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

FORM 8-K

CURRENT REPORT

Pursuant To Section 13 OR 15(d) of The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): August 2, 2007

NiSource Inc.

(Exact name of registrant as specified in its charter)

Commission file number 001-16189

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

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions.

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2 (b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4 (c))
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ITEM 2.02. RESULTS OF OPERATIONS AND FINANCIAL CONDITION

On August 2, 2007, NiSource Inc. (the "Company") reported its financial results for the quarter ended June 30, 2007. The Company's press release, dated August 2, 2007, is attached as Exhibit 99.1.

ITEM 9.01. FINANCIAL STATEMENTS AND EXHIBITS

(d) Exhibits

<u>Exhibit Number</u>	<u>Description</u>
99.1	Press Release, dated August 2, 2007, issued by NiSource Inc.

SIGNATURES

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

NiSource Inc.
(Registrant)

Date: August 2, 2007

By: /s/ Jeffrey W. Grossman
Jeffrey W. Grossman
Vice President and Controller

EXHIBIT INDEX

Exhibit
Number

Description

99.1

Press Release, dated August 2, 2007, issued by NiSource Inc.

NEWS



801 E. 86th Avenue
Merrillville, IN 46410

FOR IMMEDIATE RELEASE

August 2, 2007

FOR ADDITIONAL INFORMATION

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NiSource second-quarter earnings on track with outlook

Continued progress reported on key growth initiatives

MERRILLVILLE, Ind. — NiSource Inc. (NYSE: NI) today announced net operating earnings (non-GAAP) of \$27.8 million, or 10 cents per share, for the three months ended June 30, 2007, compared with \$38.4 million, or 14 cents per share, for the second quarter of 2006 (all per-share amounts are basic). Operating earnings (non-GAAP) were \$142.7 million for the second quarter of 2007, compared to \$157.3 million in 2006. For a reconciliation of net operating earnings and operating earnings to GAAP, see Schedules 1 and 2 of this news release.

“NiSource’s second quarter results are consistent with our earnings outlook for 2007, and continue to reflect solid performance from each of our core business segments,” NiSource President and Chief Executive Officer Robert C. Skaggs, Jr. said. In May, NiSource indicated that net operating earnings for 2007 were expected to be approximately \$1.35 per share.

Overall, net revenues were higher for the second quarter when compared with the prior year, driven primarily by increased electric and gas distribution revenues and improved performance from NiSource’s Whiting Clean Energy unit. These improvements were more than offset by increased operating and maintenance expenses when compared to the prior-year period. Earnings also were affected by increased interest expense and lower short-term transportation services and optimization revenues in NiSource’s gas transmission and storage business.

The increased operating and maintenance costs for the quarter were primarily related to employee and administrative expenses, including payroll, benefits and corporate services, Skaggs noted. "Within corporate services, the cost increases were related to NiSource's business services arrangement with IBM. As we noted earlier this year, NiSource is conducting an assessment of that business services arrangement to determine what adjustments can be made to enable NiSource to achieve its business objectives going forward," Skaggs said.

Progress on four-part business plan and 'path forward' initiatives

Skaggs said NiSource business units made progress on key elements of the company's four-part business plan. That strategy centers on expansion of and commercial growth in the natural gas pipeline and storage business, regulatory and commercial initiatives at its utilities, financial management, and process and expense management.

"NiSource's key business strategies and stream of new projects in the Gas Transmission and Storage segment continued to advance during the quarter," Skaggs said. "Additionally, our planned utility rate cases are moving forward, with regulatory outreach and engagement taking place on several fronts. These activities all require time and effort before generating earnings, but together they are the key to achieving a stable and sustainable 3 to 5 percent annual earnings growth rate by 2010."

Among the examples of second-quarter business accomplishments Skaggs cited were:

- **Hardy Storage Company, LLC**, completed its first full quarter of operations, receiving initial customer injections into its new underground natural gas storage facility in West Virginia. Hardy is a joint venture of subsidiaries of Columbia Gas Transmission and Piedmont Natural Gas. Injections this year will allow the field to deliver up to 100,000 dekatherms (Dth) of natural gas per day during the 2007 winter heating season. When fully operational in 2009, the field will have a working storage capacity of 12 billion cubic feet, delivering more than 176,000 Dth of natural gas per day. NiSource's Columbia Gas Transmission, the operator of Hardy Storage, is also expanding its natural gas transmission system to provide the capacity needed to deliver Hardy Storage supplies to customer markets. This expansion is targeted to be in service in November 2007.
- In May, NiSource filed with the Federal Energy Regulatory Commission to construct the \$140 million **Eastern Market Expansion Project**, an expansion of two Columbia Gas Transmission storage fields and related pipeline capacity. Slated for completion in 2009, the project's entire 6 billion cubic feet of additional storage capacity and 97,000 Dth per day of storage and transportation capacity have been subscribed under 15-year contracts.
- In June, construction began on the **Millennium Pipeline**, a 182-mile-long, 30-inch-diameter pipeline across New York's Southern Tier and lower Hudson Valley. When completed in November 2008, the project will transport up to 525,400 Dth per day of natural gas to markets along its route, as well as to the New York City markets through its pipeline interconnections. Millennium is jointly owned by affiliates of NiSource, KeySpan Corporation, and DTE Energy.

- NiSource concluded a successful open season to gauge customer interest in an expansion of its **Crawford Storage Field** in central Ohio by up to 10 to 15 billion cubic feet of working gas and 175,000 to 250,000 Dth of daily deliverability. NiSource anticipates converting the strong customer response into binding contractual commitments over the next several months and placing facilities in service to enable storage injections beginning in the second quarter of 2009. The final scope of the project will be determined based on the outcome of the ongoing customer discussions.
- NiSource's gas utilities also moved forward with **key rate and regulatory activities** during the quarter. In May, Northern Indiana Public Service Company received approval from the *Indiana Utility Regulatory Commission* for its Rate Simplification program, which will simplify residential natural gas rates, mitigate the impact of usage reductions, and implement an energy conservation program. Columbia Gas of Kentucky's general rate proceeding also moved forward during the quarter, with a decision expected by year-end. In Massachusetts, Pennsylvania and Ohio, NiSource utilities all continued work necessary to engage stakeholders, regulators and customers in connection with rate proceedings being planned for various points in the near future.
- In NiSource's **electric business**, significant scheduled maintenance work was completed on NIPSCO's Bailly Generating Station Unit 7. This included cyclone burner replacement and other work to improve unit reliability. Construction also progressed during the quarter on installation of selective catalytic reduction (SCR) equipment on Bailly Unit 7. This environmental upgrade project will require an additional planned outage later this year, with in-service for the SCR targeted for the spring of 2008. The SCR qualifies for recovery under the NIPSCO environmental tracker.

Among other ongoing business activities, Skaggs noted, was NiSource's analysis of the potential formation of a Master Limited Partnership in connection with a portion of its gas transmission and storage assets and prospective growth projects.

"As we have previously indicated, we are accelerating our review of the MLP option," Skaggs said. "While our analysis is ongoing and no definitive conclusions have been reached at this point, such a structure has the potential to provide additional financial flexibility and access to low cost capital, which would complement our GT&S strategy."

Consolidated operating earnings and operating earnings for NiSource's business segments for the quarter ended June 30, 2007 are discussed below.

Second Quarter 2007 Operating Earnings — Segment Results (non-GAAP)

NiSource's consolidated second-quarter 2007 operating earnings (non-GAAP) were \$142.7 million, compared to \$157.3 million for the same period in 2006. Refer to Schedule 2 for the items included in 2007 and 2006 GAAP operating income but excluded from operating earnings.

Operating earnings for NiSource's business segments for the quarter ended June 30, 2007 are discussed below.

Gas Distribution Operations reported operating earnings of \$8.7 million versus operating earnings of \$12.5 million in the second quarter of 2006. The decrease resulted primarily from higher operating expenses, partially offset by increased net revenues. Operating expenses, excluding the impact of trackers, were \$11.1 million higher than the prior year, mainly due to higher employee and administrative expenses, side services, and environmental reserves. Net revenues, excluding the impact of trackers, were \$6.8 million higher than the same period in 2006, primarily as the result of regulatory initiatives and other service programs.

Gas Transmission and Storage Operations reported operating earnings of \$74.4 million versus operating earnings of \$80.5 million in the second quarter of 2006. The decrease resulted from lower shorter-term transportation services and optimization revenues and higher operating expenses, partially offset by higher earnings from equity investments. While stabilization in the natural gas market did moderate optimization revenues during the second quarter, demand and commodity revenues were up compared to last year. Equity earnings increased by \$3.6 million due to Hardy Storage going in service in April 2007 and higher AFUDC earnings from Millennium Pipeline. Operating expenses increased by \$4.7 million for the quarter, mainly due to higher employee and administrative expenses and property insurance premiums.

Electric Operations reported operating earnings of \$61.8 million versus operating earnings of \$67.0 million from the same quarter last year. Increases in net revenues were more than offset by higher operating expenses. Operating expenses increased by \$11.8 million due primarily to higher employee and administrative costs. Net revenue increased by \$6.6 million as a result of higher wholesale volumes and margins, residential volumes and overall customer growth.

Other Operations reported an operating earnings loss of \$0.6 million in the second quarter of 2007, compared with an operating earnings loss of \$3.1 million in the prior year period. The improvement resulted from higher net revenues from the Whiting Clean Energy facility, partially offset by increased planned turbine maintenance costs at that facility.

Other Items

Interest expense increased by \$4.7 million due to higher short-term interest rates and credit facility fees. Other net was a loss of \$0.4 million compared to a loss of \$2.7 million last year. The improvement resulted primarily from higher interest income in the current period.

Six Month Period 2007 Operating Earnings — Segment Results (non-GAAP)

NiSource's consolidated operating earnings (non-GAAP) for the six months ended June 30, 2007 were \$575.4 million, compared to \$571.8 million for the same period in 2006. Refer to Schedule 2 for the items included in 2007 and 2006 GAAP operating income but excluded from operating earnings.

Operating earnings for NiSource's business segments for the six months ended June 30, 2007 are discussed below.

Gas Distribution Operations reported operating earnings of \$266.9 million compared to \$262.6 million reported for the first six months of 2006. Increases in net revenues were partially offset by increased operating expenses. Net revenues, excluding the impact of trackers, were \$22.8 million higher due to customer growth, regulatory initiatives and increased commercial sales. Operating expenses, excluding the impact of trackers, were \$18.8 million higher than last year primarily due to higher employee and administrative costs, and outside service expenses.

Gas Transmission and Storage Operations reported operating earnings of \$182.1 million versus operating earnings of \$191.9 million in the first six months of 2006. The decrease resulted from higher operating expenses of \$14 million mainly due to higher employee and administrative expenses, property insurance premiums, and other maintenance and outside service costs. The higher expenses were partially offset by higher earnings from equity investments. Gas Transmission and Storage net revenues for the first six months were essentially flat when compared with the prior year period. Equity earnings increased by \$5.3 million due to Hardy Storage going in service in April 2007 and higher AFUDC earnings from Millennium Pipeline.

Electric Operations reported operating earnings of \$135.1 million for the first six months of 2007, compared with \$138.0 million for the prior year period. Net revenues increased by \$13.5 million due to increased residential volumes, increased wholesale margins and customer growth, partially offset by decreased industrial volumes and the timing of revenue credits. The increases in net revenues were more than offset by higher operating expenses, which increased by \$16.4 million due primarily to higher employee and administrative costs, and electric generation and maintenance expenses.

Other Operations reported an operating earnings loss of \$3.8 million in the first six months of 2007, versus an operating earnings loss of \$14.8 million in the first six months of 2006. The \$11 million decrease in the operating earnings loss primarily resulted from lower losses at the Whiting Clean Energy facility. As previously announced, NiSource unit Whiting Clean Energy (WCE) and BP signed a definitive agreement at the end of 2006 redefining the terms under which WCE provides steam to BP for its oil refining process.

Other Items

Interest expense increased by \$8.0 million due to higher short-term interest rates and credit facility fees. Other net was a loss of \$3.2 million compared to a loss of \$6.1 million last year. The improvement resulted primarily from higher interest income in the current six-month period. The effective tax rate of net operating earnings for 2007 is 37.2%. Last year's effective tax rate of 35.5% was favorably impacted by state deferred income tax adjustments recorded during the first quarter of 2006.

Income from Continuing Operations (GAAP)

On a GAAP basis, NiSource reported income from continuing operations for the three months ended June 30, 2007, of \$28.2 million, or 11 cents per share, compared with \$22.1 million, or 8 cents per share, in the same period a year ago. Operating income was \$143.3 million for the second quarter of 2007, compared with \$132.7 million in the year-ago period. In addition to the business results already discussed, the increase in earnings was primarily due to favorable weather in NiSource's gas distribution and electric markets during the quarter compared to 2006.

On a GAAP basis, NiSource reported income from continuing operations for the six months ended June 30, 2007, of \$237.3 million, or 87 cents per share, compared with \$195.1 million, or 71 cents

per share, in the same period a year ago. Operating income was \$577.9 million for the first six months of 2007 versus \$500.3 million in the year-ago period. Similar to the quarter ended June 30, 2007, the increase in earnings for the first half of 2007 was due to increased gas distribution and electric revenues, primarily due to favorable weather.

Definition of non-GAAP measures

NiSource focuses on net operating earnings and operating earnings, which are both non-GAAP measures, because management believes these measures better represent the fundamental earnings strength and performance of the company. NiSource uses these measures internally for budgeting, for reporting to the board of directors, and for purposes of determining the payout under NiSource's annual incentive compensation plan for its employees.

Net operating earnings are a non-GAAP financial measure that NiSource defines as income from continuing operations determined in accordance with Generally Accepted Accounting Principles (GAAP) adjusted for certain items. Operating earnings are operating income determined in accordance with GAAP adjusted for certain items. Adjustments reflected in these measures are primarily weather, restructuring and transition costs related to the outsourcing contract with IBM, gains and losses on the sale of assets, certain reserve adjustments and other items. See Schedule 1 and Schedule 2 of this news release for the reconciliations of net operating earnings and operating earnings, respectively, to GAAP.

About NiSource

NiSource Inc. (NYSE: NI), based in Merrillville, Ind., is a Fortune 500 company engaged in natural gas transmission, storage and distribution, as well as electric generation, transmission and distribution. NiSource operating companies deliver energy to 3.8 million customers located within the high-demand energy corridor stretching from the Gulf Coast through the Midwest to New England. Information about NiSource and its subsidiaries is available via the Internet at www.nisource.com. NI-F

Forward-Looking Statements

This news release includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Those statements include statements regarding the intent, belief or current expectations of NiSource and its management. Although NiSource believes that its expectations are based on reasonable assumptions, it can give no assurance that its goals will be achieved. Readers are cautioned that the forward-looking statements in this presentation are not guarantees of future performance and involve a number of risks and uncertainties, and that actual results could differ materially from those indicated by such forward-looking statements. Important factors that could cause actual results to differ materially from those indicated by such forward-looking statements include, but are not limited to, the following: weather; fluctuations in supply and demand for energy commodities; growth opportunities for NiSource's businesses; increased competition in deregulated energy markets; the success of regulatory and commercial initiatives; dealings with third parties over whom NiSource has no control; the effectiveness of NiSource's outsourcing initiative; actual operating experience of NiSource assets; the regulatory process; regulatory and legislative changes; changes in general economic, capital commodity market conditions; and counter-party credit risk.

NiSource Inc.
Consolidated Net Operating Earnings (Non-GAAP)

<i>(in millions, except per share amounts)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Net Revenues				
Gas Distribution	\$ 765.6	\$ 624.1	\$2,660.1	\$2,661.8
Gas Transportation and Storage	226.2	220.5	574.0	541.1
Electric	330.0	301.9	655.9	607.6
Other	246.2	183.8	566.9	531.8
Gross Revenues	1,568.0	1,330.3	4,456.9	4,342.3
Cost of Sales (excluding depreciation and amortization)	885.1	670.4	2,716.3	2,662.1
Total Net Revenues	682.9	659.9	1,740.6	1,680.2
Operating Expenses				
Operation and maintenance	302.6	274.1	599.5	558.5
Operation and maintenance — trackers	38.1	29.9	127.1	111.3
Depreciation and amortization	138.2	138.0	277.2	274.8
Other taxes	50.0	48.3	106.8	105.5
Other taxes — trackers	15.0	12.4	59.8	58.2
Total Operating Expenses	543.9	502.7	1,170.4	1,108.3
Equity Earnings (Loss) in Unconsolidated Affiliates	3.7	0.1	5.2	(0.1)
Operating Earnings	142.7	157.3	575.4	571.8
Other Income (Deductions)				
Interest expense, net	(98.1)	(93.4)	(196.7)	(188.7)
Dividend requirements on preferred stock of subsidiaries	—	—	—	(1.1)
Other, net	(0.4)	(2.7)	(3.2)	(6.1)
Total Other Income (Deductions)	(98.5)	(96.1)	(199.9)	(195.9)
Operating Earnings From Continuing Operations Before Income Taxes				
Taxes	44.2	61.2	375.5	375.9
Income Taxes	16.4	22.8	139.7	133.6
Total Operating Earnings from Continuing Operations	27.8	38.4	235.8	242.3
GAAP Adjustment	0.4	(16.3)	1.5	(47.2)
GAAP Income from Continuing Operations	\$ 28.2	\$ 22.1	\$ 237.3	\$ 195.1
Basic Net Operating Earnings Per Share from Continuing Operations	0.10	0.14	0.86	0.89
GAAP Basic Earnings Per Share from Continuing Operations	0.11	0.08	0.87	0.71
Basic Average Common Shares Outstanding (millions)	273.8	272.4	273.7	272.4

NiSource Inc.
Segment Operating Earnings (Non-GAAP)

Gas Distribution Operations <i>(in millions)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Net Revenues				
Sales Revenues	\$ 874.7	\$ 712.7	\$2,985.0	\$2,935.0
Less: Cost of gas sold	597.0	452.2	2,088.7	2,076.4
Net Revenues	277.7	260.5	896.3	858.6
Operating Expenses				
Operation and maintenance	151.7	140.8	310.0	291.6
Operation and maintenance — trackers	26.9	19.6	103.8	90.8
Depreciation and amortization	58.2	58.3	116.6	115.6
Other taxes	17.2	16.9	39.2	39.8
Other taxes — trackers	15.0	12.4	59.8	58.2
Total Operating Expenses	269.0	248.0	629.4	596.0
Operating Earnings	\$ 8.7	\$ 12.5	\$ 266.9	\$ 262.6
GAAP Adjustment	4.6	(18.5)	7.8	(62.6)
GAAP Operating Income (Loss)	\$ 13.3	\$ (6.0)	\$ 274.7	\$ 200.0

Gas Transmission and Storage Operations <i>(in millions)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Net Revenues				
Transportation revenues	\$ 144.9	\$ 152.8	\$ 327.8	\$ 337.0
Storage revenues	44.5	43.8	90.4	88.2
Other revenues	1.3	2.4	2.3	5.6
Total Revenues	190.7	199.0	420.5	430.8
Less: Cost of gas sold	0.6	3.9	0.1	9.3
Revenues	190.1	195.1	420.4	421.5
Operating Expenses				
Operation and maintenance	66.3	63.9	136.2	125.6
Operation and maintenance — trackers	9.5	8.8	19.6	18.3
Depreciation and amortization	29.4	28.6	58.4	57.3
Other taxes	14.2	13.4	29.3	28.3
Total Operating Expenses	119.4	114.7	243.5	229.5
Equity Earnings (Loss) in Unconsolidated Affiliates	3.7	0.1	5.2	(0.1)
Operating Earnings	\$ 74.4	\$ 80.5	\$ 182.1	\$ 191.9
GAAP Adjustment	(6.8)	(1.5)	(7.5)	(2.6)
GAAP Operating Income	\$ 67.6	\$ 79.0	\$ 174.6	\$ 189.3

Ni Source Inc.
Segment Operating Earnings (Non-GAAP) (continued)

Electric Operations <i>(in millions)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Net Revenues				
Sales revenues	\$ 331.2	\$ 306.1	\$ 658.3	\$ 614.9
Less: Cost of sales	129.8	111.3	258.5	228.6
Net Revenues	201.4	194.8	399.8	386.3
Operating Expenses				
Operation and maintenance	75.9	64.4	135.4	123.2
Operation and maintenance — trackers	1.7	1.5	3.7	2.2
Depreciation and amortization	46.6	46.9	94.6	93.0
Other taxes	15.4	15.0	31.0	29.9
Total Operating Expenses	139.6	127.8	264.7	248.3
Operating Earnings	\$ 61.8	\$ 67.0	\$ 135.1	\$ 138.0
GAAP Adjustment	3.0	(3.7)	2.7	(6.6)
GAAP Operating Income	\$ 64.8	\$ 63.3	\$ 137.8	\$ 131.4

Other Operations <i>(in millions)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Net Revenues				
Products and services revenue	\$ 238.1	\$ 175.4	\$ 551.7	\$ 517.8
Less: Cost of products purchased	223.8	164.9	525.5	501.7
Net Revenues	14.3	10.5	26.2	16.1
Operating Expenses				
Operation and maintenance	10.9	9.4	21.4	21.8
Depreciation and amortization	2.6	2.8	5.2	5.6
Other taxes	1.4	1.4	3.4	3.5
Total Operating Expenses	14.9	13.6	30.0	30.9
Operating Earnings (Loss)	\$ (0.6)	\$ (3.1)	\$ (3.8)	\$ (14.8)
GAAP Adjustment	(0.1)	(0.4)	(0.2)	1.2
GAAP Operating Income (Loss)	\$ (0.7)	\$ (3.5)	\$ (4.0)	\$ (13.6)

Corporate <i>(in millions)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Operating Earnings (Loss)	\$ (1.6)	\$ 0.4	\$ (4.9)	\$ (5.9)
GAAP Adjustment	(0.1)	(0.5)	(0.3)	(0.9)
GAAP Operating Income (Loss)	\$ (1.7)	\$ (0.1)	\$ (5.2)	\$ (6.8)

NiSource Inc.
Segment Volumes and Statistical Data

Gas Distribution Operations	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Sales and Transportation (MMDth)				
Residential	39.8	30.3	175.3	146.9
Commercial	30.8	25.3	108.7	94.3
Industrial	83.0	83.3	189.5	181.4
Off System	22.5	19.1	41.1	29.9
Other	0.2	0.2	0.5	0.5
Total	176.3	158.2	515.1	453.0
Weather Adjustment	(3.5)	11.0	(5.9)	37.7
Sales and Transportation Volumes — Excluding Weather	172.8	169.2	509.2	490.7
Heating Degree Days	501	410	3,124	2,683
Normal Heating Degree Days	475	482	3,111	3,107
% Colder (Warmer) than Normal	5%	(15%)	0%	(14%)
Customers				
Residential			3,038,316	3,019,568
Commercial			289,157	285,138
Industrial			8,153	8,262
Other			73	72
Total			3,335,699	3,313,040
Gas Transmission and Storage Operations				
	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Throughput (MMDth)				
Columbia Transmission Market Area	186.8	170.0	572.0	498.5
Columbia Gulf Mainline	178.8	128.0	325.9	289.6
Short-haul	50.7	30.8	91.2	47.4
Columbia Pipeline Deep Water	0.7	2.2	1.5	5.1
Crossroads Gas Pipeline	9.2	9.0	19.4	20.0
Granite State Pipeline	4.8	4.5	16.4	16.1
Intrasegment eliminations	(161.8)	(122.4)	(290.0)	(278.7)
Total	269.2	222.1	736.4	598.0

NiSource Inc.
Segment Volumes and Statistical Data (continued)

Electric Operations	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Sales (Gigawatt Hours)				
Residential	793.8	722.0	1,639.0	1,483.1
Commercial	1,005.7	949.5	1,933.7	1,843.5
Industrial	2,331.6	2,383.5	4,673.4	4,820.9
Wholesale	207.8	195.9	345.1	348.0
Other	32.3	11.8	59.0	40.4
Total	4,371.2	4,262.7	8,650.2	8,535.9
Weather Adjustment	(55.9)	47.6	(55.5)	76.5
Sales Volumes — Excluding Weather impacts	4,315.3	4,310.3	8,594.7	8,612.4
Cooling Degree Days	313	190	313	190
Normal Cooling Degree Days	232	227	232	227
% Warmer (Colder) than Normal	35%	(16%)	35%	(16%)
Electric Customers				
Residential			398,073	395,005
Commercial			52,299	51,522
Industrial			2,516	2,505
Wholesale			4	11
Other			757	762
Total			453,649	449,805

NiSource Inc.
Schedule 1 — Reconciliation of Net Operating Earnings to GAAP

<i>(in millions, except per share amounts)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Net Operating Earnings from Continuing Operations	\$ 27.8	\$ 38.4	\$ 235.8	\$ 242.3
Items excluded from operating earnings:				
Net Revenues:				
Weather — compared to normal	9.1	(18.8)	13.9	(58.3)
Operating Expenses:				
Restructuring, transition and consulting cost (outsourcing initiative)	(2.2)	(2.9)	(2.2)	(9.4)
Asset impairment	(6.6)	(2.1)	(9.8)	(4.6)
Gain (Loss) on sales of assets	0.3	(0.8)	0.6	0.8
Total items excluded from operating earnings	0.6	(24.6)	2.5	(71.5)
Loss on early extinguishment of long-term debt	—	0.7	—	0.7
Loss on early redemption of preferred stock	—	—	—	1.1
Tax effect of above items and other income tax adjustments	(0.2)	7.6	(1.0)	22.5
Reported Income from Continuing Operations — GAAP	\$ 28.2	\$ 22.1	\$ 237.3	\$ 195.1
Basic Average Common Shares Outstanding (millions)	273.8	272.4	273.7	272.4
Basic Net Operating Earnings Per Share from Continuing Operations	0.10	0.14	0.86	0.89
Items excluded from net operating earnings (after-tax)	0.01	(0.06)	0.01	(0.18)
GAAP Basic Earnings Per Share from Continuing Operations	0.11	0.08	0.87	0.71

NiSource Inc.
Schedule 2 — Quarterly Adjustments by Segment from Operating Earnings to GAAP
For Quarter ended June 30, 2007

2007 (in millions)

	Gas Distribution	Gas Transmission and Storage	Electric	Other	Corporate	Total
Operating Earnings (Loss)	\$ 8.7	\$ 74.4	\$ 61.8	\$ (0.6)	\$ (1.6)	\$ 142.7
Net Revenues:						
Weather (compared to normal)	5.8	—	3.3	—	—	9.1
Operating Expenses:						
Restructuring, transition and consulting charges (outsourcing initiative)	(1.3)	(0.4)	(0.3)	(0.1)	(0.1)	(2.2)
Asset Impairment	—	(6.6)	—	—	—	(6.6)
Gain on Sale of Assets	0.1	0.2	—	—	—	0.3
Total Impact — Operating Expenses	(1.2)	(6.8)	(0.3)	(0.1)	(0.1)	(8.5)
Total Impact — Operating Income (Loss)	4.6	(6.8)	3.0	(0.1)	(0.1)	0.6
Operating Income (Loss) — GAAP	\$ 13.3	\$ 67.6	\$ 64.8	\$ (0.7)	\$ (1.7)	\$ 143.3

2006 (in millions)

	Gas Distribution	Gas Transmission and Storage	Electric	Other	Corporate	Total
Operating Earnings (Loss)	\$ 12.5	\$ 80.5	\$ 67.0	\$ (3.1)	\$ 0.4	\$ 157.3
Revenues:						
Weather (compared to normal)	(15.6)	—	(3.2)	—	—	(18.8)
Operating Expenses:						
Restructuring and transition costs (outsourcing initiative)	(1.9)	(0.5)	(0.3)	(0.1)	(0.1)	(2.9)
Asset Impairment	(1.0)	(0.5)	(0.2)	—	(0.4)	(2.1)
Loss on Sale of Assets	—	(0.5)	—	(0.3)	—	(0.8)
Total Impact — Operating Expenses	(2.9)	(1.5)	(0.5)	(0.4)	(0.5)	(5.8)
Total Impact — Operating Income (Loss)	(18.5)	(1.5)	(3.7)	(0.4)	(0.5)	(24.6)
Operating Income (Loss) — GAAP	\$ (6.0)	\$ 79.0	\$ 63.3	\$ (3.5)	\$ (0.1)	\$ 132.7

NiSource Inc.
Schedule 2 — Year-to-Date Segment Adjustments from Operating Earnings to GAAP
For 6 months ended June 30, 2007

2007 (in millions)

	Gas Distribution	Gas Transmission and Storage	Electric	Other	Corporate	Total
Operating Earnings (Loss)	\$ 266.9	\$ 182.1	\$ 135.1	\$ (3.8)	\$ (4.9)	\$ 575.4
Net Revenues:						
Weather (compared to normal)	10.6	—	3.3	—	—	13.9
Operating Expenses:						
Restructuring, transition and consulting charges (outsourcing initiative)	(1.3)	(0.4)	(0.3)	(0.1)	(0.1)	(2.2)
Asset Impairment	(1.9)	(7.3)	(0.3)	(0.1)	(0.2)	(9.8)
Gain on Sale of Assets	0.4	0.2	—	—	—	0.6
Total Impact — Operating Expenses	(2.8)	(7.5)	(0.6)	(0.2)	(0.3)	(11.4)
Total Impact — Operating Income (Loss)	7.8	(7.5)	2.7	(0.2)	(0.3)	2.5
Operating Income (Loss) — GAAP	\$ 274.7	\$ 174.6	\$ 137.8	\$ (4.0)	\$ (5.2)	\$ 577.9

2006 (in millions)

	Gas Distribution	Gas Transmission and Storage	Electric	Other	Corporate	Total
Operating Earnings (Loss)	\$ 262.6	\$ 191.9	\$ 138.0	\$ (14.8)	\$ (5.9)	\$ 571.8
Revenues:						
Weather (compared to normal)	(53.2)	—	(5.1)	—	—	(58.3)
Operating Expenses:						
Restructuring and transition costs (outsourcing initiative)	(6.8)	(1.0)	(1.1)	(0.1)	(0.4)	(9.4)
Asset Impairment	(2.6)	(1.1)	(0.4)	—	(0.5)	(4.6)
Gain (Loss) on Sale of Assets	—	(0.5)	—	1.3	—	0.8
Total Impact — Operating Expenses	(9.4)	(2.6)	(1.5)	1.2	(0.9)	(13.2)
Total Impact — Operating Income (Loss)	(62.6)	(2.6)	(6.6)	1.2	(0.9)	(71.5)
Operating Income (Loss) — GAAP	\$ 200.0	\$ 189.3	\$ 131.4	\$ (13.6)	\$ (6.8)	\$ 500.3

NiSource Inc.
Income Statement (GAAP)
(unaudited)

<i>(in millions, except per share amounts)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Net Revenues				
Gas Distribution	\$ 771.4	\$ 605.3	\$2,670.7	\$2,603.5
Gas Transportation and Storage	226.2	220.5	574.0	541.1
Electric	333.3	301.9	659.2	607.6
Other	246.2	183.8	566.9	531.8
Gross Revenues	1,577.1	1,311.5	4,470.8	4,284.0
Cost of Sales (excluding depreciation and amortization)	885.1	670.4	2,716.3	2,662.1
Total Net Revenues	692.0	641.1	1,754.5	1,621.9
Operating Expenses				
Operation and maintenance	342.9	306.9	728.8	679.2
Depreciation and amortization	138.2	138.0	277.2	274.8
Impairment and gain on sale of assets	6.3	2.9	9.2	3.8
Other taxes	65.0	60.7	166.6	163.7
Total Operating Expenses	552.4	508.5	1,181.8	1,121.5
Equity Earnings (Loss) in Unconsolidated Affiliates	3.7	0.1	5.2	(0.1)
Operating Income	143.3	132.7	577.9	500.3
Other Income (Deductions)				
Interest expense, net	(98.1)	(93.4)	(196.7)	(188.7)
Dividend requirement on preferred stock of subsidiaries	—	—	—	(1.1)
Other, net	(0.4)	(2.7)	(3.2)	(6.1)
Loss on early extinguishment of long-term debt	—	(0.7)	—	(0.7)
Total Other Income (Deductions)	(98.5)	(96.8)	(199.9)	(196.6)
Income From Continuing Operations Before Income Taxes and Cumulative Effect of Change in Accounting Principle	44.8	35.9	378.0	303.7
Income Taxes	16.6	13.8	140.7	108.6
Income From Continuing Operations Before Cumulative Effect of Change in Accounting Principle	28.2	22.1	237.3	195.1
Income (Loss) from Discontinued Operations — net of taxes	(0.7)	(1.4)	0.3	(1.9)
Gain (Loss) on Disposition of Discontinued Operations — net of taxes	(0.8)	0.3	5.8	0.3
Income Before Change in Accounting Principle	26.7	21.0	243.4	193.5
Cumulative Effect of Change in Accounting Principle — net of taxes	—	—	—	0.4
Net Income	\$ 26.7	\$ 21.0	\$ 243.4	\$ 193.9
Basic Earnings Per Share (\$)				
Continuing operations	\$ 0.11	\$ 0.08	\$ 0.87	\$ 0.71
Discontinued operations	(0.01)	—	0.02	—
Basic Earnings Per Share	\$ 0.10	\$ 0.08	\$ 0.89	\$ 0.71
Diluted Earnings Per Share (\$)				
Continuing operations	\$ 0.11	\$ 0.08	\$ 0.87	\$ 0.71
Discontinued operations	(0.01)	—	0.02	—
Diluted Earnings Per Share	\$ 0.10	\$ 0.08	\$ 0.89	\$ 0.71
Dividends Declared Per Common Share (\$)	\$ 0.23	\$ 0.23	\$ 0.69	\$ 0.69
Basic Average Common Shares Outstanding (millions)	273.8	272.4	273.7	272.4
Diluted Average Common Shares (millions)	274.9	273.2	274.8	273.1

NiSource Inc.
Consolidated Balance Sheets
(*unaudited*)

<i>(in millions)</i>	June 30, 2007	December 31, 2006
ASSETS		
Property, Plant and Equipment		
Utility Plant	\$17,462.9	\$ 17,194.9
Accumulated depreciation and amortization	(8,000.0)	(7,850.0)
Net utility plant	9,462.9	9,344.9
Other property, at cost, less accumulated depreciation	342.0	349.6
Net Property, Plant and Equipment	9,804.9	9,694.5
Investments and Other Assets		
Assets of discontinued operations and assets held for sale	45.2	43.0
Unconsolidated affiliates	94.5	59.6
Other investments	106.7	116.1
Total Investments and Other Assets	246.4	218.7
Current Assets		
Cash and cash equivalents	23.0	33.1
Restricted cash	66.9	142.5
Accounts receivable (less reserve of \$58.6 and \$42.1, respectively)	681.9	866.3
Gas inventory	283.8	550.5
Underrecovered gas and fuel costs	134.1	163.2
Materials and supplies, at average cost	87.6	89.0
Electric production fuel, at average cost	57.3	63.9
Price risk management assets	136.1	237.7
Exchange gas receivable	385.2	252.3
Regulatory assets	232.0	272.7
Prepayments and other	61.7	111.7
Total Current Assets	2,149.6	2,782.9
Other Assets		
Price risk management assets	21.5	49.9
Regulatory assets	1,012.4	1,127.3
Goodwill	3,677.3	3,677.3
Intangible assets	428.9	435.7
Deferred charges and other	163.6	170.2
Total Other Assets	5,303.7	5,460.4
Total Assets	\$17,504.6	\$ 18,156.5

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

<i>(in millions, except share amounts)</i>	June 30, 2007	December 31, 2006
CAPITALIZATION AND LIABILITIES		
Capitalization		
Common Stockholders' Equity		
Common stock — \$0.01 par value, 400,000,000 shares authorized; 274,149,933 and 273,654,180 shares issued and outstanding, respectively	\$ 2.7	\$ 2.7
Additional paid-in capital	4,007.6	3,998.3
Retained earnings	1,059.6	1,012.9
Accumulated other comprehensive income	27.9	20.9
Treasury stock	(23.3)	(21.2)
Total Common Stockholders' Equity	5,074.5	5,013.6
Long-term debt, excluding amounts due within one year	5,124.3	5,146.2
Total Capitalization	10,198.8	10,159.8
Current Liabilities		
Current portion of long-term debt	56.7	93.3
Short-term borrowings	1,021.5	1,193.0
Accounts payable	546.3	713.1
Dividends declared	63.1	—
Customer deposits	108.4	108.4
Taxes accrued	241.3	196.0
Interest accrued	84.5	107.1
Overrecovered gas and fuel costs	48.1	126.7
Price risk management liabilities	75.3	259.4
Exchange gas payable	500.5	396.6
Deferred revenue	48.7	55.9
Regulatory liabilities	41.5	40.7
Accrued liability for postretirement and postemployment benefits	4.7	4.7
Other accruals	405.9	526.3
Total Current Liabilities	3,246.5	3,821.2
Other Liabilities and Deferred Credits		
Price risk management liabilities	45.0	38.2
Deferred income taxes	1,537.6	1,553.7
Deferred investment tax credits	57.5	61.5
Deferred credits	117.8	119.3
Deferred revenue	6.6	21.9
Accrued liability for postretirement and postemployment benefits	649.6	799.5
Liabilities of discontinued operations and liabilities held for sale	9.9	11.9
Regulatory liabilities and other removal costs	1,313.5	1,253.8
Asset retirement obligations	135.1	131.6
Other noncurrent liabilities	186.7	184.1
Total Other Liabilities and Deferred Credits	4,059.3	4,175.5
Commitments and Contingencies		
	—	—
Total Capitalization and Liabilities	\$17,504.6	\$ 18,156.5

NiSource Inc.
Other Information
(*unaudited*)

(in millions, except share amounts)

	June 30, 2007	December 31, 2006
Total Common Stockholders' Equity	\$ 5,074.5	\$ 5,013.6
Shares Outstanding (thousands)	274,150	273,654
Book Value of Common Shares	\$ 18.51	\$ 18.32

NiSource Inc.
Statements of Consolidated Cash Flow
(unaudited)

<i>Six Months Ended June 30, (in millions)</i>	2007	2006
Operating Activities		
Net income	\$ 243.4	\$ 193.9
Adjustments to reconcile net income to net cash from continuing operations:		
Loss on early redemption of preferred stock	—	0.7
Depreciation and amortization	277.2	274.8
Net changes in price risk management assets and liabilities	(1.5)	16.7
Deferred income taxes and investment tax credits	(14.1)	(108.3)
Deferred revenue	(22.4)	(32.5)
Stock compensation expense	1.3	3.1
Gain on sale of assets	(0.5)	(0.9)
Loss on impairment of assets	9.7	4.7
Cumulative effect of change in accounting principle, net of taxes	—	(0.4)
Income from unconsolidated affiliates	(7.7)	(2.3)
Gain on disposition of discontinued operations — net of taxes	(5.8)	(0.3)
Loss (Income) from discontinued operations — net of taxes	(0.3)	1.9
Amortization of discount/premium on debt	3.6	3.9
AFUDC Equity	(1.9)	—
Changes in assets and liabilities:		
Accounts receivable	168.2	793.8
Inventories	286.4	259.6
Accounts payable	(146.1)	(547.2)
Customer deposits	—	2.5
Taxes accrued	34.2	13.4
Interest accrued	(17.4)	3.9
(Under) Overrecovered gas and fuel costs	(49.5)	458.1
Exchange gas receivable/payable	(43.5)	(172.8)
Other accruals	(141.2)	(155.5)
Prepayments and other current assets	50.0	37.5
Regulatory assets/liabilities	16.6	(25.5)
Postretirement and postemployment benefits	(51.7)	1.1
Deferred credits	(3.6)	(7.7)
Deferred charges and other noncurrent assets	5.1	(8.4)
Other noncurrent liabilities	(1.1)	16.5
Net Operating Activities from Continuing Operations	587.4	1,024.3
Net Operating Activities from Discontinued Operations	0.5	0.7
Net Cash Flows from Operating Activities	587.9	1,025.0
Investing Activities		
Capital expenditures	(331.7)	(271.8)
Proceeds from disposition of assets	2.3	7.6
Restricted cash	75.6	(43.5)
Other investing activities	(9.0)	3.0
Net Cash Flows used for Investing Activities	(262.8)	(304.7)
Financing Activities		
Issuance of long-term debt	2.3	—
Retirement of long-term debt	(45.6)	(42.5)
Change in short-term debt	(171.5)	(478.0)
Retirement of preferred stock	—	(81.1)
Issuance of common stock	7.7	2.1
Acquisition of treasury stock	(2.1)	(5.9)
Dividends paid — common stock	(126.0)	(126.4)
Net Cash Flows used for Financing Activities	(335.2)	(731.8)
Decrease in cash and cash equivalents	(10.1)	(11.5)
Cash and cash equivalents at beginning of year	33.1	69.4
Cash and cash equivalents at end of period	\$ 23.0	\$ 57.9
Supplemental Disclosures of Cash Flow Information		
Cash paid for interest	\$ 218.3	\$ 185.1
Interest capitalized	7.8	4.2
Cash paid for income taxes	86.8	166.0



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

FORM 8-K

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

Date of report (Date of earliest event reported): July 23, 2007

NISOURCE INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction
of Incorporation)

001-16189
(Commission
File Number)

35-2108964
(IRS Employer
Identification No.)

801 East 86th Avenue
Merrillville, Indiana
(Address of Principal Executive Offices)

46410
(Zip Code)

Registrant's Telephone Number, Including Area Code: (877) 647-5990

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
-
-

Item 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers

On July 23, 2007, Peter McCausland, a director of NiSource Inc. (the "Company"), notified the Company that he has decided to resign from the board of directors of the Company effective as of July 23, 2007.

A copy of the press release announcing Mr. McCausland's resignation is attached hereto as Exhibit 99.1.

Item 9.01. Financial Statement and Exhibits.

(d) Exhibits

<u>Exhibit Number</u>	<u>Description</u>
99.1	Press Release, dated July 23, 2007

SIGNATURES

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

NISOURCE INC.

Date: July 23, 2007

By: /s/ Jeffrey W. Grossman
Jeffrey W. Grossman
Vice President and Controller

EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Description</u>
99.1	Press Release, dated July 23, 2007

NEWS



801 E. 86th Avenue
Merrillville, IN 46410

FOR IMMEDIATE RELEASE

July 23, 2007

FOR ADDITIONAL INFORMATION

Media

Karl Brack
Vice President, Communications &
Engagement Strategies
(219) 647-5794
kbrack@nisource.com

Investors

Randy Hulen
Director, Investor Relations
(219) 647-5688
rghulen@nisource.com

McCausland stepping down from NiSource board *Cites increasing business and personal commitments*

MERRILLVILLE, Ind. — The NiSource Inc. (NYSE: NI) board of directors today announced that Peter McCausland is stepping down from his position as a director effective immediately.

McCausland cited increasing business and personal commitments in announcing his resignation from the board. McCausland is chairman of the board and chief executive officer of Airgas, Inc., of Radnor, Pa., and a director of the Vaspar Corporation, the International Oxygen Manufacturers Association, Inc., the Fox Chase Cancer Center, and the Independence Seaport Museum. He had been a NiSource director since February 2006.

"I have greatly enjoyed my association with NiSource, and will certainly miss working with my fellow board members and the NiSource management team," McCausland said. "I have great confidence in NiSource's ongoing business strategy and will watch with interest the company's continued progress."

"On behalf of the NiSource board, I express our deep appreciation for Peter's contributions as a member of our ranks," said Ian M. Roland, chairman of the NiSource board. "While his business knowledge and leadership perspective will be greatly missed, we certainly respect his desire to focus on other important personal and business priorities. We wish him well in his future pursuits."

Continuing members of the NiSource board include Steven C. Beering, Dennis E. Foster, Marty R. Kitrell, W. Lee Nutter, Steven R. McCracken, Ian M. Rolland, NiSource CEO and President Robert C. Skaggs, Jr., Richard L. Thompson, Carolyn Y. Woo, and Roger A. Young.

About NiSource

NiSource Inc. (NYSE: NI), based in Merrillville, Ind., is a Fortune 500 company engaged in natural gas transmission, storage and distribution, as well as electric generation, transmission and distribution. NiSource operating companies deliver energy to 3.8 million customers located within the high-demand energy corridor stretching from the Gulf Coast through the Midwest to New England. Information about NiSource and its subsidiaries is available via the Internet at www.nisource.com. NI-F



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

FORM 8-K

CURRENT REPORT
Pursuant To Section 13 OR 15(d) of The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): May 30, 2007

NiSource Inc.

(Exact name of registrant as specified in its charter)

Commission file number 001-16189

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

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions.

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
-
-

ITEM 7.01. REGULATION FD DISCLOSURE

On May 30, 2007, NiSource provided a report on its strategic and financial review, a comprehensive process undertaken by executive leadership, the board of directors and advisors to explore a broad range of options for unlocking the underlying value of NiSource's asset base and strengthening the company's position for long-term growth. The Company also provided guidance for the fiscal year ending December 31, 2007. The Company's press release, dated May 30, 2007, is attached as Exhibit 99.1.

NiSource does not have, and expressly disclaims, any obligation to release publicly any updates or any changes in NiSource's expectations or any changes in events, conditions or circumstances on which any forward-looking statement is based.

ITEM 9.01. FINANCIAL STATEMENTS AND EXHIBITS

(d) Exhibits

<u>Exhibit Number</u>	<u>Description</u>
99.1	Press Release, dated May 30, 2007, issued by NiSource Inc.

SIGNATURES

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

NiSource Inc.
(Registrant)

Date: May 30, 2007

By: /s/ Jeffrey W. Grossman
Jeffrey W. Grossman
Vice President and Controller

Exhibit
Number

Description

99.1

Press Release, dated May 30, 2007, issued by NiSource Inc.

NEWS

NiSource[®]

801 E. 86th Avenue
Merrillville, IN 46410

FOR IMMEDIATE RELEASE

May 30, 2007

FOR ADDITIONAL INFORMATION

Media

Karl Brack
Vice President, Communications & Engagement Strategies
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kbrack@nisource.com

Investors

Randy Hulen
Director, Investor Relations
(219) 647-5688
rghulen@nisource.com

NiSource reports on strategic and financial review
Provides 2007 Net Operating Earnings Outlook of \$1.35 per share

Merrillville, IN — May 30, 2007 — NiSource NYSE: NI today provided a report on its strategic and financial review, a comprehensive process undertaken by executive leadership, the board of directors and its advisors to explore a broad range of options for unlocking the underlying value of NiSource's asset base and strengthening the company's position for long-term growth. The Company also provided guidance for the fiscal year ending December 31, 2007.

"Our recently completed strategic and financial review process assessed a broad range of potential strategic options, financial techniques and structures," NiSource President and CEO Bob Skaggs said. "This deliberate and disciplined process considered everything from full-scale transactions involving the entire company, to small-scale transactions and various structure options. Each of these alternatives was carefully considered within the context of NiSource's commitment to sustain its dividend and maintain investment grade credit ratings."

Skaggs said two primary conclusions were reached from the review:

- First, the review confirmed that NiSource's core asset base as currently structured and four-point business strategy are fundamentally strong, with an array of long-term organic growth prospects in each segment of its business. Even without significant structural changes, the company has a portfolio of businesses and a balanced platform for long-term growth that can deliver value to shareholders.

- more -

- The assessment also evaluated a number of strategic and structural alternatives to unlock value for the company, the largest and most transformational of which would be the potential separation and sale of the NiSource's electric assets. Although NiSource's electric business is strong and well-aligned with the company's overall business portfolio, the study concluded that the potential separation and sale of the electric assets, if properly structured, could provide added financial flexibility and sharpen NiSource's strategic focus as a pure-play gas company. NiSource defined certain criteria and commitments to stakeholders necessary to proceed with such a transaction, with the understanding that this option only would be pursued if these guiding principles could be met.

Skaggs noted that the strategic and financial review conclusions reflect the disciplined approach NiSource followed throughout the assessment process.

"We said from the beginning this would be a comprehensive and objective look at our company, taking into account the long-term best interests of NiSource's shareholders and other stakeholders," Skaggs said. "The findings of the review demonstrate that we have real investment opportunities in each of our business areas. They also reflect our determination to grow this company, but to do so in a balanced and thoughtful way. In that regard, we will be aggressively pursuing an array of incremental opportunities to provide added financial flexibility to invest in and grow our business."

Electric separation option explored

As part of the strategic and financial review, NiSource explored a variety of options for separating its electric business — consisting of the Northern Indiana Public Service Company (NIPSCO) electric distribution, transmission and generation assets — from its regulated natural gas businesses. NIPSCO's fully regulated electric business operates a fleet of environmentally compliant coal-fired base load electric generating stations and serves more than 450,000 residential, commercial and industrial electric customers across northern Indiana. Total sales from NIPSCO's electric business were about \$1.3 billion in 2006.

The strategic and financial review confirmed that NIPSCO's electric business is strong and well aligned with NiSource's overall strategic business portfolio of 100 percent regulated infrastructure assets. It was concluded, however, that a potential separation and sale of the electric assets could sharpen NiSource's strategic focus on its natural gas businesses and provide added financial flexibility for the company to achieve more robust growth.

Specifically, the added flexibility provided by such a transaction could accelerate the company's growth plans in its regulated natural gas utility, storage and transmission businesses. NiSource currently owns and operates the fourth largest gas transmission system in the U.S., is the country's third largest gas distribution company and the second largest owner and operator of natural gas storage facilities. These operations extend from offshore in the Gulf of Mexico to high-value markets in the East, Midwest and Mid-Atlantic regions, encompassing more than 40 percent of the U.S. population and 50 percent of the nation's natural gas consumption.

- more -

Discussions with prospective counterparties

As part of the strategic and financial review, NiSource engaged in a highly targeted market assessment process and discussions with a limited number of prospective counterparties regarding the potential sale of its electric business. The prospective counterparties were selected based on their potential flexibility around certain preferred transaction structures as well as *their experience in the electric industry and potential position on key commitments to customers, employees and other stakeholders.*

NiSource's disciplined approach to any transaction incorporates several key guiding principles, including recognizing appropriate value for the electric business, and doing so in a structurally efficient manner that would materially enhance the company's financial flexibility and strengthen its equity and debt currencies. *NiSource also requires that the interests of customers, employees and other stakeholders be taken into full consideration before any such transaction moves forward.* Among these considerations are continued strong community involvement and support across NIPSCO's northern Indiana operating territory.

Through the discussions with counterparties, it was confirmed that NiSource's electric business is highly valued, with strong earnings, quality assets, and a *range of long-term investment opportunities within a positive regulatory framework.*

Although it was clear from very advanced stages of discussions that the overall financial value to NiSource from a potential transaction could fall within an acceptable range, NiSource concluded that *no transaction adequately met all the requirements necessary to proceed.* Accordingly, NiSource recently terminated this phase of the process without a transaction taking place.

NiSource will continue to evaluate and pursue means to enhance its financial profile and provide value for stakeholders. As such, the company acknowledges that a separation of its gas and electric business, if properly structured, may still represent an attractive option for significantly repositioning the company. However, *NiSource is not currently in discussions with any counterparties, nor is it actively pursuing the sale of its electric business.* There have been no changes in NiSource's ongoing operational plans, investment strategy, strategic approach or fundamental commitments to stakeholders regarding its electric operations.

"While we will never rule out potential transforming options, our focus is on growing our current portfolio of assets," Skaggs said. "With this comprehensive study and a targeted market test in hand, we certainly are positioned to approach larger-scale transaction opportunities in an informed, balanced and disciplined manner. But as our review indicated, NiSource's basic business case is strong, so we will proceed with a transaction only if we have confidence that it meets our criteria for adding real value for our stakeholders."

- more -

Company provides 2007 net operating earnings outlook, reiterates focus on fundamental growth strategy

NiSource today indicated that, based on year to date experience and current and projected market conditions, net operating earnings for 2007 are expected to be approximately \$1.35 per share. This outlook reflects improved financial performance from NiSource's Whiting Clean Energy unit and stable margins in the company's core utility operations, offset by the effects of increased depreciation and operating expenses, as well as reduced optimization opportunities due to less volatile market conditions during 2007. The outlook also reflects continued moderation of residential customer usage declines in NiSource's residential local gas distribution business.

Net income from continuing operations (GAAP) is expected to be \$1.36 per share. Items excluded from net operating earnings discussed above are the positive impact of weather of \$.03 per share, partially offset by an impairment charge for a building held for sale and the costs associated with the IBM contract.

"This outlook acknowledges that, until our stream of Gas Transmission & Storage expansion projects begin to be fully operational and revenue producing and our wave of utility rate cases is completed, we have few near-term catalysts to lift operating earnings over the next couple years." Skaggs noted. "Going forward, however, our Path Forward business strategy, is designed to achieve sustainable 3 to 5 percent annual earnings growth by 2010."

Skaggs emphasized that this growth will be driven by expansion of the company's gas transmission, distribution and storage business; asset optimization; and the pursuit of innovative regulatory practices. The company's Path Forward strategy also stresses continued commitment to maintaining and eventually growing its dividend along with maintenance of stable, investment grade credit ratings.

Supporting that long-term strategy is NiSource's balanced, four-part business plan, which includes expansion and commercial growth in the natural gas pipeline and storage business, regulatory and commercial initiatives at the utilities, financial management, and process and expense management.

Among recent accomplishments related to that plan was the Indiana Utility Regulatory Commission's (IURC) approval of a proposal developed by NIPSCO — and supported by a wide range of stakeholders — to simplify residential natural gas rates and implement an energy conservation program. The plan calls for NIPSCO to simplify residential heating bills by moving all gas supply costs, which typically vary from month-to-month, out of the customer delivery charges and into the gas supply charges section of the bill. In addition, the program calls for a robust and broad-based effort to help customers learn how to use energy wisely.

"We continue to see positive accomplishments from our balanced plan and solid results from our low-risk portfolio of regulated assets," Skaggs said. "Our operating units are continuing to deliver strong performance to position NiSource for long-term, sustainable growth. And as a team, we remain committed to our Path Forward as a company."

- more -

NiSource reports on strategic and financial review

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Throughout all these efforts, NiSource will continue to place a strong emphasis on transparency and timely communication with all stakeholders, Skaggs noted. "In that regard, I appreciate the continued interest, patience and support our stakeholders have shown as we moved through this process. As our strategies unfold, we will continue to keep all interested parties updated and informed about NiSource's progress."

NiSource will host an analyst conference call at 9 a.m. EDT on Wednesday, May 30, 2007 to further discuss the company's strategic and financial review and 2007 business plan. All interested parties may hear the conference call live by logging on to the NiSource Web site at www.nisource.com.

About NiSource

NiSource Inc. (NYSE: NI), based in Merrillville, Ind., is a Fortune 500 company engaged in natural gas transmission, storage and distribution, as well as electric generation, transmission and distribution. *NiSource operating companies deliver energy to 3.8 million customers located within the high-demand energy corridor stretching from the Gulf Coast through the Midwest to New England.* Information about NiSource and its subsidiaries is available via the Internet at www.nisource.com. NI-F

Forward-Looking Statements

This news release includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Those statements include statements regarding the intent, belief or current expectations of NiSource and its management. Although NiSource believes that its expectations are based on reasonable assumptions, it can give no assurance that its goals will be achieved. Readers are cautioned that the forward-looking statements in this news release are not guarantees of future performance and involve a number of risks and uncertainties, and that actual results could differ materially from those indicated by such forward-looking statements. *Important factors that could cause actual results to differ materially from those indicated by such forward-looking statements include, but are not limited to, the following: weather; fluctuations in supply and demand for energy commodities; growth opportunities for NiSource's businesses; increased competition in deregulated energy markets; the success of regulatory and commercial initiatives; dealings with third parties over whom NiSource has no control; the effectiveness of NiSource's outsourcing initiative; actual operating experience of NiSource assets; the regulatory process; regulatory and legislative changes; changes in general economic, capital and commodity market conditions; and counter-party credit risk.*



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

FORM 8-K

CURRENT REPORT
Pursuant To Section 13 OR 15(d) of The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): May 3, 2007

NiSource Inc.

(Exact name of registrant as specified in its charter)

Commission file number 001-16189

Delaware
(State or other jurisdiction of
incorporation or organization)

35-2108964
(I.R.S. Employer
Identification No.)

801 East 86th Avenue
Merrillville, Indiana
(Address of principal executive offices)

46410
(Zip Code)

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions.

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2 (b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4 (c))
-
-

ITEM 2.02. RESULTS OF OPERATIONS AND FINANCIAL CONDITION

On May 3, 2007, NiSource Inc. (the "Company") reported its financial results for the year ended March 31, 2007. The Company's press release, dated May 3, 2007, is attached as Exhibit 99.1.

ITEM 9.01. FINANCIAL STATEMENTS AND EXHIBITS

(d) Exhibits

<u>Exhibit Number</u>	<u>Description</u>
99.1	Press Release, dated May 3, 2007, issued by NiSource Inc.

SIGNATURES

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

Date: May 3, 2007

NiSource Inc.
(Registrant)

By: _____
/s/ Jeffrey W. Grossman
Jeffrey W. Grossman
Vice President and Controller

EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Description</u>
99.1	Press Release, dated May 3, 2007, issued by NiSource Inc.

NEWS



801 E. 86th Avenue
Merrillville, IN 46410

FOR IMMEDIATE RELEASE

May 3, 2007

FOR ADDITIONAL INFORMATION

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NiSource reports higher first-quarter earnings *Continued progress on four-part growth plan*

MERRILLVILLE, Ind. — NiSource Inc. (NYSE: NI) today announced net operating earnings (non-GAAP) of \$208 million, or 76 cents per share, for the three months ended March 31, 2007, an increase from \$204 million, or 75 cents per share, for the first quarter of 2006 (all per-share amounts are basic). Operating earnings (non-GAAP) were \$432.7 million for the first three months of 2007, up from \$416.3 million in 2006.

First quarter net operating earnings, compared with the year-ago period, were positively affected by higher earnings from NiSource's Gas Distribution business and the first full quarter of financial improvements from an agreement between NiSource's Whiting Clean Energy unit and BP. These positive impacts were partially offset by increases in employee, administrative and maintenance expenses and a higher effective tax rate compared with the prior period.

Continued Strong Results from Four-Part Business Plan

"NiSource's balanced, four-part business plan continues to deliver solid results from our low-risk portfolio of regulated assets," President and Chief Executive Officer Robert C. Skaggs, Jr. said. Expansion and commercial growth in the natural gas pipeline and storage business, regulatory and commercial initiatives, financial management, and process and expense management are the foundation of NiSource's four-part plan.

"Our operating units are continuing to deliver strong performance to position NiSource for long-term, sustainable growth," Skaggs said. "As we move forward, our team remains focused on the fundamental components of our four-part plan."

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NiSource reports higher first-quarter earnings

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'Path Forward' Strategic and Financial Review Advances

In addition to its fundamental business plan, Skaggs noted that NiSource is nearing completion of a comprehensive financial and strategic review of NiSource's entire portfolio of businesses.

Conducted in close collaboration with the NiSource Board of Directors, the strategic and financial review has considered and analyzed a broad spectrum of alternatives for unlocking the underlying value of NiSource's asset base, strengthening the company's financial profile and positioning it for long term, sustainable growth. "We remain committed to these objectives, and expect to provide an update on the results of our review by the end of the month," Skaggs said.

Overview of first-quarter operating earnings (non-GAAP) performance by business segment:

Gas Distribution Operations

Operating earnings for NiSource's Gas Distribution Operations increased by \$6.9 million, to \$258.2 million for the first quarter of 2007.

The improved Gas Distribution earnings were driven by an increase in net revenues of \$15.8 million, excluding the impact of regulatory trackers. This increased revenue was primarily attributable to commercial and industrial sales and margin increases, regulatory initiatives, and improved residential and commercial customer growth compared to the prior-year period.

Skaggs noted that weather-normalized customer usage declines during the quarter for the Gas Distribution segment were consistent with the company's expectations.

"First quarter results are generally in line with our belief that declines in customer demand experienced during 2006 were a response to higher market prices for natural gas, particularly in the aftermath of the 2005 hurricane season," Skaggs said. "As prices decreased during the later part of 2006, both usage erosion and customer attrition levels began to moderate."

The Gas Distribution segment also continued to capitalize on short-term market opportunities and use of its extensive supply and storage portfolio to increase revenues. These revenues are shared with customers under various regulatory mechanisms.

Excluding expenses that are recovered through regulatory trackers, operating expenses for the Gas Distribution segment were \$8.9 million higher for the quarter compared with the year-ago period, primarily due to higher employee and administrative expenses.

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NiSource reports higher first-quarter earnings

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NiSource's utilities continued to advance a full agenda of regulatory initiatives during the quarter, including a February rate case filing by Columbia Gas of Kentucky (CKY). The filing proposes CKY's first base rate increase since 1996 and pursues a change in rate structure to help mitigate the impact of customer conservation. The filing also proposes an accelerated main replacement program to accompany the replacement of aging gas lines and enhance the overall safety and reliability of its gas distribution system over the next 20 years.

In addition, rate case planning activities are in full swing at Bay State Gas Company and Columbia Gas of Pennsylvania, with filings anticipated in mid-2007 and early 2008, respectively. Also, at Columbia Gas of Ohio, stakeholder meetings have been initiated in an effort to meet the respective needs of all parties in shaping the future regulatory, commercial and investment model for Columbia Gas of Ohio. "We are making significant forward movement on regulatory initiatives across our distribution company markets," Skaggs said. "Whether through full rate case filings or other approaches, our goal is to cultivate win-win strategies that benefit all stakeholders as we address changing customer conservation patterns, develop more contemporary pricing structures, and embark on long-term investment programs to enhance our infrastructure and expand our customer base."

Gas Transmission and Storage Operations

Operating earnings for Gas Transmission and Storage Operations were \$107.7 million during the first quarter of 2007, compared to \$111.7 million for the first quarter of 2006.

Higher property insurance premiums in the wake of 2005's Gulf Coast hurricanes, along with increased employee, administrative and maintenance expenses, contributed to a \$4 million decrease in Gas Transmission and Storage (GT&S) operating earnings.

Net revenues from the segment were slightly higher than the prior period, as the GT&S team continued to pursue a two-pronged growth strategy that focuses on optimization of NiSource's strategically located natural gas pipeline and storage system, combined with aggressive physical expansion of its pipeline and storage network.

"While stabilization in the natural gas market did moderate our optimization revenues somewhat during the first quarter, demand and commodity revenues were up in our GT&S business compared to last year," Skaggs noted. "Our team continues to pursue a range of potential system expansions driven by continuing core demand growth in Midwest, mid-Atlantic and East Coast markets." Columbia Gulf is also pursuing a number of projects designed to give its customers access to a greater number of onshore supply basins and Gulf Coast markets.

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NiSource reports higher first-quarter earnings

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On April 1, one of the mid-Atlantic expansion projects began operations. Hardy Storage Company LLC, the owner of a new underground gas storage field in West Virginia, started receiving natural gas from customers for injection into the Hardy field. The project, a joint effort between subsidiaries of Columbia Gas Transmission and Piedmont Natural Gas, will ultimately deliver 176,000 dekatherms (Dth) per day of new firm storage services. Those services are fully subscribed under 15-year contracts with four mid-Atlantic utilities. Columbia Gas Transmission is expanding its transmission system to accommodate the new Hardy Storage Project volumes.

Columbia Gas Transmission is also moving forward with its Eastern Market Expansion project, which, like Hardy Storage, is a combined storage and transportation project designed to meet core market growth in the Mid-Atlantic region. Later today, Columbia Gas Transmission will file its certificate application for the 2009 project with the Federal Energy Regulatory Commission (FERC).

In March, Columbia Gulf Transmission held a successful open season to gauge customer interest in providing increased access to southern Louisiana markets. With planned in-service dates in the third and fourth quarters, Columbia Gulf will make firm deliveries in excess of 300,000 Dth per day to the Henry Hub and to Transcontinental Gas Pipeline at two expanded points of interconnection.

Meanwhile, the Millennium Pipeline remains on track to begin construction later this year. Millennium, which is anchored by long-term agreements with Consolidated Edison and KeySpan, received FERC certificate approval in the fourth quarter of 2006 and has a targeted in-service date of November 2008. Columbia Gas Transmission is a 47.5 percent owner of Millennium, with units of KeySpan and DTE Energy as the other partners.

Electric Operations

NiSource's electric business reported operating earnings of \$73.3 million for the quarter, compared with \$71.2 million during the first quarter a year ago. A \$6.9 million increase in net revenues resulted from increased residential volumes, lower unrecoverable MISO costs, increased wholesale margins, and customer growth partially offset by decreased industrial sales and timing of revenue credits. As of August 2006, Northern Indiana Public Service Company (NIPSCO) began deferring MISO costs for future recovery.

The increase in net revenues was partially offset by a \$4.8 million increase in operating expenses primarily due to higher electric generation and maintenance expenses.

"The electric segment had a solid first quarter," Skaggs said. "In addition to revenue increases from usage and customer growth, we continue to see steady growth in margins in our wholesale electric market."

— more —

NiSource reports higher first-quarter earnings

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Other Operations

Other Operations reported an operating earnings loss of \$3.2 million for the first quarter of 2007, compared with an operating earnings loss of \$11.5 million in the first quarter of 2006.

The \$8.3 million improvement primarily resulted from lower losses at the Whiting Clean Energy facility and higher gas marketing margins. As previously announced, NiSource unit Whiting Clean Energy (WCE) and BP signed a definitive agreement in late 2006 redefining terms under which WCE provides steam to BP for its oil refining process. The improved results from this agreement, reflected in the first quarter results, are expected to continue through the remainder of 2007.

“As expected, the terms of our Whiting Clean Energy agreement have enabled the plant to operate more competitively,” Skaggs noted. “This should help drive improved results from our Other Operations segment, which has been producing negative results for a number of years.”

Corporate

Corporate reported an operating earnings loss of \$3.3 million versus an operating earnings loss of \$6.4 million in the comparable 2006 period. The decreased loss was primarily the result of lower consulting and outside service costs.

Other Items

Interest expense increased by \$3.3 million due to higher short-term interest rates. Income taxes on net operating earnings of \$123.3 million were \$10.8 million higher than last year. The increase resulted from higher pre-tax earnings and a higher effective tax rate. The effective tax rate for the first quarter of 2007 is 37.2%. Last year's effective tax rate of 35.5% was favorably impacted by state deferred income tax adjustments recorded during the first quarter of 2006.

Income from Continuing Operations (GAAP)

On a GAAP basis, income from continuing operations for the first quarter of 2007 was \$209.1 million, or 76 cents per share, compared with \$173 million, or 63 cents per share, for the year-ago period. The 2006 results were negatively affected by record-setting warm winter weather conditions. For a reconciliation of net operating earnings (non-GAAP) to income from continuing operations (GAAP), see Schedule 1 of this news release.

— more —

Definition of non-GAAP measures and reconciliation of earnings guidance to GAAP

NiSource focuses on net operating earnings and operating earnings, which are both non-GAAP measures, because management believes these measures better represent the fundamental earnings strength and performance of the company. NiSource uses these measures internally for budgeting, for reporting to the board of directors, and for purposes of determining the payout under NiSource's annual incentive compensation plan for its employees.

Net operating earnings are a non-GAAP financial measure that NiSource defines as income from continuing operations determined in accordance with Generally Accepted Accounting Principles (GAAP) adjusted for certain items. Operating earnings are operating income determined in accordance with GAAP adjusted for certain items. Adjustments reflected in these measures are primarily weather, restructuring and transition costs related to the outsourcing contract with IBM, gains and losses on the sale of assets, certain reserve adjustments and other items. See Schedule 1 and Schedule 2 of this news release for the reconciliations of net operating earnings and operating earnings, respectively, to GAAP.

Conference call to be held this morning (May 3)

NiSource will host an analyst conference call at 9:00 a.m. EDT on Thursday, May 3, 2007, to further discuss the company's first-quarter 2007 results. All interested parties may hear the conference call live by logging on to the NiSource Web site at www.nisource.com.

About NiSource

NiSource Inc. (NYSE: NI), based in Merrillville, Ind., is a Fortune 500 company engaged in natural gas transmission, storage and distribution, as well as electric generation, transmission and distribution. NiSource operating companies deliver energy to 3.8 million customers located within the high-demand energy corridor stretching from the Gulf Coast through the Midwest to New England. Information about NiSource and its subsidiaries is available via the Internet at www.nisource.com. NI-F

Forward-Looking Statements

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NiSource Inc.
Consolidated Net Operating Earnings (Non-GAAP)

Three Months Ended March 31, (in millions, except per share amounts)	2007	2006
Net Revenues		
Gas Distribution	\$1,894.5	\$2,035.8
Gas Transportation and Storage	347.8	320.6
Electric	325.9	307.6
Other	320.7	348.0
Gross Revenues	2,888.9	3,012.0
Cost of Sales (excluding depreciation and amortization)	1,831.2	1,991.7
Total Net Revenues	1,057.7	1,020.3
Operating Expenses		
Operation and maintenance	296.9	282.6
Operation and maintenance — trackers	89.0	81.4
Depreciation and amortization	139.0	136.8
Other taxes	56.8	57.2
Other taxes — trackers	44.8	45.8
Total Operating Expenses	626.5	603.8
Equity Earnings (Loss) in Unconsolidated Affiliates	1.5	(0.2)
Operating Earnings	432.7	416.3
Other Income (Deductions)		
Interest expense, net	(98.6)	(95.3)
Dividend requirements on preferred stock of subsidiaries	—	(1.1)
Other, net	(2.8)	(3.4)
Total Other Income (Deductions)	(101.4)	(99.8)
Operating Earnings From Continuing Operations Before Income Taxes	331.3	316.5
Income Taxes	123.3	112.5
Net Operating Earnings from Continuing Operations	208.0	204.0
GAAP Adjustment	1.1	(31.0)
GAAP Income from Continuing Operations	\$ 209.1	\$ 173.0
Basic Net Operating Earnings Per Share from Continuing Operations	0.76	0.75
GAAP Basic Earnings Per Share from Continuing Operations	0.76	0.63
Basic Average Common Shares Outstanding (millions)	273.6	272.3

NiSource Inc.
Segment Operating Earnings (Non-GAAP)

Gas Distribution Operations	2007	2006
<i>Three Months Ended March 31, (in millions)</i>		
Net Revenues		
Sales Revenues	\$2,110.3	\$2,222.3
Less: Cost of gas sold	1,491.7	1,624.2
Net Revenues	618.6	598.1
Operating Expenses		
Operation and maintenance	158.3	149.6
Operation and maintenance — trackers	76.9	71.2
Depreciation and amortization	58.4	57.3
Other taxes	22.0	22.9
Other taxes — trackers	44.8	45.8
Total Operating Expenses	360.4	346.8
Operating Earnings	\$ 258.2	\$ 251.3
GAAP Adjustment	3.2	(45.3)
GAAP Operating Income	\$ 261.4	\$ 206.0

Gas Transmission and Storage Operations	2007	2006
<i>Three Months Ended March 31, (in millions)</i>		
Net Revenues		
Transportation revenues	\$182.9	\$184.2
Storage revenues	45.9	44.4
Other revenues	1.0	3.2
Total Revenues	229.8	231.8
Less: Cost of gas sold	(0.5)	5.4
Net Revenues	230.3	226.4
Operating Expenses		
Operation and maintenance	69.9	61.4
Operation and maintenance — trackers	10.1	9.5
Depreciation and amortization	29.0	28.7
Other taxes	15.1	14.9
Total Operating Expenses	124.1	114.5
Equity Earnings (Loss) in Unconsolidated Affiliates	1.5	(0.2)
Operating Earnings	\$107.7	\$111.7
GAAP Adjustment	(0.7)	(1.4)
GAAP Operating Income	\$107.0	\$110.3

NiSource Inc.
Segment Operating Earnings (Non-GAAP) (continued)

Electric Operations	2007	2006
Three Months Ended March 31, <i>(in millions)</i>		
Net Revenues		
Sales revenues	\$327.1	\$308.8
Less: Cost of sales	128.7	117.3
Net Revenues	198.4	191.5
Operating Expenses		
Operation and maintenance	59.5	58.6
Operation and maintenance — trackers	2.0	0.7
Depreciation and amortization	48.0	46.1
Other taxes	15.6	14.9
Total Operating Expenses	125.1	120.3
Operating Earnings	\$ 73.3	\$ 71.2
GAAP Adjustment	(0.3)	(3.1)
GAAP Operating Income	\$ 73.0	\$ 68.1

Other Operations	2007	2006
Three Months Ended March 31, <i>(in millions)</i>		
Net Revenues		
Products and services revenue	\$313.6	\$342.4
Less: Cost of products purchased	301.7	336.8
Net Revenues	11.9	5.6
Operating Expenses		
Operation and maintenance	10.5	12.2
Depreciation and amortization	2.6	2.8
Other taxes	2.0	2.1
Total Operating Expenses	15.1	17.1
Operating Earnings (Loss)	\$ (3.2)	\$ (11.5)
GAAP Adjustment	(0.1)	1.4
GAAP Operating Income (Loss)	\$ (3.3)	\$ (10.1)

Corporate	2007	2006
Three Months Ended March 31, <i>(in millions)</i>		
Operating Earnings (Loss)	\$(3.3)	\$(6.4)
GAAP Adjustment	(0.2)	(0.3)
GAAP Operating Income (Loss)	\$(3.5)	\$(6.7)

NiSource Inc.
Segment Volumes and Statistical Data

Gas Distribution Operations

Three Months Ended March 31,

	2007	2006
Sales and Transportation (MMDth)		
Residential	135.5	116.6
Commercial	77.9	69.0
Industrial	106.5	98.1
Off System	18.6	10.8
Other	0.3	0.3
Total	338.8	294.8
Weather Adjustment	(2.4)	26.7
Sales and Transportation Volumes — Excluding Weather	336.4	321.5

Heating Degree Days	2,623	2,273
Normal Heating Degree Days	2,636	2,625
% Colder (Warmer) than Normal	0%	(13%)

Customers

Residential	3,090,502	3,065,814
Commercial	295,151	291,922
Industrial	8,253	8,403
Other	75	59
Total	3,393,981	3,366,198

Gas Transmission and Storage Operations

Three Months Ended March 31,

	2007	2006
Throughput (MMDth)		
Columbia Transmission		
Market Area	385.2	328.5
Columbia Gulf		
Mainline	147.1	161.6
Short-haul	40.5	16.6
Columbia Pipeline Deep Water	0.9	2.9
Crossroads Gas Pipeline	10.2	11.0
Granite State Pipeline	11.6	11.6
Intrasegment eliminations	(128.2)	(156.3)
Total	467.3	375.9

NiSource Inc.
Segment Volumes and Statistical Data (continued)

Electric Operations	2007	2006
Three Months Ended March 31,		
Sales (Gigawatt Hours)		
Residential	845.2	761.1
Commercial	928.0	894.0
Industrial	2,341.8	2,437.4
Wholesale	137.3	152.1
Other	26.7	28.6
Total	4,279.0	4,273.2
Weather Adjustment	0.4	28.9
Sales Volumes — Excluding Weather impacts	4,279.4	4,302.1
 Electric Customers		
Residential	398,493	395,653
Commercial	52,199	51,313
Industrial	2,512	2,521
Wholesale	4	8
Other	757	762
Total	453,965	450,257

NiSource Inc.

Schedule 1 — Reconciliation of Net Operating Earnings to GAAP

Three Months Ended March 31, <i>(in millions, except per share amounts)</i>	2007	2006
Net Operating Earnings from Continuing Operations	\$208.0	\$204.0
Items excluded from operating earnings:		
Net Revenues:		
Weather — compared to normal	4.8	(39.5)
Operating Expenses:		
Restructuring and transition cost (outsourcing initiative)	—	(8.3)
Asset impairment	(3.2)	(2.5)
Loss on sales of assets	0.3	1.6
Total items excluded from operating earnings	1.9	(48.7)
Tax effect of above items and other income tax adjustments	(0.8)	17.7
Reported Income from Continuing Operations — GAAP	\$209.1	\$173.0
Basic Average Common Shares Outstanding (millions)	273.6	272.3
Basic Net Operating Earnings Per Share from Continuing Operations (\$)	0.76	0.75
Items excluded from net operating earnings (after-tax)	—	(0.12)
GAAP Basic Earnings Per Share from Continuing Operations	0.76	0.63

NiSource Inc.

Schedule 2 — Quarterly Adjustments by Segment from Operating Earnings to GAAP For Quarter ended March 31, 2007

2007 (in millions)						
	Gas Distribution	Transmission and Storage	Electric	Other	Corporate	Total
Operating Earnings (Loss)	\$258.2	\$107.7	\$73.3	\$(3.2)	\$(3.3)	\$432.7
Net Revenues:						
Weather (compared to normal)	4.8	—	—	—	—	4.8
Operating Expenses:						
Asset Impairment	(1.9)	(0.7)	(0.3)	(0.1)	(0.2)	(3.2)
Gain on Sale of Assets	0.3	—	—	—	—	0.3
Total Impact — Operating Expenses	(1.6)	(0.7)	(0.3)	(0.1)	(0.2)	(2.9)
Total Impact — Operating Income (Loss)	3.2	(0.7)	(0.3)	(0.1)	(0.2)	1.9
Operating Income (Loss) — GAAP	\$261.4	\$107.0	\$73.0	\$(3.3)	\$(3.5)	\$434.6
2006 (in millions)						
	Gas Distribution	Transmission and Storage	Electric	Other	Corporate	Total
Operating Earnings (Loss)	\$251.3	\$111.7	\$71.2	\$(11.5)	\$(6.4)	\$416.3
Net Revenues:						
Weather (compared to normal)	(37.6)	—	(1.9)	—	—	(39.5)
Operating Expenses:						
Restructuring and transition costs (outsourcing initiative)	(6.1)	(0.8)	(1.0)	(0.1)	(0.3)	(8.3)
Asset Impairment	(1.6)	(0.6)	(0.2)	(0.1)	—	(2.5)
Gain on Sale of Assets	—	—	—	1.6	—	1.6
Total Impact — Operating Expenses	(7.7)	(1.4)	(1.2)	1.4	(0.3)	(9.2)
Total Impact — Operating Income (Loss)	(45.3)	(1.4)	(3.1)	1.4	(0.3)	(48.7)
Operating Income (Loss) — GAAP	\$206.0	\$110.3	\$68.1	\$(10.1)	\$(6.7)	\$367.6

NiSource Inc.
Income Statement (GAAP)
(unaudited)

Three Months Ended March 31, (in millions, except per share amounts)	2007	2006
Net Revenues		
Gas Distribution	\$1,899.3	\$1,998.2
Gas Transportation and Storage	347.8	320.6
Electric	325.9	305.7
Other	320.7	348.0
Gross Revenues	2,893.7	2,972.5
Cost of Sales (excluding depreciation and amortization)	1,831.2	1,991.7
Total Net Revenues	1,062.5	980.8
Operating Expenses		
Operation and maintenance	385.9	372.3
Depreciation and amortization	139.0	136.8
Impairment and gain on sale of assets	2.9	0.9
Other taxes	101.6	103.0
Total Operating Expenses	629.4	613.0
Equity Earnings (Loss) in Unconsolidated Affiliates	1.5	(0.2)
Operating Income	434.6	367.6
Other Income (Deductions)		
Interest expense, net	(98.6)	(95.3)
Dividend requirement on preferred stock of subsidiaries	—	(1.1)
Other, net	(2.8)	(3.4)
Total Other Income (Deductions)	(101.4)	(99.8)
Income From Continuing Operations Before Income Taxes and Cumulative Effect of Change in Accounting Principle	333.2	267.8
Income Taxes	124.1	94.8
Income From Continuing Operations Before Cumulative Effect of Change in Accounting Principle	209.1	173.0
Income (Loss) from Discontinued Operations — net of taxes	1.0	(0.5)
Gain on Disposition of Discontinued Operations — net of taxes	6.6	—
Income Before Change in Accounting Principle	216.7	172.5
Cumulative Effect of Change in Accounting Principle — net of taxes	—	0.4
Net Income	\$ 216.7	\$ 172.9
Basic Earnings Per Share (\$)		
Continuing operations	\$ 0.76	\$ 0.63
Discontinued operations	0.03	—
Basic Earnings Per Share	\$ 0.79	\$ 0.63
Diluted Earnings Per Share (\$)		
Continuing operations	\$ 0.76	\$ 0.63
Discontinued operations	0.03	—
Diluted Earnings Per Share	\$ 0.79	\$ 0.63
Dividends Declared Per Common Share (\$)	\$ 0.46	\$ 0.46
Basic Average Common Shares Outstanding (millions)	273.6	272.3
Diluted Average Common Shares (millions)	274.8	273.1

NiSource Inc.
Consolidated Balance Sheets
(*unaudited*)

<i>(in millions)</i>	March 31, 2007	December 31, 2006
ASSETS		
Property, Plant and Equipment		
Utility Plant	\$17,333.8	\$17,194.9
Accumulated depreciation and amortization	(7,939.8)	(7,850.0)
Net utility plant	9,394.0	9,344.9
Other property, at cost, less accumulated depreciation	346.9	349.6
Net Property, Plant and Equipment	9,740.9	9,694.5
Investments and Other Assets		
Assets of discontinued operations and assets held for sale	36.5	43.0
Unconsolidated affiliates	66.1	59.6
Other investments	112.3	116.1
Total Investments and Other Assets	214.9	218.7
Current Assets		
Cash and cash equivalents	102.2	33.1
Restricted cash	61.2	142.5
Accounts receivable (less reserve of \$64.8 and \$42.1, respectively)	954.0	866.3
Gas inventory	96.5	550.5
Underrecovered gas and fuel costs	195.6	163.2
Materials and supplies, at average cost	89.7	89.0
Electric production fuel, at average cost	62.3	63.9
Price risk management assets	128.6	237.7
Exchange gas receivable	274.0	252.3
Regulatory assets	210.0	272.7
Prepayments and other	87.2	111.7
Total Current Assets	2,261.3	2,782.9
Other Assets		
Price risk management assets	36.4	49.9
Regulatory assets	1,030.0	1,127.3
Goodwill	3,677.3	3,677.3
Intangible assets	432.3	435.7
Deferred charges and other	162.1	170.2
Total Other Assets	5,338.1	5,460.4
Total Assets	\$17,555.2	\$18,156.5

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

<i>(in millions, except share amounts)</i>	March 31, 2007	December 31, 2006
CAPITALIZATION AND LIABILITIES		
Capitalization		
Common Stockholders' Equity		
Common stock — \$0.01 par value, 400,000,000 shares authorized; 273,919,093 and 273,654,180 shares issued and outstanding, respectively	\$ 2.7	\$ 2.7
Additional paid-in capital	4,001.1	3,998.3
Retained earnings	1,096.0	1,012.9
Accumulated other comprehensive income	50.2	20.9
Treasury stock	(22.7)	(21.2)
Total Common Stockholders' Equity	5,127.3	5,013.6
Long-term debt, excluding amounts due within one year	5,153.1	5,146.2
Total Capitalization	10,280.4	10,159.8
Current Liabilities		
Current portion of long-term debt	90.1	93.3
Short-term borrowings	620.0	1,193.0
Accounts payable	659.5	713.1
Dividends declared	63.1	—
Customer deposits	110.4	108.4
Taxes accrued	335.0	196.0
Interest accrued	101.2	107.1
Overrecovered gas and fuel costs	63.3	126.7
Price risk management liabilities	35.4	259.4
Exchange gas payable	361.7	396.6
Deferred revenue	39.3	55.9
Regulatory liabilities	42.6	40.7
Accrued liability for postretirement and postemployment benefits	4.7	4.7
Other accruals	696.1	526.3
Total Current Liabilities	3,222.4	3,821.2
Other Liabilities and Deferred Credits		
Price risk management liabilities	22.5	38.2
Deferred income taxes	1,544.9	1,553.7
Deferred investment tax credits	59.5	61.5
Deferred credits	117.0	119.3
Deferred revenue	22.0	21.9
Accrued liability for postretirement and postemployment benefits	654.9	799.5
Liabilities of discontinued operations and liabilities held for sale	9.8	11.9
Regulatory liabilities and other removal costs	1,293.4	1,253.8
Asset retirement obligations	133.3	131.6
Other noncurrent liabilities	195.1	184.1
Total Other Liabilities and Deferred Credits	4,052.4	4,175.5
Commitments and Contingencies	—	—
Total Capitalization and Liabilities	\$17,555.2	\$18,156.5

NiSource Inc.
Other Information
(*unaudited*)

<i>(in millions, except share amounts)</i>	March 31, 2007	December 31, 2006
Total Common Stockholders' Equity	\$ 5,127.3	\$ 5,013.6
Shares Outstanding (thousands)	273,919	273,654
Book Value of Common Shares	\$ 18.72	\$ 18.32

NiSource Inc.
Statements of Consolidated Cash Flow
(unaudited)

Three Months Ended March 31, <i>(in millions)</i>	2007	2006
Operating Activities		
Net income	\$ 216.7	\$ 172.9
Adjustments to reconcile net income to net cash from continuing operations:		
Depreciation and amortization	139.0	136.8
Net changes in price risk management assets and liabilities	(14.1)	10.2
Deferred income taxes and investment tax credits	1.6	(40.5)
Deferred revenue	(16.5)	(26.0)
Stock compensation expense	1.1	1.3
Gain on sale of assets	(0.3)	(1.6)
Loss on impairment of assets	3.2	2.5
Cumulative effect of change in accounting principle, net of taxes	—	(0.4)
Income from unconsolidated affiliates	(3.3)	(1.0)
Gain on disposition of discontinued operations — net of taxes	(6.6)	—
Loss (Income) from discontinued operations — net of taxes	(1.0)	0.5
Amortization of discount/premium on debt	1.8	2.0
AFUDC Equity	(0.8)	—
Changes in assets and liabilities:		
Accounts receivable	(103.2)	110.2
Inventories	707.2	442.1
Accounts payable	(34.3)	(340.6)
Customer deposits	2.0	2.7
Taxes accrued	131.3	151.6
Interest accrued	(0.7)	19.1
(Under) Overrecovered gas and fuel costs	(95.8)	319.7
Exchange gas receivable/payable	(60.3)	(126.0)
Other accruals	(97.2)	(81.2)
Prepayments and other current assets	24.5	9.9
Regulatory assets/liabilities	36.8	(19.1)
Postretirement and postemployment benefits	(57.7)	(6.0)
Deferred credits	(3.0)	2.3
Deferred charges and other noncurrent assets	2.0	(5.2)
Other noncurrent liabilities	7.2	(7.3)
Net Operating Activities from Continuing Operations	779.6	728.9
Net Operating Activities from Discontinued Operations	0.4	0.1
Net Cash Flows from Operating Activities	780.0	729.0
Investing Activities		
Capital expenditures	(152.1)	(123.2)
Proceeds from disposition of assets	1.5	3.9
Restricted cash	81.3	(21.8)
Other investing activities	(2.9)	12.9
Net Cash Flows used for Investing Activities	(72.2)	(128.2)
Financing Activities		
Retirement of long-term debt	(4.1)	(0.5)
Change in short-term debt	(572.2)	(518.7)
Issuance of common stock	2.1	1.0
Acquisition of treasury stock	(1.5)	(5.9)
Dividends paid — common stock	(63.0)	(62.7)
Net Cash Flows used for Financing Activities	(638.7)	(586.8)
Increase in cash and cash equivalents	69.1	14.0
Cash and cash equivalents at beginning of year	33.1	69.4
Cash and cash equivalents at end of period	\$ 102.2	\$ 83.4
Supplemental Disclosures of Cash Flow Information		
Cash paid for interest	\$ 100.6	\$ 75.9
Interest capitalized	3.1	1.6
Cash paid for income taxes	3.4	4.2



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

FORM 8-K

CURRENT REPORT

Pursuant To Section 13 OR 15(d) of The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): March 1, 2007

NiSource Inc.

(Exact name of registrant as specified in its charter)

Commission file number 001-16189

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

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions.

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2 (b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4 (c))
-
-

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ITEM 7.01. REGULATION FD DISCLOSURE
ITEM 9.01. FINANCIAL STATEMENTS AND EXHIBITS
SIGNATURES
Information to be Presented at 2007 Conference

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ITEM 7.01. REGULATION FD DISCLOSURE

On March 1, 2007, Bob Skaggs, the Company's President and CEO, will be making a presentation at the UBS 2007 Natural Gas & Electric Utilities Conference. Attached as Exhibit 99.1 to this Report on Form 8-K is a copy of the materials to be used by Mr. Skaggs as part of his presentation. Investors may access a webcast of Mr. Skaggs's presentation, as well as a copy of the attached exhibit at the Company's website (www.nisource.com).

The attached presentation includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Those statements include statements regarding the intent, belief or current expectations of NiSource and its management. Although NiSource believes that its expectations are based on reasonable assumptions, it can give no assurance that its goals will be achieved. Readers are cautioned that the forward-looking statements in this presentation are not guarantees of future performance and involve a number of risks and uncertainties, and that actual results could differ materially from those indicated by such forward-looking statements. Important factors that could cause actual results to differ materially from those indicated by such forward-looking statements include, but are not limited to, the following: weather; fluctuations in supply and demand for energy commodities; growth opportunities for NiSource's businesses; increased competition in deregulated energy markets; the success of regulatory and commercial initiatives; dealings with third parties over whom NiSource has no control; the effectiveness of NiSource's outsourcing initiative; actual operating experience of NiSource assets; the regulatory process; regulatory and legislative changes; changes in general economic, capital and commodity market conditions; and counter-party credit risk.

NiSource does not have, and expressly disclaims, any obligation to release publicly any updates or any changes in NiSource's expectations or any changes in events, conditions or circumstances on which any forward-looking statement is based.

ITEM 9.01 . FINANCIAL STATEMENTS AND EXHIBITS

(d) Exhibits

<u>Exhibit Number</u>	<u>Description</u>
99.1	Information to be presented at the UBS 2007 Natural Gas & Electric Utilities Conference on March 1, 2007.

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SIGNATURES

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

NiSource Inc.

(Registrant)

Date: March 1, 2007

By: /s/ Jeffrey W. Grossman

Jeffrey W. Grossman
Vice President and Controller

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Exhibit Number	Description
99.1	Information to be presented at the UBS 2007 Natural Gas & Electric Utilities Conference on March 1, 2007.

The logo for MISource, featuring the word "MISource" in a bold, italicized sans-serif font. The "MI" is in a larger, bolder font than "Source". A stylized sunburst or starburst graphic is integrated into the letter "I". A registered trademark symbol (®) is located at the end of the word "Source".

MISource®

Bob Skaggs, President & CEO

UBS 2007 Natural Gas & Electric Utilities Conference
March 1, 2007

Forward-Looking Statement

"Safe Harbor" Statement
March 1, 2007

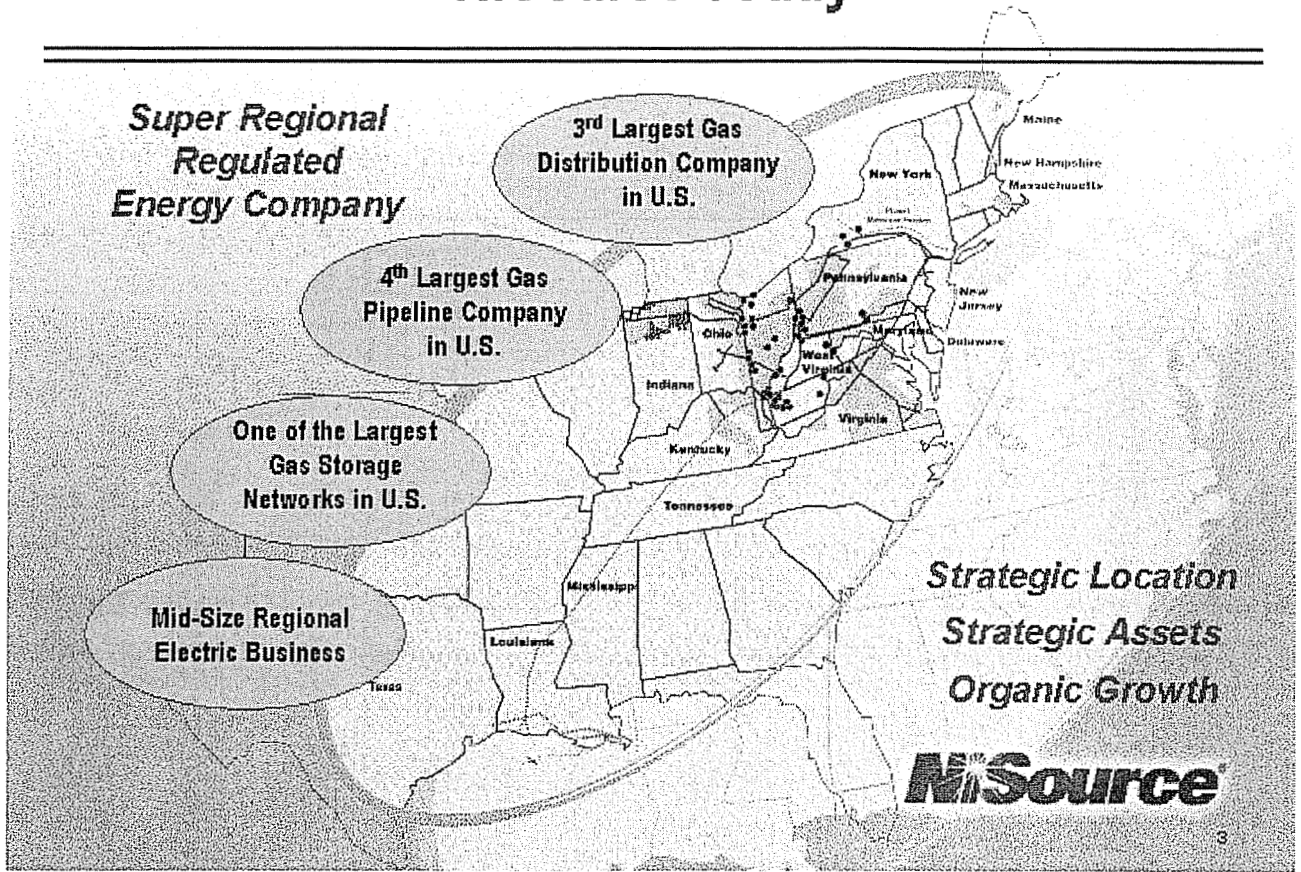
Some of the statements made in this document will be forward-looking statements within the meaning of the safe-harbor provisions of the U.S. federal securities laws. These forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in the forward-looking statements. Information concerning factors that could cause actual results to differ materially is included in the Management's Discussion and Analysis section of our Form 10-Q quarterly report for the third quarter 2006, which was filed November 2, 2006, with the SEC.

Reg G Disclosure

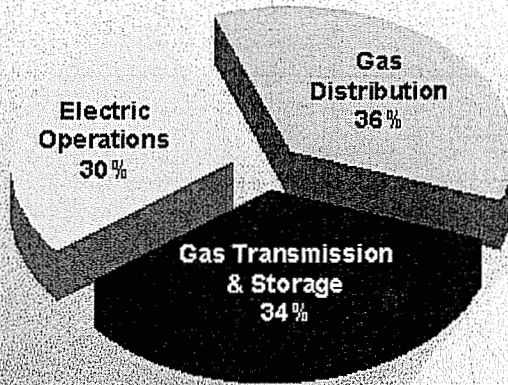
In addition, this document and today's discussion include certain non-GAAP financial measures as defined by the SEC Regulation G. A reconciliation of those measures to the most directly comparable GAAP measures is contained in Schedules 1 and 2 of the attached news release dated January 30, 2007. This release is also available on our Investor Relations website at www.nisource.com

NiSource[®]

NiSource Today



Balanced/Low Risk Portfolio



*100% of Operating Earnings
From Regulated Businesses*

Stable Credit Ratings

Moody's – Baa3

S&P – BBB

Fitch - BBB

NISource

2006 Financial Performance

- **Solid 2006 Performance**

- **2006 Operating Earnings (non-GAAP) of \$388.5 Million, or \$1.43 Per Share (3.6% Increase Over 2005)**

- Increased Pipeline Optimization Revenue
 - Electric Operations Earnings Growth; Strong Industrial Markets
 - Reduced Interest Expense

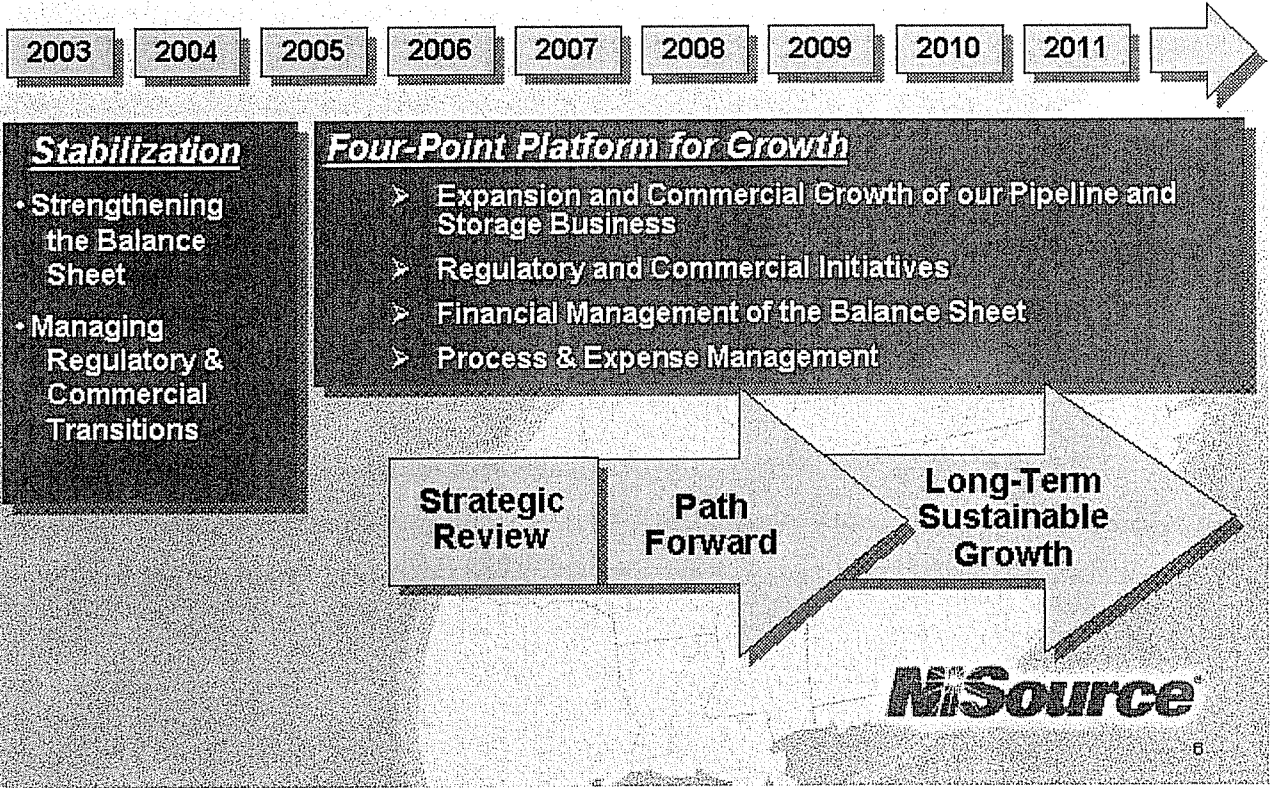
- **2006 Challenges**

- **LDC Customer Usage/Attrition Issue**
 - **Increased WCE Losses**

NiSource[®]

Destination: Premier Regulated Energy Company

A Solid Four-Point Strategy with a Clear Path Forward



Gas Transmission & Storage Expansion and Commercial Growth

- Maximize Value from Existing GT&S Assets
- Disciplined Investment in Storage and Pipeline Expansion Projects

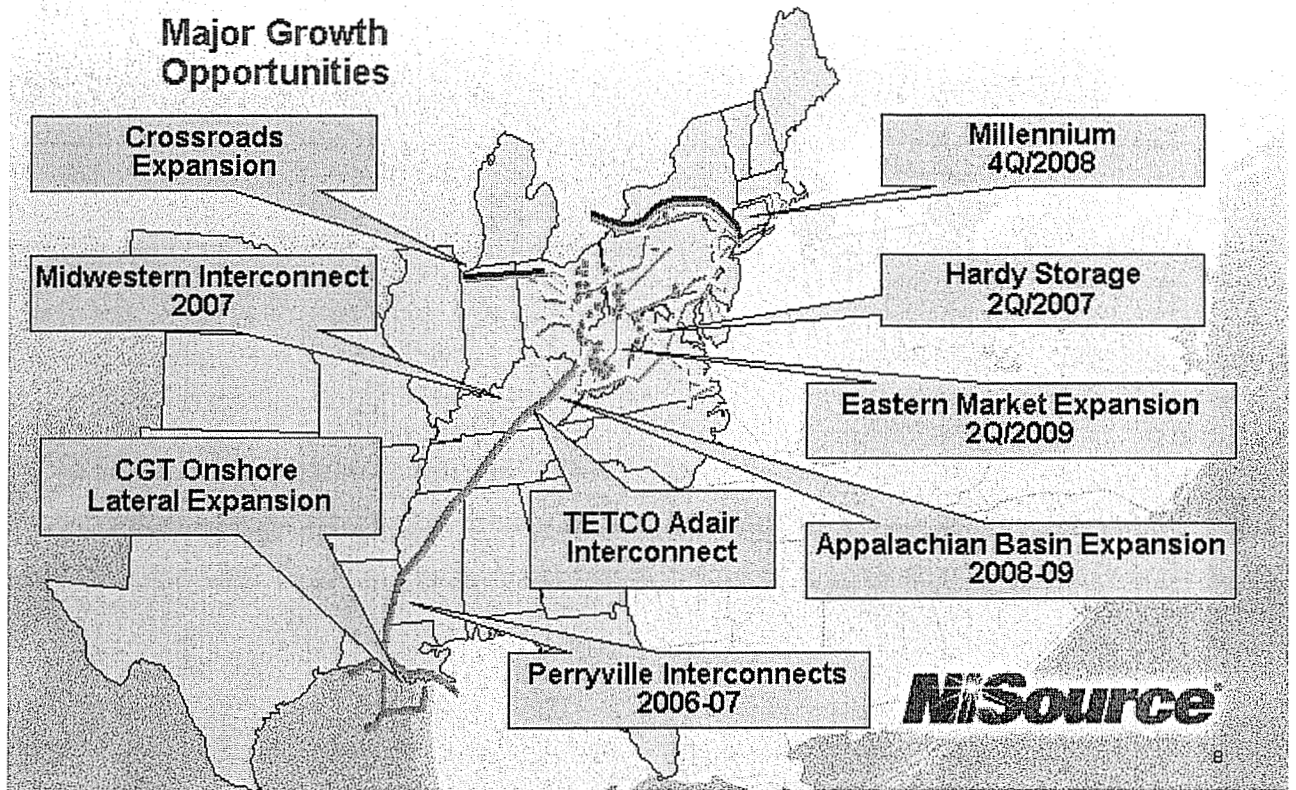


2006 Progress

- Nearly \$50M in Pipeline Optimization
- Millennium Pipeline FERC Approval
- Hardy Storage on Schedule for April 2007
- Fully Subscribed Eastern Market Expansion
- TETCO Adair Interconnect Completed
- Progress on Additional Growth Projects

NiSource

GT&S Expansion and Commercial Growth



Regulatory and Commercial Initiatives

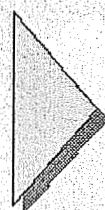
- **Optimization and Logistics Growth**

- GT&S, LDC's

- **Significant Long-term Infrastructure Investments**

- **Targeted Regulatory Initiatives**

- Rate Design Changes
- Infrastructure Trackers
- Base Rate Cases



- ✓ Bay State Gas Rate Increase (12/2005)
- ✓ Virginia (Settlement 12/2006)
- Indiana-Gas (~ 2Q/2007)
- Kentucky (Filed 2/2007)
- Pennsylvania (1Q/2008)
- Indiana-Electric (2007/2008)
- Ohio (2007/2008)

2006 Progress

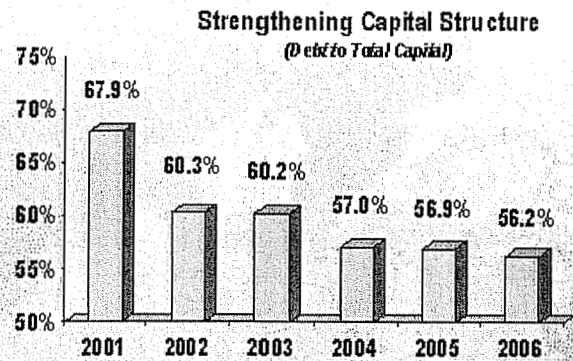
- Deferral / Recovery of MISO Charges
- Comprehensive Settlement Agreement in Virginia
- NIPSCO Rate Simplification Filing
- Approval of Bay State's PBR Adjustment
- Laying Groundwork For Future Rate Initiatives

NiSource

□

Financial Management of the Balance Sheet

- **Maintain / Improve Financial Flexibility**
- **Maintain Competitive Cost of Capital**
- **Ensure Stable Investment Grade Ratings**



2006 Progress

- \$33 Million of Annual Interest Expense Savings
- New Amendment to Revolving Credit Facility
- Reaffirmed Investment Grade Credit with Stable Outlook

niSource

Process and Expense Management

- **Provide Safe, Reliable and Cost-Effective Service**
- **Relentless Focus on Continuous Improvement**
- **Capital Allocation Discipline**

2006 Progress/2007 Update

- **Unified Distribution Operating Model**
- **IBM Agreement**
 - **Commitment to Transform Systems & Processes**
 - **Currently Assessing Potential Adjustments**
- **GT&S Commercial System Upgrade**
- **Completed Corporate Streamlining Effort**
- **Refined Capital Allocation Standards**

NiSource

Unlocking Shareholder Value

2006 Corporate Initiatives

- **WCE Reached a New Definitive Agreement with BP**
 - Redefined Steam Pricing – Improved Financial Results in 2007
 - BP Will Seek Alternative Steam Sources by the End of 2009
- **Financial / Strategic Review**
 - Comprehensive Review
 - Commitment to Investment Grade
 - Transparent and Timely Communications - Update Progress in Early 2007

MiSource

NiSource Strategic Destination

**Premier Regulated
Energy Company**

Strong Financial Profile

**Robust, Sustainable
Earnings Growth**

**Innovative Regulatory Practices
and Constructive External
Relationships**

**Premier Safety, Reliability
and Service**

**Strong Foundation of
Engaged, Aligned and
Safe Employees**



**Strategic Location
Strategic Assets
Organic Growth**

NiSource



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

FORM 8-K

CURRENT REPORT
Pursuant To Section 13 OR 15(d) of The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): January 28, 2007

NiSource Inc.

(Exact name of registrant as specified in its charter)

Commission file number 001-16189

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

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

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 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
-
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ITEM 7.01. REGULATION FD DISCLOSURE

On January 28, 2007 NiSource Inc. (the "Company") issued a press release regarding a verdict reached in the case of Tawney, *et al.* v. Columbia Natural Resources *et al.* in Roane County Circuit Court. Attached as Exhibit 99.1 to this Report on Form 8-K is the Company's press release, dated January 28, 2007.

ITEM 9.01. FINANCIAL STATEMENTS AND EXHIBITS

(d) Exhibits

<u>Exhibit Number</u>	<u>Description</u>
99.1	Press Release, dated January 28, 2007, issued by NiSource Inc.

SIGNATURES

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

NiSource Inc.
(Registrant)

Date: January 29, 2007

By: _____
/s/ Jeffrey W. Grossman
Jeffrey W. Grossman
Vice President and Controller

Exhibit Number	Description
99.1	Press Release, dated January 28, 2007, issued by NiSource Inc.

NEWS



801 E. 86th Avenue
Merrillville, IN 46410

FOR IMMEDIATE RELEASE

January 28, 2007

FOR ADDITIONAL INFORMATION

Media

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NiSource: W.Va. class action verdict threatens state's gas industry
Will join in appeal process

MERRILLVILLE, Ind. — NiSource Inc. (NYSE: NI) is among defendants in a West Virginia class action lawsuit who were surprised and disappointed with an unprecedented and excessive jury verdict that, if not overturned, could have a chilling effect on future oil and natural gas development in the state.

On Saturday, Jan. 27, a jury in Spencer, W.Va., imposed approximately \$134.3 million in compensatory damages and \$270 million in punitive damages against defendants in the case of Tawney, *et al.* v. Columbia Natural Resources (CNR) *et al.* in Roane County Circuit Court. CNR is a former NiSource Inc. subsidiary, which was sold in 2003. NiSource, Columbia Energy Group and Chesapeake Appalachia LLC are named as defendants in the lawsuit.

NiSource believes the verdict in the case is clearly excessive and should be set aside by the trial court or overturned on appeal. The result, if left standing, would set a precedent that is contrary to existing law and could undermine the legal underpinnings of nearly every natural gas royalty contract in the state. As such, the decision not only affects the defendants, but also potentially harms every natural gas producer in West Virginia and could have a negative impact on future oil and gas development.

(more)

NiSource to join appeal of W.Va. class action verdict

Page 2 of 2

The plaintiffs in the case, natural gas royalty owners, filed the lawsuit in early 2003 alleging that CNR underpaid royalties by deducting a portion of post-production costs incurred in order to gather and transport gas to interstate pipelines and by not paying market value for gas produced under all leases, even those providing for payment based on actual proceeds received for the gas. Plaintiffs sought the alleged royalty underpayment and punitive damages.

The defendants believe CNR operated in good faith and that there is no valid basis for any award of punitive damages, let alone the unwarranted and unreasonable levels granted in this case.

The defendants also expressed disappointment that the judge in the case did not allow presentation of key evidence. They believe the verdict would have been different had the jury been allowed to hear all the evidence in the case.

The jury's verdict and its award of damages are subject to review by the trial court, which could result in the verdict being set aside or reduced. The defendants will appeal any adverse judgment.

Although NiSource Inc. sold CNR in 2003, the company is a defendant in the case and remains primarily responsible for any damages ultimately determined to be due following appeal. The company has already recorded a reserve for this litigation, and is assessing whether to adjust the level of that accrual based on the verdict and all information available to the company.

About NiSource

NiSource Inc. (NYSE: NI), based in Merrillville, Ind., is a Fortune 500 company engaged in natural gas transmission, storage and distribution, as well as electric generation, transmission and distribution. NiSource operating companies deliver energy to 3.7 million customers located within the high-demand energy corridor stretching from the Gulf Coast through the Midwest to New England. Information about NiSource and its subsidiaries is available via the Internet at www.nisource.com. NI-F

Forward-Looking Statements

This news release includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Those statements include statements regarding the intent, belief or current expectations of NiSource and its management. Although NiSource believes that its expectations are based on reasonable assumptions, it can give no assurance that its goals will be achieved. Readers are cautioned that the forward-looking statements in this presentation are not guarantees of future performance and involve a number of risks and uncertainties, and that actual results could differ materially from those indicated by such forward-looking statements. Important factors that could cause actual results to differ materially from those indicated by such forward-looking statements include, but are not limited to, the following: weather; fluctuations in supply and demand for energy commodities; growth opportunities for NiSource's businesses; increased competition in deregulated energy markets; the success of regulatory and commercial initiatives; dealings with third parties over whom NiSource has no control; the effectiveness of NiSource's outsourcing initiative; actual operating experience of NiSource assets; the regulatory process; regulatory and legislative changes; changes in general economic, capital and commodity market conditions; and counter-party credit risk.

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

FORM 8-K

CURRENT REPORT

Pursuant To Section 13 OR 15(d) of The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): January 25, 2007

NiSource Inc.

(Exact name of registrant as specified in its charter)

Commission file number 001-16189

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

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions.

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2 (b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4 (c))
-
-

ITEM 2.02. RESULTS OF OPERATIONS AND FINANCIAL CONDITION

On January 30, 2007, NiSource Inc. (the "Company") reported its financial results for the year ended December 31, 2006. The Company's press release, dated January 30, 2007, is attached as Exhibit 99.1.

ITEM 5.02. DEPARTURE OF DIRECTORS OR PRINCIPAL OFFICERS; ELECTION OF DIRECTORS; APPOINTMENT OF PRINCIPAL OFFICERS

On January 25, 2007, Robert J. Welsh delivered a letter to the board of directors of NiSource Inc. expressing his preference to not be renominated for election as a director at the NiSource Inc. 2007 annual meeting of stockholders.

ITEM 9.01. FINANCIAL STATEMENTS AND EXHIBITS

(d) Exhibits

<u>Exhibit Number</u>	<u>Description</u>
99.1	Press Release, dated January 30, 2007, issued by NiSource Inc.

SIGNATURES

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

NiSource Inc.

(Registrant)

Date: January 30, 2007

By:

/s/ Jeffrey W. Grossman

Jeffrey W. Grossman
Vice President and Controller

EXHIBIT INDEX

Exhibit Number	Description
99.1	Press Release, dated January 30, 2007, issued by NiSource Inc.

NEWS



801 E. 86th Avenue
Merrillville, IN 46410

FOR IMMEDIATE RELEASE

January 30, 2007

FOR ADDITIONAL INFORMATION

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NiSource reports improved 2006 performance

Strategic review process continues in early 2007

MERRILLVILLE, Ind. — NiSource Inc. (NYSE: NI) today announced higher net operating earnings (non-GAAP) of \$388.5 million, or \$1.43 per share, for the 12 months ended Dec. 31, 2006, compared with \$375.9 million, or \$1.38 per share, for 2005 (all per-share amounts are basic).

Operating earnings (non-GAAP) were \$1,002.0 million for 2006, essentially flat with \$1,003.3 million during 2005. Schedules 1 and 2 of this news release contain a reconciliation of net operating earnings and operating earnings to GAAP.

Primary drivers of the improvement in net operating earnings were: strong results in the electric business; optimization of transportation and storage services in the NiSource gas transmission and storage business; and an approximately \$33 million decrease in interest expense due to the refinancing of \$2.4 billion in long-term debt during 2005 at lower rates. These improvements were partially offset by reduced residential natural gas usage and increased customer attrition in the gas distribution business, increased losses at the Whiting Clean Energy unit, and higher operation and maintenance expenses.

“Overall, our core operating companies delivered solid performance during 2006,” said NiSource President and Chief Executive Officer Robert C. Skaggs, Jr. “While our gas distribution business continued to be challenged by the dynamics of customer usage and attrition, we have begun to address these issues through the regulatory process in our various markets, and we made and continue to make significant progress on our efforts to expand and optimize our extensive natural gas transmission and storage system. In addition, our electric business continued to grow in terms of number of customers, volumes and operating earnings.”

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Significant accomplishments during 2006

The company continues to make progress on its four-point plan for long-term, sustainable growth, Skaggs noted. The balanced plan centers on NiSource's portfolio of regulated assets and includes: commercial growth and expansion of the gas transmission and storage business; commercial and regulatory initiatives; management of the balance sheet; and process and expense management. Specific milestones achieved during 2006 included:

- NiSource unit Whiting Clean Energy (WCE) and BP signed a definitive agreement redefining terms under which WCE will provide steam to BP for its oil refining process. The terms should improve the financial performance of WCE beginning in 2007, and will enable the WCE plant to operate more competitively going forward. Additionally, by the end of 2009, BP intends to develop alternative solutions to meet the refinery's steam needs, which will position WCE to operate as a competitive merchant power plant.
- NiSource subsidiary Columbia Gas of Virginia (CGV) reached a comprehensive settlement agreement with its commercial and regulatory stakeholders on an innovative performance-based regulation plan. The agreement, which has been approved by the Virginia State Corporation Commission and became effective Jan. 1, 2007, provides rate stability and new service options for customers, increased financial certainty for CGV, and supports CGV's plans to make infrastructure investments to meet Virginia's growth needs.
- Northern Indiana Public Service Company (NIPSCO) has made a filing with the Indiana Utility Regulatory Commission (IURC) to address reduced usage by natural gas customers. The company anticipates that an order on the filing could be issued by the IURC during the second quarter of 2007. NIPSCO's proposal, called Rate Simplification, would provide funding for weatherization and other customer programs while also providing relief to the company for reduced customer usage.
- The Federal Energy Regulatory Commission (FERC) granted approval to Millennium Pipeline Company, LLC, to construct its proposed 182-mile system. Millennium filed its acceptance of the certificate on Jan. 19, 2007. These developments keep Millennium on track to begin construction during 2007 and commence service in November 2008. NiSource's Columbia Gas Transmission is 47.5 percent owner of Millennium, with units of KeySpan and DTE Energy as the other partners.
- Columbia Gas Transmission made significant progress on a number of other projects to expand its transmission and storage infrastructure, as explained further in the segment discussion below.
- During 2006, Standard & Poor's, Moody's Investors Service and Fitch Ratings all reaffirmed NiSource's investment grade credit ratings with a stable outlook.

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Financial and strategic review continues

“While our four-point plan continues to gain traction as we execute on these multiple fronts, NiSource’s senior management and Board of Directors remain intently focused on completing the strategic and financial review process initiated during 2006 to unlock the underlying value of the company’s asset base and position it for the future,” Skaggs said. “As I indicated when we released third-quarter earnings in November of last year, we expect to be in a position to communicate the results of our process and NiSource’s path forward early this year. We remain committed to sharing information with investors and all other stakeholders in a transparent and timely fashion when decisions are made.

“NiSource does not intend to issue 2007 earnings guidance at this time,” Skaggs said. “Once we are in a position to share the outcome of our review process, I would anticipate providing additional information concerning our going-forward plan and outlook for the future.”

Overview of 2006 operating earnings (non-GAAP) performance by business segment

Gas Distribution Operations

NiSource’s Gas Distribution Operations segment reported operating earnings of \$373.8 million, down from \$394.2 million in 2005. The \$20.4 million decline was primarily due to reductions in residential customer usage.

“Residential gas usage among NiSource’s distribution customers declined by about 4 percent during 2006, compared with 0.5 percent to 1 percent annual usage declines experienced historically,” Skaggs said. “We believe the usage decline experienced during 2006 was in response to higher market prices for natural gas, particularly in the aftermath of the 2005 hurricane season. As prices decreased during the latter part of 2006, we did see some moderation in the levels of usage erosion. For 2007, we are projecting usage declines of 2 percent to 3 percent.”

On the issue of customer attrition, Skaggs noted that the return of customers to the NiSource gas distribution systems during the fall light-up season was relatively encouraging. “Our data indicates that residential customer attrition for 2006 was approximately 0.8 percent. While this is somewhat above the historic levels of about 0.5 percent, it is well below the more elevated levels that were indicated earlier in the year,” he said. “Again, we believe moderating gas prices played a meaningful role in terms of the return of customers to our gas distribution systems.” Skaggs noted that the company will continue to closely monitor this issue over the coming months.

“We have stepped up our efforts to pursue regulatory initiatives that will address customer conservation,” Skaggs added. “In addition, we are participating in an American Gas Association study that is designed to look at the root causes of this issue across our industry and address potential solutions. The study is expected to be completed within the next several months, and we look forward to reviewing its conclusions and recommendations.”

NiSource’s Columbia Gas of Pennsylvania unit also is participating in a working group formed by that state’s Public Utility Commission to address issues relating to residential customer demand, including potential changes in rate design. Likewise, Indiana regulators recently have begun a similar process that could lead to a generic approach to rate design and customer conservation in the state. NIPSCO will be an active participant in the process.

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NiSource reports improved 2006 performance

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On a positive note, Skaggs said, the Gas Distribution segment's energy supply team capitalized on short-term market opportunities throughout the year, using the NiSource distribution business's extensive supply and storage portfolio to increase revenues that are shared with customers under various regulatory mechanisms.

Gas Transmission and Storage Operations

Operating earnings for the Gas Transmission and Storage Operations segment were \$357.6 million, up from \$349.6 million during 2005. Net revenues increased by \$48.9 million, primarily due to increased demand services and sales of shorter-term transportation and storage services. Operating expenses increased by \$41.4 million mainly due to higher legal reserves, pipeline integrity expenses, property insurance premiums, and employee and administrative costs as the segment continues to build its commercial resources.

"Our commercial team did an outstanding job of optimizing our market-leading storage and pipeline platform," Skaggs said. During 2006, the Gas Transmission and Storage team signed new agreements that resulted in more than \$45 million in new revenue.

At the same time, the transmission business continues to make progress on significant asset expansion projects. As previously mentioned, Millennium Pipeline received FERC approval to begin construction and is on track to begin service in November 2008. Construction began during 2006 on the Hardy Storage project, a joint venture between Columbia Gas Transmission and a subsidiary of Piedmont Natural Gas Company. Service is on schedule to begin in April 2007.

Columbia Gas Transmission will file a certificate application with FERC during the first half of 2007 for its fully subscribed Eastern Market Expansion project. This project is underpinned by binding precedent agreements with four anchor customers. Service is on target to begin during the second quarter of 2009. In addition to these relatively advanced projects, NiSource's Gas Transmission and Storage unit has a significant number of projects at various stages of the development cycle. They include projects driven by continuing core demand growth in mid-Atlantic and East Coast markets, as well as projects designed to capitalize on opportunities created by changing supply patterns across the country.

Electric Operations

NiSource's electric business reported operating earnings of \$314.1 million for 2006, compared with \$292.1 million during 2005. The increase was due to lower unrecoverable costs associated with the Midwest Independent System Operator (MISO), timing of revenue credits, increased industrial volumes and customer growth. These increases were partially offset by higher electric generation and maintenance expenses.

"Our northern Indiana electric business had a very strong year," Skaggs stated. "Steady residential and commercial growth, and continued strength in industrial sales volumes helped drive this solid performance. Sales volumes to NIPSCO's largest electric customers were up 4.1 percent in 2006, compared with year-end 2005 levels."

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Other Operations

The Other Operations segment reported an operating earnings loss of \$24.3 million, compared with an operating earnings loss of \$13.3 million during 2005, due mainly to increased losses at WCE. Going forward, WCE's operating results are expected to improve under the revised agreement with BP discussed above. Reflecting this improvement, Skaggs said he expects the Other Operations segment to approach operating earnings neutrality in 2007.

Income from Continuing Operations (GAAP)

On a GAAP basis, NiSource reported income from continuing operations for the 12 months ended Dec. 31, 2006, of \$313.5 million, or \$1.15 per share, compared with \$284.1 million, or \$1.05 per share, in 2005. Operating income was \$880.0 million during 2006, compared with \$952.6 million in 2005. In addition to the impacts already discussed, unfavorable weather impacted 2006 operating income by approximately \$83 million as NiSource's gas markets experienced 12 percent warmer than normal weather over the 12-month period, and the northern Indiana electric market had an 11 percent cooler than normal summer cooling season.

In addition, 2006 GAAP results were impacted by two charges recorded during the fourth quarter. NiSource accrued a \$17 million liability in conjunction with the BP contract revision discussed above, and a \$13 million charge reflecting its share of the write-off of certain Millennium Pipeline capitalized costs no longer recoverable under the current project plan approved by FERC.

Loss from Discontinued Operations (GAAP)

NiSource adjusted its accrual for litigation related to a West Virginia class action lawsuit. As previously reported, NiSource and its co-defendant intend to aggressively appeal any adverse judgment in the case involving Columbia Natural Resources, a former NiSource subsidiary. Consistent with the company's position that it at all times has acted in good faith, no accrual has been made for punitive damages.

Definition of non-GAAP measures

NiSource focuses on net operating earnings and operating earnings, which are both non-GAAP measures, because management believes these measures better represent the fundamental earnings strength and performance of the company. NiSource uses these measures internally for budgeting, for reporting to the board of directors, and for purposes of determining the payout under NiSource's annual incentive compensation plan for its employees.

Net operating earnings are a non-GAAP financial measure that NiSource defines as income from continuing operations determined in accordance with Generally Accepted Accounting Principles (GAAP) adjusted for certain items. Operating earnings are operating income determined in accordance with GAAP adjusted for certain items. Adjustments reflected in these measures are primarily weather, restructuring and transition costs related to the outsourcing contract with IBM, gains and losses on the sale or impairment of assets, certain reserve adjustments and other items. See Schedule 1 and Schedule 2 of this news release for the reconciliations of net operating earnings and operating earnings, respectively, to GAAP.

Conference call to be held this morning (Jan. 30)

NiSource will host an analyst conference call at 9 a.m. EST on Tuesday, Jan. 30, 2007, to further discuss the company's year-end and fourth-quarter 2006 results. All interested parties may hear the conference call live by logging on to the NiSource Web site at www.nisource.com.

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NiSource reports improved 2006 performance

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Twelve-Month Period 2006 Operating Earnings — Segment Results (non-GAAP)

NiSource's consolidated operating earnings (non-GAAP) for the 12 months ended Dec. 31, 2006 were \$1,002.0 million, compared to \$1,003.3 million for 2005. Refer to Schedule 2 for the items included in 2006 and 2005 GAAP operating income but excluded from operating earnings.

Operating earnings for NiSource's business segments for the 12 months ended Dec. 31, 2006 are discussed below.

Gas Distribution Operations reported operating earnings of \$373.8 million versus operating earnings of \$394.2 million in 2005. The decrease in operating earnings was due primarily to declines in residential customer usage, higher employee and administrative expenses, and higher depreciation charges. These impacts were partially offset by increased revenues that are shared with customers under various regulatory mechanisms, a change in a restructuring reserve balance for leased office space, lower uncollectible accounts and customer growth.

Comparability of Gas Distribution Operations line item operating results is impacted by regulatory trackers that allow for the recovery in rates of certain costs such as bad debt expenses. Increases in the expenses that are the subject of trackers result in a corresponding increase in net revenues and therefore have essentially no impact on total operating earnings results. Approximately \$50.5 million of the increase in operation and maintenance expenses were subject to such trackers and were therefore primarily offset by a corresponding increase to net revenues reflecting recovery of certain costs.

Gas Transmission and Storage Operations reported operating earnings of \$357.6 million versus operating earnings of \$349.6 million during 2005. The increase resulted from \$48.9 million of higher net revenues primarily due to increased subscriptions for demand services and sales of shorter-term transportation and storage services. Seasonal price fluctuations in the national energy market created opportunities for customers to utilize existing short-term tariff services. Operating expenses increased by \$41.4 million mainly due to higher legal reserves, employee and administrative costs, pipeline integrity expenses, and property insurance premiums. The increased property insurance costs were attributable to increases in premiums for offshore and onshore facilities located in or near the Gulf of Mexico. Such increases were driven by the losses experienced by the insurance industry over the past few years, resulting from hurricanes such as Ivan, Katrina and Rita.

Electric Operations reported operating earnings of \$314.1 million versus operating earnings of \$292.1 million during last year. This \$22.0 million increase in operating earnings was due to lower unrecoverable MISO costs, timing of revenue credits, increased industrial volumes, and customer growth. The lower unrecoverable MISO costs resulted mainly from the IURC's second quarter ruling on the recoverability of certain MISO costs as well as the deferral of certain costs for future recovery which began on Aug. 1, 2006. These increases were partially offset by higher electric generation and maintenance expenses.

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NiSource reports improved 2006 performance

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Other Operations reported an operating earnings loss of \$24.3 million compared to an operating earnings loss of \$13.3 million last year mainly due to increased losses at the Whiting Clean Energy facility offset by lower uncollectible accounts and higher gas marketing margins.

Corporate reported an operating earnings loss of \$19.2 million essentially flat with an operating earnings loss of \$19.3 million during 2005. Higher consulting and outside service costs were offset by lower employee and administrative expenses.

Other Items

Interest expense decreased by \$32.7 million due to the refinancing of \$2.4 billion in long-term debt during 2005 at lower rates. Other, net expense of \$6.5 million compares to other, net income of \$14.0 million last year due primarily to lower interest income and higher costs related to the sale of accounts receivable. Higher fees, due to higher interest rates, and increased levels of accounts receivable balances resulted in the higher costs.

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Fourth-Quarter 2006 Operating Earnings — Segment Results (non-GAAP)

NiSource's consolidated fourth-quarter 2006 operating earnings (non-GAAP) were \$287.6 million, compared to \$294.3 million for the same period in 2005. Refer to Schedule 2 for the items included in 2006 and 2005 GAAP operating income but excluded from operating earnings.

Operating earnings for NiSource's business segments for the quarter ended Dec. 31, 2006 are discussed below.

Gas Distribution Operations reported operating earnings of \$142.4 million compared to operating earnings of \$146.6 million during the comparable quarter of 2005. The decrease in operating earnings was due primarily to declines in residential customer usage and higher employee and administrative expenses partially offset by lower uncollectible accounts, increased commercial and industrial volumes and customer growth.

Gas Transmission and Storage Operations reported operating earnings of \$96.4 million compared with operating earnings of \$97.3 million in the fourth quarter of 2005. Increased net revenues of \$19.6 million were more than offset by higher operating expenses of \$20.3 million. The higher net revenues were due primarily to sales of shorter-term transportation and storage services. Seasonal price fluctuations in the national energy market continued to create opportunities for customers to utilize existing short-term tariff services. The operating expense increase was mainly due to higher legal reserves, pipeline integrity expenses, property insurance premiums, and employee and administrative expenses.

Electric Operations reported operating earnings of \$63.0 million versus operating earnings of \$57.5 million from the comparable period last year. Increased net revenues of \$10.9 million were due primarily to lower unrecoverable MISO costs included in costs of sales and higher demand revenues and customer growth. The increase in operating expenses of \$5.4 million resulted from higher employee and administrative expenses.

Other Operations reported an operating earnings loss of \$9.4 million in the fourth quarter of 2006, versus operating earnings of \$0.9 million in the fourth quarter of 2005. The \$10.3 million decrease in operating earnings primarily resulted from increased losses at the Whiting Clean Energy facility.

Corporate reported an operating earnings loss of \$4.8 million in the fourth quarter of 2006, versus an operating earnings loss of \$8.0 million in the fourth quarter of 2005. The decreased loss was due to lower operation and maintenance expenses and non-utility taxes.

Other Items

Interest expense decreased by \$5.7 million due to the refinancing of \$2.4 billion in long-term debt during 2005 at lower rates. Other, net income of \$0.4 million compares to other, net income of \$7.6 million in the fourth quarter of 2005 due primarily to lower interest income and higher fees due to increased interest costs related to the sale of accounts receivable.

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NiSource reports improved 2006 performance

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About NiSource

NiSource Inc. (NYSE: NI), based in Merrillville, Ind., is a Fortune 500 company engaged in natural gas transmission, storage and distribution, as well as electric generation, transmission and distribution. NiSource operating companies deliver energy to 3.8 million customers located within the high-demand energy corridor stretching from the Gulf Coast through the Midwest to New England. Information about NiSource and its subsidiaries is available via the Internet at www.nisource.com. NI-F

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NiSource Inc.
Consolidated Net Operating Earnings (Non-GAAP)

<i>(in millions, except per share amounts)</i>	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2006	2005	2006	2005
Net Revenues				
Gas Distribution	\$1,213.4	\$1,711.4	\$4,262.3	\$4,569.9
Gas Transportation and Storage	289.4	279.0	1,033.2	991.1
Electric	306.4	301.3	1,301.0	1,238.8
Other	253.1	381.1	968.3	1,046.8
Gross Revenues	2,062.3	2,672.8	7,564.8	7,846.6
Cost of Sales (excluding depreciation and amortization)	1,178.4	1,820.3	4,365.4	4,749.2
Total Net Revenues	883.9	852.5	3,199.4	3,097.4
Operating Expenses				
Operation and maintenance	381.5	334.6	1,359.4	1,240.7
Depreciation and amortization	137.9	137.5	549.2	544.2
Other taxes	76.8	86.2	289.5	309.4
Total Operating Expenses	596.2	558.3	2,198.1	2,094.3
Equity Earnings (Loss) in Unconsolidated Affiliates	(0.1)	0.1	0.7	0.2
Operating Earnings	287.6	294.3	1,002.0	1,003.3
Other Income (Deductions)				
Interest expense, net	(102.5)	(108.2)	(387.4)	(420.1)
Dividend requirements on preferred stock of subsidiaries	—	(1.0)	(1.1)	(4.2)
Other, net	0.4	7.6	(6.5)	14.0
Total Other Income (Deductions)	(102.1)	(101.6)	(395.0)	(410.3)
Operating Earnings From Continuing Operations Before Income Taxes	185.5	192.7	607.0	593.0
Income Taxes	68.6	69.4	218.5	217.1
Net Operating Earnings from Continuing Operations	116.9	123.3	388.5	375.9
GAAP Adjustment	(24.5)	(50.4)	(75.0)	(91.8)
GAAP Income from Continuing Operations	\$ 92.4	\$ 72.9	\$ 313.5	\$ 284.1
Basic Net Operating Earnings Per Share from Continuing Operations	0.43	0.45	1.43	1.38
GAAP Basic Earnings Per Share from Continuing Operations	0.34	0.27	1.15	1.05
Basic Average Common Shares Outstanding (millions)	272.9	271.9	272.6	271.3

NiSource Inc.
Segment Operating Earnings (Non-GAAP)

Gas Distribution Operations (in millions)	Three Months		Twelve Months	
	Ended December 31,		Ended December 31,	
	2006	2005	2006	2005
Net Revenues				
Sales Revenues	\$1,369.3	\$1,886.7	\$4,771.6	\$5,091.5
Less: Cost of gas sold	923.7	1,450.2	3,277.0	3,617.1
Net Revenues	445.6	436.5	1,494.6	1,474.4
Operating Expenses				
Operation and maintenance	197.4	175.7	720.8	671.6
Depreciation and amortization	58.1	56.8	231.4	224.6
Other taxes	47.7	57.4	168.6	184.0
Total Operating Expenses	303.2	289.9	1,120.8	1,080.2
Operating Earnings	\$ 142.4	\$ 146.6	\$ 373.8	\$ 394.2
GAAP Adjustment	(20.8)	10.6	(83.8)	(26.0)
GAAP Operating Income	\$ 121.6	\$ 157.2	\$ 290.0	\$ 368.2

Gas Transmission and Storage Operations (in millions)	Three Months		Twelve Months	
	Ended December 31,		Ended December 31,	
	2006	2005	2006	2005
Net Revenues				
Transportation revenues	\$ 190.0	\$ 176.5	\$ 681.6	\$ 637.7
Storage revenues	44.4	44.3	176.8	177.9
Other revenues	1.3	1.2	6.1	10.6
Total Revenues	235.7	222.0	864.5	826.2
Less: Cost of gas sold	0.4	6.3	14.0	24.6
Net Revenues	235.3	215.7	850.5	801.6
Operating Expenses				
Operation and maintenance	96.1	76.7	324.1	283.0
Depreciation and amortization	29.2	28.8	114.9	114.1
Other taxes	13.5	13.0	54.6	55.1
Total Operating Expenses	138.8	118.5	493.6	452.2
Equity Earnings (Loss) in Unconsolidated Affiliates	(0.1)	0.1	0.7	0.2
Operating Earnings	\$ 96.4	\$ 97.3	\$ 357.6	\$ 349.6
GAAP Adjustment	(13.8)	(1.4)	(16.8)	(5.2)
GAAP Operating Income	\$ 82.6	\$ 95.9	\$ 340.8	\$ 344.4

NiSource Inc.
Segment Operating Earnings (Non-GAAP) (continued)

Electric Operations <i>(in millions)</i>	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2006	2005	2006	2005
Net Revenues				
Sales revenues	\$ 307.5	\$ 308.8	\$1,305.6	\$1,237.8
Less: Cost of sales	109.3	121.5	481.4	452.5
Net Revenues	198.2	187.3	824.2	785.3
Operating Expenses				
Operation and maintenance	73.2	69.0	264.8	251.8
Depreciation and amortization	47.0	47.3	187.3	185.9
Other taxes	15.0	13.5	58.0	55.5
Total Operating Expenses	135.2	129.8	510.1	493.2
Operating Earnings	\$ 63.0	\$ 57.5	\$ 314.1	\$ 292.1
GAAP Adjustment	7.7	(1.0)	(3.7)	1.2
GAAP Operating Income	\$ 70.7	\$ 56.5	\$ 310.4	\$ 293.3
Other Operations <i>(in millions)</i>	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2006	2005	2006	2005
Net Revenues				
Products and services revenue	\$ 235.9	\$ 378.3	\$ 929.9	\$1,031.8
Less: Cost of products purchased	229.3	363.9	893.7	989.7
Net Revenues	6.6	14.4	36.2	42.1
Operating Expenses				
Operation and maintenance	12.1	9.4	46.4	37.9
Depreciation and amortization	2.4	2.6	9.8	10.5
Other taxes	1.5	1.5	4.3	7.0
Total Operating Expenses	16.0	13.5	60.5	55.4
Operating Earnings (Loss)	\$ (9.4)	\$ 0.9	\$ (24.3)	\$ (13.3)
GAAP Adjustment	(17.0)	1.2	(15.9)	1.0
GAAP Operating Income (Loss)	\$ (26.4)	\$ 2.1	\$ (40.2)	\$ (12.3)
Corporate <i>(in millions)</i>	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2006	2005	2006	2005
Operating Earnings Loss	\$ (4.8)	\$ (8.0)	\$ (19.2)	\$ (19.3)
GAAP Adjustment	(0.5)	(1.1)	(1.8)	(21.7)
GAAP Operating Loss	\$ (5.3)	\$ (9.1)	\$ (21.0)	\$ (41.0)

NiSource Inc.
Segment Volumes and Statistical Data

Gas Distribution Operations	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2006	2005	2006	2005
Sales and Transportation (MMDth)				
Residential	79.3	92.9	241.8	289.1
Commercial	49.6	51.7	163.9	176.0
Industrial	92.9	93.9	365.4	375.8
Off System	13.7	5.0	54.9	22.6
Other	0.3	0.3	0.9	0.9
Total	235.8	243.8	826.9	864.4
Weather Adjustment	13.6	(6.2)	50.9	(8.9)
Sales and Transportation Volumes — Excluding Weather	249.4	237.6	877.8	855.5
Heating Degree Days	1,595	1,854	4,347	5,035
Normal Heating Degree Days	1,768	1,771	4,933	4,939
% Colder (Warmer) than Normal	(10%)	5%	(12%)	2%
Customers				
Residential			3,074,115	3,059,783
Commercial			292,566	292,232
Industrial			8,268	8,445
Other			73	59
Total			3,375,022	3,360,519
Gas Transmission and Storage Operations				
Throughput (MMDth)				
Columbia Transmission				
Market Area	263.1	275.7	932.1	983.9
Columbia Gulf				
Mainline	135.8	119.5	533.5	521.6
Short-haul	46.1	17.6	129.9	86.3
Columbia Pipeline Deep Water	1.6	2.1	8.3	11.5
Crossroads Gas Pipeline	10.1	10.3	38.5	41.8
Granite State Pipeline	7.8	9.0	26.9	31.8
Intrasegment eliminations	(121.8)	(114.2)	(491.2)	(504.8)
Total	342.7	320.0	1,178.0	1,172.1

NiSource Inc.
Segment Volumes and Statistical Data (continued)

Electric Operations	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2006	2005	2006	2005
Sales (Gigawatt Hours)				
Residential	752.8	783.2	3,293.9	3,516.1
Commercial	934.7	928.3	3,855.7	3,893.0
Industrial	2,322.5	2,378.0	9,503.2	9,131.6
Wholesale	53.0	137.7	661.4	831.3
Other	35.2	32.2	114.1	115.0
Total	4,098.2	4,259.4	17,428.3	17,487.0
Weather Adjustment	6.7	(8.4)	148.3	(160.8)
Sales Volumes — Excluding Weather impacts	4,104.9	4,251.0	17,576.6	17,326.2
Cooling Degree Days			714	935
Normal Cooling Degree Days			803	803
% Warmer (Colder) than Normal			(11%)	16%
Electric Customers				
Residential			398,349	395,849
Commercial			52,106	51,261
Industrial			2,509	2,515
Wholesale			5	7
Other			759	765
Total			453,728	450,397

NiSource Inc.
Schedule 1 — Reconciliation of Net Operating Earnings to GAAP

<i>(in millions, except per share amounts)</i>	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2006	2005	2006	2005
Net Operating Earnings from Continuing Operations	\$ 116.9	\$ 123.3	\$ 388.5	\$ 375.9
Items excluded from operating earnings:				
Net Revenues:				
Weather — compared to normal	(21.0)	9.2	(83.1)	27.0
Gas costs and other changes	8.3	12.1	8.3	13.3
Third party buyout of bankruptcy claim	—	—	—	8.9
Operating Expenses:				
Restructuring, transition and consulting charges (outsourcing initiative)	(0.5)	(12.6)	(12.3)	(82.8)
Insurance recoveries, legal and reserve changes	(0.8)	1.4	(0.8)	(3.0)
BP contract revision	(17.0)	—	(17.0)	—
Asset impairment	—	—	(4.7)	(21.8)
Loss on sales of assets	(0.4)	(1.8)	0.6	(0.4)
Property and sales tax adjustments	—	—	—	8.1
Loss on Equity Earnings	(13.0)	—	(13.0)	—
Total items excluded from operating earnings	(44.4)	8.3	(122.0)	(50.7)
Loss on early extinguishment of long-term debt	—	(108.6)	—	(108.6)
Loss on early redemption of preferred stock	—	—	(0.7)	—
Tax effect of above items and other income tax adjustments	19.9	49.9	47.7	67.5
Reported Income from Continuing Operations — GAAP	\$ 92.4	\$ 72.9	\$ 313.5	\$ 284.1
Basic Average Common Shares Outstanding (millions)	272.9	271.9	272.6	271.3
Basic Net Operating Earnings Per Share (\$)	0.43	0.45	1.43	1.38
Items excluded from net operating earnings (after-tax)	(0.09)	(0.18)	(0.28)	(0.33)
GAAP Basic Earnings Per Share from Continuing Operations	0.34	0.27	1.15	1.05

NiSource Inc.
Schedule 2 — Quarterly Adjustments by Segment from Operating Earnings to GAAP
For Quarter ended December 31, 2006

2006 (in millions)

	Gas Distribution	Transmission and Storage	Electric	Other	Corporate	Total
Operating Earnings (Loss)	142.4	96.4	63.0	(9.4)	(4.8)	\$ 287.6
Net Revenues:						
Weather (compared to normal)	\$ (20.5)	\$ —	\$ (0.5)	\$ —	\$ —	\$ (21.0)
Gas costs and other changes	—	—	8.3	—	—	8.3
Total Impact — Net Revenues	(20.5)	—	7.8	—	—	(12.7)
Operating Expenses:						
Operation and Maintenance Expenses —						
Restructuring, transition and consulting charges (outsourcing initiative)	(0.3)	—	(0.1)	—	(0.1)	(0.5)
Insurance recoveries, legal and reserve changes	—	(0.8)	—	—	—	(0.8)
BP contract revision	—	—	—	(17.0)	—	(17.0)
Loss on Sale of Assets	—	—	—	—	(0.4)	(0.4)
Total Impact — Operating Expenses	(0.3)	(0.8)	(0.1)	(17.0)	(0.5)	(18.7)
Loss on Equity Earnings	—	(13.0)	—	—	—	(13.0)
Total Impact — Operating Income (Loss)	\$ (20.8)	\$ (13.8)	\$ 7.7	\$ (17.0)	\$ (0.5)	\$ (44.4)
Operating Income (Loss) — GAAP	\$ 121.6	\$ 82.6	\$ 70.7	\$ (26.4)	\$ (5.3)	\$ 243.2

2005 (in millions)

	Gas Distribution	Transmission and Storage	Electric	Other	Corporate	Total
Operating Earnings (Loss)	146.6	97.3	57.5	0.9	(8.0)	\$ 294.3
Net Revenues:						
Weather (compared to normal)	\$ 8.5	\$ —	\$ 0.7	\$ —	\$ —	\$ 9.2
Gas costs and other changes	12.1	—	—	—	—	12.1
Total Impact — Net Revenues	20.6	—	0.7	—	—	21.3
Operating Expenses:						
Operation and Maintenance Expenses —						
Restructuring, transition and consulting charges (outsourcing initiative)	(8.0)	(1.6)	(1.7)	(0.2)	(1.1)	(12.6)
Insurance recoveries, legal and other reserves	—	—	—	1.4	—	1.4
(Loss) Gain on Sale of Assets	(2.0)	0.2	—	—	—	(1.8)
Total Impact — Operating Expenses	(10.0)	(1.4)	(1.7)	1.2	(1.1)	(13.0)
Total Impact — Operating Income (Loss)	\$ 10.6	\$ (1.4)	\$ (1.0)	\$ 1.2	\$ (1.1)	\$ 8.3
Operating Income (Loss) — GAAP	\$ 157.2	\$ 95.9	\$ 56.5	\$ 2.1	\$ (9.1)	\$ 302.6

NiSource Inc.

Schedule 2 — Year-to-Date Adjustments by Segment from Operating Earnings to GAAP
For Twelve Months ended December 31, 2006

2006 (in millions)

	Gas Distribution	Transmission and Storage	Electric	Other	Corporate	Total
Operating Earnings (Loss)	373.8	357.6	314.1	(24.3)	(19.2)	\$1,002.0
Net Revenues:						
Weather (compared to normal)	\$ (73.0)	\$ —	\$ (10.1)	\$ —	\$ —	\$ (83.1)
Gas costs and other changes	—	—	8.3	—	—	8.3
Total Impact — Net Revenues	(73.0)	—	(1.8)	—	—	(74.8)
Operating Expenses:						
Operation and Maintenance Expenses —						
Restructuring, transition and consulting charges (outsourcing initiative)	(8.5)	(1.4)	(1.5)	(0.1)	(0.8)	(12.3)
Insurance recoveries, legal and reserve changes	—	(0.8)	—	—	—	(0.8)
BP contract revision	—	—	—	(17.0)	—	(17.0)
Asset Impairment	(2.6)	(1.1)	(0.4)	—	(0.6)	(4.7)
(Loss) Gain on Sale of Assets	0.3	(0.5)	—	1.2	(0.4)	0.6
Total Impact — Operating Expenses	(10.8)	(3.8)	(1.9)	(15.9)	(1.8)	(34.2)
Loss on Equity Earnings	—	(13.0)	—	—	—	(13.0)
Total Impact — Operating Income (Loss)	\$ (83.8)	\$ (16.8)	\$ (3.7)	\$ (15.9)	\$ (1.8)	\$ (122.0)
Operating Income (Loss) — GAAP	\$ 290.0	\$ 340.8	\$ 310.4	\$ (40.2)	\$ (21.0)	\$ 880.0

2005 (in millions)

	Gas Distribution	Transmission and Storage	Electric	Other	Corporate	Total
Operating Earnings (Loss)	394.2	349.6	292.1	(13.3)	(19.3)	\$1,003.3
Net Revenues:						
Weather (compared to normal)	\$ 15.9	\$ —	\$ 11.1	\$ —	\$ —	\$ 27.0
Gas costs and other changes	14.6	—	(1.3)	—	—	13.3
Third party buyout of bankruptcy claim	—	8.9	—	—	—	8.9
Total Impact — Net Revenues	30.5	8.9	9.8	—	—	49.2
Operating Expenses:						
Operation and Maintenance Expenses —						
Restructuring, transition and consulting charges (outsourcing initiative)	(49.4)	(12.8)	(8.4)	(1.4)	(10.8)	(82.8)
Insurance recoveries, legal and other reserves	(0.4)	(1.5)	(2.9)	1.8	—	(3.0)
Asset Impairment	(10.9)	—	—	—	(10.9)	(21.8)
(Loss) Gain on Sale of Assets	(1.6)	0.2	0.4	0.6	—	(0.4)
Property and Sales tax adjustments	5.8	—	2.3	—	—	8.1
Total Impact — Operating Expenses	(56.5)	(14.1)	(8.6)	1.0	(21.7)	(99.9)
Total Impact — Operating Income (Loss)	\$ (26.0)	\$ (5.2)	\$ 1.2	\$ 1.0	\$ (21.7)	\$ (50.7)
Operating Income (Loss) — GAAP	\$ 368.2	\$ 344.4	\$ 293.3	\$ (12.3)	\$ (41.0)	\$ 952.6

NiSource Inc.
Income Statement (GAAP)
(unaudited)

<i>(in millions, except per share amounts)</i>	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2006	2005	2006	2005
Net Revenues				
Gas Distribution	\$1,192.9	\$1,732.0	\$4,189.3	\$4,600.4
Gas Transportation and Storage	289.4	279.0	1,033.2	1,000.0
Electric	314.2	302.0	1,299.2	1,248.6
Other	253.1	381.0	968.3	1,046.8
Gross Revenues	2,049.6	2,694.0	7,490.0	7,895.8
Cost of Sales (excluding depreciation and amortization)	1,178.4	1,820.3	4,365.4	4,749.2
Total Net Revenues	871.2	873.7	3,124.6	3,146.6
Operating Expenses				
Operation and maintenance	399.8	345.8	1,389.5	1,326.5
Depreciation and amortization	137.9	137.5	549.2	544.2
Impairment and loss on sale of assets	0.4	1.7	4.1	22.2
Other taxes	76.8	86.2	289.5	301.3
Total Operating Expenses	614.9	571.2	2,232.3	2,194.2
Equity Earnings (Loss) in Unconsolidated Affiliates	(13.1)	0.1	(12.3)	0.2
Operating Income	243.2	302.6	880.0	952.6
Other Income (Deductions)				
Interest expense, net	(102.5)	(108.2)	(387.4)	(420.1)
Dividend requirement on preferred stock of subsidiaries	—	(1.0)	(1.1)	(4.2)
Other, net	0.4	7.6	(6.5)	14.0
Loss on early extinguishment of long-term debt	—	(108.6)	(0.7)	(108.6)
Total Other Income (Deductions)	(102.1)	(210.2)	(395.7)	(518.9)
Income From Continuing Operations Before Income Taxes and Cumulative Effect of Change in Accounting Principle	141.1	92.4	484.3	433.7
Income Taxes	48.7	19.5	170.8	149.6
Income From Continuing Operations Before Cumulative Effect of Change in Accounting Principle	92.4	72.9	313.5	284.1
Loss from Discontinued Operations — net of taxes	(29.5)	(0.3)	(31.7)	(20.8)
Gain (Loss) on Disposition of Discontinued Operations — net of taxes	(0.4)	(4.3)	—	43.5
Income Before Change in Accounting Principle	62.5	68.3	281.8	306.8
Cumulative Effect of Change in Accounting Principle — net of taxes	—	(0.3)	0.4	(0.3)
Net Income	\$ 62.5	\$ 68.0	\$ 282.2	\$ 306.5
Basic Earnings Per Share (\$)				
Continuing operations	0.34	0.27	1.15	\$ 1.05
Discontinued operations	(0.11)	(0.02)	(0.11)	0.08
Basic Earnings Per Share	0.23	0.25	1.04	1.13
Diluted Earnings Per Share (\$)				
Continuing operations	0.33	0.27	1.14	\$ 1.04
Discontinued operations	(0.11)	(0.02)	(0.11)	0.08
Diluted Earnings Per Share	0.22	0.25	1.03	1.12
Dividends Declared Per Common Share (\$)	0.23	0.23	0.92	\$ 0.92
Basic Average Common Shares Outstanding (millions)	272.9	271.9	272.6	271.3
Diluted Average Common Shares (millions)	274.0	273.5	273.4	273.0

NiSource Inc.
Consolidated Balance Sheets
(unaudited)

As of December 31, *(in millions)*

2006

2005

ASSETS

Property, Plant and Equipment

Utility Plant	\$17,194.9	\$16,684.4
Accumulated depreciation and amortization	(7,850.0)	(7,556.8)
Net utility plant	9,344.9	9,127.6
Other property, at cost, less accumulated depreciation	349.6	426.7
Net Property, Plant and Equipment	9,694.5	9,554.3

Investments and Other Assets

Assets of discontinued operations and assets held for sale	43.0	34.6
Unconsolidated affiliates	59.6	75.0
Other investments	116.1	114.2
Total Investments	218.7	223.8

Current Assets

Cash and cash equivalents	33.1	69.4
Restricted cash	142.5	33.9
Accounts receivable (less reserve of \$42.1 and \$67.9, respectively)	866.3	1,254.6
Gas inventory	550.5	526.9
Underrecovered gas and fuel costs	163.2	421.8
Materials and supplies, at average cost	89.0	72.0
Electric production fuel, at average cost	63.9	24.9
Price risk management assets	237.7	183.1
Exchange gas receivable	252.3	169.8
Regulatory assets	272.7	195.0
Prepayments and other	111.7	109.3
Total Current Assets	2,782.9	3,060.7

Other Assets

Price risk management assets	49.9	192.9
Regulatory assets	1,127.3	586.3
Goodwill	3,677.3	3,677.3
Intangible assets	435.7	495.8
Deferred charges and other	170.2	167.4
Total Other Assets	5,460.4	5,119.7
Total Assets	\$18,156.5	\$17,958.5

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

As of December 31, (in millions, except share amounts)

2006

2005

CAPITALIZATION AND LIABILITIES

Capitalization

Common stock equity

Common stock — \$0.01 par value, 400,000,000 shares authorized; 273,654,180 and 272,622,905 shares issued and outstanding, respectively

	\$ 2.7	\$ 2.7
Additional paid-in-capital	3,998.3	3,969.4
Retained earnings	1,012.9	981.6
Accumulated other comprehensive income (loss)	20.9	(5.6)
Treasury stock	(21.2)	(15.1)
Total common stock equity	5,013.6	4,933.0
Preferred stocks—Series without mandatory redemption provisions	—	81.1
Long-term debt, excluding amounts due within one year	5,146.2	5,271.2
Total Capitalization	10,159.8	10,285.3

Current Liabilities

Current portion of long-term debt	93.3	440.7
Short-term borrowings	1,193.0	898.0
Accounts payable	713.1	866.7
Dividends declared on common and preferred stocks	—	1.1
Customer deposits	108.4	101.9
Taxes accrued	196.0	217.5
Interest accrued	107.1	86.2
Overrecovered gas and fuel costs	126.7	25.8
Price risk management liabilities	259.4	72.3
Exchange gas payable	396.6	425.2
Deferred revenue	55.9	51.3
Regulatory liabilities	40.7	46.3
Accrued liability for postretirement and postemployment benefits	4.7	61.1
Other accruals	526.3	549.1
Total Current Liabilities	3,821.2	3,843.2

Other Liabilities and Deferred Credits

Price risk management liabilities	38.2	22.2
Deferred income taxes	1,553.7	1,591.9
Deferred investment tax credits	61.5	69.9
Deferred credits	119.3	81.1
Deferred revenue	21.9	60.4
Accrued liability for postretirement and postemployment benefits	799.5	511.0
Liabilities of discontinued operations and liabilities held for sale	11.9	—
Regulatory liabilities and other removal costs	1,253.8	1,196.2
Asset retirement obligations	131.6	119.8
Other noncurrent liabilities	184.1	177.5
Total Other Liabilities and Deferred Credits	4,175.5	3,830.0

Commitments and Contingencies

	—	—
Total Capitalization and Liabilities	\$18,156.5	\$17,958.5

NiSource Inc.
Other Information
(unaudited)

<i>As of December 31, (in millions, except share amounts)</i>	2006	2005
Total Common Stock Equity	\$ 5,013.6	\$ 4,933.0
Shares Outstanding (thousands)	273,654	272,623
Book Value of Common Shares	\$ 18.32	\$ 18.09

NiSource Inc.
Statements of Consolidated Cash Flow
(unaudited)

Twelve Months Ended December 31, <i>(in millions)</i>	2006	2005
Operating Activities		
Net income	\$ 282.2	\$ 306.5
Adjustments to reconcile net income to net cash from continuing operations:		
Loss on early redemption of preferred stock	0.7	—
Loss on early extinguishment of debt	—	108.6
Depreciation and amortization	549.2	544.2
Net changes in price risk management assets and liabilities	(10.9)	(41.0)
Deferred income taxes and investment tax credits	(113.4)	(16.7)
Deferred revenue	(34.0)	(6.6)
Stock compensation expense	6.9	6.8
Loss (Gain) on sale of assets	(1.1)	0.4
Loss on impairment of assets	5.2	21.8
Cumulative effect of change in accounting principle, net of taxes	(0.4)	0.3
Loss (Income) from unconsolidated affiliates	8.4	(4.7)
Gain on sale of discontinued operations	—	(43.5)
Loss from discontinued operations	31.7	20.8
Amortization of discount/premium on debt	7.7	17.5
AFUDC	(2.0)	(3.2)
Changes in assets and liabilities:		
Accounts receivable	407.7	(358.9)
Inventories	(71.7)	(71.1)
Accounts payable	(176.4)	205.7
Customer deposits	6.4	9.7
Taxes accrued	(29.9)	21.3
Interest accrued	20.9	6.3
(Under) Overrecovered gas and fuel costs	359.5	(117.6)
Exchange gas receivable/payable	(111.2)	88.0
Other accruals	11.9	19.9
Prepayments and other current assets	(2.8)	(13.2)
Regulatory assets/liabilities	42.4	(45.7)
Postretirement and postemployment benefits	(65.8)	50.1
Deferred credits	8.7	6.7
Deferred charges and other noncurrent assets	18.4	(2.8)
Other noncurrent liabilities	5.8	20.1
Net Operating Activities from Continuing Operations	1,154.1	729.7
Net Operating Activities from or (used for) Discontinued Operations	4.8	(17.4)
Net Cash Flows from Operating Activities	1,158.9	712.3
Investing Activities		
Capital expenditures	(640.1)	(590.4)
Proceeds from disposition of assets	21.6	7.5
Restricted cash	(114.3)	28.1
Other investing activities	(2.4)	(17.2)
Net Investing Activities used for Continuing Operations	(735.2)	(572.0)
Net Investing Activities used for Discontinued Operations	—	(0.1)
Net Cash Flows used for Investing Activities	(735.2)	(572.1)
Financing Activities		
Issuance of long-term debt	0.9	1,907.9
Retirement of long-term debt	(438.7)	(2,372.5)
Premium on debt retirement	—	(14.2)
Change in short-term debt	295.0	590.4
Retirement of preferred stock	(81.1)	—
Issuance of common stock	21.9	40.0
Acquisition of treasury stock	(6.0)	(1.6)
Dividends paid — common stock	(252.0)	(250.3)
Net Cash Flows (used for) or from Financing Activities	(460.0)	(100.3)
Increase (Decrease) in cash and cash equivalents	(36.3)	39.9
Cash and cash equivalents at beginning of year	69.4	29.5
Cash and cash equivalents at end of period	\$ 33.1	\$ 69.4

Supplemental Disclosures of Cash Flow Information

Cash paid for interest	\$ 370.0	\$ 404.5
Interest capitalized	11.1	3.2
Cash paid for income taxes	288.2	101.4



