

BUILDING

CONFIDENCE

FINANCIAL STRENGTH

A BALANCED BUSINESS PLATFORM

A RECORD OF CONSISTENT EXECUTION

INVESTMENT-DRIVEN GROWTH



MISource[®]



Electric Operations

Gas Distribution

A Balanced Regulated Portfolio

Gas Transmission
& Storage

NiSource Inc. (NYSE: NI) companies provide natural gas, electricity and other products and services to approximately 3.8 million customers from the Gulf Coast through the Midwest to New England.

Our Growth Strategy focuses on long-term, low-risk infrastructure investments across our balanced portfolio of rate-regulated businesses.

Gas Distribution

We serve more than 3.3 million residential, commercial and industrial natural gas customers in Ohio, Pennsylvania, Virginia, Kentucky, Maryland, Indiana and Massachusetts via approximately 59,000 miles of pipeline and related facilities.

Gas Transmission & Storage

We own and operate about 15,000 miles of interstate natural gas pipelines that transport supplies from production and storage regions to markets across 16 states and the District of Columbia. We also operate one of the nation's largest underground natural gas storage systems, with a total capacity of 640 billion cubic feet (Bcf), capable of delivering 4.8 Bcf of natural gas per day to our customers.

Electric Operations

Our electric business generates, transmits and distributes electricity to more than 450,000 customers in 20 counties in northern Indiana, and engages in wholesale and transmission transactions. Our electric supply portfolio includes both traditional and renewable generation sources, including natural gas, coal and hydroelectric, providing for a total system operating net capability of 3,322 megawatts (MW).

DEAR FELLOW STOCKHOLDERS:

When I wrote to you a year ago, I described a renewed sense of accomplishment, commitment and optimism at NiSource.

Our team had successfully navigated the turbulent economy and withstood the highly stressed capital markets. We had executed against a highly visible and demanding core business strategy. And we were poised to address critical priorities that would move our company another step closer to our aspiration of becoming **North America's Premier Regulated Energy Company.**

NiSource, I noted, was building momentum.

A year later, despite an environment that remains challenging and an agenda no less aggressive, I am happy to report that your company has maintained that momentum and then some.

Here are just a few of your company's notable 2010 accomplishments:

- NiSource generated a total shareholder return (TSR) of nearly 21 percent for 2010, outperforming the Dow Jones and Standard and Poor's utility averages and the market as a whole – a strong encore to the company's 2009 TSR of approximately 49 percent.
- We materially strengthened our financial profile and positioned NiSource to fund a deep inventory of revenue-generating infrastructure modernization and growth investments.

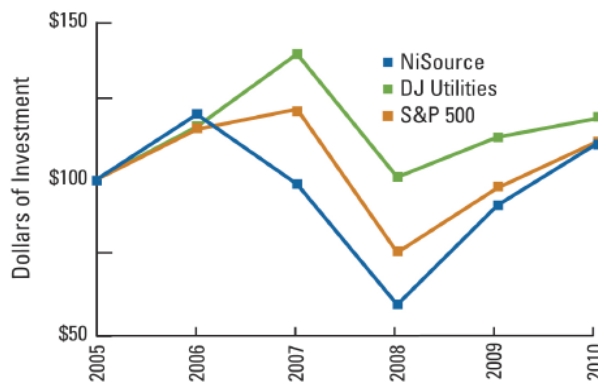
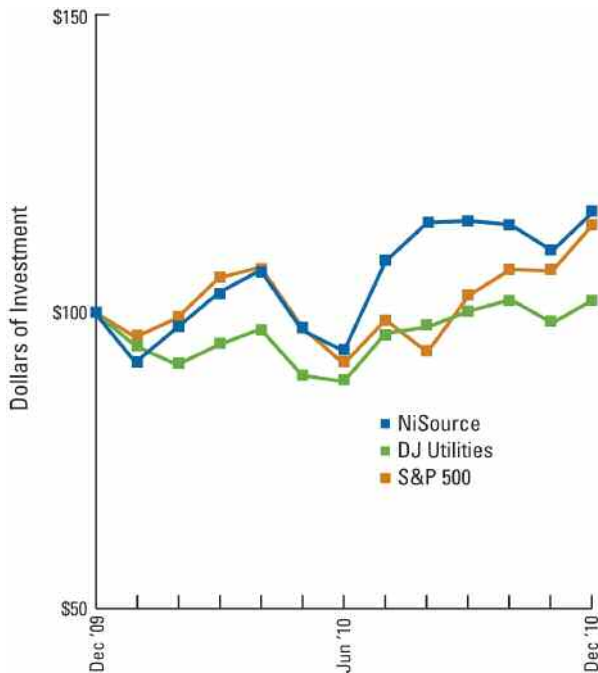
BUILDING MOMENTUM



**“Your company is indeed
Building Investment-Driven
Growth for 2011 and beyond.”**
Robert C. Skaggs, Jr., President and CEO

STOCK PRICE

PERFORMANCE



	NiSource	DJ Utilities	S&P 500
2010	111.39	119.24	111.39
2009	91.84	113.32	97.31
2008	60.49	100.71	76.96
2007	98.51	139.57	122.15
2006	120.50	116.63	116.79
2005	100.0	100.0	100.0

- Our three business units once again produced solid results – generating earnings in line with our increased guidance and building on an established track record of meeting or exceeding our financial commitments.
- We continued to deliver tangible results from our balanced business plan – successfully executing landmark regulatory, infrastructure investment and customer service initiatives.
- And we remained true to our core commitments to preserve a stable, investment grade credit rating and maintain our attractive, secure dividend.

As you will see throughout this year's annual report, 2010 was a year in which your NiSource team continued building confidence, financial strength, and a record of consistent execution. Your company is indeed **Building Investment-Driven Growth** for 2011 and beyond.

BUILDING FINANCIAL STRENGTH & SHAREHOLDER VALUE

During 2010, NiSource's earnings per share (non-GAAP) increased 14 percent over 2009 levels. We also further strengthened the company's financial profile during 2010 through a series of actions specifically designed to enable us to fund an attractive inventory of low-risk, infrastructure investment opportunities.

In September, we completed a \$400 million forward equity offering. This offering aligns with – and strongly supports – our annual capital investment program, which I am pleased to note is targeted at up to \$1.1 billion for 2011.

In addition, we successfully tendered nearly \$275 million in high-cost debt and concurrently executed an attractive 30-year debt offering of \$250 million – actions that will reduce our 2011 interest expense by approximately \$10 million and extend the maturity of our debt portfolio.

With the successful completion of the forward equity offering and other key elements of our financial strategy, we are now well-positioned to take advantage of the deep inventory of

investment opportunities available across all three of NiSource's business units – investments that will enable us to grow earnings and shareholder value on a sustainable basis.

POWERING INDIANA

Across our company, NiSource teams are focused on providing exceptional customer service and reliability, developing collaborative stakeholder relationships and advancing key commercial, regulatory and infrastructure investment programs.

I would venture to say, however, that nowhere have these efforts been more critical than in Indiana, where our teams embarked on a comprehensive strategy we refer to as **Powering Indiana** – an integrated series of initiatives designed to engage customers and community leaders; improve performance and reliability; modernize customer programs and rate designs; and restore the earnings of Northern Indiana Public Service Company (NIPSCO).

During 2010, those efforts produced tangible results, starting with the unanimous settlement of NIPSCO's natural gas rate case – the company's first in 20 years. The settlement, which the Indiana Utility Regulatory Commission (IURC) approved in November, resulted in an overall rate decrease for customers while enhancing NIPSCO's operating earnings. It also reflected rate design improvements and continued our strong support for low-income assistance, energy efficiency and conservation.

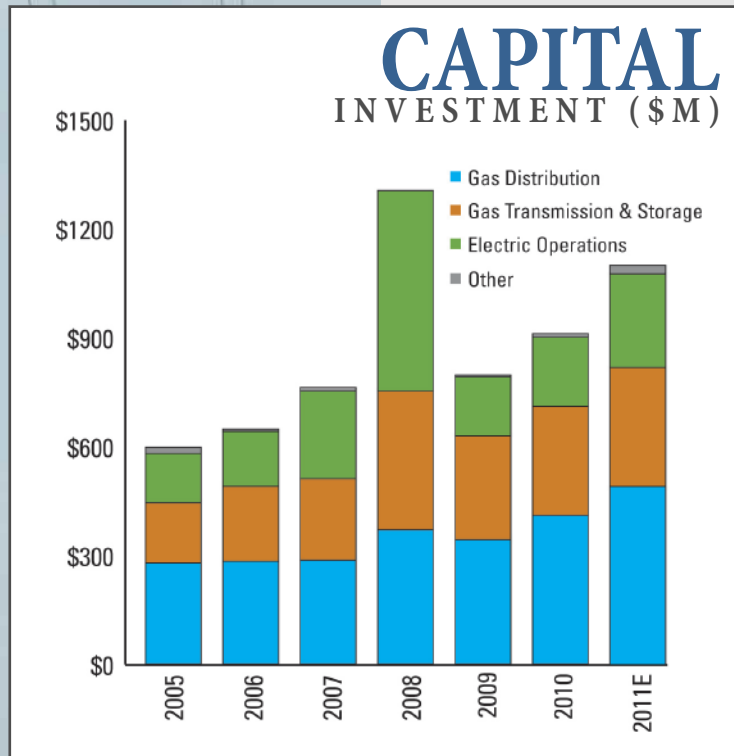
By year-end, the Indiana team significantly advanced its regulatory agenda with the filing of a new NIPSCO electric rate case with the IURC.

BUILDING RELATIONSHIPS

A COMPELLING INVESTMENT

- A balanced, diverse portfolio of regulated businesses
- Highly predictable revenue streams
- A substantial, highly visible inventory of growth investments
- A secure, attractive dividend and stable investment grade credit
- Disciplined operational, commercial, regulatory and financial execution

Although filed in November, the preparation and stakeholder outreach for the case began long before that – resulting in a proposal that is balanced and responsive to the needs of the company, our customers and other constituencies. Our team continues to be engaged with stakeholders as the proceeding moves forward, and we expect the case to be completed during 2011.



NIPSCO also announced the launch of a \$600 million environmental investment program that will strengthen northern Indiana's environmental and economic profile. Notably, the six- to eight-year investment program – which is in line with the company's recent New Source Review settlement with the EPA – will build upon NIPSCO's environmental leadership position in Indiana and provide the foundation for the

company's earnings growth going forward. The first phase of the program, a major upgrade at NIPSCO's Schahfer electric generating station, received IURC certificate approval in December.

These significant regulatory and environmental investment initiatives are in addition to our ongoing tangible improvements in system reliability, customer programs and services, and constructive relationships with community partners and key stakeholders.

With our team's continued engagement and singular focus, I am confident we will meet our goal of enhancing NIPSCO's overall performance and restoring our earnings to an appropriate level by 2012.

LEVERAGING OUR STRATEGIC PIPELINE & STORAGE FOOTPRINT

A centerpiece of NiSource's long-term growth strategy is the ongoing development and delivery of new infrastructure projects that capitalize on our core gas transmission and storage assets and our unparalleled geographic footprint in the prolific Marcellus Shale production area.

During 2010, NiSource Gas Transmission & Storage (NGT&S) completed or neared completion of more than \$150 million in strategic growth projects serving the Marcellus region – providing market access for more than 500,000 dekatherms of natural gas per day.

From a strategic standpoint, our \$80 million Majorsville series of projects, completed in the third quarter of 2010 on-time and on-budget, serve as the cornerstone of a number of additional growth projects currently in process across the Marcellus play. These projects, many yet to deliver a full year's earnings run rate, boosted NGT&S revenues by more than \$20 million in 2010.

Looking forward, another key component of NGT&S' growth strategy is investing in the infrastructure needed to serve new gas-fired electric generation markets. Across the NGT&S footprint, a number of large electric companies are actively engaged in planning their future generation requirements, many of which are expected to be based on natural gas. A prime example that we're targeting to launch later this year involves an investment to provide 250,000 dekatherms per day of firm long-term transportation to serve a new large gas-fired generating station.

BUILDING RELIABILITY

A BALANCED BUSINESS PLAN

Now in its seventh year, NiSource's balanced, four-part business plan continues to deliver solid results from our low-risk portfolio of regulated assets. As we move forward, the fundamental components of that plan remain unchanged:

- Expansion of our natural gas pipeline and storage business
- Infrastructure modernization programs synchronized with regulatory initiatives
- Financial management
- Cost and process management





In sum, our NGT&S growth strategy remains front and center – developing a compelling inventory of customer-focused, value adding energy infrastructure projects – designed to meet increased demand for capacity by virtually every segment of the industry. These accretive infrastructure investments – which we expect to average about \$200 million annually – are and will continue to be a key contributor to our long-term growth plan.

MODERNIZING GAS DISTRIBUTION INFRASTRUCTURE & SERVICES

During 2010, our NiSource Gas Distribution (NGD) teams continued to execute their strategy of combining long-term infrastructure modernization programs with complementary regulatory initiatives.

Hundreds of thousands of customers are benefiting from this industry-leading strategy, which includes significant, revenue-producing facility modernization programs across a number of our utilities, including Columbia Gas of Ohio, Columbia Gas of Pennsylvania, Columbia Gas of Massachusetts and Columbia Gas of Kentucky. In aggregate, these programs provide NiSource with an investment opportunity of nearly \$4.4 billion over the next 20 to 25 years.

Our NGD team also continued to target organic growth opportunities, such as Columbia Gas of Virginia's expansion of its system to serve Dominion Virginia Power's 580-megawatt gas-fired Bear Garden power station in Buckingham County, Va.

Our strategy to synchronize regulatory initiatives with our infrastructure investment and customer programs is highlighted by rate cases in Indiana, Maryland, Pennsylvania and Virginia in 2010. In total, regulatory and infrastructure projects at our gas distribution companies contributed nearly \$0.20 to our EPS in 2010.

That regulatory momentum continues into 2011, as Columbia Gas of Pennsylvania filed a new

rate case in January with the Pennsylvania Public Utility Commission. The case is expected to be completed in the fourth quarter of this year.

With each successful initiative, NGD strengthened its established reputation for addressing complex issues related to energy conservation, progressive rate design and timely recovery of ongoing infrastructure investments in a disciplined, thoughtful and collaborative fashion.

BUILDING LONG-TERM, INVESTMENT-DRIVEN GROWTH

As you can see, your company is growing shareholder value while meeting the needs of our customers and other key stakeholders.

Based on the continued success of our balanced business strategy and the extensive array of growth investment opportunities available across all of our businesses, we remain confident that NiSource will **sustainably** grow long-term earnings in the range of 3 to 5 percent annually. In fact, in the near term – particularly as we execute a number of regulatory initiatives – our earnings growth may well exceed that longer-term range. For example, in 2011, we expect net operating earnings to fall within a range of \$1.25 to \$1.35 per share (non-GAAP), the mid-point of which represents a 6.3 percent increase over our 2010 net operating earnings.

NISOURCE'S COMPELLING INVESTMENT PROPOSITION

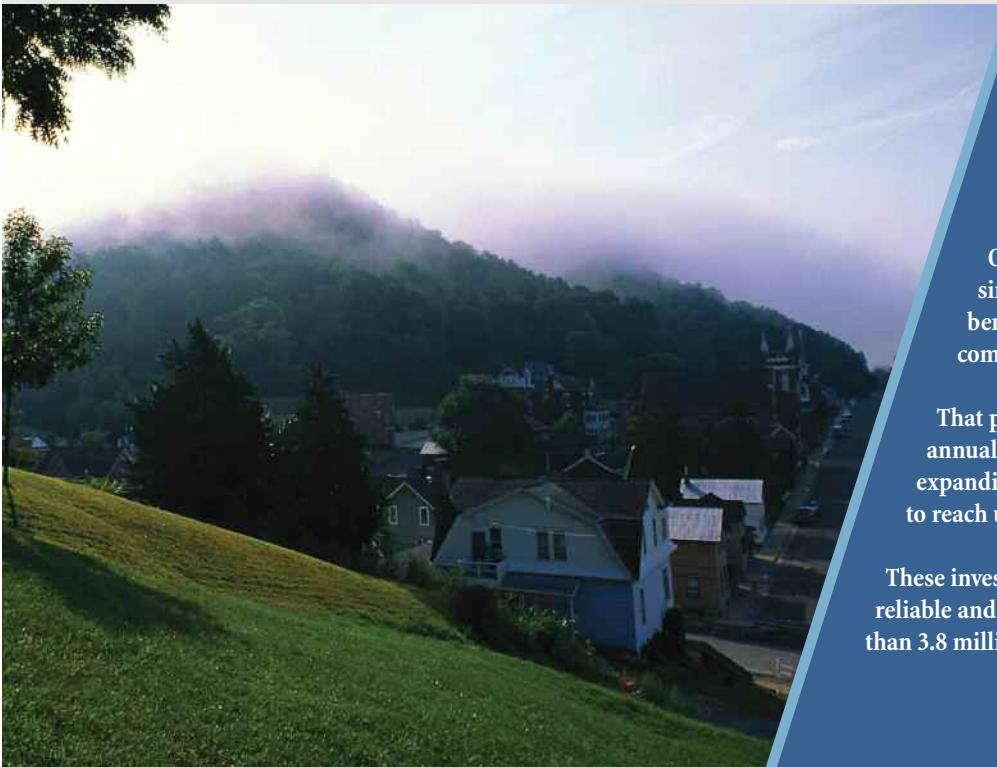
In closing, I would like to acknowledge our team, our customers and many business and community partners, and you – our investors – for your

A SIMPLE TRUTH: DO THE RIGHT THING

Our growth strategy is grounded in a simple truth: We make investments that benefit our customers and the communities we serve.

That philosophy is best exemplified by our annual investment in modernizing or expanding our energy infrastructure, expected to reach up to \$1.1 billion in 2011.

These investments help us provide the safe, reliable and efficient energy services that our more than 3.8 million customers depend on.



MANAGEMENT TEAM

Robert C. Skaggs, Jr.

President & Chief Executive Officer

Stephen P. Smith

Executive Vice President & Chief Financial Officer

Carrie J. Hightman

Executive Vice President & Chief Legal Officer

Christopher A. Helms

Executive Vice President & Group CEO,
Gas Transmission & Storage

Jimmy D. Staton

Executive Vice President & Group CEO,
Gas Distribution & Northern Indiana Energy

Robert D. Campbell

Senior Vice President, Human Resources

Glen L. Kettering

Senior Vice President, Corporate Affairs

Violet G. Sistovaris

Senior Vice President & Chief Information Officer

Larry J. Francisco

Vice President, Audit

support and engagement during the past year. Together, we are building a company we can all be proud of – one with a unique, compelling and durable investment proposition:

- A balanced, diverse portfolio of regulated businesses;
- Highly predictable revenue streams;
- A substantial, highly visible inventory of growth investments;
- A secure, attractive dividend and stable investment grade credit; and
- Disciplined operational, commercial, regulatory and financial execution.

We made significant progress in strengthening the value of your investment during 2010. As we continue that momentum into 2011, our core strategy remains unchanged.

What has changed is our strengthened financial profile and our enhanced ability to invest in our businesses – capabilities that will drive continued growth in 2011 and beyond.

As we move forward, I can assure you that our approach will remain disciplined and straightforward – focused on meeting our customers' needs, generating value for our shareholders and **Building Investment-Driven Growth**.

Thank you for your continued interest in and support of NiSource.



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

LETTER FROM THE CHAIRMAN

As Chairman of your Board of Directors, I am pleased to echo the optimism and sense of accomplishment highlighted in Bob Skaggs' letter.

With great thoughtfulness, deliberation and discipline, NiSource has executed on its balanced business plan. The team has improved performance, strengthened key financial metrics and delivered on fundamental commitments to investors, customers and other important stakeholders.

With each successive achievement in this "brick-by-brick" approach, NiSource has built more credibility, greater confidence and a deeper capacity to achieve its vision of becoming **North America's Premier Regulated Energy Company**.

The Board of Directors shares this vision and remains strongly supportive of management's plan to move the company forward. We believe NiSource's infrastructure-focused investment strategy not only will create long-term value for shareholders, but lasting benefits for the many customers and communities served by the company.

BUILDING CONFIDENCE

As we look toward NiSource's future, I would be remiss if I did not acknowledge the important contributions to this strategy provided by a member of our Board who is retiring this year. Dennis Foster has contributed more than a decade of valued service as a member of the NiSource Board, including the last several years as Chair of the Board's Audit Committee. In this role, Dennis has provided steady leadership and has been a strong and effective advocate for transparency in our company's accounting and financial reporting. On behalf of our team, I would like to thank him for his service and wish him well in his retirement.

(continued)

A SUSTAINABLE APPROACH

Our vision is to establish a legacy of sustained economic growth, social responsibility and environmental stewardship reflective of a premier energy company.

- Delivering sustainable economic growth
- Enhancing our stakeholders' quality of life
- Serving as responsible stewards of natural and environmental resources

Learn more by reading the NiSource Sustainability Report, available at www.nisource.com.

BOARD OF DIRECTORS

Ian M. Rolland

Chairman of the Board, NiSource Inc.

Richard A. Abdo

President, R.A. Abdo & Co. LLC

Dr. Steven C. Beering

Chairman, National Science Board

Dennis E. Foster

Principal, Foster Thoroughbred Investments

Michael E. Jesanis

Principal, Serrafix

Marty R. Kittrell

Retired Executive Vice President & CFO, Dresser, Inc.

W. Lee Nutter

Retired Chairman, President & CEO, Rayonier, Inc.

Deborah S. Parker

President & CEO,
International Business Solutions, Inc.

Robert C. Skaggs, Jr.

President & CEO, NiSource Inc.

Richard L. Thompson

Chairman, Lennox International, Inc.

Dr. Carolyn Y. Woo

Martin J. Gillen Dean & Ray & Milann Siegfried
Professor of Entrepreneurial Studies,
Mendoza College of Business,
University of Notre Dame

Rest assured, as NiSource's strategy moves forward, the Board of Directors will remain faithful stewards of your investment and continue to build on our solid track record of responsible and progressive governance practices.

We will continue to test and validate key components of the company's strategy.

We will advance principles of integrity, transparency and independence, as embodied in NiSource's governance standards and practices.

And we will maintain our strong level of engagement as NiSource continues the important work of building long-term shareholder value.

Thank you for your continuing support of OUR company.

Sincerely,



Ian M. Rolland
Chairman of the Board
NiSource Inc.

STOCKHOLDER INFO

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 Dec. 31, 2010, NiSource Inc. had 32,313 registered common stockholders.

Anticipated Dividend Record and Payment Dates

NiSource Common Stock

RECORD DATE	PAYMENT DATE
04-29-11	05-20-11
07-29-11	08-19-11
10-31-11	11-18-11
01-31-12	02-20-12

Common Stock Dividend Declared

The Board of Directors, effective January 19, 2011, has declared a quarterly dividend of \$0.23 per share, equivalent to \$0.92 per share on an annual basis.

Investor and Financial Information

Financial analysts and investment professionals should direct written and telephone inquiries to NiSource Investor Relations at 801 E. 86th Ave., 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 Mellon Investor Services at the following:

BNY Mellon Shareowner Services

P.O. Box 358015
Pittsburgh, PA 15252-8015
or
480 Washington Boulevard
Jersey City, NJ 07310-1900

(888) 884-7790

TDD for Hearing Impaired
(800) 231-5469

Foreign Stockholders
(201) 680-6578

TDD Foreign Stockholders
(201) 680-6610

www.bnymellon.com/shareowner/equityaccess

On June 10, 2010, 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, 2010.

Stockholder Inquiries
BNY Mellon
Shareowner Services

(888) 884-7790

Analyst Inquiries
Investor Relations

(219) 647-6209

Media Inquiries
Communications

(219) 647-5581

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