

2012 NiSource
ANNUAL MESSAGE
TO STOCKHOLDERS



NYSE: NI
50 YEARS
ON THE NYSE

NIPSCO
100-YEAR
ANNIVERSARY

NISOURCE
STOCK REACHED
A 10-YEAR HIGH
IN 2012

ON WEDNESDAY, AUG. 1, 2012, A GROUP OF NISOURCE EMPLOYEES JOURNEYED TO NEW YORK CITY TO RING THE CLOSING BELL AT THE NEW YORK STOCK EXCHANGE (NYSE). IN ADDITION TO CELEBRATING 50 YEARS ON THE NYSE, NIPSCO COMMEMORATED ITS 100TH ANNIVERSARY.

2012 PERFORMANCE HIGHLIGHTS

- **NON-GAAP* EARNINGS PER SHARE OF \$1.46, AN INCREASE OF 10.6 PERCENT OVER 2011**
- **TOTAL SHAREHOLDER RETURN OF 8.5 PERCENT, EXCEEDING BOTH THE DOW JONES AND S&P UTILITY INDICES FOR THE FOURTH STRAIGHT YEAR**
- **FOUR PERCENT COMMON STOCK DIVIDEND INCREASE, OUR FIRST IN MORE THAN A DECADE**
- **EXECUTED ON A RECORD \$1.6 BILLION CAPITAL INVESTMENT PROGRAM**
- **REACHED A LANDMARK AGREEMENT TO MODERNIZE OUR GAS TRANSMISSION NETWORK**
- **ADVANCED PROGRAMS FOR SYSTEMATICALLY MODERNIZING OUR CORE ENERGY INFRASTRUCTURE**
- **LEVERAGED OUR STRATEGIC POSITION IN DEVELOPING SHALE PRODUCTION AREAS**
- **DEMONSTRATED ONGOING FINANCIAL AND OPERATIONAL DISCIPLINE, CLOSING THE YEAR WITH NEARLY \$1 BILLION IN NET AVAILABLE LIQUIDITY**
- **IDENTIFIED A LONG-TERM INVESTMENT INVENTORY OF MORE THAN \$25 BILLION IN GROWTH AND INFRASTRUCTURE MODERNIZATION OPPORTUNITIES**
- **ADDED VETERAN ENERGY INDUSTRY EXECUTIVES JIM STANLEY (NIPSCO) AND JOE HAMROCK (NISOURCE GAS DISTRIBUTION) TO OUR SENIOR LEADERSHIP TEAM**

** FOR A RECONCILIATION TO GAAP, SEE SCHEDULE 1 OF NISOURCE'S FEB. 19, 2012 EARNINGS RELEASE.*

A LETTER FROM NISOURCE'S PRESIDENT & CEO

FELLOW SHAREHOLDERS:

I'm pleased to report that 2012 was another year of consistent, disciplined execution across all facets of NiSource's well-established business strategy.

Anchored by a deep and growing inventory of infrastructure-focused capital investments, our strategy continues to produce value for our shareholders and tangible benefits for customers and other key stakeholders across our three core business units.

As you will see throughout this year's annual report, 2012 was a year in which our Team added to its established track record of delivering results:

- We successfully advanced a broad array of initiatives to strengthen our energy infrastructure, improve customer service and enhance environmental sustainability;
- We generated annual earnings per share in line with our guidance for the sixth consecutive year;
- We produced total shareholder returns that outperformed utility indices for the fourth consecutive year; and
- We increased our common stock dividend for the first time in more than a decade.

A number of key achievements fueled this performance, including strong execution of our industry-leading infrastructure modernization programs at our gas utilities, solid progress on significant environmental investments in our Indiana electric business, and the completion of a number of growth projects at our natural gas pipeline unit.

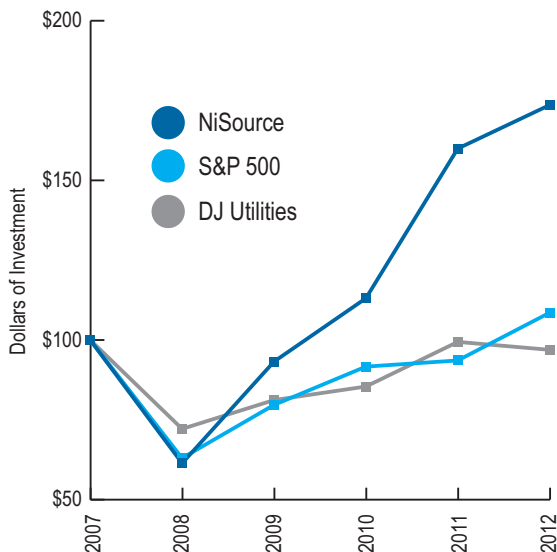
Our momentum from these achievements and others has continued to build in 2013. Of particular significance is the approval and initial implementation of a landmark infrastructure modernization program developed in 2012



ROBERT C. SKAGGS, JR.
PRESIDENT & CEO

BUILDING LONG-TERM SUSTAINABLE GROWTH

STOCK PRICE PERFORMANCE



	NI	S&P 500	DJ UTILITIES
2012	173.60	108.56	96.93
2011	159.96	93.60	99.41
2010	113.07	91.67	85.43
2009	93.23	79.67	81.19
2008	61.41	63.01	72.16
2007	100.0	100.0	100.0

by our largest gas pipeline, Columbia Gas Transmission. Another indication of our continuing progress is that NiSource's stock price reached a 10-year high in 2012, and continues to remain solid in early 2013.

DELIVERING ON AN ENHANCED INVESTMENT STRATEGY

As I noted above, the foundation of NiSource's success over the last several years has been our Team's demonstrated ability to execute on a broad and growing inventory of infrastructure-focused capital investment opportunities. In 2012, those capital investments reached nearly \$1.6 billion.

Throughout this report, you'll see how we are continuing to enhance and expand that investment portfolio, leading to our record capital investment program of about \$1.8 billion in 2013.

And, our investment opportunities extend well into the future. We have identified an inventory of accretive infrastructure investments spanning the next two decades that total \$25 billion to \$30 billion.

Our Team is intently focused on executing on these opportunities in a thoughtful, disciplined and transparent fashion. As we do so, we expect to achieve:

- An annual capital investment run-rate targeting \$1.5 billion to \$1.8 billion;
- Sustained annual earnings growth of 5 to 7 percent; and
- An annual dividend growth rate of 3 to 5 percent.

AN ESTABLISHED TRACK RECORD OF EXECUTION

LANDMARK PIPELINE MODERNIZATION PROGRAM

Our natural gas transmission modernization settlement – and its subsequent approval by the Federal Energy Regulatory Commission – was a signature achievement for Executive Vice President and Group CEO Jimmy Staton and the Team at Columbia Pipeline Group (CPG) – formerly NiSource Gas Transmission & Storage.

The settlement, the first of its kind in the interstate pipeline industry, establishes a clear path forward for enhancing the ongoing safety, reliability and flexibility of the Columbia Gas Transmission pipeline system. It provides an identified project stream under the modernization program, as well as a balanced and transparent recovery mechanism for our investments, which are ultimately expected to exceed \$4 billion.

We believe this investment opportunity is a classic win-win for our customers, the company and our other key constituencies. Look for additional information about our modernization program elsewhere in this report.

SUPPLY- & MARKET-DRIVEN GROWTH

Our CPG Team also is hard at work developing and executing on a wide range of supply- and market-driven growth opportunities – many of which are driven by our strategic asset position in the developing Utica and Marcellus Shale production areas.

By investing in new pipeline and compression facilities – and in some cases modifying our existing facilities – we’re adding additional system capacity and flexibility to enable competitively priced shale supplies to reach existing and new markets. In fact, during 2012, we had more than \$500 million of these projects either completed or in-progress.



DOING THE RIGHT THING

NISOURCE’S MODERNIZATION PROGRAMS ARE PARTICULARLY IMPORTANT GIVEN THE GROWING PUBLIC FOCUS ON PIPELINE SAFETY. ALTHOUGH OUR COMPANIES HAVE STRONG AND WELL-ESTABLISHED SAFETY RECORDS, SEVERAL RECENT INDUSTRY INCIDENTS – INCLUDING ONE INVOLVING OUR COLUMBIA GAS OF MASSACHUSETTS UTILITY AND ONE INVOLVING A COLUMBIA GAS TRANSMISSION PIPELINE IN WEST VIRGINIA – SERVE TO UNDERSCORE THE CRITICAL IMPORTANCE OF PIPELINE SAFETY AND VALIDATE NISOURCE’S INFRASTRUCTURE MODERNIZATION STRATEGY.

FROM OUR DAY-TO-DAY FOCUS ON REGULATORY COMPLIANCE, TO OUR LONG-TERM COMMITMENT TO INVEST IN AND MAINTAIN SYSTEM INTEGRITY, WE ARE FIRMLY COMMITTED TO DOING THE RIGHT THING TO ENSURE THE SAFETY AND RELIABILITY OF OUR FACILITIES AND SYSTEMS.

A GROUNDBREAKING PIPELINE MODERNIZATION PROGRAM

LONG-TERM INFRASTRUCTURE ENHANCEMENTS

DURING 2012, COLUMBIA GAS TRANSMISSION ADVANCED A LONG-TERM PLAN TO SYSTEMATICALLY ENHANCE THE SAFETY, RELIABILITY AND FLEXIBILITY OF ITS 12,000-MILE SYSTEM.

THIS LANDMARK PROGRAM INCLUDES AN INVENTORY OF PROJECTS SPANNING UP TO 15 YEARS AND REQUIRING AN OVERALL INVESTMENT OF MORE THAN \$4 BILLION. EARLIER THIS YEAR, THE FEDERAL ENERGY REGULATORY COMMISSION APPROVED A CUSTOMER SETTLEMENT OUTLINING THE INITIAL FIVE YEARS OF THE PROGRAM – ENCOMPASSING \$1.5 BILLION IN INVESTMENTS. THIS IS IN ADDITION TO APPROXIMATELY \$100 MILLION IN ANNUAL ONGOING MAINTENANCE INVESTMENTS.

IN TOTAL, THIS GROUNDBREAKING PROGRAM WILL:

- REPLACE ABOUT 1,000 MILES OF NATURAL GAS TRANSMISSION PIPELINE
- REPLACE OR MODERNIZE MORE THAN 50 CRITICAL COMPRESSOR UNITS
- INCREASE SYSTEM RELIABILITY BY UPGRADING OR LOOPING SYSTEMS TO SUPPORT CRITICAL MARKETS
- IMPROVE THE COMPANY'S ABILITY TO PERFORM STATE-OF-THE-ART MAINTENANCE AND IN-LINE INSPECTIONS
- SPUR JOB CREATION AND ECONOMIC DEVELOPMENT, INCLUDING THE DIRECT CREATION OF MORE THAN 7,000 MODERNIZATION-RELATED JOBS
- HELP ASSURE THE CONTINUED SAFE, RELIABLE AND EFFICIENT OPERATION OF THE COMPANY'S PIPELINE SYSTEM FOR GENERATIONS TO COME

IN APRIL 2012, U.S. SECRETARY OF TRANSPORTATION RAY LAHOOD RECOGNIZED NISOURCE'S PIPELINE INFRASTRUCTURE MODERNIZATION AND REPLACEMENT INVESTMENT PLANS AT AN EVENT IN PITTSBURGH, PA.

SOLID OPERATIONAL & FINANCIAL PERFORMANCE

A prime example of the game-changing nature of emerging shale gas supplies are CPG's East Side Expansion and West Side Expansion projects, which together represent about \$400 million in total investments providing about 800,000 dekatherms per day in new transportation capacity.

The East Side Expansion will reconfigure existing pipeline and compressor facilities to add about 300,000 dekatherms per day of capacity to serve Northeast and Mid-Atlantic markets. The West Side Expansion will reverse the flow of one leg of our Columbia Gulf system stretching from the Gulf Coast to Appalachia. This will enable shale gas supplies to reach growing Southeast markets and supports potential Gulf Coast liquefied natural gas (LNG) export opportunities.

MINERALS & MIDSTREAM OPPORTUNITIES

As a complement to our core pipeline growth and modernization strategy, we also are executing on a number of midstream pipeline and gas processing investments that leverage our production-area asset position.

One of these projects, the Big Pine Gathering System, leverages existing rights-of-way to provide new midstream transportation service to an underserved, hydrocarbon-rich area of the Marcellus Shale in western Pennsylvania. Anchored by a long-term agreement with XTO Energy Inc., the \$160 million project commenced an initial phase of service in late 2012 and will eventually provide up to 425 million cubic feet per day of capacity, with interconnections to multiple interstate pipeline markets.

Another significant midstream project launched in 2012 involves Pennant Midstream LLC, a joint venture with affiliates of Hilcorp Energy Company to develop pipeline and processing facilities in the Utica Shale region of



IN 2013, NISOURCE GAS TRANSMISSION & STORAGE REBRANDED ITSELF AS THE COLUMBIA PIPELINE GROUP. THE CHANGE LEVERAGES THE HISTORIC STRENGTH OF OUR COLUMBIA GAS TRANSMISSION AND COLUMBIA GULF BRANDS, AND THE TRADITION OF SERVICE AND RELIABILITY THEY REPRESENT.

MARKET- & SUPPLY-DRIVEN PROJECTS



northeast Ohio and western Pennsylvania. NiSource is responsible for about \$150 million of the project's first investment phase, which will provide about 400 million cubic feet per day of additional gathering capacity and 200 million cubic feet per day in processing capacity. The project is expected to be in service in the second half of 2013, with future expansions anticipated as producer activity in the area develops.

Concurrent with our Pennant project, we entered into a separate joint arrangement with Hilcorp to develop the hydrocarbon potential on more than 100,000 combined acres in the Utica/Point Pleasant Shale formation. NiSource will invest alongside Hilcorp in the development of the acreage, owning both a working and overriding royalty interest. Notably, all of the Hilcorp/NiSource acreage is dedicated to the Pennant Midstream project.

Hilcorp completed several test wells in the combined acreage area during 2012, with encouraging early indications consistent with other active wells in the area. We anticipate additional drilling in the area during 2013, subject to continued scientific analysis and delineation of the northeast Utica Shale play.

As you can see, our CPG Team is maintaining a sharp focus on core growth and modernization projects while pursuing a number of value-adding midstream projects. This measured approach is designed to meet the evolving needs of the marketplace – ensuring the reliability, integrity and modernization of our infrastructure – while leveraging our assets and minerals position in the shale basins.

A DEEP INVENTORY OF INVESTMENT OPPORTUNITIES

MARKING 100 YEARS OF PROGRESS AT NIPSCO

For Northern Indiana Public Service Co. (NIPSCO), 2012 marked the company's 100th anniversary and another year of solid progress on the company's plan to deliver on core customer, reliability and environmental initiatives, while maintaining a sharp focus on long-term investment and growth.

Under the direction of new Executive Vice President and Group CEO Jim Stanley, NIPSCO continued to produce strong operating performance, including reaching an all-time record peak electric load of more than 3,700 megawatts on June 28, 2012. NIPSCO also continued to introduce new customer programs, including an air-conditioning cycling program, a green power rate program and new incentives for customers who drive electric vehicles.

Most notably, NIPSCO remains on track with significant multi-year environmental investments at our electric generation facilities. The company's more than \$500 million flue gas desulfurization (FGD) project at its Schahfer Generating Station remains on budget and on schedule to be placed into service in 2014. NIPSCO also has begun work on a \$250 million FGD project at its Michigan City Generating Station. These investments help promote cleaner air and long-term environmental compliance, and generate hundreds of local jobs and other economic benefits in NIPSCO's service area.

NIPSCO also is actively developing two significant electric transmission projects. These projects, slated for development later this decade, will reduce system congestion and strengthen the Midwest's electrical infrastructure. With investments totaling about \$500 million, these projects likewise will generate hundreds of construction jobs and other economic benefits for Indiana.

Looking ahead, NIPSCO is advancing a long-term strategy – with corresponding regulatory and legislative

NIPSCO ¹⁹¹²**100**
YEARS
2012



SUPPORTING NEIGHBORS IN NEED

WHILE SUPERSTORM SANDY BATTERED THE EAST COAST WITH 80-MPH WINDS AND 13-FOOT OCEAN SURGES IN LATE OCTOBER 2012, SOME COLUMBIA GAS AND NIPSCO EMPLOYEES KNEW THEY WOULD SOON BE HEADED EAST IN SUPPORT OF UTILITIES HIT BY SANDY.

EIGHTY NIPSCO EMPLOYEES AND MORE THAN 40 COLUMBIA GAS EMPLOYEES HELPED RESTORE ELECTRICITY AND NATURAL GAS SERVICE. LINEMEN, CONSTRUCTION COORDINATORS, SERVICE TECHNICIANS AND OTHERS VOLUNTEERED DESPITE KNOWING DAYS WOULD BE LONG, CONDITIONS TOUGH AND HOLIDAY ACTIVITIES WITH FAMILY AND FRIENDS WOULD BE PUT ON HOLD.

ELECTRIC TRANSMISSION INFRASTRUCTURE ENHANCEMENTS

IMPROVING INDIANA'S ELECTRIC SYSTEM

NIPSCO'S ELECTRIC SERVICE TERRITORY AND ASSETS ARE STRATEGICALLY LOCATED ON THE SEAM BETWEEN TWO MAJOR ELECTRIC TRANSMISSION OPERATING AREAS – THE MIDWEST INDEPENDENT TRANSMISSION SERVICE ORGANIZATION (MISO) AND THE PJM INTERCONNECTION (PJMI). BASED ON THE SIGNIFICANT AND GROWING NEED TO MOVE ELECTRICITY FROM WEST TO EAST, THERE IS AN INCREASED DEMAND FOR AN ELECTRIC TRANSMISSION SUPERHIGHWAY.

ALTHOUGH NIPSCO DOES NOT PLAN TO BUILD THE SUPERHIGHWAY, WE ARE WELL ON OUR WAY TO BUILD THE NECESSARY ON-RAMPS, OFF-RAMPS AND LOOPS FOR THAT SYSTEM. THIS OPPORTUNITY WILL SERVE TO REDUCE CONGESTION AND PROVIDE INCREASED ACCESS TO VARIOUS SOURCES OF ELECTRIC GENERATION, INCLUDING RENEWABLES. WE BELIEVE THIS TRANSMISSION INVESTMENT COULD REACH UP TO \$1 BILLION FOR NIPSCO OVER THE NEXT DECADE.

IN 2012 NIPSCO OUTLINED TWO APPROVED ELECTRIC TRANSMISSION PROJECTS THAT ARE PART OF THE MISO MULTI-VALUE INITIATIVE – A MULTI-STATE EFFORT TO STRENGTHEN THE ELECTRIC TRANSMISSION SYSTEM SERVING THE MIDWEST. THE TWO PROJECTS, INVOLVING AN INVESTMENT OF MORE THAN \$500 MILLION OVER THE NEXT FIVE-TO-SEVEN YEARS WILL CREATE JOBS, ENHANCE SYSTEM RELIABILITY, OFFER ENVIRONMENTAL BENEFITS AND IMPROVE ACCESS TO LOWER COST ELECTRICITY.

REYNOLDS TO TOPEKA PROJECT

- 100-MILE, 345-KV TRANSMISSION PROJECT
- APPROXIMATELY A \$270 MILLION INVESTMENT
- PUBLIC OUTREACH AND ROUTE SELECTION: 2013
- CONSTRUCTION TO BEGIN: 2015
- PROJECTED IN SERVICE: 2018

REYNOLDS TO GREENTOWN PROJECT

- 50/50 JOINT PROJECT
- 66-MILE, 765-KV TRANSMISSION PROJECT
- \$300 – \$400 MILLION INVESTMENT
(NI PORTION: \$150 – \$200 MILLION)
- PROJECTED IN SERVICE: LATTER PORTION OF DECADE

A GROWING INFRASTRUCTURE INVESTMENT INVENTORY

initiatives – to modernize the company’s core electric transmission and distribution infrastructure. This effort is designed to support the accelerated replacement of transformers, poles, lines and other equipment. On the legislative front, the NIPSCO Team – together with other state utilities – is working tirelessly to advance legislation that would improve the efficiency of the regulatory process, as well as the framework for recovering costs associated with these ongoing infrastructure investments.

All told, 2012 represented another outstanding year of progress that positions NIPSCO to be a strong and vibrant partner in northern Indiana’s progress for generations to come.

INDUSTRY-LEADING GAS UTILITY MODERNIZATION PROGRAMS

Under the direction of new Executive Vice President and Group CEO Joe Hamrock, our NiSource Gas Distribution (NGD) unit continues to deliver strong results from a well-established strategy of aligning long-term infrastructure modernization programs with complementary customer programs and regulatory initiatives.

In total, we invested nearly \$400 million in these infrastructure programs during 2012. And these investments were in addition to about \$250 million in distribution system growth and maintenance investments. Over time, we expect the inventory of gas distribution modernization projects across our NGD service territory to total more than \$10 billion.

Utility investments on this scale call for efficient and innovative regulatory approaches. And on that front, our NGD Team continues to make solid progress.



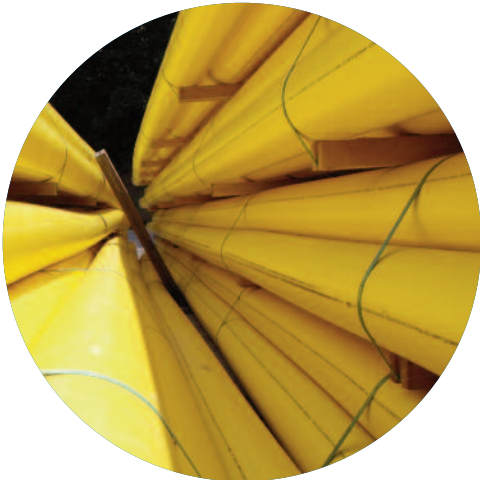
MORE ACCURATE METER READING

AUTOMATED METER READING (AMR) DEVICES ENABLE OUR UTILITIES TO OBTAIN ACCURATE METER READINGS REMOTELY. THROUGH A WIRELESS TRANSMISSION, WE ARE ABLE TO READ METERS AND TRANSMIT THE DATA DIRECTLY TO OUR BILLING SYSTEM.

NI SOURCE GAS DISTRIBUTION COMPANIES HAVE BEEN REPLACING MANUAL-READ METERS WITH AMR DEVICES THROUGHOUT THE LAST FIVE YEARS. AS OF THE END OF 2012, AMR DEVICES WERE INSTALLED IN APPROXIMATELY 70 PERCENT OF OUR GAS CUSTOMERS’ METERS.

IN 2012, NIPSCO WILL BEGIN TO PILOT AMR DEVICES. A \$90 MILLION INVESTMENT, THE DEVICES WILL BE INSTALLED ON ALL 900,000 GAS AND ELECTRIC METERS BY 2016. THE TECHNOLOGY WILL ALLOW A METER READER TO COLLECT APPROXIMATELY 6,300 READINGS IN FOUR HOURS, COMPARED TO 300 READINGS NOW.

SOLID LONG-TERM TRAJECTORY TO GROW EARNINGS



GAS DISTRIBUTION MODERNIZATION

INFRASTRUCTURE MODERNIZATION PROJECTS ACROSS MUCH OF THE NGD TERRITORY CONTINUE TO GENERATE VALUE FOR STAKEHOLDERS AND SUSTAINABLE EARNINGS GROWTH. SUPPORTED BY REGULATORY INITIATIVES INTEGRATED WITH CUSTOMER PROGRAMS DESIGNED TO REDUCE ENERGY CONSUMPTION AND LOWER OVERALL BILLS, NISOURCE INVESTED NEARLY \$400 MILLION IN THESE INFRASTRUCTURE PROGRAMS IN 2012.

THIS MORE THAN \$10 BILLION LONG-TERM PROGRAM INCLUDES REPLACING AGING PIPELINES WITH MORE CORROSION-RESISTANT MATERIALS, INCLUDING COATED STEEL AND PLASTIC.

For example, the Columbia Gas of Virginia Team played a key role in advancing that state’s Natural Gas Infrastructure Expansion for Economic Development – or NEED – legislation during 2012, as well as legislation enacted early this year permitting gas utilities to defer costs associated with system integrity programs for recovery in future rate cases.

In Maryland, the Team helped advance legislation that will permit gas utilities to file a pipeline modernization plan to recover costs associated with projected infrastructure replacement projects through a surcharge on customer bills. The new legislation is expected to take effect June 1, 2013.

In terms of rate case activity, in late 2012, Columbia Gas of Massachusetts received a base rate case order resulting in an annual revenue increase of about \$8 million. And most recently, Columbia Gas of Pennsylvania filed a unanimous settlement with the parties in its 2012 base rate case. The settlement, pending Pennsylvania Public Utility Commission approval, increases annual revenues by about \$55 million. Notably, the case includes a simplified residential rate design that includes a weather normalization adjustment and full recovery of safety-related expenditures. Columbia Gas of Pennsylvania is the first utility in the state to establish rates based on investments and expenses as reflected in a fully forecasted test year, consistent with Pennsylvania’s recently enacted Act 11.

Again, our NGD game plan is well-established, straightforward and clear – sustained growth through long-term infrastructure investments supported by customer programs and progressive regulatory models.

CONTINUED GROWTH IN 2013 AND BEYOND

Based on the demonstrated strength of NiSource’s business strategy – and the continued solid execution of that plan by our Teams – we are committed to long-term earnings growth in the range of 5 to 7 percent per year.

NISOURCE: A COMPELLING INVESTMENT

As I noted earlier, fueling this growth will be our record \$1.8 billion capital investment program, nearly three-fourths of which is comprised of value-adding growth and modernization investments. While the plan reflects a fairly significant increase over 2012, the largest increase for 2013 relates to the modernization and growth initiatives at our pipeline group – adding to a foundation of growth and environmental investments at our other two business units. We are convinced that these investments will enhance and strengthen the long-term value of our assets.

As we continue to execute our investment-driven business strategy, I can assure you that we will remain balanced, disciplined and transparent in our approach, including the means by which we fund our capital requirements. A key part of that approach remains an unequivocal commitment to maintain NiSource's investment-grade credit ratings.

Before I close, I want to recognize the significant service and wise counsel of our Board Chairman Ian Rolland, who after 35 years of service is retiring from the NiSource Board of Directors. Ian has provided our Board with unwavering leadership, a strong moral compass and a balanced, long-term focus on the interests of our shareholders and other key constituencies. I deeply appreciate Ian's service, his guidance and his continued friendship.

With the full support of our Board, I am convinced that we have a compelling game plan, and the resources and capabilities to continue to deliver on our commitments.

Thank you for your continued interest in NiSource. We value your support and remain committed to delivering continuing value for your investment.



Robert C. Skaggs, Jr.
President & CEO
NiSource Inc.

MANAGEMENT TEAM

ROBERT C. SKAGGS, JR.
PRESIDENT & CEO

STEPHEN P. SMITH
EXECUTIVE VICE PRESIDENT & CFO

CARRIE J. HIGHTMAN
EXECUTIVE VICE PRESIDENT & CLO

JOSEPH HAMROCK
EXECUTIVE VICE PRESIDENT & GROUP CEO
GAS DISTRIBUTION

JIM L. STANLEY
EXECUTIVE VICE PRESIDENT & GROUP CEO
NIPSCO

JIMMY D. STATON
EXECUTIVE VICE PRESIDENT & GROUP CEO
COLUMBIA PIPELINE GROUP

ROBERT D. CAMPBELL
SENIOR VICE PRESIDENT, HUMAN RESOURCES

GLEN L. KETTERING
SENIOR VICE PRESIDENT, CORPORATE AFFAIRS

VIOLET G. SISTOVARIS
SENIOR VICE PRESIDENT & CIO

LARRY J. FRANCISCO
VICE PRESIDENT, AUDIT

IAN ROLLAND'S ENDURING COMMITMENT TO NISOURCE

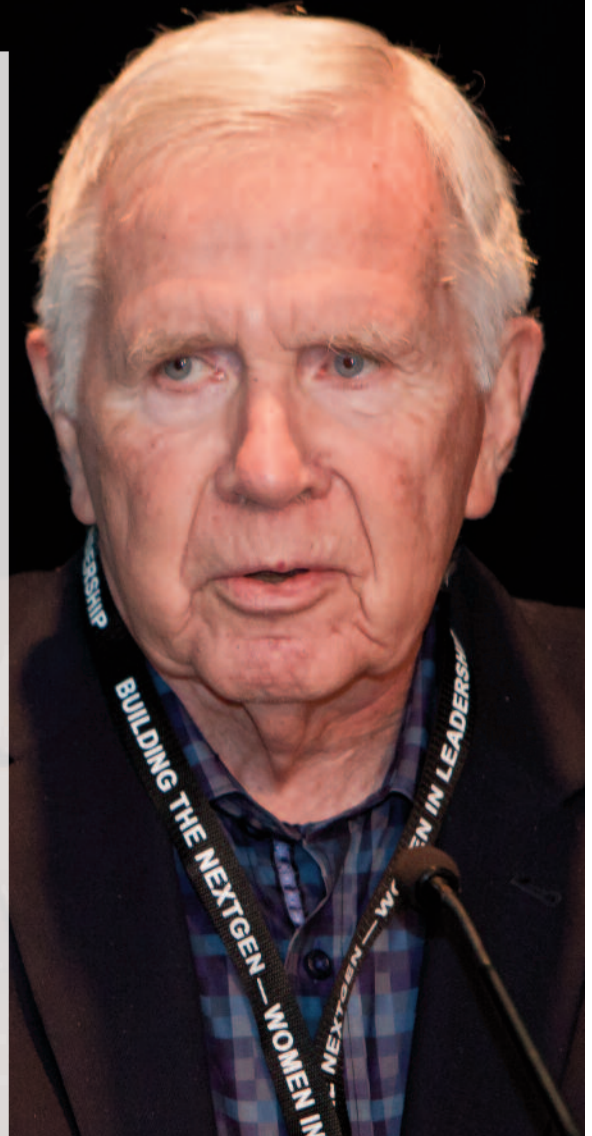
IAN ROLLAND, NISOURCE CHAIRMAN, ANNOUNCED HIS PLANS TO RETIRE FROM NISOURCE'S BOARD OF DIRECTORS, EFFECTIVE MAY 14, 2013. A MEMBER OF THE BOARD SINCE 1978, IAN HAS SERVED AS NISOURCE'S CHAIRMAN SINCE NOV. 2006.

SINCE IAN JOINED THE BOARD MORE THAN THREE DECADES AGO, THE COMPANY HAS EXPERIENCED SIGNIFICANT CHANGE, OPPORTUNITIES AND CHALLENGES. DURING THE MOST CHALLENGING TIMES, IAN SERVED AS A STABLE AND STRONG STEWARD OF CUSTOMER, SHAREHOLDER AND EMPLOYEE INTERESTS. MOST RECENTLY, HE AND THE BOARD HELPED NISOURCE NAVIGATE THE NATION'S DIFFICULT FINANCIAL LANDSCAPE AND POSITION THE COMPANY FOR SUSTAINABLE, LONG-TERM GROWTH.

IN APRIL 2012, INDIANA'S THEN GOVERNOR MITCH DANIELS BESTOWED IAN WITH THE STATE'S HIGHEST HONOR, THE SACHEM AWARD. THE GOVERNOR PROCLAIMED THAT IAN IS "ONE OF THE GREAT CITIZENS IN RECENT INDIANA HISTORY: A SUPERB BUSINESSMAN WHO CREATED JOBS BY THE THOUSANDS, A LEADER FOR CIVIL RIGHTS AND A HOST OF CIVIC CAUSES, A CHAMPION OF THE ENVIRONMENT AND CONSERVATION, AND ALWAYS AN EXEMPLAR OF THE HIGHEST STANDARDS OF PERSONAL INTEGRITY."

IN ADDITION TO HIS ROLE AS CHAIRMAN WITH NISOURCE, IAN SITS ON THE BOARDS OF MORE THAN A DOZEN NON-PROFIT AND CHARITABLE ORGANIZATIONS. AS A BUSINESSMAN, IAN HAS CREATED SIGNIFICANT POSITIVE ECONOMIC IMPACTS, AND IN HIS PRIVATE LIFE, HE HAS BEEN ACTIVE IN COMMUNITY ISSUES AS WIDE-RANGING AS SCHOOL DESEGREGATION, HISTORIC PRESERVATION AND PROTECTING THE ENVIRONMENT.

UNTIL HIS RETIREMENT IN 1998, IAN SERVED AS CHAIRMAN AND CHIEF EXECUTIVE OFFICER OF LINCOLN NATIONAL CORPORATION, A PROVIDER OF FINANCIAL PRODUCTS AND SERVICES.



IN NOV. 2012, IAN SPOKE TO A GROUP OF MORE THAN 170 WOMEN LEADERS AT NISOURCE ABOUT THE IMPORTANCE OF DIVERSITY IN A COMPANY'S SUCCESS. INCLUSION AND DIVERSITY REMAIN A STRONG PRIORITY OF IAN'S AND OF NISOURCE.

A LETTER FROM NISOURCE'S CHAIRMAN

As Bob's letter highlights, this was another solid year of progress for NiSource, its shareholders and other key stakeholders.

It also was a bittersweet year for me, as in May 2012, I announced I would retire from NiSource's Board of Directors at the completion of my current term in May 2013.

It has been my privilege to serve as a NiSource Board member for many years. With the benefit of that perspective, I can say without hesitation, that the Company is in the best position it's been in during my tenure and that its future prospects are bright.

I'm leaving the Board in good hands under the direction of incoming Chairman Richard Thompson, subject to his reelection at the 2013 Annual Meeting of Stockholders. Rich's strong business and financial knowledge, his unparalleled leadership integrity, and his deep understanding of NiSource's growth opportunities and challenges make him an excellent choice to serve as Chairman.

As I close out my formal role with NiSource, I am particularly proud of several key accomplishments of the Company and our Board during 2012, including:

- The Board's action to increase the dividend for the first time in more than 10 years, paired with its intention to grow the dividend on a consistent basis going forward. This, in combination with NiSource's commitment to sustainable earnings growth, reflects the Company's unwavering commitment to execute on its investment-based business strategy and continue to create shareholder value.
- Further development of an already-strong management team, including among others, the addition of veteran energy executives Joe Hamrock at NGD and Jim Stanley at NIPSCO.

"IAN PERSONIFIES WHAT IT MEANS TO 'DO THE RIGHT THING,' AND HE SERVES AS A TOWERING EXAMPLE FOR ALL OF US AT NISOURCE AS WE ASPIRE TO EXCELLENCE, INTEGRITY AND GENEROSITY IN OUR PROFESSIONAL AND PERSONAL LIVES. IT GOES WITHOUT SAYING THAT HE WILL LEAVE BIG SHOES TO FILL ON THE NISOURCE BOARD. ON BEHALF OF NISOURCE'S MORE THAN 8,000 TEAM MEMBERS – THANK YOU FOR YOUR SERVICE AND ENDURING COMMITMENT TO NISOURCE."

ROBERT C. SKAGGS, JR.
PRESIDENT & CEO



A LETTER FROM NISOURCE'S CHAIRMAN

BOARD OF DIRECTORS

IAN M. ROLLAND

CHAIRMAN OF THE BOARD, NISOURCE INC.

RICHARD A. ABDOO

RETIRED PRESIDENT, R.A. ABDOO & Co. LLC

ARISTIDES S. CANDRIS

RETIRED PRESIDENT & CEO, WESTINGHOUSE

SIGMUND L. CORNELIUS

RETIRED SENIOR VICE PRESIDENT, FINANCE & CFO,
CONOCOPHILLIPS

MICHAEL E. JESANIS

PRINCIPAL, SERRAFIX

MARTY P. KITTRELL

RETIRED EXECUTIVE VICE PRESIDENT & CFO,
DRESSER, INC.

W. LEE NUTTER

RETIRED CHAIRMAN, PRESIDENT & CEO,
RAYONIER, INC.

DEBORAH S. PARKER

SENIOR VICE PRESIDENT, QUALITY &
ENVIRONMENTAL, HEALTH & SAFETY,
ALSTOM POWER

ROBERT C. SKAGGS, JR.

PRESIDENT & CEO, NISOURCE INC.

TERESA A. TAYLOR

RETIRED COO, QWEST COMMUNICATIONS, INC.

RICHARD L. THOMPSON

CHAIRMAN, LENNOX INTERNATIONAL, INC.

CAROLYN Y. WOO

PRESIDENT & CEO, CATHOLIC RELIEF SERVICES

- Continued strengthening of our Board with the addition of Aristides Candris and Teresa Taylor to our ranks. Aris and Teresa bring exceptional operational and leadership experience to our Board, and I am confident they will contribute to the Board's effectiveness for years to come.
- The Board's active engagement and support of the Company's record infrastructure investment plan, helping assure that it is taking the right steps to provide safe, reliable and improved service to its customers.
- Sustained recognition of NiSource's contemporary governance and industry-leading ethical practices, capped with the Company being named, for the second consecutive year, one of the World's Most Ethical Companies by The Ethisphere Institute.

I wish only the best to my colleagues at NiSource, and I can assure you that my wife Mimi and I will watch with great interest and pride as the Team continues to build an even stronger Company.



Ian M. Rolland
Chairman of the Board
NiSource Inc.



This document contains forward-looking statements. For a discussion of factors that could cause actual results to differ materially from those contained in such statements, please see "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the NiSource Inc. annual report on Form 10-K included herein.

NiSource Inc. common stock is listed and traded on the New York Stock Exchange under the symbol NI. The shares are listed in financial stock quotations as NISOURCE. As of December 31, 2012, NiSource had 28,823 registered common stockholders.

ANTICIPATED DIVIDEND RECORD & PAYMENT DATES – NI COMMON STOCK

RECORD DATE	PAYMENT DATE
04-30-13	05-20-13
07-31-13	08-20-13
10-31-13	11-20-13
02-03-14	02-20-14

COMMON STOCK DIVIDEND DECLARED

The Board of Directors, effective January 25, 2013, has declared a quarterly dividend of \$0.24 per share, equivalent to \$0.96 per share on an annual basis.

INVESTOR & FINANCIAL INFORMATION

Financial analysts and investment professionals should direct written and telephone inquiries to NiSource Investor Relations at 801 East 86th Avenue, Merrillville, IN 46410 or (219) 647-6209.

Copies of NiSource's financial reports are available by writing or calling the Investor Relations department at the address or phone number listed above. The materials are also available at www.nisource.com.

STOCKHOLDER SERVICES

Questions about stockholder accounts, stock certificates, transfer of shares, dividend payments, automatic dividend reinvestment and stock purchase plan, and electronic deposit may be directed to Computershare at the following:

Computershare
P.O. Box 43006
Providence, RI 02940-3006
or
250 Royall Street
Canton, MA 02021

(888) 884-7790

TDD for Hearing Impaired
(800) 231-5469

Foreign Stockholders
(201) 680-6578

TDD Foreign Stockholders
(201) 680-6610

www.computershare.com/investor

On June 6, 2012, NiSource's Chief Executive Officer submitted to the New York Stock Exchange ("NYSE") an annual certification stating that as of that date he was not aware of any violation by the company of the New York Stock Exchange's corporate governance listing standards, as required by Section 303A.12(a) of the NYSE's Listed Company manual. NiSource's Chief Executive Officer and Chief Financial Officer have provided certifications to the U.S. Securities and Exchange Commission as required by Section 302 of the Sarbanes-Oxley Act of 2002. These certifications are included as Exhibits 31.1 and 31.2 to the company's 10-K for the year ended December 31, 2012.

STOCKHOLDER INQUIRIES

COMPUTERSHARE
SHAREOWNER SERVICES
(888) 884-7790

ANALYST INQUIRIES

INVESTOR RELATIONS
(219) 647-6209

MEDIA INQUIRIES

COMMUNICATIONS
(219) 647-5581

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