x	21.9x	23.4x	9.6x	8.4x	7.8x	7.7x	8.4x	7.4x	7.8x	7.6x	7.4%	6.5%														
Oneok Inc.	OKE	28.7x	26.7x	23.0x	19.9x	11.5x	11.1x	9.1x	8.0x	7.4x	7.4x	7.8x	7.6x	7.4%	6.5%														
Spectra Energy	SE	21.8x	20.0x	19.5x	17.8x	11.3x	10.5x	10.2x	NM	11.5x	9.7x	9.8x	9.7x	4.9%	4.6%														
Williams Cos	WMB	33.0x	37.2x	25.5x	22.7x	14.9x	13.9x	10.8x	9.8x	12.3x	11.3x	9.3x	9.4x	4.9%	5.9%														
Average		24.8x	23.9x	20.8x	20.6x	10.7x	10.0x	8.6x	7.8x	8.8x	7.6x	7.1x	7.0x	6.2%	8.0%														
U.S. Utilities																													
AGL Resources Inc	GAS	17.8x	16.6x	16.1x	15.0x	9.4x	8.6x	8.4x	8.2x	5.6x	6.8x	6.6x	6.4x	9.9%	6.4%														
CenterPoint Energy	CNP	19.3x	19.8x	19.5x	18.2x	7.8x	7.8x	8.1x	7.8x	5.8x	6.2x	6.4x	6.3x	10.5%	10.7%														
NISource Inc	NI	20.2x	18.6x	17.7x	16.6x	10.5x	9.5x	8.9x	8.2x	6.8x	6.9x	7.2x	7.0x	8.8%	8.9%														
Questar Corp	STR	21.1x	21.6x	20.9x	20.3x	10.6x	10.5x	10.3x	10.0x	8.5x	10.3x	10.6x	10.4x	7.9%	5.8%														
UGI Corp.	UGI	22.7x	16.6x	15.0x	14.4x	9.8x	6.9x	6.4x	6.2x	9.7x	8.4x	8.1x	7.8x	7.1%	6.8%														
Average		20.2x	18.6x	17.8x	16.9x	9.6x	8.7x	8.4x	8.1x	7.3x	7.7x	7.8x	7.6x	8.9%	7.7%														
Canadian Pipes*																													
Enbridge Inc.	ENB	29.3x	25.6x	22.2x	19.9x	23.0x	16.1x	12.8x	11.4x	10.5x	11.4x	9.6x	9.3x	6.5%	5.9%														
TransCanada Corp.	TRP	26.1x	20.8x	19.1x	17.9x	15.1x	12.5x	11.7x	10.7x	10.7x	9.5x	9.2x	8.2x	7.6%	8.8%														
Average		27.7x	23.2x	20.6x	18.9x	19.1x	14.3x	12.3x	11.1x	10.6x	10.5x	9.4x	8.7x	7.1%	7.4%														
Canadian Income*																													
AltaGas	ALA	33.9x	26.0x	21.0x	18.3x	22.5x	14.6x	12.6x	11.5x	14.6x	10.8x	9.8x	8.9x	6.5%	8.3%														
Enbridge Income Fund	ENF	17.6x	16.3x	19.5x	24.5x	22.6x	14.9x	14.7x	14.6x	17.6x	16.3x	16.8x	19.3x	5.7%	6.1%														
Gibson Energy	GEI	27.4x	21.7x	21.2x	20.0x	11.8x	9.1x	8.8x	8.3x	11.8x	9.7x	9.4x	9.4x	6.7%	8.4%														
Inter Pipeline Fund	IPL	23.7x	22.7x	21.1x	18.2x	17.2x	16.3x	14.2x	12.3x	15.5x	15.2x	14.3x	12.3x	5.8%	6.0%														
Keyera	KEY	31.8x	29.4x	26.5x	22.2x	18.8x	15.9x	14.3x	12.3x	17.8x	15.8x	13.7x	11.9x	4.5%	5.9%														
Pembina Pipeline Corp	PPL	41.1x	47.6x	36.7x	28.5x	21.3x	19.3x	15.9x	13.9x	19.0x	20.6x	17.5x	15.1x	5.1%	4.7%														
Valener	VNR	20.0x	19.3x	15.8x	14.9x	19.4x	14.0x	12.6x	12.0x	15.7x	17.1x	14.5x	13.7x	3.9%	6.5%														
Veresen	VSN	68.1x	67.2x	53.8x	46.8x	15.6x	14.4x	13.8x	13.5x	12.7x	12.1x	11.8x	11.7x	7.6%	8.0%														
Average		33.0x	31.3x	26.9x	24.2x	18.6x	14.8x	13.4x	12.3x	15.6x	14.7x	13.5x	12.8x	5.7%	6.7%														
* All Data in C\$ unless otherwise indicated																													
** Operating cash flow less maintenance capital, shareholder cash available for dividend or growth reinvestment																													
INDUSTRY COMPS																													
Industry Comps																													
U.S. Commodity Sensitive																													
Average		1605.9x	25.2x	20.7x	17.3x	12.8x	9.5x	8.3x	7.4x	12.0x	9.7x	7.4x	6.3x																
U.S. Gas Utilities																													
Average		18.6x	18.3x	16.9x	16.3x	8.9x	8.8x	8.4x	8.5x	12.2x	16.7x	9.7x	8.8x																
U.S. Master Limited Partnerships																													
Average		34.4x	26.3x	22.5x	21.2x	19.9x	12.1x	10.4x	9.5x	12.7x	12.6x	11.4x	9.6x																
U.S. Regulated Electric Utilities																													
Average		27.3x	16.7x	15.7x	14.9x	10.0x	8.4x	7.9x	7.6x	6.8x	7.9x	7.6x	7.4x																
Canadian Income*																													
Average		0.0x	10.3x	14.6x	11.5x	11.9x	11.9x	12.9x	12.4x	3.8x	11.1x	12.0x	12.1x																
Other Canadian Pipelines & Utility*																													
Average		29.6x	33.3x	25.1x	26.4x	11.9x	9.6x	8.6x	7.7x	12.0x	8.6x	7.9x	7.5x																

Source: BMO Capital Markets estimates, company data.

Exhibit 4: N. America Pipeline Short Interest

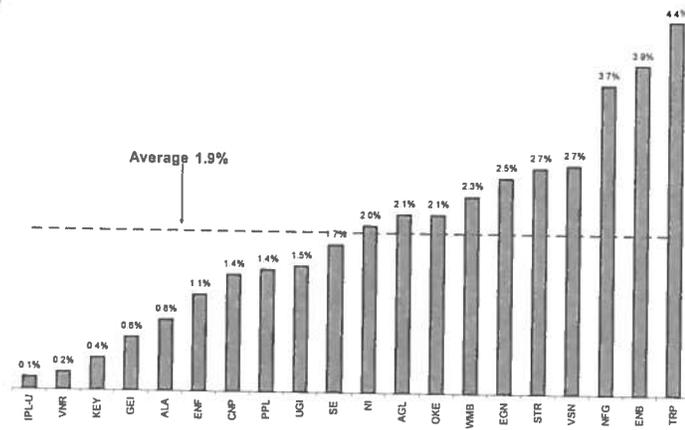


Exhibit 5: N. America Pipeline Days To Cover

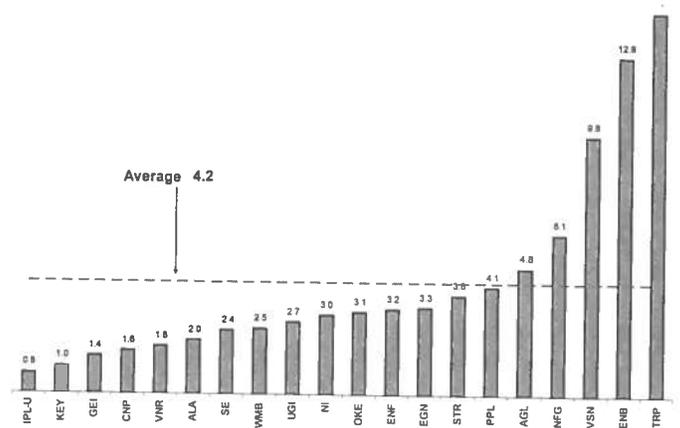


Exhibit 6: 2-Week Absolute Change in SI

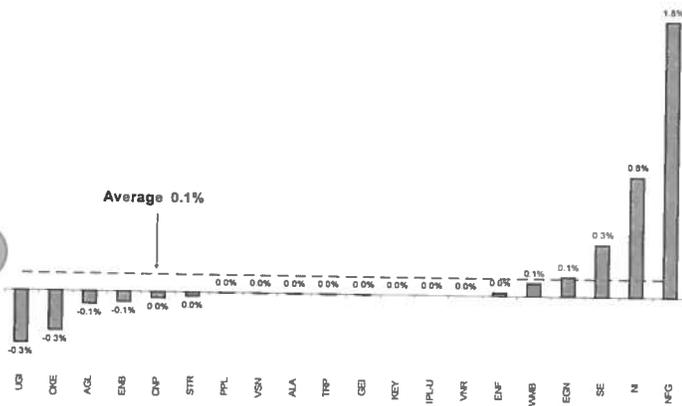


Exhibit 7: 2-Week Absolute Change in Days

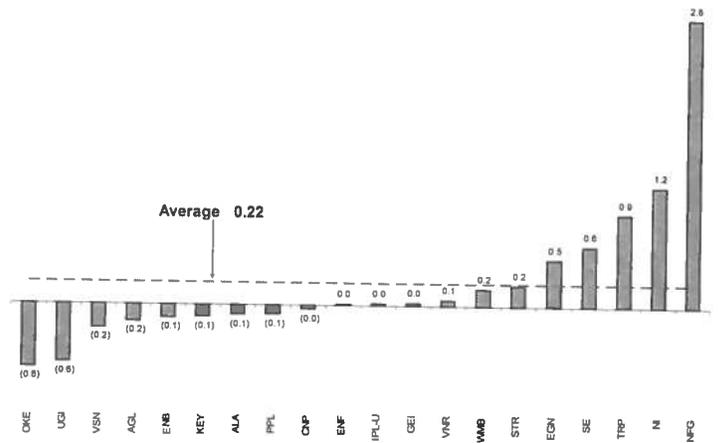


Exhibit 8: 2-Week Relative Change in SI

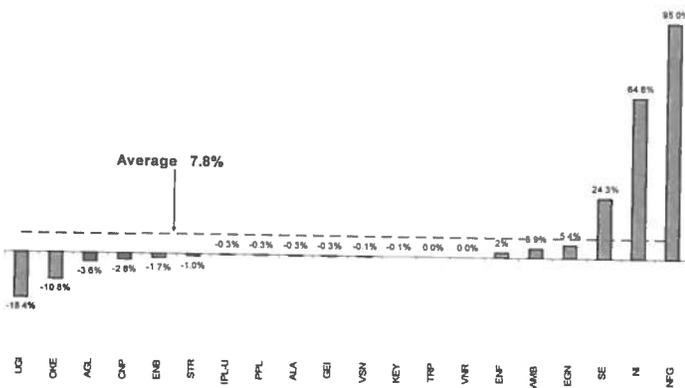
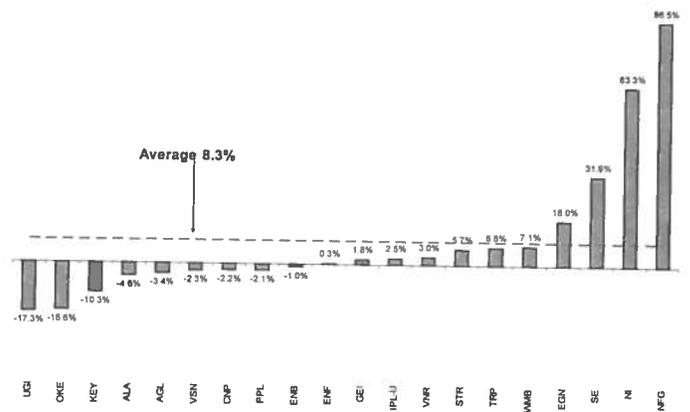


Exhibit 9: 2-Week Relative Change in Days



Source: BMO Capital Markets estimates, Bloomberg.

Most available update: May 2, 2013. Short interest is defined as absolute short volume divided by public float.

Earnings

Exhibit 10: BMO Capital Estimates vs. Consensus

	2012A	2013E				2013E	2014E	2015E	Year-Over-Year Growth		
		1QE	2QE	3QE	4QE				'12 vs. '13	'13 vs. '14	'14 vs. '15
U.S. Commodity Sensitive											
EGN	\$3.15	\$1.14	\$0.70	\$0.60	\$1.00	\$3.45	\$3.66	\$2.65	9.5%	6.1%	-27.7%
Consensus			\$0.65	\$0.59	\$0.92	\$3.31	\$3.96	\$4.40	4.9%	19.7%	11.2%
NFG	\$2.58	\$0.81	\$1.02	\$0.65	\$0.57	\$3.05	\$2.87	\$2.68	18.0%	-6.0%	-6.5%
Consensus			\$0.62	\$0.56	\$0.57	\$3.01	\$3.13	\$3.28	16.4%	3.9%	5.0%
OKE	\$1.69	\$0.54	\$0.35	\$0.36	\$0.57	\$1.82	\$2.12	\$2.45	7.6%	16.3%	15.5%
Consensus			\$0.32	\$0.33	\$0.55	\$1.76	\$2.18	\$2.62	3.8%	24.3%	19.8%
SE	\$1.43	\$0.51	\$0.35	\$0.27	\$0.42	\$1.56	\$1.60	\$1.75	9.3%	2.2%	9.9%
Consensus			\$0.33	\$0.30	\$0.39	\$1.53	\$1.64	\$1.76	6.8%	7.1%	7.6%
WMB	\$1.11	\$0.22	\$0.16	\$0.19	\$0.21	\$0.78	\$1.24	\$1.61	-29.7%	58.0%	29.9%
Consensus			\$0.19	\$0.21	\$0.26	\$0.89	\$1.32	\$1.52	-20.6%	48.9%	15.2%
U.S. Utilities											
GAS	\$2.46	\$1.31	\$0.35	\$0.15	\$0.84	\$2.64	\$2.72	\$2.92	7.4%	2.7%	7.6%
Consensus			\$0.28	\$0.15	\$0.89	\$2.64	\$2.76	\$2.94	7.0%	4.8%	6.5%
CNP	\$1.25	\$0.36	\$0.26	\$0.32	\$0.28	\$1.22	\$1.24	\$1.33	-2.2%	1.2%	7.3%
Consensus			\$0.28	\$0.35	\$0.27	\$1.23	\$1.31	\$1.40	-1.8%	6.6%	6.9%
NI	\$1.44	\$0.69	\$0.19	\$0.19	\$0.50	\$1.56	\$1.65	\$1.76	8.5%	5.3%	6.7%
Consensus			\$0.25	\$0.15	\$0.47	\$1.55	\$1.67	\$1.79	7.8%	7.5%	7.4%
STR	\$1.19	\$0.41	\$0.22	\$0.17	\$0.37	\$1.17	\$1.21	\$1.24	-2.3%	3.6%	2.7%
Consensus			\$0.21	\$0.17	\$0.36	\$1.17	\$1.26	\$1.33	-2.0%	7.4%	5.7%
UGI	\$1.79	\$0.90	\$1.51	\$0.05	-\$0.02	\$2.44	\$2.70	\$2.82	36.8%	10.6%	4.2%
Consensus				\$0.07	\$0.02	\$2.47	\$2.81	\$3.16	38.1%	13.8%	12.6%
Canadian Pipes*											
ENB	\$1.62	\$0.62	\$0.39	\$0.36	\$0.49	\$1.85	\$2.13	\$2.39	14.6%	15.1%	11.9%
Consensus			\$0.39	\$0.36	\$0.48	\$1.83	\$2.10	\$2.48	13.0%	14.7%	18.4%
TRP	\$1.89	\$0.52	\$0.52	\$0.59	\$0.74	\$2.38	\$2.59	\$2.75	26.0%	9.0%	6.2%
Consensus			\$0.50	\$0.58	\$0.60	\$2.21	\$2.52	\$2.66	16.8%	13.9%	5.8%
Canadian Income*											
ALA	\$1.15	\$0.53	\$0.22	\$0.24	\$0.53	\$1.50	\$1.85	\$2.13	30.6%	23.6%	15.0%
Consensus			\$0.15	\$0.15	\$0.52	\$1.33	\$1.63	\$2.02	15.9%	22.8%	23.6%
ENR	\$1.48	\$0.40	\$0.40	\$0.40	\$0.40	\$1.60	\$1.34	\$1.07	8.2%	-16.4%	-20.4%
Consensus			\$0.35	\$0.34	\$0.35	\$1.25	\$1.21	\$1.41	-75.8%	-2.6%	16.1%
GEI	\$0.97	\$0.39	\$0.23	\$0.34	\$0.34	\$1.30	\$1.31	\$1.35	34.0%	0.3%	3.2%
Consensus			\$0.22	\$0.32	\$0.27	\$1.24	\$1.10	\$1.37	27.8%	-11.7%	25.1%
IPL	\$1.02	\$0.26	\$0.27	\$0.28	\$0.23	\$1.03	\$1.15	\$1.33	0.7%	12.0%	15.1%
Consensus			\$0.24	\$0.26	\$0.26	\$1.02	\$1.11	\$1.37	-0.1%	8.6%	23.5%
KEY	\$1.95	\$0.30	\$0.41	\$0.46	\$0.69	\$1.86	\$2.40	\$2.85	-4.4%	28.7%	19.1%
Consensus			\$0.48	\$0.61	\$0.75	\$2.11	\$2.38	\$2.76	8.4%	12.6%	15.9%
PPL	\$0.84	\$0.29	\$0.25	\$0.25	\$0.26	\$1.05	\$1.10	\$1.40	25.1%	4.9%	27.6%
Consensus			\$0.23	\$0.25	\$0.27	\$1.11	\$1.19	\$1.29	32.7%	7.5%	8.3%
VNR	\$0.81	\$0.38	\$0.64	\$0.03	-\$0.18	\$0.87	\$1.02	\$1.08	7.5%	16.8%	6.4%
Consensus			\$0.03	\$0.16	\$0.85	\$0.96	\$1.06	\$1.06	4.5%	13.7%	9.7%
VSN	\$0.20	\$0.01	\$0.04	\$0.04	\$0.08	\$0.17	\$0.25	\$0.29	-16.1%	48.7%	19.6%
Consensus			\$0.05	\$0.06	\$0.08	\$0.27	\$0.32	\$0.30	36.6%	20.4%	-6.8%

(1) Estimates are Bloomberg Consensus
 * All Data in C\$ unless otherwise indicated

Source: BMO Capital Markets estimates, company data, Bloomberg.

Exhibit 11: EPS Commodity Sensitivity

		ALA	EGN	IPL	KEY	NFG	OKE	PPL	SE	TRP	VSN	WMB	
Base Case 2013 EPS	hedged	\$1.50	\$3.45	\$1.03	\$1.86	\$3.05	\$1.82	\$1.05	\$1.56	\$2.38	\$0.17	\$0.78	
NATURAL GAS													
-\$1 nat gas (\$/MMBtu)	hedged	(0.02)	-1.3%	(0.18)	-4.6%	0.25	8.2%	(0.02)	-1.1%	0.14	13.4%	(0.14)	-5.9%
	unhedged	(0.14)	-8.1%	(0.60)	-24.5%	0.03	2.9%	(0.45)	-19.1%	(0.05)	-2.5%	0.15	19.7%
										(0.03)	-1.6%	(0.25)	-12.2%
											0.02	12.1%	0.09
													8.6%
+\$1 nat gas (\$/MMBtu)	hedged	0.02	1.3%	0.18	4.6%	0.25	8.2%	0.02	1.1%	(0.14)	-13.4%	0.14	5.9%
	unhedged	0.14	8.1%	0.60	24.5%	0.45	19.1%	0.05	2.5%	(0.15)	-19.7%	0.03	1.6%
										0.25	12.2%	(0.02)	-12.1%
													-50.09
													-8.6%
NATURAL GAS LIQUIDS													
-\$0.05 NGL (\$/gal)	hedged	(0.04)	-2.7%	(0.04)	-1.2%			(0.02)	-1.1%	(0.04)	-3.8%		
	unhedged	(0.08)	-3.5%	(0.08)	-2.4%			(0.02)	-0.7%	(0.04)	-5.3%	(0.03)	-1.6%
				(0.01)	-1.0%							(0.01)	-6.1%
												(0.04)	-3.8%
+\$0.05 NGL (\$/gal)	hedged	0.04	2.7%	0.04	1.2%			0.02	1.1%	0.04	3.8%		
	unhedged	0.08	3.5%	0.08	2.4%			0.02	0.7%	0.04	5.3%	0.03	1.6%
				0.01	1.0%							0.01	6.1%
												0.04	3.8%
CRUDE OIL**													
-\$10 OIL (\$/Bbl)	hedged		(0.10)	-2.9%	(0.10)	-5.4%	(0.08)	-2.0%	(0.01)	-0.5%			
	unhedged		(0.86)	-35.1%	(0.15)	-6.5%	(0.18)	-7.6%	(0.02)	-1.0%			
+\$10 OIL (\$/Bbl)	hedged		0.10	2.9%	0.10	5.4%	0.08	2.0%	0.01	0.5%			
	unhedged		0.86	35.1%	0.15	6.5%	0.14	5.9%	0.02	1.0%			

** All unhedged positions shown assume BMO 2013 commodity forecast of \$4.00 nat gas, \$91.11 oil and \$0.97 NGLs.

Source: BMO Capital Markets estimates, company data, Bloomberg.

Exhibit 12: Consensus EPS Revisions – Trailing 4 Weeks

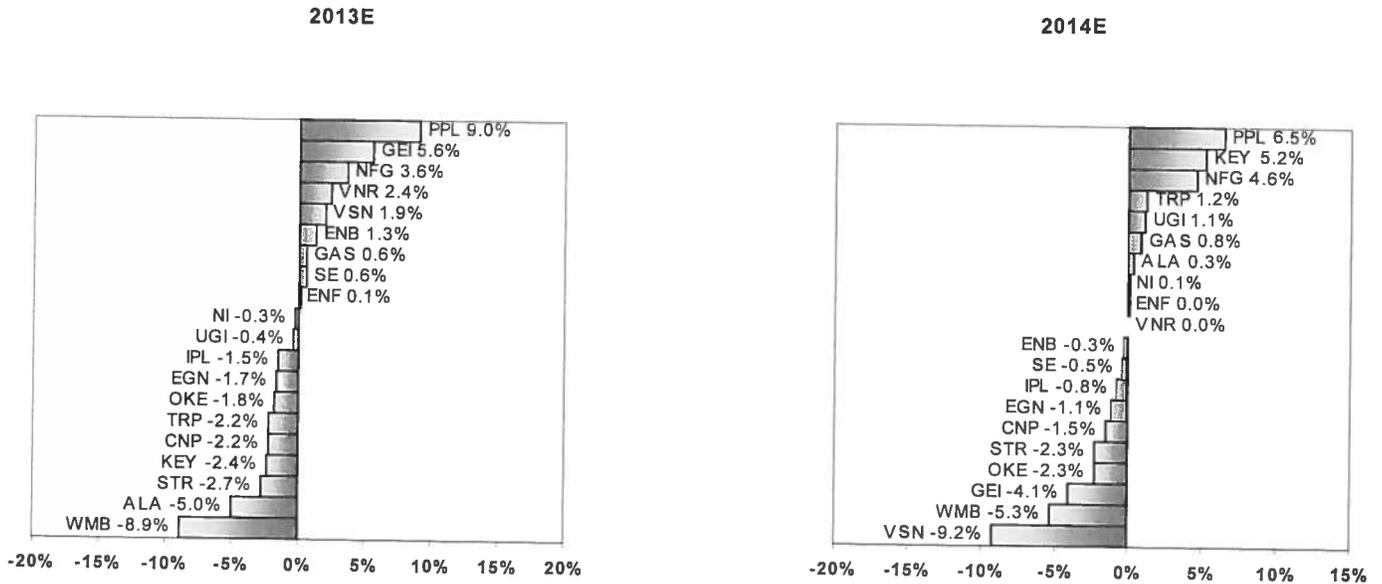
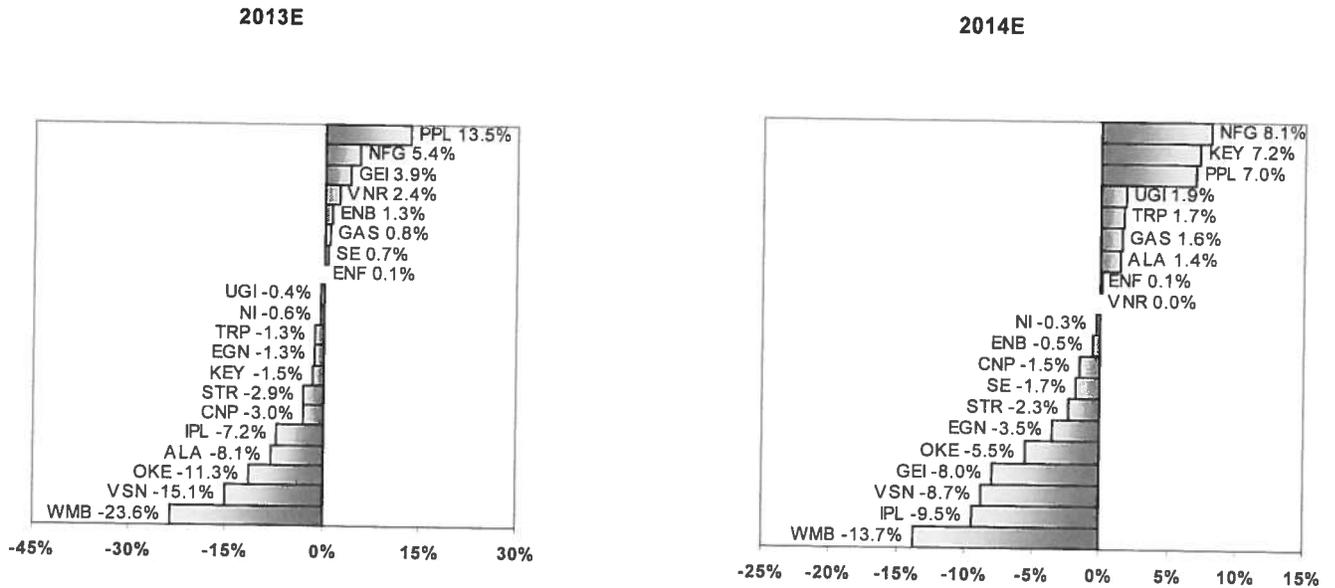


Exhibit 13: Consensus EPS Revisions – Trailing 3 Months



Source (all Exhibits): BMO Capital Markets estimates, company data, Bloomberg.

Stock Performance

Exhibit 14: 5-Day Performance (May 8 thru May 14)

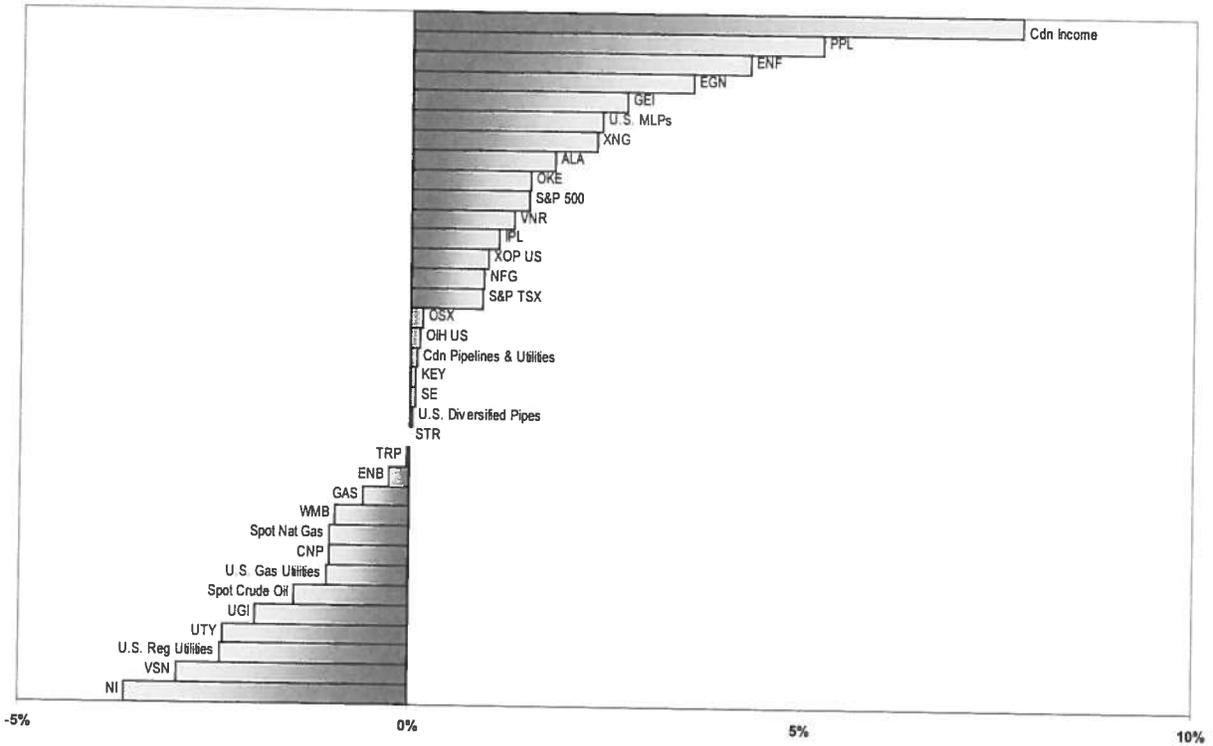
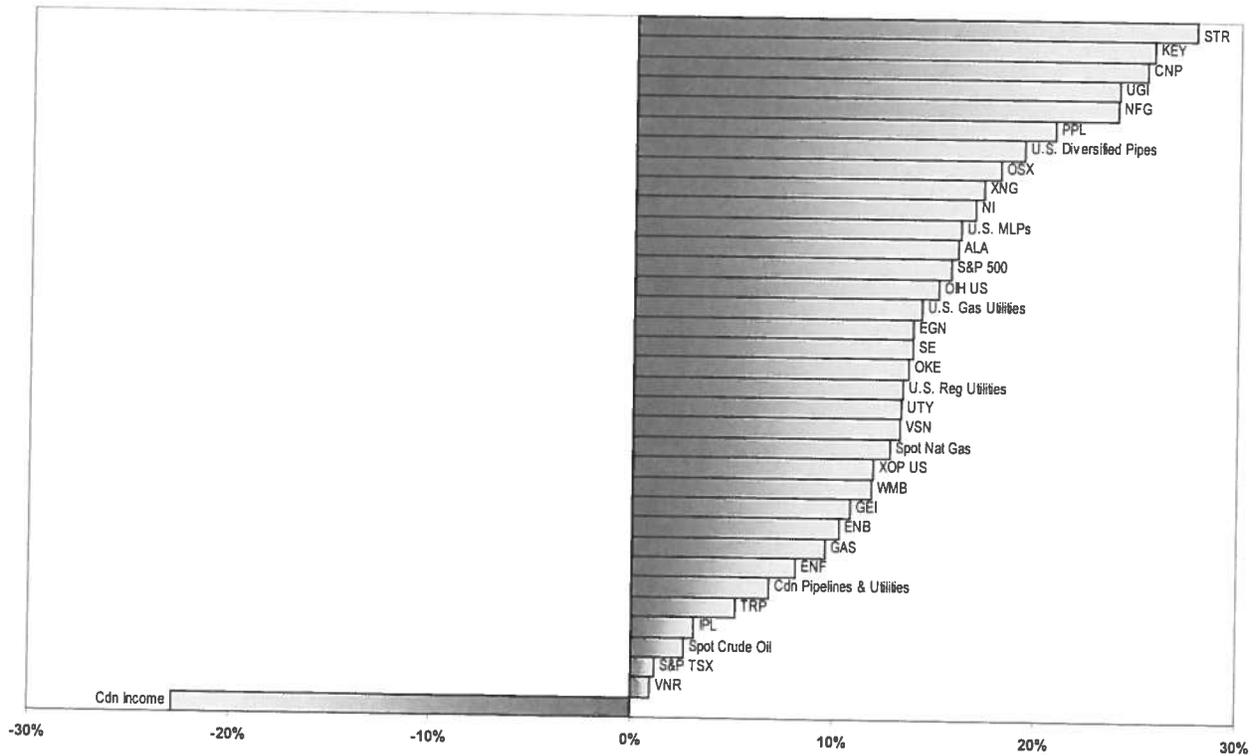


Exhibit 15: Year-to-Date Performance



Source (all Exhibits): BMO Capital Markets estimates, Bloomberg.

Exhibit 16: Price Performance – United States

Price Performance****														
Ticker	Rating	Price	1 Day	5 Day	1 Month	QTD	Three Months	YTD	1 Year	% from 52 Wk High	Date of High	% from 52 Wk Low	Date of Low	
BMO North American Pipeline Coverage Universe														
U.S. Commodity Sensitive														
Energizer Corp	EGN	MKT	51.34	2.4%	3.6%	4.4%	-1.3%	4.9%	13.9%	13.7%	-7.6%	9/17/2012	27.9%	6/25/2012
National Fuel Gas Company	NFG	OP	62.81	1.0%	0.9%	4.2%	2.4%	8.1%	23.9%	38.9%	-0.7%	5/3/2013	51.1%	6/4/2012
Oneok Inc	OKE	OP	48.60	1.7%	1.5%	-1.6%	2.0%	2.1%	13.7%	14.9%	-7.4%	5/15/2013	23.6%	6/4/2012
Spectra Energy	SE	MKT	31.17	0.2%	0.1%	2.1%	1.4%	5.4%	13.8%	5.4%	-1.1%	4/30/2013	17.4%	12/28/2012
Williams Cos	WMB	OP	36.63	0.4%	-0.9%	-2.9%	-2.2%	3.3%	11.9%	15.7%	-5.0%	4/25/2013	34.4%	6/25/2012
Average				1.1%	1.0%	1.2%	0.4%	4.8%	15.4%	17.7%	-4.4%		30.9%	
U.S. Utilities														
AGL Resources Inc	GAS	UND	43.81	1.4%	-0.8%	0.7%	4.4%	10.2%	9.6%	14.4%	-1.2%	5/2/2013	19.7%	5/21/2012
CenterPoint Energy	CNP	MKT	24.13	1.1%	-1.0%	0.5%	0.7%	18.1%	25.4%	20.2%	-2.4%	5/1/2013	28.4%	12/31/2012
NISource Inc	NI	MKT	28.09	1.1%	-3.6%	-5.0%	-0.9%	8.1%	16.9%	15.8%	-7.3%	4/24/2013	25.7%	11/15/2012
Questar Corp	STR	MKT	25.25	0.1%	0.0%	1.0%	3.8%	6.4%	27.8%	29.9%	-1.3%	5/15/2013	46.8%	11/9/2012
UGI Corp	UGI	MKT	40.57	0.9%	-2.0%	1.2%	5.7%	13.4%	24.0%	39.0%	-2.2%	5/8/2013	46.0%	6/27/2012
Average				0.9%	-1.4%	-0.3%	2.8%	11.2%	20.7%	23.9%	-2.9%		33.3%	
Industry Comps														
U.S. Commodity Sensitive														
Equitable Resources**	EQT	OP	76.53	2.2%	1.0%	11.1%	13.0%	26.5%	29.8%	57.0%	-0.5%	4/29/2013	75.2%	6/4/2012
Sempra Energy**	SRE	MKT	82.30	0.9%	-1.2%	-0.2%	3.0%	9.2%	16.0%	27.1%	-2.8%	5/2/2013	30.6%	5/23/2012
Average				1.5%	-0.1%	5.6%	8.0%	17.9%	22.9%	42.0%	-1.7%		52.9%	
U.S. Gas Utilities														
Atmos Energy	ATO	NR	44.42	0.9%	-0.8%	2.6%	4.1%	17.4%	26.5%	36.0%	-1.0%	5/8/2013	38.0%	5/23/2012
Integrus Energy Group	TEG	NR	60.29	1.1%	-1.9%	-0.3%	3.7%	7.7%	15.5%	11.9%	-3.9%	5/3/2013	17.9%	11/15/2012
The Laclede Group	LG	NR	45.93	1.1%	-0.9%	3.1%	7.6%	13.9%	19.0%	18.7%	-2.5%	4/30/2013	25.7%	6/1/2012
New Jersey Resources	NJR	NR	45.96	1.0%	-1.3%	-0.5%	2.5%	5.3%	16.0%	6.9%	-3.3%	9/25/2012	19.3%	11/16/2012
Northwest Natural Gas Company	NWN	NR	45.08	1.2%	0.1%	0.2%	2.9%	-0.9%	2.0%	-1.1%	-11.3%	10/9/2012	9.9%	11/16/2012
Piedmont Natural Gas	PNY	NR	34.48	1.3%	0.3%	0.3%	4.9%	7.9%	10.1%	16.8%	-1.3%	4/24/2013	20.9%	11/16/2012
South Jersey Industries	SJI	NR	59.12	0.4%	-1.6%	1.4%	6.4%	8.9%	17.5%	25.0%	-4.2%	4/30/2013	29.1%	11/16/2012
Vectren	VVC	NR	35.83	1.0%	-3.3%	-2.6%	1.2%	11.2%	21.9%	24.2%	-4.6%	4/30/2013	30.5%	11/15/2012
Washington Gas Light	WGL	NR	44.88	1.1%	-1.0%	0.8%	1.8%	6.8%	14.5%	16.0%	-2.9%	4/30/2013	24.8%	11/16/2012
Average				0.9%	-1.0%	0.6%	3.6%	7.8%	14.3%	16.4%	-3.6%		21.6%	
U.S. Master Limited Partnerships														
Amerigas Partners	APU	NR	46.36	1.5%	-1.4%	6.1%	3.2%	8.1%	19.7%	20.6%	-2.3%	5/10/2013	25.3%	6/4/2012
Enbridge Energy Partners	EEP	NR	29.98	-0.2%	3.8%	0.8%	-0.5%	4.4%	7.5%	1.6%	-3.7%	7/2/2012	11.5%	12/13/2012
Enbridge Energy Management	EEQ	NR	30.15	-0.7%	4.8%	3.0%	1.6%	4.4%	8.2%	4.1%	-9.1%	7/18/2012	14.9%	2/26/2013
El Paso Pipeline Partners	EPB	NR	42.95	-0.8%	0.8%	0.5%	-2.1%	1.1%	16.2%	31.2%	-4.0%	4/2/2013	40.2%	5/18/2012
Cheniere Energy Partners	CQP	NR	28.20	1.4%	3.4%	5.9%	3.0%	20.3%	32.6%	12.6%	0.0%	5/15/2013	60.3%	11/14/2012
Targa Resource Partners	NGLS	NR	48.11	0.6%	3.2%	2.8%	4.5%	14.9%	28.7%	15.9%	-2.3%	4/22/2013	47.2%	6/25/2012
Spectra Energy Partners	WPZ	NR	51.61	-0.9%	0.4%	-2.3%	-0.4%	-3.4%	6.1%	-5.9%	-8.1%	5/29/2012	14.7%	12/13/2012
DCP Midstream Partners	SEP	NR	37.00	-1.0%	2.5%	-1.1%	-6.0%	2.2%	18.5%	21.5%	-7.8%	4/1/2013	36.3%	11/15/2012
Oneok Partners	DPM	NR	49.87	-1.3%	0.8%	5.9%	7.0%	7.5%	19.4%	17.5%	-1.8%	5/10/2013	36.7%	6/4/2012
Kinder Morgan Energy Partners	OKS	NR	52.95	0.9%	4.3%	-3.8%	-7.8%	-12.5%	-1.9%	-5.8%	-13.7%	2/20/2013	6.8%	5/2/2013
Enterprise Product Partners	KMP	NR	88.54	0.4%	1.8%	-1.9%	-1.4%	1.1%	11.0%	10.7%	-4.8%	4/24/2013	19.4%	6/5/2012
Boardwalk Pipeline Partners	EPD	NR	61.39	-0.2%	1.1%	1.3%	1.8%	7.3%	22.6%	22.4%	-1.7%	4/25/2013	34.4%	6/4/2012
Boardwalk Pipeline Partners	BWP	NR	30.81	0.5%	3.4%	2.3%	5.1%	14.7%	23.7%	13.5%	-0.9%	4/24/2013	30.8%	11/15/2012
Average				-0.1%	2.3%	0.8%	-0.5%	3.6%	14.6%	12.0%	-5.4%		26.8%	
U.S. Regulated Electric Utilities														
American Electric Power**	AEP	MKT	48.87	0.4%	-4.3%	-2.2%	0.5%	8.2%	14.5%	27.7%	-5.3%	5/1/2013	30.6%	5/17/2012
Dominion Resources**	D	MKT	60.46	1.3%	-0.8%	0.6%	3.9%	11.0%	16.7%	15.7%	-2.2%	5/1/2013	23.5%	11/13/2012
Duke Energy**	DUK	MKT	72.08	0.4%	-2.2%	-1.2%	-0.7%	6.0%	13.0%	10.8%	-4.5%	5/1/2013	20.9%	11/15/2012
Ameren	AEE	NR	35.87	0.6%	-0.6%	1.1%	2.4%	8.2%	16.8%	10.0%	-2.4%	5/3/2013	26.2%	11/23/2012
Consolidated Edison**	ED	MKT	60.47	0.0%	-4.1%	-2.3%	-0.9%	7.3%	8.9%	2.5%	-8.4%	8/1/2012	12.8%	11/21/2012
PG&E Corp.**	PCG	MKT	46.80	0.8%	-1.4%	-0.7%	5.3%	10.5%	16.7%	6.4%	-3.3%	4/30/2013	19.1%	12/31/2012
Southern Company**	SO	MKT	46.26	0.8%	-2.1%	-3.4%	-1.4%	5.4%	8.1%	1.8%	-5.1%	4/23/2013	10.8%	11/23/2012
Xcel Energy**	XEL	MKT	30.03	0.0%	-3.7%	-2.9%	1.1%	7.7%	12.4%	9.2%	-5.5%	4/30/2013	16.2%	11/23/2012
Average				0.6%	-2.4%	-1.4%	1.3%	8.2%	13.4%	10.5%	-4.8%		20.0%	
Indices/Treasury														
Spot Henry Hub Natural Gas	NGUSHHUB		3.88	-0.8%	-1.0%	-7.6%	-5.4%	17.9%	12.8%	64.4%	NA	NA	NA	NA
Spot WTI	USCRWTC		94.21	-1.0%	-1.5%	3.2%	-3.1%	-3.2%	2.6%	-0.6%	NA	NA	NA	NA
OIL SERVICE HOLDERS TRUST	OIH US		44.47	0.3%	0.1%	4.9%	3.6%	-0.9%	15.1%		-1.4%	2/14/2013	36.7%	6/26/2012
OIL SERVICE SECTOR INDEX	OSX		260.10	0.4%	0.2%	4.3%	5.9%	1.6%	18.1%	23.1%	-0.4%	5/9/2013	25.0%	NA
AMEX NATURAL GAS INDEX	XNG		762.79	1.4%	2.4%	2.7%	3.2%	8.1%	17.3%	23.9%	0.0%	5/15/2013	25.0%	8/29/2012
SPDR S&P OIL & GAS EXPLORATI	XOP US		60.53	2.1%	1.0%	3.1%	0.1%	1.5%	11.9%	20.1%	-3.4%	3/15/2013	36.9%	6/4/2012
PHILA UTILITY INDEX	UTY		519.54	0.6%	-2.4%	-1.6%	1.4%	9.1%	13.3%	8.9%	-4.4%	4/30/2013	NA	NA
S&P 500 INDEX	SPX		1,650.34	1.0%	1.5%	3.9%	5.2%	8.5%	15.7%	23.3%	0.0%	5/15/2013	NA	NA
US Generic Govt 10 Year Yield	USGG10YR		1.97	2.9%	11.1%	14.8%	6.8%	-1.1%	12.4%	12.0%	NA	NA	NA	NA
S&P/TSX COMPOSITE INDEX	SPTSX		12,577.05	0.4%	0.9%	1.8%	-1.4%	-1.1%	1.2%	9.5%	-2.5%	3/12/2013	NA	NA
Canadian Govt Bonds 10 Year No	GCAN10YR		1.96	2.5%	7.3%	12.5%	4.5%	-2.2%	8.8%	0.9%				

* All Data in CS unless otherwise indicated
 ** Covered by Michael Worms, BMO Capital Markets' Electric Utilities and Independent Power analyst
 *** Covered by Philip Jungwirth, BMO Capital Markets' Energy Exploration and Production analyst
 **** 1-Day / 5-Day / 1-Month / 1-Year measures mentioned period performance from 5.14.13/5.08.13/4.14.13/5.14.12
 MK=Market Perform; OP=Outperform; UND=Underperform; R=Restricted

Source: BMO Capital Markets estimates, Bloomberg.

Exhibit 17: Price Performance – Canada

		Price Performance**											
Ticker	Rating	Price	1 Day	5 Day	1 Month	QTD	Three Months	YTD	1 Year	% from 52 Wk High	Date of High	% from 52 Wk Low	Date of Low
BMO North American Pipeline Coverage Universe													
Canadian Pipes*													
Enbridge Inc	ENB OP	47.43	0.9%	-0.3%	2.6%	0.3%	7.5%	10.3%	196.4%	-1.4%	5/1/2013	25.7%	11/15/2012
TransCanada Corp	TRP OP	49.44	1.0%	0.0%	1.9%	1.9%	5.0%	5.1%	15.9%	-1.6%	4/24/2013	19.2%	6/27/2012
Average			0.9%	-0.1%	2.3%	1.1%	6.2%	7.7%	106.2%	-1.5%		22.5%	
Canadian Income*													
AltaGas	ALA OP	38.96	-0.1%	1.8%	10.4%	11.6%	12.5%	16.1%	29.5%	-0.6%	5/15/2013	41.9%	6/4/2012
Enbridge Income Fund	ENF MKT	26.09	1.1%	4.3%	6.1%	2.9%	4.6%	8.1%	13.3%	-0.4%	2/12/2013	21.1%	9/4/2012
Gibson Energy	GEI MKT	26.65	0.2%	2.7%	4.8%	1.4%	2.5%	10.8%	24.0%	-2.7%	5/8/2013	34.5%	6/4/2012
Inter Pipeline Fund	IPL MKT	24.23	0.4%	1.1%	2.0%	1.7%	7.6%	3.1%	21.1%	-1.0%	4/17/2013	39.3%	6/1/2012
Keyera	KEY MKT	61.90	0.4%	0.1%	5.6%	8.4%	17.7%	25.7%	44.0%	-3.3%	5/1/2013	56.8%	6/18/2012
Pembina Pipeline Income Fund	PPL MKT	34.38	0.6%	5.2%	8.3%	7.1%	18.8%	20.8%	13.1%	-0.8%	5/10/2013	38.3%	6/25/2012
Valener	VNR MKT	16.21	0.2%	1.3%	0.2%	0.7%	0.3%	1.0%	7.0%	-1.6%	9/7/2012	11.0%	6/1/2012
Veresen	VSN OP	13.40	0.3%	-3.0%	3.5%	3.4%	3.6%	13.3%	-4.6%	-4.9%	5/14/2012	19.4%	12/12/2012
Average			0.4%	1.7%	5.1%	4.6%	8.5%	12.4%	18.4%	-1.8%		32.6%	
Industry Comps													
Canadian Income*													
Atlantic Power Corp	ATP MKT	5.23	-0.9%	11.3%	2.1%	4.6%	-56.1%	-53.6%	-62.5%	-65.4%	11/2/2012	14.4%	5/2/2013
Average			-0.9%	11.3%	2.1%	4.6%	-56.1%	-53.6%	-62.5%	-65.4%		14.4%	
Other Canadian Pipelines & Utility*													
Algonquin Power**	AQN OP	8.03	-1.1%	1.8%	6.8%	7.9%	9.7%	17.4%	30.8%	-3.6%	5/10/2013	35.4%	11/15/2012
Canadian Utilities**	CU MKT	79.25	-0.8%	-1.6%	-0.3%	-1.6%	8.5%	10.2%	11.5%	-4.9%	5/1/2013	25.6%	11/15/2012
Emera Incorporated**	EMA MKT	36.30	-1.3%	-1.0%	1.5%	3.4%	4.8%	4.5%	7.8%	-2.8%	4/25/2013	12.5%	6/4/2012
Fortis Inc.**	FTS MKT	33.97	-0.7%	-2.9%	0.7%	-0.5%	2.7%	-0.7%	0.7%	-3.4%	5/6/2013	6.1%	9/28/2012
Innogy Renewable Energy Inc.**	INE OP	10.24	-0.1%	1.9%	3.9%	6.2%	-1.7%	-1.1%	-1.6%	-9.2%	9/6/2012	9.8%	4/4/2013
TransAlta Corporation**	TA MKT	15.32	1.3%	2.3%	5.8%	3.2%	-5.2%	1.3%	-8.0%	-14.2%	7/4/2012	13.9%	4/23/2013
Average			-0.4%	0.1%	3.1%	3.1%	3.1%	5.3%	6.9%	-6.3%		17.2%	
Indices/Treasury													
Spot Henry Hub Natural Gas	NGUSHUB	3.88	-0.8%	-1.0%	-7.6%	-5.4%	17.9%	12.8%	64.4%	NA	NA	NA	NA
Spot WTI	USCRWTC	94.21	-1.0%	-1.5%	3.2%	-3.1%	-3.2%	2.6%	-0.6%	NA	NA	NA	NA
OIL SERVICE HOLDERS TRUST	OIH US	44.47	0.3%	0.1%	4.9%	3.6%	-0.9%	15.1%		-1.4%	2/14/2013	36.7%	6/26/2012
OIL SERVICE SECTOR INDEX	OSX	260.10	0.4%	0.2%	4.3%	5.9%	1.6%	18.1%	23.1%	-0.4%	5/9/2013	NA	NA
AMEX NATURAL GAS INDEX	XNG	762.79	1.4%	2.4%	2.7%	3.2%	9.1%	17.3%	23.9%	0.0%	5/15/2013	25.0%	8/29/2012
SPDR S&P OIL & GAS EXPLORATI	XOP US	60.53	2.1%	1.0%	3.1%	0.1%	1.5%	11.9%	20.1%	-3.4%	3/15/2013	36.9%	6/4/2012
PHILA UTILITY INDEX	UTY	519.54	0.6%	-2.4%	-1.6%	1.4%	9.1%	13.3%	8.9%	-4.4%	4/30/2013	NA	NA
S&P 500 INDEX	SPX	1,650.34	1.0%	1.5%	3.9%	5.2%	8.5%	15.7%	23.3%	0.0%	5/15/2013	NA	NA
US Generic Govt 10 Year Yield	USGG10YR	1.97	2.9%	11.1%	14.8%	6.8%	-1.1%	12.4%	12.0%	NA	NA	NA	NA
S&P/TSX COMPOSITE INDEX	SPTSX	12,577.05	0.4%	0.9%	1.9%	-1.4%	-1.1%	1.2%	9.5%	-2.5%	3/12/2013	NA	NA
Canadian Govt Bonds 10 Year No	GCAN10YR	1.96	2.5%	7.3%	12.5%	4.5%	-2.2%	8.8%	0.9%				

* All Data in C\$ unless otherwise indicated
 ** Covered by Ben Flam at our Canadian Affiliate, BMO Nesbitt Burns Inc.

Source: BMO Capital Markets estimates, Bloomberg.

Commodity Review

Exhibit 18: Commodity Outlook

	QUARTERLY										ANNUAL						BMO Estimate	
	2012				2013E				2007A-2012A						2013E	2014E		
	1Q	2Q	3Q	4Q	2012	1Q	2QTD	3QE	4QE	2013E	2007A	2008A	2009A	2010A	2011A	2012A	2013E	2014E
Commodity Price Summary																		
Henry Hub Natural Gas (\$/mmbtu)	\$2.45	\$2.29	\$2.88	\$3.40	\$2.78	\$3.50	\$4.11	\$4.00	\$4.49	\$4.02	\$8.96	\$8.85	\$3.94	\$4.38	\$3.99	\$2.78	\$4.02	\$4.00
Y/Y % Change	-52%	-47%	-33%	-11%	-37%	42%	80%	39%	32%	48%	3%	27%	-55%	11%	9%	-31%	46%	-1%
WTI Crude Oil (\$/bbl)	\$102.86	\$93.42	\$92.16	\$88.15	\$94.12	\$94.35	\$93.00	\$90.00	\$90.10	\$91.86	\$72.12	\$90.53	\$81.85	\$79.49	\$95.08	\$94.12	\$91.88	\$85.00
Y/Y % Change	31%	20%	21%	3%	18%	-8%	0%	-2%	2%	-2%	9%	38%	-38%	29%	20%	-1%	-2%	-7%
NGL Composite (40% ethane)	\$1.23	\$1.00	\$0.91	\$0.93	\$1.02	\$0.89	\$0.85	\$0.97	\$1.04	\$0.95	\$1.13	\$1.33	\$0.80	\$1.07	\$1.35	\$1.02	\$0.95	\$1.01
Y/Y % Change	7%	-1%	-4%	-19%	-5%	-27%	-15%	6%	11%	-7%	19%	17%	-40%	34%	27%	-25%	-7%	8%
NGL / WTI (% \$ basis)	50%	45%	41%	45%	45%	40%	38%	45%	48%	43%	66%	56%	54%	58%	60%	45%	43%	50%
Y/Y % Change	-18%	-19%	-22%	-22%	-20%	-21%	-15%	9%	9%	-4%	10%	-15%	-3%	4%	6%	-24%	-4%	15%
Frac Spread (Gulf Coast, \$/gal)	\$1.02	\$0.80	\$0.67	\$0.65	\$0.78	\$0.60	\$0.50	\$0.63	\$0.66	\$0.61	\$0.54	\$0.58	\$0.46	\$0.70	\$1.02	\$0.78	\$0.81	\$0.67
Y/Y % Change	42%	23%	13%	-22%	12%	-42%	-38%	-6%	2%	-22%	43%	6%	-20%	50%	46%	-23%	-22%	10%
Natural Gas Liquids																		
Mont Belvieu (Gulf Coast)																		
Ethane	\$0.57	\$0.40	\$0.34	\$0.29	\$0.40	\$0.26	\$0.29	\$0.25	\$0.35	\$0.30	\$0.79	\$0.90	\$0.48	\$0.60	\$0.77	\$0.40	\$0.30	\$0.35
Propane	\$1.26	\$0.97	\$0.89	\$0.89	\$1.00	\$0.87	\$0.94	\$1.10	\$1.20	\$1.05	\$1.20	\$1.42	\$0.84	\$1.16	\$1.47	\$1.00	\$1.05	\$1.20
Butane	\$1.92	\$1.70	\$1.54	\$1.87	\$1.71	\$1.56	\$1.26	\$1.64	\$1.64	\$1.53	\$1.42	\$1.68	\$1.07	\$1.48	\$1.79	\$1.71	\$1.53	\$1.54
Iso-Butane	\$2.04	\$1.75	\$1.81	\$1.81	\$1.80	\$1.65	\$1.32	\$1.78	\$1.78	\$1.63	\$1.51	\$1.73	\$1.19	\$1.58	\$2.05	\$1.80	\$1.63	\$1.88
Natural Gasoline	\$2.39	\$2.05	\$2.01	\$2.15	\$2.15	\$2.23	\$2.07	\$2.05	\$2.05	\$2.10	\$1.68	\$2.10	\$1.31	\$1.84	\$2.34	\$2.15	\$2.10	\$1.93
MB Composite (\$/gal)	\$1.23	\$1.00	\$0.91	\$0.93	\$1.02	\$0.89	\$0.85	\$0.97	\$1.04	\$0.95	\$1.13	\$1.33	\$0.80	\$1.07	\$1.35	\$1.02	\$0.95	\$1.01
MB Composite (\$/mmbtu)	\$14.56	\$11.78	\$10.78	\$11.07	\$12.04	\$10.57	\$10.03	\$11.46	\$12.30	\$11.24	\$13.40	\$15.70	\$9.44	\$12.64	\$16.03	\$12.04	\$11.24	\$11.92
Conway (Midcontinent)																		
Ethane	\$0.27	\$0.12	\$0.15	\$0.19	\$0.18	\$0.24	\$0.22	\$0.20	\$0.20	\$0.21	\$0.73	\$0.81	\$0.34	\$0.40	\$0.45	\$0.18	\$0.21	\$0.25
Propane	\$1.04	\$0.72	\$0.70	\$0.79	\$0.81	\$0.82	\$0.88	\$1.00	\$1.10	\$0.95	\$1.19	\$1.40	\$0.81	\$1.12	\$1.35	\$0.81	\$0.95	\$1.10
Butane	\$1.69	\$1.34	\$1.24	\$1.65	\$1.48	\$1.55	\$1.22	\$1.54	\$1.54	\$1.46	\$1.38	\$1.55	\$0.97	\$1.42	\$1.67	\$1.48	\$1.46	\$1.44
Iso-Butane	\$1.85	\$1.80	\$1.67	\$1.74	\$1.72	\$1.62	\$1.25	\$1.68	\$1.68	\$1.56	\$1.55	\$1.70	\$1.14	\$1.52	\$1.95	\$1.72	\$1.56	\$1.58
Natural Gasoline	\$2.27	\$2.02	\$1.96	\$2.10	\$2.09	\$2.23	\$2.14	\$1.95	\$1.95	\$2.07	\$1.72	\$2.05	\$1.33	\$1.78	\$2.18	\$2.09	\$2.07	\$1.83
CW Composite (\$/gal)	\$0.99	\$0.75	\$0.74	\$0.85	\$0.83	\$0.87	\$0.79	\$0.89	\$0.92	\$0.87	\$1.10	\$1.27	\$0.72	\$0.96	\$1.16	\$0.83	\$0.87	\$0.81
CW Composite (\$/mmbtu)	\$11.70	\$8.83	\$8.78	\$10.09	\$9.85	\$10.28	\$9.40	\$10.51	\$10.88	\$10.27	\$13.07	\$14.99	\$8.48	\$11.37	\$13.70	\$9.85	\$10.27	\$10.74
NGL Basis Differential																		
Mont Belvieu-Conway (\$/gal)																		
	(\$0.24)	(\$0.25)	(\$0.17)	(\$0.08)	(\$0.18)	(\$0.02)	(\$0.05)	(\$0.08)	(\$0.12)	(\$0.07)	(\$0.03)	(\$0.06)	(\$0.08)	(\$0.11)	(\$0.20)	(\$0.18)	(\$0.07)	(\$0.10)
Frac Spread Margin																		
Gulf Coast (\$/gal)																		
	\$1.02	\$0.80	\$0.67	\$0.65	\$0.78	\$0.60	\$0.50	\$0.63	\$0.66	\$0.61	\$0.54	\$0.58	\$0.46	\$0.70	\$1.02	\$0.78	\$0.81	\$0.67
Conway (\$/gal)																		
	\$0.78	\$0.56	\$0.50	\$0.56	\$0.60	\$0.56	\$0.44	\$0.56	\$0.55	\$0.53	\$0.55	\$0.63	\$0.41	\$0.59	\$0.82	\$0.60	\$0.53	\$0.58
Correlations																		
NGL / WTI (% \$ basis)	50%	45%	41%	45%	45%	40%	38%	45%	48%	43%	66%	56%	54%	56%	60%	45%	43%	50%
Ethane / Nat Gas (btu basis)	351%	268%	179%	128%	220%	112%	108%	95%	119%	108%	173%	154%	186%	208%	292%	220%	108%	133%
Ethane / WTI (% \$ basis)	23%	18%	15%	14%	18%	11%	13%	12%	16%	14%	46%	38%	33%	32%	34%	18%	14%	17%
Propane / WTI (% \$ basis)	51%	44%	41%	42%	45%	39%	43%	51%	56%	48%	70%	80%	57%	62%	85%	45%	48%	59%
Butane / WTI (% \$ basis)	78%	78%	70%	80%	76%	69%	57%	77%	77%	70%	83%	71%	72%	77%	79%	78%	70%	78%
Iso-Butane / WTI (% \$ basis)	83%	79%	74%	86%	80%	73%	60%	83%	83%	75%	86%	73%	81%	83%	91%	80%	75%	83%
Natural Gasoline / WTI (% \$ basis)	97%	92%	92%	103%	96%	89%	83%	96%	96%	96%	89%	88%	89%	97%	103%	96%	96%	96%

Exhibit 19: BMO Crude Oil Forecast

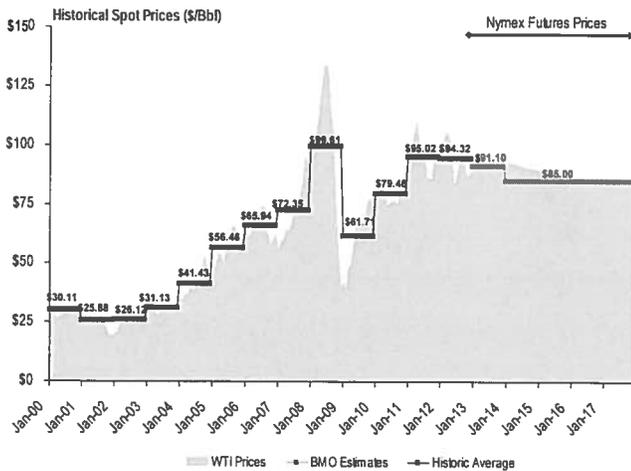
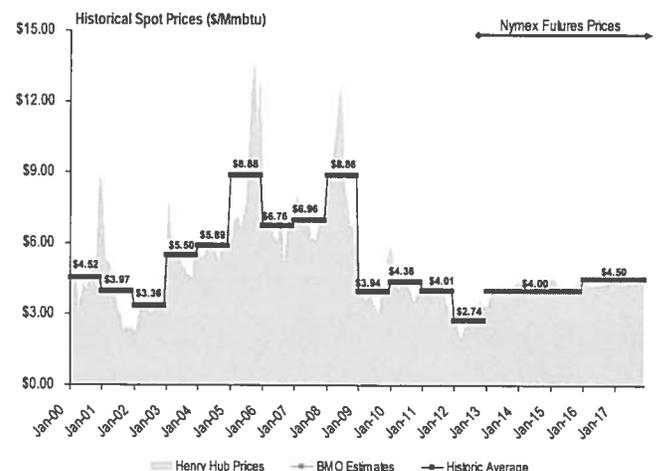


Exhibit 20: BMO Natural Gas Forecast



Source (all Exhibits): BMO Capital Markets estimates, Bloomberg.

Exhibit 21: BMO EIA Natural Gas Supply-Demand Data

	US Natural Gas Supply (Bcf/d)						US Natural Gas Demand (Bcf/d)						Storage		"Error"				
	Domestic Dry Gas Production	Pipeline Imports	LNG Imports	Pipeline Exports	LNG Exports	Total Supply	Residential Consumption	Commercial Consumers	Industrial	Power	Lease, Pipe & Other	Total Implied Demand	Balancing "Other"	Storage	Monthly	Weekly	Other (% Dmd)	Storage (Bcf/d)	
2012A																			
Jan	65.9	8.6	0.4	4.0	0.1	70.8	25.9	14.5	21.1	20.9	6.4	88.7	(0.3)	(17.6)	(544.7)	(537.0)	-0.4%	0.2	
Feb	65.2	8.6	0.6	4.4	0.1	69.9	23.0	13.5	21.1	22.3	6.3	86.2	(0.5)	(15.8)	(443.1)	(465.6)	-0.6%	(0.8)	
Mar	65.1	7.9	0.5	4.5	0.0	69.1	13.2	8.5	19.2	21.8	5.8	68.5	(0.7)	1.3	39.1	24.3	-1.0%	(0.5)	
Apr	65.4	7.8	0.2	4.1	0.0	69.4	9.5	7.0	19.0	24.0	5.7	65.2	(0.4)	4.6	137.5	108.7	-0.6%	(1.0)	
May	65.6	7.8	0.5	4.2	0.1	69.7	5.3	4.9	18.2	26.4	5.6	60.3	0.2	9.1	282.6	279.3	0.4%	(0.1)	
Jun	65.4	8.4	0.3	4.1	0.1	69.9	4.2	4.4	18.6	29.5	5.6	62.2	(0.1)	7.7	230.0	238.6	-0.1%	0.3	
Jul	65.7	8.6	0.5	3.8	0.0	70.9	3.5	4.1	18.2	35.3	5.8	66.8	(0.2)	4.3	134.1	124.0	-0.3%	(0.3)	
Aug	65.3	8.5	0.6	4.4	0.1	69.9	3.4	4.4	18.6	32.5	5.7	64.6	(0.1)	5.4	168.4	171.3	-0.1%	0.1	
Sep	66.0	8.2	0.4	4.6	0.0	70.1	4.0	4.7	18.8	26.9	5.6	60.0	0.4	9.7	291.2	271.6	0.6%	(0.7)	
Oct	66.3	7.8	0.3	4.4	0.1	70.0	7.8	6.8	19.1	21.7	5.7	61.0	1.2	7.8	241.0	249.4	2.0%	0.3	
Nov	66.4	7.3	0.4	4.7	0.0	69.3	16.0	10.2	20.3	19.3	6.0	71.8	1.7	(4.2)	(125.4)	(124.5)	2.4%	0.0	
Dec	65.8	7.5	0.4	4.9	0.0	68.8	21.5	12.5	20.7	18.9	6.1	79.8	1.5	(12.4)	(384.8)	(287.0)	1.8%	3.2	
FY	65.7	8.1	0.4	4.3	0.0	69.8	11.4	7.9	19.4	25.0	5.8	69.5	0.2	0.1	25.9	53.1	0.3%	0.1	
2013E Deltas																			
Jan	(0.7)	(0.1)	(0.1)	1.0	(0.1)	(1.7)	2.6	1.0	0.7	(0.6)	0.1	3.7	0.3	(5.7)					
Feb	1.0	(0.4)	(0.2)	0.3	(0.1)	0.1	4.1	1.9	1.1	(2.1)	0.2	5.1	0.8	(5.8)					
Mar	(0.7)	(0.1)	(0.2)	0.5	0.0	(1.4)	7.9	1.7	0.6	0.4	0.0	10.6	0.0	(12.0)					
Apr	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.4	0.5	0.0	0.9	0.0	(0.9)					
May	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.4	0.5	0.0	0.9	0.0	(0.9)					
Jun	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.4	0.6	0.0	1.0	0.0	(1.0)					
Jul	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.4	0.7	0.0	1.1	0.0	(1.1)					
Aug	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.4	0.6	0.0	1.0	0.0	(1.0)					
Sep	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.4	0.5	0.0	0.9	0.0	(0.9)					
Oct	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.4	0.4	0.0	0.8	0.0	(0.8)					
Nov	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.4	0.4	0.0	0.8	0.0	(0.8)					
Dec	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.4	0.4	0.0	0.8	0.0	(0.8)					
FY	(0.0)	(0.1)	(0.0)	0.2	(0.0)	(0.3)	1.2	0.4	0.5	0.2	0.0	2.3	0.1	(2.6)					
Jan	-1.1%	-1.1%	-17.2%	24.4%	-99.6%	-2.5%	9.9%	6.6%	3.4%	-2.9%	1.0%	4.1%	-84.7%	32.5%					
Feb	1.5%	-5.0%	-32.2%	7.3%	-98.7%	0.1%	17.6%	13.8%	5.2%	-9.5%	3.2%	5.9%	-147.8%	36.5%					
Mar	-1.0%	-1.0%	-30.0%	12.0%	0.0%	-2.1%	60.0%	20.0%	3.0%	2.0%	0.0%	15.5%	0.0%	-954.2%					
Apr	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.0%	2.0%	0.0%	1.5%	0.0%	-9.8%					
May	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.0%	2.0%	0.0%	1.5%	0.0%	-12.5%					
Jun	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.0%	2.0%	0.0%	1.5%	0.0%	-24.7%					
Jul	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.0%	2.0%	0.0%	1.5%	0.0%	-18.8%					
Aug	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.0%	2.0%	0.0%	1.5%	0.0%	-9.4%					
Sep	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.0%	2.0%	0.0%	1.5%	0.0%	-18.8%					
Oct	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.0%	2.0%	0.0%	1.5%	0.0%	-9.4%					
Nov	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.0%	2.0%	0.0%	1.5%	0.0%	-10.5%					
Dec	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.0%	2.0%	0.0%	1.5%	0.0%	18.9%					
FY	0.0%	-0.6%	-8.4%	3.5%	-35.0%	-0.4%	10.6%	4.7%	2.5%	0.8%	0.4%	3.3%	37.3%	NM					
2013E																			
Jan	65.2	8.5	0.3	5.0	0.0	69.0	28.4	15.4	21.8	20.3	6.5	92.4	(0.1)	(23.3)	(721.7)	(730.0)	-0.1%	(0.3)	
Feb	66.1	8.2	0.4	4.7	0.0	70.0	27.1	15.3	22.2	20.2	6.5	91.3	0.2	(21.6)	(604.9)	(597.0)	0.3%	0.3	
Mar	64.4	7.9	0.4	5.0	0.0	67.6	21.1	10.2	19.8	22.3	5.8	79.1	(0.7)	(10.8)	(334.1)	(420.9)	-0.9%	(2.8)	
Apr	65.4	7.8	0.2	4.1	0.0	69.4	9.5	7.0	19.4	24.5	5.7	66.0	(0.4)	3.7	111.7	144.3	-0.6%	1.1	
May	65.6	7.8	0.5	4.2	0.1	69.7	5.3	4.9	18.6	26.9	5.6	61.2	0.2	8.2	254.9	37.7	0.4%	(7.0)	
Jun	65.4	8.4	0.3	4.1	0.1	69.9	4.2	4.4	18.9	30.1	5.6	63.2	(0.1)	6.7	201.0	206.0	-0.1%	(6.7)	
Jul	65.7	8.6	0.5	3.8	0.0	70.9	3.5	4.1	18.6	36.0	5.8	67.9	(0.2)	3.3	101.0	106.0	-0.3%	(3.3)	
Aug	65.3	8.5	0.6	4.4	0.1	69.9	3.4	4.4	18.9	33.1	5.7	65.6	(0.1)	4.4	136.7	141.7	-0.1%	0.0	
Sep	66.0	8.2	0.4	4.6	0.0	70.1	4.0	4.7	19.2	27.4	5.6	60.9	0.4	8.8	263.7	271.7	0.6%	0.0	
Oct	66.3	7.8	0.3	4.4	0.1	70.0	7.8	6.8	19.5	22.1	5.7	61.8	1.2	7.0	215.7	215.7	2.0%	0.0	
Nov	66.4	7.3	0.4	4.7	0.0	69.3	16.0	10.2	20.7	19.6	6.0	72.6	1.7	(5.0)	(149.1)	(149.1)	2.4%	0.0	
Dec	65.8	7.5	0.4	4.9	0.0	68.8	21.5	12.5	21.1	19.3	6.1	80.2	1.5	(13.2)	(409.3)	(409.3)	1.8%	0.0	
FY	65.7	8.0	0.4	4.5	0.0	69.6	12.6	8.3	19.9	25.2	5.9	71.8	0.3	(2.6)	(934.1)	(934.1)	0.4%	0.0	
Storage @ 05/03/13							1,865												
Est. Storage @ 3/31/13							1,683												
Est. Storage @ 10/31/13							3,001												

Source: BMO Capital Markets estimates, EIA.

Exhibit 22: US Natural Gas Storage

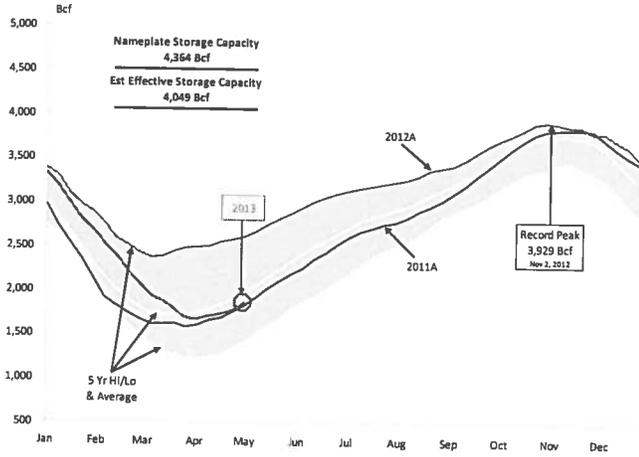


Exhibit 23: Canadian Natural Gas Storage

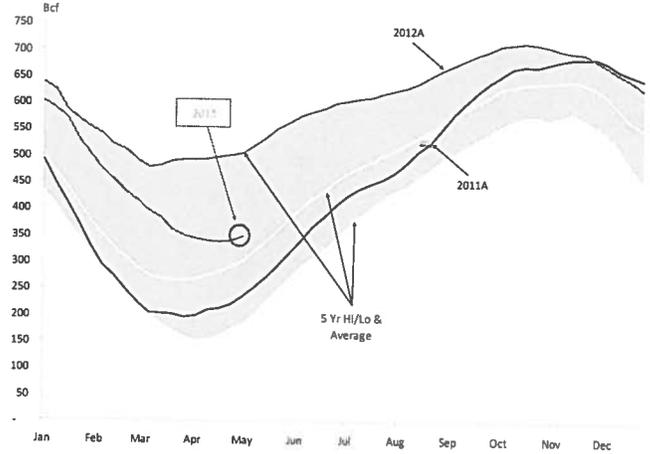


Exhibit 24: U.S. Onshore Production

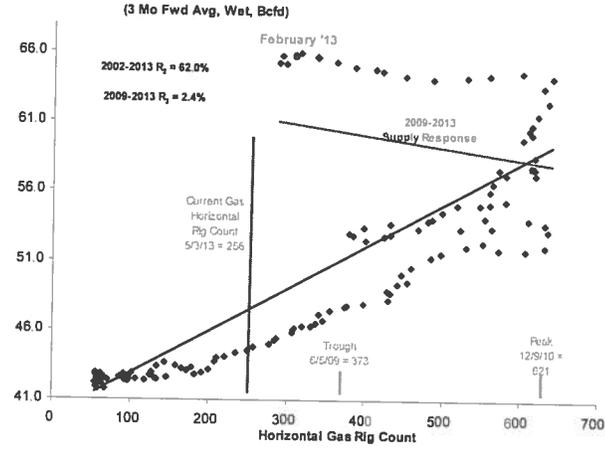


Exhibit 25: Alberta Gathering Receipts

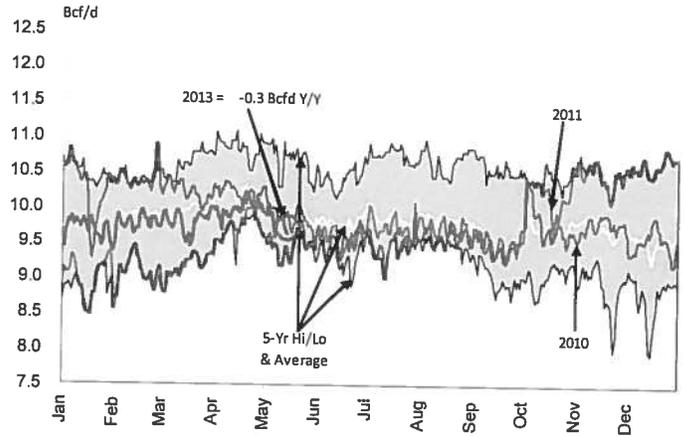


Exhibit 26: Degree Day Variance

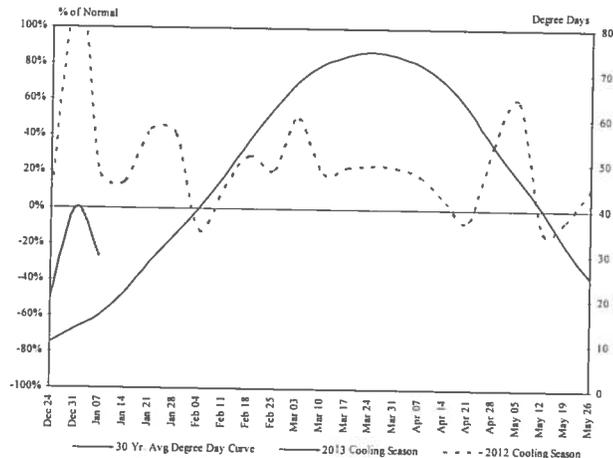
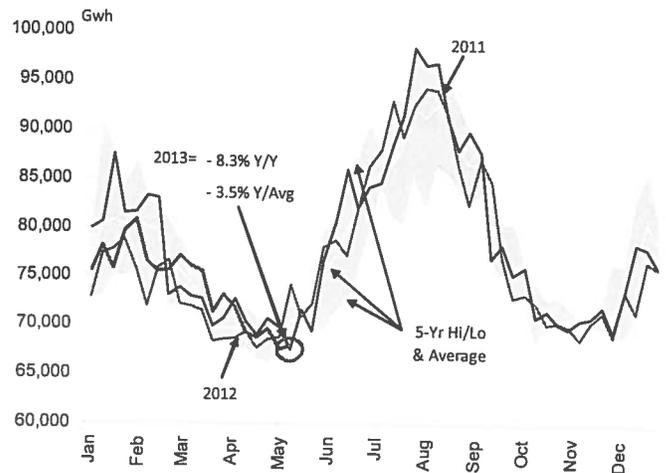


Exhibit 27: U.S. Electricity Output



Source (all Exhibits): BMO Capital Markets estimates, Bloomberg, EIA.

Midstream/Natural Gas Liquids

Exhibit 28: Historic NGL Prices

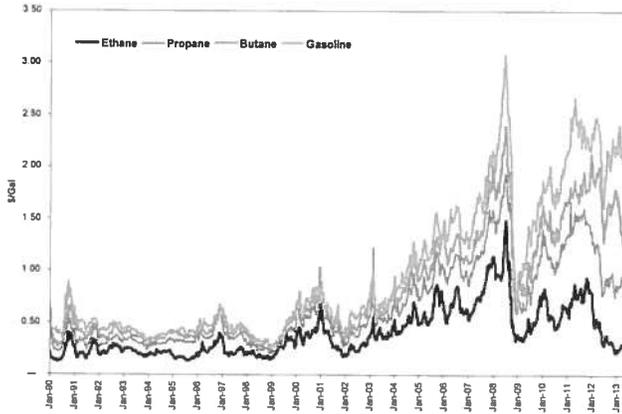


Exhibit 29: Average NGL Barrel % WTI Crude

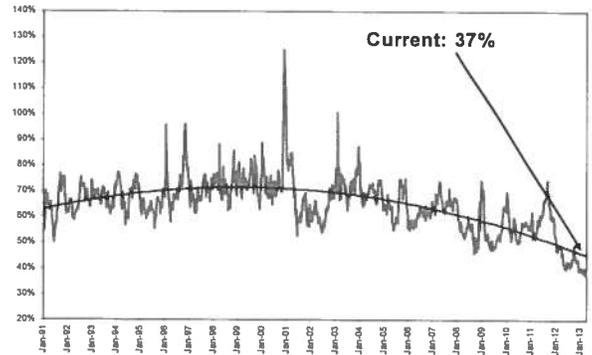


Exhibit 30: Keep-Whole "Frac" Spreads

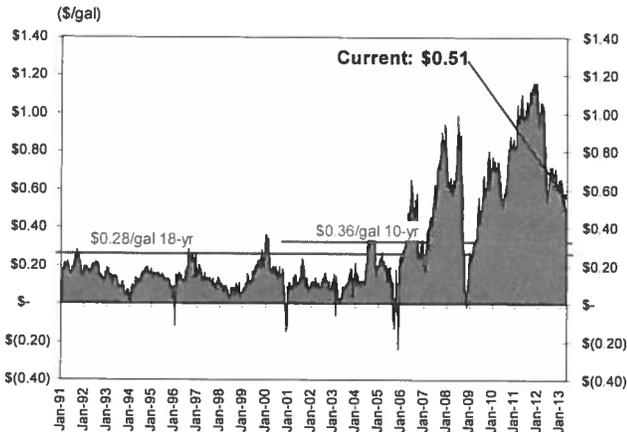


Exhibit 31: Oil – Gas Ratio

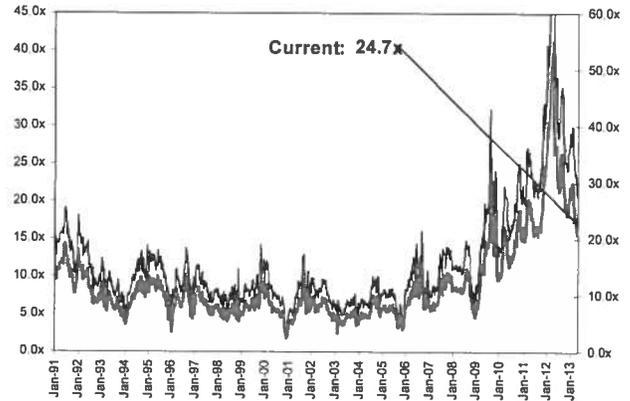


Exhibit 32: Ethane % Henry Hub Natural Gas

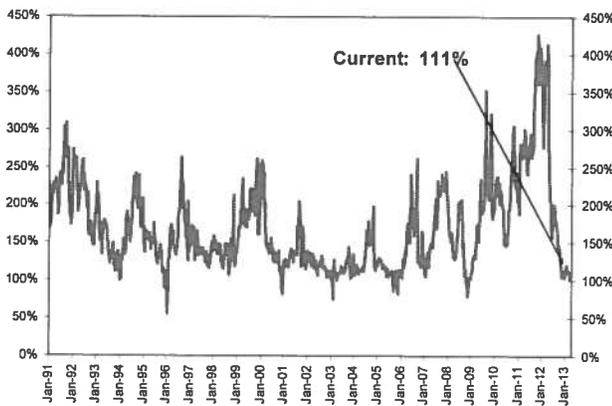
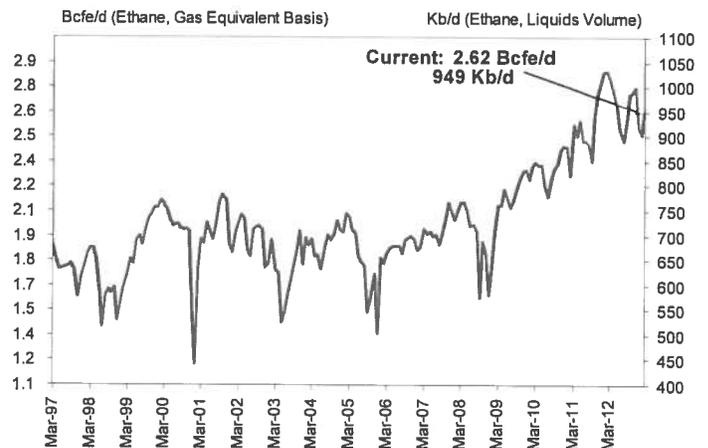


Exhibit 33: U.S. Monthly Ethane Production



Source (all Exhibits): BMO Capital Markets estimates, Bloomberg.

Exhibit 34: Mt. Belvieu Premium to Conway

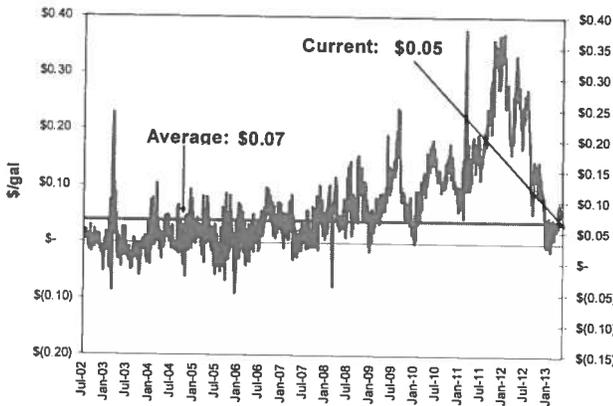


Exhibit 35: NGL Storage

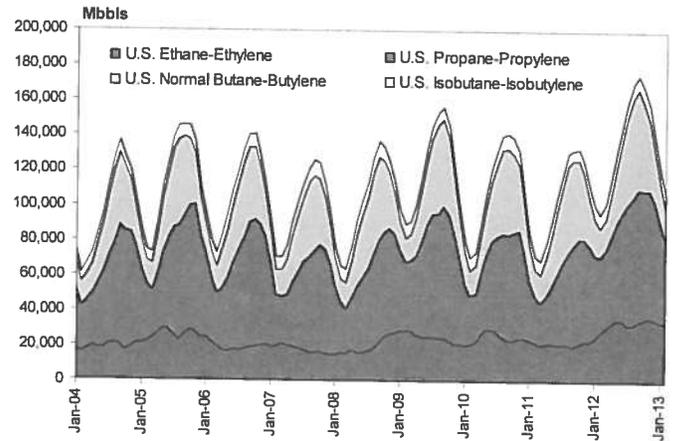


Exhibit 36: Chemical Rail Car Loadings

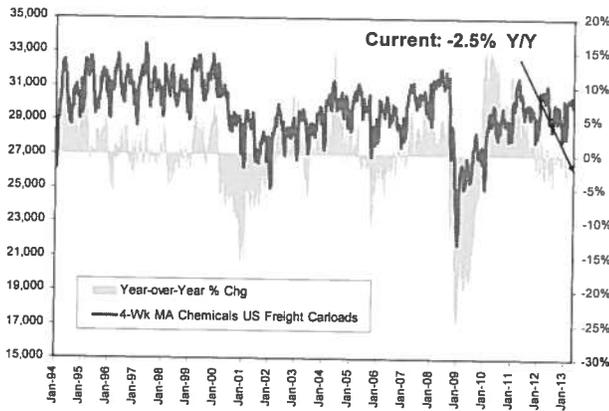


Exhibit 37: Ethane vs. Naphtha (Gulf Coast)

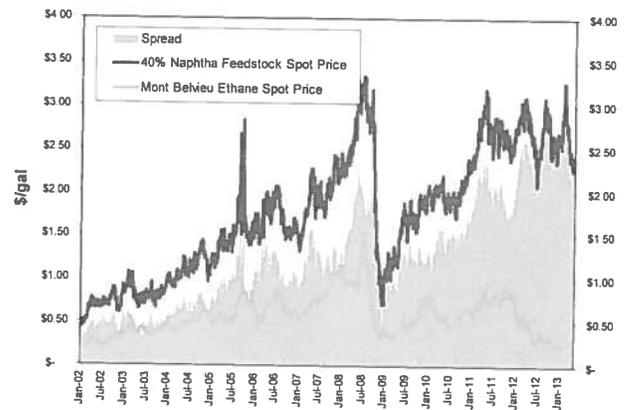


Exhibit 38: Petrochemical Price Trends

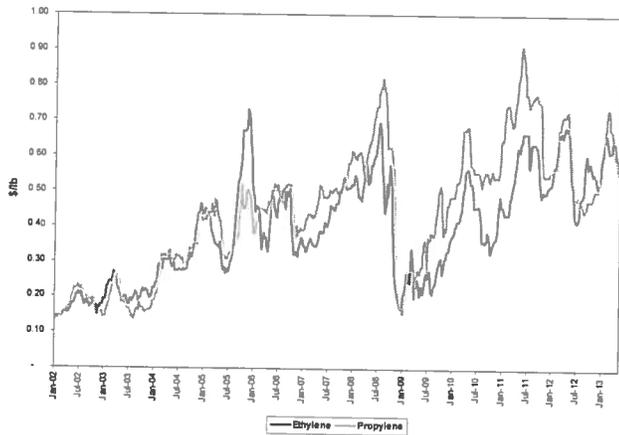
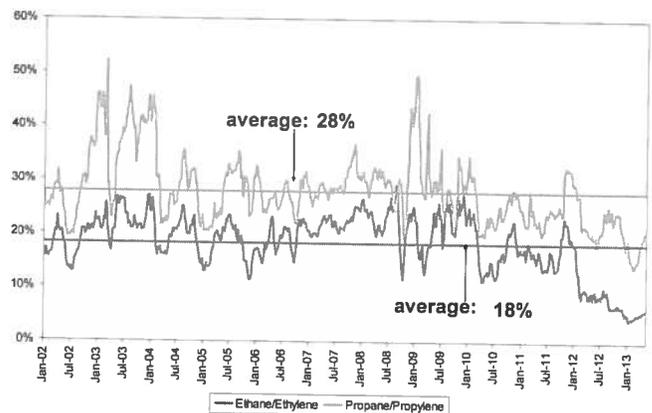


Exhibit 39: NGL/Petchem Price Correlation



Source (all Exhibits): BMO Capital Markets estimates, Bloomberg.

LNG Update

Exhibit 40: US LNG Imports

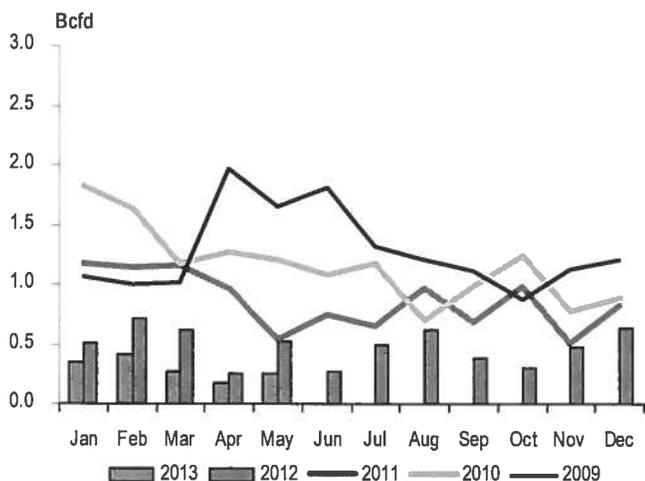


Exhibit 41: 2012 US LNG Imports by Terminal

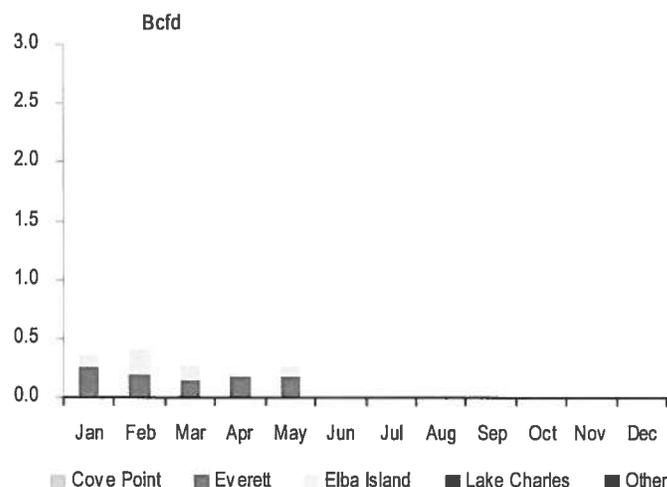


Exhibit 42: European Natural Gas Storage

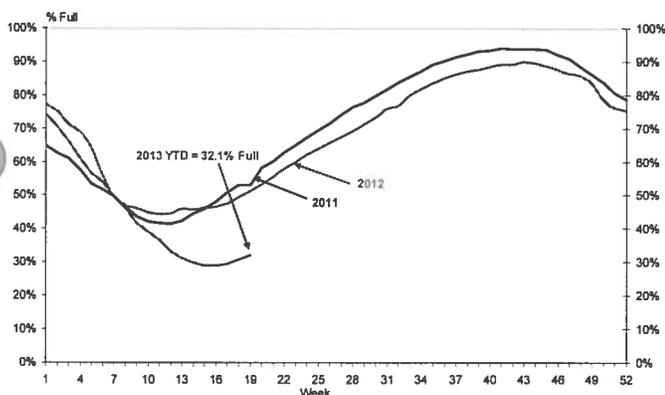


Exhibit 43: UK vs. US Natural Gas Price

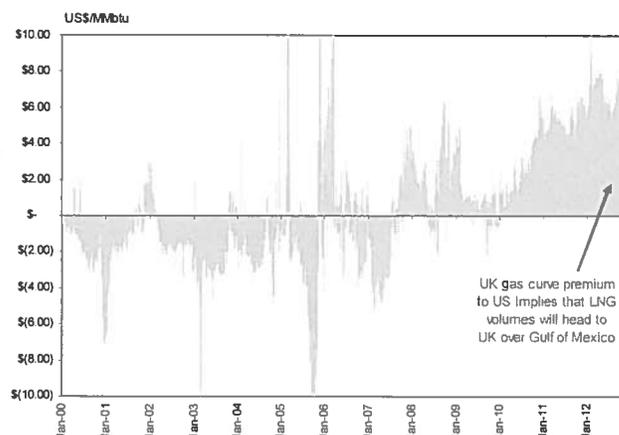


Exhibit 44: Global LNG Price Comparison

	Alta - mira	Argen- tina	Spain	Can- a-port	Cove Point	India	China	Korea	UK	Taiwan	Lake Charles	France	Brazil	Japan	Belgium
Market**	\$17.20	\$16.21	\$10.05	\$5.25	\$3.90	\$13.65	\$13.70	\$14.10	\$9.49	\$13.60	\$3.56	\$10.08	\$15.16	\$14.10	\$9.77
Algeria	\$15.61	\$14.37	\$9.80	\$4.21	\$2.64	\$11.86	\$10.75	\$10.91	\$8.97	\$10.69	\$1.97	\$9.60	\$13.87	\$10.81	\$9.19
Australia	\$13.23	\$13.41	\$7.33	\$1.51	\$0.11	\$12.44	\$12.73	\$12.94	\$6.33	\$12.69	(\$0.41)	\$6.97	\$12.45	\$12.91	\$6.54
Egypt	\$15.13	\$13.86	\$9.46	\$3.71	\$2.15	\$12.35	\$11.26	\$11.43	\$8.50	\$11.21	\$1.49	\$9.13	\$13.42	\$11.34	\$8.72
Malaysia	\$12.82	\$13.31	\$7.30	\$1.47	(\$0.09)	\$12.48	\$12.98	\$13.29	\$6.30	\$13.00	(\$0.82)	\$6.94	\$12.10	\$13.27	\$6.51
Nigeria	\$15.25	\$14.73	\$8.82	\$3.69	\$2.24	\$11.44	\$10.67	\$10.83	\$8.17	\$10.62	\$1.61	\$8.81	\$14.15	\$10.74	\$8.39
Norway	\$15.55	\$13.78	\$9.04	\$4.21	\$2.55	\$11.00	\$9.84	\$9.99	\$8.93	\$9.79	\$1.91	\$9.43	\$13.38	\$9.89	\$9.25
Peru	\$14.08	\$15.07	\$7.26	\$2.29	\$0.95	\$10.04	\$10.53	\$11.20	\$6.40	\$10.56	\$0.44	\$6.97	\$13.42	\$11.44	\$6.68
Qatar	\$13.87	\$13.49	\$8.28	\$2.50	\$0.94	\$13.16	\$11.96	\$12.17	\$7.30	\$11.91	\$0.23	\$7.93	\$12.56	\$12.06	\$7.52
Russia	\$12.07	\$12.91	\$6.60	\$0.74	(\$0.83)	\$11.76	\$13.05	\$13.60	\$5.58	\$12.97	(\$1.57)	\$6.22	\$11.20	\$13.71	\$5.79
Trinidad	\$16.42	\$14.77	\$8.76	\$4.50	\$3.24	\$10.71	\$9.73	\$9.88	\$8.29	\$9.68	\$2.78	\$8.87	\$14.33	\$9.78	\$8.48
Yemen	\$14.39	\$13.80	\$8.76	\$3.00	\$1.45	\$13.05	\$11.96	\$12.17	\$7.79	\$11.91	\$0.75	\$8.42	\$12.72	\$12.06	\$8.01

** Estimated June 2013 landed price

Source (all Exhibits): Bloomberg, Waterborne, LNG Unlimited, EIA, IEA, Gas Infrastructure Europe, BMO Capital Markets estimates.

Basis and Transportation Update

Exhibit 45: US Gas Prices and Basis Differentials to Henry Hub (\$/Mmbtu) – May 14, 2013

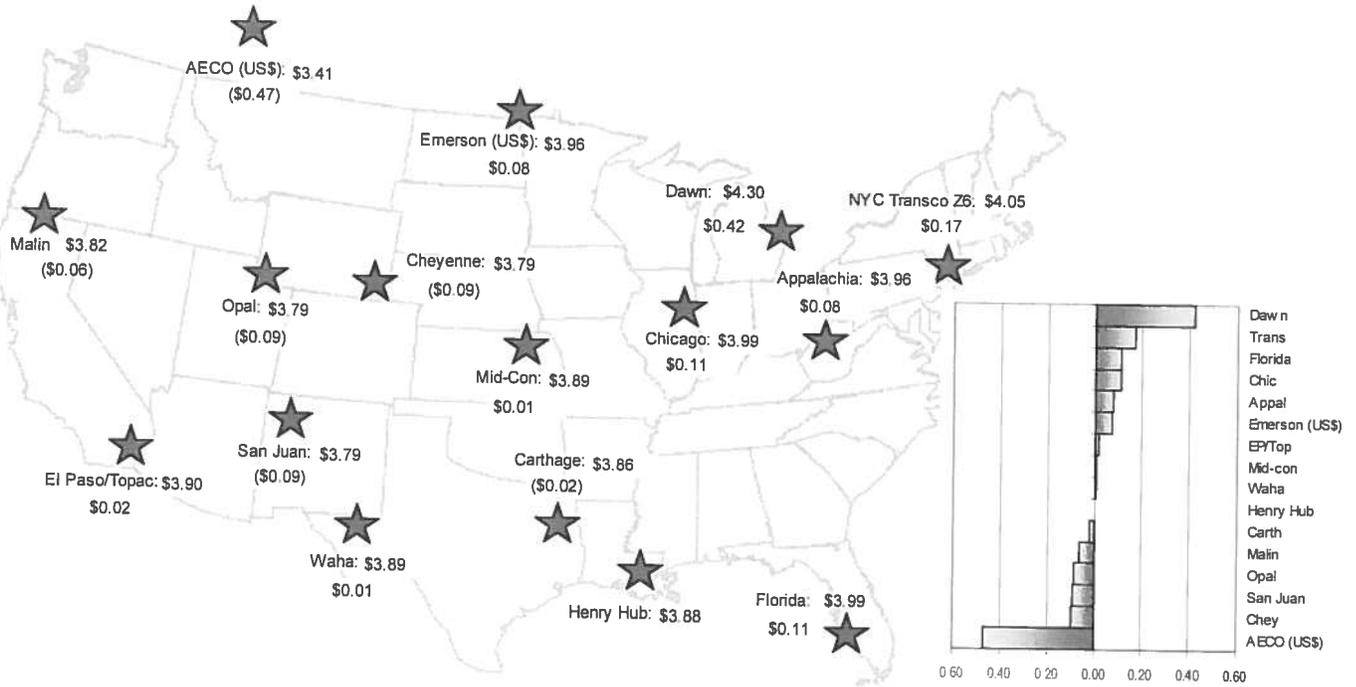
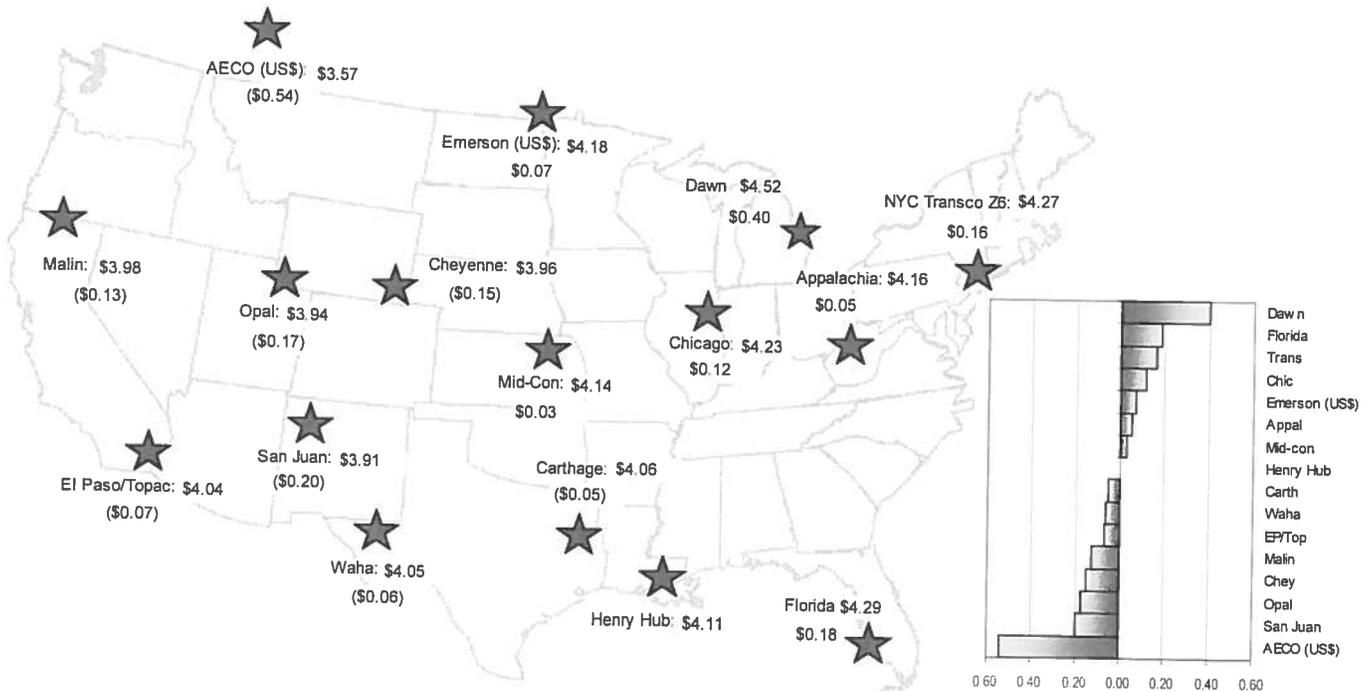


Exhibit 46: US Gas Prices and Basis Differentials to Henry Hub (\$/Mmbtu) – 2nd Quarter to date



Source (all Exhibits): BMO Capital Markets estimates, Bloomberg.

Exhibit 47: NY Transco Zone 6 Basis

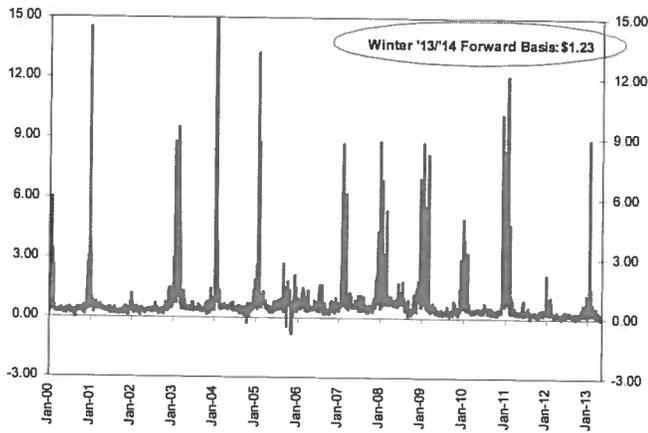


Exhibit 48: Appalachia Basis

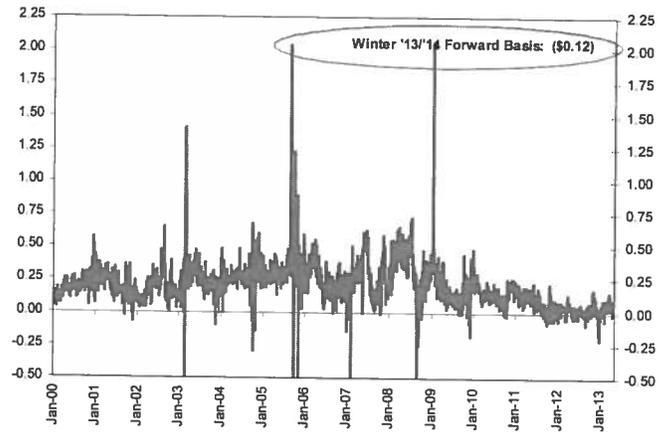


Exhibit 49: Mid Continent Basis

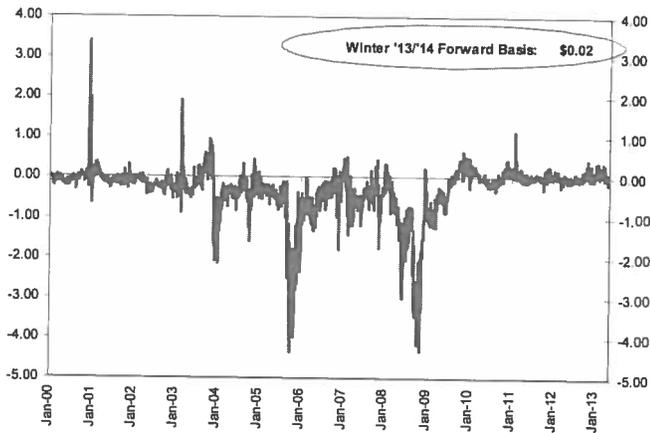


Exhibit 50: AECO Basis

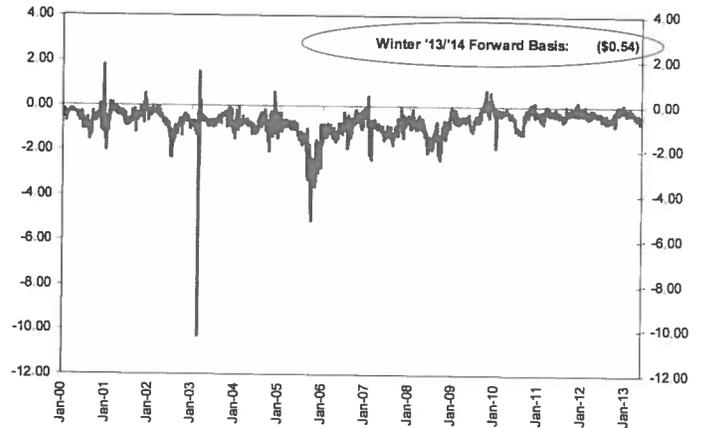


Exhibit 51: Rockies Basis

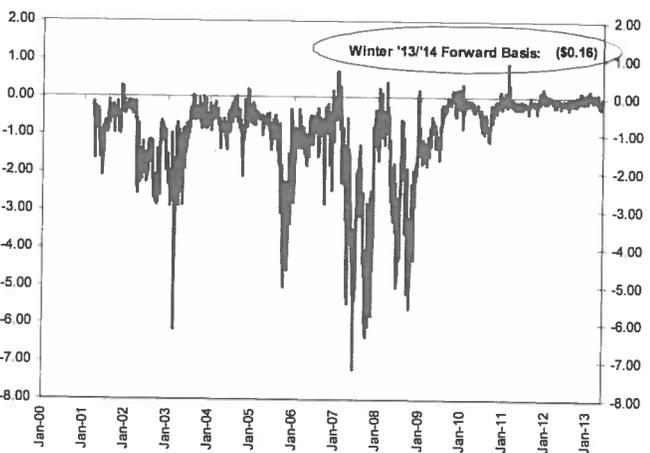
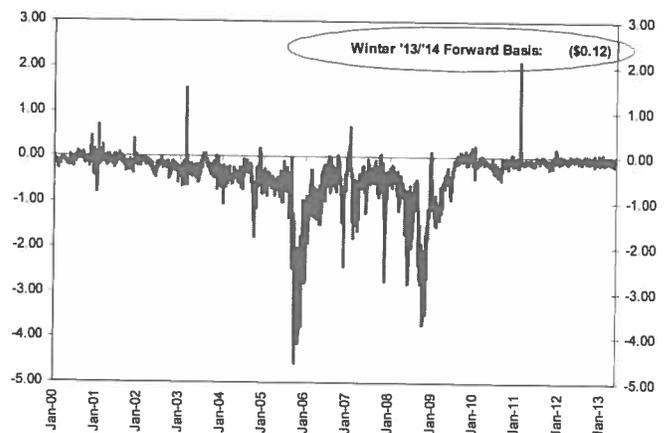


Exhibit 52: Waha Basis



Source (all Exhibits): BMO Capital Markets estimates, Bloomberg.

Relative Coal / Natural Gas Thermal Comparisons

Exhibit 53: Weighted Avg. Coal vs. Natural Gas Exhibit 54: NAPP Coal vs. Natural Gas

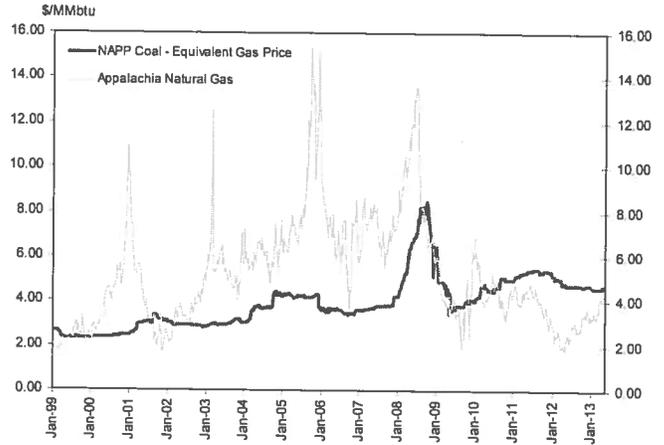
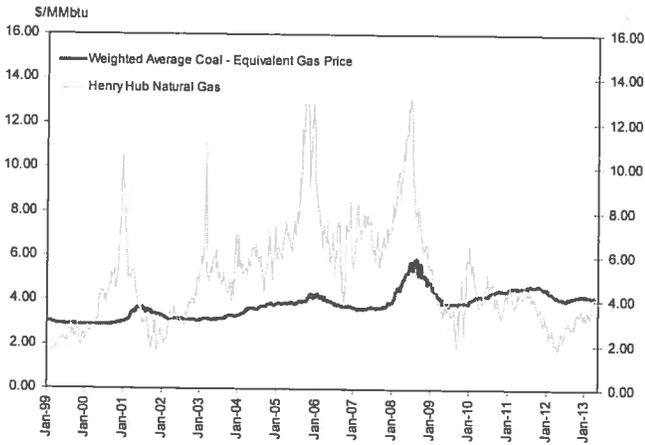


Exhibit 55: CAPP Coal vs. Natural Gas

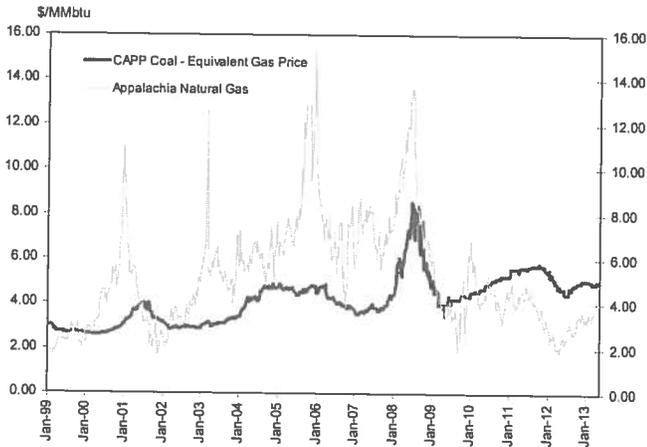


Exhibit 56: Interior Coal vs. Natural Gas

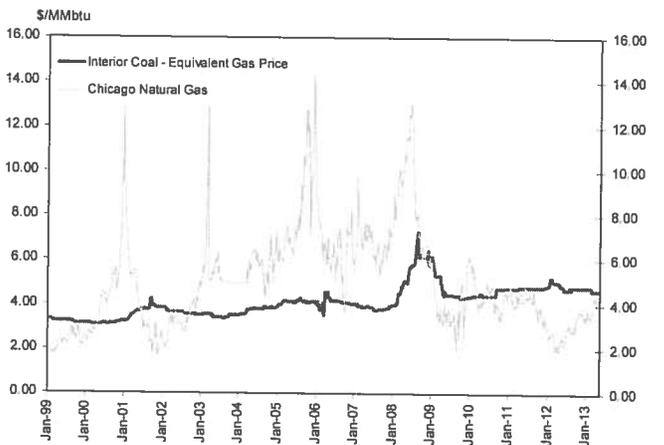


Exhibit 57: Southwest Coal vs. Natural Gas

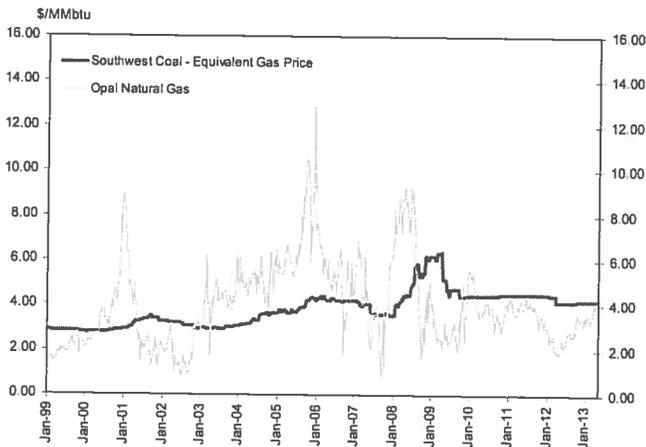
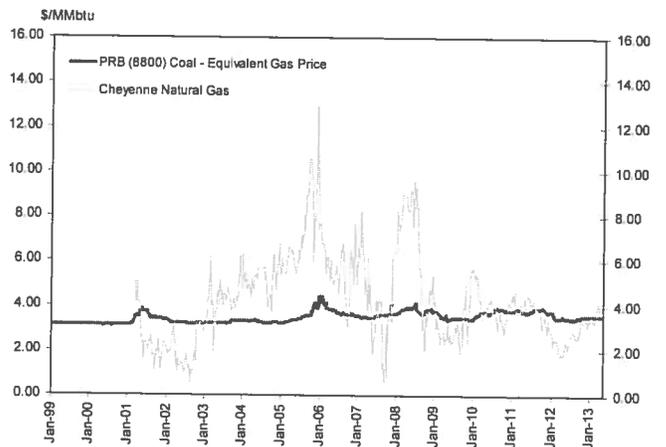


Exhibit 58: PRB Coal vs. Natural Gas



Source (all Exhibits): BMO Capital Markets estimates, Bloomberg.

Exhibit 59: BMO Natural Gas-Coal Switching Parity

Industry Assumptions:						
	<u>NAPP</u>	<u>CAPP</u>	<u>Interior</u>	<u>Southwest</u>	<u>PRB</u>	
Heat Content (Btu/lb)	13,000	12,500	11,800	11,500	8,800	
Heat Content (MMBtu/ton)	26.0	25.0	23.6	23.0	17.6	
SO ₂ Content (lb/Mmbtu)	3.0	1.2	5.0	1.0	0.8	
SO ₂ Content (% coal)	3.9%	1.6%	6.5%	1.3%	1.0%	
NO ₂ Content (lb/Mmbtu)	0.37	0.37	0.37	0.37	0.37	
NO ₂ Content (% coal)	0.5%	0.5%	0.5%	0.5%	0.5%	
CO ₂ Content (lb/Mmbtu)	210	210	210	210	205	
Coal Plant Heat Rate (btu/kwh)	10,000	10,000	10,000	10,000	10,000	
CCGT Heat Rate (btu/kwh)	7,500	7,500	7,500	7,500	7,500	
Pricing Assumptions:						
	<u>NAPP</u>	<u>CAPP</u>	<u>Interior</u>	<u>Southwest</u>	<u>PRB</u>	
Minehead Coal Spot Price (\$/ton)	\$65.00	\$67.27	\$45.15	\$35.85	\$10.55	
Transportation Expense	<u>\$20.00</u>	<u>\$20.00</u>	<u>\$13.00</u>	<u>\$25.00</u>	<u>\$25.00</u>	
Delivered Coal (\$/ton)	\$85.00	\$87.27	\$58.15	\$60.85	\$35.55	
SO ₂ Price (\$/ton)	\$0.73	\$0.73	\$0.73	\$0.73	\$0.73	
SO ₂ Cost (\$/coal ton)	\$0.03	\$0.01	\$0.04	\$0.01	\$0.01	
SO ₂ Cost (\$/MMBtu)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	
NO ₂ Price (\$/ton)	\$400.00	\$400.00	\$400.00	\$400.00	\$400.00	
NO ₂ Cost (\$/coal ton)	\$1.92	\$1.85	\$1.75	\$1.70	\$1.30	
NO ₂ Cost (\$/MMBtu)	\$0.07	\$0.07	\$0.07	\$0.07	\$0.07	
CO ₂ Price (\$/ton)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	
CO ₂ Cost (\$/coal ton)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	
CO ₂ Cost (\$/MMBtu)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	
Total Coal Cost (\$/ton)	\$86.95	\$89.13	\$59.94	\$62.56	\$36.86	
Total Coal Cost (\$/MMBtu)	\$3.34	\$3.57	\$2.54	\$2.72	\$2.09	
Coal Plant Fuel Cost (\$/Mwh)	\$33.44	\$35.65	\$25.40	\$27.20	\$20.94	
Plus: Variable O&M (\$/Mwh)	<u>\$3.00</u>	<u>\$3.00</u>	<u>\$3.00</u>	<u>\$3.00</u>	<u>\$4.00</u>	
Total Variable Coal Cost (\$/Mwh)	\$36.44	\$38.65	\$28.40	\$30.20	\$24.94	
Gas Equivalence						
CCGT Total Variable Fuel Cost (\$/Mwh)	\$36.44	\$38.65	\$28.40	\$30.20	\$24.94	
Less: Variable O&M (\$/Mwh)	<u>(\$1.00)</u>	<u>(\$1.00)</u>	<u>(\$1.00)</u>	<u>(\$1.00)</u>	<u>(\$1.00)</u>	
CCGT Fuel Cost (\$/Mwh)	\$35.44	\$37.65	\$27.40	\$29.20	\$23.94	
Equivalent Gas Price (\$/Mmbtu, at the CCGT)	\$4.73	\$5.02	\$3.65	\$3.89	\$3.19	
Coal Weightings Across United States	14%	23%	10%	8%	45%	
Weighted Average					\$3.93	
Marginal Coal Capacity MW (11,000+ heat rate)					7,765	
Total US Coal Capacity (MW)					336,291	
% Marginal Coal Capacity					2.3%	
Normal Capacity Factor					65%	
Annual Power Volumes Generated (MW)					44,213,910	
Coal Displaced (Mmbtu)					442,139,100	
Wtd Avg Coal Heat Content (Mmbtu/ton)					21.5	
Coal Tons Displaced Annually					20,555,049	
"Normalized" Natural Gas Switchable Demand Potential (MMcf/d)					908.5	

Source: BMO Capital Markets estimates, SNL, EIA.

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Buy	Outperform	37.3%	16.5%	53.8%	38.2%	51.3%	53.2%
Hold	Market Perform	58.0%	8.8%	44.6%	56.8%	47.7%	41.1%
Sell	Underperform	4.7%	3.7%	1.5%	4.9%	1.0%	5.7%

* Reflects rating distribution of all companies covered by BMO Capital Markets Corp. equity research analysts.

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Mkt = Market Perform - Forecast to perform roughly in line with the analyst's coverage universe on a total return basis;

Und = Underperform - Forecast to underperform the analyst's coverage universe on a total return basis;

(S) = Speculative investment;

NR = No rating at this time; and

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May 1, 2013

NiSource

(NI-NYSE)

Stock Rating: Market Perform
Industry Rating: Market Perform

North American Pipelines

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1Q13 In Line as Longer Term Growth Starts Firming

Event

NI reported 1Q13 adjusted EPS of \$0.69, slightly below our \$0.70 estimate and consensus of \$0.71. Misses in pipes and LDC were mostly offset by beats in electric, corp/other and interest, but for the most part, quarterly numbers on the whole delivered in line. Other takeaways: 1) confidence in long-term sustainable growth is improving with the Indiana Legislature recently passing a tracking mechanism associated with future electric T&D modernization (e.g., transformers, poles, lines). While largely expected, the Governor's signature (expected shortly) should ultimately allow NI to spend \$3-\$4B of incremental long-term investment—beginning around 2018—which should in turn continue to support utility growth into the following decade; 2) two new rate base cases were recently filed in order to recapture the infrastructure modernization spending to which we are already giving credit. First, Columbia Gas of Massachusetts is requesting a \$30mm annual revenue increase; a decision is expected by March 2014. Next, Columbia Gas of Maryland is requesting a \$5mm annual revenue increase; a decision is expected by August 2013; and 3) NI newly announced it is going forward with a \$40mm project (Giles County Expansion), which will expand Colombia Gas Transmission (\$25mm) and Columbia Gas of Virginia (\$15mm) to support the conversion of a large end user's coal boilers to natural gas; the project should add ~\$0.01 to annual EPS once in service (expected 4Q14).

Impact

Neutral.

Forecasts

Our 2013 and 2014 estimates remain unchanged at \$1.56 and \$1.65, respectively, while 2015 is increasing by a penny to \$1.76 owing to the Giles County Expansion.

Valuation

We reiterate our \$31 sum-of-the-parts price target based on 2015 metrics.

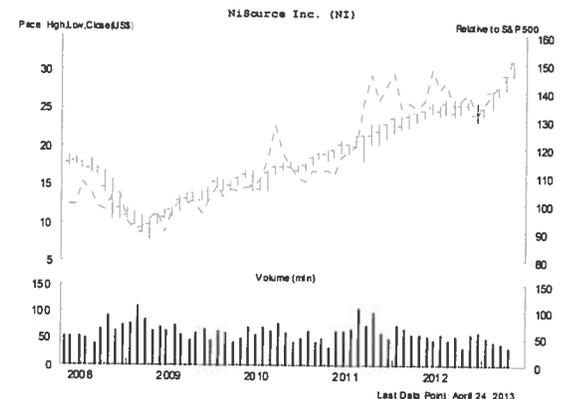
Recommendation

We maintain our **MARKET PERFORM** rating on NI stock.

Securities Info

Price (30-Apr)	\$30.73	Target Price	\$31
52-Wk High/Low	\$31/\$23	Dividend	\$0.96
Mkt Cap (mm)	\$9,563	Yield	3.1%
Shs O/S (mm, BASIC)	311.2	Float O/S (mm)	308.4
Options O/S (mm)	na	ADVOL (30-day, 000s)	2,022

Price Performance



Valuation/Financial Data

(FY-Dec.)	2011A	2012A	2013E	2014E
EPS Pro Forma	\$1.31	\$1.44	\$1.56	\$1.65
P/E			19.7x	18.6x
First Call Cons.			\$1.56	\$1.67
EPS GAAP	\$0.52	\$1.39	\$1.71	\$1.65
FCF	\$4.10	\$4.31	\$4.20↑	\$4.01↑
P/FCF			7.3x	7.7x
EBITDA (\$mm)	\$1,382	\$1,615	\$1,785	\$1,905
EV/EBITDA			9.1x	8.6x
Rev. (\$mm)	\$6,019	\$5,091	\$5,475	\$5,634
EV/Rev			3.0x	2.9x

Quarterly EPS	1Q	2Q	3Q	4Q
2012A	\$0.73	\$0.23	\$0.05	\$0.44
2013E	\$0.69A	\$0.19↓	\$0.19↑	\$0.50↑

Balance Sheet Data (31-Dec)			
Net Debt (\$mm)	\$6,740	TotalDebt/EBITDA	3.9x
Total Debt (\$mm)	\$6,988	EBITDA/IntExp	4.3x
Net Debt/Cap.	49.5%	Price/Book	1.7x

Notes: All values in US\$.
 Source: BMO Capital Markets estimates, Bloomberg, Thomson Reuters, and IHS Global Insight.

Changes	Annual FCF	Quarterly EPS
	2013E \$4.03 to \$4.20	Q2/13E \$0.21 to \$0.19
	2014E \$3.96 to \$4.01	Q3/13E \$0.17 to \$0.19
		Q4/13E \$0.48 to \$0.50

Please refer to pages 6 to 9 for Important Disclosures, including the Analyst's Certification.

1Q13 at a Glance

NI reported 1Q13 adjusted EPS of \$0.69, slightly below our \$0.70 estimate and consensus of \$0.71. Primary deltas to our estimate along with business segment summaries are detailed below:

-\$0.05 Pipes. Adjusted EBIT of \$233mm was lower than our \$256mm estimate primarily due to higher operating expenses, including increased employee, administration, and outside service costs in addition to the timing impact of tracker spending. A 9% lower effective tariff of \$0.39/Dth was offset by 6% higher total throughput of 537 MMDth.

NI newly announced it is going forward with a \$40mm project (Giles County Expansion), which will expand Columbia Gas Transmission (\$25mm) and Columbia Gas of Virginia (\$15mm) to support the conversion of a large end user's coal boilers to natural gas, which is located in Giles County, VA. Included in our model, we estimate the Giles County Expansion should add less than a penny to annual EPS once in service (expected 4Q14). NI also announced another new project (Line 1570), which remains under evaluation, but aims to increase Marcellus takeaway capacity by 100 mmcf/d. Although it is not included in our model, we estimate Line 1570, budgeted at \$20mm, would add less than half of a penny to annual EPS once in service (expected 4Q14).

-\$0.02 LDC. Adjusted EBIT of \$133mm was lower than our \$146mm estimate primarily due to a 9% lower effective tariff of \$3.16/Dth, partially offset by 6% higher total throughput of 363 MMDth, while operating expenses were on point.

Two new rate base cases were recently filed to recapture the infrastructure modernization spending to which we are already giving credit. First, Columbia Gas of Massachusetts is requesting a \$30mm annual revenue increase; a decision is expected by March 2014. Next, Columbia Gas of Maryland is requesting a \$5mm annual revenue increase; a decision is expected by August 2013. Additionally, we reiterate NI filed a unanimous settlement for its 2012 rate base case at Columbia Gas of Pennsylvania, which should increase annual revenues by \$55mm beginning July 2013, although we are still waiting for regulatory approval.

+\$0.02 Electric. Adjusted EBIT of \$65mm was higher than our \$57mm estimate primarily due to lower operating expenses, specifically decreased Midwest Independent Transmission Operator (MISO) fees and lower electric generation costs, including planned and unplanned maintenance (timing related). The top line was relatively on point as a 3% higher tariff of \$90/MWh was offset by 1% lower volumes of 4,199 GWh.

Both, the Indiana House and Senate, recently passed the bill for a tracking mechanism associated with electric T&D modernization (e.g., transformers, poles, lines). Now, we are waiting for the Governor's signature (expected shortly) for final approval. This legislation should enable NI to spend \$3-4B of long-term investment, which we estimate could add about \$1/sh of NAV (assuming \$3.5B invested ratably over ten years at NIPSCO's current ROE and capital structure, starting in 2018, and discounted at an 8% cost of equity to present).

+\$0.03 Corp/Other. Adjusted EBIT of -\$4mm was higher than our -\$19mm estimate primarily due to lower operating expenses.

+\$0.01 Interest. Interest expense of \$99mm was lower than our \$104mm estimate.

Exhibit 1: NiSource Income Statement

Consolidated Earnings (\$ Millions Except Per Share Data)	2009A	2010A	2011A	2012A	Q1	Q2	Q3	Q4	2013E	2014E	2015E
Operating Revenues:											
Gas Distribution	\$3,303	\$3,096	\$2,918	\$1,960	\$892	\$532	\$377	\$913	\$2,714	\$3,057	\$3,134
Pipelines & Storage	1,241	1,261	1,355	1,462	469	246	270	316	1,299	1,173	1,232
Electric	1,213	1,375	1,428	1,508	377	361	394	354	1,486	1,516	1,561
Other	542	603	319	161	56	(24)	(25)	(32)	(24)	(112)	(115)
Revenues	6,299	6,335	6,019	5,091	1,794	1,114	1,015	1,551	5,475	5,634	5,813
Operating Expenses:											
Cost of Sales	2,978	2,898	2,556	1,549	688	281	165	511	1,645	1,642	1,640
Operation & Maintenance	1,650	1,654	1,723	1,674	455	423	432	462	1,773	1,814	1,855
DD&A	589	596	538	564	144	149	154	155	602	639	673
Loss (gain) on asset sales	16	1	17	(4)	(0)	0	0	0	(0)	0	0
Taxes and Other	283	287	295	289	87	70	69	84	310	324	332
Total Operating Expenses	5,516	5,436	5,129	4,072	1,373	923	821	1,212	4,329	4,418	4,500
Operating Income	783	899	890	1,020	421	191	195	339	1,146	1,215	1,313
Other:											
Equity in Earnings	16	15	15	32	7	7	7	12	33	51	67
Minority Interests	0	0	0	0	0	0	0	0	0	0	0
Other	(6)	4	(61)	(1)	4	0	0	0	4	0	0
Total Other Income	10	19	(47)	31	11	7	7	12	37	51	67
Reported EBIT	\$793	\$918	\$844	\$1,051	\$432	\$198	\$202	\$351	\$1,183	\$1,266	\$1,380
EBITDA	\$1,383	\$1,514	\$1,382	\$1,615	\$576	\$347	\$356	\$506	\$1,785	\$1,905	\$2,053
EBIT Composition											
Gas Distribution	328	324	394	409	234	62	30	159	486	519	558
Pipelines & Storage	389	377	360	398	133	72	90	139	435	465	514
Electric	117	234	210	252	65	69	87	55	276	300	327
Corporate & Other	(40)	(17)	(120)	(8)	(0)	(5)	(5)	(2)	(13)	(18)	(18)
Total EBIT	\$793	\$918	\$844	\$1,051	\$432	\$198	\$202	\$351	\$1,183	\$1,266	\$1,380
Interest Expense	399	392	377	416	99	105	112	110	426	458	486
Preferred Distributions of Subsidiaries	0	0	0	0	0	0	0	0	0	0	0
Financing Expense	399	392	377	416	99	105	112	110	426	458	486
Income Before Taxes	394	526	467	635	334	93	90	241	757	808	894
Income Taxes											
Current	(214)	118	(15)	(86)	2	8	8	21	39	141	156
Deferred	378	55	178	305	117	24	24	63	228	141	156
Total Income Taxes	165	173	163	219	118	32	32	84	266	283	313
Effective Inc. Tax Rate (%)	42%	33%	35%	34%	35%	35%	35%	35%	35%	35%	35%
Net Income From Continuing Operations	229	353	304	416	215	60	59	156	491	525	581
Discontinued Operations, net	(12)	(0)	(5)	0	9	0	0	0	9	0	0
Change in Accounting	(0)	(58)	0	0	36	0	0	0	36	0	0
GAAP Net Income to Common	\$218	\$294	\$299	\$416	\$261	\$60	\$59	\$156	\$536	\$525	\$581
Adjustments to Core											
Asset Impairment	0	0	0	0	0	0	0	0	0	0	0
Gain (Loss) From Disposal	(8)	0	0	0	0	0	0	0	0	0	0
Other Non-Recurring Gains (Loss)	(40)	11	(74)	(17)	0	0	0	0	0	0	0
Total Adjustments	(49)	11	(74)	(17)	0	0	0	0	0	0	0
Non-GAAP Core Earnings	\$278	\$342	\$378	\$433	\$215	\$60	\$59	\$156	\$491	\$525	\$581
Shares Outstanding (mm)											
Avg. Diluted Shares Out	276	280	289	300	312	313	314	315	314	319	331
Avg. Basic Shares Out	275	278	280	292	311	312	313	314	313	318	330
Period-end basic Shares Out	276	279	282	311	312	313	314	315	315	320	335
Earnings Per Share (Diluted)											
GAAP EPS	\$0.79	\$1.05	\$1.04	\$1.39	\$0.83	\$0.19	\$0.19	\$0.50	\$1.71	\$1.65	\$1.76
Core EPS	\$1.01	\$1.22	\$1.31	\$1.44	\$0.69	\$0.19	\$0.19	\$0.50	\$1.56	\$1.65	\$1.76
EPS Growth (core)	-19.4%	21.0%	7.4%	10.0%	-5.7%	-14.7%	254.4%	13.6%	8.5%	5.3%	6.7%
Dividends											
Cash per share	\$0.92	\$0.92	\$0.92	\$0.95	\$0.24	\$0.25	\$0.25	\$0.25	\$0.99	\$1.03	\$1.07
Div Growth	0.0%	0.0%	0.0%	3.3%	4.3%	4.2%	4.2%	4.2%	4.2%	4.0%	3.9%
Payout Ratio (%)	116.6%	87.5%	88.7%	68.6%					58.0%	62.6%	60.9%

Source: BMO Capital Markets estimates, company data.

Exhibit 2: NiSource Cash Flow Statement

Cash Flow Statement (\$ Millions Except Per Share Data)	2009A	2010A	2011A	2012A	Q1	Q2	Q3	Q4	2013E	2014E	2015E
Operating Activities											
GAAP Net Income from Cont. Ops	218	292	299	416	261	60	59	156	536	525	581
DD&A	589	596	538	562	144	149	154	155	602	639	673
Deferred income tax benefit	378	200	178	305	117	24	24	63	228	141	156
Deferred Revenues	4	(20)	3	(8)	(0)	0	0	0	(0)	0	0
Amortization of premium on debt	13	10	9	10	2	0	0	0	2	0	0
Less Gain or Loss on assets	(4)	(0)	0	(4)	(0)	0	0	0	(0)	0	0
Less Equity Earnings plus Cash Distributions	(15)	7	16	4	(0)	(4)	(4)	(5)	(13)	(25)	(34)
Other non-cash income items	36	112	139	11	(37)	0	0	0	(37)	0	0
OCF (pre-working capital)	\$1,219	\$1,197	\$1,183	\$1,295	\$485	\$230	\$233	\$370	\$1,318	\$1,280	\$1,377
OCF per share	\$4.42	\$4.27	\$4.10	\$4.31	\$1.56	\$0.73	\$0.74	\$1.17	\$4.20	\$4.01	\$4.17
Working Capital:											
Accounts and notes receivable	259	(244)	318	(181)	(111)				(111)	0	0
Inventory	129	103	(142)	62	255				255	0	0
Less Change of Price Risk Management Activities	0	0	0	0	0				0	0	0
Accounts payable	(192)	38	(155)	57	25				25	0	0
Customer deposit, net	25	(25)	(5)	(44)	(102)				(102)	0	0
Other assets	83	(206)	(201)	144	(90)				(90)	0	0
Other Liabilities	382	(86)	(78)	(68)	(26)				(26)	0	0
Changes in Working Capital	686	(420)	(262)	(30)	(48)	0	0	0	(48)	0	0
Discontinued Operations	(255)	(57)	(50)	11	12	0	0	0	12	0	0
Cash Flow From Operations	1,651	720	870	1,276	449	230	233	370	1,282	1,280	1,377
Investing Activities											
Capital Spending (to PP&E)	(777)	(804)	(1,125)	(1,499)	(369)	(454)	(454)	(454)	(1,731)	(1,805)	(1,670)
Purchases of equity investments	0	0	0	0	0	0	0	0	0	0	0
Acquisitions	0	0	0	0	0	0	0	0	0	0	0
Proceeds from asset sales	6	1	9	26	1	0	0	0	1	0	0
Other	109	(140)	(34)	51	1	0	0	0	1	0	0
Cash Used in Investing	(662)	(944)	(1,149)	(1,422)	(368)	(454)	(454)	(454)	(1,729)	(1,805)	(1,670)
Discontinued Operations	8	0	0	(3)	122	0	0	0	122	0	0
Investing Cash Flow	(655)	(943)	(1,149)	(1,425)	(246)	(454)	(454)	(454)	(1,607)	(1,805)	(1,670)
Financing Activities											
Sale of Common Stock	26	14	24	384	17	12	12	12	53	48	348
Sale of Preferred Stock	0	0	0	0	0	0	0	0	0	0	0
Sale of L.T. Debt	1,460	250	890	988	0	500	500	0	1,000	1,000	500
Redemption of Common Stock	(3)	(2)	(3)	(10)	(8)	0	0	0	(8)	0	0
Redemption of Preferred Stock	0	0	0	0	0	0	0	0	0	0	0
Redemption of L.T. Debt	(1,170)	(1,071)	(287)	(332)	(427)	0	0	0	(427)	(500)	(230)
Change in Notes Payable, LC, ST Debt	(1,061)	1,280	(23)	(582)	354	0	0	(200)	154	200	0
Payments to Minority Interests	0	0	0	0	0	0	0	0	0	0	0
Dividends	(253)	(256)	(258)	(273)	(75)	(78)	(78)	(79)	(310)	(307)	(333)
Other	0	0	(62)	0	0	0	0	0	0	0	0
Cash From (For) Financing	(1,000)	216	281	175	(138)	434	434	(267)	463	441	285
Discontinued Operations	0	0	0	0	0	0	0	0	0	0	0
Financing Cash Flow	(1,000)	216	281	175	(138)	434	434	(267)	463	441	285
Change in Cash	(\$4)	(\$7)	\$2	\$25	\$65	\$210	\$213	(\$351)	\$137	(\$85)	(\$8)
Cash & Temp. Inv. Beginning of Yr.	\$21	\$16	\$9	\$12	\$36	\$102	\$312	\$525	\$37	\$174	\$89
Cash & Temp. Inv. End of Yr.	\$16	\$9	\$12	\$37	\$102	\$312	\$525	\$174	\$174	\$89	\$82

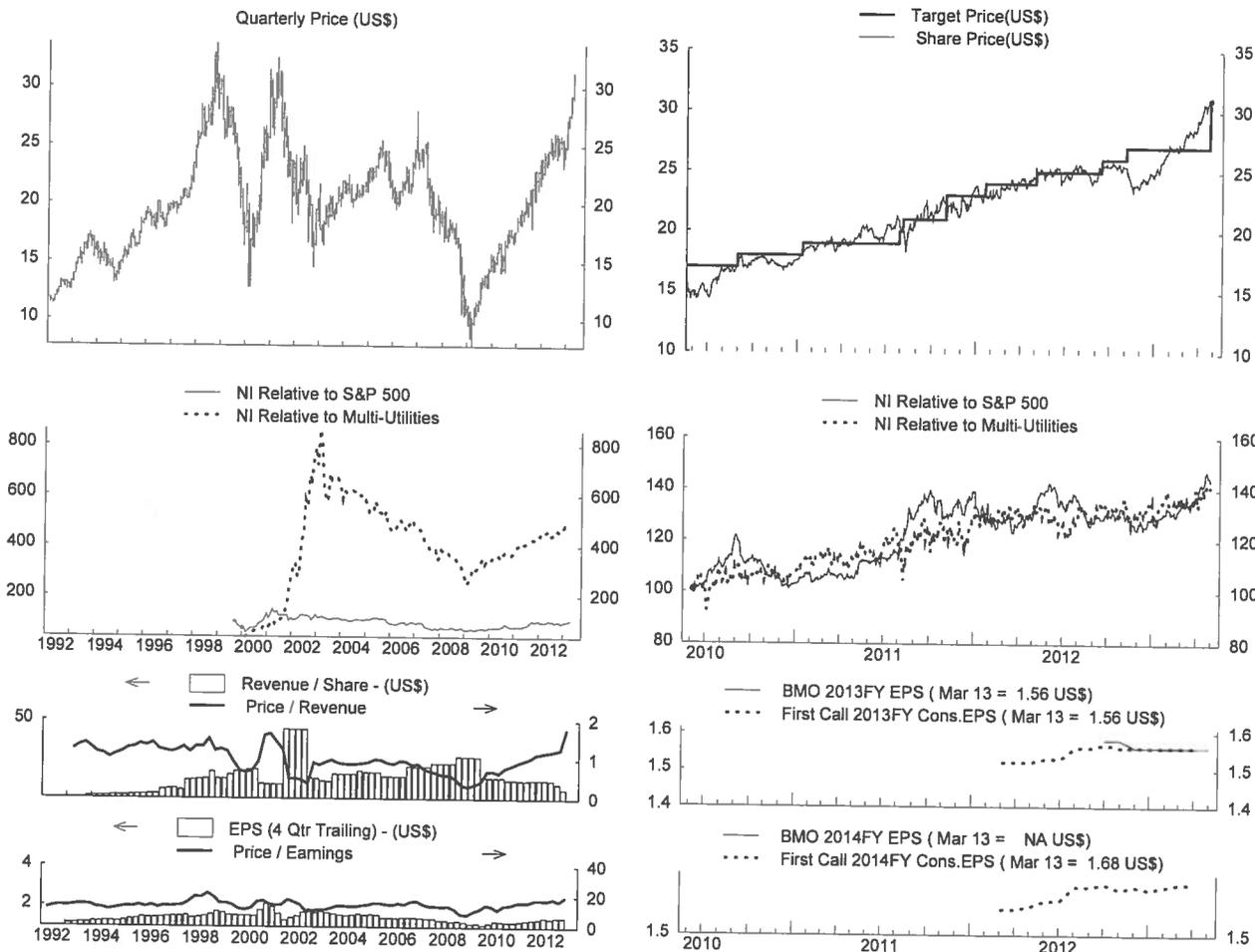
Source: BMO Capital Markets estimates, company data.

Exhibit 3: NiSource Balance Sheet

Balance Sheet (\$ Millions Except Per Share Data)	2009A	2010A	2011A	2012A	Q1	Q2	Q3	Q4	2013E	2014E	2015E
Assets:											
Cash & Equivalent	16	9	12	36	101	312	525	174	174	89	82
Restricted Cash	175	203	161	47	23	23	23	23	23	23	23
Receivables	848	1,121	951	1,114	1,254	1,254	1,254	1,254	1,254	1,254	1,254
Allowance for Uncollectable Accts.	(40)	(41)	(31)	(24)	(32)	(32)	(32)	(32)	(32)	(32)	(32)
Unbilled Revenues	0	0	0	0	0	0	0	0	0	0	0
Underrecovered gas & fuel costs	40	136	21	45	17	17	17	17	17	17	17
Inventories	385	428	566	496	241	241	241	241	241	241	241
ST Assets Price Risk Management	173	160	137	92	58	58	58	58	58	58	58
Regulatory Assets	238	152	170	163	142	142	142	142	142	142	142
Other Current Assets	<u>387</u>	<u>283</u>	<u>262</u>	<u>384</u>	<u>228</u>	<u>228</u>	<u>228</u>	<u>228</u>	<u>228</u>	<u>228</u>	<u>228</u>
Total Current Assets	2,224	2,449	2,248	2,352	2,032	2,242	2,455	2,104	2,104	2,020	2,012
Plant & Equipment (Gross)	19,038	19,590	20,470	21,902	22,194	22,648	23,102	23,556	23,556	25,361	27,031
Accumulated DD&A	<u>(8,354)</u>	<u>(8,493)</u>	<u>(8,670)</u>	<u>(8,986)</u>	<u>(9,075)</u>	<u>(9,225)</u>	<u>(9,379)</u>	<u>(9,534)</u>	<u>(9,534)</u>	<u>(10,173)</u>	<u>(10,846)</u>
Plant & Equipment, Net	10,684	11,097	11,800	12,916	13,119	13,423	13,723	14,022	14,022	15,188	16,185
Investments	295	349	356	438	451	451	451	451	451	451	451
LT Assets Price Risk Management	238	240	189	56	36	36	36	36	36	36	36
Regulatory Assets	1,644	1,650	1,978	2,024	1,954	1,954	1,954	1,954	1,954	1,954	1,954
Goodwill	3,677	3,677	3,677	3,677	3,666	3,666	3,666	3,666	3,666	3,666	3,666
Intangible Assets	320	309	298	287	284	284	284	284	284	284	284
Other Long Term Assets (& flywheel)	<u>53</u>	<u>168</u>	<u>162</u>	<u>94</u>	<u>94</u>	<u>97</u>	<u>101</u>	<u>106</u>	<u>106</u>	<u>132</u>	<u>165</u>
Total Assets	19,134	19,939	20,708	21,845	21,636	22,155	22,671	22,624	22,624	23,731	24,753
Liabilities & Equity:											
Short Term Debt	800	1,417	1,687	1,284	1,221	1,221	1,221	1,021	1,021	1,221	1,221
Accounts Payables	502	582	435	539	527	527	527	527	527	527	527
ST Liabilities Price Risk Management	190	174	168	95	53	53	53	53	53	53	53
Regulatory Liabilities	44	93	112	172	107	107	107	107	107	107	107
Other	<u>1,575</u>	<u>1,384</u>	<u>1,245</u>	<u>1,212</u>	<u>1,067</u>	<u>1,067</u>	<u>1,067</u>	<u>1,067</u>	<u>1,067</u>	<u>1,067</u>	<u>1,067</u>
Total Current Liab	3,111	3,649	3,646	3,302	2,974	2,974	2,974	2,774	2,774	2,974	2,974
Long Term Debt	5,988	5,936	6,267	6,819	6,804	7,304	7,804	7,804	7,804	8,304	8,574
LT Liabilities Price Risk Management	170	182	139	20	7	7	7	7	7	7	7
Accumulated Deferred Taxes	2,018	2,243	2,571	2,953	2,980	3,004	3,028	3,091	3,091	3,233	3,389
Regulatory Liabilities	1,559	1,596	1,664	1,593	1,611	1,611	1,611	1,611	1,611	1,611	1,611
Other Liabilities	<u>1,572</u>	<u>1,409</u>	<u>1,424</u>	<u>1,603</u>	<u>1,569</u>	<u>1,569</u>	<u>1,569</u>	<u>1,569</u>	<u>1,569</u>	<u>1,569</u>	<u>1,569</u>
Total Liabilities	14,418	15,016	15,711	16,290	15,946	16,470	16,994	16,857	16,857	17,698	18,125
Preferred Equity/Securities of Consolidated Subsidiaries	0	0	0	0	0	0	0	0	0	0	0
Common Equity	4,717	4,923	4,997	5,554	5,691	5,685	5,677	5,767	5,767	6,033	6,629
Other	0	0	0	0	0	0	0	0	0	0	0
Total Liab & Equity	19,134	19,939	20,708	21,845	21,636	22,155	22,671	22,624	22,624	23,731	24,753

Source: BMO Capital Markets estimates, company data.

NiSource Inc. (NI)



FYE (Dec.)	EPS US\$	P/E HI - Lo	DPS US\$	Yield% HI - Lo	Payout %	BV US\$	P/B HI - Lo	ROE %
1992	1.00	13.5 11.3	0.62	5.5 4.6	62	7.9	1.7 1.4	
1993	1.16	15.0 10.7	0.72	5.8 4.1	62	8.3	2.1 1.5	14
1994	1.24	13.3 10.5	0.78	6.0 4.7	63	8.7	1.9 1.5	15
1995	1.36	14.2 10.4	0.84	5.9 4.4	62	9.0	2.1 1.6	15
1996	1.43	14.1 12.3	0.90	5.1 4.5	63	9.2	2.2 1.9	16
1997	1.53	16.3 12.4	0.96	5.1 3.8	63	10.2	2.5 1.9	16
1998	1.59	21.2 14.4	1.02	4.5 3.0	64	9.8	3.5 2.3	16
1999	1.52	20.4 10.8	1.08	6.6 3.5	71	10.9	2.8 1.5	15
2000	1.89	16.7 6.7	1.08	8.5 3.4	57	16.6	1.9 0.8	14
2001	1.30	25.0 14.0	1.16	6.4 3.6	89	16.8	1.9 1.1	8
2002	2.00	12.5 7.3	1.16	8.0 4.6	58	20.1	1.2 0.7	11
2003	1.60	13.7 10.2	0.92	5.6 4.2	58	16.8	1.3 1.0	9
2004	1.61	14.2 12.2	0.92	4.7 4.0	57	17.7	1.3 1.1	9
2005	1.42	18.0 14.4	0.92	4.5 3.6	65	18.1	1.4 1.1	8
2006	1.43	19.6 13.6	0.92	4.7 3.3	64	18.3	1.5 1.1	8
2007	1.38	20.3 12.7	0.92	5.3 3.3	67	18.5	1.5 0.9	7
2008	1.27	15.6 8.1	0.92	8.9 4.6	72	17.2	1.1 0.6	7
2009	1.06	14.9 7.3	0.92	11.8 5.8	87	17.6	0.9 0.4	6
2010	1.22	14.7 11.6	0.92	6.5 5.1	75	17.7	1.0 0.8	7
2011	1.33	18.0 12.7	0.92	5.5 3.8	69	17.7	1.4 0.9	8
2012	1.44	18.2 15.0	0.96	4.4 3.7	67	17.5	1.5 1.2	8
Range*		25.0 6.7		11.8 3.0			3.5 0.4	
Current*	1.45	20.2	0.96	3.3	66	17.9	1.6	8
Growth(%):								
5 Year:	2.1		0.9			-0.7		
10 Year:	-1.4		-1.9			-1.1		
20 Year:	1.4		1.9			4.2		

NI - Rating as of 26-Jun-08 = Mkt

* Current EPS is the 4 Quarter Trailing to Q4/2012.
 * Valuation metrics are based on high and low for the fiscal year.
 * Range indicates the valuation range for the period presented above.

Last Price (April 26, 2013): \$30.82
 Sources: IHS Global Insight, Thomson Reuters, BMO Capital Markets.

Important Disclosures**Analyst's Certification**

Carl Kirst, CFA, hereby certify that the views expressed in this report accurately reflect my personal views about the subject securities or issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

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Company Specific Disclosure

Disclosure 5: BMO Capital Markets or an affiliate received compensation for products or services other than investment banking services within the past 12 months.

Disclosure 6: This issuer is a client (or was a client) of BMO Nesbitt Burns Inc., BMO Capital Markets Corp., BMO CM Ltd. or an affiliate within the past 12 months: Non-Securities Related Services.

Methodology and Risks to Our Price Target/Valuation

Methodology: Our target price for NI is based on a sum-of-the parts valuation. We individually value each one of NI's business segments using a target EV/EBITDA multiple approach. Our target multiple for each segment is derived from analyzing historical multiple trading ranges, peer multiples, and adjusting for any expectation of future changes in investor sentiment, which would lead to multiple expansion/contraction. We next add together the segment valuations to reach an operating enterprise value, which is then adjusted for net debt, off-balance sheet items, operating leases, pension costs, and any other non-operating obligations. After adjustments, we then have our net equity value, which is divided by fully diluted shares outstanding to arrive at our target price.

Risks: Risks to our 12-month price target for NI include: 1) Conservation - conservation and bad debt expense from high commodity prices could impact earnings more than the base level we have accounted for; 2) Weather; 3) Interest rates; 4) Regulatory risk - rulings counter to assumptions and guidance could negatively impact our valuations going forward.

Distribution of Ratings (March 31, 2013)

Rating Category	BMO Rating	BMOCM US Universe*	BMOCM US IB Clients**	BMOCM US IB Clients***	BMOCM Universe****	BMOCM IB Clients*****	Starmine Universe
Buy	Outperform	37.3%	16.5%	53.8%	38.2%	51.3%	53.2%
Hold	Market Perform	58.0%	8.8%	44.6%	56.8%	47.7%	41.1%
Sell	Underperform	4.7%	3.7%	1.5%	4.9%	1.0%	5.7%

* Reflects rating distribution of all companies covered by BMO Capital Markets Corp. equity research analysts.

** Reflects rating distribution of all companies from which BMO Capital Markets Corp. has received compensation for Investment Banking services as percentage within ratings category.

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**** Reflects rating distribution of all companies covered by BMO Capital Markets equity research analysts.

***** Reflects rating distribution of all companies from which BMO Capital Markets has received compensation for Investment Banking services as percentage of Investment Banking clients.

Rating and Sector Key (as of April 5, 2013)

We use the following ratings system definitions:

OP = Outperform - Forecast to outperform the analyst's coverage universe on a total return basis;

Mkt = Market Perform - Forecast to perform roughly in line with the analyst's coverage universe on a total return basis;

Und = Underperform - Forecast to underperform the analyst's coverage universe on a total return basis;

(S) = Speculative investment;

NR = No rating at this time; and

R = Restricted - Dissemination of research is currently restricted.

BMO Capital Markets' seven Top 15 lists guide investors to our best ideas according to different objectives (CDN Large Cap, CDN Small Cap, US Large Cap, US Small Cap, Income, CDN Quant, and US Quant have replaced the Top Pick rating).

Prior BMO Capital Markets Rating System (January 4, 2010 - April 4, 2013):

http://researchglobal.bmocapitalmarkets.com/documents/2013/prior_rating_system.pdf

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May 1, 2012

NiSource

(NI-NYSE)

Stock Rating: Market Perform
Industry Rating: Market Perform

North American Pipelines

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1Q12 Beats as Growth Becomes More Tangible

Event

NI reported weather-normalized diluted EPS of \$0.73 (\$0.76 basic), above our \$0.69 estimate and \$0.71 consensus. The beat came from a multitude of pluses and minuses, but net EBIT from operations of \$434 mn was near spot-on with our \$435 mn, with the delta mainly coming from corporate (via several small items; this should also revert back to a modest drag going forward). Management reiterated its EPS guidance of \$1.40-\$1.50 (our \$1.46 translates to \$1.50 basic, apples to apples). The real positive, however, has been the increasing transparency in growth. Most of today's excitement appears directed at the pending Utica JV in the next 30 days or so; clearly a positive, but we also want to be careful of not double-counting value we already ascribe on a per acre basis to its liquids-rich position. In short, infrastructure investment above \$300 mn should be incremental to our valuation. We are more excited about the value creation from its proposed \$4B pipeline modernization program. NI continues to negotiate with shippers, and believes it could reach a settlement and file with the FERC mid-year with a year-end approval. The cornerstone of this is a tracking mechanism for timely and assured recovery; if achieved, we estimate the NPV uplift could approach \$3/sh (which translates to a 17x P/E multiple of incremental EPS three years forward).

Impact

Positive.

Forecasts

We're increasing our 2012 estimate a penny to \$1.46 owing in part to the 1Q beat. Our 2013 estimate remains unchanged at \$1.52; our new 2014 estimate is \$1.61.

Valuation

We're increasing our price target \$1 to \$25, reflecting an undiscounted 10x multiple in pipes, from increased traction for growth (e.g., East Side/West Side projects). Upside from the pipe's modernization program could be up to \$3/sh.

Recommendation

Maintain **MARKET PERFORM** given already strong performance of NI to date.

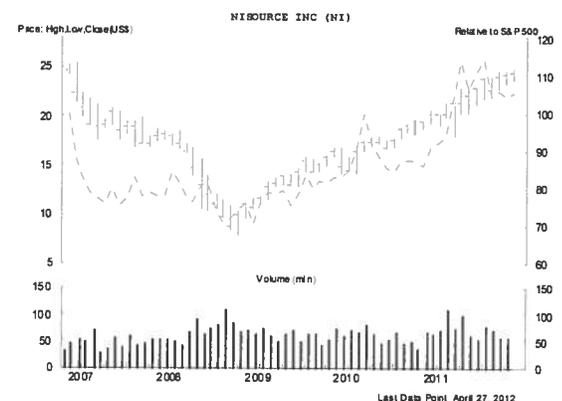
Securities Info

Price (1-May)	\$25.33	Target Price	\$25 ↑
52-Wk High/Low	\$25/\$18	Dividend	\$0.92
Mkt Cap (mm)	\$7,148	Yield	3.6%
Shs O/S (mm, BASIC)	282.2	Float O/S (mm)	279.6
Options O/S (mm)	na	ADVOL (30-day, 000s)	2,781

Selected Bond Iss	Ind Prc	Rat'g	Mdys/S&P	YTW	Spread
NiSource 6.8% '19	119	Baa3 / BBB-		3.61%	277bp
NiSource 6.4% '18	118	Baa3 / BBB-		3.04%	221bp

Bond data from Bloomberg.

Price Performance



Valuation/Financial Data

(FY-Dec.)	2010A	2011A	2012E	2013E
EPS Pro Forma	\$1.22	\$1.31	\$1.46↑	\$1.52
P/E			17.3x	16.7x
First Call Cons.			\$1.44	\$1.52
EPS GAAP	\$1.05	\$1.04	\$1.39	\$1.52
FCF	\$4.27	\$4.10	\$4.14↑	\$4.03↓
P/FCF			6.1x	6.3x
EBITDA (\$mm)	\$1,514	\$1,382	\$1,642	\$1,742
EV/EBITDA			8.5x	8.0x
Rev. (\$mm)	\$6,335	\$6,019	\$5,191	\$5,328
EV/Rev			2.7x	2.6x
Quarterly EPS	1Q	2Q	3Q	4Q
2011A	\$0.71	\$0.16	\$0.11	\$0.31
2012E	\$0.73A	\$0.17↓	\$0.13↓	\$0.43↓

Balance Sheet Data (31-Dec)		
Net Debt (\$mm)	\$6,740	Total Debt/EBITDA
Total Debt (\$mm)	\$6,988	EBITDA/IntExp
Net Debt/Cap.	52.3%	Price/Book
		4.3x
		4.0x
		1.4x

Notes: All values in US\$.

Source: BMO Capital Markets estimates, Bloomberg, Thomson Reuters, and IHS Global Insight.

Changes	Annual EPS	Annual FCF	Quarterly EPS	Target
	2012E \$1.45 to \$1.46	2012E \$4.06 to \$4.14	Q2/12E \$0.18 to \$0.17	Q4/12E \$0.44 to \$0.43
		2013E \$4.14 to \$4.03	Q3/12E \$0.14 to \$0.13	\$24.00 to \$25.00

Please refer to pages 5 to 8 for Important Disclosures, including the Analyst's Certification.

Exhibit 1: NiSource Income Statement

Consolidated Earnings (\$ Millions Except Per Share Data)	2009A	2010A	2011A	Q1	Q2	Q3	Q4	2012E	2013E	2014E
Operating Revenues:										
Gas Distribution	\$3,303	\$3,096	\$2,918	\$874	\$502	\$302	\$839	\$2,518	\$2,780	\$2,795
Pipelines & Storage	1,241	1,261	1,355	409	244	236	286	1,175	1,093	1,154
Electric	1,213	1,375	1,428	353	349	374	376	1,452	1,474	1,488
Other	542	603	319	23	14	10	(2)	46	(19)	(19)
Revenues	6,299	6,335	6,019	1,659	1,110	923	1,500	5,191	5,328	5,418
Operating Expenses:										
Cost of Sales	2,978	2,898	2,556	630	302	146	535	1,614	1,613	1,599
Operation & Maintenance	1,650	1,654	1,723	405	415	406	436	1,663	1,693	1,716
DD&A	589	596	538	146	147	148	148	590	604	621
Loss (gain) on asset sales	16	1	17	(2)	0	0	0	(2)	0	0
Taxes and Other	283	287	295	87	72	68	78	305	311	314
Total Operating Expenses	5,516	5,436	5,129	1,267	937	768	1,198	4,170	4,220	4,250
Operating Income	783	899	890	392	172	155	302	1,021	1,107	1,167
Other:										
Equity in Earnings	16	15	15	8	8	8	8	31	31	31
Minority Interests	0	0	0	0	0	0	0	0	0	0
Other	(6)	4	(6)	0	0	0	0	0	0	0
Total Other Income	10	19	(47)	8	8	8	8	31	31	31
Reported EBIT	\$793	\$918	\$844	\$400	\$180	\$162	\$309	\$1,052	\$1,138	\$1,198
EBITDA	\$1,383	\$1,514	\$1,382	\$546	\$328	\$310	\$458	\$1,642	\$1,742	\$1,819
EBIT Composition										
Gas Distribution	328	324	441	212	61	22	157	452	491	492
Pipelines & Storage	389	377	360	139	94	82	122	437	481	533
Electric	117	234	205	46	33	66	39	183	196	204
Corporate & Other	(40)	(17)	(162)	3	(8)	(8)	(8)	(20)	(30)	(30)
Total EBIT	\$793	\$918	\$844	\$400	\$180	\$162	\$309	\$1,052	\$1,138	\$1,198
Interest Expense	399	392	377	103	104	104	105	417	416	428
Preferred Distributions of Subsidiaries	0	0	0	0	0	0	0	0	0	0
Financing Expense	399	392	377	103	104	104	105	417	416	428
Income Before Taxes	394	526	467	296	76	58	204	634	723	770
Income Taxes										
Current	(214)	118	(15)	11	3	2	7	23	63	135
Deferred	378	55	178	92	24	18	64	199	190	135
Total Income Taxes	165	173	163	103	27	20	71	221	253	270
Effective Inc. Tax Rate (%)	42%	33%	35%	35%	35%	35%	35%	35%	35%	35%
Net Income From Continuing Operations	229	353	304	194	49	38	133	413	470	501
Discontinued Operations, net	(12)	(0)	(5)	(0)	0	0	0	(0)	0	0
Change in Accounting	(0)	(58)	0	0	0	0	0	0	0	0
GAAP Net Income to Common	\$218	\$294	\$299	\$193	\$49	\$38	\$133	\$413	\$470	\$501
Adjustments to Core										
Asset Impairment	0	0	0	0	0	0	0	0	0	0
Gain (Loss) From Disposal	(8)	0	0	0	0	0	0	0	0	0
Other Non-Recurring Gains (Loss)	(40)	11	(74)	(21)	0	0	0	(21)	0	0
Total Adjustments	(49)	11	(74)	(21)	0	0	0	(21)	0	0
Non-GAAP Core Earnings	\$278	\$342	\$378	\$215	\$49	\$38	\$133	\$434	\$470	\$501
Shares Outstanding (mm)										
Avg. Diluted Shares Out	276	280	289	293	292	296	308	297	309	311
Avg. Basic Shares Out	275	278	280	283	282	291	307	291	308	310
Period-end basic Shares Out	276	279	281	282	283	307	308	308	309	311
Earnings Per Share (Diluted)										
GAAP EPS	\$0.79	\$1.05	\$1.04	\$0.66	\$0.17	\$0.13	\$0.43	\$1.39	\$1.52	\$1.61
Core EPS	\$1.01	\$1.22	\$1.31	\$0.73	\$0.17	\$0.13	\$0.43	\$1.46	\$1.52	\$1.61
EPS Growth (core)	-19.4%	21.0%	7.4%	1.8%	2.1%	7.5%	37.3%	11.5%	4.0%	6.1%
Dividends										
Cash per share	\$0.92	\$0.92	\$0.92	\$0.24	\$0.24	\$0.24	\$0.24	\$0.96	\$1.00	\$1.04
Payout Ratio (%)	116.6%	87.5%	88.7%					69.1%	65.9%	64.6%

Source: BMO Capital Markets estimates, company data.

Exhibit 2: NiSource Cash Flow Statement

Cash Flow Statement (\$ Millions Except Per Share Data)	2009A	2010A	2011A	Q1	Q2	Q3	Q4	2012E	2013E	2014E
Operating Activities										
GAAP Net Income from Cont. Ops	218	292	299	193	49	38	133	413	470	501
DD&A	589	596	538	146	147	148	148	590	604	621
Deferred income tax benefit	378	200	178	92	24	18	64	199	190	135
Deferred Revenues	4	(20)	3	1	0	0	0	1	0	0
Amortization of premium on debt	13	10	9	2	0	0	0	2	0	0
Less Gain or Loss on assets	(4)	(0)	0	(2)	0	0	0	(2)	0	0
Less Equity Earnings plus Cash Distributions	(15)	7	16	12	(4)	(4)	(4)	0	(15)	(15)
Other non-cash income items	<u>36</u>	<u>112</u>	<u>139</u>	<u>27</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>27</u>	<u>0</u>	<u>0</u>
OCF (pre-working capital)	\$1,219	\$1,197	\$1,183	\$472	\$217	\$200	\$342	\$1,230	\$1,248	\$1,241
OCF per share	\$4.42	\$4.27	\$4.10	\$1.61	\$0.74	\$0.68	\$1.11	\$4.14	\$4.03	\$3.99
Working Capital:										
Accounts and notes receivable	259	(244)	318	128				128	0	0
Inventory	129	103	(142)	211				211	0	0
Less Change of Price Risk Management Activities	0	0	0	0				0	0	0
Accounts payable	(192)	38	(155)	(41)				(41)	0	0
Customer deposit, net	25	(25)	(5)	(99)				(99)	0	0
Other assets	83	(206)	(201)	(143)				(143)	0	0
Other Liabilities	<u>382</u>	<u>(86)</u>	<u>(78)</u>	<u>(49)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(49)</u>	<u>0</u>	<u>0</u>
Changes in Working Capital	686	(420)	(262)	8	0	0	0	8	0	0
Discontinued Operations	<u>(255)</u>	<u>(57)</u>	<u>(50)</u>	<u>(0)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(0)</u>	<u>0</u>	<u>0</u>
Cash Flow From Operations	1,651	720	870	480	217	200	342	1,238	1,248	1,241
Investing Activities										
Capital Spending (to PP&E)	(777)	(804)	(1,125)	(293)	(347)	(347)	(347)	(1,333)	(1,288)	(1,254)
Purchases of equity investments	0	0	0	0	0	0	0	0	0	0
Acquisitions	0	0	0	0	0	0	0	0	0	0
Proceeds from asset sales	6	1	9	2	0	0	0	2	0	0
Other	<u>109</u>	<u>(140)</u>	<u>(34)</u>	<u>(4)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(4)</u>	<u>0</u>	<u>0</u>
Cash Used in Investing	(662)	(944)	(1,149)	(295)	(347)	(347)	(347)	(1,335)	(1,288)	(1,254)
Discontinued Operations	<u>8</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Investing Cash Flow	(655)	(943)	(1,149)	(295)	(347)	(347)	(347)	(1,335)	(1,288)	(1,254)
Financing Activities										
Sale of Common Stock	26	14	24	17	10	410	10	446	38	38
Sale of Preferred Stock	0	0	0	0	0	0	0	0	0	0
Sale of L.T. Debt	1,460	250	890	0	0	0	500	500	500	500
Redemption of Common Stock	(3)	(2)	(3)	(10)	0	0	0	(10)	0	0
Redemption of Preferred Stock	0	0	0	0	0	0	0	0	0	0
Redemption of L.T. Debt	(1,170)	(1,071)	(287)	(6)	0	0	(315)	(321)	(420)	(500)
Change in Notes Payable, LC, ST Debt	(1,061)	1,280	(23)	(95)	200	0	(200)	(95)	150	275
Payments to Minority Interests	0	0	0	0	0	0	0	0	0	0
Dividends	(253)	(256)	(258)	(65)	(63)	(65)	(69)	(261)	(288)	(302)
Other	<u>0</u>	<u>0</u>	<u>(62)</u>	<u>0</u>	<u>0</u>	<u>(12)</u>	<u>0</u>	<u>(12)</u>	<u>0</u>	<u>0</u>
Cash From (For) Financing	(1,000)	216	281	(158)	147	333	(74)	247	(20)	11
Discontinued Operations	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Financing Cash Flow	(1,000)	216	281	(158)	147	333	(74)	247	(20)	11
Change in Cash	(\$4)	(\$7)	\$2	\$27	\$17	\$186	(\$79)	\$150	(\$61)	(\$3)
Cash & Temp. Inv. Beginning of Yr.	<u>\$21</u>	<u>\$16</u>	<u>\$9</u>	<u>\$12</u>	<u>\$38</u>	<u>\$55</u>	<u>\$241</u>	<u>\$12</u>	<u>\$162</u>	<u>\$101</u>
Cash & Temp. Inv. End of Yr.	\$16	\$9	\$12	\$38	\$55	\$241	\$162	\$162	\$101	\$99

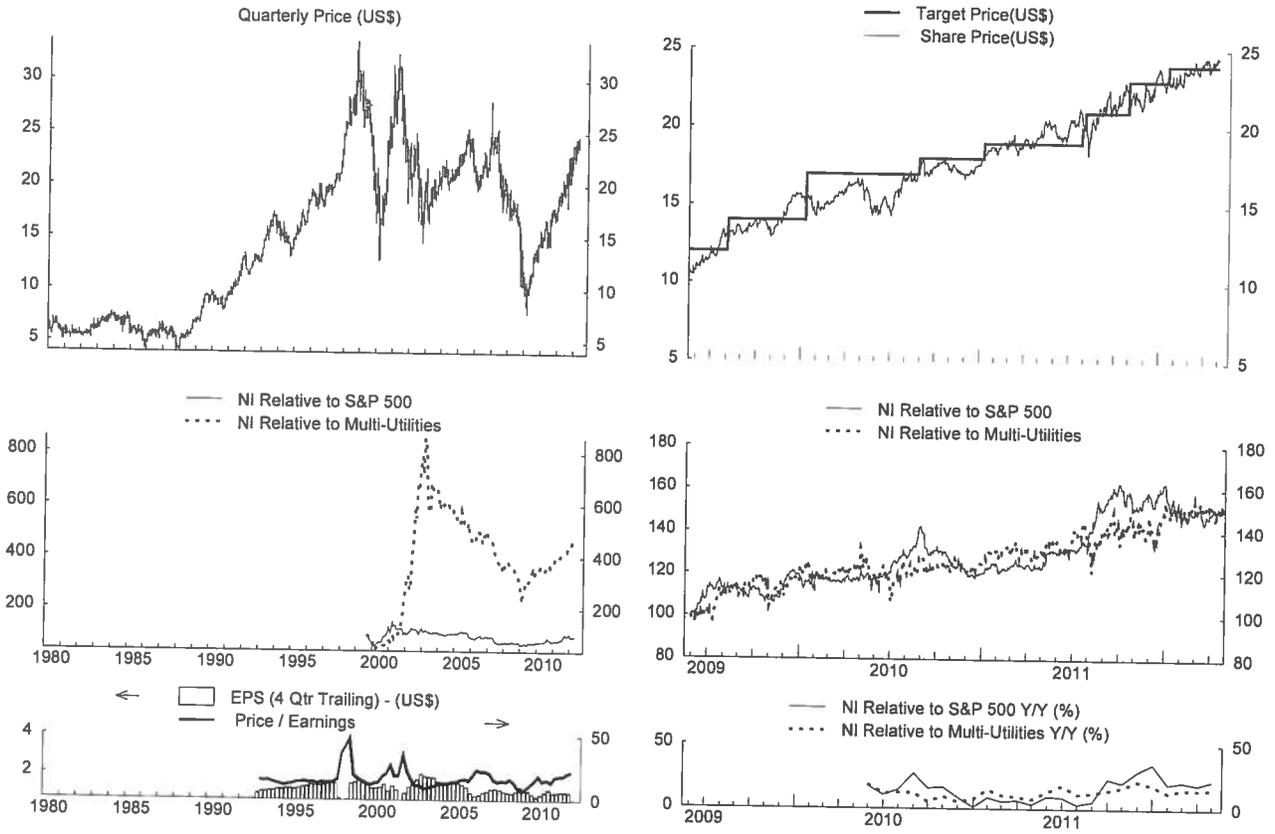
Source: BMO Capital Markets estimates, company data.

Exhibit 3: NiSource Balance Sheet

Balance Sheet (\$ Millions Except Per Share Data)	2009A	2010A	2011A	Q1	Q2	Q3	Q4	2012E	2013E	2014E
Assets:										
Cash & Equivalent	16	9	12	39	55	241	162	162	101	99
Restricted Cash	175	203	161	150	150	150	150	150	150	150
Receivables	848	1,121	951	853	853	853	853	853	853	853
Allowance for Uncollectable Accts.	(40)	(41)	(31)	(46)	(46)	(46)	(46)	(46)	(46)	(46)
Unbilled Revenues	0	0	0	0	0	0	0	0	0	0
Underrecovered gas & fuel costs	40	136	21	15	15	15	15	15	15	15
Inventories	385	428	566	354	354	354	354	354	354	354
ST Assets Price Risk Management	173	160	137	142	142	142	142	142	142	142
Regulatory Assets	238	152	170	186	186	186	186	186	186	186
Other Current Assets	387	283	262	277	277	277	277	277	277	277
Total Current Assets	2,224	2,449	2,248	1,970	1,987	2,173	2,094	2,094	2,033	2,031
Plant & Equipment (Gross)	19,038	19,590	20,470	20,708	21,055	21,401	21,748	21,748	23,036	24,290
Accumulated DD&A	(8,354)	(8,493)	(8,670)	(8,806)	(8,953)	(9,101)	(9,250)	(9,250)	(9,854)	(10,474)
Plant & Equipment, Net	10,684	11,097	11,800	11,902	12,101	12,300	12,498	12,498	13,183	13,816
Investments	295	349	356	362	362	362	362	362	362	362
LT Assets Price Risk Management	238	240	189	115	115	115	115	115	115	115
Regulatory Assets	1,644	1,650	1,978	1,940	1,940	1,940	1,940	1,940	1,940	1,940
Goodwill	3,677	3,677	3,677	3,677	3,677	3,677	3,677	3,677	3,677	3,677
Intangible Assets	320	309	298	295	295	295	295	295	295	295
Other Long Term Assets (& flywheel)	53	168	162	185	189	205	209	209	224	239
Total Assets	19,134	19,939	20,708	20,446	20,666	21,067	21,189	21,189	21,828	22,474
Liabilities & Equity:										
Short Term Debt	800	1,417	1,687	2,015	2,215	2,215	2,015	2,015	2,165	2,440
Accounts Payables	502	582	435	381	381	381	381	381	381	381
ST Liabilities Price Risk Management	190	174	168	180	180	180	180	180	180	180
Regulatory Liabilities	44	93	112	100	100	100	100	100	100	100
Other	1,575	1,384	1,245	1,042	1,042	1,042	1,042	1,042	1,042	1,042
Total Current Liab	3,111	3,649	3,646	3,718	3,918	3,918	3,718	3,718	3,868	4,143
Long Term Debt	5,988	5,936	6,267	5,834	5,834	5,834	6,019	6,019	6,099	6,099
LT Liabilities Price Risk Management	170	182	139	95	95	95	95	95	95	95
Accumiated Deferred Taxes	2,018	2,243	2,571	2,651	2,675	2,693	2,757	2,757	2,947	3,082
Regulatory Liabilities	1,559	1,596	1,664	1,616	1,616	1,616	1,616	1,616	1,616	1,616
Other Liabilities	1,572	1,409	1,424	1,451	1,451	1,451	1,451	1,451	1,451	1,451
Total Liabilities	14,418	15,016	15,711	15,365	15,589	15,608	15,657	15,657	16,077	16,486
Preferred Equity/Securities of Consolidated Subsidiaries	0	0	0	0	0	0	0	0	0	0
Common Equity	4,717	4,923	4,997	5,081	5,077	5,459	5,532	5,532	5,752	5,988
Other	0	0	0	0	0	0	0	0	0	0
Total Liab & Equity	19,134	19,939	20,708	20,446	20,666	21,067	21,189	21,189	21,828	22,474

Source: BMO Capital Markets estimates, company data.

NISOURCE INC (NI)



NI - Rating as of 26-Jun-08 = Mkt

Last Daily Data Point: April 27, 2012

Important Disclosures

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Methodology and Risks to Our Price Target/Valuation

Methodology: Our target price for NI is based on a sum-of-the parts valuation. We individually value each one of NI's business segments using a target EV/EBITDA multiple approach. Our target multiple for each segment is derived from analyzing historical multiple trading ranges, peer multiples, and adjusting for any expectation of future changes in investor sentiment, which would lead to multiple expansion/contraction. We next add together the segment valuations to reach an operating enterprise value, which is then adjusted for net debt, off-balance sheet items, operating leases, pension costs, and any other non-operating obligations. After adjustments, we then have our net equity value, which is divided by fully diluted shares outstanding to arrive at our target price.

Risks: Risks to our 12-month price target for NI include: 1) Conservation - conservation and bad debt expense from high commodity prices could impact earnings more than the base level we have accounted for; 2) Weather; 3) Interest rates; 4) Regulatory risk - rulings counter to assumptions and guidance could negatively impact our valuations going forward.

Distribution of Ratings (March 31, 2012)

Rating Category	BMO Rating	BMOCM US Universe*	BMOCM US IB Clients**	BMOCM US IB Clients***	BMOCM Universe****	BMOCM IB Clients*****	Starmine Universe
Buy	Outperform	37.2%	12.1%	52.1%	39.2%	48.3%	54.6%
Hold	Market Perform	60.0%	7.0%	47.9%	57.6%	51.0%	40.1%
Sell	Underperform	2.4%	0.0%	0.0%	3.2%	0.7%	5.3%

* Reflects rating distribution of all companies covered by BMO Capital Markets Corp. equity research analysts.

** Reflects rating distribution of all companies from which BMO Capital Markets Corp. has received compensation for Investment Banking services as percentage within ratings category.

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OP = Outperform - Forecast to outperform the market;

Mkt = Market Perform - Forecast to perform roughly in line with the market;

Und = Underperform - Forecast to underperform the market;

(S) = speculative investment;

NR = No rating at this time;

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July 31, 2012

NiSource

(NI-NYSE)

Stock Rating: Market Perform
 Industry Rating: Market Perform

North American Pipelines

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2Q12 Delivers; Focus Turns to September 12

Event

NI reported 2Q12 clean diluted EPS of \$0.23, slightly above our \$0.21 estimate and consensus of \$0.20. The earnings deltas: a penny miss each in pipes and LDC were more than offset by a \$0.02 beat in electric, with the balance of a \$0.02 collective beat from corp/other, interest and taxes. The beat also puts NI on a solid path to reaching the high end of its \$1.40-\$1.50 2012 guidance. Sought after detail on recent Utica JVs were slim as expected, with a more fulsome update promised at its analyst day Sept. 12; that said, management confirmed 1) its \$300 mn fee-based midstream JV could potentially expand to \$1B over the next five years, and 2) NI will have a net 5% non-operated working interest in the Hilcorp E&P JV (which we assume ultimately gets to 100,000 gross acres) plus upfront cash and carry in order to make it self funding. Management also maintained optimism on reaching a settled customer agreement on its proposed \$4B infrastructure modernization program for Columbia Gas, with FERC approval still targeted by year-end. We see this as the largest lever to valuation, as a tracker could help accelerate recognition of what is potentially \$3/sh in net present value, although even absent a settlement NI should be able to achieve this value over time through the normal rate filing mechanism.

Impact

Neutral to positive.

Forecasts

We're raising our 2012 estimate to \$1.48 given the 2Q beat (now at the high end of NI's reaffirmed \$1.40-\$1.50 guidance range). Our 2013 estimate is unchanged.

Valuation

We reiterate our YE12 \$25 price target, with 18-mo. upside to \$26 based on 2014 metrics, excluding \$3/sh of potential relating to the pipe modernization program.

Recommendation

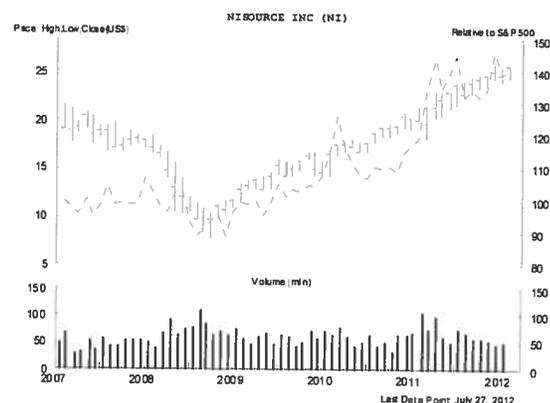
Maintain MARKET PERFORM.

Changes	Annual EPS	Annual FCF
	2012E \$1.46 to \$1.48	2012E \$4.13 to \$4.06

Securities Info

Price (31-Jul)	\$25.59	Target Price	\$25
52-Wk High/Low	\$26/\$18	Dividend	\$0.96
Mkt Cap (mm)	\$7,270	Yield	3.8%
Shs O/S (mm, BASIC)	284.1	Float O/S (mm)	281.5
Options O/S (mm)	na	ADVol (30-day, 000s)	2,070

Price Performance



Valuation/Financial Data

(FY-Dec.)	2010A	2011A	2012E	2013E
EPS Pro Forma	\$1.22	\$1.31	\$1.48↑	\$1.52
P/E			17.3x	16.8x
First Call Cons.			\$1.45	\$1.54
EPS GAAP	\$0.53	\$0.52	\$1.42	\$1.52
FCF	\$4.27	\$4.10	\$4.06↓	\$4.04
P/FCF			6.3x	6.3x
EBITDA (\$mm)	\$1,514	\$1,382	\$1,649	\$1,743
EV/EBITDA			8.5x	8.0x
Rev. (\$mm)	\$6,335	\$6,019	\$5,296	\$5,489
EV/Rev			2.6x	2.6x

Quarterly EPS	1Q	2Q	3Q	4Q
2011A	\$0.71	\$0.16	\$0.11	\$0.31
2012E	\$0.73A	\$0.23A	\$0.14	\$0.38

Balance Sheet Data (31-Mar)

Net Debt (\$mm)	\$6,740	Total Debt/EBITDA	4.2x
Total Debt (\$mm)	\$6,988	EBITDA/IntExp	4.0x
Net Debt/Cap.	52.1%	Price/Book	1.4x

Notes: All values in US\$.

Source: BMO Capital Markets estimates, Bloomberg, Thomson Reuters, and IHS Global Insight.

Exhibit 1: NiSource Income Statement

Consolidated Earnings (\$ Millions Except Per Share Data)	2009A	2010A	2011A	Q1	Q2	Q3	Q4	2012E	2013E	2014E	2015E
Operating Revenues:											
Gas Distribution	\$3,303	\$3,096	\$2,918	\$874	\$283	\$404	\$904	\$2,464	\$2,958	\$2,973	\$2,990
Pipelines & Storage	1,241	1,261	1,355	409	356	237	269	1,272	1,084	1,093	1,128
Electric	1,213	1,375	1,428	353	377	374	376	1,480	1,488	1,502	1,517
Other	542	603	319	23	33	10	14	80	(41)	(42)	(42)
Revenues	6,299	6,335	6,019	1,659	1,049	1,025	1,564	5,296	5,489	5,527	5,592
Operating Expenses:											
Cost of Sales	2,978	2,898	2,556	630	241	256	632	1,760	1,825	1,795	1,791
Operation & Maintenance	1,650	1,654	1,723	405	394	404	432	1,635	1,669	1,691	1,714
DD&A	589	596	538	146	148	149	149	593	610	622	640
Loss (gain) on asset sales	16	1	17	(2)	(2)	0	0	(3)	0	0	0
Taxes and Other	283	287	295	87	67	61	75	289	291	296	299
Total Operating Expenses	5,516	5,436	5,129	1,267	849	870	1,288	4,273	4,394	4,404	4,444
Operating Income	783	899	890	392	200	155	276	1,023	1,095	1,123	1,148
Other:											
Equity in Earnings	16	15	15	8	9	9	9	33	39	56	73
Minority Interests	0	0	0	0	0	0	0	0	0	0	0
Other	(8)	4	(61)	0	0	0	0	0	0	0	0
Total Other Income	10	19	(47)	8	9	9	9	34	39	56	73
Reported EBIT	\$793	\$918	\$844	\$400	\$209	\$164	\$284	\$1,056	\$1,133	\$1,179	\$1,221
EBITDA	\$1,383	\$1,514	\$1,382	\$546	\$357	\$312	\$434	\$1,649	\$1,743	\$1,801	\$1,861
EBIT Composition											
Gas Distribution	328	324	394	212	47	10	137	406	471	478	480
Pipelines & Storage	389	377	360	139	92	89	111	430	490	512	553
Electric	117	234	210	46	70	71	43	231	202	219	218
Corporate & Other	(40)	(17)	(120)	3	(0)	(7)	(7)	(12)	(30)	(30)	(30)
Total EBIT	\$793	\$918	\$844	\$400	\$209	\$164	\$284	\$1,056	\$1,133	\$1,179	\$1,221
Interest Expense	399	392	377	103	100	99	102	405	403	416	422
Preferred Distributions of Subsidiaries	0	0	0	0	0	0	0	0	0	0	0
Financing Expense	399	392	377	103	100	99	102	405	403	416	422
Income Before Taxes	394	526	467	296	108	64	183	651	730	764	799
Income Taxes											
Current	(214)	118	(15)	11	1	2	6	20	64	134	140
Deferred	378	55	178	92	37	20	58	207	192	134	140
Total Income Taxes	165	173	163	103	38	22	64	227	255	267	280
Effective Inc. Tax Rate (%)	42%	33%	35%	35%	35%	35%	35%	35%	35%	35%	35%
Net Income From Continuing Operations	229	353	304	194	71	42	119	424	474	496	519
Discontinued Operations, net	(12)	(0)	(5)	(0)	(1)	0	0	(1)	0	0	0
Change in Accounting	(0)	(58)	0	0	0	0	0	0	0	0	0
GAAP Net Income to Common	\$218	\$294	\$299	\$193	\$69	\$42	\$119	\$423	\$474	\$496	\$519
Adjustments to Core											
Asset Impairment	0	0	0	0	0	0	0	0	0	0	0
Gain (Loss) From Disposal	(8)	0	0	0	0	0	0	0	0	0	0
Other Non-Recurring Gains (Loss)	(40)	11	(74)	(21)	4	0	0	(17)	0	0	0
Total Adjustments	(49)	11	(74)	(21)	4	0	0	(17)	0	0	0
Non-GAAP Core Earnings	\$278	\$342	\$378	\$215	\$67	\$42	\$119	\$441	\$474	\$496	\$519
Shares Outstanding (mm)											
Avg. Diluted Shares Out	276	280	289	293	296	298	310	299	311	313	314
Avg. Basic Shares Out	275	278	280	283	284	293	309	292	310	312	313
Period-end basic Shares Out	276	279	282	284	285	309	310	310	311	313	314
Earnings Per Share (Diluted)											
GAAP EPS	\$0.79	\$1.05	\$1.04	\$0.66	\$0.23	\$0.14	\$0.38	\$1.41	\$1.52	\$1.59	\$1.65
Core EPS	\$1.01	\$1.22	\$1.31	\$0.73	\$0.23	\$0.14	\$0.38	\$1.48	\$1.52	\$1.59	\$1.65
EPS Growth (core)	-19.4%	21.0%	7.4%	1.8%	36.2%	18.1%	22.1%	12.6%	3.3%	4.1%	4.1%
Dividends											
Cash per share	\$0.92	\$0.92	\$0.92	\$0.23	\$0.24	\$0.24	\$0.24	\$0.95	\$0.99	\$1.04	\$1.08
Payout Ratio (%)	116.6%	87.5%	88.7%					67.2%	65.0%	65.6%	65.4%

Source: BMO Capital Markets estimates, company data.

Exhibit 2: NiSource Cash Flow Statement

Cash Flow Statement (\$ Millions Except Per Share Data)	2009A	2010A	2011A	Q1	Q2	Q3	Q4	2012E	2013E	2014E	2015E
Operating Activities											
GAAP Net Income from Cont. Ops	218	292	299	193	69	42	119	423	474	496	519
DD&A	589	596	538	146	148	149	149	593	610	622	640
Deferred income tax benefit	378	200	178	92	37	20	58	207	192	134	140
Deferred Revenues	4	(20)	3	1	(1)	0	0	(0)	0	0	0
Amortization of premium on debt	13	10	9	2	2	0	0	5	0	0	0
Less Gain or Loss on assets	(4)	(0)	0	(2)	(2)	0	0	(3)	0	0	0
Less Equity Earnings plus Cash Distributions	(15)	7	16	12	2	(4)	(4)	6	(19)	(28)	(36)
Other non-cash income items	35	112	139	27	(41)	0	0	(14)	0	0	0
OCF (pre-working capital)	\$1,219	\$1,197	\$1,183	\$472	\$215	\$207	\$321	\$1,216	\$1,257	\$1,224	\$1,262
OCF per share	\$4.42	\$4.27	\$4.10	\$1.61	\$0.73	\$0.69	\$1.04	\$4.06	\$4.04	\$3.91	\$4.02
Working Capital:											
Accounts and notes receivable	259	(244)	318	128	177			305	0	0	0
Inventory	129	103	(142)	211	(78)			134	0	0	0
Less Change of Price Risk Management Activities	0	0	0	0	0			0	0	0	0
Accounts payable	(192)	38	(155)	(41)	(106)			(148)	0	0	0
Customer deposit, net	25	(25)	(5)	(99)	(13)			(112)	0	0	0
Other assets	83	(206)	(201)	(143)	175			33	0	0	0
Other Liabilities	382	(88)	(78)	(49)	(79)	0	0	(127)	0	0	0
Changes in Working Capital	686	(420)	(262)	8	77	0	0	85	0	0	0
Discontinued Operations	(255)	(57)	(50)	(0)	(1)	0	0	(1)	0	0	0
Cash Flow From Operations	1,651	720	870	480	292	207	321	1,300	1,257	1,224	1,262
Investing Activities											
Capital Spending (to PP&E)	(777)	(804)	(1,125)	(293)	(327)	(350)	(431)	(1,400)	(1,240)	(1,391)	(1,122)
Purchases of equity investments	0	0	0	0	0	0	0	0	0	0	0
Acquisitions	0	0	0	0	0	0	0	0	0	0	0
Proceeds from asset sales	6	1	9	2	0	0	0	2	0	0	0
Other	109	(140)	(34)	(4)	53	0	0	48	0	0	0
Cash Used in Investing	(662)	(944)	(1,149)	(295)	(274)	(350)	(431)	(1,349)	(1,240)	(1,391)	(1,122)
Discontinued Operations	8	0	0	0	0	0	0	0	0	0	0
Investing Cash Flow	(655)	(943)	(1,149)	(295)	(274)	(350)	(431)	(1,349)	(1,240)	(1,391)	(1,122)
Financing Activities											
Sale of Common Stock	26	14	24	17	13	410	10	449	38	38	38
Sale of Preferred Stock	0	0	0	0	0	0	0	0	0	0	0
Sale of L.T. Debt	1,460	250	890	0	988	0	500	1,488	500	500	250
Redemption of Common Stock	(3)	(2)	(3)	(10)	(0)	0	0	(10)	0	0	0
Redemption of Preferred Stock	0	0	0	0	0	0	0	0	0	0	0
Redemption of L.T. Debt	(1,170)	(1,071)	(287)	(6)	(2)	0	(315)	(323)	(420)	(500)	(230)
Change in Notes Payable, L.C, ST Debt	(1,061)	1,280	(23)	(95)	(937)	(200)	0	(1,231)	150	425	150
Payments to Minority Interests	0	0	0	0	0	0	0	0	0	0	0
Dividends	(253)	(256)	(258)	(65)	(65)	(65)	(69)	(265)	(287)	(304)	(318)
Other	0	0	(62)	0	0	(12)	0	(12)	0	0	0
Cash From (For) Financing	(1,000)	216	281	(158)	(3)	132	125	96	(19)	159	(110)
Discontinued Operations	0	0	0	0	0	0	0	0	0	0	0
Financing Cash Flow	(1,000)	216	281	(158)	(3)	132	125	96	(19)	159	(110)
Change in Cash	(\$4)	(\$7)	\$2	\$27	\$14	(\$11)	\$16	\$46	(\$2)	(\$9)	\$30
Cash & Temp. Inv. Beginning of Yr.	\$21	\$16	\$9	\$12	\$38	\$53	\$42	\$12	\$58	\$56	\$47
Cash & Temp. Inv. End of Yr.	\$16	\$9	\$12	\$38	\$53	\$42	\$58	\$58	\$56	\$47	\$77

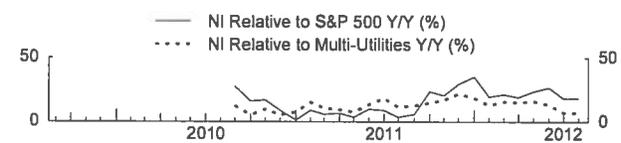
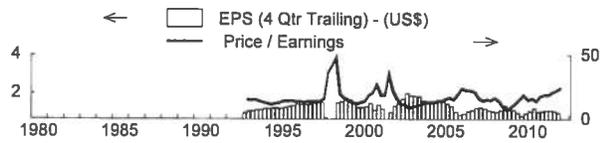
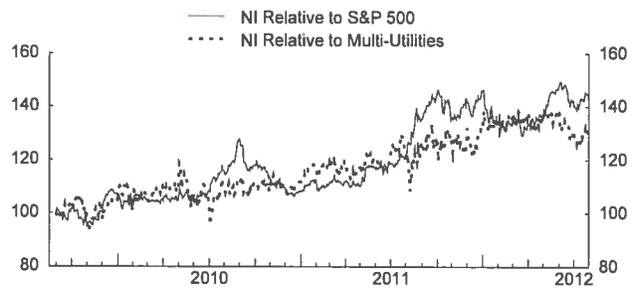
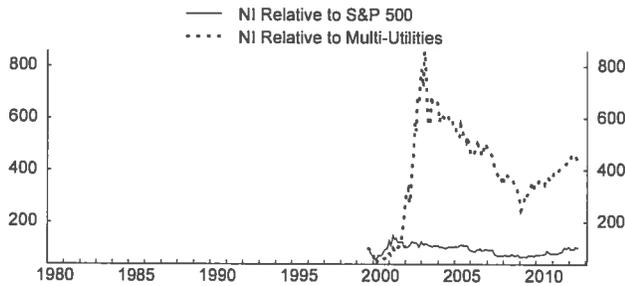
Source: BMO Capital Markets estimates, company data.

Exhibit 3: NiSource Balance Sheet

Balance Sheet (\$ Millions Except Per Share Data)	2009A	2010A	2011A	Q1	Q2	Q3	Q4	2012E	2013E	2014E	2015E
Assets:											
Cash & Equivalent	16	9	12	39	53	42	58	58	56	47	77
Restricted Cash	175	203	161	150	85	85	85	85	85	85	85
Receivables	848	1,121	951	853	639	639	639	639	639	639	639
Allowance for Uncollectable Acts.	(40)	(41)	(31)	(46)	(42)	(42)	(42)	(42)	(42)	(42)	(42)
Unbilled Revenues	0	0	0	0	0	0	0	0	0	0	0
Underrecovered gas & fuel costs	40	136	21	15	2	2	2	2	2	2	2
Inventories	385	428	566	354	428	428	428	428	428	428	428
ST Assets Price Risk Management	173	160	137	142	120	120	120	120	120	120	120
Regulatory Assets	238	152	170	186	193	193	193	193	193	193	193
Other Current Assets	387	283	262	277	274	274	274	274	274	274	274
Total Current Assets	2,224	2,449	2,248	1,970	1,752	1,740	1,757	1,757	1,754	1,746	1,776
Plant & Equipment (Gross)	19,038	19,590	20,470	20,708	21,032	21,382	21,812	21,812	23,052	24,443	25,565
Accumulated DD&A	(8,354)	(8,493)	(8,670)	(8,806)	(8,883)	(9,032)	(9,181)	(9,181)	(9,791)	(10,413)	(11,052)
Plant & Equipment, Net	10,684	11,097	11,800	11,902	12,149	12,350	12,631	12,631	13,262	14,031	14,513
Investments	295	349	356	362	369	369	369	369	369	369	369
LT Assets Price Risk Management	238	240	189	115	90	90	90	90	90	90	90
Regulatory Assets	1,644	1,650	1,978	1,940	1,899	1,899	1,899	1,899	1,899	1,899	1,899
Goodwill	3,677	3,677	3,677	3,677	3,677	3,677	3,677	3,677	3,677	3,677	3,677
Intangible Assets	320	309	298	295	292	292	292	292	292	292	292
Other Long Term Assets (& flywheel)	53	168	162	185	181	188	202	202	220	249	285
Total Assets	19,134	19,939	20,708	20,446	20,409	20,616	20,917	20,917	21,564	22,352	22,901
Liabilities & Equity:											
Short Term Debt	800	1,417	1,687	2,015	1,095	895	895	895	1,045	1,470	1,620
Accounts Payables	502	582	435	381	360	360	360	360	360	360	360
ST Liabilities Price Risk Management	190	174	168	180	133	133	133	133	133	133	133
Regulatory Liabilities	44	93	112	100	93	93	93	93	93	93	93
Other	1,575	1,384	1,245	1,042	981	981	981	981	981	981	981
Total Current Liab	3,111	3,649	3,646	3,718	2,662	2,462	2,462	2,462	2,612	3,037	3,187
Long Term Debt	5,988	5,936	6,267	5,834	6,807	6,807	6,992	6,992	7,072	7,072	7,092
LT Liabilities Price Risk Management	170	182	139	95	46	46	46	46	46	46	46
Accumulated Deferred Taxes	2,018	2,243	2,571	2,651	2,731	2,751	2,808	2,808	3,000	3,133	3,273
Regulatory Liabilities	1,559	1,596	1,664	1,616	1,616	1,616	1,616	1,616	1,616	1,616	1,616
Other Liabilities	1,572	1,409	1,424	1,451	1,443	1,443	1,443	1,443	1,443	1,443	1,443
Total Liabilities	14,418	15,016	15,711	15,365	15,304	15,124	15,367	15,367	15,788	16,347	16,657
Preferred Equity/Securities of Consolidated Subsidiaries	0	0	0	0	0	0	0	0	0	0	0
Common Equity	4,717	4,923	4,997	5,081	5,105	5,491	5,550	5,550	5,775	6,005	6,244
Other	0	0	0	0	0	0	0	0	0	0	0
Total Liab & Equity	19,134	19,939	20,708	20,446	20,409	20,616	20,917	20,917	21,564	22,352	22,901

Source: BMO Capital Markets estimates, company data.

NISOURCE INC (NI)



NI - Rating as of 26-Jun-08 = Mkt

Last Daily Data Point: July 27, 2012

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Methodology and Risks to Our Price Target/Valuation

Methodology: Our target price for NI is based on a sum-of-the parts valuation. We individually value each one of NI's business segments using a target EV/EBITDA multiple approach. Our target multiple for each segment is derived from analyzing historical multiple trading ranges, peer multiples, and adjusting for any expectation of future changes in investor sentiment, which would lead to multiple expansion/contraction. We next add together the segment valuations to reach an operating enterprise value, which is then adjusted for net debt, off-balance sheet items, operating leases, pension costs, and any other non-operating obligations. After adjustments, we then have our net equity value, which is divided by fully diluted shares outstanding to arrive at our target price.

Risks: Risks to our 12-month price target for NI include: 1) Conservation - conservation and bad debt expense from high commodity prices could impact earnings more than the base level we have accounted for; 2) Weather; 3) Interest rates; 4) Regulatory risk - rulings counter to assumptions and guidance could negatively impact our valuations going forward.

Distribution of Ratings (June 30, 2012)

Rating Category	BMO Rating	BMOCM US Universe*	BMOCM US IB Clients**	BMOCM US IB Clients***	BMOCM Universe****	BMOCM IB Clients*****	Starmine Universe
Buy	Outperform	39.2%	14.2%	66.0%	39.7%	49.1%	55.7%
Hold	Market Perform	58.8%	4.6%	31.9%	57.1%	48.6%	39.3%
Sell	Underperform	2.0%	9.1%	2.1%	3.2%	2.3%	5.0%

* Reflects rating distribution of all companies covered by BMO Capital Markets Corp. equity research analysts.

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Ratings and Sector Key

We use the following ratings system definitions:

OP = Outperform - Forecast to outperform the market;

Mkt = Market Perform - Forecast to perform roughly in line with the market;

Und = Underperform - Forecast to underperform the market;

(S) = speculative investment;

NR = No rating at this time;

R = Restricted – Dissemination of research is currently restricted.

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BMO Capital Markets

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November 4, 2012

NiSource

(NI-NYSE)

Stock Rating: **Market Perform**
Industry Rating: **Market Perform**

North American Pipelines

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Solid 3Q Operationally; On Track with Goals

Event

NI reported 3Q12 clean EPS of \$0.05, in line with our estimate and consensus. While we were on point, slight operational beats in electric (+\$0.01) and pipes (+\$0.005) were offset by higher interest expense (-\$0.015). As expected, NI incurred a one-time \$50mm charge in pipes this quarter associated with its pipeline modernization settlement. Even including this negative impact, our price target attributes better than \$1/share of net present value for the 10- to 12-year, \$4B+ proposal; we expect FERC approval by the end of the month. While not much is fundamentally different from the deep dive biannual Analyst Day less than two months ago, our key takeaways are: 1) NI reaffirmed 2012 guidance of \$1.40-\$1.50 - we sit in the middle at \$1.45 (unchanged); 2) all projects under way remain on track and on budget; 3) Columbia Gas of Massachusetts received its rate base approval from the Massachusetts PUC for an \$8mm annual revenue increase; and 4) management reiterated its targeted annual capital investment of \$1.5B-\$1.8B, which should drive growth at all three businesses to deliver 5%-7% EPS CAGR and 3%-5% dividend CAGR. Finally, Hurricane Sandy did lead to some minor disruptions in the company's service areas, but no major issues at any of its facilities.

Impact

Neutral.

Forecasts

Our 2012 estimate remains unchanged, but we are lowering 2013 by \$0.02 owing to the roll through of higher interest expense experienced in the quarter.

Valuation

Although there are no fundamental changes to our model, we are rolling forward our valuation multiples to 2014 metrics, which increases our price target to \$27.

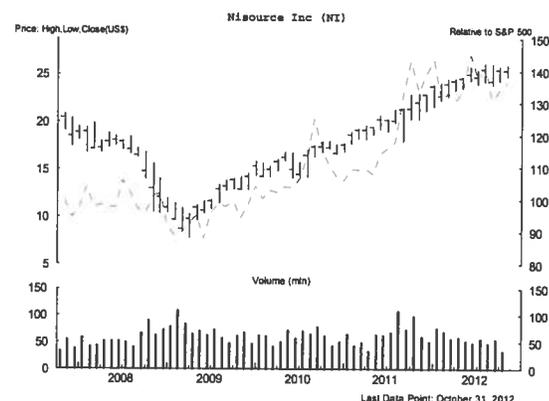
Recommendation

Maintain **MARKET PERFORM** rating.

Securities Info

Price (2-Nov)	\$25.22	Target Price	\$27 ↑
52-Wk High/Low	\$26/\$21	Dividend	\$0.96
Mkt Cap (mm)	\$7,185	Yield	3.8%
Shs O/S (mm, BASIC)	284.9	Float O/S (mm)	282.3
Options O/S (mm)	na	ADVOL (30-day, 000s)	1,716

Price Performance



Valuation/Financial Data

(FY-Dec.)	2010A	2011A	2012E	2013E
EPS Pro Forma	\$1.22	\$1.31	\$1.45	\$1.56↓
P/E			17.4x	16.2x
First Call Cons.			\$1.45	\$1.57
EPS GAAP	\$0.53	\$0.52	\$1.40	\$1.56
FCF	\$4.27	\$4.10	\$4.00↓	\$4.01↓
P/FCF			6.3x	6.3x
EBITDA (\$mm)	\$1,514	\$1,382	\$1,629	\$1,794
EV/EBITDA			8.5x	7.8x
Rev. (\$mm)	\$6,335	\$6,019	\$5,183	\$5,502
EV/Rev			2.7x	2.5x
Quarterly EPS	1Q	2Q	3Q	4Q
2011A	\$0.71	\$0.16	\$0.11	\$0.31
2012E	\$0.73A	\$0.23A	\$0.05A	\$0.44

Balance Sheet Data (30-Jun)

Net Debt (\$mm)	\$6,740	Total Debt/EBITDA	4.3x
Total Debt (\$mm)	\$6,988	EBITDA/IntExp	3.9x
Net Debt/Cap.	51.8%	Price/Book	1.4x

Notes: All values in US\$.

Source: BMO Capital Markets estimates, Bloomberg, Thomson Reuters, and IHS Global Insight.

Changes	Annual EPS	Annual FCF	Target
	2013E \$1.58 to \$1.56	2012E \$4.02 to \$4.00	\$26.00 to \$27.00
		2013E \$4.04 to \$4.01	

Please refer to pages 7 to 10 for Important Disclosures, including the Analyst's Certification.

3Q12 Deltas at a Glance

NI reported 3Q12 clean EPS of \$0.05 in line with our estimate and consensus. Business segment summaries and primary deltas to our estimate were as follow:

Pipes: +\$0.005 delta. EBIT of \$39mm was slightly higher than our \$37mm estimate, primarily owing to slightly higher operating margins. Of note, total throughput volumes of 312 MMDth were ~7% lower than expected, mainly owing to Columbia Gulf. In September, Columbia Gas Transmission filed a customer settlement with the FERC in support of a pipeline modernization program; approval has been requested by the end of this month. NI plans to invest \$4B+ over a 10- to 12-year period, but the initial agreement outlines ~\$300mm annual investment over the next five years. While this investment program contributes to strong future growth, NI recognized a one-time \$50mm rate reduction this quarter associated with achievement of the settlement. For a project update, the \$150mm Big Pine gathering system remains on time and on budget with in service expected in early 2013. Construction started on the Millennium Pipeline (NI owns a 47.5% interest), and it should be in service 1Q13. With firm commitments in place, NI plans to file its \$200mm West Side expansion project with the FERC in 1H13, noting in service is expected in late 2014. Last week, NI received firm commitments for its \$210mm East Side expansion project, which is targeting a 3Q15 in service date. In addition, the Pennant Midstream JV remains on track with the first phase expected in service in 2H13. Management sees significant midstream opportunities in the area, reiterating the JV's potential investment of up to \$1B (\$500mm net to NI) over the next five to seven years. With an annual capital investment of \$500-700mm, operating earnings at the pipes segment should grow at a rate of 10%-12%.

LDC: on target. EBIT of \$16mm was in line with our expectation. Higher volumes of 170 MMDth (+13%) were neutralized by a lower effective tariff. In September, Columbia Gas of Pennsylvania filed a rate case with the Pennsylvania PUC for its ongoing infrastructure modernization program. If approved, annual revenues would increase by \$77mm; a decision is expected in 2Q13. Although this request is consistent with a recently passed act, it will be the first case addressed (precedent setting) and could lead to a longer review period. On November 1, the Massachusetts PUC approved an \$8mm revenue increase with respect to the Columbia Gas of Massachusetts rate case. With an annual capital investment of \$600-650mm (\$470-500mm on tracker), operating earnings at the LDC segment should grow at a rate of 7%-9%.

Electric: +\$0.01 delta. EBIT of \$78mm was higher than our \$73mm estimate primarily owing to stronger top-line growth—a higher effective tariff more than offset 3% lower total GW hours of 4,622. We continue to see solid industrial customer growth of ~1%, although usage per customer has remained relatively flat. Of note, the installation of three scrubbers at NI's last remaining "unscrubbed" coal plants in its fleet remain on track and budget. In addition, NI is pursuing investment projects to alleviate the MISO bottleneck; we could see more investment here. With an annual capital investment of \$400-450mm (including \$125mm for maintenance), EBIT at the electric segment should grow at a rate of 7%-9%.

Corporate and interest: -\$0.02 delta. Corporate EBIT of -\$2mm matched our expectation, while interest expense of \$108mm was higher than our \$100mm estimate.

Exhibit 1: NiSource Valuation

Sum-of-the-Parts Valuation Analysis

	2014E		Valuation Multiple	Notes:
EBITDA by Segment				
Gas Distribution	\$763		8.3x	\$6,296
Gas Pipelines	\$643		10.0x	\$6,427
Electric	\$560		8.0x	\$4,482
Other	(\$38)		5.0x	(\$190)
Value of Operations	\$1,928		8.8x	\$17,016
Net Debt (year-end 2013E)				(\$8,907)
Preferred & Minority Interests				—
Pension/OPEB Underfunded Obligation	(\$919)	25%		(\$230) - est underfunded at YE12; risk adjusted at 25% (rest assumes recovery in rates)
	Gross	Risked	Net	Value
Utica Acreage - East (Liquids Rich)	15,000	100%	15,000	\$15,000
Utica Acreage - Central/West	175,000	0%	0	\$5,000
Net present value of Pipeline Modernization Program				\$346 - See tab
Net Equity Value				\$8,451
Diluted Shares Outstanding				314
\$/sh				\$26.94
Average Target Price (rounded):				\$27.00
Valuation Summary:				
Current Price				\$25.22
Current Dividend				\$0.96
Appreciation Potential				7.1%
Current Yield				3.8%
Total Return Potential				10.9%

Source: BMO Capital Markets estimates, company data.

Exhibit 2: NiSource Income Statement

Consolidated Earnings (\$ Millions Except Per Share Data)	2009A	2010A	2011A	Q1	Q2	Q3	Q4	2012E	2013E	2014E	2015E
Operating Revenues:											
Gas Distribution	\$3,303	\$3,096	\$2,918	\$874	\$283	\$226	\$851	\$2,233	\$2,986	\$3,066	\$3,145
Pipelines & Storage	1,241	1,261	1,355	409	356	278	283	1,327	1,095	1,119	1,165
Electric	1,213	1,375	1,428	353	377	418	353	1,501	1,497	1,541	1,586
Other	542	603	319	23	33	51	14	121	(76)	(77)	(79)
Revenues	6,299	6,335	6,019	1,659	1,049	974	1,502	5,183	5,502	5,649	5,818
Operating Expenses:											
Cost of Sales	2,978	2,898	2,556	630	241	234	535	1,640	1,703	1,696	1,691
Operation & Maintenance	1,650	1,654	1,723	405	394	423	437	1,660	1,741	1,780	1,819
DD&A	589	596	538	146	148	126	141	561	587	614	646
Loss (gain) on asset sales	16	1	17	(2)	(2)	(1)	0	(4)	0	0	0
Taxes and Other	283	287	295	87	67	62	76	292	301	310	318
Total Operating Expenses	5,516	5,436	5,129	1,267	849	844	1,189	4,149	4,332	4,399	4,475
Operating Income	783	899	890	392	200	129	312	1,033	1,170	1,250	1,343
Other:											
Equity in Earnings	16	15	15	8	9	8	8	32	37	54	71
Minority Interests	0	0	0	0	0	0	0	0	0	0	0
Other	(6)	4	(61)	0	0	2	0	3	0	0	0
Total Other Income	10	19	(47)	8	9	10	8	35	37	54	71
Reported EBIT	\$793	\$918	\$844	\$400	\$209	\$139	\$320	\$1,068	\$1,207	\$1,304	\$1,413
EBITDA	\$1,383	\$1,514	\$1,382	\$546	\$357	\$265	\$461	\$1,629	\$1,794	\$1,918	\$2,060
EBIT Composition											
Gas Distribution	328	324	394	212	47	16	139	414	501	547	590
Pipelines & Storage	389	377	360	139	92	39	134	403	504	529	569
Electric	117	234	210	46	70	84	50	250	272	298	324
Corporate & Other	(40)	(17)	(120)	3	(0)	0	(3)	0	(70)	(70)	(70)
Total EBIT	\$793	\$918	\$844	\$400	\$209	\$139	\$320	\$1,068	\$1,207	\$1,304	\$1,413
Interest Expense	399	392	377	103	100	108	110	421	454	498	521
Preferred Distributions of Subsidiaries	0	0	0	0	0	0	0	0	0	0	0
Financing Expense	399	392	377	103	100	108	110	421	454	498	521
Income Before Taxes	394	526	467	296	108	32	211	647	753	806	893
Income Taxes											
Current	(214)	118	(15)	11	1	0	7	19	66	141	156
Deferred	378	55	178	92	37	11	66	206	198	141	156
Total Income Taxes	165	173	163	103	38	12	74	226	263	282	312
Effective Inc. Tax Rate (%)	42%	33%	35%	35%	35%	37%	35%	35%	35%	35%	35%
Net Income From Continuing Operations	229	353	304	194	71	20	137	421	489	524	580
Discontinued Operations, net	(12)	(0)	(5)	(0)	(1)	(1)	0	(2)	0	0	0
Change in Accounting	(0)	(58)	0	0	0	0	0	0	0	0	0
GAAP Net Income to Common	\$218	\$294	\$299	\$193	\$69	\$19	\$137	\$419	\$489	\$524	\$580
Adjustments to Core											
Asset Impairment	0	0	0	0	0	0	0	0	0	0	0
Gain (Loss) From Disposal	(8)	0	0	0	0	0	0	0	0	0	0
Other Non-Recurring Gains (Loss)	(40)	11	(74)	(21)	4	4	0	(13)	0	0	0
Total Adjustments	(49)	11	(74)	(21)	4	4	0	(13)	0	0	0
Non-GAAP Core Earnings	\$278	\$342	\$378	\$215	\$67	\$16	\$137	\$434	\$489	\$524	\$580
Shares Outstanding (mm)											
Avg. Diluted Shares Out	276	280	289	293	296	300	311	300	313	318	331
Avg. Basic Shares Out	275	278	280	283	284	290	310	292	312	317	330
Period-end basic Shares Out	276	279	282	284	285	310	311	311	314	319	337
Earnings Per Share (Diluted)											
GAAP EPS	\$0.79	\$1.05	\$1.04	\$0.66	\$0.23	\$0.06	\$0.44	\$1.40	\$1.56	\$1.65	\$1.75
Core EPS	\$1.01	\$1.22	\$1.31	\$0.73	\$0.23	\$0.05	\$0.44	\$1.45	\$1.56	\$1.65	\$1.75
EPS Growth (core)	-19.4%	21.0%	7.4%	1.8%	36.2%	-55.6%	40.4%	10.4%	8.0%	5.4%	6.5%
Dividends											
Cash per share	\$0.92	\$0.92	\$0.92	\$0.23	\$0.24	\$0.24	\$0.24	\$0.95	\$0.99	\$1.03	\$1.07
Div Growth	0.0%	0.0%	0.0%	0.0%	4.3%	4.3%	4.3%	3.3%	4.2%	4.0%	3.9%
Payout Ratio (%)	116.6%	87.5%	88.7%					68.0%	63.4%	62.6%	61.1%

Source: BMO Capital Markets estimates, company data.

Exhibit 3: NiSource Cash Flow Statement

Cash Flow Statement (\$ Millions Except Per Share Data)	2009A	2010A	2011A	Q1	Q2	Q3	Q4	2012E	2013E	2014E	2015E
Operating Activities											
GAAP Net Income from Cont. Ops	218	292	299	193	69	19	137	419	489	524	580
DD&A	589	596	538	146	148	126	141	561	587	614	646
Deferred income tax benefit	378	200	178	92	37	11	66	206	198	141	156
Deferred Revenues	4	(20)	3	1	(1)	2	0	2	0	0	0
Amortization of premium on debt	13	10	9	2	2	3	0	7	0	0	0
Less Gain or Loss on assets	(4)	(0)	0	(2)	(2)	(1)	0	(4)	0	0	0
Less Equity Earnings plus Cash Distributions	(15)	7	16	12	2	(12)	(4)	(2)	(18)	(27)	(35)
Other non-cash income items	36	112	139	27	(41)	25	0	11	0	0	0
OCF (pre-working capital)	\$1,219	\$1,197	\$1,183	\$472	\$215	\$173	\$340	\$1,201	\$1,256	\$1,252	\$1,347
OCF per share	\$4.42	\$4.27	\$4.10	\$1.61	\$0.73	\$0.58	\$1.09	\$4.00	\$4.01	\$3.93	\$4.07
Working Capital:											
Accounts and notes receivable	259	(244)	318	128	177	(27)		279	0	0	0
Inventory	129	103	(142)	211	(78)	(114)		20	0	0	0
Less Change of Price Risk Management Activities	0	0	0	0	0	0		0	0	0	0
Accounts payable	(192)	38	(155)	(41)	(106)	(4)		(151)	0	0	0
Customer deposit, net	25	(25)	(5)	(99)	(13)	62		(50)	0	0	0
Other assets	83	(206)	(201)	(143)	175	138		171	0	0	0
Other Liabilities	382	(86)	(78)	(49)	(79)	(58)	0	(185)	0	0	0
Changes in Working Capital	686	(420)	(262)	8	77	(2)	0	83	0	0	0
Discontinued Operations	(255)	(57)	(50)	(0)	(1)	(1)	0	(2)	0	0	0
Cash Flow From Operations	1,651	720	870	480	292	170	340	1,282	1,256	1,252	1,347
Investing Activities											
Capital Spending (to PP&E)	(777)	(804)	(1,125)	(293)	(327)	(405)	(551)	(1,575)	(1,800)	(1,805)	(1,670)
Purchases of equity investments	0	0	0	0	0	0	0	0	0	0	0
Acquisitions	0	0	0	0	0	0	0	0	0	0	0
Proceeds from asset sales	6	1	9	2	0	21	0	24	0	0	0
Other	109	(140)	(34)	(4)	53	1	0	49	0	0	0
Cash Used in Investing	(662)	(944)	(1,149)	(295)	(274)	(382)	(551)	(1,502)	(1,800)	(1,805)	(1,670)
Discontinued Operations	8	0	0	0	0	0	0	0	0	0	0
Investing Cash Flow	(655)	(943)	(1,149)	(295)	(274)	(382)	(551)	(1,502)	(1,800)	(1,805)	(1,670)
Financing Activities											
Sale of Common Stock	26	14	24	17	13	346	13	389	50	50	400
Sale of Preferred Stock	0	0	0	0	0	0	0	0	0	0	0
Sale of L.T. Debt	1,460	250	890	0	988	0	400	1,388	1,000	1,500	500
Redemption of Common Stock	(3)	(2)	(3)	(10)	(0)	0	0	(10)	0	0	0
Redemption of Preferred Stock	0	0	0	0	0	0	0	0	0	0	0
Redemption of L.T. Debt	(1,170)	(1,071)	(287)	(6)	(2)	(4)	(315)	(327)	(420)	(500)	(230)
Change in Notes Payable, LC, ST Debt	(1,061)	1,280	(23)	(95)	(937)	(102)	200	(934)	250	(200)	0
Payments to Minority Interests	0	0	0	0	0	0	0	0	0	0	0
Dividends	(253)	(256)	(258)	(65)	(65)	(68)	(69)	(268)	(289)	(307)	(333)
Other	0	0	(62)	0	0	0	0	0	0	0	0
Cash From (For) Financing	(1,000)	216	281	(158)	(3)	172	228	238	591	543	337
Discontinued Operations	0	0	0	0	0	0	0	0	0	0	0
Financing Cash Flow	(1,000)	216	281	(158)	(3)	172	228	238	591	543	337
Change in Cash	(\$4)	(\$7)	\$2	\$27	\$14	(\$40)	\$17	\$18	\$47	(\$10)	\$14
Cash & Temp. Inv. Beginning of Yr.	\$21	\$16	\$9	\$12	\$38	\$53	\$12	\$12	\$30	\$77	\$66
Cash & Temp. Inv. End of Yr.	\$16	\$9	\$12	\$38	\$53	\$12	\$30	\$30	\$77	\$66	\$80

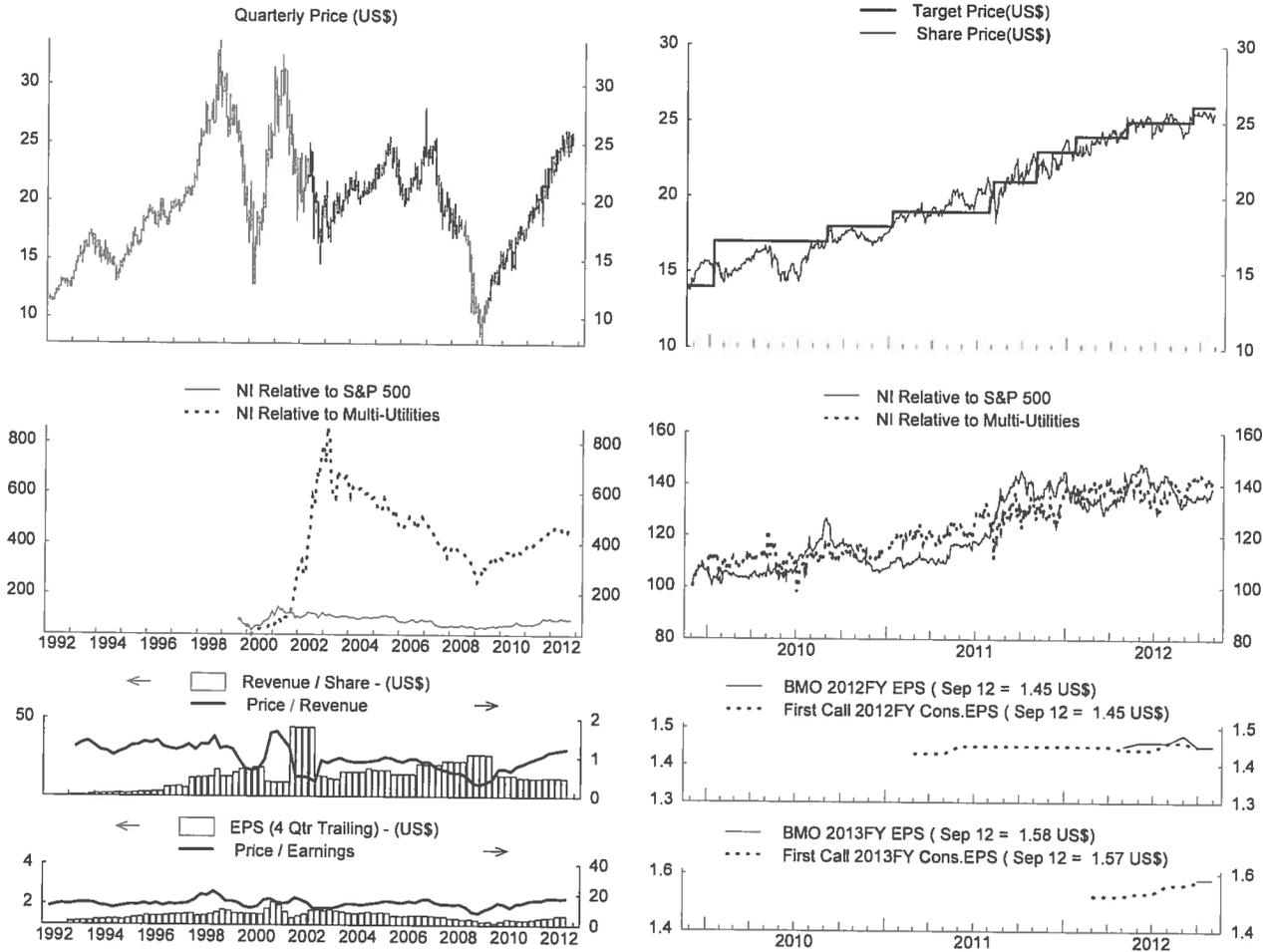
Source: BMO Capital Markets estimates, company data.

Exhibit 4: NiSource Balance Sheet

Balance Sheet (\$ Millions Except Per Share Data)	2009A	2010A	2011A	Q1	Q2	Q3	Q4	2012E	2013E	2014E	2015E
Assets:											
Cash & Equivalent	16	9	12	39	53	12	30	30	77	66	80
Restricted Cash	175	203	161	150	85	65	65	65	65	65	65
Receivables	848	1,121	951	853	639	644	644	644	644	644	644
Allowance for Uncollectable Acts.	(40)	(41)	(31)	(46)	(42)	(31)	(31)	(31)	(31)	(31)	(31)
Unbilled Revenues	0	0	0	0	0	0	0	0	0	0	0
Underrecovered gas & fuel costs	40	136	21	15	2	34	34	34	34	34	34
Inventories	385	428	566	354	428	540	540	540	540	540	540
ST Assets Price Risk Management	173	160	137	142	120	104	104	104	104	104	104
Regulatory Assets	238	152	170	186	193	191	191	191	191	191	191
Other Current Assets	387	283	262	277	274	281	281	281	281	281	281
Total Current Assets	2,224	2,449	2,248	1,970	1,752	1,839	1,856	1,856	1,903	1,893	1,907
Plant & Equipment (Gross)	19,038	19,590	20,470	20,708	21,032	21,500	22,050	22,050	23,850	25,655	27,325
Accumulated DD&A	(8,354)	(8,493)	(8,670)	(8,806)	(8,883)	(8,957)	(9,098)	(9,098)	(9,685)	(10,299)	(10,945)
Plant & Equipment, Net	10,684	11,097	11,800	11,902	12,149	12,543	12,953	12,953	14,166	15,357	16,380
Investments	295	349	356	362	369	412	412	412	412	412	412
LT Assets Price Risk Management	238	240	189	115	90	72	72	72	72	72	72
Regulatory Assets	1,644	1,650	1,978	1,940	1,899	1,870	1,870	1,870	1,870	1,870	1,870
Goodwill	3,677	3,677	3,677	3,677	3,677	3,677	3,677	3,677	3,677	3,677	3,677
Intangible Assets	320	309	298	295	292	289	289	289	289	289	289
Other Long Term Assets (& flywheel)	53	168	162	185	181	136	140	140	158	185	220
Total Assets	19,134	19,939	20,708	20,446	20,409	20,839	21,270	21,270	22,547	23,755	24,828
Liabilities & Equity:											
Short Term Debt	800	1,417	1,687	2,015	1,095	1,049	1,249	1,249	1,499	1,299	1,299
Accounts Payables	502	582	435	381	360	499	499	499	499	499	499
ST Liabilities Price Risk Management	190	174	168	180	133	110	110	110	110	110	110
Regulatory Liabilities	44	93	112	100	93	171	171	171	171	171	171
Other	1,575	1,384	1,245	1,042	981	898	898	898	898	898	898
Total Current Liab	3,111	3,649	3,646	3,718	2,662	2,727	2,927	2,927	3,177	2,977	2,977
Long Term Debt	5,988	5,936	6,267	5,834	6,807	6,820	6,905	6,905	7,485	8,485	8,755
LT Liabilities Price Risk Management	170	182	139	95	46	33	33	33	33	33	33
Accumulated Deferred Taxes	2,018	2,243	2,571	2,651	2,731	2,759	2,825	2,825	3,022	3,163	3,320
Regulatory Liabilities	1,559	1,596	1,664	1,616	1,616	1,617	1,617	1,617	1,617	1,617	1,617
Other Liabilities	1,572	1,409	1,424	1,451	1,443	1,473	1,473	1,473	1,473	1,473	1,473
Total Liabilities	14,418	15,016	15,711	15,365	15,304	15,428	15,779	15,779	16,807	17,748	18,174
Preferred Equity/Securities of Consolidated Subsidiaries	0	0	0	0	0	0	0	0	0	0	0
Common Equity	4,717	4,923	4,997	5,081	5,105	5,411	5,491	5,491	5,741	6,008	6,654
Other	0	0	0	0	0	0	0	0	0	0	0
Total Liab & Equity	19,134	19,939	20,708	20,446	20,409	20,839	21,270	21,270	22,547	23,755	24,828

Source: BMO Capital Markets estimates, company data.

NiSource Inc. (NI)



FYE (Dec.)	EPS US\$	P/E	DPS US\$	Yield %	Payout %	BV US\$	P/B	ROE %
1992	1.00	13	0.00	0.0	0	7.87	1.7	13
1993	1.16	14	0.72	4.4	62	8.32	2.0	14
1994	1.24	12	0.78	5.2	62	8.67	1.7	15
1995	1.36	14	0.84	4.4	62	9.00	2.1	15
1996	1.43	14	0.90	4.5	63	9.20	2.2	16
1997	1.53	16	0.96	3.9	63	10.17	2.4	16
1998	1.59	19	1.02	3.4	65	9.78	3.1	16
1999	1.52	12	1.08	6.0	71	10.90	1.6	15
2000	1.99	17	1.08	3.5	60	16.62	1.9	14
2001	1.30	18	1.16	5.0	89	16.78	1.4	8
2002	2.00	11	1.16	5.8	63	20.09	1.0	11
2003	1.60	14	0.92	4.2	58	16.81	1.3	9
2004	1.61	14	0.92	4.0	57	17.69	1.3	9
2005	1.42	15	0.92	4.4	65	18.09	1.2	8
2006	1.43	17	0.92	3.8	64	18.32	1.3	8
2007	1.38	14	0.92	4.9	67	18.52	1.0	7
2008	1.27	9	0.92	8.4	72	17.24	0.6	7
2009	1.06	15	0.92	6.0	87	17.55	0.9	6
2010	1.22	14	0.92	5.2	75	17.66	1.0	7
2011	1.33	18	0.92	3.9	69	17.73	1.3	8
Current*	1.43	18	0.96	3.8	67	17.73	1.4	8
Average:		14		4.8	67		1.5	10.9
Growth(%):								
5 Year:	0.7		0.9			-0.7		
10 Year:	-1.8		-1.9			0.6		
20 Year:	2.0		nm			4.3		

* Current EPS is the 4 Quarter Trailing to Q2/2012.

NI - Rating as of 26-Jun-08 = Mkt

Last Price (October 26, 2012): \$25.46
Sources: IHS Global Insight, Thomson Reuters, BMO Capital Markets.

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Methodology and Risks to Our Price Target/Valuation

Methodology: Our target price for NI is based on a sum-of-the parts valuation. We individually value each one of NI's business segments using a target EV/EBITDA multiple approach. Our target multiple for each segment is derived from analyzing historical multiple trading ranges, peer multiples, and adjusting for any expectation of future changes in investor sentiment, which would lead to multiple expansion/contraction. We next add together the segment valuations to reach an operating enterprise value, which is then adjusted for net debt, off-balance sheet items, operating leases, pension costs, and any other non-operating obligations. After adjustments, we then have our net equity value, which is divided by fully diluted shares outstanding to arrive at our target price.

Risks: Risks to our 12-month price target for NI include: 1) Conservation - conservation and bad debt expense from high commodity prices could impact earnings more than the base level we have accounted for; 2) Weather; 3) Interest rates; 4) Regulatory risk - rulings counter to assumptions and guidance could negatively impact our valuations going forward.

Distribution of Ratings (September 30, 2012)

Rating Category	BMO Rating	BMOCM US Universe*	BMOCM US IB Clients**	BMOCM US IB Clients***	BMOCM Universe****	BMOCM IB Clients*****	Starmine Universe
Buy	Outperform	38.3%	17.9%	57.8%	39.0%	49.5%	54.3%
Hold	Market Perform	58.5%	7.9%	39.1%	56.4%	48.5%	40.3%
Sell	Underperform	3.1%	11.8%	3.1%	4.6%	2.0%	5.3%

* Reflects rating distribution of all companies covered by BMO Capital Markets Corp. equity research analysts.

** Reflects rating distribution of all companies from which BMO Capital Markets Corp. has received compensation for Investment Banking services as percentage within ratings category.

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Mkt = Market Perform - Forecast to perform roughly in line with the market;

Und = Underperform - Forecast to underperform the market;

(S) = speculative investment;

NR = No rating at this time;

R = Restricted – Dissemination of research is currently restricted.

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NiSource

(NI-NYSE)

Stock Rating: Market Perform
Industry Rating: Market Perform

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4Q on Target; 2013 Growth Outlook as Expected

Event

NI reported 4Q12 clean EPS of \$0.44, in line with our estimate and a penny above consensus, resulting in \$1.44 diluted (+10% y/y) for the full year. Operationally the electric segment was on target while slight misses in pipes and LDC were offset by lower interest and taxes. Consistent with its targeted 5-7% EPS CAGR, NI initiated 2013 guidance of \$1.50-\$1.60, encompassing our consensus-aligned \$1.56 estimate. Growth in 2013 is largely driven by NI's capex guidance of \$1.8B (as expected), namely infrastructure modernization trackers and a host of pipeline projects coming into service. Key incrementals from the call: 1) momentum on the Indiana legislative front for a tracking mechanism associated with electric T&D modernization (e.g., transformers, poles, lines), which NI places at \$3-4B of long-term investment; if passed in March by the House, we estimate the DCF of such low-risk spend, while not beginning until 2018 or so, could still add over \$1/sh in net present value. 2) the PA gas utility received unanimous approval in principle by all involved parties with a full PUC filing expected next month. While details won't be known until then, management notes the settlement is consistent with expectations and 2013 guidance. And 3) NI is officially moving forward with its \$200 mn West Side expansion to backhaul Marcellus gas to the Gulf Coast (a project we have fully baked, benefitting 2015 EPS), and is advancing a nascent stage project with a non-binding open season for a new lateral pipe to serve the proposed Cameron LNG facility. We suspect investment in the latter could amount to \$200-\$300 mn, which in turn could generate upside of ~\$0.50/sh.

Impact

Neutral.

Forecasts

Our estimates remain unchanged, putting us near the midpoint of 2013 guidance.

Valuation

We reiterate our \$27 price target with potential upside with the Indiana legislation.

Recommendation

Maintain Market Perform rating.

Changes

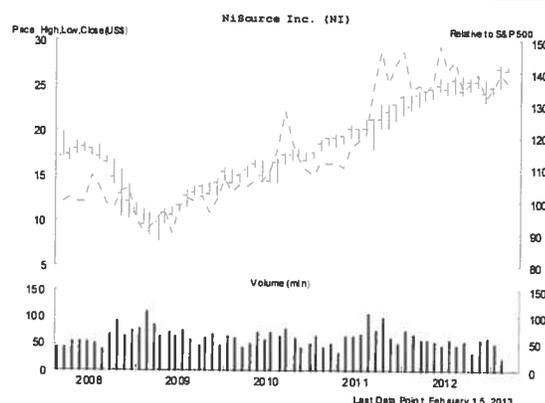
Annual FCF
2013E \$4.01 to \$4.03
2014E \$3.93 to \$3.96

Quarterly EPS
Q2/13E \$0.22 to \$0.21
Q3/13E \$0.18 to \$0.17
Q4/13E \$0.46 to \$0.48

Securities Info

Price (19-Feb)	\$27.26	Target Price	\$27
52-Wk High/Low	\$27/\$23	Dividend	\$0.96
Mkt Cap (mm)	\$8,444	Yield	3.5%
Shs O/S (mm, BASIC)	309.8	Float O/S (mm)	306.9
Options O/S (mm)	na	ADVol (30-day, 000s)	2,149

Price Performance



Valuation/Financial Data

(FY-Dec.)	2011A	2012A	2013E	2014E
EPS Pro Forma	\$1.31	\$1.44	\$1.56	\$1.65
P/E			17.5x	16.5x
First Call Cons.		\$1.45	\$1.55	\$1.67
EPS GAAP	\$0.52	\$1.39	\$1.56	\$1.65
FCF	\$4.10	\$4.31	\$4.03↑	\$3.96↑
P/FCF			6.8x	6.9x
EBITDA (\$mm)	\$1,382	\$1,615	\$1,784	\$1,900
EV/EBITDA			8.5x	8.0x
Rev. (\$mm)	\$6,019	\$5,091	\$5,510	\$5,655
EV/Rev			2.8x	2.7x
Quarterly EPS	1Q	2Q	3Q	4Q
2012A	\$0.73	\$0.23	\$0.05	\$0.44
2013E	\$0.70	\$0.21↓	\$0.17↓	\$0.48↑
Balance Sheet Data (30-Sep)				
Net Debt (\$mm)	\$6,740	Total Debt/EBITDA		3.9x
Total Debt (\$mm)	\$6,988	EBITDA/IntExp		4.3x
Net Debt/Cap.	50.8%	Price/Book		1.6x

Notes: All values in US\$.

Source: BMO Capital Markets estimates, Bloomberg, Thomson Reuters, and IHS Global Insight.

Please refer to pages 7 to 10 for Important Disclosures, including the Analyst's Certification.

4Q12 Recap and 2013 Outlook

NI reported 4Q12 clean EPS of \$0.44, in line with our estimate and a penny above consensus, resulting in \$1.44 (+10% y/y) for the full year. Consistent with its targeted 5-7% EPS CAGR, NI initiated 2013 guidance of \$1.50-\$1.60, encompassing our consensus-aligned \$1.56 estimate. Deltas to our 4Q12 EPS estimate and business segment summaries/outlook are detailed below:

-\$0.01 pipes. Adjusted EBIT of \$129 million was slightly below our \$134 million estimate owing to a combination of 4% lower throughput of 438 MMDth and 2% lower tariff of \$0.49/Dth. Growth in 2013 will be primarily driven by 1) a full-year impact from projects put into service in 2012 (e.g., Line WB, Smithfield, and Rimersburg), 2) in service of new projects including Big Pine Gathering Pipeline (expected April), 47.5%-owned Millennium Pipeline (expected 2Q13), and phase 1 of Pennant Midstream, a 50/50 JV with Hilcorp, which will provide 400 mmcf/d of gathering and 200 mmcf/d of processing in the Utica (expected 2H13), and 3) ~\$300 million of continuing infrastructure modernization investment per FERC-approved \$1.5 billion five-year program.

Apart from 4Q results and the 2013 outlook, we also note the progression of two projects. The first is NI moving forward with its ~\$200 million West Side expansion to backhaul Marcellus gas to Gulf Coast markets, an initiative we have fully accounted for in our 2015 EPS estimate. Separately, NI announced it was initiating an early stage, non-binding open season that would in effect build a lateral from the Columbia Gulf system to the proposed Cameron LNG facility. No detail as to potential investment at this nascent stage, although management noted its target of "singles and doubles," which we assume would translate into a \$200-\$300 million of investment potential.

-\$0.01 LDC. Adjusted EBIT of \$134 million was slightly below our \$139 million estimate, primarily due to a 9% lower unit tariff of \$1.67/Dth, which was partially offset by 5% higher volumes of 259 MMDth. Growth in 2013 will be primarily driven by ~\$475 million of ongoing tracker spending/ infrastructure modernization, up from \$400 million in 2012, along with an \$8 million annual revenue increase for Columbia Gas of Massachusetts, which received approval in November.

Two outstanding cases for Columbia Gas of Pennsylvania could provide additional upside. First, a base rate case requesting a \$77 million annual revenue increase (filed in September) based on a fully projected test year and infrastructure investment recovery mechanism through mid-2014 (in line with Pennsylvania's recently enacted Act 11) reached a unanimous settlement in principle with all involved parties earlier this month. Management expects it to be submitted to the PUC by mid-March, with new rates going into effect July. While economics have not yet been disclosed, investors should receive specific terms once filed (NI notes the settlement is in line with expectations and guidance). In January, NI also filed a Distribution System Improvement Charge to capture infrastructure investments at Columbia Gas of Pennsylvania from the latter part of 2012 with a tracker for ~\$1 million per quarter; a decision is expected this quarter.

Electric on target. Adjusted EBIT of \$52 million was in line with our expectations. Of note, 4% lower GW hours sold of 4,009 was offset by 10% higher tariff of \$90/MWh. Growth in 2013 will be primarily driven by continued environmental tracker spending. Projects expected in service (at least partially) by year-end 2013 include new FGD (flue gas desulfurization) facilities at an electric generation station and enhanced mercury and particulate controls at coal plants.

Longer term, we note developing upside potential at NIPSCO relating to a future modernization program in its aging transmission and distribution infrastructure (e.g., transformers, poles, lines). Specifically, legislation being sponsored in Indiana could effectively provide NI a tracking mechanism for \$3-\$4 billion in long-term upgrade spending beginning later this decade (we assume 2018). Senate Bill 560 was passed by the Indiana Senate in January, and the House is expected to take it up in March. While we are constructive on the process, given the short 90-day session period of the legislative body, should it not pass in 1Q13 we will have to wait until 1Q14. Assuming passage in March, we estimate this potential investment could provide just over \$1.00/sh in discounted net asset value (assuming \$3.5 billion invested ratably over 10 years at NIPSCO's current ROE and capital structure, starting in 2018, and discounted at an 8% cost of equity to present).

+\$0.01 interest. Interest expense of \$104 million was lower than our \$110 million estimate.

+\$0.01 taxes. Effective tax rate of 34% was slightly lower than our 35% estimate.

Exhibit 1: NiSource Income Statement

Consolidated Earnings (\$ Millions Except Per Share Data)	2009A	2010A	2011A	Q1	Q2	Q3	Q4	2012A	Q1	Q2	Q3	Q4	2013E	2014E	2015E
Operating Revenues:															
Gas Distribution	\$3,303	\$3,096	\$2,918	\$874	\$283	\$226	\$577	\$1,960	\$1,211	\$532	\$377	\$913	\$3,032	\$3,110	\$3,188
Pipelines & Storage	1,241	1,261	1,355	409	356	278	419	1,462	278	246	270	319	1,112	1,137	1,184
Electric	1,213	1,375	1,428	353	377	418	360	1,508	379	361	394	354	1,488	1,532	1,577
Other	542	603	319	23	33	51	54	161	(41)	(24)	(25)	(32)	(122)	(124)	(127)
Revenues	6,299	6,335	6,019	1,659	1,049	974	1,410	5,091	1,826	1,115	1,015	1,554	5,510	5,655	5,822
Operating Expenses:															
Cost of Sales	2,978	2,898	2,556	630	241	234	444	1,549	724	281	165	511	1,681	1,679	1,677
Operation & Maintenance	1,650	1,654	1,723	405	394	423	452	1,674	432	417	446	479	1,775	1,815	1,855
DD&A	589	595	538	146	148	126	144	564	145	147	151	152	595	622	654
Loss (gain) on asset sales	16	1	17	(2)	(2)	(1)	0	(4)	0	0	0	0	0	0	0
Taxes and Other	283	287	295	87	67	62	73	289	92	68	66	81	307	315	323
Total Operating Expenses	5,516	5,436	5,129	1,267	849	844	1,112	4,072	1,394	913	828	1,224	4,358	4,431	4,509
Operating Income	783	899	890	392	200	129	299	1,020	432	202	187	331	1,152	1,224	1,313
Other:															
Equity in Earnings	16	15	15	8	9	8	8	32	8	8	8	13	37	54	71
Minority Interests	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other	(6)	4	(61)	0	0	2	(4)	(1)	0	0	0	0	0	0	0
Total Other Income	10	19	(47)	8	9	10	4	31	8	8	8	13	37	54	71
Reported EBIT	\$793	\$918	\$844	\$400	\$209	\$139	\$303	\$1,051	\$440	\$210	\$195	\$344	\$1,189	\$1,279	\$1,384
EBITDA	\$1,383	\$1,514	\$1,382	\$546	\$357	\$265	\$447	\$1,615	\$586	\$357	\$345	\$495	\$1,784	\$1,900	\$2,038
EBIT Composition															
Gas Distribution	328	324	394	212	47	16	134	409	256	61	30	158	505	544	583
Pipelines & Storage	389	377	360	139	92	39	129	398	146	96	97	149	491	516	557
Electric	117	234	210	46	70	84	52	252	57	69	87	55	267	293	319
Corporate & Other	(40)	(17)	(120)	3	(0)	0	(11)	(8)	(19)	(19)	(19)	(19)	(74)	(74)	(74)
Total EBIT	\$793	\$918	\$844	\$400	\$209	\$139	\$303	\$1,051	\$440	\$210	\$195	\$344	\$1,189	\$1,279	\$1,384
Interest Expense	399	392	377	103	100	108	104	416	104	111	110	111	437	470	492
Preferred Distributions of Subsidiaries	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Financing Expense	399	392	377	103	100	108	104	416	104	111	110	111	437	470	492
Income Before Taxes	394	526	467	296	108	32	199	635	336	99	84	232	752	809	892
Income Taxes															
Current	(214)	118	(15)	11	1	0	(98)	(86)	29	9	7	20	66	142	156
Deferred	378	55	178	92	37	11	165	305	88	26	22	61	197	142	156
Total Income Taxes	165	173	163	103	38	12	67	219	118	35	30	81	263	283	312
Effective Inc. Tax Rate (%)	42%	33%	35%	35%	35%	37%	34%	34%	35%	35%	35%	35%	35%	35%	35%
Net Income From Continuing Operations	229	353	304	194	71	20	132	416	219	64	55	151	489	526	580
Discontinued Operations, net	(12)	(0)	(5)	(0)	(1)	(1)	2	0	0	0	0	0	0	0	0
Change in Accounting	(0)	(58)	0	0	0	0	0	0	0	0	0	0	0	0	0
GAAP Net Income to Common	\$218	\$294	\$299	\$193	\$69	\$19	\$134	\$416	\$219	\$64	\$55	\$151	\$489	\$526	\$580
Adjustments to Core															
Asset Impairment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Gain (Loss) From Disposal	(8)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Non-Recurring Gains (Loss)	(40)	11	(74)	(21)	4	4	(4)	(17)	0	0	0	0	0	0	0
Total Adjustments	(49)	11	(74)	(21)	4	4	(4)	(17)	0	0	0	0	0	0	0
Non-GAAP Core Earnings	\$278	\$342	\$378	\$215	\$67	\$16	\$136	\$433	\$219	\$64	\$55	\$151	\$489	\$526	\$580
Shares Outstanding (mm)															
Avg. Diluted Shares Out	276	280	289	293	296	300	311	300	312	313	314	315	314	319	330
Avg. Basic Shares Out	275	278	280	283	284	290	310	292	311	312	313	314	313	318	329
Period-end basic Shares Out	276	279	282	284	285	310	311	311	312	313	314	315	315	320	335
Earnings Per Share (Diluted)															
GAAP EPS	\$0.79	\$1.05	\$1.04	\$0.66	\$0.23	\$0.06	\$0.43	\$1.39	\$0.70	\$0.21	\$0.17	\$0.48	\$1.56	\$1.65	\$1.75
Core EPS	\$1.01	\$1.22	\$1.31	\$0.73	\$0.23	\$0.05	\$0.44	\$1.44	\$0.70	\$0.21	\$0.17	\$0.48	\$1.56	\$1.65	\$1.75
EPS Growth (core)	-19.4%	21.0%	7.4%	1.8%	36.2%	-55.6%	39.4%	10.0%	-4.4%	-8.9%	232.0%	9.7%	8.1%	5.9%	6.3%
Dividends															
Cash per share	\$0.92	\$0.92	\$0.92	\$0.23	\$0.24	\$0.24	\$0.24	\$0.95	\$0.24	\$0.25	\$0.25	\$0.25	\$0.99	\$1.03	\$1.07
Div Growth	0.0%	0.0%	0.0%	0.0%	4.3%	4.3%	4.3%	3.3%	4.3%	4.2%	4.2%	4.2%	4.2%	4.0%	3.9%
Payout Ratio (%)	116.6%	87.5%	88.7%					68.6%					63.5%	62.4%	61.0%

Source: BMO Capital Markets estimates, company data.

Exhibit 2: NiSource Cash Flow Statement

Cash Flow Statement (\$ Millions Except Per Share Data)	2009A	2010A	2011A	Q1	Q2	Q3	Q4	2012A	Q1	Q2	Q3	Q4	2013E	2014E	2015E
Operating Activities															
GAAP Net Income from Cont. Ops	218	292	299	193	69	19	134	416	219	64	55	151	489	526	580
DD&A	589	596	538	146	148	126	142	562	145	147	151	152	585	622	654
Deferred income tax benefit	378	200	178	92	37	11	165	305	88	26	22	61	197	142	156
Deferred Revenues	4	(20)	3	1	(1)	2	(10)	(8)	0	0	0	0	0	0	0
Amortization of premium on debt	13	10	9	2	2	3	2	10	0	0	0	0	0	0	0
Less Gain or Loss on assets	(4)	(0)	0	(2)	(2)	(1)	(0)	(4)	0	0	0	0	0	0	0
Less Equity Earnings plus Cash Distributions	(15)	7	16	12	2	(12)	2	4	(4)	(4)	(4)	(6)	(18)	(27)	(35)
Other non-cash income items	36	112	139	27	(41)	25	(0)	11	0	0	0	0	0	0	0
OCF (pre-working capital)	\$1,219	\$1,197	\$1,183	\$472	\$215	\$173	\$434	\$1,295	\$448	\$233	\$224	\$358	\$1,263	\$1,262	\$1,354
OCF per share	\$4.42	\$4.27	\$4.10	\$1.61	\$0.73	\$0.58	\$1.39	\$4.31	\$1.43	\$0.75	\$0.71	\$1.14	\$4.03	\$3.96	\$4.10
Working Capital:															
Accounts and notes receivable	259	(244)	318	128	177	(27)	(460)	(181)					0	0	0
Inventory	129	103	(142)	211	(78)	(114)	43	62					0	0	0
Less Change of Price Risk Management Activities	0	0	0	0	0	0	0	0					0	0	0
Accounts payable	(192)	38	(155)	(41)	(106)	(4)	208	57					0	0	0
Customer deposit, net	25	(25)	(5)	(99)	(13)	62	6	(44)					0	0	0
Other assets	83	(206)	(201)	(143)	175	138	(27)	144					0	0	0
Other Liabilities	382	(86)	(78)	(49)	(79)	(58)	117	(68)					0	0	0
Changes in Working Capital	686	(420)	(262)	8	77	(2)	(113)	(30)	0	0	0	0	0	0	0
Discontinued Operations	(255)	(57)	(50)	(0)	(1)	(1)	13	11	0	0	0	0	0	0	0
Cash Flow From Operations	1,651	720	870	480	292	170	334	1,276	448	233	224	358	1,263	1,262	1,354
Investing Activities															
Capital Spending (to PP&E)	(777)	(804)	(1,125)	(293)	(327)	(405)	(475)	(1,499)	(454)	(454)	(454)	(454)	(1,815)	(1,805)	(1,670)
Purchases of equity investments	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Acquisitions	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Proceeds from asset sales	6	1	9	2	0	21	2	26	121	0	0	0	121	0	0
Other	109	(140)	(34)	(4)	53	1	2	51	0	0	0	0	0	0	0
Cash Used in Investing	(662)	(944)	(1,149)	(295)	(274)	(382)	(471)	(1,422)	(333)	(454)	(454)	(454)	(1,694)	(1,805)	(1,670)
Discontinued Operations	8	0	0	0	0	0	(3)	(3)	0	0	0	0	0	0	0
Investing Cash Flow	(655)	(943)	(1,149)	(295)	(274)	(382)	(474)	(1,425)	(333)	(454)	(454)	(454)	(1,694)	(1,805)	(1,670)
Financing Activities															
Sale of Common Stock	26	14	24	17	13	346	7	384	12	12	12	12	48	48	348
Sale of Preferred Stock	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Sale of L.T. Debt	1,460	250	890	0	988	0	0	988	500	550	0	0	1,050	1,000	500
Redemption of Common Stock	(3)	(2)	(3)	(10)	(0)	0	0	(10)	0	0	0	0	0	0	0
Redemption of Preferred Stock	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Redemption of L.T. Debt	(1,170)	(1,071)	(287)	(6)	(2)	(4)	(320)	(332)	(420)	0	(68)	0	(488)	(500)	(230)
Change in Notes Payable, LC, ST Debt	(1,061)	1,280	(23)	(95)	(937)	(102)	552	(582)	0	0	0	154	154	250	50
Payments to Minority Interests	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Dividends	(253)	(256)	(258)	(65)	(65)	(68)	(74)	(273)	(75)	(78)	(78)	(79)	(310)	(307)	(333)
Other	0	0	(62)	0	0	0	0	0	0	0	0	0	0	0	0
Cash From (For) Financing	(1,000)	216	281	(158)	(3)	172	164	175	17	484	(134)	87	454	491	335
Discontinued Operations	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Financing Cash Flow	(1,000)	216	281	(158)	(3)	172	164	175	17	484	(134)	87	454	491	335
Change in Cash	(\$4)	(\$7)	\$2	\$27	\$14	(\$40)	\$24	\$25	\$133	\$264	(\$364)	(\$8)	\$24	(\$52)	\$20
Cash & Temp. Inv. Beginning of Yr.	\$21	\$16	\$9	\$12	\$38	\$53	\$12	\$12	\$37	\$169	\$433	\$69	\$37	\$60	\$8
Cash & Temp. Inv. End of Yr.	\$16	\$9	\$12	\$38	\$53	\$12	\$36	\$37	\$169	\$433	\$69	\$60	\$60	\$8	\$28

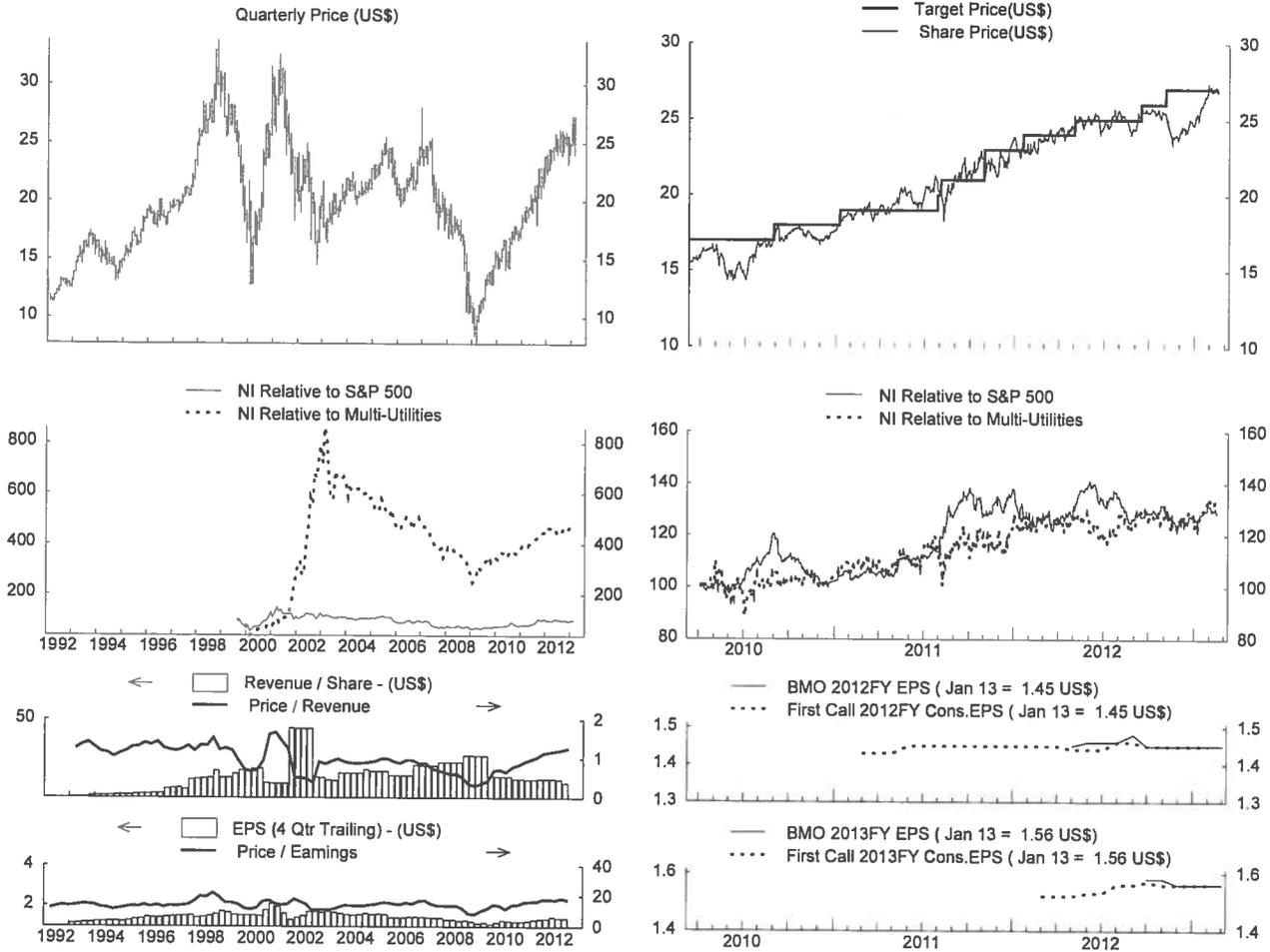
Source: BMO Capital Markets estimates, company data.

Exhibit 3: NiSource Balance Sheet

Balance Sheet (\$ Millions Except Per Share Data)	2009A	2010A	2011A	Q1	Q2	Q3	Q4	2012A	Q1	Q2	Q3	Q4	2013E	2014E	2015E
Assets:															
Cash & Equivalent	16	9	12	39	53	12	36	36	169	433	69	60	60	8	28
Restricted Cash	175	203	161	150	85	65	47	47	47	47	47	47	47	47	47
Receivables	848	1,121	951	853	639	644	1,114	1,114	1,114	1,114	1,114	1,114	1,114	1,114	1,114
Allowance for Uncollectable Acts.	(40)	(41)	(31)	(46)	(42)	(31)	(24)	(24)	(24)	(24)	(24)	(24)	(24)	(24)	(24)
Unbilled Revenues	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Underrecovered gas & fuel costs	40	136	21	15	2	34	45	45	45	45	45	45	45	45	45
Inventories	385	428	566	354	428	540	496	496	496	496	496	496	496	496	496
ST Assets Price Risk Management	173	160	137	142	120	104	92	92	92	92	92	92	92	92	92
Regulatory Assets	238	152	170	186	193	191	163	163	163	163	163	163	163	163	163
Other Current Assets	387	283	262	277	274	281	384	384	384	384	384	384	384	384	384
Total Current Assets	2,224	2,449	2,248	1,970	1,752	1,839	2,352	2,352	2,485	2,749	2,385	2,376	2,376	2,324	2,344
Plant & Equipment (Gross)	19,038	19,590	20,470	20,708	21,032	21,500	21,902	21,902	22,356	22,810	23,264	23,717	23,717	25,522	27,192
Accumulated DD&A	(8,354)	(8,493)	(8,670)	(8,806)	(8,883)	(8,957)	(8,986)	(8,986)	(9,132)	(9,279)	(9,430)	(9,581)	(9,581)	(10,203)	(10,857)
Plant & Equipment, Net	10,684	11,097	11,800	11,902	12,149	12,543	12,916	12,916	13,224	13,531	13,834	14,136	14,136	15,319	16,335
Investments	295	349	356	362	369	412	438	438	438	438	438	438	438	438	438
LT Assets Price Risk Management	238	240	189	115	90	72	56	56	56	56	56	56	56	56	56
Regulatory Assets	1,644	1,650	1,978	1,940	1,899	1,870	2,024	2,024	2,024	2,024	2,024	2,024	2,024	2,024	2,024
Goodwill	3,677	3,677	3,677	3,677	3,677	3,677	3,677	3,677	3,677	3,677	3,677	3,677	3,677	3,677	3,677
Intangible Assets	320	309	298	295	292	289	287	287	287	287	287	287	287	287	287
Other Long Term Assets (& flywheel)	53	158	192	185	181	136	94	94	(23)	(19)	(15)	(9)	(9)	18	53
Total Assets	19,134	19,939	20,708	20,446	20,409	20,839	21,845	21,845	22,169	22,743	22,686	22,985	22,985	24,144	25,215
Liabilities & Equity:															
Short Term Debt	800	1,417	1,687	2,015	1,095	1,049	1,284	1,284	1,284	1,284	1,438	1,438	1,438	1,688	1,738
Accounts Payables	502	582	435	381	360	499	539	539	539	539	539	539	539	539	539
ST Liabilities Price Risk Management	190	174	168	180	133	110	95	95	95	95	95	95	95	95	95
Regulatory Liabilities	44	93	112	100	93	171	172	172	172	172	172	172	172	172	172
Other	1,575	1,384	1,245	1,042	981	888	1,212	1,212	1,212	1,212	1,212	1,212	1,212	1,212	1,212
Total Current Liab	3,111	3,649	3,646	3,718	2,662	2,727	3,302	3,302	3,302	3,302	3,302	3,456	3,456	3,706	3,756
Long Term Debt	5,988	5,936	6,267	5,834	6,807	6,820	6,819	6,819	6,899	7,449	7,381	7,381	7,381	7,881	8,151
LT Liabilities Price Risk Management	170	182	139	95	46	33	20	20	20	20	20	20	20	20	20
Accumulated Deferred Taxes	2,018	2,243	2,571	2,651	2,731	2,759	2,953	2,953	3,042	3,068	3,090	3,151	3,151	3,292	3,448
Regulatory Liabilities	1,559	1,596	1,664	1,616	1,616	1,617	1,593	1,593	1,593	1,593	1,593	1,593	1,593	1,593	1,593
Other Liabilities	1,572	1,409	1,424	1,451	1,443	1,473	1,603	1,603	1,603	1,603	1,603	1,603	1,603	1,603	1,603
Total Liabilities	14,418	15,016	15,711	15,365	15,304	15,428	16,290	16,290	16,459	17,035	16,989	17,204	17,204	18,095	18,571
Preferred Equity/Securities of Consolidated Subsidiaries	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Common Equity	4,717	4,923	4,997	5,081	5,105	5,411	5,554	5,554	5,710	5,708	5,697	5,782	5,782	6,048	6,643
Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Liab & Equity	19,134	19,939	20,708	20,446	20,409	20,839	21,845	21,845	22,169	22,743	22,686	22,985	22,985	24,144	25,215

Source: BMO Capital Markets estimates, company data.

NiSource Inc. (NI)



FYE (Dec.)	EPS US\$	P/E HI - Lo	DPS US\$	Yield% HI - Lo	Payout %	BV US\$	P/B HI - Lo	ROE %	NI - Rating as of 26-Jun-08 = Mkt
1992	1.00	13.5 11.3	0.62	5.5 4.6	62	7.9	1.7 1.4		
1993	1.16	15.0 10.7	0.72	5.8 4.1	62	8.3	2.1 1.5	14	
1994	1.24	13.3 10.5	0.78	6.0 4.7	63	8.7	1.9 1.5	15	
1995	1.36	14.2 10.4	0.84	5.9 4.4	62	9.0	2.1 1.6	15	
1996	1.43	14.1 12.3	0.90	5.1 4.5	63	9.2	2.2 1.9	16	
1997	1.53	16.3 12.4	0.96	5.1 3.8	63	10.2	2.5 1.9	16	
1998	1.59	21.2 14.4	1.02	4.5 3.0	64	9.8	3.5 2.3	16	
1999	1.52	20.4 10.8	1.08	6.6 3.5	71	10.9	2.8 1.5	15	
2000	1.89	16.7 6.7	1.08	8.5 3.4	57	16.6	1.9 0.8	14	
2001	1.30	25.0 14.0	1.16	6.4 3.6	89	15.8	1.9 1.1	8	
2002	2.00	12.5 7.3	1.16	8.0 4.6	58	20.1	1.2 0.7	11	
2003	1.60	13.7 10.2	0.92	5.6 4.2	58	16.8	1.3 1.0	9	
2004	1.61	14.2 12.2	0.92	4.7 4.0	57	17.7	1.4 1.1	9	
2005	1.42	18.0 14.4	0.92	4.5 3.6	65	18.1	1.4 1.1	8	
2006	1.43	19.6 13.6	0.92	4.7 3.3	64	18.3	1.5 1.1	8	
2007	1.38	20.3 12.7	0.92	5.3 3.3	67	18.5	1.5 0.9	7	
2008	1.27	15.6 8.1	0.92	8.9 4.6	72	17.2	1.1 0.6	7	
2009	1.06	14.9 7.3	0.92	11.8 5.8	87	17.6	0.9 0.4	6	
2010	1.22	14.7 11.6	0.92	6.5 5.1	75	17.7	1.0 0.8	7	
2011	1.33	18.0 12.7	0.92	5.5 3.8	69	17.7	1.4 0.9	8	
Range**		25.0 6.7		11.8 3.0			3.5 0.4		
Current*	1.37	17.6	0.96	4.0	70	17.9	1.3	8	
Growth(%):									
5 Year:	-0.1		0.9			-0.4			
10 Year:	-2.2		-1.9			0.7			
20 Year:	1.7		2.2			4.4			

* Current EPS is the 4 Quarter Trailing to Q3/2012.
* Valuation metrics are based on high and low for the fiscal year.
* Range indicates the valuation range for the period presented above.

Last Price (February 15, 2013): \$26.78
Sources: IHS Global Insight, Thomson Reuters, BMO Capital Markets.

Important Disclosures

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Methodology and Risks to Our Price Target/Valuation

Methodology: Our target price for NI is based on a sum-of-the parts valuation. We individually value each one of NI's business segments using a target EV/EBITDA multiple approach. Our target multiple for each segment is derived from analyzing historical multiple trading ranges, peer multiples, and adjusting for any expectation of future changes in investor sentiment, which would lead to multiple expansion/contraction. We next add together the segment valuations to reach an operating enterprise value, which is then adjusted for net debt, off-balance sheet items, operating leases, pension costs, and any other non-operating obligations. After adjustments, we then have our net equity value, which is divided by fully diluted shares outstanding to arrive at our target price.

Risks: Risks to our 12-month price target for NI include: 1) Conservation - conservation and bad debt expense from high commodity prices could impact earnings more than the base level we have accounted for; 2) Weather; 3) Interest rates; 4) Regulatory risk - rulings counter to assumptions and guidance could negatively impact our valuations going forward.

Distribution of Ratings (December 31, 2012)

Rating Category	BMO Rating	BMOCM US Universe*	BMOCM US IB Clients**	BMOCM US IB Clients***	BMOCM Universe****	BMOCM IB Clients*****	Starmine Universe
Buy	Outperform	37.0%	17.7%	52.9%	38.5%	50.5%	54.0%
Hold	Market Perform	60.7%	9.6%	47.1%	57.3%	48.4%	40.6%
Sell	Underperform	2.4%	0.0%	0.0%	4.2%	1.0%	5.4%

* Reflects rating distribution of all companies covered by BMO Capital Markets Corp. equity research analysts.

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Und = Underperform - Forecast to underperform the market;

(S) = speculative investment;

NR = No rating at this time;

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North American Pipelines

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Natural Gas IQ: Springfield Is NOT San Bruno

The Natural Gas IQ is aimed at developments in the natural gas infrastructure space, and importantly, the implications for our pipeline equities

Over the holiday weekend the industry had a reminder of the San Bruno pipeline explosion from September 2010, this one a natural gas pipeline explosion in Springfield, MA, within NiSource's (NI) Columbia Gas of Massachusetts service territory. While approximately six buildings were heavily damaged in the blast (with another six sustaining medium damage; 42 structures in total were affected, including blown out windows), apart from its high-profile urban setting these two incidents diverged sharply, both in cause and in impact. And while we always need to be mindful of the increased scrutiny from regulators, politicians, and the public in general that such events bring about, the rupture in Springfield is not the tragedy of San Bruno, nor do we expect a repeat of the fallout that resulted (be it to the broader industry on higher integrity spend, or NiSource in particular).

Notably, the incident in Springfield occurred from human error, and not from a structural defect or integrity fault within NI's network; for instance, the pipe was plastic circa 1993, and had passed all tests. Most important, there were no fatalities or even serious injury. The incident occurred as a gas utility employee investigating a reported gas smell accidentally punctured a gas pipeline due to errors in above ground miss-markings of the location of the pipe. At this point, it is unknown if such markings were made by NI or not, but we understand any such markings by technicians investigating gas leaks are highly unusual. That said, the employee was following established protocol, and immediately evacuated the area once the pipe had ruptured. After discussions with management, we can confirm NI is financially covered by insurance for the entire impact of the incident after a minor deductible, and because the explosion was due to human error, we do not expect any material fine to result (although it remains under investigation by the Massachusetts Department of Public Utilities). NI has taken full responsibility for the incident, and quickly established a claims processing center over the weekend, which as of Monday afternoon has seen about 90 people with an anticipated total of 200 claims ultimately expected.

Gas Industry Snapshot

NYMEX Natural Gas 12-Mo. Strip (\$/mmbtu):	\$3.92
Weekly Change	1.2%
YTD Change	18.7%
NYMEX Crude Oil 12-Mo. Strip (\$/bbl):	\$90.07
Weekly Change	-1.2%
YTD Change	-8.9%
Natural Gas Liquids (40% ethane, \$/gal):	\$0.92
Current \$ Correlation to Spot Crude Oil	45%
Weekly Change	-1.1%
YTD Change	-33.9%
Processing Frac-Spread (Gulf Coast, \$/gal):	\$0.61
Weekly Change	-3.2%
YTD Change	-38.5%
LNG U.S. Imports (monthly avg, Bcf/d):	0.59
Monthly Change	84.4%
Y-o-Y Change	15.7%
Natural Gas in Storage (Bcf):	-38 to 3,873
Vs. this week last year	+9 to 3,849
Vs. this week 5-yr avg	+3 to 3,705
Natural Gas Directed Rig Count:	+11 to 417
Weekly Change	2.6%
Y-o-Y Change	-50.0%
Stock Performance: Weekly	
US Gas Diversifieds	2.1%
US Gas Utilities	2.2%
Canadian Pipelines	0.6%
Canadian Income	0.3%
UTY (Philadelphia Utility Index)	0.4%
XOP (S&P E&P SPDR)	3.1%
OSX (Oil Service Index)	2.9%
S&P 500 (SPX)	3.4%
10-Year US Treasury Yield	3.2%
Stock Performance: YTD	
US Gas Diversifieds	3.7%
US Gas Utilities	-5.3%
Canadian Pipelines	2.4%
Canadian Income	1.3%
UTY (Philadelphia Utility Index)	-6.5%
XOP (S&P E&P SPDR)	0.0%
OSX (Oil Service Index)	0.0%
S&P 500 (SPX)	11.8%
10-Year US Treasury Yield	-11.3%

All data priced as of close November 26, 2012 in US\$.
Source: Bloomberg, EIA, Waterborne, Baker Hughes, Platts, Company data.

Refer to pages 23 to 23 for Important Disclosures, including Analyst's Certification.

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Company Data & Valuation

Exhibit 1: North American Pipelines Coverage Universe

Company	Ticker	FYE	Rating	Price Target	Price 11/26/12	Shares O/S (mm)	Market Cap (mm)	Enterprise Value (mm)	Indicated Dividend			Net Tot Debt/ Cap	S&P Rating	Potential Price Appr	Indicated Div Yield	Potential Total Return
									\$	Payout	Yield					
BMO North American Pipeline Coverage Universe																
U.S. Commodity Sensitive																
Energen Corp	EGN	Dec	MKT	\$55	43.76	72.1	\$3,156	\$4,809	\$0.56	17.0%	1.3%	33.8%	BBB	25.7%	1.3%	27.0%
National Fuel Gas Company	NFG	Sep	MKT	\$56	51.85	83.3	\$4,319	\$5,815	\$1.46	56.5%	2.8%	38.4%	BBB	8.0%	2.8%	10.8%
Oneok Inc.	OKE	Dec	OP	\$53	45.93	205.1	\$9,418	\$16,545	\$1.32	77.4%	2.9%	72.2%	BBB	15.4%	2.9%	18.3%
Spectra Energy	SE	Dec	MKT	\$30	27.78	652.9	\$18,137	\$30,896	\$1.22	81.6%	4.4%	56.4%	BBB+	8.0%	4.4%	12.4%
Williams Cos	WMB	Dec	OP	\$38	32.79	626.5	\$20,542	\$32,374	\$1.30	115.1%	4.0%	69.7%	BBB-	15.9%	4.0%	19.9%
Average							\$55,573	\$90,438		69.5%	3.1%	54.1%		14.6%	3.1%	17.7%
U.S. Gas Utilities																
AGL Resources Inc	GAS	Dec	MKT	\$42	38.39	117.5	\$4,511	\$8,557	\$1.84	70.9%	4.8%	53.8%	A-	9.4%	4.8%	14.2%
CenterPoint Energy	CNP	Dec	MKT	\$22	19.56	427.4	\$8,360	\$13,804	\$0.81	67.3%	4.1%	59.5%	BBB+	12.5%	4.1%	16.6%
NiSource Inc	NI	Dec	MKT	\$27	23.87	284.9	\$6,801	\$14,859	\$0.96	66.4%	4.0%	60.3%	BBB-	13.1%	4.0%	17.1%
Questar Corp	STR	Dec	MKT	\$21	19.43	178.2	\$3,462	\$4,826	\$0.68	58.0%	3.5%	55.7%	A	8.1%	3.5%	11.6%
UGI Corp.	UGI	Sep	OP	\$37	32.55	112.3	\$3,657	\$7,197	\$1.08	60.4%	3.3%	58.4%	A-	13.7%	3.3%	17.0%
Average							\$26,791	\$49,243		64.6%	4.0%	57.6%		11.3%	4.0%	15.3%
Canadian Pipes*																
Enbridge Inc.	ENB	Dec	OP	\$47	39.28	799.6	\$31,407	\$53,704	\$1.13	68.3%	2.9%	65.1%	A-	19.7%	2.9%	22.5%
TransCanada Corp.	TRP	Dec	OP	\$52	45.28	704.9	\$31,919	\$56,609	\$1.76	89.4%	3.9%	55.1%	A-	14.8%	3.9%	18.7%
Average							\$63,326	\$110,314		78.8%	3.4%	60.1%		17.2%	3.4%	20.6%
Canadian Income*																
AltaGas	ALA	Dec	OP	\$37	34.03	104.5	\$3,556	\$6,977	\$1.44	125.0%	4.2%	48.2%	BBB	8.7%	4.2%	13.0%
Enbridge Income Fund	ENF	Dec	R	R	23.14	R	R	R	R	R	R	R	R	R	R	R
Gibson Energy	GEI	Dec	MKT	\$25	22.14	118.9	\$2,632	\$3,268	\$1.04	109.3%	4.7%	37.6%	-	12.9%	4.7%	17.6%
Inter Pipeline Fund	IPL	Dec	MKT	\$24	22.46	270.6	\$6,079	\$9,237	\$1.05	101.7%	4.7%	65.5%	BBB+	6.9%	4.7%	11.5%
Keyera	KEY	Dec	OP	\$53	47.50	77.1	\$3,663	\$4,394	\$2.16	118.6%	4.5%	46.3%	-	11.6%	4.5%	16.1%
Pembina Pipeline Corp	PPL	Dec	MKT	\$29	28.17	288.7	\$8,133	\$10,705	\$1.62	196.3%	5.8%	35.6%	BBB	2.9%	5.8%	8.7%
Valener	VNR	Sep	MKT	\$17	15.90	37.5	\$597	\$737	\$1.00	124.8%	6.3%	-1.9%	BBB+	6.9%	6.3%	13.2%
Veresen	VSN	Dec	OP	\$15	12.58	196.6	\$2,473	\$3,919	\$1.00	480.2%	7.9%	45.7%	BBB	19.2%	7.9%	27.2%
Average							\$27,132	\$39,236		179.4%	5.4%	39.6%		9.9%	5.4%	15.3%

Source: BMO Capital Markets estimates, Company Data.

Exhibit 2: Earnings Calendar

Conference Call Schedule																
Company	Ticker	EPS Release**		EPS Call**		Live Dial-In**	Pass Code**	Actual EPS	BMO Estimate		Δ to BMO	BMO Estimate		Δ to Consensus		
		Date	Time	Date	Time (ET)				3Q12	Consensus		F2012	Consensus		F2012	
AGL Resources Inc	GAS	11/1/2012	BMO	11/1/2012	9:00 AM	866-383-8009	87750312	\$0.09	\$0.23	\$0.21	(0.14)	\$2.60	\$2.65	(0.05)		
Alta Gas*	ALA	11/1/2012	BMO	11/1/2012	11:00 AM	866-225-0198	unnecessary	0.13	0.14	0.13	(0.01)	1.15	1.18	(0.01)		
CenterPoint Energy	CNP	11/7/2012	BMO	11/7/2012	11:30 AM	800-853-1781	30498727	0.37	0.31	0.34	0.08	1.20	1.20	0.01		
Enbridge Inc*	ENB	11/7/2012	BMO	11/7/2012	9:00 AM	888-679-8038	82312523	0.34	0.34	0.35	0.00	1.65	1.62	0.03		
Enbridge Income Fund*	ENF	10/25/2012	BMO	NA	NA	NA	NA	R	R	R	R	R	R	R		
Energen Corp	EGN	10/24/2012	AMC	10/25/2012	11:00 AM	888-901-2585	unnecessary	0.44	0.63	0.60	(0.19)	3.29	3.43	(0.14)		
Gibson Energy*	GEI	11/8/2012	AMC	11/7/2012	9:00 AM	888-896-5910	7015866	0.29	0.25	0.25	0.04	0.95	0.99	(0.04)		
Inter Pipeline Fund*	IPL	11/8/2012	Midday	11/8/2012	4:30 PM	877-240-9772	unnecessary	0.26	0.23	0.23	0.03	1.03	1.07	(0.03)		
Keyera*	KEY	11/8/2012	AMC	11/7/2012	10:00 AM	888-231-8191	unnecessary	0.43	0.43	0.41	0.00	1.62	1.65	(0.18)		
National Fuel Gas	NFG	11/1/2012	AMC	11/2/2012	11:00 AM	800-299-8183	95413478	0.43	0.35	0.39	0.08	2.58	2.82	(0.24)		
NiSource Inc	NI	11/2/2012	BMO	11/2/2012	9:00 AM	800-510-9834	8359252	0.05	0.05	0.05	0.00	1.45	1.42	0.02		
Oneok Inc	OKE	10/30/2012	AMC	10/31/2012	11:00 AM	800-948-0712	8481950	0.31	0.38	0.32	(0.05)	1.70	1.67	0.03		
Pembina Pipeline*	PPL	11/8/2012	AMC	11/7/2012	11:00 AM	888-231-8191	unnecessary	0.17	0.19	0.18	(0.02)	0.83	0.89	(0.06)		
Questar Corp	STR	10/30/2012	AMC	10/31/2012	9:30 AM	800-309-9491	43180940	0.19	0.19	0.19	(0.00)	1.17	1.18	(0.01)		
Spectra Energy	SE	11/1/2012	BMO	11/1/2012	9:00 AM	888-252-3715	40011318	0.27	0.34	0.31	(0.07)	1.50	1.48	0.02		
TransCanada*	TRP	10/30/2012	BMO	10/30/2012	11:00 AM	888-226-1793	unnecessary	0.50	0.52	0.54	(0.02)	1.97	1.98	(0.01)		
UGI Corp	UGI	11/8/2012	BMO	11/8/2012	4:00 PM	877-317-6789	unnecessary	(0.13)	(0.14)	(0.12)	0.01	1.79	2.52	(0.73)		
Valener*	VNR	11/29/2012	BMO	11/29/2012	11:00 AM	888-231-8191	unnecessary	(0.09)	(0.09)	(0.11)	0.01	0.81	0.60	0.01		
Veresen*	VSN	11/8/2012	Midday	11/8/2012	4:30 PM	888-231-8191	46717316	0.06	0.07	0.08	(0.01)	0.21	0.26	(0.05)		
Williams Cos	WMB	10/30/2012	AMC	10/31/2012	9:30 AM	888-480-2771	unnecessary	0.25	0.27	0.27	(0.02)	1.13	1.16	(0.03)		

* All data in US
 Please note that VNR, NFG and UGI fiscal year ends on 09/30.
 **source: Company estimates, SNL, Thompson; SNL & Thomson estimates shown in italics

Source: BMO Capital Markets estimates, Company Data.

Exhibit 3: BMO North American Pipeline Comparative Valuation - Estimates

Company	Ticker	Price 11/26/12	Dividend Yield	Operating EPS			Operating CFPS			EBITDA			Estimate ROE			
				2011A	2012E	2013E	2011A	2012E	2013E	2011A	2012E	2013E	2011A	2012E	2013E	
BMO North American Pipeline Coverage Universe																
U.S. Commodity Sensitive																
Energen Corp	EGN	43.76	1.3%	\$3.91	\$3.29	\$3.56	\$10.18	\$11.01	\$13.32	\$734	\$888	\$1,017	10.8%	9.0%	9.8%	
National Fuel Gas Company	NFG	51.85	2.8%	\$2.71	\$2.58	\$2.80	\$7.35	\$7.48	\$7.09	\$727	\$727	\$785	11.5%	11.0%	11.9%	
Oneok Inc.	OKE	45.93	2.9%	\$1.67	\$1.70	\$2.18	\$6.69	\$7.30	\$10.09	\$1,593	\$1,601	\$1,863	16.5%	16.9%	21.6%	
Spectra Energy	SE	27.78	4.4%	\$1.77	\$1.50	\$1.70	\$3.35	\$3.06	\$2.78	\$3,447	\$3,071	\$3,339	13.5%	11.4%	12.9%	
Williams Cos	WMB	32.79	4.0%	\$1.23	\$1.13	\$1.12	\$4.89	\$2.77	\$2.58	\$3,379	\$2,652	\$2,844	13.7%	12.5%	12.4%	
Average			3.1%										13.2%	12.2%	13.7%	
U.S. Utilities																
AGL Resources Inc	GAS	38.39	4.8%	\$2.92	\$2.60	\$3.02	\$6.96	\$7.52	\$6.91	\$619	\$1,070	\$1,171	10.2%	9.0%	10.5%	
CenterPoint Energy	CNP	19.56	4.1%	\$1.20	\$1.20	\$1.29	\$4.07	\$3.94	\$3.91	\$2,298	\$1,856	\$2,042	12.1%	12.1%	12.9%	
NiSource Inc	NI	23.87	4.0%	\$1.31	\$1.45	\$1.56	\$4.10	\$4.00	\$4.01	\$1,382	\$1,629	\$1,794	7.5%	8.3%	8.9%	
Questar Corp	STR	19.43	3.5%	\$1.16	\$1.17	\$1.17	\$2.71	\$2.69	\$2.30	\$541	\$564	\$566	19.6%	19.8%	19.8%	
UGI Corp.	UGI	32.55	3.3%	\$2.12	\$1.79	\$2.55	\$4.27	\$4.07	\$4.76	\$805	\$821	\$1,218	10.8%	9.2%	13.1%	
Average			4.0%										12.0%	11.7%	13.0%	
Canadian Pipes*																
Enbridge Inc.	ENB	39.28	2.9%	\$1.48	\$1.65	\$1.88	\$4.02	\$4.69	\$4.57	\$3,661	\$3,089	\$4,327	17.5%	19.6%	22.2%	
TransCanada Corp.	TRP	45.28	3.9%	\$2.23	\$1.97	\$2.50	\$5.14	\$4.70	\$5.25	\$4,555	\$4,346	\$5,095	10.0%	8.8%	11.2%	
Average			3.4%										13.8%	14.2%	16.7%	
Canadian Income*																
AltaGas	ALA	34.03	4.2%	\$0.99	\$1.15	\$1.55	\$2.56	\$2.71	\$3.52	\$248	\$351	\$486	6.6%	7.7%	10.4%	
Enbridge Income Fund	ENF	23.14	R	R	R	R	R	R	R	R	R	R	R	R	R	
Gibson Energy	GEI	22.14	4.7%	\$0.96	\$0.95	\$1.04	\$1.64	\$2.21	\$2.43	\$231	\$299	\$369	10.8%	10.7%	11.7%	
Inter Pipeline Fund	IPL	22.46	4.7%	\$0.93	\$1.03	\$1.19	\$1.52	\$1.56	\$1.71	\$508	\$630	\$629	15.9%	17.6%	20.4%	
Keyera	KEY	47.50	4.5%	\$1.71	\$1.82	\$2.02	\$3.55	\$3.46	\$3.69	\$226	\$291	\$341	15.3%	16.4%	18.1%	
Pembina Pipeline Corp	PPL	28.17	5.8%	\$1.05	\$0.83	\$0.84	\$1.82	\$1.75	\$1.87	\$356	\$588	\$688	7.2%	5.6%	5.8%	
Valener	VNR	15.90	6.3%	\$0.82	\$0.80	\$0.89	\$0.60	\$0.87	\$0.98	\$45	\$44	\$57	4.4%	4.3%	4.8%	
Veresen	VSN	12.58	7.9%	\$0.43	\$0.21	\$0.38	\$1.12	\$1.10	\$1.31	\$247	\$275	\$324	7.0%	3.4%	6.2%	
Average			5.4%										9.6%	9.4%	11.1%	

Source: BMO Capital Markets estimates, Company Data.

Exhibit 4: BMO North American Pipeline Comparative Valuation – Metrics

Company	Ticker	P/E			TEV/EBITDA			P/CFPS			CF Reinv Yield**		
		2011A	2012E	2013E	2011A	2012E	2013E	2011A	2012E	2013E	2011A	2012E	2013E
BMO North American Pipeline Coverage Universe													
U.S. Commodity Sensitive													
Enbridge Corp	ENB	11.2x	13.3x	12.3x	6.6x	5.4x	4.7x	4.3x	4.0x	3.3x	13.0%	14.9%	20.2%
National Fuel Gas Company	NFG	19.1x	20.1x	18.5x	8.0x	8.0x	7.4x	7.1x	6.9x	7.3x	8.7%	9.0%	5.8%
Okeok Inc.	OKE	27.5x	26.9x	21.1x	10.4x	10.3x	8.9x	6.9x	6.3x	4.6x	5.1%	2.8%	5.3%
Spectra Energy	SE	15.7x	18.6x	16.4x	9.0x	10.1x	9.3x	8.3x	9.1x	10.0x	7.8%	7.2%	6.2%
Williams Cos	WMB	26.6x	29.0x	29.3x	9.6x	12.2x	11.4x	6.7x	11.8x	12.7x	6.2%	6.1%	5.6%
Average		20.0x	21.6x	19.5x	8.7x	9.2x	8.3x	6.6x	7.6x	7.6x	8.2%	8.0%	8.7%
U.S. Utilities													
AGL Resources Inc	GAS	13.2x	14.8x	12.7x	13.8x	8.0x	7.3x	5.5x	5.1x	5.6x	12.1%	12.0%	10.5%
CenterPoint Energy	CNP	16.3x	16.3x	15.2x	6.0x	7.4x	6.8x	4.8x	5.0x	5.0x	12.4%	11.8%	11.7%
NISource Inc	NI	18.2x	16.5x	15.3x	10.8x	9.1x	8.3x	5.8x	6.0x	6.0x	11.2%	9.4%	10.1%
Questar Corp	STR	16.7x	16.6x	16.6x	8.9x	8.6x	8.5x	7.2x	7.2x	8.5x	9.0%	8.9%	6.9%
UGI Corp.	UGI	15.4x	18.2x	12.8x	8.9x	8.8x	5.9x	7.6x	8.0x	6.8x	9.0%	6.9%	8.9%
Average		16.0x	16.5x	14.5x	9.7x	8.4x	7.4x	6.2x	6.3x	6.4x	10.7%	9.8%	9.6%
Canadian Pipes*													
Enbridge Inc.	ENB	26.5x	23.7x	20.9x	14.7x	17.4x	12.4x	9.8x	8.4x	8.6x	7.4%	9.2%	8.9%
TransCanada Corp.	TRP	20.3x	23.0x	18.1x	12.4x	13.0x	11.1x	8.8x	9.6x	8.6x	9.8%	8.8%	10.0%
Average		23.4x	23.4x	19.5x	13.5x	15.2x	11.8x	9.3x	9.0x	8.6x	8.6%	9.0%	9.5%
Canadian Income*													
AltaGas	ALA	34.4x	29.5x	22.0x	28.1x	19.9x	14.3x	13.3x	12.6x	9.7x	7.2%	8.0%	9.2%
Enbridge Income Fund	ENF	R	R	R	R	R	R	R	R	R	R	R	R
Gibson Energy	GEI	23.1x	23.3x	21.2x	14.1x	10.9x	8.9x	13.5x	10.0x	9.1x	5.1%	7.8%	9.0%
Inter Pipeline Fund	IPL	24.1x	21.8x	18.8x	18.2x	14.7x	14.7x	14.8x	14.4x	13.2x	6.4%	6.3%	7.0%
Keyera	KEY	27.8x	26.1x	23.5x	19.4x	15.1x	12.9x	13.4x	13.7x	12.9x	6.8%	6.2%	7.2%
Pembina Pipeline Corp	PPL	26.9x	34.1x	33.3x	30.0x	18.2x	15.6x	15.5x	16.1x	15.1x	6.5%	6.0%	6.4%
Valener	VNR	19.4x	19.8x	17.9x	16.2x	16.9x	13.0x	26.5x	18.4x	16.2x	4.3%	3.9%	6.2%
Veresen	VSN	29.6x	60.4x	33.5x	15.8x	14.3x	12.1x	11.3x	11.4x	9.6x	8.7%	8.5%	10.2%
Average		26.5x	30.7x	24.3x	20.3x	15.7x	13.1x	15.5x	13.8x	12.2x	6.4%	6.7%	7.9%

* All Data in C\$ unless otherwise indicated

** Operating cash flow less maintenance capital; shareholder cash available for dividend or growth reinvestment

INDUSTRY COMPS

Industry Comps

U.S. Commodity Sensitive

Average	20.6x	29.1x	21.8x	10.6x	10.3x	8.4x	9.3x	8.9x	7.6x
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U.S. Gas Utilities

Average	16.2x	15.9x	14.7x	9.7x	9.3x	8.7x	6.3x	10.3x	7.9x
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U.S. Master Limited Partnerships

Average	32.6x	22.3x	20.7x	19.6x	12.3x	10.0x	12.1x	11.6x	10.5x
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U.S. Regulated Electric Utilities

Average	12.6x	12.7x	12.7x	8.7x	8.1x	7.6x	5.2x	5.6x	6.0x
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Canadian Income*

Average	23.7x	16.5x	33.6x	16.0x	15.8x	14.7x	8.2x	6.5x	6.7x
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Other Canadian Pipelines & Utility*

Source: BMO Capital Markets estimates, Company Data.

Exhibit 5: N. America Pipeline Short Interest

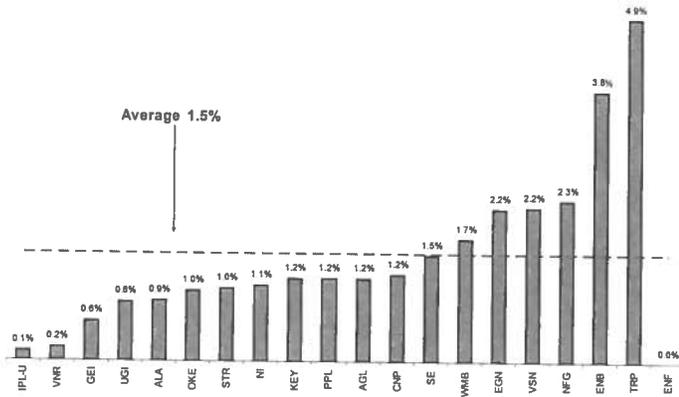


Exhibit 6: N. America Pipeline Days To Cover

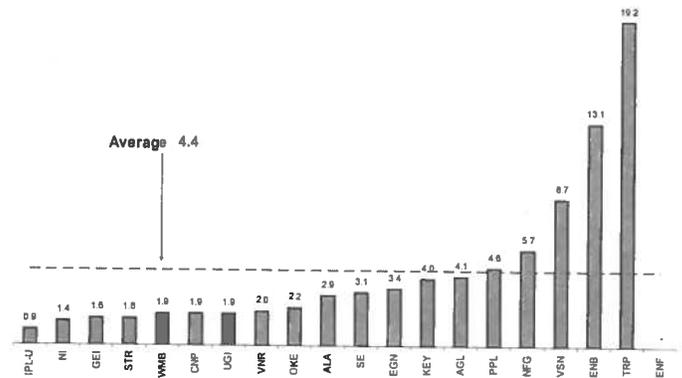


Exhibit 7: 2-Week Absolute Change in SI

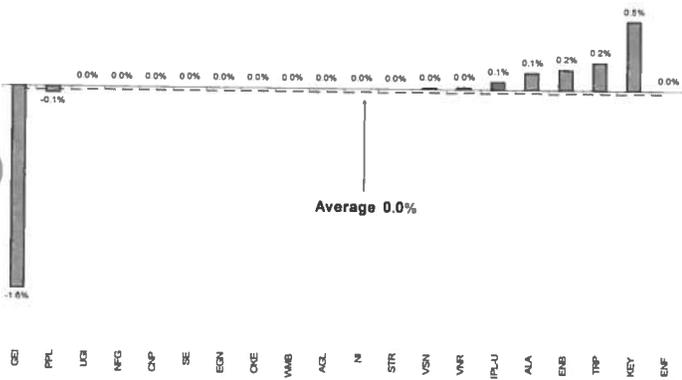


Exhibit 8: 2-Week Absolute Change in Days

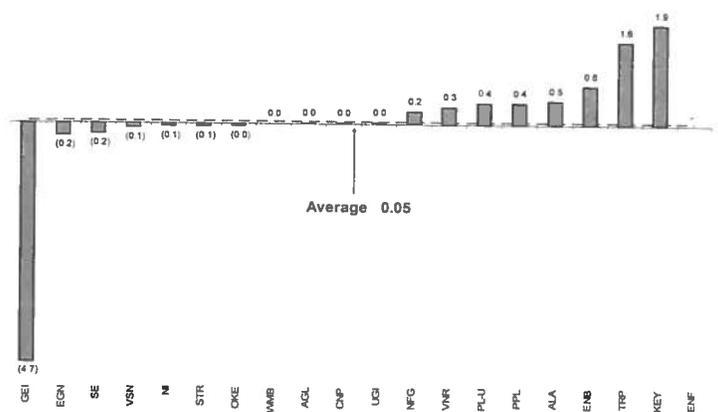


Exhibit 9: 2-Week Relative Change in SI

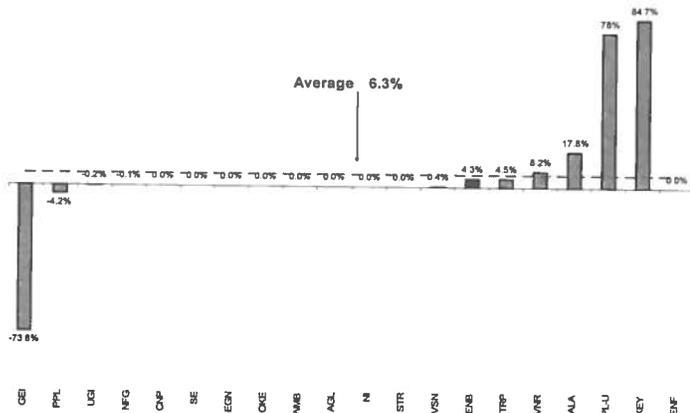
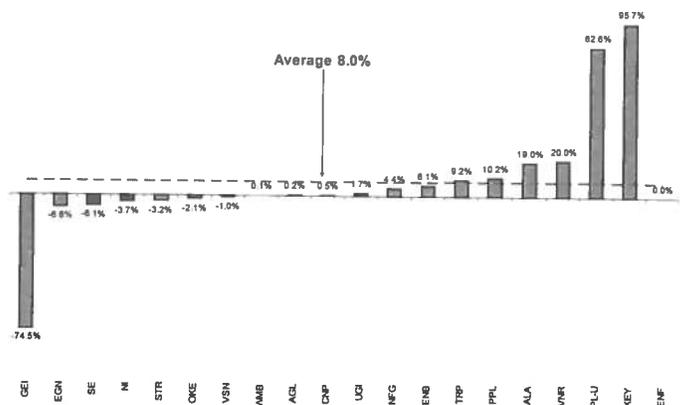


Exhibit 10: 2-Week Relative Change in Days



Source: BMO Capital Markets estimates, Bloomberg.

* Last available update: November 23, 2012. Short interest is defined as absolute short volume divided by public float.

Earnings

Exhibit 11: BMO Capital Estimates vs. Consensus

	2011A	2012E				2012E	2013E	2014E	Year-Over-Year Growth		
		1QA	2QA	3QA	4QE				'11 vs. '12	'12 vs. '13	'13 vs. '14
U.S. Commodity Sensitive											
EGN	\$3.91	\$1.33	\$0.73	\$0.44	\$0.79	\$3.29	\$3.56	\$3.57	-16.0%	8.2%	0.4%
Consensus					\$0.90	\$3.43	\$4.13	\$5.01	-16.0%	20.3%	21.4%
NFG	\$2.71	\$0.73	\$0.89	\$0.54	\$0.43	\$2.58	\$2.80	\$2.42	-4.8%	8.3%	-13.6%
Consensus							\$2.82	\$2.85	-4.8%	9.1%	1.3%
OKE	\$1.67	\$0.56	\$0.29	\$0.31	\$0.54	\$1.70	\$2.18	\$2.39	2.0%	27.9%	9.8%
Consensus					\$0.48	\$1.67	\$2.06	\$2.46	0.0%	23.0%	19.6%
SE	\$1.77	\$0.51	\$0.33	\$0.27	\$0.39	\$1.50	\$1.70	\$1.90	-15.7%	13.6%	11.6%
Consensus					\$0.37	\$1.48	\$1.67	\$1.85	-16.5%	12.6%	10.6%
WMB	\$1.23	\$0.39	\$0.22	\$0.25	\$0.26	\$1.13	\$1.12	\$1.45	-8.2%	-0.8%	29.3%
Consensus					\$0.30	\$1.16	\$1.28	\$1.62	-5.8%	10.1%	27.0%
U.S. Utilities											
GAS	\$2.92	\$1.16	\$0.30	\$0.09	\$1.03	\$2.80	\$3.02	\$3.05	-11.0%	16.1%	1.2%
Consensus					\$1.06	\$2.64	\$3.00	\$3.13	-9.4%	13.7%	4.1%
CNP	\$1.20	\$0.33	\$0.27	\$0.37	\$0.23	\$1.20	\$1.29	\$1.37	0.1%	6.9%	6.3%
Consensus					\$0.21	\$1.20	\$1.27	\$1.35	-0.5%	5.9%	6.2%
NI	\$1.31	\$0.73	\$0.23	\$0.05	\$0.44	\$1.45	\$1.56	\$1.65	10.4%	8.0%	5.4%
Consensus					\$0.43	\$1.42	\$1.56	\$1.67	8.6%	9.4%	7.0%
STR	\$1.16	\$0.42	\$0.22	\$0.19	\$0.34	\$1.17	\$1.17	\$1.21	0.9%	-0.2%	3.3%
Consensus					\$0.36	\$1.18	\$1.22	\$1.27	1.8%	2.9%	4.4%
UGI	\$2.12	\$0.77	\$1.20	-\$0.06	-\$0.13	\$1.79	\$2.55	\$2.70	-15.6%	42.7%	5.9%
Consensus							\$2.52	\$2.69	-100.0%	40.7%	7.1%
Canadian Pipes*											
ENB	\$1.48	\$0.50	\$0.36	\$0.34	\$0.45	\$1.85	\$1.88	\$2.20	11.7%	13.4%	17.2%
Consensus					\$0.44	\$1.63	\$1.84	\$2.18	10.0%	12.7%	18.7%
TRP	\$2.23	\$0.49	\$0.46	\$0.50	\$0.53	\$1.97	\$2.50	\$2.65	-11.7%	26.9%	6.0%
Consensus					\$0.55	\$1.98	\$2.38	\$2.65	-11.4%	20.2%	11.5%
Canadian Income*											
ALA	\$0.99	\$0.44	\$0.12	\$0.13	\$0.45	\$1.15	\$1.55	\$1.87	16.5%	34.5%	20.4%
Consensus					\$0.45	\$1.15	\$1.44	\$2.65	16.1%	25.4%	84.0%
ENF	K	K	K	K	K	K	K	K	K	K	K
Consensus											
GEI	\$0.96	\$0.19	\$0.14	\$0.29	\$0.32	\$0.95	\$1.04	\$1.16	-0.6%	9.6%	11.3%
Consensus					\$0.32	\$0.95	\$1.12	\$1.61	-1.0%	17.7%	44.5%
IPL	\$0.93	\$0.29	\$0.25	\$0.26	\$0.24	\$1.03	\$1.19	\$1.13	10.7%	15.6%	-5.3%
Consensus					\$0.24	\$1.07	\$1.05	\$1.18	14.3%	-1.0%	12.3%
KEY	\$1.71	\$0.46	\$0.33	\$0.43	\$0.60	\$1.82	\$2.02	\$2.25	6.6%	10.8%	11.7%
Consensus					\$0.61	\$1.65	\$1.97	\$2.12	-3.7%	19.6%	7.8%
PPL	\$1.05	\$0.29	\$0.13	\$0.17	\$0.26	\$0.83	\$0.84	\$1.12	-21.1%	2.4%	32.5%
Consensus					\$0.25	\$0.89	\$1.02	\$1.19	-15.3%	15.0%	16.3%
VNR	\$0.82	\$0.27	\$0.58	\$0.04	-\$0.09	\$0.80	\$0.89	\$1.02	-2.0%	10.8%	15.3%
Consensus					-\$0.11	\$0.80	\$0.86	\$0.98	-2.4%	8.0%	13.3%
VSN	\$0.43	\$0.05	\$0.03	\$0.06	\$0.07	\$0.21	\$0.38	\$0.39	-51.1%	80.6%	4.7%
Consensus					\$0.11	\$0.26	\$0.43	\$0.39	-39.6%	68.1%	-10.0%

(1) Estimates are Bloomberg Consensus
 * All Data in C\$ unless otherwise indicated

Source: BMO Capital Markets estimates, Company Data, Bloomberg.

Exhibit 12: EPS Commodity Sensitivity

	ALA	EGN	IPL	KEY	NFG	OKE	PPL	SE	TRP	VSN	WMB	
Base Case 2012 EPS hedged	\$1.15	\$3.29	\$1.03	\$1.82	\$2.68	\$1.70	\$0.90	\$1.50	\$1.97	\$0.21	\$1.13	
NATURAL GAS												
- \$1 nat gas (\$/MMBtu) hedged	0.04	3.5%	(0.25)	-7.6%		0.0%	(0.27)	-10.5%	(0.03)	-1.8%	0.04	4.4%
unhedged	0.09	5.3%	(0.60)	-18.3%	0.02	1.9%	-	0.0%	(0.45)	-19.4%	(0.05)	-2.6%
+ \$1 nat gas (\$/MMBtu) hedged	(0.04)	-3.5%	0.25	7.6%		0.0%	0.27	10.5%	0.03	1.8%	(0.04)	-4.4%
unhedged	(0.08)	-5.3%	0.60	18.3%	(0.02)	-1.9%	-	0.0%	0.45	19.4%	0.05	2.6%
NATURAL GAS LIQUIDS												
- \$0.05 NGL (\$/gal) hedged	(0.01)	-0.9%	(0.02)	-0.6%		0.0%	-	0.0%	(0.01)	-0.6%	(0.02)	-2.2%
unhedged	(0.03)	-7.0%	(0.04)	-1.2%	(0.01)	-1.0%	-	0.0%	(0.02)	-0.9%	(0.03)	-3.8%
+ \$0.05 NGL (\$/gal) hedged	0.01	0.9%	0.02	0.6%		0.0%	-	0.0%	0.01	0.6%	0.02	2.2%
unhedged	0.03	7.0%	0.04	1.2%	0.01	1.0%	-	0.0%	0.02	0.9%	0.03	3.8%
CRUDE OIL**												
- \$10 OIL (\$/Bbl) hedged	(0.03)	-2.6%	(0.09)	-2.7%		0.0%	(0.03)	-1.8%	(0.03)	-3.3%	-	0.0%
unhedged	(0.12)	-7.0%	(0.69)	-21.0%	(0.04)	-3.8%	(0.14)	-6.0%	(0.06)	-3.4%	(0.12)	-6.4%
+ \$10 OIL (\$/Bbl) hedged	0.03	2.6%	0.09	2.7%		0.0%	0.03	1.8%	0.03	3.3%	-	0.0%
unhedged	0.12	7.0%	0.69	21.0%	0.04	3.8%	0.14	6.0%	0.06	3.4%	0.12	6.4%

All unhedged positions shown assume BMO 2012 commodity forecast of \$2.70 nat gas, \$94.10 oil and \$1.01 NGLs.
 Crude sensitivities also flow through NGL prices, doubling impact of price changes.

Source: BMO Capital Markets estimates, Company Data, Bloomberg.

Exhibit 13: Consensus EPS Revisions – Trailing 4 Weeks

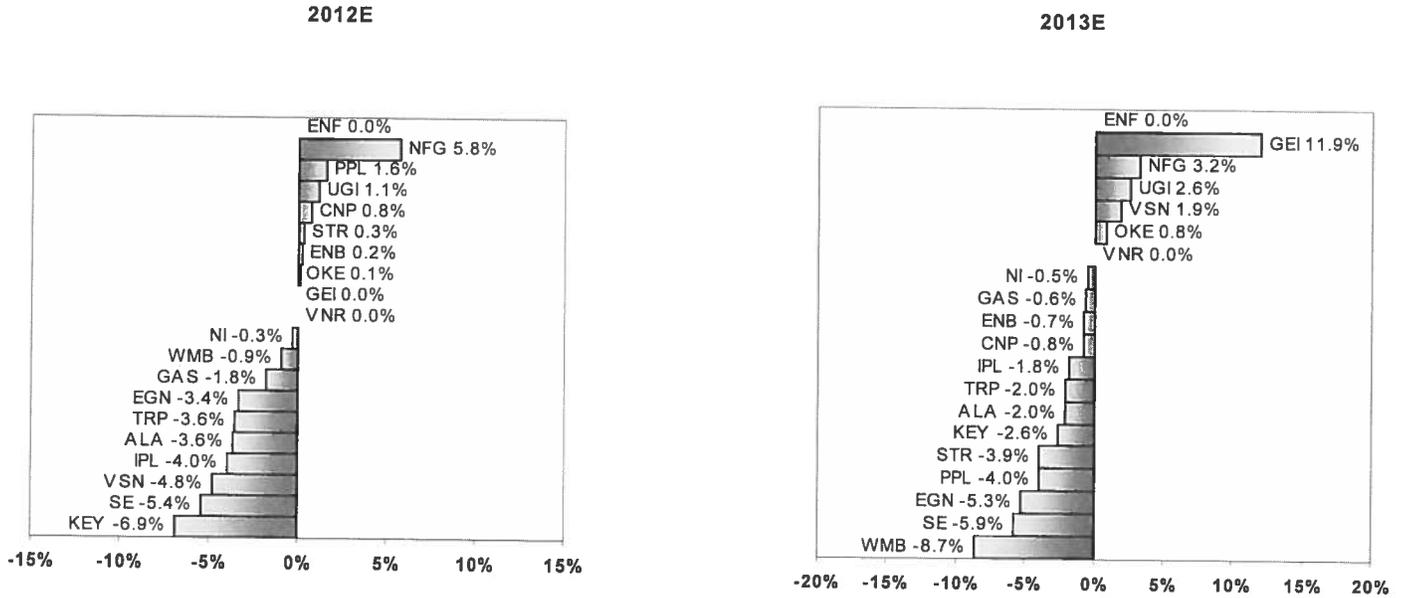
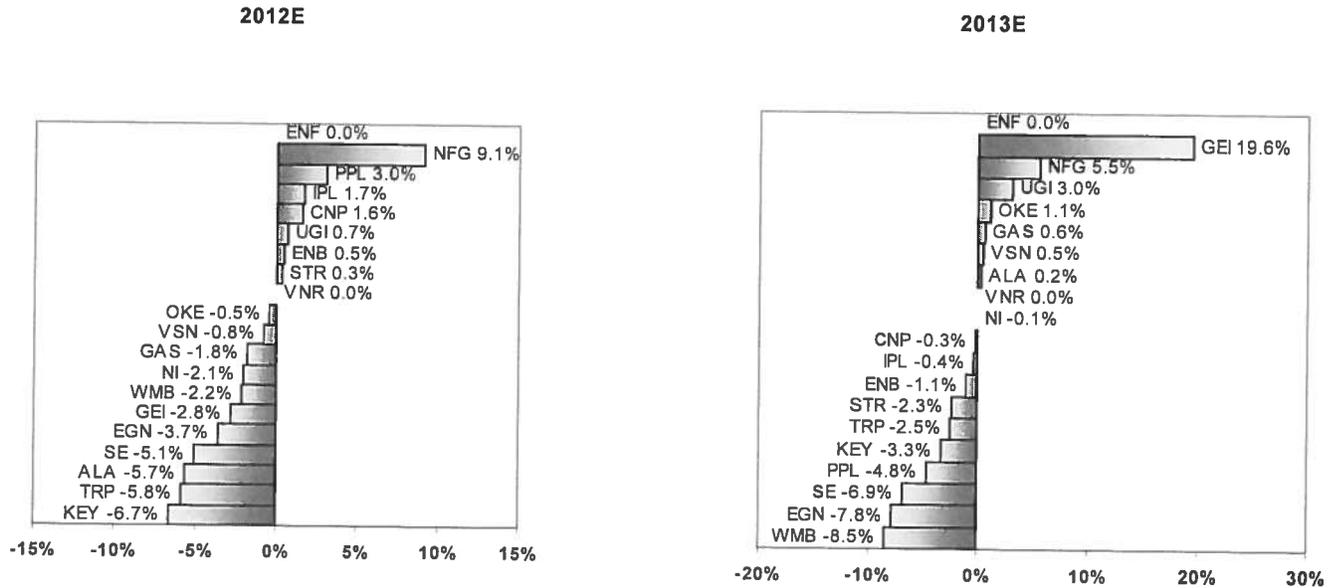


Exhibit 14: Consensus EPS Revisions – Trailing 3 Months



Source (all Exhibits): BMO Capital Markets estimates, Company Data, Bloomberg.

Stock Performance

Exhibit 15: 5-Day Performance (November 19 thru November 26)

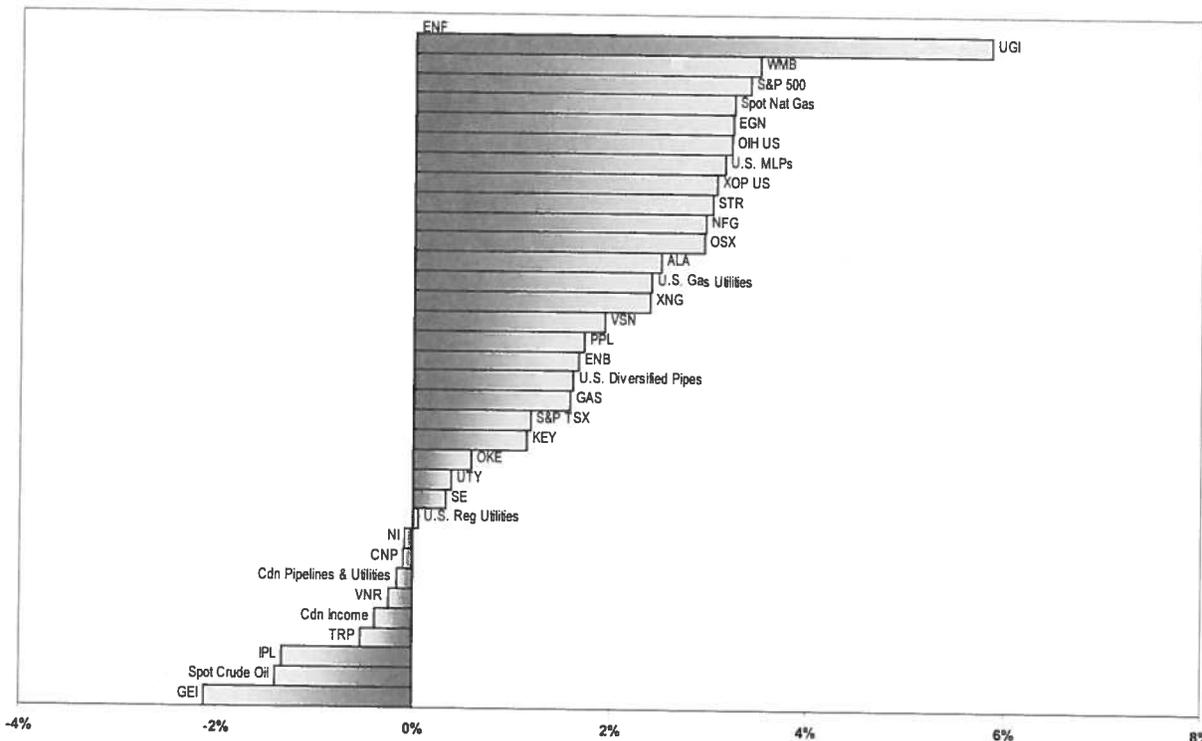
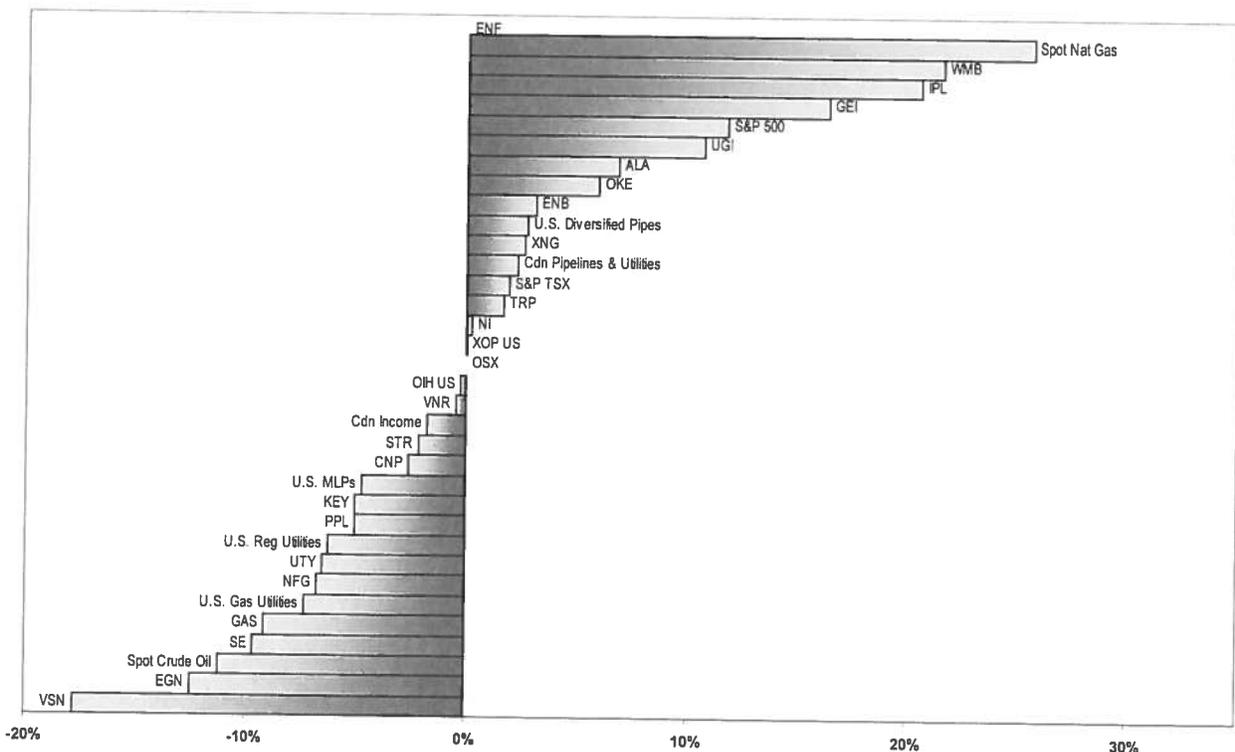


Exhibit 16: Year-to-Date Performance



Source (all Exhibits): BMO Capital Markets estimates, Bloomberg.

Exhibit 17: Price Performance – United States

Ticker	Rating	Price Performance****										Date of High	% from 52 Wk Low	Date of Low	
		Price	1 Day	5 Day	1 Month	QTD	Three Months	YTD	1 Year	% from 52 Wk High					
BMO North American Pipeline Coverage Universe															
U.S. Commodity Sensitive															
Energren Corp	EGN	MKT	43.76	-1.5%	3.2%	-7.1%	-16.5%	-15.2%	-12.5%	-5.3%	-24.6%	2/22/2012	9.0%	6/25/2012	
National Fuel Gas Company	NFG	MKT	51.85	-0.7%	3.0%	-3.0%	-4.1%	3.8%	-6.7%	-3.4%	-13.8%	12/5/2011	24.7%	6/4/2012	
Oneok Inc	OKE	OP	45.93	-0.1%	0.6%	-2.6%	-4.9%	3.0%	6.0%	18.2%	-7.8%	6/29/2012	16.8%	6/4/2012	
Spectra Energy	SE	MKT	27.78	-1.1%	0.3%	-4.3%	-5.4%	-3.7%	-9.7%	-1.6%	-13.9%	3/19/2012	4.6%	11/15/2012	
Williams Cos	WMB	OP	32.79	-1.9%	3.5%	-5.8%	-6.2%	2.1%	21.6%	35.2%	-12.7%	10/4/2012	32.3%	12/15/2011	
Average				-1.1%	2.1%	-4.5%	-7.4%	-2.0%	-8.3%	8.6%	-14.6%		17.6%		
U.S. Utilities															
AGL Resources Inc	GAS	MKT	38.39	2.2%	1.8%	-4.7%	-6.2%	-2.6%	-9.2%	-1.2%	-10.7%	12/30/2011	4.9%	5/21/2012	
CenterPoint Energy	CNP	MKT	19.56	1.6%	-0.1%	-8.9%	-8.2%	-3.7%	-2.6%	5.2%	-10.3%	11/2/2012	8.2%	1/30/2012	
NISource Inc	NI	MKT	23.87	-0.6%	-0.1%	-6.2%	-6.3%	-1.1%	0.3%	11.8%	-8.7%	7/31/2012	11.5%	11/28/2011	
Questar Corp	STR	MKT	19.43	0.5%	3.0%	-4.8%	-4.4%	-1.9%	-2.2%	5.2%	-9.5%	6/29/2012	13.0%	11/9/2012	
UGI Corp	UGI	OP	32.55	2.4%	5.9%	0.8%	2.5%	7.1%	10.7%	15.6%	-2.4%	10/19/2012	25.1%	1/25/2012	
Average				1.2%	2.1%	-4.7%	-4.6%	-0.4%	-0.6%	7.3%	-8.3%		12.6%		
Industry Comps															
U.S. Commodity Sensitive															
Equitable Resources***	EQT	OP	61.28	-2.3%	1.8%	-1.8%	3.8%	13.5%	11.8%	10.7%	-2.6%	12/1/2011	40.3%	6/4/2012	
Sempra Energy**	SRE	MKT	66.78	1.1%	1.1%	-3.2%	3.6%	-0.6%	21.4%	31.3%	-7.7%	8/1/2012	30.7%	11/28/2011	
Average				-0.6%	1.4%	-2.5%	3.7%	6.6%	16.6%	21.0%	-5.1%		35.5%		
U.S. Gas Utilities															
Almos Energy	ATO	NR	34.66	1.3%	3.1%	-3.2%	-3.2%	-1.6%	3.9%	6.7%	-7.2%	7/17/2012	14.1%	3/22/2012	
Integrus Energy Group	TEG	NR	53.29	1.3%	1.2%	-0.5%	2.1%	-3.7%	-1.6%	8.6%	-13.9%	8/1/2012	9.4%	11/28/2011	
The Laclede Group	LG	NR	39.97	2.5%	3.1%	-4.1%	-7.0%	-4.9%	-1.2%	3.8%	-9.2%	10/5/2012	9.4%	6/1/2012	
New Jersey Resources	NJR	NR	39.64	1.1%	1.3%	-11.1%	-13.3%	-12.6%	-19.4%	-11.3%	-21.5%	12/30/2012	2.9%	11/16/2012	
Northwest Natural Gas Company	NWN	NR	43.23	2.5%	3.4%	-9.5%	-12.2%	-12.3%	-9.8%	-3.5%	-14.9%	10/9/2012	5.4%	11/16/2012	
Piedmont Natural Gas	PNY	NR	30.28	2.1%	3.5%	-4.1%	-6.8%	-3.3%	-10.9%	1.2%	-12.8%	12/30/2011	6.2%	11/16/2012	
South Jersey Industries	SJI	NR	48.90	1.8%	4.0%	-4.1%	-7.6%	-3.5%	-13.8%	-6.7%	-15.7%	1/3/2012	6.7%	11/16/2012	
Vectren	VVC	NR	28.50	0.6%	1.8%	-2.7%	-0.3%	0.1%	-5.7%	4.8%	-7.3%	7/20/2012	4.2%	11/28/2011	
Washington Gas Light	WGL	NR	37.99	1.8%	2.6%	-3.8%	-5.6%	-4.5%	-14.1%	-5.7%	-15.6%	12/30/2011	5.6%	11/16/2012	
Average				1.6%	2.4%	-4.3%	-5.4%	-4.6%	-7.3%	-0.2%	-11.8%		6.4%		
U.S. Master Limited Partnerships															
Amerigas Partners	APU	NR	40.79	0.3%	5.5%	-8.3%	-6.6%	0.0%	-11.2%	-4.9%	-12.2%	2/27/2012	10.2%	6/4/2012	
Enbridge Energy Partners	EEP	NR	28.50	-0.7%	0.9%	-4.7%	-3.2%	-2.4%	-14.1%	-5.3%	-15.8%	1/3/2012	4.0%	11/15/2012	
Enbridge Energy Management	EEQ	NR	30.03	-1.6%	5.0%	-2.4%	-3.5%	-1.2%	-7.7%	4.6%	-12.6%	7/18/2012	7.9%	11/15/2012	
El Paso Pipeline Partners	EPB	NR	36.31	-0.8%	5.3%	0.5%	-2.4%	2.1%	4.9%	12.7%	-4.7%	2/24/2012	18.5%	5/18/2012	
Cheniere Energy Partners	CQP	NR	20.75	-1.8%	5.5%	-7.7%	-9.3%	-16.4%	15.1%	28.1%	-24.5%	4/28/2012	31.7%	12/1/2011	
Targa Resource Partners	NGLS	NR	38.66	-0.8%	3.1%	-13.3%	-14.5%	-8.7%	-1.7%	2.5%	-19.3%	5/4/2012	12.2%	6/25/2012	
Williams Partners	WPZ	NR	50.56	-0.3%	2.1%	-5.7%	-7.5%	-0.8%	-15.7%	-9.9%	-22.7%	1/24/2012	12.2%	11/15/2012	
Spectra Energy Partners	SEP	NR	29.38	-1.0%	6.3%	-4.9%	-7.7%	-8.9%	-8.1%	-1.4%	-11.7%	1/26/2012	8.2%	11/15/2012	
DCP Midstream Partners	DPM	NR	41.66	-0.2%	0.2%	-6.1%	-10.3%	-3.3%	-12.2%	-5.1%	-16.6%	2/1/2012	14.2%	6/4/2012	
Oneok Partners	OKS	NR	58.24	0.0%	2.2%	-3.6%	-2.1%	5.3%	0.9%	18.0%	-5.4%	2/27/2012	16.7%	11/28/2011	
Kinder Morgan Energy Partners	KMP	NR	81.01	-0.8%	2.8%	-5.1%	-1.6%	-1.0%	-4.6%	7.3%	-10.6%	2/24/2012	9.3%	6/5/2012	
Enterprise Product Partners	EPD	NR	51.05	-1.8%	0.7%	-4.4%	-4.8%	-3.3%	10.1%	15.7%	-7.8%	10/5/2012	14.7%	12/8/2011	
Boardwalk Pipeline Partners	BWP	NR	25.70	-0.6%	4.6%	-4.1%	-7.9%	-4.4%	-7.1%	-0.1%	-12.7%	1/4/2012	9.1%	11/15/2012	
Average				-0.8%	3.0%	-5.2%	-5.8%	-3.4%	-4.8%	3.9%	-13.4%		12.8%		
U.S. Regulated Electric Utilities															
American Electric Power**	AEP	MKT	41.48	1.1%	-0.1%	-5.8%	-5.6%	-3.1%	0.4%	11.5%	-8.7%	10/18/2012	12.2%	4/10/2012	
Dominion Resources**	D	MKT	50.65	1.1%	1.0%	-2.7%	-4.3%	-5.3%	-4.6%	2.3%	-8.9%	8/1/2012	3.6%	1/30/2012	
Duke Energy**	DUK	MKT	61.31	1.4%	0.7%	-5.8%	-5.4%	-6.4%	-7.1%	3.3%	-13.8%	7/2/2012	2.8%	11/15/2012	
Ameren	AEE	NR	28.85	1.1%	-1.7%	-10.8%	-11.7%	-13.1%	-12.9%	-8.4%	-18.3%	8/3/2012	1.5%	11/23/2012	
Consolidated Edison**	ED	MKT	54.88	1.4%	-0.2%	-8.5%	-8.4%	-10.6%	-11.5%	-4.0%	-16.8%	8/1/2012	2.3%	11/21/2012	
PG&E Corp.**	PCG	MKT	40.75	1.4%	0.8%	-3.0%	-4.5%	-7.5%	-1.1%	9.5%	-13.4%	8/1/2012	8.3%	11/28/2011	
Southern Company**	SO	MKT	42.63	1.4%	-0.1%	-8.0%	-7.5%	-7.1%	-7.9%	0.4%	-12.3%	7/27/2012	2.1%	11/23/2012	
Xcel Energy**	XEL	MKT	26.31	1.1%	0.2%	-6.0%	-5.1%	-5.8%	-4.8%	4.4%	-12.1%	8/1/2012	4.2%	11/28/2011	
Average				1.3%	0.1%	-6.3%	-6.6%	-7.4%	-6.2%	2.4%	-13.0%		4.6%		
Indices/Treasury															
Spot Henry Hub Natural Gas	NGUSHUB		3.75	4.3%	3.2%	10.9%	21.6%	33.5%	25.7%	32.2%	NA	NA	NA	NA	
Spot WTI	USCRWTC		87.74	-0.6%	-1.4%	1.7%	-4.8%	-8.5%	-11.2%	-9.3%	NA	NA	NA	NA	
OIL SERVICE HOLDERS TRUST	OIH US		38.19	-1.0%	3.2%	-1.8%	-3.5%	-4.6%	0.0%	3.3%	-17.7%	2/24/2012	17.4%	6/26/2012	
OIL SERVICE SECTOR INDEX	OSX		216.21	-0.8%	2.9%	-1.8%	-3.5%	-4.6%	0.0%	3.3%	-17.7%	2/24/2012	NA	NA	
AMEX NATURAL GAS INDEX	XNG		652.70	-1.3%	2.4%	-2.6%	-2.6%	1.8%	2.6%	7.2%	-6.6%	9/14/2012	316.7%	2/3/2012	
SPDR S&P OIL & GAS EXPLORATI	XOP US		52.71	-2.2%	3.1%	-2.2%	-5.4%	0.0%	0.0%	9.5%	-14.7%	3/19/2012	19.2%	6/4/2012	
PHILA UTILITY INDEX	UTY		450.19	1.4%	0.4%	-6.8%	-6.5%	-6.7%	-6.5%	1.6%	-12.1%	8/1/2012	NA	NA	
S&P 500 INDEX	SPX		1,406.29	-0.2%	3.4%	-0.4%	-2.4%	-0.3%	11.8%	21.4%	-4.6%	9/14/2012	NA	NA	
US Generic Govt 10 Year Yield	USGG10YR		1.66	-1.5%	3.2%	-4.6%	1.9%	-1.3%	-11.3%	-15.2%	NA	NA	NA	NA	
S&P/TSX COMPOSITE INDEX	SPTSX		12,185.05	-0.2%	1.2%	-0.9%	-1.1%	0.9%	1.9%	6.3%	-4.7%	2/29/2012	NA	NA	
Canadian Govt Bonds 10 Year No	GCAN10YR		1.76	-1.3%	1.6%	-4.0%	2.0%	-3.7%	-9.2%	-15.7%					

* All Data in US unless otherwise indicated
 ** Covered by Michael Worms, BMO Capital Markets' Electric Utilities and Independent Power analyst
 *** Covered by Philip Jungwirth, BMO Capital Markets' Energy Exploration and Production analyst
 **** 1-Day / 5-Day / 1-Month / 1-Year measures mentioned period performance from 11.28.12/11.19.12/10.28.12/11.28.11
 Md= Market Perform; OP= Outperform; Und= Underperform; R=Restricted

Source: BMO Capital Markets estimates, Bloomberg.

Exhibit 18: Price Performance – Canada

BMO North American Pipeline Coverage Universe	Ticker	Rating	Price	Price Performance**										
				1 Day	5 Day	1 Month	QTD	Three Months	YTD	1 Year	% from 52 Wk High	Date of High	% from 52 Wk Low	Date of Low
Canadian Pipes*														
Enbridge Inc.	ENB	OP	39.28	0.5%	1.7%	-0.3%	2.3%	-0.8%	3.1%	145.5%	-7.0%	7/27/2012	13.1%	12/6/2011
TransCanada Corp.	TRP	OP	45.28	-0.2%	-0.5%	2.0%	1.2%	0.2%	1.7%	11.0%	-2.2%	8/7/2012	12.2%	1/18/2012
Average				0.1%	0.6%	0.8%	1.7%	-0.3%	2.4%	78.3%	-4.6%		12.7%	
Canadian Income*														
AltaGas	ALA	OP	34.03	-0.1%	2.5%	1.5%	0.8%	7.6%	6.9%	112.7%	-0.8%	11/27/2012	24.0%	6/4/2012
Enbridge Income Fund	ENF	R	R	R	R	R	R	R	R	R	R	R	R	R
Gibson Energy	GEI	MKT	22.14	-0.4%	-2.1%	-4.4%	-3.9%	-0.9%	16.4%	38.4%	-5.8%	10/9/2012	18.1%	12/29/2011
Inter Pipeline Fund	IPL	MKT	22.46	-1.3%	-1.3%	1.3%	4.5%	5.1%	20.6%	40.4%	-2.3%	11/19/2012	31.3%	1/30/2012
Keyera	KEY	OP	47.50	1.4%	1.1%	0.7%	-0.3%	2.4%	-5.0%	196.9%	-7.9%	1/5/2012	26.7%	4/17/2012
Pembina Pipeline Income Fund	PPL	MKT	28.17	0.2%	1.7%	1.7%	2.1%	1.7%	-5.0%	76.1%	-9.6%	12/7/2011	13.3%	6/25/2012
Valener	VNR	MKT	15.91	-0.5%	-0.3%	-0.1%	-0.7%	-0.4%	-0.4%	-0.6%	-3.6%	1/23/2012	9.0%	6/1/2012
Veresen	VSN	OP	12.58	1.0%	1.9%	-2.3%	-2.4%	-4.3%	-17.8%	-21.4%	-20.5%	1/23/2012	8.0%	11/15/2012
Average				0.1%	0.5%	-0.2%	0.0%	1.6%	2.2%	63.2%	-7.2%		18.6%	
Industry Comps														
Canadian Income*														
Atlantic Power Corp.	ATP	NR	11.80	-1.7%	-1.3%	-20.1%	-19.8%	-16.3%	-18.7%	-11.5%	-23.4%	2/6/2012	3.1%	11/15/2012
Average				-1.7%	-1.3%	-20.1%	-19.8%	-16.3%	-18.7%	-11.5%	-23.4%		3.1%	
Other Canadian Pipelines & Utility*														
Algonquin Power**	AQN	OP	6.70	0.9%	-2.8%	-2.3%	0.4%	-1.9%	4.4%	15.7%	-5.1%	10/30/2012	19.2%	4/5/2012
Canadian Utilities**	CU	OP	66.47	1.4%	1.1%	0.1%	-3.2%	-5.0%	8.0%	10.6%	-7.8%	5/7/2012	12.7%	12/18/2011
Emera Incorporated**	EMA	R	34.00	-1.4%	0.2%	-2.9%	-2.0%	-2.6%	2.9%	8.9%	-4.8%	7/27/2012	8.7%	11/28/2011
Fortis Inc **	FTS	OP	33.10	0.4%	0.3%	-0.9%	-1.3%	-1.3%	-0.8%	3.3%	-5.4%	5/3/2012	4.4%	3/29/2012
Innervex Renewable Energy Inc. **	INE	MKT	10.51	0.7%	-0.8%	-1.4%	-3.1%	-4.8%	2.0%	4.3%	-6.8%	9/6/2012	10.2%	12/14/2011
TransAlta Corporation**	TA	MKT	15.20	0.5%	1.1%	-3.4%	1.0%	-3.4%	-27.7%	-29.1%	-31.8%	12/1/2011	6.9%	9/11/2012
Average				0.4%	-0.2%	-1.8%	-1.4%	-3.2%	-1.9%	2.3%	-10.3%		10.7%	
Indices/Treasury														
Spot Henry Hub Natural Gas	NGUSHHUB		3.75	4.3%	3.2%	10.9%	21.6%	33.5%	25.7%	32.2%	NA	NA	NA	NA
Spot WTI	USCRWTC		87.74	-0.6%	-1.4%	1.7%	-4.8%	-8.5%	-11.2%	-9.3%	NA	NA	NA	NA
OIL SERVICE HOLDERS TRUST	OIH US		38.19	-1.0%	3.2%	-1.8%	-5.1%	-6.7%	-0.3%	-15.4%	2/24/2012	17.4%	6/26/2012	
OIL SERVICE SECTOR INDEX	OSX		216.21	-0.8%	2.9%	-1.6%	-3.5%	-4.6%	0.0%	3.3%	-17.7%	2/24/2012	NA	NA
AMEX NATURAL GAS INDEX	XNG		652.70	-1.3%	2.4%	-2.6%	-2.6%	1.8%	2.6%	7.2%	-6.6%	9/14/2012	316.7%	2/3/2012
SPDR S&P OIL & GAS EXPLORATI	XDP US		52.71	-2.2%	3.1%	-2.2%	-5.4%	0.0%	0.0%	9.5%	-14.7%	3/19/2012	19.2%	6/4/2012
PHILA UTILITY INDEX	UTY		450.19	1.4%	0.4%	-6.8%	-6.5%	-6.7%	-6.5%	1.6%	-12.1%	8/1/2012	NA	NA
S&P 500 INDEX	SPX		1,406.29	-0.2%	3.4%	-0.4%	-2.4%	-0.3%	11.8%	21.4%	-4.6%	9/14/2012	NA	NA
US Generic Govt 10 Year Yield	USGG10YR		1.66	-1.5%	3.2%	-4.6%	1.9%	-1.3%	-11.3%	-15.2%	NA	NA	NA	NA
S&P/TSX COMPOSITE INDEX	SPTSX		12,185.05	-0.2%	1.2%	-0.9%	-1.1%	0.9%	1.9%	6.3%	-4.7%	2/29/2012	6.6%	11/28/2011
Canadian Govt Bonds 10 Year No	GCAN10YR		1.76	-1.3%	1.6%	-4.0%	2.0%	-3.7%	-9.2%	-15.7%				

* All Data in US unless otherwise indicated

** Covered by Ben Pham at our Canadian Affiliate, BMO Nesbitt Burns Inc.

Source: BMO Capital Markets estimates, Bloomberg.

Commodity Review

Exhibit 19: Commodity Outlook

Commodity Price Summary	QUARTERLY										ANNUAL							
	2011			2012			2012E				BMO Estimate							
	1Q	2Q	3Q	4Q	2011	1Q	2Q	3Q	4QE	2012E	2007A	2008A	2009A	2010A	2011A	2012E	2013E	2014E
Henry Hub Natural Gas (\$/mmbtu)	\$4.18	\$4.37	\$4.12	\$3.31	\$3.99	\$2.46	\$2.28	\$2.88	\$3.40	\$2.75	\$6.96	\$6.85	\$3.94	\$4.36	\$3.89	\$2.75	\$3.50	\$4.00
Y/Y % Change	-18%	1%	-4%	-13%	-9%	-41%	-48%	-30%	3%	-31%	3%	27%	-55%	11%	-9%	-31%	27%	14%
WTI Crude Oil (\$/bbl)	\$94.28	\$102.40	\$89.55	\$94.15	\$95.08	\$102.88	\$93.42	\$92.16	\$88.19	\$94.16	\$72.12	\$99.53	\$61.85	\$79.49	\$95.08	\$94.16	\$87.00	\$82.00
Y/Y % Change	20%	31%	18%	10%	20%	9%	-9%	3%	-6%	-1%	9%	38%	-38%	29%	20%	-1%	-8%	-6%
NGL Composite (40% ethane)	\$1.25	\$1.37	\$1.39	\$1.40	\$1.35	\$1.22	\$0.97	\$0.89	\$0.94	\$1.01	\$1.13	\$1.33	\$0.80	\$1.07	\$1.35	\$1.01	\$1.07	\$1.09
NGL / WTI (% \$ basis)	9%	36%	48%	22%	27%	-2%	-26%	-38%	-33%	-26%	19%	17%	-40%	34%	27%	-28%	6%	2%
Y/Y % Change	56%	56%	65%	62%	60%	50%	44%	41%	45%	45%	66%	56%	54%	56%	60%	45%	52%	56%
Frac Spread (Gulf Coast, \$/gal)	\$0.80	\$1.00	\$1.04	\$1.12	\$1.02	\$1.02	\$0.78	\$0.65	\$0.65	\$0.77	\$0.54	\$0.58	\$0.46	\$0.70	\$1.02	\$0.77	\$0.77	\$0.75
Y/Y % Change	25%	54%	75%	35%	46%	13%	-22%	-38%	-42%	-24%	43%	6%	-20%	50%	46%	-24%	0%	-3%
Natural Gas Liquids																		
Mont Belvieu (Gulf Coast)																		
Ethane	\$0.68	\$0.78	\$0.78	\$0.85	\$0.77	\$0.57	\$0.40	\$0.34	\$0.31	\$0.41	\$0.79	\$0.90	\$0.48	\$0.60	\$0.77	\$0.41	\$0.52	\$0.53
Propane	\$1.39	\$1.50	\$1.54	\$1.44	\$1.47	\$1.26	\$0.87	\$0.89	\$0.94	\$1.02	\$1.20	\$1.42	\$0.84	\$1.16	\$1.47	\$1.02	\$1.21	\$1.26
Butane	\$1.71	\$1.76	\$1.83	\$1.88	\$1.79	\$1.89	\$1.51	\$1.37	\$1.54	\$1.57	\$1.42	\$1.88	\$1.07	\$1.48	\$1.79	\$1.57	\$1.52	\$1.52
Iso-Butane	\$1.85	\$2.01	\$2.08	\$2.25	\$2.05	\$2.04	\$1.74	\$1.81	\$1.79	\$1.79	\$1.51	\$1.73	\$1.19	\$1.58	\$2.05	\$1.79	\$1.62	\$1.62
Natural Gasoline	\$2.28	\$2.48	\$2.36	\$2.24	\$2.34	\$2.39	\$2.05	\$2.01	\$2.15	\$2.15	\$1.68	\$2.10	\$1.31	\$1.84	\$2.34	\$2.15	\$1.92	\$1.90
MB Composite (\$/gal)	\$1.25	\$1.37	\$1.39	\$1.40	\$1.35	\$1.22	\$0.97	\$0.89	\$0.94	\$1.01	\$1.13	\$1.33	\$0.80	\$1.07	\$1.35	\$1.01	\$1.07	\$1.09
MB Composite (\$/mmbtu)	\$14.85	\$16.24	\$16.44	\$16.57	\$16.03	\$14.50	\$11.51	\$10.53	\$11.15	\$11.92	\$13.40	\$15.70	\$9.44	\$12.64	\$16.03	\$11.92	\$12.64	\$12.85
Conway (Midcontinent)																		
Ethane	\$0.47	\$0.53	\$0.47	\$0.34	\$0.45	\$0.27	\$0.12	\$0.15	\$0.19	\$0.18	\$0.73	\$0.81	\$0.34	\$0.40	\$0.45	\$0.18	\$0.33	\$0.43
Propane	\$1.29	\$1.40	\$1.43	\$1.29	\$1.35	\$1.04	\$0.73	\$0.71	\$0.83	\$0.83	\$1.19	\$1.40	\$0.81	\$1.12	\$1.35	\$0.83	\$1.02	\$1.16
Butane	\$1.67	\$1.73	\$1.88	\$1.62	\$1.67	\$1.70	\$1.35	\$1.24	\$1.53	\$1.48	\$1.36	\$1.55	\$0.97	\$1.42	\$1.67	\$1.46	\$1.33	\$1.42
Iso-Butane	\$1.85	\$1.92	\$2.00	\$2.03	\$1.95	\$1.84	\$1.60	\$1.67	\$1.72	\$1.71	\$1.55	\$1.70	\$1.14	\$1.52	\$1.95	\$1.71	\$1.42	\$1.52
Natural Gasoline	\$2.26	\$2.38	\$2.11	\$1.87	\$2.18	\$2.27	\$2.03	\$1.97	\$2.08	\$2.09	\$1.72	\$2.05	\$1.33	\$1.78	\$2.18	\$2.09	\$1.72	\$1.80
CW Composite (\$/gal)	\$1.14	\$1.22	\$1.19	\$1.08	\$1.16	\$0.99	\$0.75	\$0.74	\$0.85	\$0.83	\$1.10	\$1.27	\$0.72	\$0.96	\$1.16	\$0.83	\$0.88	\$0.99
CW Composite (\$/mmbtu)	\$13.52	\$14.43	\$14.08	\$12.80	\$13.70	\$11.71	\$8.88	\$8.80	\$10.01	\$9.85	\$13.07	\$14.99	\$8.48	\$11.37	\$13.70	\$9.85	\$10.37	\$11.66
NGL Basis Differential																		
Mont Belvieu-Conway (\$/gal)	(\$0.11)	(\$0.15)	(\$0.20)	(\$0.32)	(\$0.20)	(\$0.24)	(\$0.22)	(\$0.15)	(\$0.35)	(\$0.24)	(\$0.03)	(\$0.06)	(\$0.08)	(\$0.11)	(\$0.20)	(\$0.24)	(\$0.20)	(\$0.10)
Frac Spread Margin																		
Gulf Coast (\$/gal)	\$0.80	\$1.00	\$1.04	\$1.12	\$1.02	\$1.02	\$0.78	\$0.65	\$0.65	\$0.77	\$0.54	\$0.58	\$0.46	\$0.70	\$1.02	\$0.77	\$0.77	\$0.75
Conway (\$/gal)	\$0.78	\$0.85	\$0.84	\$0.80	\$0.82	\$0.78	\$0.56	\$0.50	\$0.55	\$0.60	\$0.55	\$0.63	\$0.41	\$0.59	\$0.82	\$0.60	\$0.59	\$0.66
Correlations																		
NGL / WTI (% \$ basis)	58%	58%	65%	62%	60%	50%	44%	41%	45%	45%	86%	56%	54%	56%	60%	45%	52%	56%
Ethane / Nat Gas (btu basis)	239%	271%	287%	391%	292%	351%	289%	180%	220%	255%	173%	154%	186%	208%	202%	255%	225%	200%
Ethane / WTI (% \$ basis)	29%	32%	36%	38%	34%	23%	18%	15%	15%	18%	46%	38%	33%	34%	34%	18%	25%	27%
Propane / WTI (% \$ basis)	62%	61%	72%	64%	65%	51%	44%	41%	48%	45%	70%	60%	57%	65%	65%	45%	59%	65%
Butane / WTI (% \$ basis)	76%	72%	86%	83%	79%	77%	68%	62%	68%	70%	83%	71%	72%	79%	79%	70%	74%	78%
Iso-Butane / WTI (% \$ basis)	82%	82%	98%	100%	91%	83%	78%	73%	73%	80%	88%	73%	81%	91%	91%	80%	78%	83%
Natural Gasoline / WTI (% \$ basis)	102%	102%	111%	100%	103%	97%	92%	92%	88%	96%	98%	88%	89%	103%	103%	96%	93%	98%

Exhibit 20: BMO Crude Oil Forecast

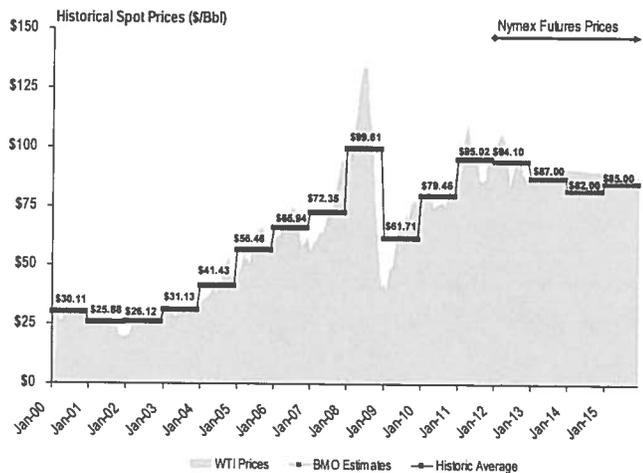
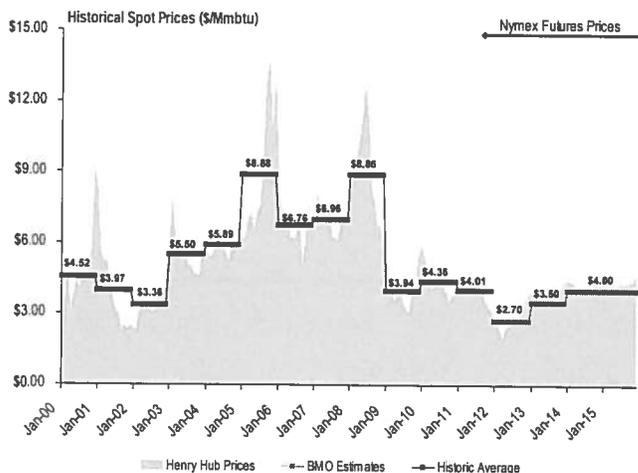


Exhibit 21: BMO Natural Gas Forecast



Source (all Exhibits): BMO Capital Markets estimates, Bloomberg.

Exhibit 22: BMO EIA Natural Gas Supply-Demand Data

	US Natural Gas Supply (Bcf/d)						US Natural Gas Demand (Bcf/d)							Balancing "Other"		Storage		"Error"	
	Domestic Dry Gas Production	Pipeline Imports	LNG Imports	Pipeline Exports	LNG Exports	Total Supply	Residential Consumption	Commercial Consumers	Industrial	Power	Lease, Pipe & Other	Total Implied Demand	Other	Storage	Monthly	Weekly	Other (% Dmd)	Storage (Bcf/d)	
2011A																			
Jan	60.7	10.7	1.1	3.9	0.1	68.5	31.3	16.9	20.7	17.6	6.3	92.8	1.4	(25.8)	(798.7)	(833.6)	1.5%	(1.1)	
Feb	59.8	9.9	0.8	4.3	0.1	66.1	27.8	15.5	20.8	17.2	6.1	87.5	(0.5)	(20.9)	(584.3)	(548.9)	-0.6%	1.3	
Mar	62.0	8.9	1.0	4.5	0.1	67.3	19.6	11.7	19.1	15.5	5.8	71.7	0.2	(4.7)	(145.0)	(129.1)	0.3%	0.5	
Apr	62.8	8.2	0.7	4.0	0.1	67.6	11.5	7.8	18.4	17.5	5.6	60.8	(0.2)	7.1	212.3	181.6	-0.4%	(1.0)	
May	62.7	7.6	1.1	4.0	0.1	67.4	6.7	5.4	17.6	18.7	5.4	53.7	0.9	12.8	398.0	385.7	1.6%	(0.4)	
Jun	62.7	7.9	0.7	3.9	0.1	67.4	4.4	4.4	17.3	23.5	5.4	55.0	1.0	11.3	340.3	360.7	1.9%	0.7	
Jul	62.7	8.8	0.6	3.6	0.0	68.5	3.6	4.1	17.0	30.3	5.6	60.6	0.0	7.9	244.2	251.7	0.0%	0.2	
Aug	62.9	8.0	0.7	3.5	0.1	68.1	3.6	4.4	17.3	29.8	5.6	60.6	(0.4)	7.9	244.4	241.6	-0.7%	(0.1)	
Sep	63.7	7.8	0.4	3.9	0.1	67.9	4.1	4.7	17.6	22.9	5.5	54.7	(0.1)	13.3	398.3	402.3	-0.2%	0.1	
Oct	64.8	8.1	0.7	3.4	0.0	70.1	7.4	7.0	17.8	18.7	5.6	56.4	1.3	12.4	385.4	400.9	2.4%	0.5	
Nov	65.7	7.7	0.5	4.1	0.1	69.8	14.4	9.4	19.1	18.1	5.9	66.9	1.7	1.2	37.2	26.9	2.5%	(0.3)	
Dec	65.5	8.7	0.7	4.2	0.0	70.7	22.2	12.9	20.0	19.8	6.3	81.1	1.9	(12.4)	(383.6)	(378.3)	2.4%	0.2	
FY	63.0	8.5	0.7	3.9	0.1	68.3	13.0	8.6	18.5	20.8	5.7	66.7	0.6	1.0	348.5	361.4	0.9%	0.0	
2012E Deltas																			
Jan	5.2	(2.2)	(0.7)	0.1	0.0	2.2	(5.4)	(2.4)	(0.5)	3.4	0.3	(4.7)	(1.3)	8.2					
Feb	5.3	(1.3)	(0.2)	0.2	(0.0)	3.7	(4.8)	(2.1)	(0.4)	5.2	0.4	(1.7)	0.4	5.0					
Mar	3.1	(1.0)	(0.4)	(0.0)	(0.1)	1.8	(6.4)	(3.2)	(0.7)	6.4	0.1	(3.7)	(0.4)	5.9					
Apr	2.6	(0.3)	(0.5)	0.1	(0.1)	1.7	(2.1)	(0.7)	(0.2)	6.7	0.3	3.9	0.3	(2.5)					
May	2.8	0.2	(0.6)	0.3	(0.0)	2.1	(1.3)	(0.5)	(0.1)	7.7	0.3	6.1	(0.2)	(3.7)					
Jun	2.7	0.4	(0.4)	0.2	0.0	2.5	(0.2)	0.0	0.5	5.9	0.3	6.6	(0.4)	(3.7)					
Jul	2.6	(0.2)	(0.1)	0.3	(0.0)	2.0	(0.1)	(0.0)	0.4	4.8	0.3	5.4	0.2	(3.6)					
Aug	2.3	1.0	(0.1)	0.9	0.0	2.4	(0.1)	0.0	0.5	2.7	0.2	3.3	1.6	(2.5)					
Sep	(1.3)	(0.9)	0.0	0.0	0.0	(2.2)	0.0	0.0	0.4	0.5	0.0	0.8	0.0	(3.0)					
Oct	(1.3)	(1.0)	0.0	0.0	0.0	(2.3)	0.0	0.0	0.4	0.4	0.0	0.7	0.0	(3.0)					
Nov	(1.3)	(0.9)	0.0	0.0	0.0	(2.2)	0.0	0.0	0.4	0.4	0.0	0.7	0.0	(3.0)					
Dec	(1.3)	(1.0)	0.0	0.0	0.0	(2.4)	0.0	0.0	0.4	0.4	0.0	0.8	0.0	(3.1)					
FY	1.8	(0.6)	(0.3)	0.2	(0.0)	0.8	(1.7)	(0.7)	0.1	3.7	0.2	1.5	0.0	(0.7)					
Jan	8.6%	-20.2%	-62.2%	2.7%	45.1%	3.3%	-17.3%	-14.4%	-2.3%	19.0%	4.5%	-5.1%	-89.0%	-31.8%					
Feb	8.9%	-12.8%	-27.3%	3.6%	-15.6%	5.6%	-17.2%	-13.2%	-1.8%	29.9%	6.2%	-1.9%	-72.5%	-24.1%					
Mar	5.0%	-10.9%	-44.1%	-0.5%	-99.4%	2.6%	-32.8%	-27.1%	-3.5%	41.2%	2.2%	-5.2%	-232.5%	-127.0%					
Apr	4.1%	-3.9%	-75.8%	2.9%	-99.2%	2.5%	-18.3%	-9.3%	-1.1%	38.2%	5.4%	6.5%	-115.3%	-35.2%					
May	4.5%	2.1%	-54.0%	6.4%	-5.8%	3.1%	-20.0%	-10.1%	-0.8%	41.4%	6.1%	11.3%	-24.0%	-29.0%					
Jun	4.2%	5.1%	-62.0%	3.9%	15.0%	3.6%	-5.1%	0.5%	2.8%	25.3%	6.3%	11.9%	-42.0%	-32.4%					
Jul	4.1%	-2.5%	-11.5%	7.1%	-1.6%	3.0%	-2.7%	-0.6%	2.3%	15.8%	5.7%	8.9%	1906.4%	-45.1%					
Aug	3.7%	13.0%	-9.7%	24.2%	27.5%	3.5%	-3.3%	0.1%	3.0%	8.9%	4.3%	5.5%	-348.1%	-31.1%					
Sep	-2.0%	-12.0%	0.0%	0.0%	0.0%	-3.2%	0.0%	0.0%	2.0%	2.0%	0.0%	1.5%	0.0%	-22.7%					
Oct	-2.0%	-12.0%	0.0%	0.0%	0.0%	-3.2%	0.0%	0.0%	2.0%	2.0%	0.0%	1.3%	0.0%	-24.1%					
Nov	-2.0%	-12.0%	0.0%	0.0%	0.0%	-3.2%	0.0%	0.0%	2.0%	2.0%	0.0%	1.1%	0.0%	-240.7%					
Dec	-2.0%	-12.0%	0.0%	0.0%	0.0%	-3.3%	0.0%	0.0%	2.0%	2.0%	0.0%	1.0%	0.0%	25.4%					
FY	2.8%	-7.0%	-34.1%	3.9%	-15.5%	1.1%	-13.2%	-8.6%	0.5%	17.7%	3.4%	2.3%	0.9%	-77.5%					
2012E Outlook																			
Jan	65.9	8.5	0.4	4.0	0.1	70.7	25.9	14.5	20.3	21.0	6.6	88.1	0.2	(17.6)	(544.7)	(537.0)	0.2%	0.2	
Feb	65.1	8.6	0.6	4.4	0.1	69.8	23.0	13.5	20.5	22.4	6.5	85.8	(0.1)	(15.8)	(443.4)	(465.6)	-0.2%	(0.8)	
Mar	65.0	7.9	0.5	4.5	0.0	69.0	13.2	8.5	18.5	21.9	5.9	68.0	(0.3)	1.3	39.1	24.3	-0.4%	(0.5)	
Apr	65.4	7.8	0.2	4.1	0.0	69.3	9.4	7.1	18.2	24.1	5.9	64.7	0.0	4.6	137.5	108.7	0.1%	(1.0)	
May	65.6	7.8	0.5	4.2	0.1	69.5	5.3	4.8	17.4	26.4	5.7	59.7	0.7	9.1	282.6	279.3	1.1%	(0.1)	
Jun	65.4	8.3	0.3	4.1	0.1	69.8	4.2	4.4	17.8	29.5	5.8	61.6	0.6	7.7	230.0	238.6	1.0%	0.3	
Jul	65.3	8.6	0.5	3.8	0.0	70.5	3.5	4.1	17.4	35.1	5.9	66.0	0.2	4.3	134.1	124.0	0.4%	(0.3)	
Aug	65.3	9.1	0.6	4.4	0.1	70.5	3.4	4.4	17.8	32.5	5.8	63.9	1.1	5.4	168.4	171.3	1.7%	0.1	
Sep	62.4	6.8	0.4	3.9	0.1	65.7	4.1	4.7	17.9	23.3	5.5	55.5	(0.1)	10.3	307.8	271.6	-0.2%	(1.2)	
Oct	63.5	7.1	0.7	3.4	0.0	67.9	7.4	7.0	18.1	19.0	5.6	57.1	1.3	9.4	292.7	249.4	2.3%	(1.4)	
Nov	64.4	6.8	0.5	4.1	0.1	67.5	14.4	9.4	19.5	18.5	5.9	67.6	1.7	(1.7)	(52.4)	(55.5)	2.4%	(0.1)	
Dec	64.2	7.7	0.7	4.2	0.0	68.3	22.2	12.9	20.4	20.1	6.3	81.9	1.9	(15.5)	(481.2)		2.4%	0.0	
FY	64.8	7.9	0.5	4.1	0.0	69.1	11.3	7.9	18.6	24.5	5.9	68.2	0.6	0.1	70.4		0.9%	0.0	
Storage @ 11/16/12		3,873																	
Est. Storage @ 10/31/12		3,923																	
Est. Storage @ 3/31/13		2,389																	

Source: BMO Capital Markets estimates, EIA.

Exhibit 23: U.S. Natural Gas Storage

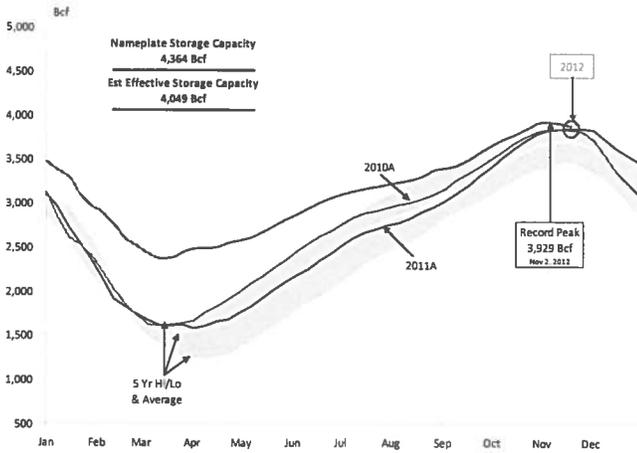


Exhibit 24: Canadian Natural Gas Storage

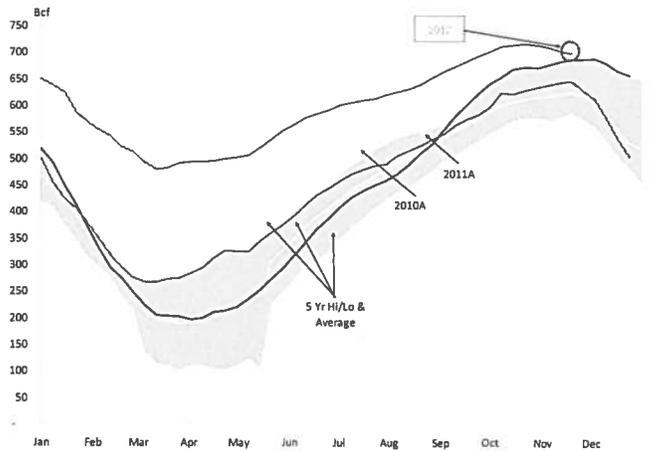


Exhibit 25: U.S. Onshore Production

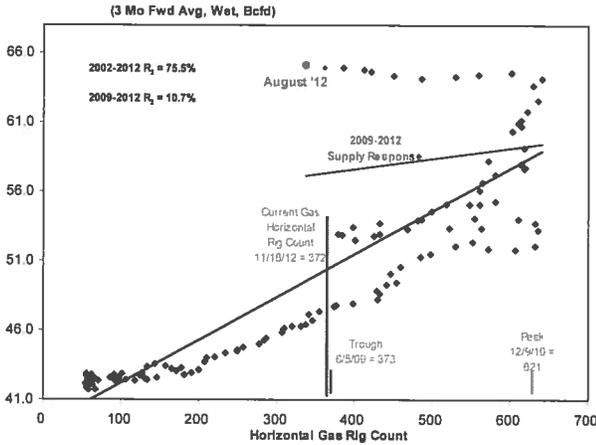


Exhibit 26: Alberta Gathering Receipts

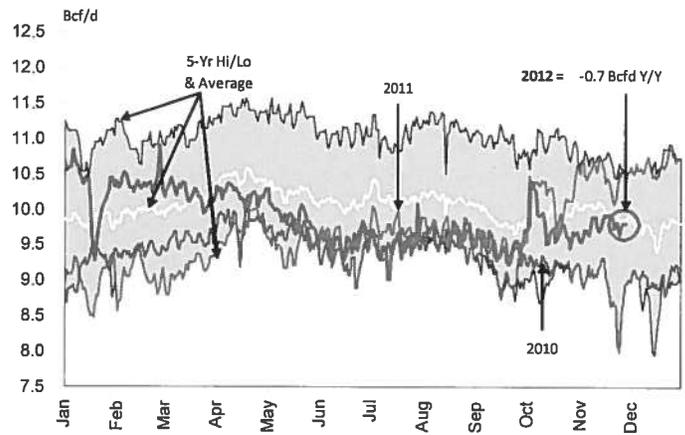


Exhibit 27: Degree Day Variance

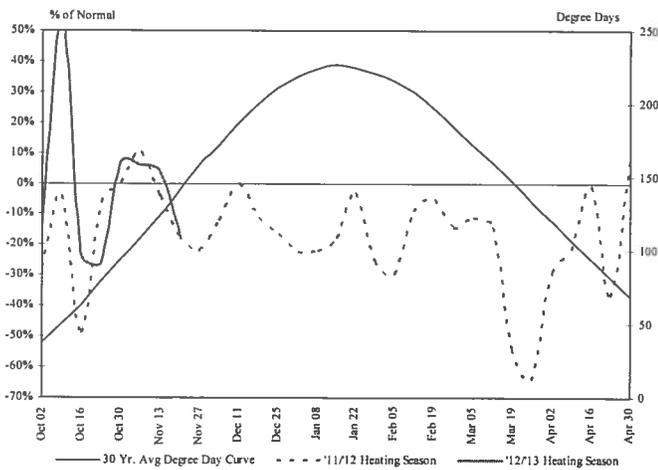
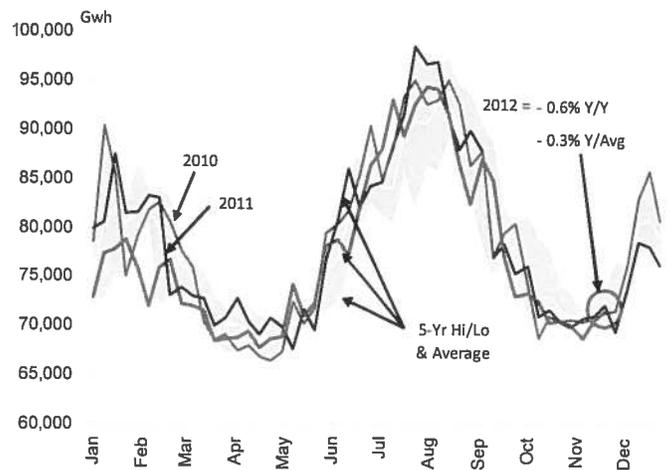


Exhibit 28: U.S. Electricity Output



Source (all Exhibits): BMO Capital Markets estimates, Bloomberg, EIA.

Midstream/Natural Gas Liquids

Exhibit 29: Historic NGL Prices

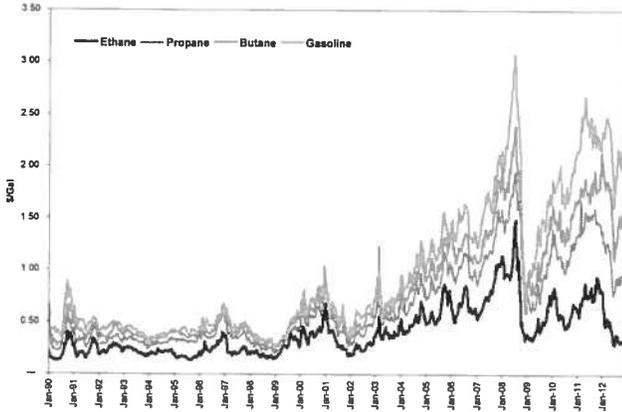


Exhibit 30: Average NGL Barrel % WTI Crude

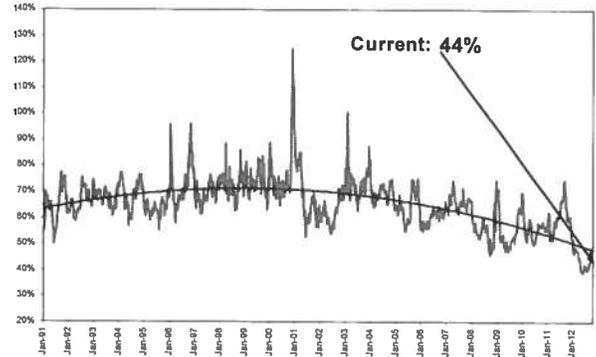


Exhibit 31: Keep-Whole "Frac" Spreads

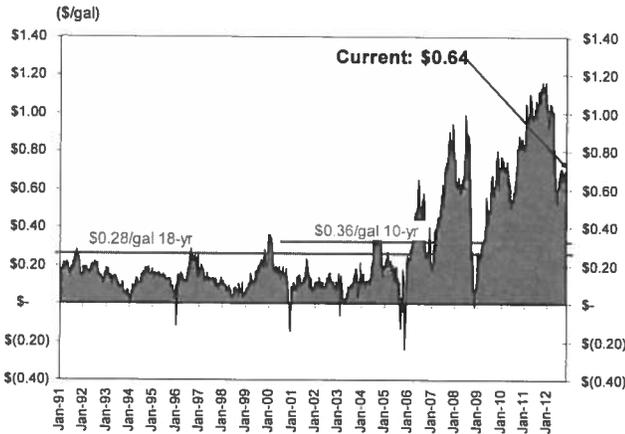


Exhibit 32: Oil - Gas Ratio

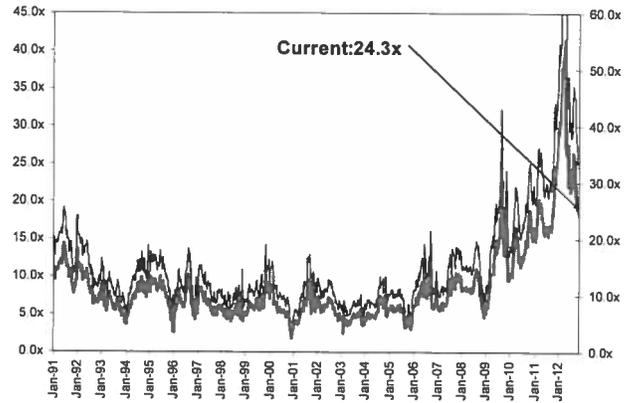


Exhibit 33: Ethane % Henry Hub Natural Gas

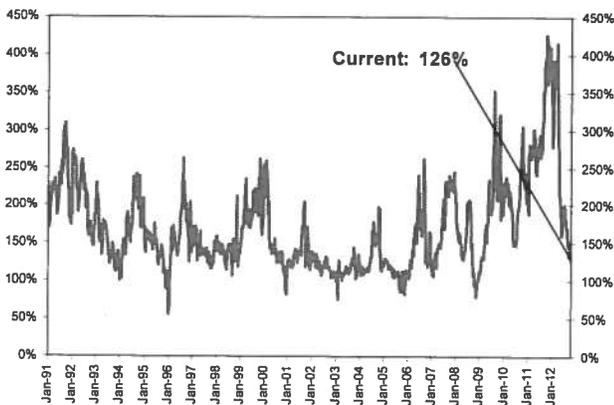
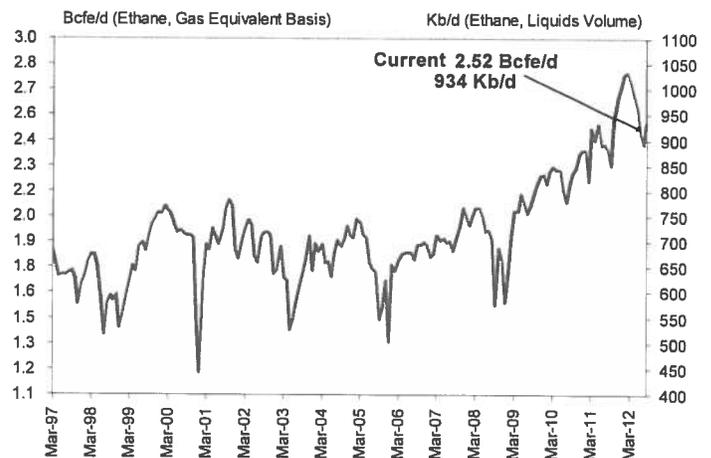


Exhibit 34: U.S. Monthly Ethane Production



Source (all Exhibits): BMO Capital Markets estimates, Bloomberg.

Exhibit 35: Mt. Belvieu Premium to Conway

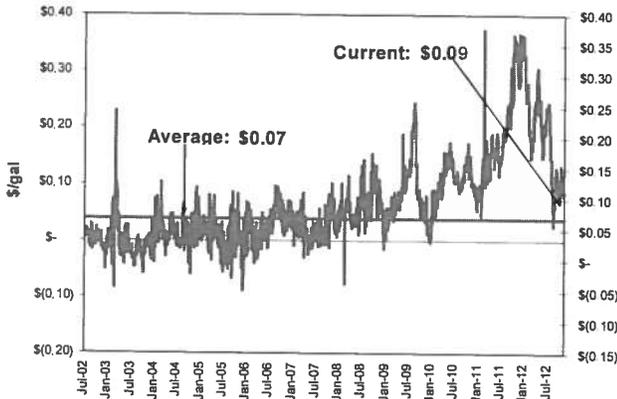


Exhibit 36: NGL Storage

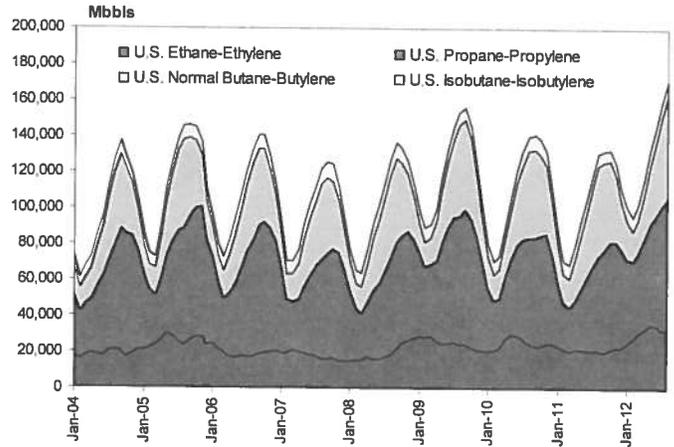


Exhibit 37: Chemical Rail Car Loadings

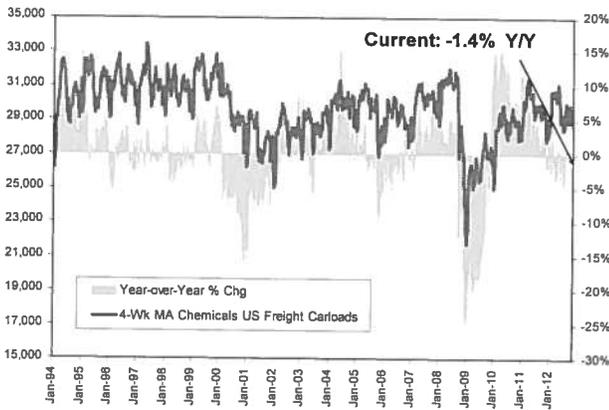


Exhibit 38: Ethane vs. Naphtha (Gulf Coast)

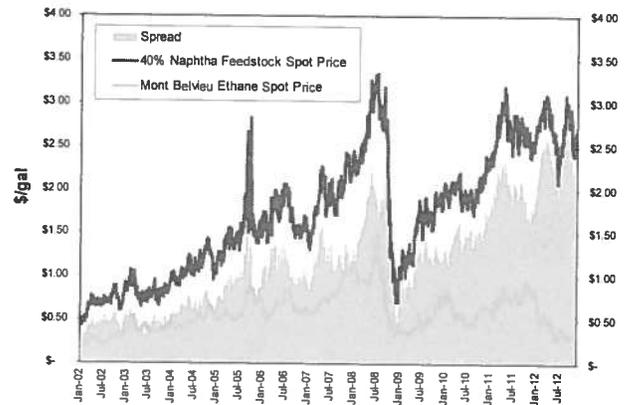


Exhibit 39: Petrochemical Price Trends

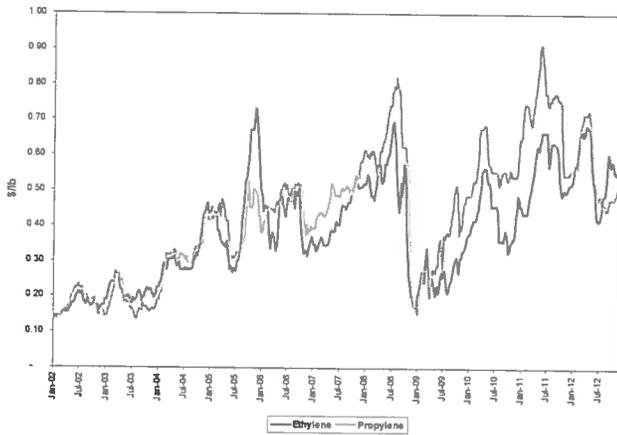
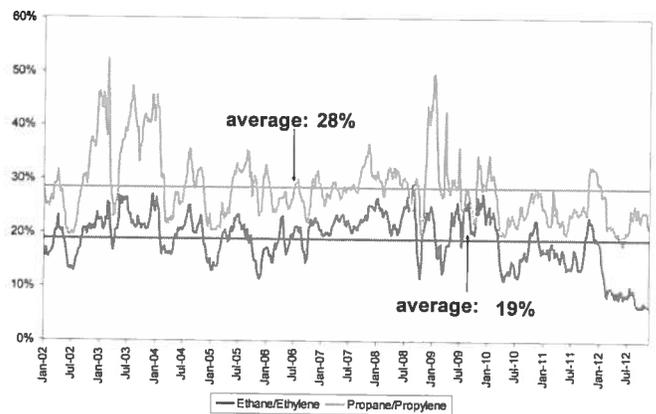


Exhibit 40: NGL/Petchem Price Correlation



Source (all Exhibits): BMO Capital Markets estimates, Bloomberg.

LNG Update

Exhibit 41: US LNG Imports

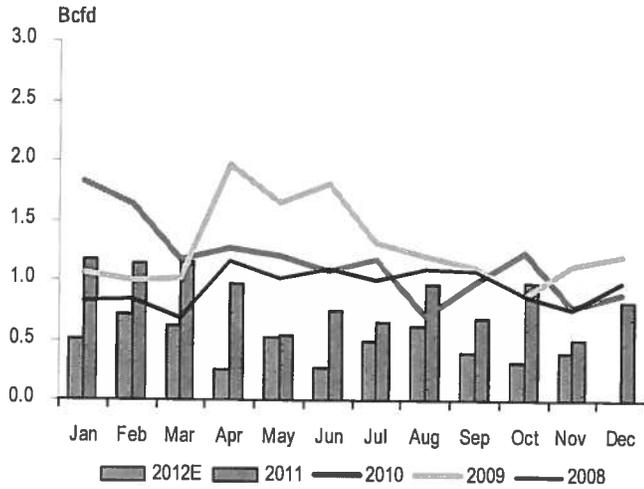


Exhibit 42: 2012 US LNG Imports by Terminal

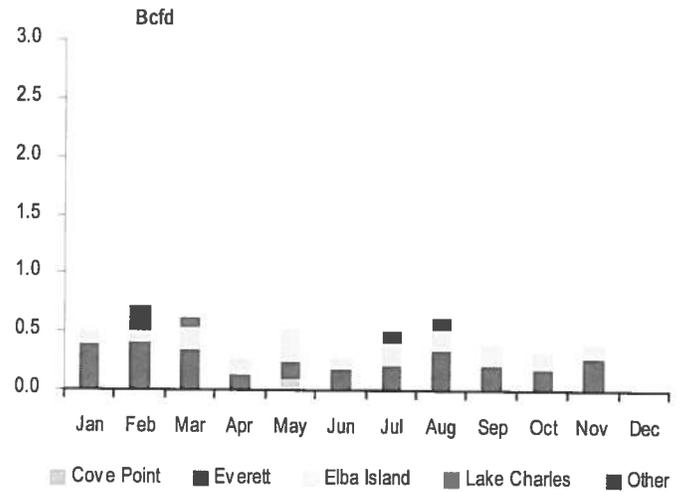


Exhibit 43: European Natural Gas Storage

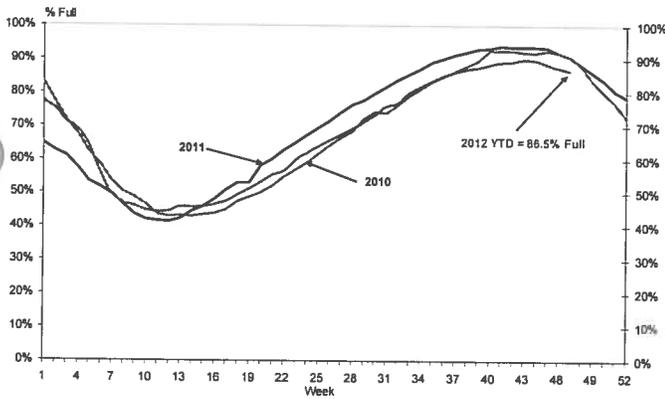


Exhibit 44: UK vs. US Natural Gas Price

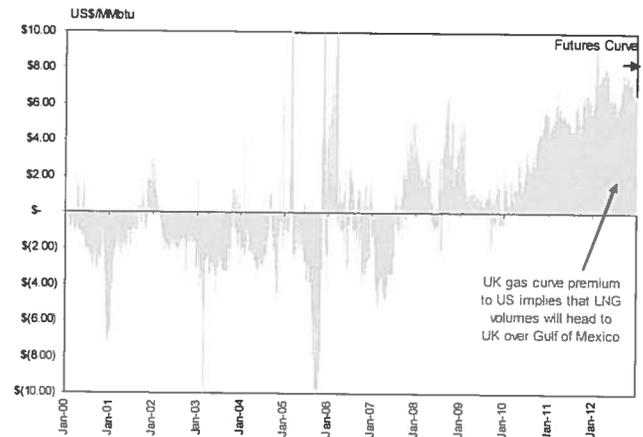


Exhibit 45: Global LNG Price Comparison

	Alta - mira	Argen- tina	Spain	Can- a-port	Cove Point	India	China	Korea	UK	Taiwan	Lake Charles	France	Brazil	Japan	Belgium
Market**	\$3.92	\$12.95	\$11.10	\$8.26	\$4.28	\$11.95	\$14.30	\$14.70	\$10.32	\$14.20	\$3.34	\$11.13	\$11.95	\$14.70	\$9.83
Algeria	\$2.23	\$10.99	\$10.83	\$7.15	\$2.94	\$10.05	\$11.16	\$11.31	\$9.77	\$11.11	\$1.65	\$10.62	\$10.58	\$11.21	\$9.22
Australia	(\$0.31)	\$9.96	\$8.22	\$4.28	\$0.24	\$10.66	\$13.27	\$13.47	\$6.96	\$13.23	(\$0.89)	\$7.82	\$9.06	\$13.44	\$6.40
Egypt	\$1.71	\$10.45	\$10.47	\$6.62	\$2.41	\$10.57	\$11.72	\$11.87	\$9.26	\$11.67	\$1.13	\$10.12	\$10.10	\$11.77	\$8.71
Malaysia	(\$0.73)	\$9.86	\$8.18	\$4.25	\$0.04	\$10.70	\$13.53	\$13.84	\$6.93	\$13.56	(\$1.31)	\$7.79	\$8.69	\$13.81	\$6.37
Nigeria	\$1.84	\$11.37	\$9.79	\$6.60	\$2.51	\$9.60	\$11.08	\$11.22	\$8.91	\$11.03	\$1.26	\$9.77	\$10.87	\$11.12	\$8.36
Norway	\$2.17	\$10.36	\$10.02	\$7.15	\$2.84	\$9.13	\$10.20	\$10.33	\$9.72	\$10.15	\$1.59	\$10.44	\$10.05	\$10.32	\$9.28
Peru	\$0.59	\$11.73	\$8.13	\$5.10	\$1.14	\$8.10	\$10.92	\$11.61	\$7.03	\$10.96	\$0.01	\$7.82	\$10.10	\$11.86	\$6.54
Qatar	\$0.39	\$10.05	\$9.23	\$5.34	\$1.14	\$11.43	\$12.45	\$12.64	\$7.99	\$12.40	(\$0.19)	\$8.85	\$9.18	\$12.53	\$7.44
Russia	(\$1.54)	\$9.43	\$7.43	\$3.46	(\$0.75)	\$9.94	\$13.61	\$14.16	\$6.17	\$13.52	(\$2.12)	\$7.03	\$7.73	\$14.28	\$5.60
Trinidad	\$3.09	\$11.42	\$9.73	\$7.46	\$3.57	\$8.83	\$10.07	\$10.20	\$9.04	\$10.02	\$2.51	\$9.84	\$11.06	\$10.09	\$8.46
Yemen	\$0.94	\$10.38	\$9.74	\$5.87	\$1.68	\$11.31	\$12.45	\$12.64	\$8.52	\$12.40	\$0.36	\$9.37	\$9.37	\$12.53	\$7.96

** Estimated December 2012 landed price

Source (all Exhibits): Bloomberg, Waterborne, LNG Unlimited, EIA, IEA, Gas Infrastructure Europe, BMO Capital Markets estimates.

Basis and Transportation Update

Exhibit 46: US Gas Prices and Basis Differentials to Henry Hub (\$/Mmbtu) – November 23, 2012

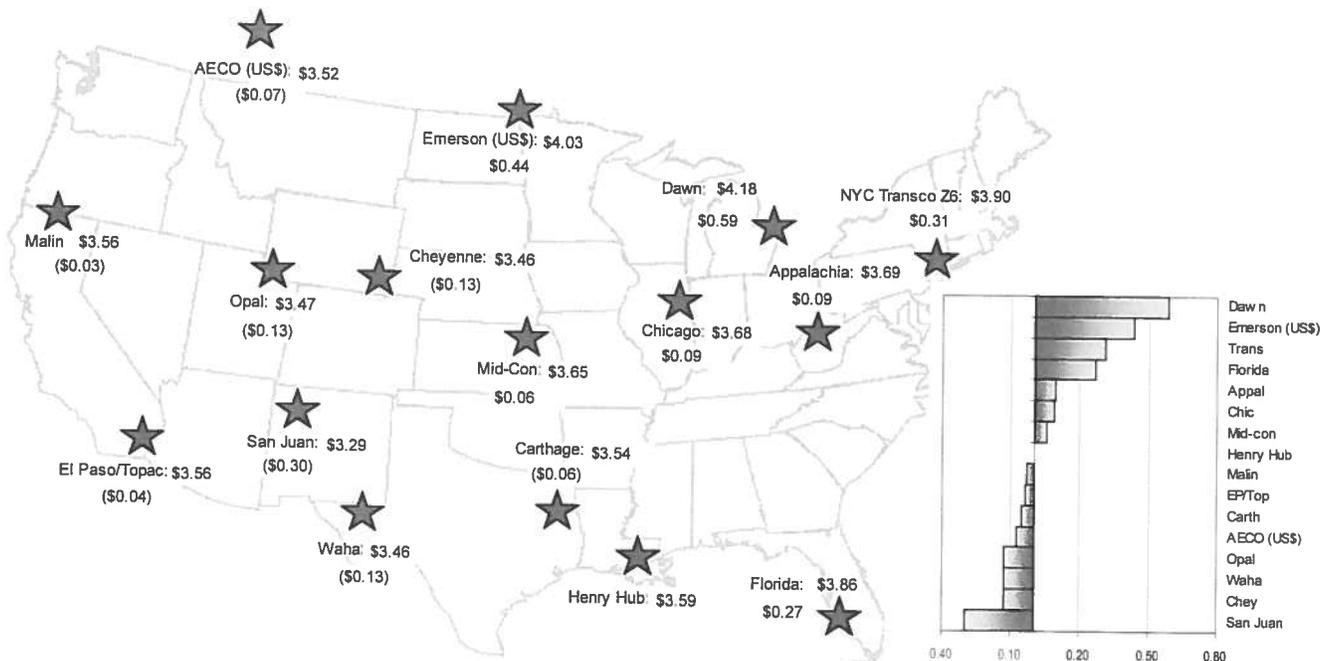


Exhibit 47: US Gas Prices and Basis Differentials to Henry Hub (\$/Mmbtu) – 4th Quarter to date



Source (all Exhibits): BMO Capital Markets estimates, Bloomberg.

Exhibit 48: NY Transco Zone 6 Basis

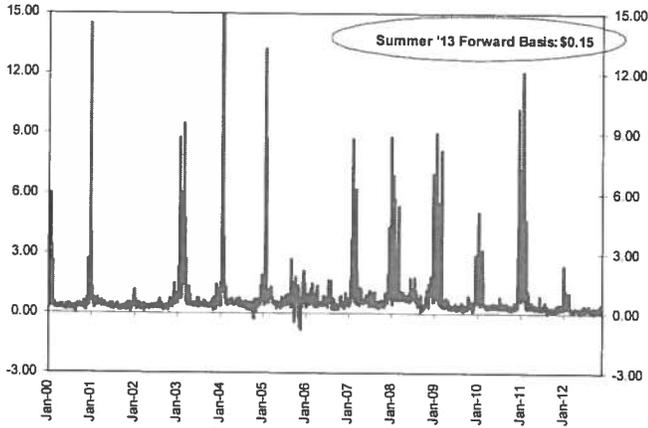


Exhibit 49: Appalachia Basis

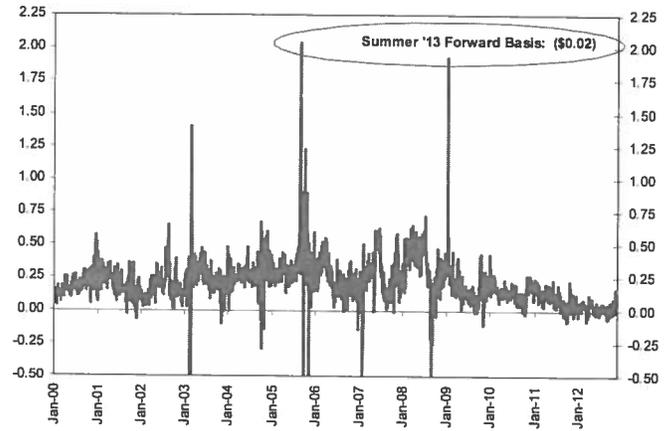


Exhibit 50: Mid Continent Basis

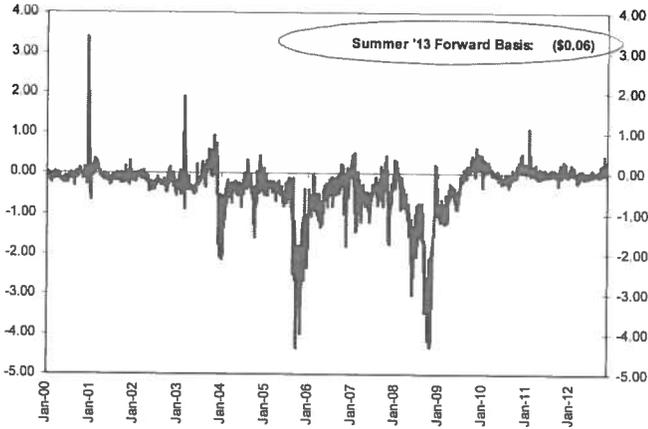


Exhibit 51: AECO Basis

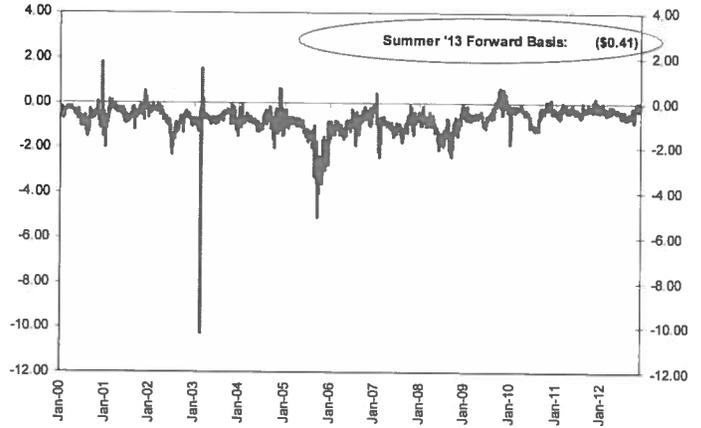


Exhibit 52: Rockies Basis

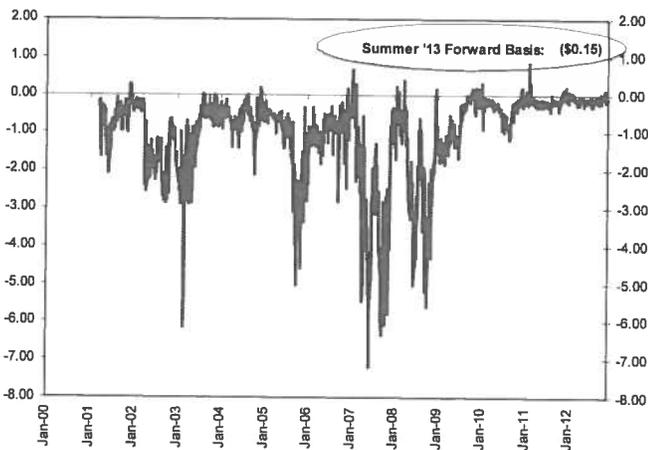
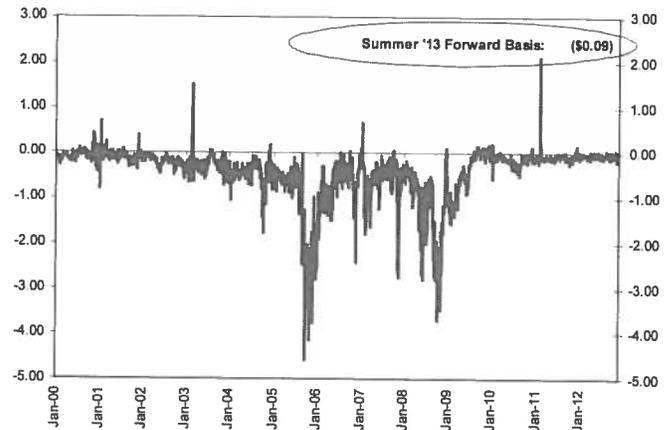


Exhibit 53: Waha Basis



Source (all Exhibits): BMO Capital Markets estimates, Bloomberg.

Relative Coal / Natural Gas Thermal Comparisons

Exhibit 54: Weighted Avg Coal vs. Natural Gas

Exhibit 55: NAPP Coal vs. Natural Gas

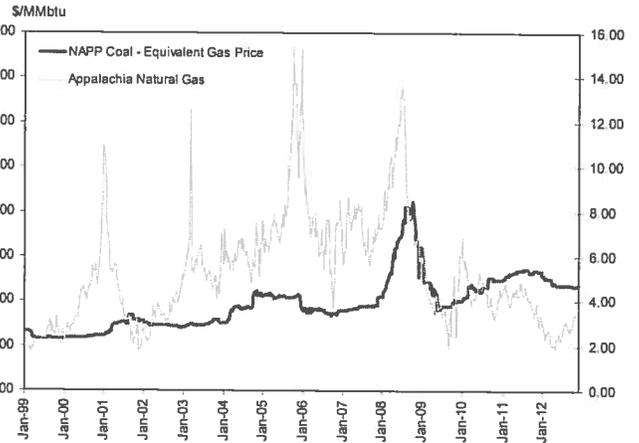
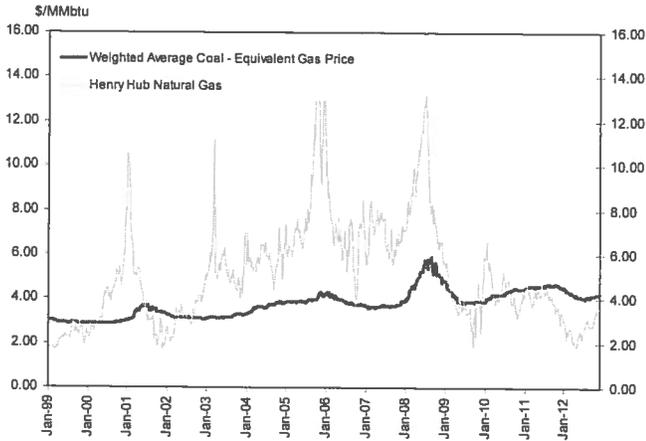


Exhibit 56: CAPP Coal vs. Natural Gas

Exhibit 57: Interior Coal vs. Natural Gas

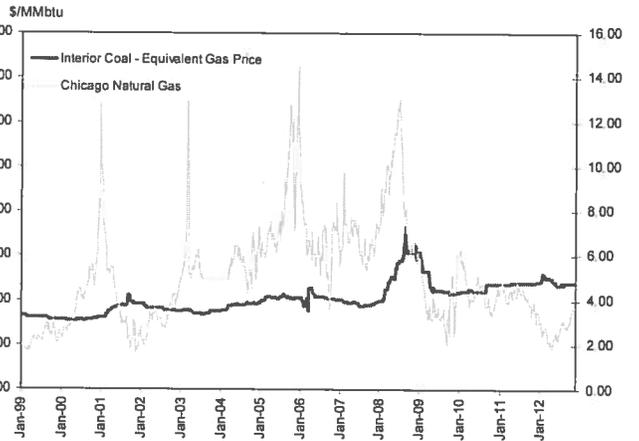
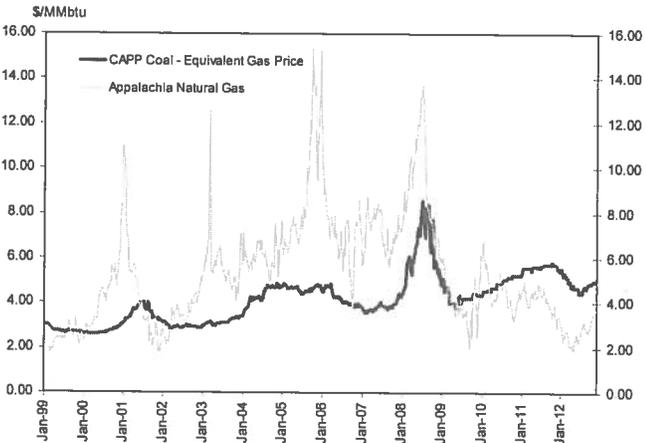
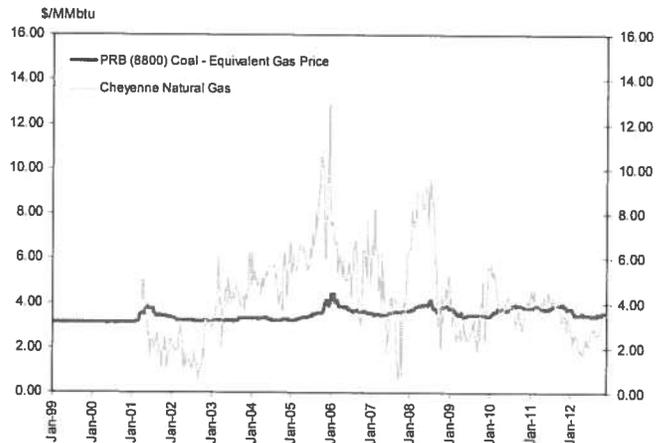
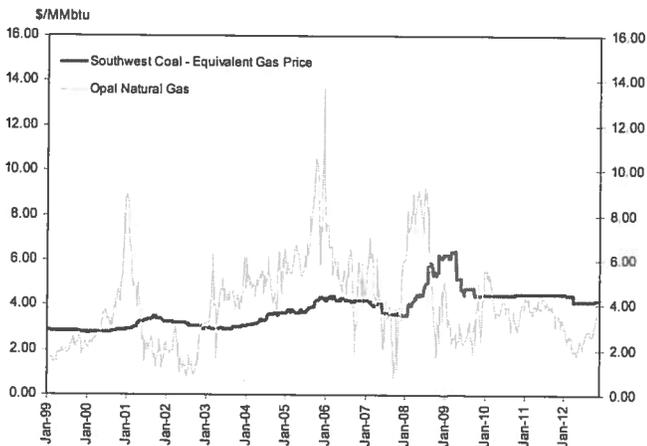


Exhibit 58: Southwest Coal vs. Natural Gas

Exhibit 59: PRB Coal vs. Natural Gas



Source (all Exhibits): BMO Capital Markets estimates, Bloomberg.

Exhibit 60: BMO Natural Gas-Coal Switching Parity

Industry Assumptions:

	NAPP	CAPP	Interior	Southwest	PRB
Heat Content (Btu/lb)	13,000	12,500	11,800	11,500	8,800
Heat Content (MMBtu/ton)	26.0	25.0	23.6	23.0	17.6
SO ₂ Content (lb/Mmbtu)	3.0	1.2	5.0	1.0	0.8
SO ₂ Content (% coal)	3.9%	1.6%	6.5%	1.3%	1.0%
NO ₂ Content (lb/Mmbtu)	0.37	0.37	0.37	0.37	0.37
NO ₂ Content (% coal)	0.5%	0.5%	0.5%	0.5%	0.5%
CO ₂ Content (lb/Mmbtu)	210	210	210	210	205
Coal Plant Heat Rate (btu/kwh)	10,000	10,000	10,000	10,000	10,000
CCGT Heat Rate (btu/kwh)	7,500	7,500	7,500	7,500	7,500

Pricing Assumptions:

	NAPP	CAPP	Interior	Southwest	PRB
Minehead Coal Spot Price (\$/ton)	\$64.50	\$68.15	\$47.90	\$35.75	\$10.35
Transportation Expense	<u>\$20.00</u>	<u>\$20.00</u>	<u>\$30.00</u>	<u>\$30.00</u>	<u>\$30.00</u>
Delivered Coal (\$/ton)	\$84.50	\$88.15	\$77.90	\$65.75	\$40.35
SO ₂ Price (\$/ton)	\$0.75	\$0.75	\$0.75	\$0.75	\$0.75
SO ₂ Cost (\$/coal ton)	\$0.03	\$0.01	\$0.04	\$0.01	\$0.01
SO ₂ Cost (\$/MMBtu)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
NO ₂ Price (\$/ton)	\$400.00	\$400.00	\$400.00	\$400.00	\$400.00
NO ₂ Cost (\$/coal ton)	\$1.92	\$1.85	\$1.75	\$1.70	\$1.30
NO ₂ Cost (\$/MMBtu)	\$0.07	\$0.07	\$0.07	\$0.07	\$0.07
CO ₂ Price (\$/ton)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
CO ₂ Cost (\$/coal ton)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
CO ₂ Cost (\$/MMBtu)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Total Coal Cost (\$/ton)	\$86.45	\$90.01	\$79.69	\$67.46	\$41.66
Total Coal Cost (\$/MMBtu)	\$3.33	\$3.60	\$3.38	\$2.93	\$2.37
Coal Plant Fuel Cost (\$/Mwh)	\$33.25	\$36.00	\$33.77	\$29.33	\$23.67
Plus: Variable O&M (\$/Mwh)	<u>\$3.00</u>	<u>\$3.00</u>	<u>\$3.00</u>	<u>\$3.00</u>	<u>\$4.00</u>
Total Variable Coal Cost (\$/Mwh)	\$36.25	\$39.00	\$36.77	\$32.33	\$27.67
Gas Equivalence					
CCGT Total Variable Fuel Cost (\$/Mwh)	\$36.25	\$39.00	\$36.77	\$32.33	\$27.67
Less: Variable O&M (\$/Mwh)	<u>(\$1.00)</u>	<u>(\$1.00)</u>	<u>(\$1.00)</u>	<u>(\$1.00)</u>	<u>(\$1.00)</u>
CCGT Fuel Cost (\$/Mwh)	\$35.25	\$38.00	\$35.77	\$31.33	\$26.67

Equivalent Gas Price (\$/Mmbtu, at the CCGT)	\$4.70	\$5.07	\$4.77	\$4.18	\$3.56
Coal Weightings Across United States	14%	23%	10%	8%	45%
Weighted Average					\$4.23

Marginal Coal Capacity MW (11,000+ heat rate)	7,765
Total US Coal Capacity (MW)	336,291
% Marginal Coal Capacity	2.3%
Normal Capacity Factor	65%
Annual Power Volumes Generated (MW)	44,213,910
Coal Displaced (Mmbtu)	442,139,100
Wtd Avg Coal Heat Content (Mmbtu/ton)	21.5
Coal Tons Displaced Annually	20,555,049
"Normalized" Natural Gas Switchable Demand Potential (MMcf/d)	908.5

Source: BMO Capital Markets estimates, SNL, EIA.

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Rating Category	BMO Rating	BMOCM US Universe*	BMOCM US IB Clients**	BMOCM US IB Clients***	BMOCM Universe****	BMOCM IB Clients*****	Starmine Universe
Buy	Outperform	38.3%	17.9%	57.8%	39.0%	49.5%	54.3%
Hold	Market Perform	58.5%	7.9%	39.1%	56.4%	48.5%	40.3%
Sell	Underperform	3.1%	11.8%	3.1%	4.6%	2.0%	5.3%

* Reflects rating distribution of all companies covered by BMO Capital Markets Corp. equity research analysts.

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NiSource Inc (NI)

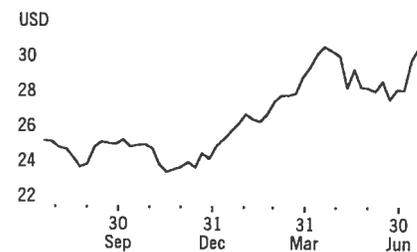
Model Upload

- **EPS Change** — We are adjusting our 2Q'13 estimate on NI to take into account updated interest costs and cost tracking mechanism. Our 2013, 2014 and 2015 estimates change slightly as a result of our updated interest cost assumption and actual 1Q'13 balance sheet data.
- **Recommendation** — We maintain our Neutral rating and target price.

■ Estimate Change

Neutral	2
Price (22 Jul 13)	US\$31.08
Target price	US\$30.00
Expected share price return	-3.5%
Expected dividend yield	3.1%
Expected total return	-0.4%
Market Cap	US\$9,698M

Price Performance (RIC: NI.N, BB: NI US)



EPS	Q1	Q2	Q3	Q4	FY	FC Cons
2012A	0.66A	0.24A	0.06A	0.44A	1.39A	1.42A
2013E	0.69A	0.24E	0.16E	0.44E	1.54E	1.55E
Previous	0.71E	0.28E	0.13E	0.42E	1.54E	na
2014E	0.82E	0.34E	0.16E	0.42E	1.73E	1.67E
Previous	0.79E	0.33E	0.14E	0.41E	1.66E	na
2015E	0.82E	0.37E	0.20E	0.46E	1.83E	1.79E
Previous	0.80E	0.36E	0.19E	0.45E	1.79E	na

Source: Company Reports and dataCentral, Citi Research. FC Cons: First Call Consensus.

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NI.N: Fiscal year end 31-Dec						Price: US\$31.08; TP: US\$30.00; Market Cap: US\$9,698m; Recomm: Neutral					
Profit & Loss (US\$m)	2011	2012	2013E	2014E	2015E	Valuation ratios	2011	2012	2013E	2014E	2015E
Sales revenue	5,967	5,223	5,789	6,227	6,604	PE (x)	24.1	22.3	20.2	17.9	16.9
Cost of sales	-3,045	-2,226	-2,589	-2,683	-2,915	PB (x)	1.8	1.7	1.7	1.7	1.8
Gross profit	2,922	2,997	3,200	3,544	3,689	EV/EBITDA (x)	13.2	12.6	11.3	9.9	9.4
Gross Margin (%)	49.0	57.4	55.3	56.9	55.9	FCF yield (%)	-1.5	-1.9	-7.8	-5.5	-4.0
EBITDA (Adj)	1,486	1,585	1,774	2,012	2,164	Dividend yield (%)	3.0	3.1	3.2	3.3	3.4
EBITDA Margin (Adj) (%)	24.9	30.4	30.7	32.3	32.8	Payout ratio (%)	71	68	64	59	57
Depreciation	-485	-508	-596	-673	-711	ROE (%)	7.5	9.0	8.5	9.7	10.6
Amortisation	-54	-54	-54	-54	-54	Cashflow (US\$m)	2011	2012	2013E	2014E	2015E
EBIT (Adj)	948	1,024	1,124	1,285	1,399	EBITDA	1,486	1,585	1,774	2,012	2,164
EBIT Margin (Adj) (%)	15.9	19.6	19.4	20.6	21.2	Working capital	-264	-30	-297	-53	-25
Net interest	-377	-418	-401	-403	-403	Other	-231	-230	-563	-734	-793
Associates	15	32	22	16	17	Operating cashflow	991	1,325	915	1,225	1,346
Non-op/Except	-7	2	2	-30	-59	Capex	-1,125	-1,499	-1,675	-1,769	-1,754
Pre-tax profit	578	639	748	868	954	Net acq/disposals	0	2	1	0	0
Tax	-207	-222	-267	-317	-348	Other	-24	75	123	0	0
Extraord./Min.Int./Pref.div.	-2	59	0	0	0	Investing cashflow	-1,149	-1,422	-1,552	-1,769	-1,754
Reported net profit	370	477	480	551	606	Dividends paid	-258	-277	-305	-323	-347
Net Margin (%)	6.2	9.1	8.3	8.8	9.2	Financing cashflow	281	175	-329	3	-128
Core NPAT	371	418	480	551	606	Net change in cash	73	89	-954	-540	-536
Per share data	2011	2012	2013E	2014E	2015E	Free cashflow to s/holders	-134	-174	-760	-544	-408
Reported EPS (\$)	1.28	1.59	1.54	1.73	1.83						
Core EPS (\$)	1.29	1.39	1.54	1.73	1.83						
DPS (\$)	0.92	0.95	0.98	1.02	1.05						
CFPS (\$)	3.44	4.42	2.94	3.86	4.08						
FCFPS (\$)	-0.47	-0.58	-2.44	-1.71	-1.24						
BVPS (\$)	17.32	18.51	18.27	17.96	17.23						
Wtd avg ord shares (m)	286	298	312	318	330						
Wtd avg diluted shares (m)	288	300	312	318	330						
Growth rates	2011	2012	2013E	2014E	2015E						
Sales revenue (%)	2.6	-12.5	10.8	7.6	6.1						
EBIT (Adj) (%)	5.9	8.0	9.9	14.3	8.9						
Core NPAT (%)	11.3	12.4	15.1	14.7	10.0						
Core EPS (%)	8.1	8.1	10.7	12.5	5.8						
Balance Sheet (US\$m)	2011	2012	2013E	2014E	2015E						
Cash & cash equiv.	172	83	125	87	23						
Accounts receivables	856	907	1,151	630	639						
Inventory	566	496	241	461	591						
Net fixed & other tangibles	14,129	15,091	15,203	15,462	15,718						
Goodwill & intangibles	3,975	3,964	3,950	3,950	3,950						
Financial & other assets	1,010	1,304	967	1,029	1,010						
Total assets	20,708	21,845	21,636	21,620	21,930						
Accounts payable	434	539	527	398	367						
Short-term debt	1,687	1,284	1,221	1,221	1,221						
Long-term debt	6,267	6,819	6,804	6,804	7,164						
Provisions & other liab	7,323	7,648	7,394	7,493	7,489						
Total liabilities	15,711	16,290	15,946	15,916	16,240						
Shareholders' equity	4,997	5,554	5,691	5,704	5,691						
Minority interests	0	0	0	0	0						
Total equity	4,997	5,554	5,691	5,704	5,691						
Net debt	7,782	8,020	7,900	7,937	8,361						
Net debt to equity (%)	155.7	144.4	138.8	139.2	146.9						

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NiSource Inc

Company description

NiSource Inc (NI) is, primarily, a regulated utility with an integrated network of gas distribution, transportation, and storage assets in the Northeast, Mid-Atlantic, and Midwest. NiSource also operates an electric utility in Northern Indiana.

The company operates four business units, including Gas Distribution, which delivers natural gas in several states; Gas Transmission and Storage Operations, which provide interstate natural gas transmission and storage services from the Gulf of Mexico to the Northeast; Electric Operations, which consist of NiSource's regulated electric utility, Northern Indiana Public Service Company (NIPSCO); and Other Operations, which include energy-related services and a co-generation facility.

Investment strategy

We rate the shares of NiSource (NI) Neutral (2). NI provides long-term earnings power of \$1.60+ per share, including growth from expected rate increases at NiSource's utilities. Our estimates do not include i) substantial industrial load growth at the utility or ii) the potential for a build out of NI's pipeline and storage assets, which have a favorable footprint in the Marcellus Shale, and iii) better than expected production results across NI's mineral right holdings. Monetization of Utica mineral rights remains unclear, so we rate the shares Neutral, but initial data is constructive.

Valuation

We average multiple valuation methodologies to derive our \$30 target. Our NAV yields a value of \$27. We value regulated assets at a multiple of rate base. These values are partially offset by the company's net debt. Our DDM, which incorporates our rate base growth assumptions, values the company at \$29. Our P/E and EV/EBITDA multiples (2014 estimates) are based on our proprietary analyses, which utilize current equity risk premiums, current betas and projected risk-free yields. Our P/E and EV/EBITDA analyses yield values of \$29 and \$33.

Risks

The key risks to our investment thesis are (1) Rate Cases – We estimate the company will receive rate relief at several of its utilities. Under- or over-estimation of relief could materially impact our estimates (2) Weather – Changes in weather impact the stability of earnings (3) Capital Investment Recovery — NI spends a substantial amount of capital to maintain and expand its distribution system. NI depends on rate increases from public utility commission to earn a fair return on this expansion. In addition, tariffs on the pipeline system are regulated by the FERC (4) Pipeline Capacity Contracts — The risk of re-contracting pipeline capacity at lower rates, upon contract expiration, could have a material impact on earnings (5) Uplift from an MLP – Currently, we do not include any uplift from NiSource pursuing an MLP strategy. However, significant upside may exist if the Company is able to successfully implement this strategy.

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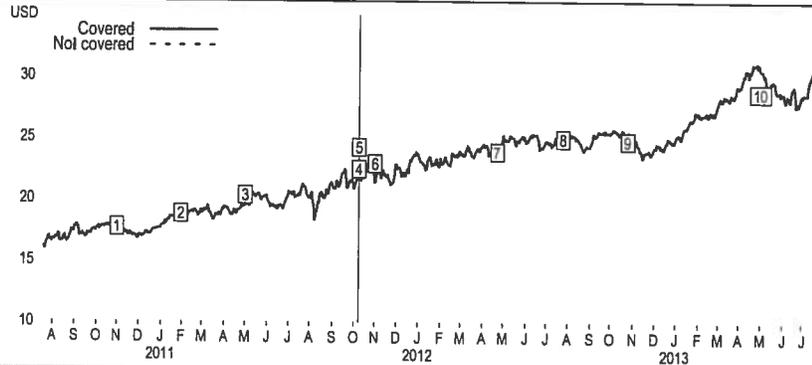
Appendix A-1

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NiSource Inc (NI)
Ratings and Target Price History
Fundamental Research
Analyst: Faisal Khan, CFA



Date	Rating	Target Price	Closing Price
1 1-Nov-10	2M	*18.00	17.17
2 31-Jan-11	2M	*20.00	18.62
3 2-May-11	2M	*21.00	19.52
4 8-Oct-11	Stock rating system changed		

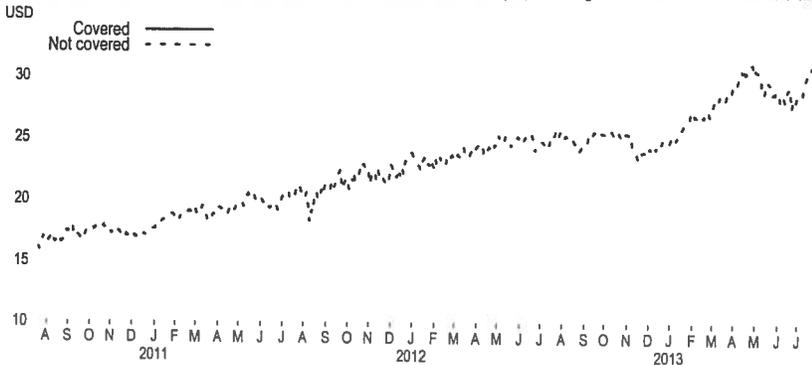
Date	Rating	Target Price	Closing Price
5 8-Oct-11	*2	21.00	21.55
6 1-Nov-11	2	*22.00	21.32
7 23-Apr-12	2	*24.00	24.30
8 25-Jul-12	2	*26.00	25.12

Date	Rating	Target Price	Closing Price
9 25-Oct-12	2	*27.00	25.54
10 1-May-13	2	*30.00	30.61

* Indicates change

Rating/target price changes above reflect Eastern Standard Time

NiSource Inc (NI)
Ratings and Target Price History
Best Ideas Research
Relative Call (3 Month)
Analyst: Faisal Khan, CFA



* Indicates change

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Data current as of 30 Jun 2013	12 Month Rating			Relative Rating		
	Buy	Hold	Sell	Buy	Hold	Sell
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NiSource Inc (NI)

Pipeline Modernization to Proceed; Capex Pipeline Remains Deep

■ Company Update

■ **Announcement** – Yesterday, NI announced it reached a settlement with its customers on Columbia Gas Transmission (CGT) to proceed with the modernization of the CGT pipeline network. The program will span more than a decade and could lead to ~\$4 BN of investment at the pipeline. The program includes a revenue recovery mechanism that will increase rates as capital is deployed over the course of the decade. The agreement contemplates NI spending \$300 mm/year beginning in 2013, with an initial term of five-years, with the potential for an extension. The mechanism does not kick in until 2014. On the flip side, NI will refund customers \$50 mm through 2013, reduce rates by \$25 mm annually beginning in 2014 and reduce depreciation expense by ~\$35 mm. We expect a FERC decision by Q4/12.

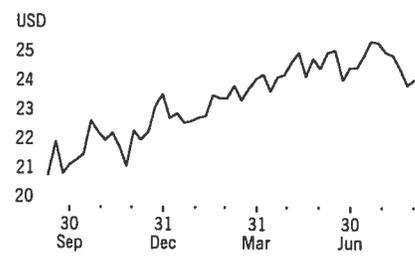
■ **Potential Earnings Uplift** – The settlement is earnings neutral through 2013 except for a settlement charge to be taken in 3Q'12 and is accretive thereafter. From a cash flow perspective, the deal will hit cash flows in the near-term but more than make up for the difference once the recovery mechanism is in place in 2014. Assuming NI receives a return on equity at current levels for the gas modernization program, we estimate NI could generate incremental earnings of \$0.30 per share through 2019. This translates to roughly \$5 per share in value over the long-run.

■ **Capex Pipeline** - The announcement comes just a week before NI's investor day, where we expect management to provide further details on NI's anticipated capital spending opportunities at the pipelines and state regulated gas and electric utilities. The announcement, coupled with the recent Westside midstream project and Hilcorp JV could result in capital spending growing from ~\$1.5 BN this year, to more than \$2 BN a year by the middle of this decade. The majority of spending will be tied to rate recovery mechanisms, reducing regulatory lag.

■ **Recommendation** – We maintain our Neutral rating and target of \$26 per share. NI 2012 EPS guidance is \$1.40-\$1.50. Our earnings estimates remain unchanged, pending further details and information at the company's analyst day.

Neutral	2
Price (05 Sep 12)	US\$24.92
Target price	US\$26.00
Expected share price return	4.3%
Expected dividend yield	3.9%
Expected total return	8.2%
Market Cap	US\$7,100M

Price Performance
(RIC: NI.N, BB: NI US)



EPS	Q1	Q2	Q3	Q4	FY	FC Cons
2011A	0.72A	0.14A	0.12A	0.31A	1.29A	1.35A
2012E	0.66A	0.20E	0.15E	0.41E	1.41E	1.46E
Previous	0.66A	0.20E	0.15E	0.41E	1.41E	na
2013E	0.71E	0.22E	0.18E	0.46E	1.56E	1.56E
Previous	0.71E	0.22E	0.18E	0.46E	1.56E	na
2014E	0.72E	0.25E	0.22E	0.52E	1.71E	1.67E
Previous	0.72E	0.25E	0.22E	0.52E	1.71E	na

Source: Company Reports and dataCentral, Citi Research. FC Cons: First Call Consensus.

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NI.N: Fiscal year end 31-Dec						Price: US\$24.92; TP: US\$26.00; Market Cap: US\$7,100m; Recomm: Neutral					
Profit & Loss (US\$m)						Valuation ratios					
	2010	2011	2012E	2013E	2014E		2010	2011	2012E	2013E	2014E
Sales revenue	5,816	5,967	5,771	6,432	6,678	PE (x)	20.9	19.3	17.7	16.0	14.6
Cost of sales	-2,976	-3,045	-2,809	-3,068	-3,155	PB (x)	1.4	1.4	1.4	1.4	1.4
Gross profit	2,840	2,922	2,962	3,364	3,523	EV/EBITDA (x)	11.0	11.4	10.1	9.0	8.2
Gross Margin (%)	48.8	49.0	51.3	52.3	52.8	FCF yield (%)	0.3	-1.9	-5.3	-6.6	-7.3
EBITDA (Adj)	1,491	1,486	1,720	1,949	2,142	Dividend yield (%)	3.7	3.7	3.7	3.8	3.8
EBITDA Margin (Adj) (%)	25.6	24.9	29.8	30.3	32.1	Payout ratio (%)	77	71	65	60	55
Depreciation	-543	-485	-594	-672	-737	ROE (%)	6.9	7.5	8.2	9.0	9.8
Amortisation	-54	-54	-54	-54	-54	Cashflow (US\$m)					
EBIT (Adj)	895	948	1,073	1,223	1,351	EBITDA	1,491	1,486	1,720	1,949	2,142
EBIT Margin (Adj) (%)	15.4	15.9	18.6	19.0	20.2	Working capital	-414	-264	-247	-67	-76
Net interest	-392	-377	-420	-427	-427	Other	-249	-231	-508	-718	-792
Associates	15	15	16	14	15	Operating cashflow	828	991	965	1,163	1,274
Non-op/Except	4	-7	0	-14	-52	Capex	-804	-1,125	-1,371	-1,691	-1,871
Pre-tax profit	522	578	669	795	887	Net acq/disposals	1	0	2	0	0
Tax	-188	-207	-237	-291	-328	Other	-140	-24	-4	0	0
Extraord./Min.Int./Pref.div.	3	-2	0	0	0	Investing cashflow	-943	-1,149	-1,373	-1,691	-1,871
Reported net profit	337	370	432	504	559	Dividends paid	-256	-258	-280	-304	-310
Net Margin (%)	5.8	6.2	7.5	7.8	8.4	Financing cashflow	211	281	39	-224	-230
Core NPAT	334	371	432	504	559	Net change in cash	38	73	-369	-752	-827
Per share data	2010	2011	2012E	2013E	2014E	Free cashflow to s/holders	24	-134	-405	-528	-597
Reported EPS (\$)	1.21	1.28	1.41	1.56	1.71						
Core EPS (\$)	1.19	1.29	1.41	1.56	1.71						
DPS (\$)	0.92	0.92	0.92	0.94	0.95						
CFPS (\$)	2.96	3.44	3.15	3.60	3.90						
FCFPS (\$)	0.09	-0.47	-1.32	-1.64	-1.83						
BVPS (\$)	17.58	17.32	17.97	17.62	17.45						
Wtd avg ord shares (m)	278	286	305	323	327						
Wtd avg diluted shares (m)	280	288	307	323	327						
Growth rates	2010	2011	2012E	2013E	2014E						
Sales revenue (%)	-7.6	2.6	-3.3	11.5	3.8						
EBIT (Adj) (%)	6.5	5.9	13.2	14.0	10.5						
Core NPAT (%)	20.6	11.3	16.4	16.6	10.8						
Core EPS (%)	19.0	8.1	9.4	10.8	9.4						
Balance Sheet (US\$m)	2010	2011	2012E	2013E	2014E						
Cash & cash equiv.	212	172	150	150	150						
Accounts receivables	1,178	856	953	942	681						
Inventory	428	566	657	433	472						
Net fixed & other tangibles	13,156	14,129	14,719	14,941	15,175						
Goodwill & intangibles	3,986	3,975	3,972	3,972	3,972						
Financial & other assets	979	1,010	1,068	1,161	939						
Total assets	19,939	20,708	21,519	21,599	21,389						
Accounts payable	582	434	459	475	314						
Short-term debt	1,417	1,687	2,015	2,015	2,015						
Long-term debt	5,936	6,267	6,192	6,200	6,137						
Provisions & other liab	7,081	7,323	7,336	7,220	7,221						
Total liabilities	15,016	15,711	16,003	15,911	15,686						
Shareholders' equity	4,923	4,997	5,517	5,688	5,703						
Minority interests	0	0	0	0	0						
Total equity	4,923	4,997	5,517	5,688	5,703						
Net debt	7,141	7,782	8,058	8,065	8,002						
Net debt to equity (%)	145.0	155.7	146.1	141.8	140.3						

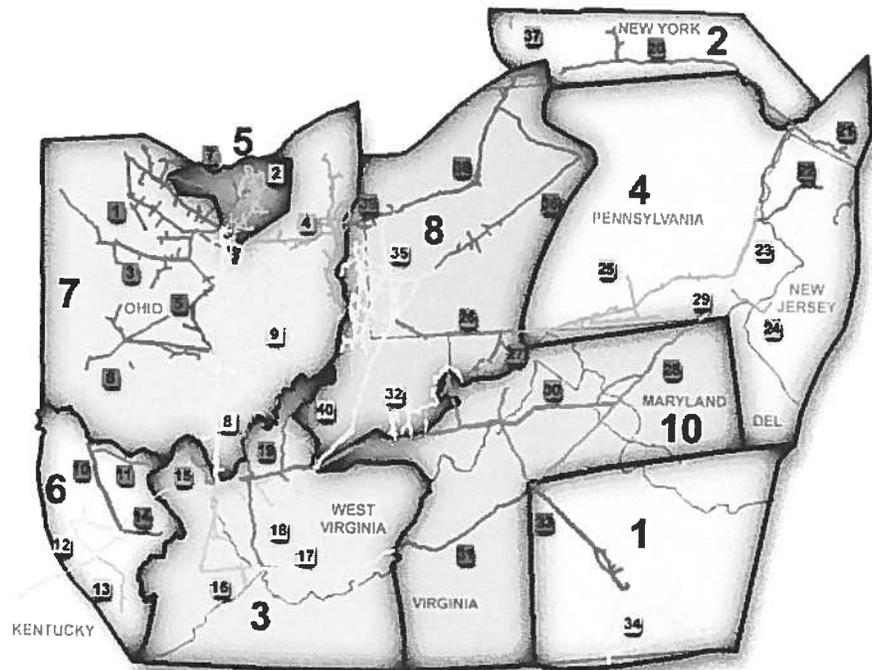
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Gas Modernization Program - Highlights

Columbia Gas Transmission (CGT) transports an average of 3 Bcf of natural gas per day through a 12,000-mile pipeline network across 10 states. CGT also owns and operates one of the largest underground natural gas storage systems which include 37 storage fields in four states with over 650 Bcf of total capacity. All of this storage is depleted natural gas reservoirs.

Figure 1. CGT System Map



Source: Columbia Gas Transmission

The \$4 billion modernization program will last more than a decade along the entire pipeline footprint, resulting in an annual investment of \$300 million per year, which will include the following:

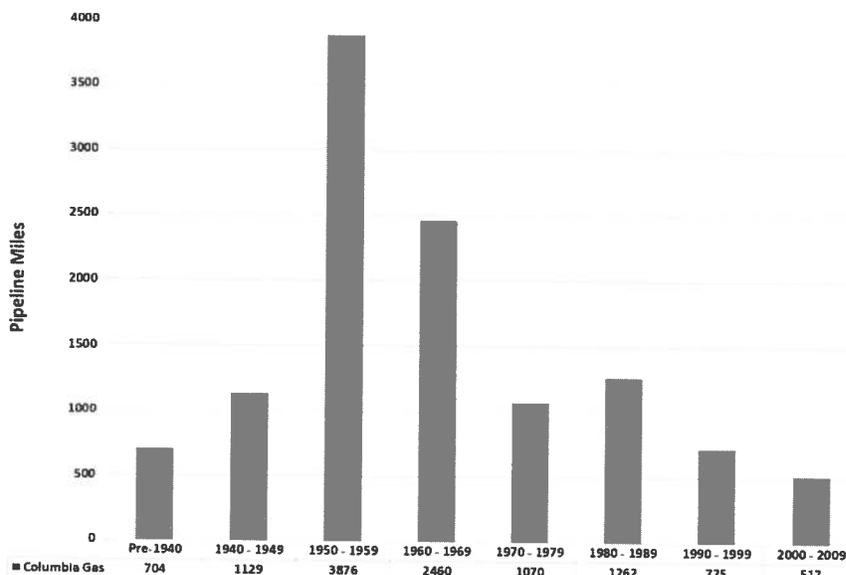
1. **Replacing Aging Infrastructure** - ~1,000 miles of interstate transmission pipelines, the majority of which being bare steel (expect 400 miles in the first half of the program)
2. **Upgrading Compression Systems** - Involves the improvement of 50 compressor units along the pipeline system that will boost efficiency and environmental performance
3. **Improve Pipeline Reliability** - Enhance pressures flows on system that will improve deliveries
4. **Expand Inspection Capabilities** - Allow for seamless inspection of system without interrupting flows on system

Capital spending associated with the program (\$300 mm/yr) is expected to begin in 2013, however, trackers won't kick-in until February/2014

NI will also record a \$50 mm (pre-tax) settlement expense in Q3/12, to be paid out over the next 18 months. Customers of Columbia Gas Transmission will receive a \$60 mm annualized rate reduction through 2013.

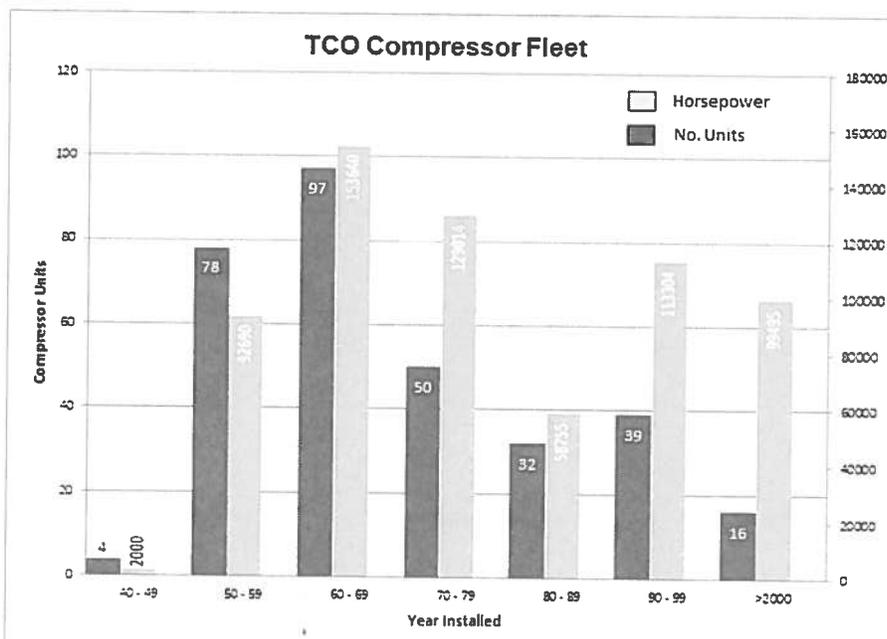
The majority of the Columbia Gas pipeline system was installed prior to 1970. Hence, there is a clear need to upgrade the system especially given the focus regulators are placing on pipeline safety following recent events at San Bruno and Allentown.

Figure 2. Age of Pipeline



Source: FERC regulatory filings (Docket # RP12-1021-000)

Figure 3. Columbia Gas Compressor Fleet Installation History

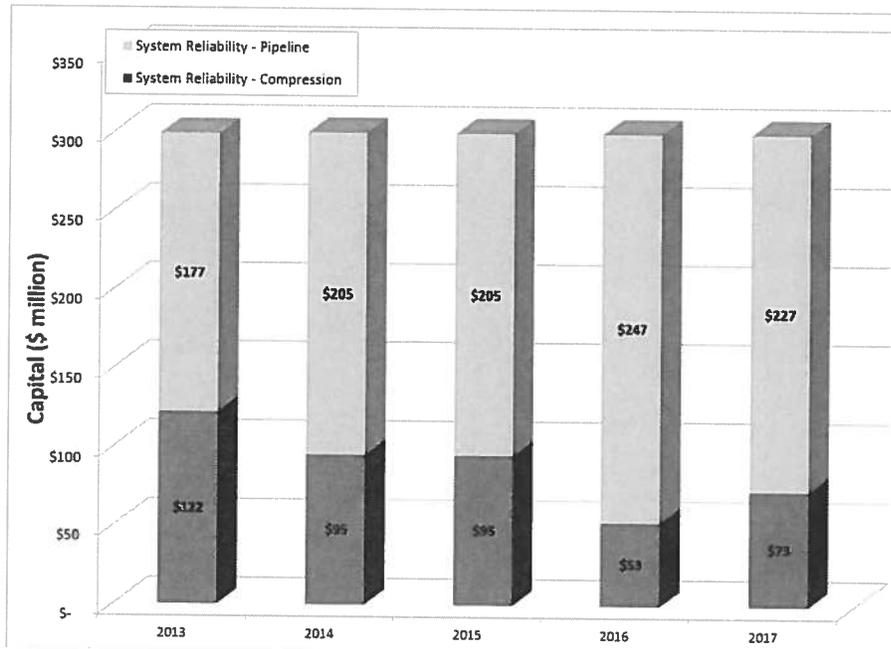


Source: FERC regulatory filings (Docket # RP12-1021-000)

Approximately 55% of Columbia system compression was installed before 1970.

The majority of spending associated with the gas modernization program will go towards pipeline integrity.

Figure 4. Modernization Plan 2013-2015 (\$ mm) – Breakdown



Source: FERC regulatory filings (Docket # RP12-1021-000), Citi Research

NiSource Inc

Company description

NiSource Inc (NI) is, primarily, a regulated utility with an integrated network of gas distribution, transportation, and storage assets in the Northeast, Mid-Atlantic, and Midwest. NiSource also operates an electric utility in Northern Indiana.

The company operates four business units, including Gas Distribution, which delivers natural gas in several states; Gas Transmission and Storage Operations, which provide interstate natural gas transmission and storage services from the Gulf of Mexico to the Northeast; Electric Operations, which consist of NiSource's regulated electric utility, Northern Indiana Public Service Company (NIPSCO); and Other Operations, which include energy-related services and a co-generation facility.

Investment strategy

We rate the shares of NiSource (NI) Neutral (2). NI provides long-term earnings power of \$1.50 per share, including growth from expected rate increases at NiSource's utilities. Our estimates do not include substantial industrial load growth at the utility or the potential for a build out of NI's pipeline and storage assets, which have a favorable footprint in the Marcellus Shale.

Valuation

We average multiple valuation methodologies to derive our \$26 target. Our NAV yields a value of \$27. We value regulated assets at a multiple of rate base. These values are partially offset by the company's net debt. Our DDM, which incorporates our rate base growth assumptions, values the company at \$25. Our P/E and EV/EBITDA multiples (2013 estimates) are based on our proprietary analyses, which utilize current equity risk premiums, current betas and projected risk-free yields. For our P/E analysis, we use multiples of 16x and 16x for the company's utility and pipeline assets. For our EV/EBITDA analysis, we use multiples of 8x and 8x for the company's utility and pipeline assets. Our P/E and EV/EBITDA analyses yield values of \$27 and \$26.

Risks

The key risks to our investment thesis are (1) Rate Cases – We estimate the company will receive rate relief at several of its utilities. Under- or over-estimation of relief could materially impact our estimates (2) Weather – Changes in weather impact the stability of earnings (3) Capital Investment Recovery — NI spends a substantial amount of capital to maintain and expand its distribution system. NI depends on rate increases from public utility commission to earn a fair return on this expansion. In addition, tariffs on the pipeline system are regulated by the FERC (4) Pipeline Capacity Contracts — The risk of re-contracting pipeline capacity at lower rates, upon contract expiration, could have a material impact on earnings (5) Uplift from an MLP – Currently, we do not include any uplift from NiSource pursuing an MLP strategy. However, significant upside may exist if the Company is able to successfully implement this strategy.

If the impact on the company from any of these factors proves to be greater/less than we anticipate, it may prevent the stock from achieving our target price or could cause the stock price to materially under/outperform our target.

Appendix A-1

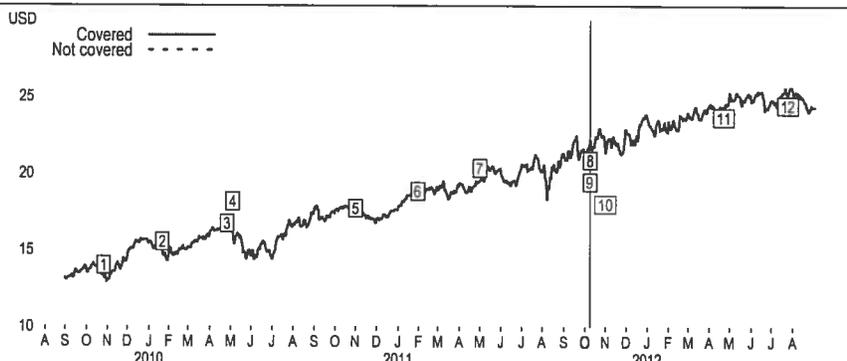
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NiSource Inc (NI) Ratings and Target Price History Fundamental Research

Analyst: Faisal Khan, CFA



Date	Rating	Target Price	Closing Price
1 27-Oct-09	1H	*15.00	13.47
2 21-Jan-10	*2M	*16.00	14.87
3 27-Apr-10	2M	*16.50	16.27
4 5-May-10	2M	*17.00	16.20

Date	Rating	Target Price	Closing Price
5 1-Nov-10	2M	*18.00	17.17
6 31-Jan-11	2M	*20.00	18.62
7 2-May-11	2M	*21.00	19.52
8 8-Oct-11	Stock rating system changed		

Date	Rating	Target Price	Closing Price
9 8-Oct-11	*2	21.00	21.55
10 1-Nov-11	2	*22.00	21.32
11 23-Apr-12	2	*24.00	24.30
12 25-Jul-12	2	*26.00	25.12

* Indicates change

Rating/target price changes above reflect Eastern Standard Time

NiSource Inc (NI) Ratings and Target Price History Best Ideas Research Relative Call (3 Month)

Analyst: Faisal Khan, CFA



* Indicates change

Rating/target price changes above reflect Eastern Standard Time

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% of companies in each rating category that are investment banking clients	44%	43%	40%	48%	43%	45%

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