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May 23, 2005

BY OVERNIGHT COURIER AND E-FILE

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station
Boston, MA 02110

Re: Bay State Gas Company, D.T.E. 05-27

Dear Ms. Cottrell:

Enclosed for filing, on behalf of Bay State Gas Company ("Bay State"), please find Bay State's responses to the following information requests of the Attorney General:

AG-01-03 AG-01-04 AG-01-17 AG-04-21 AG-06-14

The Company notes that it is only sending the Department the original and four copies and the Attorney General two copies of its response to AG-01-03, because this is a bulk response.

Please do not hesitate to telephone me with any questions whatsoever.

Very truly yours,

Patricia M. French

cc: Caroline O'Brien Bulger, Esq., Hearing Officer (1 copy)
A. John Sullivan, DTE (7 copies)
Andreas Thanos, Ass't Director, Gas Division
Alexander Cochis, Assistant Attorney General (4 copies)

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
FIRST SET OF INFORMATION REQUESTS FROM THE ATTORNEY GENERAL
D. T. E. 05-27

Date: May 23, 2005

Responsible: Stephen H. Bryant, President

AG-1-3: Please provide for the 10-Qs and quarterly reports to bondholders and shareholders for NISOURCE and the Company for the years 2004 and 2005 as they become available.

Response: The Form 10-Qs are provided for NiSource as follows:

Attachment AG-1-3 (a) – NiSource March 2004 10-Q

Attachment AG-1-3 (b) – NiSource June 2004 10-Q

Attachment AG-1-3 (c) – NiSource September 2004 10-Q

Attachment AG-1-3 (d) – NiSource March 2005 10-Q

Bay State Gas Company does not publish its own set of 10-Qs.

The Company will provide the NiSource June and September 2005 10-Qs as they become available.

Bulk Material

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

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2004

OR

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

FOR THE TRANSITION PERIOD FROM _____ TO _____

Commission file number 001-16189

NISOURCE INC.
(Exact name of registrant as specified in its charter)

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

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

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes [X] No [ ]

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: Common Stock, $0.01 Par Value:
263,406,365 shares outstanding at April 30, 2004.

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NISOURCE INC.
FORM 10-Q QUARTERLY REPORT
FOR THE QUARTER ENDED MARCH 31, 2004

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PART I

ITEM 1. FINANCIAL STATEMENTS

NISOURCE INC.
STATEMENTS OF CONSOLIDATED INCOME (UNAUDITED)

Three Months Ended March 31, (in millions, except per share amounts)	2004	2003
NET REVENUES		
Gas Distribution	$ 1,681.4	$ 1,760.7
Gas Transmission and Storage	345.3	342.2
Electric	273.1	264.3
Other	173.4	157.3
Gross Revenues	2,473.2	2,524.5
Cost of Sales	1,481.2	1,494.9
Total Net Revenues	992.0	1,029.6
OPERATING EXPENSES		
Operation and maintenance	323.3	326.5
Depreciation and amortization	125.4	124.6
Loss on sale of assets	0.7	1.1
Other taxes	100.0	105.1
Total Operating Expenses	549.4	557.3
OPERATING INCOME	442.6	472.3
OTHER INCOME (DEDUCTIONS)		
Interest expense, net	(102.7)	(123.0)
Minority interests	-	(2.5)
Dividend requirements on preferred stock of subsidiaries	(1.1)	(1.2)
Other, net	3.3	4.1
Total Other Income (Deductions)	(100.5)	(122.6)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	342.1	349.7
INCOME TAXES	125.6	127.4
INCOME FROM CONTINUING OPERATIONS	216.5	222.3
Loss from Discontinued Operations - net of taxes	(3.0)	(3.4)
Net loss on Disposition of Discontinued Operations - net of taxes	-	44.8
Change in Accounting - net of taxes	-	(8.8)
NET INCOME	$ 213.5	$ 254.9
BASIC EARNINGS PER SHARE ($)		
Continuing operations	0.83	0.88
Discontinued operations	(0.02)	0.16
Change in accounting	-	(0.04)
BASIC EARNINGS PER SHARE	0.81	1.00
DILUTED EARNINGS PER SHARE ($)		
Continuing operations	0.82	0.87
Discontinued operations	(0.01)	0.16
Change in accounting	-	(0.04)
DILUTED EARNINGS PER SHARE	0.81	0.99

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DIVIDENDS DECLARED PER COMMON SHARE	0.23	0.80
BASIC AVERAGE COMMON SHARES OUTSTANDING (MILLIONS)	262.3	253.8
DILUTED AVERAGE COMMON SHARES (MILLIONS)	264.3	256.2

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

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ITEM 1. FINANCIAL STATEMENTS (continued)

NISOURCE INC.
CONSOLIDATED BALANCE SHEETS

(in millions)	MARCH 31, 2004	December 31, 2003
	(unaudited)	
ASSETS		
PROPERTY, PLANT AND EQUIPMENT		
Utility Plant	$ 16,054.0	$ 15,991.5
Accumulated depreciation and amortization	(7,162.9)	(7,095.9)
Net utility plant	8,891.1	8,895.6
Other property, at cost, less accumulated depreciation	465.9	409.3
Net Property, Plant and Equipment	9,357.0	9,304.9
INVESTMENTS AND OTHER ASSETS		
Assets of discontinued operations and assets held for sale	6.5	6.5
Unconsolidated affiliates	91.9	113.2
Other investments	72.7	67.4
Total Investments	171.1	187.1
CURRENT ASSETS		
Cash and cash equivalents	44.5	27.3
Restricted cash	15.0	22.8
Accounts receivable (less reserve of $76.3 and $54.1, respectively)	731.0	511.1
Unbilled revenue (less reserve of $2.2 and $3.5, respectively)	230.5	303.2
Gas inventory	77.6	429.4
Underrecovered gas and fuel costs	165.9	203.2
Materials and supplies, at average cost	70.9	71.5
Electric production fuel, at average cost	31.1	29.0
Price risk management assets	82.8	74.3
Exchange gas receivable	173.9	174.8
Regulatory Assets	112.6	114.5
Prepayments and other	96.8	101.8
Total Current Assets	1,832.6	2,062.9
OTHER ASSETS		
Price risk management assets	153.9	114.4
Regulatory assets	584.8	575.5
Goodwill	3,704.0	3,704.0
Intangible assets	523.7	527.2
Deferred charges and other	148.3	147.8
Total Other Assets	5,114.7	5,068.9
TOTAL ASSETS	$ 16,475.4	$ 16,623.8

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

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ITEM 1. FINANCIAL STATEMENTS (continued)

NISOURCE INC.
CONSOLIDATED BALANCE SHEETS

(in millions)	MARCH 31, 2004	December 31, 2003
	(unaudited)	
CAPITALIZATION AND LIABILITIES		
CAPITALIZATION		
Common Stock Equity	$ 4,526.4	$ 4,415.9
Preferred Stocks--		
Series without mandatory redemption provisions	81.1	81.1
Long-term debt, excluding amounts due within one year	5,945.1	5,993.4
Total Capitalization	10,552.6	10,490.4
CURRENT LIABILITIES		
Current portion of long-term debt	117.1	118.3
Short-term borrowings	222.6	685.5
Accounts payable	426.2	496.6
Dividends declared on common and preferred stocks	61.7	1.8
Customer deposits	83.2	80.4
Taxes accrued	379.3	210.8
Interest accrued	138.4	82.4
Overrecovered gas and fuel costs	53.0	29.2
Price risk management liabilities	30.2	36.5
Exchange gas payable	245.5	290.8
Current deferred revenue	25.4	28.2
Regulatory liabilities	68.4	73.7
Accrued liability for postretirement and pension benefits	71.1	56.8
Other accruals	426.3	418.0
Total Current Liabilities	2,348.4	2,609.0
OTHER LIABILITIES AND DEFERRED CREDITS		
Price risk management liabilities	6.0	0.2
Deferred income taxes	1,612.5	1,595.9
Deferred investment tax credits	85.1	87.3
Deferred credits	57.9	72.7
Noncurrent deferred revenue	107.3	113.0
Accrued liability for postretirement and pension benefits	404.7	406.9
Preferred stock liabilities with mandatory redemption provisions	2.4	2.4
Regulatory liabilities and other removal costs	1,081.8	1,061.6
Other noncurrent liabilities	216.7	184.4
Total Other	3,574.4	3,524.4
COMMITMENTS AND CONTINGENCIES	-	-
TOTAL CAPITALIZATION AND LIABILITIES	$ 16,475.4	$ 16,623.8

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

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ITEM 1. FINANCIAL STATEMENTS (continued)

NISOURCE INC.
STATEMENTS OF CONSOLIDATED CASH FLOWS (UNAUDITED)

Three Months Ended March 31, (in millions)	2004	2003
OPERATING ACTIVITIES		
Net income	$ 213.5	$ 254.9
Adjustments to reconcile net income to net cash from continuing operations:		
Depreciation and amortization	125.4	124.6
Net changes in price risk management activities	(6.4)	(5.0)
Deferred income taxes and investment tax credits	(13.4)	27.1
Deferred revenue	(8.5)	(4.9)
Amortization of unearned compensation	2.0	2.0
Loss on sale of assets	0.7	1.1
Change in accounting	-	8.8
Loss (Gain) from unconsolidated affiliates	(1.1)	0.1
Gain from sale of discontinued operations	-	(44.8)
Loss from discontinued operations	3.0	3.4
Amortization of discount/premium on debt	5.0	4.9
Changes in assets and liabilities, net of effect from acquisitions of businesses:		
Restricted cash	7.8	24.1
Accounts receivable and unbilled revenue	(177.8)	(438.1)
Inventories	498.6	288.9
Accounts payable	(67.4)	219.7
Customer deposits	2.8	7.5
Taxes accrued	177.2	115.6
Interest accrued	56.0	82.6
(Under) Overrecovered gas and fuel costs	61.1	33.9
Exchange gas receivable/payable	(5.6)	(1.2)
Other accruals	(125.2)	(57.8)
Prepayment and other current assets	3.6	(1.4)
Regulatory assets/liabilities	(6.2)	(40.3)
Postretirement and postemployment benefits	12.0	13.2
Deferred credits	(14.8)	(15.5)
Deferred charges and other noncurrent assets	2.3	10.3
Other noncurrent liabilities	27.8	19.1
Net Cash Flows from Continuing Operations	772.4	632.8
Net Cash Flows from Discontinued Operations	-	(24.8)
Net Cash Flows from Operating Activities	772.4	608.0
INVESTING ACTIVITIES		
Capital expenditures	(110.3)	(95.1)
Proceeds from disposition of assets	-	95.8
Other investing activities	(3.2)	2.2
Net Cash Flows from Investing Activities	(113.5)	2.9
FINANCING ACTIVITIES		
Issuance of long-term debt	-	345.3
Retirement of long-term debt	(121.2)	(95.0)
Change in short-term debt	(462.9)	(751.9)
Retirement of preferred shares	-	(345.0)
Issuance of common stock and capital contributed	7.3	346.1
Acquisition of treasury stock	(3.7)	(0.9)
Dividends paid - common shares	(61.2)	(72.0)

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Net Cash Flows from Financing Activities	(641.7)	(573.4)
Increase (decrease) in cash and cash equivalents	17.2	37.5
Cash and cash equivalents at beginning of year	27.3	31.1
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 44.5	$ 68.6
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid for interest	42.5	36.5
Interest capitalized	0.7	1.0
Cash paid for income taxes	3.3	16.4

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

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ITEM 1. FINANCIAL STATEMENTS (continued)

NISOURCE INC.
STATEMENTS OF CONSOLIDATED COMPREHENSIVE INCOME (UNAUDITED)

Three Months Ended March 31, (in millions)	2004	2003
Net Income	$ 213.5	$ 254.9
Other comprehensive income, net of tax		
Foreign currency translation adjustment	0.8	0.9
Net unrealized gains on cash flow hedges	10.0	8.3
Net gain (loss) on available for sale securities	1.4	(1.9)
Total other comprehensive income, net of tax	12.2	7.3
Total Comprehensive Income	$ 225.7	$ 262.2

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

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ITEM 1. FINANCIAL STATEMENTS (continued)

NISOURCE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. BASIS OF ACCOUNTING PRESENTATION

The accompanying unaudited consolidated financial statements for NiSource Inc. (NiSource) reflect all normal recurring adjustments that are necessary, in the opinion of management, to present fairly the results of operations in accordance with accounting principles generally accepted in the United States of America.

The accompanying financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in NiSource's Annual Report on Form 10-K for the fiscal year ended December 31, 2003. Income for interim periods may not be indicative of results for the calendar year due to weather variations and other factors. Certain reclassifications have been made to the 2003 financial statements to conform to the 2004 presentation.

2. DILUTED AVERAGE COMMON SHARES COMPUTATION

Basic earnings per share (EPS) is computed by dividing income available to common stockholders by the weighted average number of common shares outstanding for the period. The weighted average shares outstanding for diluted EPS are impacted by the incremental effect of the various long-term incentive compensation plans and the forward equity contracts associated with the Stock Appreciation Income Linked Securities(SM) (SAILS(SM)), and through February 18, 2003, Corporate Premium Income Equity Securities (Corporate PIES). Effective February 19, 2003, the forward equity contracts related to the Corporate PIES were settled as prescribed in the agreements. As a result of the settlement, 13.1 million common shares were issued and are reflected in basic average common shares. In the 2004 period, the SAILS were anti-dilutive and therefore not included in the calculation.

The numerator in calculating both basic and diluted EPS for each year is reported net income. The computation of diluted average common shares follows:

Three Months Ended March 31, (in thousands)	2004	2003
Denominator		
Basic average common shares outstanding	262,287	253,847
Dilutive potential common shares		
Nonqualified stock options	227	54
Shares contingently issuable under employee stock plans	1,186	1,313
SAILS(SM)	-	447
Shares restricted under employee stock plans	631	547
Diluted Average Common Shares	264,331	256,208

3. STOCK OPTIONS AND AWARDS

Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock-Based Compensation" (SFAS No. 123), encourages, but does not require, entities to adopt the fair value method of accounting for stock-based compensation plans. The fair value method would require the amortization of the fair value of stock-based compensation at the date of grant over the related vesting period. NiSource continues to apply the intrinsic value method of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," for awards granted under its stock-based compensation plans. The following table illustrates the effect on net income and EPS as if NiSource had applied the fair value recognition provisions of SFAS No. 123 to stock-based employee compensation.

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ITEM 1. FINANCIAL STATEMENTS (continued)

NISOURCE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) (UNAUDITED)

Three Months Ended March 31, ($ in millions, except per share data)		2004	2003
NET INCOME			
As reported		213.5	254.9
Add:	Stock-based employee compensation expense included in reported net income, net of related tax effects	1.3	1.3
Less:	Total stock-based employee compensation expense determined under the fair value method for all awards, net of tax	2.8	3.5
Pro forma		212.0	252.7
EARNINGS PER SHARE			
Basic	- as reported	0.81	1.00
	- pro forma	0.81	1.00
Diluted	- as reported	0.81	0.99
	- pro forma	0.80	0.99

4. REGULATORY MATTERS

Through October 2004, Columbia Gas of Ohio, Inc. (Columbia of Ohio) is operating under a regulatory stipulation approved by the Public Utilities Commission of Ohio (PUCO). On October 9, 2003, Columbia of Ohio and other parties filed with the PUCO an amended stipulation that would govern Columbia of Ohio's regulatory framework from November 2004 through October 2010. The majority of Columbia of Ohio's contracts with interstate pipelines expire in October 2004, and the amended stipulation would permit Columbia of Ohio to renew those contracts for firm capacity sufficient to meet up to 100% of the design peak day requirements through October 31, 2005 and up to 95% of the design peak day requirements through October 31, 2010. Among other things, the amended stipulation would also: (1) extend Columbia of Ohio's Choice(R) program through October 2010; (2) provide Columbia of Ohio with an opportunity to generate revenues sufficient to cover the stranded costs associated with the CHOICE(R) program; and, (3) allow Columbia of Ohio to record post-in-service-carrying charges on plant placed into service after October 2004, and to defer the property taxes and depreciation associated with such plant.

On March 11, 2004, the PUCO issued an order that adopted and modified the stipulation from Columbia of Ohio and a collaborative of parties. The order extended Columbia of Ohio's CHOICE(R) program. However, the order limited the time period of the stipulation through December 31, 2007 and declined to pre-approve the amount of interstate pipeline firm capacity for which Columbia of Ohio could contract. In addition, the PUCO made other modifications which would limit Columbia of Ohio's ability to generate additional revenues sufficient to cover stranded costs, including declining to mandate that natural gas marketers participating in the CHOICE(R) program obtain 75% of their interstate capacity directly from Columbia of Ohio and changing the allocation of revenues generated through off-systems sales. The order allows Columbia of Ohio to record post-in-service-carrying charges on plant placed in service after October 2004 and allows the deferral of property taxes and depreciation associated with such plant. Although this order will have a minimal impact on 2004, NiSource's initial estimate is that this order, if left unchanged, could potentially reduce operating income by approximately $20 million annually 2005 through 2007. On April 9, 2004, Columbia of Ohio and other signatory parties to the stipulation, consistent with standard regulatory process, petitioned the commission for rehearing on the components which have been modified. That same day the Office of the Ohio Consumers' Counsel also filed an application for rehearing, and argued that the PUCO should not have permitted Columbia of Ohio to record post-in-service-carrying charges on plant placed into service after October 2004, and to defer the property taxes and depreciation associated with such plant. On April 19, 2004, the Office of the Ohio Consumers' Counsel filed a motion to dismiss the application for rehearing filed by Columbia of Ohio and other parties.

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ITEM 1. FINANCIAL STATEMENTS (continued)

NISOURCE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) (UNAUDITED)

On May 5, 2004 the PUCO issued an order on rehearing, in which it denied the Office of Consumer Counsels' motion to dismiss and its application for rehearing. The PUCO granted, in part, the joint application filed by Columbia of Ohio and others. In granting the joint application for rehearing, in part, the PUCO did the following: (1) revised the term of the stipulation so that it runs through October 31, 2008; (2) restored the marketers' responsibility for 75% of CHOICE(R) costs; and (3) revised the mechanism applicable to Columbia of Ohio's sharing of Off-System Sales and Capacity Release revenue. Under the revised Off-System Sales/Capacity Release revenue sharing mechanism, Columbia of Ohio must now begin sharing such revenue when the annual revenue exceeds $25 million, instead of $35 million as originally proposed by Columbia of Ohio and other collaborative parties. NiSource and the other collaborative parties have until May 25, 2004 to either accept the PUCO modifications, or to reject them and terminate the stipulation. If accepted, this order would reduce the negative impact estimated above, however, management is still evaluating the order.

On December 17, 2003, the PUCO approved an application by Columbia of Ohio and other Ohio local distribution companies (LDCs) to establish a tracking mechanism that will provide for recovery of current bad debt expense and for the recovery over a five-year period of previously deferred uncollected accounts receivable. The approval of the tracker will allow for the recovery of previously uncollected accounts receivable for Columbia of Ohio. As of March 31, 2004, Columbia of Ohio has $45.2 million of uncollected accounts receivable pending future recovery.

On August 11, 1999, the Indiana Utility Regulatory Commission (IURC) approved a flexible gas cost adjustment mechanism for Northern Indiana. Under the approved procedure, the demand component of the adjustment factor will be determined, after hearings and IURC approval, and made effective on November 1 of each year. The demand component will remain in effect for one year until a new demand component is approved by the IURC. The commodity component of the adjustment factor will be determined by monthly filings, which will become effective on the first day of each calendar month, subject to refund. The monthly filings do not require IURC approval but will be reviewed by the IURC during the annual hearing that will take place regarding the demand component filing. Northern Indiana's gas cost adjustment factor also includes a gas cost incentive mechanism which allows the sharing of any cost savings or cost increases with customers based on a comparison of actual gas supply portfolio cost to a market-based benchmark price. Northern Indiana made its annual filing for 2002 on August 29, 2002 (GCA5). The IURC approved implementation of interim rates, subject to refund, effective November 1, 2002. Testimony was filed indicating that some gas costs, for the month of March 2003, should not be recovered. On September 10, 2003, the IURC issued an order adjusting the recovery of costs in March 2003 and reducing recovery by $3.8 million. On October 8, 2003, the IURC approved the demand component of the adjustment factor. Northern Indiana made its annual filing for 2003 on August 26, 2003 (GCA6). The IURC approved implementation of these interim rates subject to refund, effective November 1, 2003. The parties in the cases have raised concerns regarding gas cost recovery similar to those addressed in March 2003. While Northern Indiana pursues settlement of the issues an estimated refund liability was recognized in the first quarter of 2004.

On June 20, 2002, Northern Indiana, Ameren Corporation and First Energy Corporation established terms for joining the Midwest Independent System Operator (MISO) through participation in an independent transmission company (ITC). Northern Indiana transferred functional control of its electric transmission assets to the ITC and MISO on October 1, 2003. As part of Northern Indiana's use of MISO's transmission service, Northern Indiana will incur new categories of transmission charges based upon MISO's Federal Energy Regulatory Commission (FERC)-approved tariff. One of the new categories of charges, Schedule 10, relates to the payment of administrative charges to MISO for its continuing management and operations of the transmission system. Northern Indiana filed a petition on September 30, 2003, with the IURC seeking approval to establish accounting treatment for the deferral of the Schedule 10 charges from MISO. An IURC hearing was held on March 15, 2004, with final resolution anticipated during the second quarter 2004.

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ITEM 1. FINANCIAL STATEMENTS (continued)

NISOURCE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) (UNAUDITED)

The MISO has initiated the Midwest Market Initiative (MMI), which will develop the structures and processes to be used to implement an electricity market for the MISO region. This MMI proposes non-discriminatory transmission service, reliable grid operation, and the purchase and sale of electric energy in a competitive, efficient and non-discriminatory manner. MISO filed detailed tariff information, with a planned initial operation date of March 31, 2004. However, in October 2003, MISO petitioned FERC to withdraw this tariff filing. FERC approved the withdrawal and has provided guidance to MISO as to how it should proceed in the future. On March 31, 2004, MISO submitted a revised energy markets tariff to the FERC for approval. As part of the revised filings, MISO proposes an initial operation date of December 1, 2004. Northern Indiana and Energy USA-TPC (TPC) are actively pursuing roles in the MMI. At the current time, management believes that the MMI will change the manner in which Northern Indiana and TPC conducts their electric business; however, at this time management cannot determine the impact the MMI will have on Northern Indiana or TPC.

Northern Indiana has been recovering the costs of electric power purchased for sale to its customers through the fuel adjustment clause (FAC). The FAC provides for costs to be collected if they are below a negotiated cap. If costs exceed this cap, Northern Indiana must demonstrate that the costs were prudently incurred to achieve approval for recovery. This negotiated cap agreement is subject to continuing negotiations. A group of industrial customers challenged the manner in which Northern Indiana applied costs associated with a specific interruptible sales tariff. An estimated refund liability was recorded in the first quarter of 2003. A settlement was reached with the customers and Northern Indiana recorded the full costs of the settlement. As a result of the settlement, the industrial customers challenge was withdrawn and dismissed in January 2004. In addition, as a result of the settlement, Northern Indiana has sought and received approval by the IURC to reduce the charges under the interruptible sales tariff. This reduction will remain in effect until the Dean H. Mitchell Generating Station (Mitchell Station) has been returned to service.

In January 2002, Northern Indiana filed for approval to implement an environmental cost tracker (ECT). The ECT was approved by the IURC on November 26, 2002. Under the ECT Northern Indiana is permitted to recover (1) allowance for funds used during construction and a return on the capital investment expended by Northern Indiana to implement Indiana Department of Environmental Management's nitrogen oxide State Implementation Plan through an Environmental Cost Recovery Mechanism (ECRM) and (2) related operation and maintenance and depreciation expenses once the environmental facilities become operational through an Environmental Expense Recovery Mechanism (EERM). The IURC order was appealed to the Indiana Court of Appeals by the Citizens Action Coalition of Indiana, where it was upheld by the Court on March 9, 2004. The Citizens Action Coalition of Indiana failed to take any action to continue the appeal of this case and the Court's decision is now final. Under the Commission's November 26, 2002 order, Northern Indiana is permitted to submit filings on a semi-annual basis for the ECRM and on an annual basis for the EERM. Northern Indiana made its initial filing of the ECRM, ECR-1, in February 2003 for capital expenditures of $58.4 million. On April 30, 2003, the IURC issued an order approving the ECRM filing, providing for a return on the capital investment through increased rates beginning with the May 2003 customer bills. Through March 31, 2004 the ECRM revenues amounted to $8.2 million. On August 1, 2003, Northern Indiana filed ECR-2 for capital expenditures through June 30, 2003, of $120.0 million. This petition was approved by the IURC on October 1, 2003. The initial filing of the EERM was filed with the most recent semi-annual filing of the ECT in February 2004, which included a filing of the ECR-3 for capital expenditures through December 31, 2003, of $194.1 million, and an EERM amount of $1.9 million. On March 24, 2004, the IURC approved Northern Indiana's February 2004 filing for ECR-3 and the initial filing of the EERM. Over the timeframe required to meet the environmental standards, Northern Indiana anticipates a total capital investment amounting to approximately $274.2 million. On February 4, 2004, the IURC approved Northern Indiana's latest compliance plan with the estimate of $274.2 million.

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ITEM 1. FINANCIAL STATEMENTS (continued)

NISOURCE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) (UNAUDITED)

5. RESTRUCTURING ACTIVITIES

Since 2000, NiSource has implemented restructuring initiatives to streamline its operations and realize efficiencies from the acquisition of Columbia Energy Group (Columbia). The restructuring activities were primarily associated with reductions in headcount and facility exit costs.

For all of the restructuring plans, a total of approximately 1,600 management, professional, administrative and technical positions have been identified for elimination. As of March 31, 2004, approximately 1,560 employees were terminated, of whom 7 employees were terminated during the first quarter 2004. As of March 31, 2004 and December 31, 2003, the consolidated balance sheets reflected liabilities of $18.3 million and $19.5 million related to the restructuring plans, respectively. For the first quarter of 2004, $1.6 million in payments were made in association with the restructuring plans and a $0.4 million net increase to the restructuring liability was recorded mainly to adjust for facility exit costs. Of the remaining restructuring liability, $13.7 million is related to facility exit costs.

6. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

On October 20, 2003, NiSource sold all of the steel-related, "inside-the-fence" assets of its subsidiary PEI Holdings, Inc. (PEI), to Private Power, LLC (Private Power). The sale included six PEI operating subsidiaries and the name "Primary Energy". Private Power paid approximately $325.4 million, comprised of $113.1 million in cash and the assumption of debt-related liabilities and other obligations. The assumption of such liabilities and the after tax cash proceeds from the sale reduced NiSource's debt by $206.3 million. NiSource has accounted for the assets sold as discontinued operations and has adjusted all periods presented accordingly.

On August 29, 2003, NiSource sold its exploration and production subsidiary, Columbia Energy Resources, Inc. (CER), to a subsidiary of Triana Energy Holdings (Triana). Under the CER sales agreement, Triana , an affiliate of Morgan Stanley Dean Witter Capital Partners IV, L.P. (MSCP), purchased all of the stock of CER for $330.0 million, plus the assumption of obligations to deliver approximately 94.0 billion cubic feet (Bcf) of natural gas pursuant to existing forward sales contracts. The sale transferred 1.1 trillion cubic feet of natural gas reserves. Approximately $220.0 million of after-tax cash proceeds from the sale were used to reduce NiSource's debt. In addition, a $213.0 million liability related to the forward sales contracts was removed from the balance sheet. On January 28, 2003, NiSource's former subsidiary Columbia Natural Resources, Inc. sold its interest in certain natural gas exploration and production assets in New York for approximately $95.0 million. NiSource has accounted for CER as discontinued operations and has adjusted all periods presented accordingly.

During 2002, NiSource decided to exit the telecommunications business. The results of operations related to Columbia Transmission Communications Corporation (Transcom) were displayed as discontinued operations on NiSource's consolidated income statement and its assets and liabilities were separately aggregated and reflected as assets and liabilities of discontinued operations on the consolidated balance sheets in 2002. On September 15, 2003, NiSource's subsidiary Columbia sold 100% of its shares in Transcom.

Results from discontinued operations of CER (including the New York State properties), the six PEI subsidiaries and Transcom are provided in the following table:

Three Months Ended March 31, ($ in millions)	2004	2003
REVENUES FROM DISCONTINUED OPERATIONS	$ -	$ 59.4
Loss from discontinued operations	(5.0)	(0.8)
Income taxes	(2.0)	2.6
NET LOSS FROM DISCONTINUED OPERATIONS	$ (3.0)	$ (3.4)

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ITEM 1. FINANCIAL STATEMENTS (continued)

NISOURCE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) (UNAUDITED)

The assets of discontinued operations were net property, plant, and equipment of $6.5 million at December 31, 2003 and at March 31, 2004.

7. RISK MANAGEMENT ACTIVITIES

NiSource uses commodity-based derivative financial instruments to manage certain risks in its business. NiSource accounts for its derivatives under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended, (SFAS No. 133.)

HEDGING ACTIVITIES. The activity for the first quarter 2004 and 2003 affecting accumulated other comprehensive income, with respect to cash flow hedges included the following:

The three months ended March 31, (in millions, net of tax)	2004	2003
Net unrealized gains on derivatives qualifying as cash flow hedges at the beginning of the period	$ 91.7	$ 67.8
Unrealized hedging gains arising during the period on derivatives qualifying as cash flow hedges	21.3	9.6
Reclassification adjustment for net gain included in net income	(11.3)	(1.3)
Net unrealized gains on derivatives qualifying as cash flow hedges at the end of the period	$ 101.7	$ 76.1

Unrealized gains and losses on NiSource's hedges were recorded as price risk management assets and liabilities along with unrealized gains on NiSource's marketing and trading portfolios. The accompanying consolidated balance sheets reflected price risk management assets related to unrealized gains on hedges of $210.5 million and $165.6 million at March 31, 2004 and December 31, 2003, respectively, of which $56.8 million and $51.3 million were included in "Current Assets" and $153.7 million and $114.3 million were included in "Other Assets." Price risk management liabilities related to unrealized losses on hedges (and net option premiums) were $9.6 million and $9.5 million at March 31, 2004 and December 31, 2003, respectively, of which $3.7 million and $9.3 million were included in "Current Liabilities" and $5.9 million and $0.2 million were included in "Other Liabilities and Deferred Credits."

In addition, Northern Indiana and Bay State Gas Company engage in writing options that potentially obligate them to purchase or sell gas at the holder's discretion at some future market-based price. These written options are derivative instruments, must be marked to fair value and do not meet the requirement for hedge accounting treatment. Northern Indiana also uses NYMEX derivative contracts to minimize its gas costs. These contracts do not qualify for hedge accounting and must be marked to fair value. Because these derivatives are used within the framework of its gas cost incentive mechanism, regulatory assets or liabilities are recorded to offset the change in the fair value of these derivatives. The consolidated balance sheets reflected $1.2 million and $1.2 million of price risk management assets associated with the programs at March 31, 2004 and December 31, 2003, respectively. In addition, the consolidated balance sheets reflected $0.2 million and $0.5 million of price risk management liabilities associated with the programs at March 31, 2004 and December 31, 2003, respectively.

For regulatory incentive purposes, the Columbia distribution companies, comprised of Columbia Gas of Kentucky, Inc., Columbia Gas of Maryland, Inc., Columbia Gas of Ohio, Inc., Columbia Gas of Pennsylvania, Inc., and Columbia Gas of Virginia, Inc. enter into contracts that allow counterparties the option to sell gas to Columbia LDCs at first of the month prices for a particular month of delivery. Columbia LDCs charge the counterparties a fee for this option. The changes in the fair value of the options are primarily due to the changing expectations of the future intra-month volatility of gas prices. Columbia LDCs defer a portion of the change in the fair value of the options as either a regulatory asset or liability in accordance with SFAS No. 71. The remaining change is recognized currently in earnings. The consolidated balance sheets reflected $1.4 million and $3.3 million of price risk management liabilities associated with the programs at March 31, 2004 and December 31, 2003, respectively.

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ITEM 1. FINANCIAL STATEMENTS (continued)

NISOURCE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) (UNAUDITED)

During the first quarter 2004, a gain of $0.1 million was recognized in earnings due to the change in value of certain derivative instruments, and there were no components of the derivatives' fair values excluded in the assessment of hedge effectiveness. Also during the first quarter, NiSource reclassified no amounts from other comprehensive income to earnings, due to the probability that certain forecasted transactions would not occur. It is anticipated that during the next twelve months the expiration and settlement of cash flow hedge contracts will result in income recognition of amounts currently classified in other comprehensive income of approximately $31.9 million, net of tax.

MARKETING AND TRADING ACTIVITIES. The remaining operations of TPC primarily involve commercial and industrial gas sales and power trading.

In April 2003, the remaining gas-related activities (physical commodity sales to commercial and industrial customers) that had been classified as derivatives were considered to fall within the normal purchase and sale exception under SFAS No. 133. Therefore, all gas-related derivatives used to offset the physical obligations necessary to fulfill these commodity sales were designated as cash flow hedges

The fair market values of NiSource's power trading assets and liabilities were $25.0 million and $25.0 million, respectively, at March 31, 2004 and $21.9 million and $23.4 million, respectively, at December 31, 2003.

8. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

FASB INTERPRETATION NO. 46 (REVISED DECEMBER 2003) -- CONSOLIDATION OF VARIABLE INTEREST ENTITIES. On January 17, 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities" (FIN 46R). FIN 46R requires a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or is entitled to receive a majority of the entity's residual returns. A company that consolidates a variable interest entity is called the primary beneficiary of that entity. In general, a variable interest entity is a corporation, partnership, trust, or any other legal structure used for business purposes that either (a) does not have equity investors with voting rights, or (b) has equity investors that do not provide sufficient financial resources for the entity to support its activities. FIN 46R also requires various disclosures about variable interest entities that a company is not required to consolidate but in which it has a significant variable interest. On December 18, 2003, the FASB deferred the implementation of FIN 46R to the first quarter of 2004. As a result, NiSource consolidated certain low income housing real estate investments beginning in the first quarter of 2004. Upon consolidation, NiSource increased its long-term debt by approximately $40 million.

FASB STAFF POSITION NO. FAS 106-1 -- ACCOUNTING AND DISCLOSURE REQUIREMENTS RELATED TO THE MEDICARE PRESCRIPTION DRUG, IMPROVEMENT AND MODERNIZATION ACT OF 2003. On December 8, 2003, the President of the United States signed the Medicare Prescription Drug, Improvement and Modernization Act into law. The Act introduces a prescription drug benefit under Medicare (Medicare Part D) as well as a federal subsidy to sponsors of retiree health care benefit plans that provide a benefit that is at least actuarially equivalent to Medicare Part D. FASB Statement No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," requires presently enacted changes in relevant laws to be considered in current period measurements of postretirement benefit costs and the Accumulated Projected Benefit Obligation. However, specific authoritative guidance on the accounting for the federal subsidy is currently pending, and NiSource has elected to defer accounting for the effects of this pronouncement as allowed by this staff position. It is expected that the law and pronouncement will reduce the effects of the currently high prescription drug trend rates on NiSource's post-retirement benefits costs and cash flows assuming that NiSource's post-retirement benefits remain unchanged. However, it is not certain at this time what effects this law and pronouncement will have on NiSource's postretirement benefit costs and cash flows.

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ITEM 1. FINANCIAL STATEMENTS (continued)

NISOURCE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) (UNAUDITED)

9. LEGAL PROCEEDINGS

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

10. ACCUMULATED OTHER COMPREHENSIVE LOSS

The following table displays the components of Accumulated Other Comprehensive Loss, which is included in "Common Stock Equity," on the consolidated balance sheets.

(in millions)	MARCH 31, 2004	December 31, 2003
Foreign currency translation adjustment	$ -	$ (0.7)
Loss on available for sale securities	(0.4)	(1.8)
Net unrealized gains on cash flow hedges	101.7	91.7
Minimum pension liability adjustment	(150.1)	(150.2)
TOTAL ACCUMULATED OTHER COMPREHENSIVE LOSS, NET	$ (48.8)	$ (61.0)

11. GUARANTEES AND INDEMNITIES

As a part of normal business, NiSource and certain subsidiaries enter into various agreements providing financial or performance assurance to third parties on behalf of other subsidiaries. Such agreements include guarantees and stand-by letters of credit. These agreements are entered into primarily to support or enhance the creditworthiness otherwise attributed to a subsidiary on a stand-alone basis, thereby facilitating the extension of sufficient credit to accomplish the subsidiaries' intended commercial purposes. The total commercial commitments in existence at March 31, 2004 and the years in which they expire are:

(in millions)	Total	2004	2005	2006	2007	2008	After
Guarantees of subsidaries debt	$ 3,924.5	$ 82.7	$1,183.2	$ 293.1	$ 32.4	$ 8.6	$ 2,324.5
Guarantees supporting commodity transactions of subsidiaries	1,404.1	263.3	177.9	732.4	37.3	55.4	137.8
Other guarantees	456.9	75.0	51.1	-	-	10.7	320.1
Lines of credit	222.6	222.6	-	-	-	-	-
Letters of credit	122.9	1.2	20.1	1.1	1.1	99.4	-
Total commercial commitments	$ 6,131.0	$ 644.8	$1,432.3	$1,026.6	$ 70.8	$ 174.1	$ 2,782.4

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NiSource has guaranteed the payment of $3.9 billion of debt for various wholly-owned subsidiaries including Whiting Leasing LLC, NiSource Finance Corp. (NiSource Finance), and through a support agreement, NiSource Capital Markets, Inc. Other than debt associated with the former PEI subsidiaries that were sold, the debt is reflected on NiSource's consolidated balance sheet. The subsidiaries are required to comply with certain financial covenants under the debt indenture and in the event of default, NiSource would be obligated to pay the debt's principal and related interest. NiSource does not anticipate its subsidiaries will have any difficulty maintaining compliance. NiSource Finance also maintains lines of credit with financial institutions. At March 31, 2004, the amount outstanding under the lines of credit and guaranteed by NiSource amounted to $222.6 million. Additionally, NiSource has issued guarantees, which support up to approximately $1.4 billion of commodity-related payments for its current subsidiaries involved in energy marketing and trading and those satisfying requirements under forward gas sales agreements of former subsidiaries. These guarantees were provided to counterparties in order to facilitate physical and financial transactions involving natural gas and electricity. To the extent liabilities exist under the commodity-related contracts subject to these guarantees, such liabilities are included in the consolidated balance sheets.

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ITEM 1. FINANCIAL STATEMENTS (continued)

NISOURCE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) (UNAUDITED)

NiSource has issued standby letters of credit of approximately $122.9 million through financial institutions for the benefit of third parties that have extended credit to certain subsidiaries. If a subsidiary does not pay amounts when due under covered contracts, the beneficiary may present its claim for payment to the financial institution, which will in turn request payment from NiSource.

NiSource has purchase and sales agreement guarantees totaling $140.0 million, which guarantee performance of the seller's covenants, agreements, obligations, liabilities, representations and warranties under the agreements. No amounts related to the purchase and sales agreement guarantees are reflected in the consolidated balance sheet.

Management believes that the likelihood NiSource would be required to perform or otherwise incur any significant losses associated with any of the aforementioned guarantees is remote.

After the October 20, 2003 sale of six subsidiaries, PEI continues to own Whiting Clean Energy, Inc. (Whiting Clean Energy). The total of the outstanding debt guaranteed for Whiting Clean Energy at March 31, 2004 was $326.9 million. As of March 31, 2004, approximately $304.1 million of debt related to Whiting Clean Energy was included in NiSource's consolidated balance sheet.

NiSource retains certain operational and financial guarantees with respect to the former PEI subsidiaries and CER. NiSource has retained guarantees of $157.2 million as of March 31, 2004 of debt outstanding related to three of the former PEI projects. In addition, NiSource has retained several operational guarantees related to the former PEI subsidiaries. These operational guarantees are related to environmental compliance, inventory balances, employee relations, and a residual future purchase guarantee. The fair value of the guarantees was determined to be $11.1 million and a portion of the net proceeds in the sale amount were assumed allocated to the guarantees as prescribed by FIN 45.

NiSource has retained liabilities related to the CER forward gas sales agreements with Mahonia II Limited (Mahonia) for guarantees of the forward sales and for indemnity agreements with respect to surety bonds backing the forward sales. The guarantees, surety bonds and associated indemnity agreements remain in place subsequent to the closing of the CER sale and decline over time as volumes are delivered in satisfaction of the contractual obligations, ending in February 2006. NiSource will be indemnified by Triana, and MSCP will fund up to a maximum of $221.0 million of additional equity to Triana to support Triana's indemnity, for Triana's gas delivery and related obligations to Mahonia. The MSCP commitment declines over time in concert with the surety bonds and the guaranteed obligation to deliver gas to Mahonia.

Immediately after the close of the sale, Triana owned approximately 1.1 Tcf of proved reserves, and was capitalized with $330.0 million, approximately $200.0 million of which was provided as initial equity by MSCP and the remainder of which is provided as part of a $500.0 million revolving credit facility. NiSource believes that the combination of Triana's proved reserves, sufficient capitalization, and access to the credit facility, combined with the Triana indemnity and the $221.0 million of further commitments to Triana from MSCP, adequately offset any losses that may be incurred by NiSource due to Triana's non-performance under the Mahonia agreements. Accordingly, NiSource has not recognized a liability related to the retention of the Mahonia guarantees.

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ITEM 1. FINANCIAL STATEMENTS (continued)

NISOURCE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) (UNAUDITED)

12. PENSION AND OTHER POSTRETIREMENT BENEFITS

NiSource used a measurement date of September 30, 2003 for the calculation of its obligations under the pension and other postretirement benefit plans. NiSource expects to make contributions of $16.7 million to its pension plans and $50.4 million to its postretirement medical and life plans in 2004.

The following table provides the components of the plans' net periodic benefits cost (benefit) for first quarter of 2004 as compared to the first quarter of 2003:

	PENSION BENEFITS		OTHER BENEFITS	
Three months ended March 31, (in millions)	2004	2003	2004	2003
NET PERIODIC COST				
Service cost	$ 9.8	$ 8.8	$ 2.2	1.8
Interest cost	31.7	32.8	9.9	9.1
Expected return on assets	(39.3)	(35.4)	(3.5)	(2.6)
Amortization of transitional obligation	-	1.4	2.9	2.9
Amortization of prior service cost	2.4	2.1	0.2	-
Recognized actuarial (gain) loss	4.5	6.4	0.7	(0.9)
NET PERIODIC BENEFITS COST	$ 9.1	$ 16.0	$ 12.4	$ 10.4

13. BUSINESS SEGMENT INFORMATION

Operating segments are components of an enterprise for which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance.

During the second quarter 2003, NiSource re-aligned its reportable segments to reflect the announced sale of its exploration and production operations. As of the second quarter 2003, NiSource no longer reported an Exploration and Production Operations segment. In addition, the PEI subsidiaries sold are reported as discontinued operations. All periods have been adjusted to conform with the realignment.

NiSource's operations are divided into four primary business segments. The Gas Distribution Operations segment provides natural gas service and transportation for residential, commercial and industrial customers in Ohio, Pennsylvania, Virginia, Kentucky, Maryland, Indiana, Massachusetts, Maine and New Hampshire. The Gas Transmission and Storage Operations segment offers gas transportation and storage services for local distribution companies, marketers and industrial and commercial customers located in northeastern, mid-Atlantic, midwestern and southern states and the District of Columbia. The Electric Operations segment provides electric service in 21 counties in the northern part of Indiana and engages in electric wholesale and wheeling transactions. The Other Operations segment primarily includes gas marketing, power marketing and trading and ventures focused on distributed power generation technologies, including cogeneration facilities, fuel cells and storage systems.

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ITEM 1. FINANCIAL STATEMENTS (continued)

NISOURCE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) (UNAUDITED)

The following tables provide information about NiSource's business segments. NiSource uses operating income as its primary measurement for each of the reporting segments and makes decisions on finance, dividends and taxes at the corporate level on a consolidated basis. Segment revenues include intersegment sales to affiliated subsidiaries, which are eliminated in consolidation. Affiliated sales are recognized on the basis of prevailing market, regulated prices or at levels provided for under contractual agreements. Operating income is derived from revenues and expenses directly associated with each segment.

Three Months Ended March 31,(in millions)	2004	2003
REVENUES		
GAS DISTRIBUTION		
Unaffiliated	$ 1,858.2	$ 1,950.2
Intersegment	3.1	9.4
Total	1,861.3	1,959.6
GAS TRANSMISSION AND STORAGE		
Unaffiliated	166.9	162.9
Intersegment	69.9	73.1
Total	236.8	236.0
ELECTRIC OPERATIONS		
Unaffiliated	255.8	255.9
Intersegment	5.1	6.9
Total	260.9	262.8
OTHER		
Unaffiliated	183.8	131.1
Intersegment	5.1	13.3
Total	188.9	144.4
Adjustments and eliminations	(74.7)	(78.3)
CONSOLIDATED REVENUES	$ 2,473.2	$ 2,524.5
OPERATING INCOME (LOSS)		
Gas Distribution	$ 285.0	$ 314.2
Gas Transmission and Storage	111.4	111.3
Electric	58.8	52.6
Other	(18.2)	(13.9)
Corporate	5.6	8.1
CONSOLIDATED OPERATING INCOME	$ 442.6	$ 472.3

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

NISOURCE INC.

NOTE REGARDING FORWARD-LOOKING STATEMENTS

The Management's Discussion and Analysis, including statements regarding market risk sensitive instruments, contains "forward-looking statements," within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Investors and prospective investors should understand that many factors govern whether any forward-looking statement contained herein will be or can be realized. Any one of those factors could cause actual results to differ materially from those projected. These forward-looking statements include, but are not limited to, statements concerning NiSource Inc.'s (NiSource) plans, objectives, expected performance, expenditures and recovery of expenditures through rates, stated on either a consolidated or segment basis, and any and all underlying assumptions and other statements that are other than statements of historical fact. From time to time, NiSource may publish or otherwise make available forward-looking statements of this nature. All such subsequent forward-looking statements, whether written or oral and whether made by or on behalf of NiSource, are also expressly qualified by these cautionary statements. All forward-looking statements are based on assumptions that management believes to be reasonable; however, there can be no assurance that actual results will not differ materially.

Realization of NiSource's objectives and expected performance is subject to a wide range of risks and can be adversely affected by, among other things, weather, fluctuations in supply and demand for energy commodities, growth opportunities for NiSource's businesses, increased competition in deregulated energy markets, dealings with third parties over whom NiSource has no control, actual operating experience of acquired assets, the regulatory process, regulatory and legislative changes, changes in general economic, capital and commodity market conditions, and counter-party credit risk, many of which risks are beyond the control of NiSource. In addition, the relative contributions to profitability by each segment, and the assumptions underlying the forward-looking statements relating thereto, may change over time.

The following Management's Discussion and Analysis should be read in conjunction with NiSource's Annual Report on Form 10-K for the fiscal year ended December 31, 2003.

CONSOLIDATED REVIEW

EXECUTIVE SUMMARY

NiSource generates nearly all of its net revenue through the sale, distribution, and storage of natural gas and the generation, transmission and distribution of electricity, which are rate regulated. A significant portion of NiSource's operations, most notably in the gas distribution, gas transportation and electric businesses, is subject to seasonal fluctuations in sales. During the heating season, which is primarily from November through March, and the cooling season, which is primarily from June through September, net revenues from gas and electric sales and transportation services are more significant than in other months.

For the first quarter of 2004, net income was $213.5 million, or $0.81 per share. This compares to net income of $254.9 million, or $1.00 per share, for the year-ago period. Warmer weather during the crucial winter heating season, as compared to the period a year ago, partially offset by lower operating expenses, was the primary factor affecting NiSource's first-quarter results. NiSource's ongoing efforts to control costs have held operation and maintenance expenses flat. Additionally, continued actions to reduce debt have resulted in significant improvements to NiSource's balance sheet and reduced interest expense.

The first quarter of 2004 was marked by many key factors that contributed to our results. Weather in the markets served by NiSource's natural gas utility and pipeline companies was close to normal during the first quarter of 2004, but 6 percent warmer compared with the year-ago period. In addition, both this quarter and the first quarter of 2003 reflect lower interruptible transmission service revenues than those that have been historically realized by NiSource's pipeline business. Management has evaluated operational and market conditions, and anticipates that there will be fewer opportunities for interruptible revenue on an ongoing basis. Also, with reduction in the company's debt, interest expense for the first quarter of 2004 decreased by $20.3 million, or 16.5 percent, compared with the year-ago period. NiSource continues to improve its capital structure, with a total debt to total capitalization ratio of 58 percent, compared with 60 percent at year-end 2003. The decrease in the total debt to total capitalization ratio from December 31, 2003 is a result of a seasonal reduction in short-term debt due to lower working capital requirements.

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

NISOURCE INC.

NiSource will continue to build value and customer trust by capitalizing on its super-regional utility and pipeline operations. NiSource will focus on:
continuing to standardize its operations and improve on predictability and reliability; continuing to deliver the best possible service at the lowest cost; continuing to develop innovative ways to help our customers manage heating bills and gas price volatility, with products such as a fixed-price option; continuing to find ways to control the cost of generating electricity; and pursuing projects that will bring long-term attractively priced gas supplies to the market.

RESULTS OF OPERATIONS
THE QUARTER ENDED MARCH 31, 2004

Net Income

NiSource reported net income of $213.5 million, or $0.81 per share, for the three months ended March 31, 2004, compared to net income of $254.9 million, or $1.00 per share, for the first quarter 2003. Operating income was $442.6 million, a decrease of $29.7 million from the same period in 2003. NiSource's net income reflects the impact of discontinued operations that earned $41.4 million in the first quarter of 2003, which included a gain from the sale of the company's interest in certain natural gas exploration and production assets in New York state. All per share amounts are basic earnings per share.

Net Revenues

Total consolidated net revenues (gross revenues less cost of sales) for the three months ended March 31, 2004, were $992.0 million, a $37.6 million decrease from the same period last year. The decrease in net revenues was primarily a result of reduced natural gas sales and deliveries due to warmer weather during the first quarter of 2004 compared with the same period in 2003 amounting to $17.7 million, reduced revenue from cost trackers of $13.0 million, and lower non-traditional and incentive program revenue. Both this quarter and the first quarter of 2003 reflect lower interruptible transmission service revenues than those that have been historically realized. Management has evaluated operational and market conditions, and anticipates that there will be fewer opportunities for interruptible revenue on an ongoing basis. These lower interruptible revenues are reflected in the current quarter's results.

Expenses

Operating expenses for the first quarter 2004 were $549.4 million, a decrease of $7.9 million from the 2003 period. Operation and maintenance expenses for the first quarter 2004 were $3.2 million lower than they were in first quarter of 2003. Taking into consideration cost trackers directly offset in revenues, as well as reserve changes, that together impacted both 2004 and 2003 operation and maintenance expenses, quarter-over-quarter, baseline operation and maintenance expenses were essentially flat. Other taxes decreased $5.1 million, due to higher gross receipt taxes in 2003 that were offset in revenues for that period.

Other Income (Deductions)

Interest expense, net was $102.7 million for the quarter, a decrease of $20.3 million compared to the first quarter 2003. The decrease was due to a quarter-over-quarter reduction in short-term borrowings and lower short- and long-term interest rates.

Income Taxes

Income tax expense for the first quarter 2004 was $125.6 million, a decrease of $1.8 million compared to the 2003 period, due to lower pre-tax income.

Change in Accounting

The change in accounting in the first quarter of 2003 of $8.8 million, net-of-tax, resulted from the cumulative effect of adopting the Financial Accounting Standards Board statement on asset retirement obligations.

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

NISOURCE INC.

LIQUIDITY AND CAPITAL RESOURCES

Generally, cash flow from operations has provided sufficient liquidity to meet operating requirements. A significant portion of NiSource's operations, most notably in the gas distribution, gas transportation and electric businesses, is subject to seasonal fluctuations in cash flow. During the heating season, which is primarily from November through March, cash receipts from gas sales and transportation services typically exceed cash requirements. During the summer months, cash on hand, together with the seasonal increase in cash flows from the electric business during the summer cooling season and external short-term and long-term financing, is used to purchase gas to place in storage for heating season deliveries, perform necessary maintenance of facilities, make capital improvements in plant and expand service into new areas.

Net cash from continuing operations for the three months ended March 31, 2004 was $772.4 million. Net cash from continuing operations increased $139.6 million from the comparable period a year-ago, mainly as a result of increased cash flow from working capital. Cash flow from working capital was $431.1 million, principally driven by decreased gas inventories, and the timing of the recovery of gas and fuel costs, partly offset by the timing of the collections of accounts receivable.

During February 2004, Northern Indiana Public Service Company (Northern Indiana) redeemed $111.1 million of its medium-term notes and Bay State Gas Company redeemed $10.0 million of its medium-term notes, with an average interest rate of 7.5% and 7.6%, respectively. The associated redemption premium of $4.6 million was charged to expense.

Credit Facilities

During March 2004, NiSource obtained a new $500 million 364-day credit facility and a $750 million 3-year credit facility with a syndicate of banks led by Barclays Capital. The new facilities replaced an expiring $1.25 billion credit facility. NiSource had outstanding credit facility advances under its current 3-year facility of $222.6 million at March 31, 2004, at a weighted average interest rate of 2.02%, and advances under its previous 3-year credit facility of $685.5 million at December 31, 2003, at a weighted average interest rate of
1.82%. As of March 31, 2004 and December 31, 2003, NiSource had $117.6 million and $121.4 million of standby letters of credit outstanding, respectively. At March 31, 2004, $99.4 million of the $117.6 million total outstanding letters of credit resided within a separate bi-lateral letter of credit arrangement with Barclays Bank. During February 2004, NiSource obtained a separate 4-year letter of credit arrangement on a bi-lateral basis with Barclays Bank PLC. As of March 31, 2004, this facility provided standby letters of credit of $99.4 million, which will amortize in value through December 2008. As of March 31, 2004, $1,009.2 million of credit was available under the credit facilities. In addition, NiSource had standby letters of credit of $5.1 million and $4.9 million as of March 31, 2004 and December 31, 2003 issued under another credit facility.

Sale of Trade Receivables

Columbia Gas of Ohio, Inc. (Columbia of Ohio) is a party to an agreement to sell, without recourse, all of its trade receivables, with the exception of certain low-income payment plan receivables, as they originate, to Columbia Accounts Receivable Corporation (CARC), a wholly-owned subsidiary of Columbia Energy Group (Columbia). CARC, in turn, is party to an agreement under which it sells a percentage ownership interest in the accounts receivable to a commercial paper conduit. As of March 31, 2004, $75.0 million of accounts receivable had been sold by CARC. Canadian Imperial Bank of Commerce (CIBC), the administrative agent for the program, has informed Columbia of Ohio that, CIBC and its commercial paper conduit entities will let all existing receivable securitization agreements expire in the normal course of business. As such, the Columbia of Ohio receivables program with CIBC will terminate on May 15, 2004.

Columbia of Ohio expects to execute a new accounts receivable sales agreement for up to $300 million with a new administrative agent and conduit replacing the existing agreement with CIBC. Under the new agreement, Columbia of Ohio will be party to an agreement to sell, without recourse, substantially all of its trade receivables, with the exception of affiliate and certain low-income payment plan receivables, as they originate, to Columbia of Ohio Receivables Corporation (CORC), a wholly-owned subsidiary of Columbia of Ohio. CORC, in turn, will be party to an agreement under which it sells an undivided percentage ownership interest in the accounts receivable to a commercial paper conduit.

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

NISOURCE INC.

On December 30, 2003, Northern Indiana entered into an agreement to sell, without recourse, all of its trade receivables, as they originate, to NIPSCO Receivables Corporation (NRC), a wholly-owned subsidiary of Northern Indiana. NRC, in turn, is party to an agreement in which it sells an undivided percentage ownership interest in the accounts receivable to a commercial paper conduit. The conduit can purchase up to $200 million of accounts receivable under the agreement. The agreements expire in December 2004. As of March 31, 2004, NRC had sold $200 million of accounts receivable.

MARKET RISK DISCLOSURES

Through its various business activities, NiSource is exposed to both non-trading and trading risks. The non-trading risks to which NiSource is exposed include interest rate risk, commodity market risk and credit risk of its subsidiaries. The risk resulting from trading activities consists primarily of commodity market and credit risks. NiSource's risk management policy permits the use of certain financial instruments to manage its market risk, including futures, forwards, options and swaps.

Various analytical techniques are employed to measure and monitor NiSource's market and credit risks, including value-at-risk and instrument sensitivity to market factors (VaR). VaR represents the potential loss or gain for an instrument or portfolio from changes in market factors, for a specified time period and at a specified confidence level.

Non-Trading Risks

Commodity price risk resulting from non-trading activities at NiSource's rate-regulated subsidiaries is limited, since current regulations allow recovery of prudently incurred purchased power, fuel and gas costs through the rate-making process. As states experiment with regulatory reform, these subsidiaries may begin providing services without the benefit of the traditional rate-making process and may be more exposed to commodity price risk.

NiSource is exposed to interest rate risk as a result of changes in interest rates on borrowings under revolving credit agreements and lines of credit, which have interest rates that are indexed to short-term market interest rates, and refinancing risk in the commercial paper markets. At March 31, 2004, the combined borrowings outstanding under these facilities totaled $222.6 million. NiSource is also exposed to interest rate risk due to changes in interest rates on fixed-to-variable interest rate swaps that hedge the fair value of long-term debt. The principal amount of such long-term debt subject to interest rate hedges at March 31, 2004 was $1,163.0 million. Based upon average borrowings under agreements subject to fluctuations in short-term market interest rates during the first quarter 2004, an increase in short-term interest rates of 100 basis points (1%) would have increased interest expense by $3.9 million for the three months ended March 31, 2004.

Due to the nature of the industry, credit risk is a factor in many of NiSource's business activities. Credit risk arises because of the possibility that a customer, supplier or counterparty will not be able or willing to fulfill its obligations on a transaction on or before the settlement date. For derivative contracts such as interest rate swaps, credit risk arises when counterparties are obligated to pay NiSource the positive fair value or receivable resulting from the execution of contract terms. Exposure to credit risk is measured in terms of both current and potential exposure. Current credit exposure is generally measured by the notional or principal value of financial instruments and direct credit substitutes, such as commitments, standby letters of credit and guarantees. Because many of NiSource's exposures vary with changes in market prices, NiSource also estimates the potential credit exposure over the remaining term of transactions through statistical analyses of market prices. In determining exposure, NiSource considers collateral and master netting agreements, which are used to reduce individual counterparty credit risk.

Trading Risks

The transactions associated with NiSource's power trading operations give rise to various risks, including market risks resulting from the potential loss from adverse changes in the market prices of electricity. The power trading operations market and trade over-the-counter contracts for the purchase and sale of electricity. Those contracts within the power trading portfolio that require settlement by physical delivery are often net settled in accordance with industry standards.

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

NISOURCE INC.

Fair value represents the amount at which willing parties would transact an arms-length transaction. Fair value is determined by applying a current price to the associated contract volume for a commodity. The current price is derived from one of three sources including actively quoted markets such as the New York Mercantile Exchange (NYMEX), other external sources including electronic exchanges and over-the-counter broker-dealer markets, as well as financial models such as the Black-Scholes option pricing model.

The fair values of the contracts related to NiSource's trading operations, the activity affecting the changes in the fair values during the first quarter of 2004, the sources of the valuations of the contracts during 2004 and the years in which the remaining contracts mature are:

(in millions)	2004
Fair value of contracts outstanding at the beginning of the period	$ (1.5)
Contracts realized or otherwise settled during the period (including net option premiums received)	(2.7)
Fair value of new contracts entered into during the period	(3.1)
Other changes in fair values during the period	7.3
Fair value of contracts outstanding at the end of the period	$ -

(in millions)	2004	2005	2006	2007	2008	After
Prices from other external sources	(0.9)	$ -	$ -	$ -	$ -	$ -
Prices based on models/other method	2.7	$ (1.8)	$ -	$ -	$ -	$ -
Total fair values	$ 1.8	$ (1.8)	$ -	$ -	$ -	$ -

The caption "Prices from other external sources" generally includes contracts traded on electronic exchanges and over-the-counter contracts whose value is based on published indices or other publicly available pricing information. Contracts shown within "Prices based on models/other method" are generally valued employing the widely used Black-Scholes option-pricing model.

Market Risk Measurement

Market risk refers to the risk that a change in the level of one or more market prices, rates, indices, volatilities, correlations or other market factors, such as liquidity, will result in losses for a specified position or portfolio. NiSource calculates a one-day VaR at a 95% confidence level for the power trading group and the gas marketing group that utilize a variance/covariance methodology. Based on the results of the VaR analysis, the daily market exposure for power trading on an average, high and low basis was $0.3 million, $0.4 million and effectively zero, during the first quarter of 2004, respectively. The daily market exposure for the gas marketing portfolio on an average, high and low basis was $0.2 million, $0.3 million and $0.1 million during the first quarter of 2004, respectively. Prospectively, management has set the VaR limits at $2.5 million for power trading and $0.5 million for gas marketing. Exceeding the VaR limits would result in management actions to reduce portfolio risk.

Refer to "Risk Management Activities" in Note 7 of the Notes to Consolidated Financial Statements for further discussion of NiSource's risk management.

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OFF BALANCE SHEET ARRANGEMENTS

NiSource has issued guarantees that support up to approximately $1.4 billion of commodity-related payments for its current subsidiaries involved in energy marketing and power trading and to satisfy requirements under forward gas sales agreements of a former subsidiary. These guarantees were provided to counterparties in order to facilitate physical and financial transactions involving natural gas and electricity. To the extent liabilities exist under the commodity-related contracts subject to these guarantees, such liabilities are included in the consolidated balance sheets. In addition, NiSource has other guarantees, purchase commitments, operating leases, lines of credit and letters of credit outstanding. Refer to Note 7, Risk Management Activities, and Note 11, Guarantees and Indemnities, of the Notes to Consolidated Financial Statements for further discussion of NiSource's off balance sheet arrangements.

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

NISOURCE INC.

In addition, NiSource has sold certain accounts receivable. NiSource's accounts receivable programs qualify for sale accounting because they meet the conditions specified in SFAS No. 140 "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." In the agreements, all transferred assets have been isolated from the transferor and put presumptively beyond the reach of the transferor and its creditors, even in bankruptcy or other receivership. NiSource does not retain any interest in the receivables under these programs.

OTHER INFORMATION

Bargaining Unit Contract

On May 31, 2004, the contract with Northern Indiana's bargaining unit employees expires. Discussions between Northern Indiana and the bargaining unit's union representatives are ongoing.

RESULTS AND DISCUSSION OF SEGMENT OPERATIONS

Presentation of Segment Information

NiSource's operations are divided into four primary business segments; Gas Distribution Operations, Gas Transmission and Storage Operations, Electric Operations, and Other Operations.

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

NISOURCE INC.
GAS DISTRIBUTION OPERATIONS

Three Months Ended March 31, (in millions)	2004	2003
NET REVENUES		
Sales Revenues	$ 1,679.5	$ 1,776.4
Less: Cost of gas sold	1,280.8	1,344.0
Net Sales Revenues	398.7	432.4
Transportation Revenues	181.8	183.2
Net Revenues	580.5	615.6
OPERATING EXPENSES		
Operation and maintenance	183.3	183.8
Depreciation and amortization	47.7	47.6
Other taxes	64.5	70.0
Total Operating Expenses	295.5	301.4
Operating Income	$ 285.0	$ 314.2
REVENUES ($ IN MILLIONS)		
Residential	1,115.1	1,176.6
Commercial	395.9	417.7
Industrial	80.7	73.4
Transportation	181.8	183.2
Off System Sales	40.8	43.2
Other	47.0	65.5
Total	1,861.3	1,959.6
SALES AND TRANSPORTATION (MMDth)		
Residential sales	109.8	121.3
Commercial sales	41.4	45.9
Industrial sales	8.1	8.2
Transportation	187.2	182.3
Off System Sales	7.0	2.7
Other	-	0.2
Total	353.5	360.6
HEATING DEGREE DAYS	2,724	2,885
NORMAL HEATING DEGREE DAYS	2,655	2,635
% COLDER (WARMER) THAN NORMAL	3%	
9%		
CUSTOMERS		
Residential	2,313,364	2,359,175
Commercial	215,178	219,215
Industrial	5,991	6,047
Transportation	784,219	703,686
Other	61	67
Total	3,318,813	3,288,190

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NiSource's natural gas distribution operations serve approximately 3.3 million customers in nine states: Ohio, Indiana, Pennsylvania, Massachusetts, Virginia, Kentucky, Maryland, New Hampshire and Maine. The regulated subsidiaries offer both traditional bundled services as well as transportation only for customers that purchase gas from alternative suppliers. The operating results reflect the temperature-sensitive nature of customer demand with over 72% of annual residential and commercial throughput affected by seasonality. As a result, segment operating income is higher in the first and fourth quarters reflecting the heating demand during the winter season.

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

NISOURCE INC.
GAS DISTRIBUTION OPERATIONS (CONTINUED)

Regulatory Matters

Through October 2004, Columbia of Ohio is operating under a regulatory stipulation approved by the Public Utilities Commission of Ohio (PUCO). On October 9, 2003, Columbia of Ohio and other parties filed with the PUCO an amended stipulation that would govern Columbia of Ohio's regulatory framework from November 2004 through October 2010. The majority of Columbia of Ohio's contracts with interstate pipelines expire in October 2004, and the amended stipulation would permit Columbia of Ohio to renew those contracts for firm capacity sufficient to meet up to 100% of the design peak day requirements through October 31, 2005 and up to 95% of the design peak day requirements through October 31, 2010. Among other things, the amended stipulation would also: (1) extend Columbia of Ohio's Choice(R) program through October 2010; (2) provide Columbia of Ohio with an opportunity to generate revenues sufficient to cover the stranded costs associated with the CHOICE(R) program; and, (3) allow Columbia of Ohio to record post-in-service-carrying charges on plant placed into service after October 2004, and to defer the property taxes and depreciation associated with such plant.

On March 11, 2004, the PUCO issued an order that adopted and modified the stipulation from Columbia of Ohio and a collaborative of parties. The order extended Columbia of Ohio's CHOICE(R) program. However, the order limited the time period of the stipulation through December 31, 2007 and declined to pre-approve the amount of interstate pipeline firm capacity for which Columbia of Ohio could contract. In addition, the PUCO made other modifications which would limit Columbia of Ohio's ability to generate additional revenues sufficient to cover stranded costs, including declining to mandate that natural gas marketers participating in the CHOICE(R) program obtain 75% of their interstate capacity directly from Columbia of Ohio and changing the allocation of revenues generated through off-systems sales. The order allows Columbia of Ohio to record post-in-service-carrying charges on plant placed in service after October 2004 and allows the deferral of property taxes and depreciation associated with such plant. Although this order will have a minimal impact on 2004, NiSource's initial estimate is that this order, if left unchanged, could potentially reduce operating income by approximately $20 million annually 2005 through 2007. On April 9, 2004, Columbia of Ohio and other signatory parties to the stipulation, consistent with standard regulatory process, petitioned the commission for rehearing on the components, which have been modified. That same day the Office of the Ohio Consumers' Counsel also filed an application for rehearing, and argued that the PUCO should not have permitted Columbia of Ohio to record post-in-service-carrying charges on plant placed into service after October 2004, and to defer the property taxes and depreciation associated with such plant. On April 19, 2004, the Office of the Ohio Consumers' Counsel filed a motion to dismiss the application for rehearing filed by Columbia of Ohio and other parties.

On May 5, 2004 the PUCO issued an order on rehearing, in which it denied the Office of Consumer Counsels' motion to dismiss and its application for rehearing. The PUCO granted, in part, the joint application filed by Columbia of Ohio and others. In granting the joint application for rehearing, in part, the PUCO did the following: (1) revised the term of the stipulation so that it runs through October 31, 2008; (2) restored the marketers' responsibility for 75% of CHOICE(R) costs; and (3) revised the mechanism applicable to Columbia of Ohio's sharing of Off-System Sales and Capacity Release revenue. Under the revised Off-System Sales/Capacity Release revenue sharing mechanism, Columbia of Ohio must now begin sharing such revenue when the annual revenue exceeds $25 million, instead of $35 million as originally proposed by Columbia of Ohio and other collaborative parties. NiSource and the other collaborative parties have until May 25, 2004 to either accept the PUCO modifications, or to reject them and terminate the stipulation. If accepted, this order would reduce the negative impact estimated above, however, management is still evaluating the order.

On December 17, 2003, the PUCO approved an application by Columbia of Ohio and other Ohio local distribution companies (LDCs) to establish a tracking mechanism that will provide for recovery of current bad debt expense and for the recovery over a five-year period of previously deferred uncollected accounts receivable. The approval of the tracker will allow for the recovery of previously uncollected accounts receivable for Columbia of Ohio. As of March 31, 2004, Columbia of Ohio has $45.2 million of uncollected accounts receivable pending future recovery.

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

NISOURCE INC.
GAS DISTRIBUTION OPERATIONS (CONTINUED)

On August 11, 1999, the Indiana Utility Regulatory Commission (IURC) approved a flexible gas cost adjustment mechanism for Northern Indiana. Under the approved procedure, the demand component of the adjustment factor will be determined, after hearings and IURC approval, and made effective on November 1 of each year. The demand component will remain in effect for one year until a new demand component is approved by the IURC. The commodity component of the adjustment factor will be determined by monthly filings, which will become effective on the first day of each calendar month, subject to refund. The monthly filings do not require IURC approval but will be reviewed by the IURC during the annual hearing that will take place regarding the demand component filing. Northern Indiana's gas cost adjustment factor also includes a gas cost incentive mechanism which allows the sharing of any cost savings or cost increases with customers based on a comparison of actual gas supply portfolio cost to a market-based benchmark price. Northern Indiana made its annual filing for 2002 on August 29, 2002 (GCA5). The IURC approved implementation of interim rates, subject to refund, effective November 1, 2002. Testimony was filed indicating that some gas costs, for the month of March 2003, should not be recovered. On September 10, 2003, the IURC issued an order adjusting the recovery of costs in March 2003 and reducing recovery by $3.8 million. On October 8, 2003, the IURC approved the demand component of the adjustment factor. Northern Indiana made its annual filing for 2003 on August 26, 2003 (GCA6). The IURC approved implementation of these interim rates subject to refund, effective November 1, 2003. The parties in the cases have raised concerns regarding gas cost recovery similar to those addressed in March 2003. While Northern Indiana pursues settlement of the issues an estimated refund liability was recognized in the first quarter of 2004.

All of the Columbia distribution companies presently hold long-term contracts for pipeline and storage services with its affiliate pipelines, Columbia Gas Transmission Corporation and Columbia Gulf Transmission Company, a majority of those contracts expire on October 31, 2004. The Columbia distribution companies are comprised of Columbia Gas of Kentucky, Inc., Columbia Gas of Maryland, Inc., Columbia Gas of Ohio, Inc., Columbia Gas of Pennsylvania, Inc., and Columbia Gas of Virginia, Inc. Each distribution company continues to discuss its plan to renew pipeline and storage contracts with industry stakeholders to ensure the continued ability to serve the requirements of firm customers in a tightening capacity market. All contract negotiations between the distribution companies and Columbia Gas Transmission Corporation and Columbia Gulf Transmission Company are expected to be resolved prior to the contracts expiring. In addition, these contracts will be subject to the approval of the respective state regulatory agencies. On April 29, 2004, the Pennsylvania Public Utility Commission approved a request by Columbia of Pennsylvania, Inc. to renew its pipeline and storage contracts with Columbia Gas Transmission Corporation and Columbia Gulf Transmission Company. Pursuant to this approval, Columbia of Pennsylvania's storage contracts and approximately half of its pipeline contracts will be renewed for terms of fifteen years, while the remaining pipeline contracts will be renewed on a tiered basis for terms ranging from five or ten years. Columbia of Pennsylvania, Inc. will also acquire additional capacity to meet customer requirements on peak days.

Environmental Matters

In January of 2004 Northern Indiana and Kokomo Gas and Fuel Company signed a multi-site Voluntary Remediation Program Order addressing 14 manufactured gas plant sites with the Indiana Department of Environmental Management. Northern Indiana Fuel and Light Company, Inc. expects to enter into a similar agreement for an additional site. Previously Northern Indiana, together with other potentially responsible parties, had entered into similar agreements with the Indiana Department of Environmental Management for 11 additional sites. Those agreements require Northern Indiana to investigate, and to the extent necessary, clean up the sites.

Weather

In general, NiSource calculates the weather related revenue variance based on changing customer demand driven by weather variance from normal heating degree-days. Normal is evaluated using heating degree days across the NiSource distribution region. While the temperature base for measuring heating degree-days (i.e. the estimated average daily temperature at which heating load begins) varies slightly across the region, the NiSource composite measurement is based on 62 degrees.

Weather in the Gas Distribution Operation's territories for the first quarter of 2004 was 6% warmer than the comparable quarter in 2003. However, the first quarter of 2004 was still 3% colder than the normal average.

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

NISOURCE INC.
GAS DISTRIBUTION OPERATIONS (CONTINUED)

Throughput

Total volumes sold and transported of 353.5 million dekatherms (MMDth) for the first quarter of 2004 decreased 7.1 MMDth from the same period last year primarily due to the warmer weather in the first quarter of 2004 compared to the first quarter of 2003.

Net Revenues

Net revenues for the three months ended March 31, 2004 were $580.5 million, a decrease of $35.1 million from the same period in 2003. The decrease in net revenues was primarily a result of reduced natural gas sales and deliveries due to warmer weather during the first quarter of 2004 compared with the same period in 2003 amounting to $16.6 million, reduced revenue from cost trackers of $11.4 million, generally offset in operating expenses and lower non-traditional and incentive program revenue, slightly offset by an adjustment for gas costs associated with certain customers in the 2003 period.

Operating Income

For the first quarter of 2004, Gas Distribution Operations reported operating income of $285.0 million, a decrease of $29.2 million from the same period in 2003. The decrease was mainly attributable to lower net revenue of $35.1 million discussed above.

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

NISOURCE INC.
GAS TRANSMISSION AND STORAGE OPERATIONS

Three Months Ended March 31, (in millions)	2004	2003
OPERATING REVENUES		
Transportation revenues	$ 188.3	$ 187.0
Storage revenues	45.2	44.7
Other revenues	3.3	4.3
Total Operating Revenues	236.8	236.0
Less: Cost of gas sold	3.9	4.4
Net Revenues	232.9	231.6
OPERATING EXPENSES		
Operation and maintenance	78.3	77.9
Depreciation and amortization	28.3	27.9
Other taxes	14.9	14.5
Total Operating Expenses	121.5	120.3
Operating Income	$ 111.4	$ 111.3
THROUGHPUT (MMDth)		
Columbia Transmission		
Market Area	406.9	434.8
Columbia Gulf		
Mainline	160.0	180.0
Short-haul	27.0	29.3
Columbia Pipeline Deep Water	4.4	1.5
Crossroads Gas Pipeline	10.7	7.7
Granite State Pipeline	13.9	14.4
Intrasegment eliminations	(154.2)	(168.5)
Total	468.7	499.2

NiSource's Gas Transmission and Storage Operations segment consists of the operations of Columbia Gas Transmission Corporation (Columbia Transmission), Columbia Gulf Transmission Company (Columbia Gulf), Columbia Deep Water Service Company, Crossroads Pipeline Company and Granite State Gas Transmission, Inc. In total NiSource owns a pipeline network of approximately 16,000 miles extending from offshore in the Gulf of Mexico to New York and the eastern seaboard. The pipeline network serves customers in nineteen northeastern, mid-Atlantic, midwestern and southern states, as well as the District of Columbia. In addition, the NiSource gas transmission and storage operations segment operates one of the nation's largest underground natural gas storage systems.

Pipeline Firm Service Contracts

The services of Columbia Transmission and Columbia Gulf consist of open access transportation services, and open access storage services in the case of Columbia Transmission. These services are provided primarily to LDCs. The majority of the firm contracts currently in effect with Columbia Gas and Columbia Gulf expire in late 2004. Customer decisions on capacity re-subscription are affected by many factors, including decisions by state regulators on the treatment of pipeline capacity agreements in the context of LDC unbundling proceedings. Several LDCs have already committed to extending their long-term capacity commitments and the

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companies are in discussions with a number of other firm capacity holders regarding future capacity commitments.

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

NISOURCE INC.
GAS TRANSMISSION AND STORAGE OPERATIONS (CONTINUED)

Regulatory Matters

On February 28, 2003, Columbia Transmission filed with Federal Energy Regulatory Commission (FERC) certain scheduled annual rate adjustments, designated as the Transportation Costs Rate Adjustment (TCRA), Retainage Adjustment Mechanism (RAM), and Electric Power Cost Adjustment (EPCA). These filings sought recovery, during the period April 1, 2003 through March 31, 2004, of certain expenses relating to transportation costs incurred by Columbia Transmission on interconnecting pipelines and electric costs incurred in the operation of certain compressors (TCRA and EPCA, respectively), as well as quantities of gas required by Columbia Transmission to operate its pipeline system (RAM). The recovery of each of these costs occurs through a "tracker" which ensures full recovery of actual expenses. Each of the three filings was conditionally accepted by FERC subject to refund and the filing of additional data by Columbia. On October 1, 2003, FERC issued an order accepting Columbia Transmission's TCRA filing, and accepting the full recovery of upstream transportation costs. On February 11, 2004, FERC issued an order regarding the annual EPCA filing, which upheld Columbia Transmission's ability to fully recover its electric costs, but required Columbia Transmission to implement a separate EPCA rate to recover electric power costs incurred by a newly expanded electric-powered compressor station from specific customers. The order also limits Columbia Transmission's ability to prospectively discount its EPCA rates. Management does not believe this order will have a material financial impact. On April 14, 2004 the FERC issued an order accepting Columbia Transmission's RAM filing and approving the full recovery of gas required in system operations. FERC will permit parties to pursue certain issues raised in the 2003 filing in connection with consideration of Columbia's 2004 RAM filing, which became effective April 1, 2004, and is currently pending.

Environmental Matters

On April 1, 2004, U.S. Environmental Protection Agency (EPA) issued its final Phase II nitrogen oxide (NOx) regulation establishing NOx budgets for states. States will be developing State Implementation Plans (SIP) which may impact compressor stations owned by Columbia Transmission and Columbia Gulf. NiSource will continue to monitor the development of SIPs, but anticipates that the cost will not be material.

The EPA has issued maximum achievable control technology (MACT) standards for hazardous air pollutants for stationary combustion turbines and reciprocating internal combustion engines. The final standards for turbines do not impose any compliance costs upon NiSource. The MACT for internal reciprocating internal combustion engines will only impact one Columbia Transmission facility and the estimated cost of compliance is expected to be immaterial.

Throughput

Throughput for the Gas Transmission and Storage Operations segment totaled 468.7 MMDth for the first quarter 2004, compared to 499.2 MMDth for the same period in 2003. The decrease of 30.5 MMDth reflected warmer weather in the first quarter of 2004 than for the comparable period in 2003, a continued decline of offshore natural gas production, and other non-weather factors.

Net Revenues

Net revenues were $232.9 million for the first quarter 2004, a slight increase of $1.3 million from the same period in 2003. The 2003 period was unfavorably impacted by higher costs to meet customer demand during a period of sustained cold weather in the Northeast market areas during the first quarter of 2003. Both this quarter and the first quarter of 2003 reflect lower interruptible transmission service revenues than those that have been historically realized. Management has evaluated operational and market conditions and anticipates that there will be fewer opportunities for interruptible revenue on an ongoing basis. These lower interruptible revenues are reflected in the current quarter's results.

Operating Income

Operating income was $111.4 million for the first quarter 2004 compared to $111.3 million in the first quarter 2003. Operating income was affected by the change in net revenues mentioned above. In addition, operation and maintenance expenses were slightly higher on a quarter-over-quarter basis, after taking into consideration reserve changes, which increased 2003 operation and maintenance expenses by $2.8 million.

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

NISOURCE INC.
ELECTRIC OPERATIONS

Three Months Ended March 31, (in millions)	2004	2003
NET REVENUES		
Sales revenues	$ 260.9	$ 262.8
Less: Cost of sales	81.4	93.3
Net Revenues	179.5	169.5
OPERATING EXPENSES		
Operation and maintenance	60.3	57.5
Depreciation and amortization	44.1	43.7
Other taxes	16.3	15.7
Total Operating Expenses	120.7	116.9
Operating Income	$ 58.8	$ 52.6
REVENUES ($ IN MILLIONS)		
Residential	71.2	72.2
Commercial	70.4	66.7
Industrial	101.3	97.9
Wholesale	11.4	19.6
Other	6.6	6.4
Total	260.9	262.8
SALES (GIGAWATT HOURS)		
Residential	754.5	789.6
Commercial	860.2	851.5

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Industrial	2,338.1	2,273.5
Wholesale	269.9	541.9
Other	32.4	33.7
Total	4,255.1	4,490.2
ELECTRIC CUSTOMERS		
Residential	388,520	384,991
Commercial	49,394	48,423
Industrial	2,531	2,570
Wholesale	24	26
Other	787	798
Total	441,256	436,808

NiSource generates and distributes electricity, through its subsidiary Northern Indiana, to approximately 441 thousand customers in 21 counties in the northern part of Indiana. The operating results reflect the temperature-sensitive nature of customer demand with annual sales affected by temperatures in the northern part of Indiana. As a result, segment operating income is generally higher in the second and third quarters, reflecting cooling demand during the summer season.

Market Conditions

The regulatory frameworks applicable to Electric Operations continue to be affected by fundamental changes that will impact Electric Operations' structure and profitability. Notwithstanding those changes, competition within the industry will create opportunities to compete for new customers and revenues. Management has taken steps to improve operating efficiencies in this changing environment and improve the transmission interconnections with neighboring electric utilities.

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

NISOURCE INC.
ELECTRIC OPERATIONS (CONTINUED)

Regulatory Matters

During 2002, Northern Indiana settled matters related to an electric rate review. On September 23, 2002, the IURC issued an order adopting most aspects of the settlement. The order approving the settlement provides that electric customers of Northern Indiana will receive bill credits of approximately $55.1 million each year, for a cumulative total of $225 million, for the minimum 49-month period, beginning on July 1, 2002. The order also provides that 60% of any future earnings beyond a specified cap will be retained by Northern Indiana. Credits amounting to $13.1 million and $13.5 million were recognized for electric customers for the first quarters of 2004 and 2003, respectively. The order adopting the settlement was appealed to the Indiana Court of Appeals by both the Citizens Action Coalition of Indiana and fourteen residential customers. On October 14, 2003, the Appeals Court upheld the IURC's approval of the settlement. The Citizens Action Coalition of Indiana and the fourteen residential customers filed a petition for transfer to the Supreme Court of Indiana; however, on March 19, 2004, the Supreme Court of Indiana denied transfer. As a result of this denial of transfer, the settlement is no longer subject to judicial review.

On June 20, 2002, Northern Indiana, Ameren Corporation and First Energy Corporation established terms for joining the Midwest Independent System Operator (MISO) through participation in an independent transmission company (ITC). Northern Indiana transferred functional control of its electric transmission assets to the ITC and MISO on October 1, 2003. As part of Northern Indiana's use of MISO's transmission service, Northern Indiana will incur new categories of transmission charges based upon MISO's FERC-approved tariff. One of the new categories of charges, Schedule 10, relates to the payment of administrative charges to MISO for its continuing management and operations of the transmission system. Northern Indiana filed a petition on September 30, 2003, with the IURC seeking approval to establish accounting treatment for the deferral of the Schedule 10 charges from MISO. An IURC hearing was held on March 15, 2004, with final resolution anticipated during the second quarter 2004.

The MISO has initiated the Midwest Market Initiative (MMI), which will develop the structures and processes to be used to implement an electricity market for the MISO region. This MMI proposes non-discriminatory transmission service, reliable grid operation, and the purchase and sale of electric energy in a competitive, efficient and non-discriminatory manner. MISO filed detailed tariff information, with a planned initial operation date of March 31, 2004. However, in October 2003, MISO petitioned FERC to withdraw this tariff filing. FERC approved the withdrawal and has provided guidance to MISO as to how it should proceed in the future. On March 31, 2004, MISO submitted a revised energy markets tariff to the FERC for approval. As part of the revised filings, MISO proposes an initial operation date of December 1, 2004. Northern Indiana and Energy USA-TPC (TPC) are actively pursuing roles in the MMI. At the current time, management believes that the MMI will change the manner in which Northern Indiana and TPC conducts their electric business; however, at this time management cannot determine the impact the MMI will have on Northern Indiana or TPC.

Northern Indiana has been recovering the costs of electric power purchased for sale to its customers through the fuel adjustment clause (FAC). The FAC provides for costs to be collected if they are below a negotiated cap. If costs exceed this cap, Northern Indiana must demonstrate that the costs were prudently incurred to achieve approval for recovery. This negotiated cap agreement is subject to continuing negotiations. A group of industrial customers challenged the manner in which Northern Indiana applied costs associated with a specific interruptible sales tariff. An estimated refund liability was recorded in the first quarter of 2003. A settlement was reached with the customers and Northern Indiana recorded the full costs of the settlement. As a result of the settlement, the industrial customers challenge was withdrawn and dismissed in January 2004. In addition, as a result of the settlement, Northern Indiana has sought and received approval by the IURC to reduce the charges under the interruptible sales tariff. This reduction will remain in effect until the Dean H. Mitchell Generating Station (Mitchell Station) has been returned to service.

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

NISOURCE INC.
ELECTRIC OPERATIONS (CONTINUED)

Currently, Northern Indiana is reviewing options to meet the electric needs of its customers. This review includes an assessment of Northern Indiana's oldest generating units and various options regarding the return to service of the Mitchell Station, constructed in the early 1950's, in the second half of 2004. Northern Indiana has requested proposals for outside companies to provide power under varying terms and conditions. These proposals are being evaluated. In February 2004, the City of Gary announced an interest to acquire the land on which the Mitchell Station is located for economic development, including a proposal to increase the length of the runways at the Gary International Airport. Northern Indiana had an initial discussion with the City of Gary regarding the proposal to acquire the land. On May 7, 2004, the City of Gary filed a petition with the IURC seeking valuation of the Mitchell Station and determination of the terms and conditions under which the City of Gary would acquire the Mitchell Station. Northern Indiana will participate in the IURC proceedings arising from that filing.

In January 2002, Northern Indiana filed for approval to implement an environmental cost tracker (ECT). The ECT was approved by the IURC on November 26, 2002. Under the ECT Northern Indiana is permitted to recover (1) allowance for funds used during construction and a return on the capital investment expended by Northern Indiana to implement Indiana Department of Environmental Management's nitrogen oxide State Implementation Plan through an Environmental Cost Recovery Mechanism (ECRM) and (2) related operation and maintenance and depreciation expenses once the environmental facilities become operational through an Environmental Expense Recovery Mechanism (EERM). The IURC order was appealed to the Indiana Court of Appeals by the Citizens Action Coalition of Indiana, where it was upheld by the Court on March 9, 2004. The Citizens Action Coalition of Indiana failed to take any action to continue the appeal of this case and the Court's decision is now final. Under the Commission's November 26, 2002 order, Northern Indiana is permitted to submit filings on a semi-annual basis for the ECRM and on an annual basis for the EERM. Northern Indiana made its initial filing of the ECRM, ECR-1, in February 2003 for capital expenditures of $58.4 million. On April 30, 2003, the IURC issued an order approving the ECRM filing, providing for a return on the capital investment through increased rates beginning with the May 2003 customer bills. Through March 31, 2004 the ECRM revenues amounted to $8.2 million. On August 1, 2003, Northern Indiana filed ECR-2 for capital expenditures through June 30, 2003, of $120.0 million. This petition was approved by the IURC on October 1, 2003. The initial filing of the EERM was filed with the most recent semi-annual filing of the ECT in February 2004, which included a filing of the ECR-3 for capital expenditures through December 31, 2003, of $194.1 million, and an EERM amount of $1.9 million. On March 24, 2004, the IURC approved Northern Indiana's February 2004 filing for ECR-3 and the initial filing of the EERM. Over the timeframe required to meet the environmental standards, Northern Indiana anticipates a total capital investment amounting to approximately $274.2 million. On February 4, 2004, the IURC approved Northern Indiana's latest compliance plan with the estimate of $274.2 million.

Environmental Matters

Northern Indiana is a potentially responsible party under the Comprehensive Environmental Response Compensation and Liability Act (CERCLA) and similar State laws at two waste disposal sites and shares in the cost of their cleanup with other potentially responsible parties. At one site, investigations are ongoing and final costs of clean up have not yet been determined. At the second site, Northern Indiana has entered into EPA Administrative Orders on Consent to perform an interim action that includes providing a municipal water supply system for approximately 275 homes. Northern Indiana has also agreed to conduct a Remedial Investigation and Feasibility Study in the vicinity of the third party, state-permitted landfill where Northern Indiana contracted for fly ash disposal.

Sales

Electric sales for the first quarter 2004 were 4,255.1 gwh, a decrease of 235.1 gwh compared to the 2003 period, as a result of decreased wholesale transaction sales and a slight decrease in residential sales offset in part by an improvement in industrial and commercial sales. Commercial sales improved due to an increase in the number of customers and higher usage, while industrial sales increased due to increased demand from the steel industry.

Net Revenues

In first quarter 2004, electric net revenues of $179.5 million increased by $10.0 million from the comparable 2003 period. The increase was primarily a result of customer settlement obligations that reduced net revenues in the 2003 period.

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

NISOURCE INC.
ELECTRIC OPERATIONS (CONTINUED)

Operating Income

Operating income for the first quarter 2004 was $58.8 million, an increase of $6.2 million from the same period in 2003. The increase was primarily due to the changes in net revenue mentioned above partially offset by a $3.3 million expense in operations, representing Electric Operations' portion of the redemption premium from the early extinguishment of certain medium-term notes at Northern Indiana.

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

NISOURCE INC.
OTHER OPERATIONS

Three Months Ended March 31, (in millions)	2004	2003
NET REVENUES		
Products and services revenue	$ 188.9	$ 144.4
Less: Cost of products purchased	188.7	137.9
Net Revenues	0.2	6.5
OPERATING EXPENSES		
Operation and maintenance	13.0	14.5
Depreciation and amortization	2.9	2.9
Loss (gain) on sale or impairment of assets	0.7	1.1
Other taxes	1.8	1.9
Total Operating Expenses	18.4	20.4
Operating Income (Loss)	$ (18.2)	$ (13.9)

The Other Operations segment participates in energy-related services including gas marketing, power trading and ventures focused on distributed power generation technologies, fuel cells and storage systems. PEI Holdings, Inc. (PEI) operates the Whiting Clean Energy, Inc. (Whiting Clean Energy) project, which is a 525mw cogeneration facility that uses natural gas to produce electricity for sale in the wholesale markets and also provides steam for industrial use. Additionally, the Other Operations segment is involved in real estate and other businesses.

PEI Holdings, Inc.

WHITING CLEAN ENERGY. PEI's Whiting Clean Energy project at BP's Whiting, Indiana refinery was placed in service in 2002. Initially, the facility was not able to deliver steam to BP to the extent originally contemplated without plant modifications. Whiting Clean Energy has commenced an arbitration proceeding to seek recovery of damages from the engineering, procurement and construction contractor. Whiting Clean Energy is also pursuing recovery from the insurance provider for construction delays and necessary plant modifications. The contractor has asserted that it fully performed under its contract and is demanding payment of the full contract price plus additional amounts for remediation.

PEI estimates that the facility will operate at a loss in the near term based on the current market view of forward pricing for gas and electricity. For 2003, the after-tax loss was approximately $30.0 million and the expected 2004 after-tax loss is expected to be similar to 2003. During the first quarter of 2004, Whiting Clean Energy continued to experience losses due to the market for wholesale power and the contract requirements to run the plant at a level to produce steam required by the BP refinery in Whiting, Indiana. These contract requirements currently are being renegotiated. The profitability of the project in future periods will be dependent on, among other things, prevailing prices in the energy markets and regional load dispatch patterns. Because of the expected losses from this facility and decreases in estimated forward pricing for electricity versus changes in gas prices, an impairment study was performed in the first quarter of 2003 on this facility in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". The study indicated that, at that time, no impairment was necessary.

However, the study includes many estimates and assumptions for the 40-year estimated useful life of the facility. Changes in these estimates and assumptions, such as forward prices for electricity and gas, volatility in the market, etc., could result in a situation where total undiscounted net revenues are less than the carrying value of the facility, which would result in a write-down that could be significant.

Net Revenues

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Net revenues of $0.2 million for the first quarter of 2004 decreased by $6.3 million from the first quarter of 2003, due to reduced revenue from the Whiting Clean Energy facility of $3.8 million and lower power trading revenues as a result of reduced volatility in the power markets.

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

NISOURCE INC.
OTHER OPERATIONS

Operating Income

The Other segment reported an operating loss of $18.2 million for the first quarter of 2004, versus an operating loss of $13.9 million for the comparable period 2003. The increase in the operating loss was comprised primarily of increased losses incurred with the operation of Whiting Clean Energy.

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

NISOURCE INC.

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

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

NiSource's chief executive officer and its chief financial officer, after evaluating the effectiveness of NiSource's disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)), have concluded based on the evaluation required by paragraph (b) of Exchange Act Rules 13a-15 and 15d-15 that, as of the end of the period covered by this report. NiSource's disclosure controls and procedures were adequate and effective to ensure that material information relating to NiSource and its consolidated subsidiaries would be made known to them by others within those entities.

Changes in Internal Controls

There was no change in NiSource's internal control over financial reporting during the fiscal quarter covered by this report that has materially affected, or is reasonably likely to materially affect, NiSource's internal control over financial reporting.

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PART II

ITEM 1. LEGAL PROCEEDINGS

NISOURCE INC.

1. VIRGINIA NATURAL GAS, INC. V. COLUMBIA GAS TRANSMISSION CORP., FEDERAL ENERGY REGULATORY COMMISSION (FERC)

On January 13, 2004, Virginia Natural Gas, Inc. (VNG) filed with FERC a "Complaint Seeking Compliance with the Natural Gas Act and with Regulations and Certificate Orders of the Federal Energy Regulatory Commission and Seeking Remedies" in Docket No. RP04-139. VNG alleges various violations during the 2002-2003 winter by Columbia Transmission of its firm service obligations to VNG. VNG seeks monetary damages and remedies (exceeding $37 million), and also seeks certain prospective remedies. Columbia Transmission filed its response to the complaint on February 2, 2004, demonstrating the authority under which it had acted and the limitations on FERC's authority to address the issues and damage claims raised by VNG. On February 17, 2004, VNG filed an answer and motion for summary disposition. Columbia filed its response to that most recent VNG pleading on March 3, 2004. This matter remains pending before FERC.

ITEM 2. CHANGES IN SECURITES AND USE OF PROCEEDS

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

ITEM 5. OTHER INFORMATION

None

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ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

NISOURCE INC.

(a) Exhibits

(10.1) 3-Year Revolving Credit Agreement, dated as of March 18, 2004 among NiSource Finance Corp., as Borrower, NiSource Inc., as Guarantor, the Lead Arrangers and Lenders party thereto, as Lenders, Credit Suisse First Boston, as Syndication Agent, Bank One, National Association (Main Office, Chicago), The Bank of Tokyo-Mitsubishi, Ltd., (Chicago Branch) and Citicorp USA, Inc. as Co-Documentation Agents, Barclays Bank PLC, as Administrative Agent and LC Bank, Barclays Capital and Credit Suisse First Boston, as Lead Arrangers and Barclays Capital, as Sole Book Runner.

(10.2) 364-Day Revolving Credit Agreement, dated as of March 18, 2004 among NiSource Finance Corp., as Borrower, NiSource Inc., as Guarantor, the Lead Arrangers and Lenders party thereto, as Lenders, Credit Suisse First Boston, as Syndication Agent, Bank One, National Association (Main Office, Chicago), The Bank of Tokyo-Mitsubishi, Ltd., (Chicago Branch) and Citicorp USA, Inc. as Co-Documentation Agents, Barclays Bank PLC, as Administrative Agent and LC Bank, Barclays Capital and Credit Suisse First Boston, as Lead Arrangers and Barclays Capital, as Sole Book Runner.

(10.3) 4-Year Letter of Credit Reimbursement Agreement, dated as of February 13, 2004 among NiSource Finance Corp., as Borrower, NiSource Inc., as Guarantor, the Lead Arrangers and Lenders party thereto, as Lenders, Barclays Bank PLC, as Administrative Agent and LC Bank, Barclays Capital, as Lead Arrangers and Barclays Capital, as Sole Book Runner.

(10.4) Amendment No. 1 to 4-Year Letter of Credit Reimbursement Agreement, dated as of March 18, 2004, among NiSource Finance Corp., as Borrower, NiSource Inc., as Guarantor, the Lead Arrangers and Lenders party thereto, as Lenders, Barclays Bank PLC, as Administrative Agent and LC Bank, Barclays Capital, as Lead Arrangers and Barclays Capital, as Sole Book Runner.

(31.1) Certification of Gary L. Neale, Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).

(31.2) Certification of Michael W. O'Donnell, Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).

(32.1) Certification of Gary L. Neale, Chief Executive Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).

(32.2) Certification of Michael W. O'Donnell, Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of

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2002 (filed herewith).

Pursuant to Item 601(b)(4)(iii) of Regulation S-K, NiSource hereby agrees to furnish the U.S. Securities and Exchange Commission, upon request, any instrument defining the rights of holders of long-term debt of NiSource not filed as an exhibit herein. No such instrument authorizes long-term debt securities in excess of 10% of the total assets of NiSource and its subsidiaries on a consolidated basis.

(b) Reports on Form 8-K

The following reports on Form 8-K were filed during the first quarter of 2004:

Item Reported	Financial Statements Included	Date of Event	Date Filed
7, 12	Y	1/30/2004	1/30/2004
9	N	2/10/2004	2/10/2004

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SIGNATURE

NISOURCE INC.

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

NiSource Inc.
(Registrant)

Date: May 7, 2004 *By: /s/ Jeffrey W. Grossman*

Jeffrey W. Grossman
Vice President and Controller
(Principal Accounting Officer
and Duly Authorized Officer)

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EXHIBIT 10.1

3-YEAR REVOLVING CREDIT AGREEMENT

among

NISOURCE FINANCE CORP.,
as Borrower,

NISOURCE INC.,
as Guarantor,

THE LEAD ARRANGERS
and
LENDERS
Party Hereto,
as Lenders,

CREDIT SUISSE FIRST BOSTON
as Syndication Agent,

BANK ONE, NA,
THE BANK OF TOKYO-MITSUBISHI, LTD., CHICAGO BRANCH
and
CITICORP USA, INC.,
as Co-Documentation Agents

BARCLAYS BANK PLC,
as Administrative Agent and LC Bank,

BARCLAYS CAPITAL
and
CREDIT SUISSE FIRST BOSTON
Lead Arrangers

BARCLAYS CAPITAL
Sole Book Runner

Dated as of March 18, 2004

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SCHEDULE 3.01 Terminated	Financing Facilities to be
SCHEDULE 6.01(e)	Existing Agreements

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3-YEAR REVOLVING CREDIT AGREEMENT, dated as of March 18, 2004 (this "AGREEMENT"), among NISOURCE FINANCE CORP., an Indiana corporation, as Borrower (the "BORROWER"), NISOURCE INC., a Delaware corporation ("NISOURCE"), as Guarantor (the "GUARANTOR"), the Lead Arrangers and other Lenders from time to time party hereto, the Co-Documentation Agents party hereto, CREDIT SUISSE FIRST BOSTON, as Syndication Agent and BARCLAYS BANK PLC, as issuer of any Letters of Credit provided for hereunder (in such capacity, the "LC BANK") and as administrative agent for the Lenders hereunder (in such capacity, the "ADMINISTRATIVE AGENT").

WITNESSETH:

WHEREAS, the parties are willing to enter into this 3-Year Revolving Credit Agreement on the terms and subject to the conditions herein set forth.

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

ARTICLE I
DEFINITIONS

SECTION 1.01. DEFINED TERMS. As used in this Agreement, the following terms have the meanings specified below:

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

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

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

"AGGREGATE COMMITMENTS" means the aggregate amount of the Commitments of all Lenders, as in effect from time to time. As of the date hereof, the Aggregate Commitments equal $750,000,000.

"ALTERNATE BASE RATE" means, for any day, a rate per annum equal to the greater of (a) the Prime Rate in effect on such day and (b) the Federal Funds Effective Rate in effect on such day plus 1/2 of 1%. Any change in the Alternate Base Rate due to a change in the Prime Rate or the Federal Funds Effective Rate shall be effective from and including the effective date of such change in the Prime Rate or the Federal Funds Effective Rate, respectively.

"APPLICABLE PERCENTAGE" means, with respect to any Lender, the percentage of the Aggregate Commitments represented by such Lender's Commitment. If the Commitments have terminated or expired, the Applicable Percentages shall be

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determined based upon the Commitments most recently in effect, giving effect to any assignments.

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

"ARRANGERS" shall mean each of Barclays and Credit Suisse First Boston.

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

"AVAILABILITY PERIOD" means the period from and including the Effective Date to but excluding the Termination Date.

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

"BENEFICIARY" has the meaning set forth in Section 10.01.

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

"BORROWER" means NiSource Finance Corp., Inc. an Indiana corporation.

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

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

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

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

"CAPITAL STOCK" means any and all shares, interests, participations or other equivalents (however designated) of capital stock of a corporation, any and all equivalent ownership interests in a Person other than a corporation (including, but not limited to, all common stock and preferred stock and partnership, membership and joint venture

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interests in a Person), and any and all warrants, rights or options to purchase any of the foregoing.

"CASH ACCOUNT" has the meaning set forth in Section 8.01.

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

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

"CHANGE IN LAW" means (a) the adoption of any law, rule or regulation after the date of this Agreement, (b) any change in any law, rule or regulation or in the interpretation or application thereof by any Governmental Authority after the date of this Agreement or (c) compliance by any Lender (or, for purposes of Section 2.15(b), by any lending office of such Lender or by such Lender's holding company, if any) with any request, guideline or directive (whether or not having the force of law) of any Governmental Authority made or issued after the date of this Agreement.

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

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

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

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

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Acceptance pursuant to which such Lender shall have assumed its Commitment, as applicable.

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

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

"CONSOLIDATED INTEREST EXPENSE" means, for any period, the interest expense of the Guarantor and its Consolidated Subsidiaries, determined on a consolidated basis in accordance with GAAP.

"CONSOLIDATED NET INCOME" means, for any period, the net income of the Guarantor and its Consolidated Subsidiaries, determined on a consolidated basis in accordance with GAAP, adjusted to exclude: (a) any extraordinary gain or loss, (b) any gain or loss on dispositions of capital assets and (c) the non-cash effects of any impairment or write-down of assets.

"CONSOLIDATED NET TANGIBLE ASSETS" means, at any time, the total amount of assets appearing on a consolidated balance sheet of the Guarantor and its Subsidiaries (other than Utility Subsidiaries), determined in accordance with GAAP and prepared as of the end of the fiscal quarter then most recently ended, less, without duplication, the following (other than those of Utility Subsidiaries):

(a) all current liabilities (excluding any thereof that are by their terms extendable or renewable at the sole option of the obligor thereon, without requiring the consent of the obligee, to a date more than 12 months after the date of determination);

(b) all reserves for depreciation and other asset valuation reserves (but excluding any reserves for deferred Federal income taxes, arising from accelerated amortization or otherwise);

(c) all intangible assets, such as goodwill, trademarks, trade names, patents and unamortized debt discount and expense, carried as an asset on such balance sheet; and

(d) all appropriate adjustments on account of minority interests of other Persons holding common stock of any Subsidiary of the Guarantor.

"CONSOLIDATED SUBSIDIARY" means, on any date, each Subsidiary of the Guarantor the accounts of which, in accordance with GAAP, would be consolidated with those of

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the Guarantor in its consolidated financial statements if such statements were prepared as of such date.

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

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

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

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

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

"CREDIT PARTY" means each of the Borrower and the Guarantor.

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

"DEBT TO CAPITALIZATION RATIO" means, at any time, the ratio of Consolidated Debt to Consolidated Capitalization.

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

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

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

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

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

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

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

"ERISA EVENT" means (a) a reportable event, within the meaning of
Section 4043 of ERISA, unless the 30-day notice requirement with respect thereto has been waived by the PBGC, (b) the provision by the administrator of any Plan of a notice of intent to terminate such Plan, pursuant to Section 4041(a)(2) and 4041(c) of ERISA (including any such notice with respect to a plan amendment referred to in Section 4041(e) of ERISA), (c) the withdrawal by the Guarantor or an ERISA Affiliate from a Multiple Employer Plan during a plan year for which it was a substantial employer, as defined in Section 4001(a)(2) of ERISA, (d) the failure by the Guarantor or any ERISA Affiliate to make a payment to a Plan required under Section 302(f)(1) of ERISA, which Section imposes a lien for failure to make required payments, (e) the adoption of an amendment to a Plan requiring the provision of security to such Plan, pursuant to Section 307 of

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ERISA, or (f) the institution by the PBGC of proceedings to terminate a Plan, pursuant to Section 4042 of ERISA, or the occurrence of any event or condition which may reasonably be expected to constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, a Plan.

"EUROCURRENCY LIABILITIES" has the meaning assigned to that term in Regulation D of the Board, as in effect from time to time.

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

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

"EVENT OF DEFAULT" has the meaning assigned to such term in Article **VIII.**

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

"EXPOSURE" means, with respect to any Lender at any time, such Lender's Outstanding Loans plus such Lender's Applicable Percentage of the aggregate LC Outstandings at such time plus such Lender's Applicable Percentage of the aggregate Unreimbursed LC Disbursements at such time.

"EXTENSION OF CREDIT" means (a) the making by any Lender of a Revolving Loan, (b) the making by the Swingline Lender of any Swingline Loan, (c) the issuance of a Letter of Credit by the LC Bank or (d) the amendment of any Letter of Credit having the

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effect of extending the stated termination date thereof, increasing the LC Outstandings, or otherwise altering any of the material terms or conditions thereof.

"FACILITY FEE" has the meaning set forth in Section 2.12.

"FEDERAL BANKRUPTCY CODE" means Title 11 of the United States Code (11 U.S.C. Section 101 et seq.) as now or hereafter in effect, or any successor statute.

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

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

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

"GOVERNMENTAL AUTHORITY" means the government of the United States of America, any other nation, or any political subdivision of the United States of America or any other nation, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government and includes, in any event, an "Independent System Operator" or any entity performing a similar function.

"GRANTING LENDER" has the meaning set forth in Section 11.04.

"GUARANTOR" means NiSource.

"GUARANTY" means the guaranty of the Guarantor pursuant to Article X of this Agreement.

"HAZARDOUS MATERIALS" means any asbestos; flammables; volatile hydrocarbons; industrial solvents; explosive or radioactive materials; hazardous wastes; toxic substances; liquefied natural gas; natural gas liquids; synthetic gas; oil, petroleum, or related materials and any constituents, derivatives, or byproducts thereof or additives thereto; or any other material, substance, waste, element or compound (including any product) regulated pursuant to any Environmental Law, including, without limitation, substances defined as "hazardous substances," "hazardous materials," "contaminants,"

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"pollutants," "hazardous wastes," "toxic substances," "solid waste," or "extremely hazardous substances" in (i) CERCLA, (ii) the Hazardous Materials Transportation Act, 49 U.S.C. Section 1801 et seq., (iii) the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901 et seq.,
(iv) the Federal Water Pollution Control Act, as amended, 33 U.S.C.
Section 1251 et seq., (v) the Clean Air Act, 42 U.S.C. Section 7401 et seq., (vi) the Toxic Substances Control Act, 15 U.S.C. Section 2601 et seq., (vii) the Safe Drinking Water Act, 42 U.S.C. Section 300f et seq., or (viii) foreign, state, local or municipal law, in each case, as may be amended from time to time.

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

"INDEMNIFIED TAXES" means Taxes other than Excluded Taxes.

"INDEMNITEE" has the meaning set forth in Section 11.03.

"INDEX DEBT" means the senior unsecured long-term debt securities of the Borrower, without third-party credit enhancement provided by a Person other than the Guarantor.

"INFORMATION" has the meaning set forth in Section 11.12.

"INITIAL CREDIT EVENT DATE" means the date on which the initial Loan or Borrowing is funded or the initial Letter of Credit hereunder is issued.

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

"INTEREST COVERAGE RATIO" means, for any period, the ratio of (i) the sum of (a) Consolidated Net Income for such period plus (b) income taxes deducted in determining such Consolidated Net Income plus (c) Consolidated Interest Expense for such period to (ii) Consolidated Interest Expense for such period.

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"INTEREST ELECTION REQUEST" means a request by the Borrower to convert or continue a Revolving Borrowing in accordance with Section 2.06.

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

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

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

"LC RISK PARTICIPATION FEE" has the meaning set forth in Section 2.12.

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

"LETTER OF CREDIT" means a letter of credit issued by the LC Bank pursuant to the terms of this Agreement, as such letter of credit may from time to time be amended, modified or extended in accordance with the terms of this Agreement.

"LIBO RATE" means, with respect to any Eurodollar Borrowing for any Interest Period, the rate appearing on Telerate Page 3750 (or on any successor or substitute page of such service, or any successor to or substitute for such service, providing rate quotations comparable to those currently provided on such page of such service, as

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determined by the Administrative Agent from time to time for purposes of providing quotations of interest rates applicable to dollar deposits in the London interbank market) at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period, as the rate for dollar deposits with a maturity comparable to such Interest Period. In the event that such rate is not available at such time for any reason, then the "LIBO RATE" with respect to such Eurodollar Borrowing for such Interest Period shall be the rate at which Dollar deposits of $5,000,000 and for a maturity comparable to such Interest Period are offered by the principal London office of the Administrative Agent in immediately available funds in the London interbank market at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period.

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

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

"MARGIN STOCK" means margin stock within the meaning of Regulations U and X issued by the Board.

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

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

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

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

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

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

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"MULTIEMPLOYER PLAN" means a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

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

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

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

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

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

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

"PARTICIPANT" has the meaning set forth in Section 11.04.

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

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

"PLAN" means any employee pension benefit plan (other than a Multiemployer Plan) subject to the provisions of Title IV of ERISA or Section 412 of the Code or

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Section 302 of ERISA, and in respect of which the Borrower or any ERISA Affiliate is (or, if such plan were terminated, would under Section 4069 of ERISA be deemed to be) an "employer" as defined in Section 3(5) of ERISA.

"PRICING GRID" means the pricing grid attached hereto as Annex A.

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

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

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

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

"REGISTER" has the meaning set forth in Section 11.04.

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

"REQUEST FOR ISSUANCE" has the meaning set forth in Section 2.04.

"REQUIRED LENDERS" means Lenders having more than 50% in aggregate amount of the Commitments, or if the Commitments shall have been terminated, of the Total Outstanding Principal.

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

"REVOLVING LOAN" means a Loan made pursuant to Section 2.02.

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

"SPFV" has the meaning set forth in Section 11.04.

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

"SUBSTANTIAL SUBSIDIARIES" has the meaning set forth in Section 8.01.

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

"SWINGLINE FACILITY AMOUNT" has the meaning specified in Section 2.01(b).

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

"SWINGLINE LENDER" means Barclays.

"SWINGLINE RATE" means: (a) in the case of a Swingline Loan in an original principal amount of $100,000 or more, a fixed rate of interest equal to the sum of (i) the Swingline Lender's cost of funds as determined by the Swingline Lender in its sole discretion with reference to its funding sources on the date such Swingline Loan is made for a term equal to the period such Swingline Loan is to be outstanding plus (ii) the

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Applicable Rate then in effect for Eurodollar Revolving Loans or (b) in the case of a Swingline Loan in an original principal amount of less than $100,000, a floating rate of interest equal to the sum of (i) the Alternate Base Rate plus (ii) the Applicable Rate then in effect for Alternate Base Rate Loans, in each case, as notified to the Borrower at the time such Swingline Loan is made. Any Swingline Rate determined in accordance with clause (a), above, shall be adjusted in each case from time to time to give effect to all applicable reserve requirements, including, without limitation, special, emergency or supplemental reserves.

"SWINGLINE REQUEST" means a request by the Borrower for the Swingline Lender to make a Swingline Loan, which shall contain the information in respect of such requested Swingline Loan specified in
Section 2.03(b) and shall be delivered to the Swingline Lender and the Administrative Agent in writing, or by telephone, immediately confirmed in writing.

"SYNDICATION AGENT" means Credit Suisse First Boston, in its capacity as syndication agent for the Lenders hereunder.

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

"TERMINATING FACILITIES" means financing facilities described on Schedule 3.01 hereto.

"TERMINATION DATE" means the earliest of (a) March 18, 2007 and (b) the date upon which the Commitments are terminated pursuant to Section 8.1 or otherwise.

"364-DAY CREDIT AGREEMENT" means the 364-Day Revolving Credit Agreement, dated as March 18, 2004, among the Borrower, the Guarantor, the lead arrangers, co-documentation agents and other lenders from time to time parties thereto, Credit Suisse First Boston, as syndication agent and Barclays, as administrative agent thereunder.

"TOTAL OUTSTANDING PRINCIPAL" means the aggregate amount of the Outstanding Loans of all Lenders plus the aggregate LC Outstandings plus the aggregate Unreimbursed LC Disbursements.

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

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

"UNREIMBURSED LC DISBURSEMENT" means the unpaid obligation (or, if the context so requires, the amount of such obligation) of the Borrower to reimburse the LC Bank for a payment made by the LC Bank under a Letter of Credit, but shall not include

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any portion of such obligation that has been repaid with the proceeds of, or converted to, Loans hereunder.

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

"UTILIZATION FEE" has the meaning set forth in Section 2.12.

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

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

SECTION 1.02. CLASSIFICATION OF LOANS AND BORROWINGS. For purposes of this Agreement, Loans may be classified and referred to by Class (e.g., a "REVOLVING LOAN") or by Type (e.g., a "EURODOLLAR LOAN") or by Class and Type (e.g., a "EURODOLLAR REVOLVING LOAN"). Borrowings also may be classified and referred to by Class (e.g., a "REVOLVING BORROWING") or by Type (e.g., a "EURODOLLAR BORROWING") or by Class and Type (e.g., a "EURODOLLAR REVOLVING BORROWING").

SECTION 1.03. TERMS GENERALLY. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation". The word "or" shall not be exclusive. The word "will" shall be construed to have the same meaning and effect as the word "shall". Unless the context requires otherwise (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein),
(b) any reference herein to any Person shall be construed to include such Person's successors and assigns, (c) the words "herein", "hereof" and "hereunder", and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (d) all references herein to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement and (e) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights. The terms "knowledge of", "awareness of" and "receipt of notice of" in relation to a Credit Party, and other similar expressions, mean knowledge of, awareness of, or receipt of notice by, a Responsible Officer of such Credit Party.

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

ARTICLE II
THE CREDITS

SECTION 2.01. COMMITMENTS.

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

(b) Subject to the terms and conditions set forth herein, the Swingline Lender agrees to make Swingline Loans to the Borrower from time to time during the Availability Period in an aggregate principal amount that will not result in
(i) the aggregate principal amount of all Swingline Loans made by the Swingline Lender then outstanding under this Agreement exceeding the Swingline Lender's Swingline Commitment, (ii) the aggregate principal amount of all Swingline Loans then outstanding under this Agreement exceeding $200,000,000 (the "SWINGLINE FACILITY AMOUNT"), (iii) any Lender's Exposure exceeding such Lender's Commitment or (iv) the sum of the Exposures of all of the Lenders exceeding the Aggregate Commitments.

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

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

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SECTION 2.02. REVOLVING LOANS AND REVOLVING BORROWINGS; REQUESTS FOR BORROWINGS.

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

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

(c) At the commencement of each Interest Period for any Eurodollar Revolving Borrowing, such Borrowing shall be in an aggregate amount that is an integral multiple of $5,000,000 and not less than $10,000,000. At the time that each ABR Revolving Borrowing is made, such Borrowing shall be in an aggregate amount that is an integral multiple of $100,000; provided that an ABR Revolving Borrowing may be to an aggregate amount that is equal to the entire unused balance of the Aggregate Commitments. Borrowings of more than one Type and Class may be outstanding at the same time; provided that there shall not at any time be more than a total of ten Eurodollar Revolving Borrowings outstanding under this Agreement and the 364-Day Credit Agreement.

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

(i) the aggregate amount of the requested Borrowing;

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

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

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

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

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

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

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

(c) At any time upon written demand by the Swingline Lender, with a copy of such demand to the Administrative Agent, and automatically upon the occurrence of an Event of Default, each other Lender shall purchase from the Swingline Lender, and the Swingline Lender shall sell and assign to each such other Lender, such other Lender's pro rata share (based on its Applicable Percentage) of the Swingline Loans of the Swingline Lender outstanding as of the date of such demand or occurrence, as the case may be, by making available to the Administrative Agent for the account of the Swingline Lender an amount in same day funds equal to the portion of the principal amount of each outstanding Swingline Loan to be purchased by such Lender. The Borrower hereby agrees to each such sale and assignment. Each Lender agrees to purchase its pro rata share (based on its Applicable Percentage) of each outstanding Swingline Loan on (i) the Business Day on which demand therefor is made by the Swingline Lender, provided, that, notice of such demand is received by such Lender not later than 11:00 A.M. (New York City time) on such Business Day, (ii) the first Business Day next succeeding

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such demand, if notice of such demand is received after such time or (iii) the first Business Day next succeeding the occurrence of such Event of Default. Upon any such assignment by the Swingline Lender to any other Lender of a portion of any Swingline Loan, the Swingline Lender represents and warrants to such other Lender that the Swingline Lender is the legal and beneficial owner of the interest being assigned by it, but makes no other representation or warranty and assumes no responsibility with respect to such Swingline Loan, the Financing Documents or the Borrower. If and to the extent that any Lender shall not have so made the amount of such Swingline Loan or portion thereof available to the Administrative Agent for the account of the Swingline Lender, such Lender agrees to pay to the Swingline Lender forthwith on demand such amount together with interest thereon for each day from the date of demand by the Swingline Lender until the date such amount is paid to the Swingline Lender, at the Federal Funds Effective Rate. If such Lender shall pay such amount to the Swingline Lender on any Business Day, such amount so paid in respect of principal shall constitute an ABR Revolving Loan made by such Lender on such Business Day for all purposes of this Agreement, and the outstanding principal amount of the relevant Swingline Loan(s) shall be reduced accordingly by such amount on such Business Day. The obligation of each other Lender to purchase its pro rata share of the Swingline Lender's Swingline Loans in accordance with this subsection shall be absolute and unconditional, notwithstanding the occurrence of any circumstances, including without limitation any Event of Default or any setoff, deduction or other defense asserted by the Borrower or any other Person, except that any Lender shall have the right to bring suit against the Swingline Lender, and the Swingline Lender shall be liable to such Lender, to the extent of any direct, as opposed to consequential, damages suffered by such Lender which such Lender proves were caused by the Swingline Lender's wilful misconduct or gross negligence.

SECTION 2.04. LETTERS OF CREDIT

(a) LC Bank. Subject to the terms and conditions hereof, the Borrower may from time to time request Barclays, as LC Bank, to issue one or more Letters of Credit hereunder. Any such request by the Borrower shall be notified to the Administrative Agent at least five Business Days prior to the date upon which the Borrower proposes that the LC Bank issue such Letter of Credit. At no time shall (i) the aggregate LC Outstandings exceed the sum of the Commitments or
(ii) the sum of the aggregate LC Outstandings under this Agreement exceed $500,000,000.

(b) Letters of Credit. Each Letter of Credit shall be issued (or the stated maturity thereof extended or terms thereof modified or amended) on not less than five Business Days' prior written notice thereof to the Administrative Agent (which shall promptly distribute copies thereof to the Lenders) and the LC Bank. Each such notice (a "REQUEST FOR ISSUANCE") shall specify (i) the date (which shall be a Business Day) of issuance of such Letter of Credit (or the date of effectiveness of such extension, modification or amendment) and the stated expiry date thereof (which shall be not later than the Termination Date),
(ii) the proposed stated amount of such Letter of Credit and (iii) such other information as shall demonstrate compliance of such Letter of Credit with the requirements specified therefor in this Agreement. Each Request for Issuance shall be irrevocable unless modified or rescinded by the Borrower not less than two days prior to the proposed date of issuance (or effectiveness) specified therein. If the LC Bank shall have approved the form of such Letter of Credit (or such extension, modification or amendment thereof), the LC Bank shall not later than 11:00 A.M. (New York City time) on the proposed date specified in such Request for Issuance, and upon fulfillment of the applicable conditions

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precedent and the other requirements set forth herein and as otherwise agreed to between the LC Bank and the Borrower, issue (or extend, amend or modify) such Letter of Credit and provide notice and a copy thereof to the Administrative Agent. The Administrative Agent shall furnish (x) to each Lender, a copy of such notice and (y) to each Lender that may so request, a copy of such Letter of Credit.

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

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

(e) Participation; Reimbursement of LC Bank.

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

(ii) If the LC Bank shall not have been reimbursed in full for any payment made by the LC Bank under any Letter of Credit on the date of such payment, the LC Bank shall promptly notify the Administrative Agent and the Administrative Agent shall promptly notify each Lender of such non-reimbursement and the amount thereof. Upon receipt of such notice from the Administrative Agent, each Lender shall pay to the Administrative Agent for the account of the LC Bank an amount equal to such Lender's Applicable Percentage of such Unreimbursed LC Disbursement, plus interest on such amount at a rate per annum equal to the Federal Funds Rate from the date of such payment by the LC Bank to the date of payment to the LC Bank by such Lender. All such payments by each Lender shall be made in United States dollars and in same day funds not later than 3:00 P.M. (New York City time) on the later to occur of (A) the Business Day immediately following the date of such payment by the LC Bank and (B) the Business Day on which such Lender shall have received notice of such non-

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reimbursement; provided, however, that if such notice is received by such Lender later than 11:00 A.M. (New York City time) on such Business Day, such payment shall be payable on the next Business Day. Each Lender agrees that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever. If a Lender shall have paid to the LC Bank its ratable portion of any Unreimbursed LC Disbursement, together with all interest thereon required by the second sentence of this subparagraph (ii), such Lender shall be entitled to receive its ratable share of all interest paid by the Borrower in respect of such Unreimbursed LC Disbursement. If such Lender shall have made such payment to the LC Bank, but without all such interest thereon required by the second sentence of this subparagraph (ii), such Lender shall be entitled to receive its ratable share of the interest paid by the Borrower in respect of such Unreimbursed LC Disbursement only from the date it shall have paid all interest required by the second sentence of this subparagraph (ii).

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

(iv) If any Lender shall fail to make any payment to the LC Bank in accordance with subparagraph (ii), above, then, in addition to other rights and remedies which the LC Bank may have, the Administrative Agent is hereby authorized, at the request of the LC Bank, to withhold and to apply to the payment of such amounts owing by such Lender to the LC Bank and any related interest, that portion of any payment received by the Administrative Agent that would otherwise be payable to such Lender. In furtherance of the foregoing, if any Lender shall fail to make any payment to the LC Bank in accordance with subparagraph (ii), above, and such failure shall continue for five Business Days following written notice of such failure from the LC Bank to such Lender, the LC Bank may acquire, or transfer to a third party in exchange for the sum or sums due from such Lender, such Lender's interest in the related Unreimbursed LC Disbursement and all other rights of such Lender hereunder in respect thereof, without, however, relieving such Lender from any liability for damages, costs and expenses suffered by the LC Bank as a result of such failure, and prior to such transfer, the LC Bank shall be deemed, for purposes of Section 2.18 and Article VIII hereof, to be a Lender hereunder owed a Loan in an amount equal to the outstanding principal amount due and payable by such Lender to the Administrative Agent for the account of such LC Bank pursuant to subparagraph (ii), above. The purchaser of any such interest shall be deemed to have acquired an interest senior to the interest of such Lender and shall be entitled to receive all subsequent payments which the LC Bank or the Administrative Agent would otherwise have made hereunder to such Lender in respect of such interest.

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

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

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

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

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

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

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

(g) Liability of LC Bank and the Lenders. The Borrower assumes all risks of the acts and omissions of any beneficiary or transferee of any Letter of Credit. Neither the LC Bank, the Lenders nor any of their respective officers, directors, employees, agents or Affiliates shall be liable or responsible for (i) the use that may be made of such Letter of Credit or any acts or omissions of any beneficiary or transferee thereof in connection therewith; (ii) the validity, sufficiency or genuineness of documents, or of any endorsement thereon, even if such documents should prove to be in any or all respects invalid, insufficient, fraudulent or forged; (iii) payment by the LC Bank against presentation of documents that do not comply with the terms of such Letter of Credit, including failure of any documents to bear any reference or adequate reference to such Letter of Credit; or (iv) any other circumstances whatsoever in making or failing to make payment under such Letter of Credit, except that the Borrower or any Lender shall have the right to bring suit against the LC Bank, and the LC Bank shall be liable to the Borrower and any Lender, to the extent of any direct, as opposed to consequential, damages suffered by the Borrower or such Lender which the Borrower or such Lender proves were caused by the LC Bank's wilful misconduct or gross negligence, including the LC Bank's wilful or grossly negligent failure to make timely payment under such Letter of Credit following the presentation to it by the beneficiary thereof of a draft and accompanying certificate(s) which strictly comply

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with the terms and conditions of such Letter of Credit. In furtherance and not in limitation of the foregoing, the LC Bank may accept sight drafts and accompanying certificates presented under the Letter of Credit issued by the LC Bank that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary. Notwithstanding the foregoing, no Lender shall be obligated to indemnify the Borrower for damages caused by the LC Bank's wilful misconduct or gross negligence, and the obligation of the Borrower to reimburse the Lenders hereunder shall be absolute and unconditional, notwithstanding the gross negligence or wilful misconduct of the LC Bank.

SECTION 2.05. FUNDING OF BORROWINGS.

(a) Each Lender shall make each Loan to be made by it hereunder on the proposed date thereof by wire transfer of immediately available funds by 3:00
p.m., New York City time, to the account of the Administrative Agent most recently designated by it for such purpose by notice to the Lenders. The Administrative Agent will make such Loans available to the Borrower by promptly crediting the amounts so received, in like funds, to an account established and maintained by the Borrower at the Administrative Agent's office in New York City.

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

SECTION 2.06. INTEREST ELECTIONS.

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

(b) To make an election pursuant to this Section, the Borrower shall notify the Administrative Agent of such election by telephone by the time that a Borrowing Request would

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be required under Section 2.02 if the Borrower were requesting a Borrowing of the Type resulting from such election to be made on the effective date of such election. Each such telephonic Interest Election Request shall be irrevocable and shall be confirmed promptly by hand delivery or telecopy to the Administrative Agent of a written Interest Election Request in a form approved by the Administrative Agent and signed by the Borrower.

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

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

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

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

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

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

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

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

SECTION 2.07. MANDATORY TERMINATION OR REDUCTION OF COMMITMENTS.

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

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SECTION 2.08. MANDATORY PREPAYMENTS.

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

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

SECTION 2.09. OPTIONAL REDUCTION OF COMMITMENTS.

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

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

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

SECTION 2.10. REPAYMENT OF LOANS; EVIDENCE OF DEBT.

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

(b) Each Lender (including the Swingline Lender) shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Borrower to such Lender resulting from each Loan (including each Swingline Loan) made by such Lender,

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including the amounts of principal and interest payable and paid to such Lender from time to time hereunder.

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

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

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

SECTION 2.11. OPTIONAL PREPAYMENT OF LOANS.

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

(b) The Borrower shall notify the Administrative Agent by telephone (confirmed by telecopy) of any prepayment hereunder (i) in the case of prepayment of a Eurodollar Borrowing, not later than 11:00 a.m., New York City time, three Business Days before the date of prepayment, (ii) in the case of prepayment of an ABR Borrowing, not later than 11:00 a.m., New York City time, one Business Day before the date of prepayment or (iii) in the case of prepayment of a Swingline Borrowing, not later than 11:00 a.m., New York City time, on the date of prepayment. Each such notice shall be irrevocable and shall specify the prepayment date and the principal amount of each Borrowing or portion thereof to be prepaid; provided that, if a notice of prepayment is given in connection with a conditional notice of termination of the Commitments as contemplated by Section 2.09, then such notice of prepayment may be revoked if such notice of termination is revoked in accordance with Section 2.09. Promptly following receipt of any such notice relating to a Borrowing, the Administrative Agent shall advise the Lenders of the contents thereof. Each partial prepayment of any Revolving Borrowing shall be in an amount that would be permitted in the case of an advance of a Revolving Borrowing of the same Type as provided in Section 2.02, and each partial prepayment of a Swingline Borrowing shall be in an amount not less than $100,000 or any integral multiple thereof, it being understood

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that the foregoing minimums shall not apply to the prepayment in whole of the outstanding Revolving Loans of all Lenders or to the prepayment in whole of the outstanding Swingline Loans of the Swingline Lender. Each prepayment of a Revolving Borrowing shall be applied ratably to the Loans included in the prepaid Revolving Borrowing. Prepayments shall be accompanied by accrued interest to the extent required by Section 2.13 and by any amounts payable under
Section 2.16 in connection with such prepayment.

SECTION 2.12. FEES.

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

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

(c) The Borrower agrees to pay to the Administrative Agent, for its own account and for the account of the other Persons entitled thereto, the fees provided for in that certain fee letter dated February 18, 2004, executed and delivered with respect to the credit facility provided for

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herein, in each case, in the amounts and at the times set forth therein and in immediately available funds.

(d) If at any time (i) the sum of (A) the Total Outstanding Principal plus (B) the "Total Outstanding Principal" under (and as defined in) the 364-Day Credit Agreement exceeds 50% of (ii) the sum of (X) the Aggregate Commitments plus (Y) the "Aggregate Commitments" under (and as defined in) the 364-Day Credit Agreement, the Borrower shall pay to the Administrative Agent, for the account of the Lenders ratably in proportion to their respective Applicable Percentages, a utilization fee (the "UTILIZATION FEE") calculated for each day with respect to the Total Outstanding Principal on such day at the rate for such day determined in accordance with the Pricing Grid. The accrued Utilization Fee shall be payable in arrears on the last day of March, June, September and December of each year and on the date on which the Commitments terminate, commencing on the first such date to occur after the Effective Date; provided that any Utilization Fee accruing after the date on which the Commitments terminate shall be payable on demand. The Utilization Fee shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

(e) All fees payable hereunder shall be paid on the dates due, in immediately available funds, to the Administrative Agent (for distribution, in the case of Facility Fees, LC Risk Participation Fees and any Utilization Fee, to the Lenders). Fees due and paid shall not be refundable under any circumstances.

SECTION 2.13. INTEREST.

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

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

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

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

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

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payable on the effective date of such conversion and (iv) all accrued interest shall be payable upon termination of the Commitments.

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

SECTION 2.14. ALTERNATE RATE OF INTEREST. If prior to the commencement of any Interest Period for a Eurodollar Borrowing:

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

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

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

SECTION 2.15. INCREASED COSTS. If any Change in Law shall:

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

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

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

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may be, such additional amount or amounts as will compensate such Lender or the LC Bank for such additional costs incurred or reduction suffered.

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

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

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

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

SECTION 2.16. BREAK FUNDING PAYMENTS. In the event of (a) the payment of any principal of any Eurodollar Loan other than on the last day of an Interest Period applicable thereto (including as a result of an Event of Default), (b) the conversion of any Eurodollar Loan other than on the last day of the Interest Period applicable thereto, (c) the failure to borrow, convert, continue or prepay any Revolving Loan on the date specified in any notice delivered pursuant hereto (regardless of whether such notice is permitted to be revocable under
Section 2.11(b) and is revoked in accordance therewith), or (d) the assignment of any Eurodollar

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

SECTION 2.17. TAXES.

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

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

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

(d) As soon as practicable after any payment of Indemnified Taxes or Other Taxes by a Credit Party to a Governmental Authority, such Credit Party shall deliver to the Administrative

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Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

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

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

SECTION 2.18. PAYMENTS GENERALLY; PRO RATA TREATMENT; SHARING OF SET-OFFS.

(a) The Borrower shall make each payment required to be made by it hereunder (whether of principal, interest or fees, or under Section 2.15, 2.16,
2.17 or 11.03, or otherwise) prior to 12:00 noon, New York City time, on the date when due, in immediately available funds, without set-off or counterclaim. Any amounts received after such time on any date may, in the discretion of the Administrative Agent, be deemed to have been received on the next succeeding Business Day for purposes of calculating interest thereon. All such payments shall be made to the Administrative Agent at its offices at 200 Park Avenue, New York, New York, except that payments pursuant to Sections 2.15, 2.16, 2.17 and 11.03 shall be made directly to the Persons entitled thereto. The Administrative Agent shall distribute any such payments received by it for the account of any other Person to the appropriate recipient promptly following receipt thereof. If any payment hereunder shall be due on a day that is not a Business Day, the date for payment shall be extended to the next succeeding Business Day, and, in the case of any payment accruing interest, interest thereon shall be payable for the period of such extension. All payments hereunder shall be made in Dollars.

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

(c) If any Lender shall, by exercising any right of set-off or counterclaim or otherwise, obtain payment in respect of any principal of or interest on any of the Obligations owing to it

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

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

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

SECTION 2.19. MITIGATION OBLIGATIONS; REPLACEMENT OF LENDERS.

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

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

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

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

ARTICLE III
CONDITIONS

SECTION 3.01. CONDITIONS PRECEDENT TO THE INITIAL EXTENSION OF CREDIT. The obligation of each Lender to make the Initial Extension of Credit shall not become effective until the date on which each of the following conditions, and each of the conditions set forth in Section 3.02, is satisfied (or waived in accordance with Section 11.02); provided that each of the conditions set forth in this Section 3.01 shall be satisfied or waived no later than the Initial Credit Event Date.

(a) The Administrative Agent (or its counsel) shall have received from each party thereto either (i) a counterpart of this Agreement and the 364-Day Credit Agreement signed on behalf of such party or (ii) written evidence satisfactory to the Administrative Agent (which may include telecopy transmission of a signed signature page of this Agreement or the 364-Day Credit

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Agreement, as applicable) that such party has signed a counterpart of this Agreement and the 364-Day Credit Agreement.

(b) The Lenders, the Administrative Agent, the Arrangers and each other Person entitled to the payment of fees or the reimbursement or payment of expenses, pursuant hereto or to that certain fee letter dated February 18, 2004, executed and delivered with respect to the credit facility provided for herein, shall have received all fees required to be paid by the Initial Credit Event Date, and all expenses for which invoices have been presented on or before the Initial Credit Event Date.

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

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

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

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

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

(h) The Administrative Agent shall have received such evidence as it and its counsel may reasonably require of the termination and payment in full of the Terminating Facilities and the release by the holders thereof of any collateral security securing such facilities.

SECTION 3.02. CONDITIONS PRECEDENT TO EACH EXTENSION OF CREDIT. The obligation of each Lender to make any Extension of Credit and of the LC Bank to issue any Letter of Credit (including the initial Extension of Credit but excluding any conversion or continuation of any Loan) shall be subject to the satisfaction (or waiver in accordance with Section 11.02) of each of the following conditions:

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

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

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

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

(e) In the case of a Revolving Loan, the Administrative Agent shall have timely received a Borrowing Request; and, in the case of a Letter of Credit issuance, a Request for Issuance.

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

ARTICLE IV
REPRESENTATIONS AND WARRANTIES

SECTION 4.01. REPRESENTATIONS AND WARRANTIES OF THE CREDIT PARTIES. Each of the Borrower and the Guarantors represents and warrants as follows:

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

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State of its incorporation, and, in the case of the Guarantor, in good standing under the laws of the State of its incorporation.

(b) The execution, delivery and performance by each of the Credit Parties of the Credit Documents to which it is a party are within such Credit Party's corporate powers, (i) have been duly authorized by all necessary corporate action, (ii) do not contravene (A) such Credit Party's charter or by-laws, as the case may be, or (B) any law, rule or regulation (including, without limitation, the Public Utility Holding Company Act of 1935, as amended), or any material Contractual Obligation or legal restriction, binding on or affecting any Credit Party or any Material Subsidiary, as the case may be, and (iii) do not require the creation of any Lien on the property of any Credit Party or any Material Subsidiary under any Contractual Obligation binding on or affecting such Credit Party or any Material Subsidiary.

(c) No authorization or approval or other action by, and no notice to or filing with, any Governmental Authority or other Person is required for the due execution, delivery and performance by any Credit Party of this Agreement or any other Credit Document to which any of them is a party, except for such as have been obtained or made and that are in full force and effect.

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

(e) The consolidated balance sheet of the Guarantor and its Subsidiaries as at September 30, 2003, and the related statements of income and retained earnings of the Guarantor and its Subsidiaries for the nine months then ended, copies of which have been made available or furnished to each Lender, fairly present (subject to year-end adjustments) the financial condition of the Guarantor and its Subsidiaries as at such date and the results of the operations of the Guarantor and its Subsidiaries for the period ended on such date, all in accordance with generally accepted accounting principles consistently applied.

(f) Since December 31, 2002, there has been no material adverse change in such condition or operations, or in the business, assets, operations, condition (financial or otherwise) or prospects of any of the Credit Parties or of Columbia.

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

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

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

(j) Schedule B (Actuarial Information) to the 2002 Annual report (Form 5500 Series) for each Plan, copies of which have been filed with the Internal Revenue Service and made available or furnished to each Lender, is complete and accurate and fairly presents the funding status of such Plan, and since the date of such Schedule B there has been no adverse change in such funding status which may reasonably be expected to have a Material Adverse Effect.

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

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

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

(n) The Guarantor is a "public utility holding company" within the meaning of the Public Utility Holding Company Act of 1935, as amended, registered in compliance therewith.

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

(p) Each Credit Party and its Subsidiaries are and have been in compliance with all laws (including, without limitation, the Public Utility Holding Company Act of 1935, as amended, and all Environmental Laws), except to the extent that any failure to be in compliance, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

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

(r) The information, exhibits and reports furnished by the Borrower or any of its Subsidiaries to the Administrative Agent or to any Lender in connection with the negotiation of,

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or compliance with, the Credit Documents, taken as a whole, do not contain any material misstatement of fact and do not omit to state a material fact or any fact necessary to make the statements contained therein not misleading in light of the circumstances made.

ARTICLE V
AFFIRMATIVE COVENANTS

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

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

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

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

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

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

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

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

(h) REPORTING REQUIREMENTS. Deliver to the Administrative Agent for distribution to the Lenders:

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

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

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standing acceptable to the Required Lenders, which audit was conducted by such accounting firm in accordance with generally accepted auditing standards;

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

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

(v) promptly after the sending or filing thereof, copies of all reports which the Guarantor sends to its stockholders, and copies of all reports and registration statements (other than registration statements filed on Form S-8 and filings under the Public Utility Holding Company Act of 1935, as amended) that the Guarantor, the Borrower or any Subsidiary of the Guarantor or the Borrower, files with the Securities and Exchange Commission;

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

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

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

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(ix) promptly after the Guarantor has knowledge of the commencement thereof, notice of any actions, suits and proceedings before any court or governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, affecting the Guarantor or any Material Subsidiary of the type described in Section 4.01(g);

(x) promptly after the Guarantor or the Borrower knows of any change in the rating of the Index Debt by S&P or Moody's, a notice of such changed rating; and

(xi) such other information respecting the condition or operations, financial or otherwise, of the Guarantor or any of its Subsidiaries as any Lender through the Administrative Agent may from time to time reasonably request.

Notwithstanding the foregoing, the Credit Parties' obligations to deliver the documents or information required under any of clauses (i), (ii) and (v) above shall be deemed to be satisfied upon (x) the relevant documents or information being publicly available on the Guarantor's website or other publicly available electronic medium (such as EDGAR) within the time period required by such clause, and (y) the delivery by the Guarantor or the Borrower of notice to the Administrative Agent and the Lenders, within the time period required by such clause, that such documents or information are so available.

(i) USE OF PROCEEDS. Use the proceeds of the Loans and the Letters of Credit hereunder for working capital and other general corporate purposes, including to provide liquidity support for commercial paper issued by the Borrower.

(j) RATINGS. At all times maintain ratings by both Moody's and S&P with respect to the Index Debt.

ARTICLE VI
NEGATIVE COVENANTS

SECTION 6.01. NEGATIVE COVENANTS. So long as any Lender shall have any Commitment hereunder or any principal of any Loan, interest or fees payable hereunder shall remain unpaid or any Letter of Credit shall remain outstanding, no Credit Party will, without the written consent of the Required Lenders:

(a) LIMITATION ON LIENS. Create or suffer to exist, or permit any of its Subsidiaries (other than a Utility Subsidiary) to create or suffer to exist, any lien, security interest, or other charge or encumbrance (collectively, "LIENS") upon or with respect to any of its properties, whether now owned or hereafter acquired, or collaterally assign for security purposes, or permit any of its Subsidiaries (other than a Utility Subsidiary) to so assign any right to receive income in each case to secure or provide for or guarantee the payment of Debt for Borrowed Money of any Person, without in any such case effectively securing, prior to or concurrently with the creation, issuance, assumption or guaranty of any such Debt for Borrowed Money, the Obligations (together with, if the Guarantor shall so determine, any other Debt for Borrowed Money of or guaranteed by the Guarantor or any of its Subsidiaries ranking equally with the Loans and then existing or thereafter created) equally and ratably with (or prior to) such Debt for Borrowed

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Money; provided, however, that the foregoing restrictions shall not apply to or prevent the creation or existence of:

(i) (A) Liens on any property acquired, constructed or improved by the Guarantor or any of its Subsidiaries (other than a Utility Subsidiary) after the date of this Agreement that are created or assumed prior to, contemporaneously with, or within 180 days after, such acquisition or completion of such construction or improvement, to secure or provide for the payment of all or any part of the purchase price of such property or the cost of such construction or improvement; or (B) in addition to Liens contemplated by clauses (ii) and (iii) below, Liens on any property existing at the time of acquisition thereof, provided that the Liens shall not apply to any property theretofore owned by the Guarantor or any such Subsidiary other than, in the case of any such construction or improvement, (1) unimproved real property on which the property so constructed or the improvement is located, (2) other property (or improvements thereon) that is an improvement to or is acquired or constructed for specific use with such acquired or constructed property (or improvement thereof), and (3) any rights and interests (A) under any agreements or other documents relating to, or (B) appurtenant to, the property being so constructed or improved or such other property;

(ii) existing Liens on any property or indebtedness of a corporation that is merged with or into or consolidated with any Credit Party or any of its Subsidiaries; provided that such Lien was not created in contemplation of such merger or consolidation;

(iii) Liens on any property or indebtedness of a corporation existing at the time such corporation becomes a Subsidiary of any Credit Party; provided that such Lien was not created in contemplation of such occurrence;

(iv) Liens to secure Debt for Borrowed Money of a Subsidiary of a Credit Party to a Credit Party or to another Subsidiary of the Guarantor;

(v) Liens in favor of the United States of America, any State, any foreign country or any department, agency or instrumentality or political subdivision of any such jurisdiction, to secure partial, progress, advance or other payments pursuant to any contract or statute or to secure any Debt for Borrowed Money incurred for the purpose of financing all or any part of the purchase price of the cost of constructing or improving the property subject to such Liens, including, without limitation, Liens to secure Debt for Borrowed Money of the pollution control or industrial revenue bond type;

(vi) Liens on any property (including any natural gas, oil or other mineral property) to secure all or part of the cost of exploration, drilling or development thereof or to secure Debt for Borrowed Money incurred to provide funds for any such purpose;

(vii) Liens existing on the date of this Agreement;

(viii) Liens for the sole purposes of extending, renewing or replacing in whole or in part Debt for Borrowed Money secured by any Lien referred to in the foregoing clauses (i) through (vii), inclusive, or this clause (viii); provided, however, that the

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principal amount of Debt for Borrowed Money secured thereby shall not exceed the principal amount of Debt for Borrowed Money so secured at the time of such extension, renewal or replacement (which, for purposes of this limitation as it applies to any Capital Lease, shall be deemed to be
(x) the lessor's original cost of the property subject to such lease at the time of extension, renewal or replacement, less (y) the aggregate amount of all prior payments under such lease allocated pursuant to the terms of such lease to reduce the principal amount of the lessor's investment, and borrowings by the lessor, made to fund the original cost of the property), and that such extension, renewal or replacement shall be limited to all or a part of the property or indebtedness which secured the Lien so extended, renewed or replaced (plus improvements on such property);

(ix) Liens on any property or assets of a Project Financing Subsidiary, or on any Capital Stock in a Project Financing Subsidiary, in either such case, that secure only a Project Financing or a Contingent Guaranty that supports a Project Financing; or

(x) Any Lien, other than a Lien described in any of the foregoing clauses (i) through (ix), inclusive, to the extent that it secures Debt for Borrowed Money, or guaranties thereof, the outstanding principal balance of which at the time of creation of such Lien, when added to the aggregate principal balance of all Debt for Borrowed Money secured by Liens incurred under this clause (x) then outstanding, does not exceed 5% of Consolidated Net Tangible Assets.

If at any time any Credit Party or any of its Subsidiaries shall create, issue, assume or guaranty any Debt for Borrowed Money secured by any Lien and the first paragraph of this Section 6.01(a) requires that the Loans be secured equally and ratably with such Debt for Borrowed Money, the Borrower shall promptly deliver to the Administrative Agent and each Lender:

(1) a certificate of a duly authorized officer of the Borrower stating that the covenant contained in the first paragraph of this Section 6.01(a) has been complied with; and

(2) an opinion of counsel acceptable to the Required Lenders to the effect that such covenant has been complied with and that all documents executed by any Credit Party or any of its Subsidiaries in the performance of such covenant comply with the requirements of such covenant.

(b) MERGERS, ETC. Merge or consolidate with or into, or, except in a transaction permitted under paragraph (c) of this Section, convey, transfer, lease or otherwise dispose of (whether in one transaction or in a series of transactions) all or substantially all of its assets (whether now owned or hereafter acquired) to any Person, or permit any of its Subsidiaries to do so, except that:

(i) any Subsidiary of the Guarantor may merge or consolidate with or transfer assets to or acquire assets from any other Subsidiary of the Guarantor; and

(ii) any Subsidiary of the Guarantor may merge into the Guarantor or the Borrower or transfer assets to the Borrower; and

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(iii) the Guarantor or any Subsidiary of the Guarantor may merge, or consolidate with or transfer all or substantially all of its assets to, any other Person; provided that in each case, immediately after giving effect thereto, (A) no Event of Default shall have occurred and be continuing (determined, for purposes of compliance with Section 7.01 after giving effect to such transaction, on a pro forma basis for the period of four consecutive fiscal quarters of the Guarantor then most recently ended, as if such transaction had occurred on the first day of such period, and, for purposes of compliance with Section 7.02 after giving effect to such transaction, on a pro forma basis as if such transaction had occurred on the last day of the Guarantor's fiscal quarter then most recently ended); (B) in the case of any merger, consolidation or transfer of assets to which the Borrower is a party (other than a merger, consolidation or transfer of assets between the Borrower and the Guarantor), the Borrower shall be the continuing or surviving corporation; (C) in the case of any merger, consolidation or transfer of assets between the Borrower and the Guarantor, the Guarantor shall have assumed all of the obligations of the Borrower under and in respect of the Credit Documents by written instrument satisfactory to the Administrative Agent and its counsel in their reasonable discretion, accompanied by such opinions of counsel and other supporting documents as they may reasonably require; (D) in the case of any merger, consolidation, or transfer of assets to which NIPSCO or Columbia is a party (other than a merger, consolidation or transfer of assets between such Person and a Credit Party), NIPSCO or Columbia, as the case may be, shall be the continuing or surviving corporation and shall be a Wholly-Owned Subsidiary of the Guarantor; (E) in the case of any merger, consolidation or transfer of assets to which the Guarantor is a party, the Guarantor shall be the continuing or surviving corporation; and (F) the Index Debt shall be rated at least BBB- by S&P and at least Baa3 by Moody's.

(c) SALES, ETC. OF ASSETS. Sell, lease, transfer or otherwise dispose of, or permit any of their respective Subsidiaries to sell, lease, transfer or otherwise dispose of (other than in connection with a transaction authorized by paragraph (b) of this Section) any substantial part of its assets; provided that the foregoing shall not prohibit any such sale, conveyance, lease, transfer or other disposition that (i) constitutes realization on a Lien permitted to exist under Section 6.01(a); or (ii) (A) (1) is for a price not materially less than the fair market value of such assets, (2) would not materially impair the ability of any Credit Party to perform its obligations under this Agreement and
(3) together with all other such sales, conveyances, leases, transfers and other dispositions, would have no Material Adverse Effect, or (B) would not result in the sale, lease, transfer or other disposition, in the aggregate, of more than 10% of the consolidated total assets of the Guarantor and its Subsidiaries, determined in accordance with GAAP, on September 30, 2003.

(d) COMPLIANCE WITH ERISA. (i) Terminate, or permit any ERISA Affiliate to terminate, any Plan so as to result in a Material Adverse Effect or (ii) permit to exist any occurrence of any Reportable Event (as defined in Title IV of ERISA), or any other event or condition, that presents a material (in the reasonable opinion of the Required Lenders) risk of such a termination by the PBGC of any Plan, if such termination could reasonably be expected to have a Material Adverse Effect.

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(e) CERTAIN RESTRICTIONS. Permit any of its Subsidiaries (other than, in the case of the Guarantor, the Borrower) to enter into or permit to exist any agreement that by its terms prohibits such Subsidiary from making any payments, directly or indirectly, to any Credit Party by way of dividends, advances, repayment of loans or advances, reimbursements of management or other intercompany charges, expenses and accruals or other returns on investment, or any other agreement that restricts the ability of such Subsidiary to make any payment, directly or indirectly, to such Credit Party; provided that the foregoing shall not apply to prohibitions and restrictions imposed by this Agreement or (i) (A) imposed under an agreement in existence on the date of this Agreement, and (B) described on Schedule 6.01(e), (ii) existing with respect to a Subsidiary on the date it becomes a Subsidiary that are not created in contemplation thereof (but shall apply to any extension or renewal of, or any amendment or modification expanding the scope of, any such prohibition or restriction), (iii) contained in agreements relating to the sale of a Subsidiary pending such sale, provided that such prohibitions or restrictions apply only to the Subsidiary that is to be sold and such sale is permitted hereunder, (iv) imposed on a Project Financing Subsidiary in connection with a Project Financing, or (v) that could not reasonably be expected to have a Material Adverse Effect.

ARTICLE VII
FINANCIAL COVENANTS

So long as any Lender shall have any Commitment hereunder or any principal of any Loan, interest or fees payable hereunder shall remain unpaid or any Letter of Credit shall remain outstanding, the Guarantor shall:

SECTION 7.01. INTEREST COVERAGE RATIO. Maintain an Interest Coverage Ratio of not less than 1.75 to 1.00 for each period of four consecutive fiscal quarters, commencing with the four fiscal quarters ended March 31, 2004.

SECTION 7.02. DEBT TO CAPITALIZATION RATIO. Maintain a Debt to Capitalization Ratio of not more than 0.70:1:00.

ARTICLE VIII
EVENTS OF DEFAULT

SECTION 8.01. EVENTS OF DEFAULT. If any of the following events ("EVENTS OF DEFAULT") shall occur and be continuing:

(a) The Borrower shall fail to pay any principal of any Loan or Unreimbursed LC Disbursement when the same becomes due and payable or shall fail to pay any interest, fees or other amounts hereunder within three days after when the same becomes due and payable; or

(b) Any representation or warranty made by any Credit Party herein or by any Credit Party (or any of its officers) in connection with this Agreement shall prove to have been incorrect in any material respect when made; or

(c) Any Credit Party shall fail to perform or observe any term, covenant or agreement contained in Section 5.01(e), 5.01(f), 5.01(h), 5.01(i), 6.01 or Article VII; or

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(d) Any Credit Party shall fail to perform or observe any term, covenant or agreement contained in this Agreement on its part to be performed or observed (other than one identified in paragraph (a), (b) or (c) above) if the failure to perform or observe such term, covenant or agreement shall remain unremedied for thirty days after written notice thereof shall have been given to the Borrower by the Administrative Agent or any Lender; or

(e) The Guarantor, the Borrower or any of their respective Subsidiaries shall fail to pay any principal of or premium or interest on any Indebtedness (excluding Non-Recourse Debt) which is outstanding in a principal amount of at least $50,000,000 in the aggregate (but excluding the Loans) of the Guarantor, the Borrower or such Subsidiary, as the case may be, when the same becomes due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise), and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Indebtedness; or any other event shall occur or condition shall exist under any agreement or instrument relating to any such Indebtedness and shall continue after the applicable grace period, if any, specified in such agreement or instrument, if the effect of such event or condition is to accelerate, or to permit the acceleration of, the scheduled maturity of such Indebtedness; or any such Indebtedness shall be declared to be due and payable, or required to be prepaid (other than by a regularly scheduled required prepayment), prior to the stated maturity thereof; or an "Event of Default" shall occur and be continuing under (and as defined in) the 364-Day Credit Agreement; or

(f) Any Credit Party shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against any Credit Party seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its property and, in the case of any such proceeding instituted against any Credit Party (but not instituted by any Credit Party), either such proceeding shall remain undismissed or unstayed for a period of 60 days, or any of the actions sought in such proceeding (including, without limitation, the entry of an order for relief against, or the appointment of a receiver, trustee, custodian or other similar official for, any Credit Party or for any substantial part of its property) shall occur; or any Credit Party shall take any corporate action to authorize any of the actions set forth above in this paragraph (f); or

(g) One or more Subsidiaries of the Guarantor (other than any Credit Party) in which the aggregate sum of (i) the amounts invested by the Guarantor and its other Subsidiaries in the aggregate, by way of purchases of Capital Stock, Capital Leases, loans or otherwise, and (ii) the amount of recourse, whether contractual or as a matter of law (but excluding Non-Recourse Debt), available to creditors of such Subsidiary or Subsidiaries against the Guarantor or any of its other Subsidiaries, is $100,000,000 or more (collectively, "SUBSTANTIAL SUBSIDIARIES") shall generally not pay their respective debts as such debts become due, or shall admit in writing their respective inability to pay their debts generally, or shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against Substantial Subsidiaries seeking to adjudicate them bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of them or their

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respective debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, custodian or other similar official for them or for any substantial part of their respective property and, in the case of any such proceeding instituted against Substantial Subsidiaries (but not instituted by any Subsidiary of the Guarantor), either such proceeding shall remain undismissed or unstayed for a period of 60 days, or any of the actions sought in such proceeding (including, without limitation, the entry of an order for relief against, or the appointment of a receiver, trustee, custodian or other similar official for, the Substantial Subsidiaries or for any substantial part of their respective property) shall occur; or Substantial Subsidiaries shall take any corporate action to authorize any of the actions set forth above in this paragraph (g); or

(h) Any judgment or order for the payment of money in excess of $50,000,000 shall be rendered against the Borrower, the Guarantor or any of its other Subsidiaries and either (i) enforcement proceedings shall have been commenced by any creditor upon such judgment or order or (ii) there shall be any period of 30 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect; or

(i) Any ERISA Event shall have occurred with respect to a Plan and, 30 days after notice thereof shall have been given to the Guarantor or the Borrower by the Administrative Agent, (i) such ERISA Event shall still exist and (ii) the sum (determined as of the date of occurrence of such ERISA Event) of the Insufficiency of such Plan and the Insufficiency of any and all other Plans with respect to which an ERISA Event shall have occurred and then exist (or, in the case of a Plan with respect to which an ERISA Event described in clauses (c) through (f) of the definition of ERISA Event shall have occurred and then exist, the liability related thereto) is equal to or greater than $10,000,000 (when aggregated with paragraphs (j), (k) and (l) of this Section), and a Material Adverse Effect could reasonably be expected to occur as a result thereof; or

(j) The Guarantor or any ERISA Affiliate shall have been notified by the sponsor of a Multiemployer Plan that it has incurred Withdrawal Liability to such Multiemployer Plan in an amount which, when aggregated with all other amounts required to be paid to Multiemployer Plans by the Guarantor and its ERISA Affiliates as Withdrawal Liability (determined as of the date of such notification), exceeds $10,000,000 or requires payments exceeding $10,000,000 per annum (in either case, when aggregated with paragraphs (i), (k) and (l) of this Section), and a Material Adverse Effect could reasonably be expected to occur as a result thereof; or

(k) The Guarantor or any ERISA Affiliate shall have been notified by the sponsor of a Multiemployer Plan that such Multiemployer Plan is in reorganization or is being terminated, within the meaning of Title IV of ERISA, if as a result of such reorganization or termination the aggregate annual contributions of the Guarantor and its ERISA Affiliates to all Multiemployer Plans which are then in reorganization or being terminated have been or will be increased over the amounts contributed to such Multiemployer Plans for the respective plan year of each such Multiemployer Plan immediately preceding the plan year in which the reorganization or termination occurs by an amount exceeding $10,000,000 (when aggregated with paragraphs (i), (j) and (l) of this Section), and a Material Adverse Effect could reasonably be expected to occur as a result thereof; or

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(l) The Guarantor or any ERISA Affiliate shall have committed a failure described in Section 302(f)(1) of ERISA and the amount determined under Section 302(f)(3) of ERISA is equal to or greater than $10,000,000 (when aggregated with paragraphs (i), (j) and (k) of this Section), and a Material Adverse Effect could reasonably be expected to occur as a result thereof; or

(m) Any provision of the Credit Documents shall be held by a court of competent jurisdiction to be invalid or unenforceable against any Credit Party purported to be bound thereby, or any Credit Party shall so assert in writing; or

(n) Any Change of Control shall occur;

then, and in any such event, the Administrative Agent (i) shall at the request, or may with the consent, of the Required Lenders, by notice to the Borrower, declare the Commitment of each Lender, the obligation of the Swingline Lender to make or maintain Swingline Loans and the obligation of the LC Bank to issue or maintain Letters of Credit hereunder to be terminated, whereupon the same shall forthwith terminate, and (ii) shall at the request, or may with the consent, of the Required Lenders, by notice to the Borrower, declare all amounts payable under this Agreement to be forthwith due and payable, whereupon all such amounts shall become and be forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Borrower; provided that in the event of an actual or deemed entry of an order for relief with respect to any Credit Party under the Federal Bankruptcy Code, (1) the Commitment of each Lender, the obligation of the Swingline Lender to make or maintain Swingline Loans and the obligation of the LC Bank to issue or maintain Letters of Credit hereunder shall automatically be terminated and (2) all such amounts shall automatically become and be due and payable, without presentment, demand, protest or any notice of any kind, all of which are hereby expressly waived by the Borrower.

Notwithstanding anything to the contrary contained herein, no notice given or declaration made by the Administrative Agent pursuant to this Section 8.01 shall affect (i) the obligation of the LC Bank to make any payment under any outstanding Letter of Credit in accordance with the terms of such Letter of Credit, (ii) the obligations of each Lender in respect of each such Letter of Credit or (iii) the obligation of each Lender to purchase its pro rata share of any Swingline Loans; provided, however, that upon the occurrence and during the continuance of any Event of Default, the Administrative Agent shall at the request, or may with the consent, of the Required Lenders, upon notice to the Borrower, require the Borrower to deposit with the Administrative Agent an amount in the cash account (the "CASH ACCOUNT") described below equal to the then current LC Outstandings. Such Cash Account shall at all times be free and clear of all rights or claims of third parties. The Cash Account shall be maintained with the Administrative Agent in the name of, and under the sole dominion and control of, the Administrative Agent, and amounts deposited in the Cash Account shall bear interest at a rate equal to the rate generally offered by Barclays for deposits equal to the amount deposited by the Borrower in the Cash Account pursuant to this Section 8.01, for a term to be agreed to between the Borrower and the Administrative Agent. If any drawings then outstanding or thereafter made are not reimbursed in full immediately upon demand or, in the case of subsequent drawings, upon being made, then, in any such event, the Administrative Agent may apply the amounts then on deposit in the Cash Account, in such priority as the Administrative Agent shall elect, toward the payment in full of

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any or all of the Borrower's obligations hereunder as and when such obligations shall become due and payable. Upon payment in full after the termination of the Letters of Credit, of all such obligations, the Administrative Agent will repay to the Borrower any cash then on deposit in the Cash Account.

ARTICLE IX
THE ADMINISTRATIVE AGENT

SECTION 9.01. THE ADMINISTRATIVE AGENT.

(a) Each of the Lenders and the LC Bank hereby irrevocably appoints the Administrative Agent as its agent and authorizes the Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms hereof, together with such actions and powers as are reasonably incidental thereto.

(b) The Person serving as the Administrative Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Administrative Agent, and such bank and its Affiliates may accept deposits from, lend money to and generally engage in any kind of business with the any Credit Party or any of such Credit Party's Subsidiaries or other Affiliates thereof as if it were not the Administrative Agent hereunder.

(c) The Administrative Agent shall not have any duties or obligations except those expressly set forth herein. Without limiting the generality of the foregoing, (i) the Administrative Agent shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing, (ii) the Administrative Agent shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby that the Administrative Agent is required to exercise in writing by the Required Lenders, and (iii) except as expressly set forth herein, the Administrative Agent shall not have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Borrower, the Guarantor or any of its other Subsidiaries that is communicated to or obtained by the bank serving as Administrative Agent or any of its Affiliates in any capacity. The Administrative Agent shall not be liable for any action taken or not taken by it with the consent or at the request of the Required Lenders (or, if applicable, all of the Lenders) or in the absence of its own gross negligence or willful misconduct. The Administrative Agent shall be deemed not to have knowledge of any Default unless and until written notice thereof is given to the Administrative Agent by the Borrower or a Lender, and the Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into (1) any statement, warranty or representation made in or in connection with this Agreement, (2) the contents of any certificate, report or other document delivered hereunder or in connection herewith, (3) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein, (4) the validity, enforceability, effectiveness or genuineness of this Agreement or any other agreement, instrument or document, or (5) the satisfaction of any condition set forth in Article III or elsewhere herein, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent and the conformity thereof to such express requirement.

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(d) The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing believed by it to be genuine and to have been signed or sent by the proper Person. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to be made by the proper Person, and shall not incur any liability for relying thereon. The Administrative Agent may consult with legal counsel (who may be counsel for a Credit Party) independent accountants and other experts selected by it and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

(e) The Administrative Agent may perform any and all its duties and exercise its rights and powers by or through any one or more sub-agents appointed by the Administrative Agent. The Administrative Agent and any such sub-agent may perform any and all its duties and exercise its rights and powers through their respective Related Parties. The exculpatory provisions of the preceding paragraphs shall apply to any such sub-agent and to the Related Parties of the Administrative Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Administrative Agent.

(f) Subject to the appointment and acceptance of a successor Administrative Agent as provided in this paragraph, the Administrative Agent may resign at any time by notifying the Lenders and the Borrower. Upon any such resignation, the Required Lenders shall have the right, with the consent of the Borrower (which consent shall not unreasonably be withheld), to appoint a successor. If no successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its resignation, then the retiring Administrative Agent may, on behalf of the Lenders, appoint a successor Administrative Agent which shall be a bank with an office in New York, New York, or an Affiliate of any such bank, in any event having total assets in excess of $500,000,000 and who shall serve until such time, if any, as an Agent shall have been appointed as provided above. Upon the acceptance of its appointment as Administrative Agent hereunder by a successor, such successor shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder. The fees payable by the Borrower to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Borrower and such successor. After the Administrative Agent's resignation hereunder, the provisions of this Article and Section 11.03 shall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as Administrative Agent.

(g) Each Lender acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any related agreement or any document furnished hereunder or thereunder.

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(h) No Lender identified on the signature pages of this Agreement as a "Lead Arranger", "Co-Documentation Agent" or "Syndication Agent", or that is given any other title hereunder other than "LC Bank", "Swingline Lender" or "Administrative Agent", shall have any right, power, obligation, liability, responsibility or duty under this Agreement other than those applicable to all Lenders as such. Without limiting the generality of the foregoing, no Lender so identified as a "Lead Arranger", "Co-Documentation Agent" or "Syndication Agent" or that is given any other title hereunder, shall have, or be deemed to have, any fiduciary relationship with any Lender. Each Lender acknowledges that it has not relied, and will not rely, on the Lenders so identified in deciding to enter into this Agreement or in taking or not taking action hereunder.

ARTICLE X
GUARANTY

SECTION 10.01. THE GUARANTY.

(a) The Guarantor, as primary obligor and not merely as a surety, hereby irrevocably, absolutely and unconditionally guarantees to the Administrative Agent and the Lenders and each of their respective successors, endorsees, transferees and assigns (each a "BENEFICIARY" and collectively, the "BENEFICIARIES") the prompt and complete payment by the Borrower, as and when due and payable, of the Obligations, in accordance with the terms of the Credit Documents. The provisions of this Article X are sometimes referred to hereinafter as the "GUARANTY".

(b) The Guarantor hereby guarantees that the Obligations will be paid strictly in accordance with the terms of the Credit Documents, regardless of any law now or hereafter in effect in any jurisdiction affecting any such terms or the rights of the Beneficiaries with respect thereto. The obligations and liabilities of the Guarantor under this Guaranty shall be absolute and unconditional irrespective of: (i) any lack of validity or enforceability of any of the Obligations or any Credit Document, or any delay, failure or omission to enforce or agreement not to enforce, or the stay or enjoining, by order of court, by operation of law or otherwise, of the exercise of any right with respect to the foregoing (including, in each case, without limitation, as a result of the insolvency, bankruptcy or reorganization of any Beneficiary, the Borrower or any other Person); (ii) any change in the time, manner or place of payment of, or in any other term in respect of, all or any of the Obligations, or any other amendment or waiver of or consent to any departure from the Credit Documents or any agreement or instrument relating thereto; (iii) any exchange or release of, or non-perfection of any Lien on or in any collateral, or any release, amendment or waiver of, or consent to any departure from, any other guaranty of, or agreement granting security for, all or any of the Obligations;
(iv) any claim, set-off, counterclaim, defense or other rights that such Guarantor may have at any time and from time to time against any Beneficiary or any other Person, whether in connection with this transaction or any unrelated transaction; or (v) any other circumstance that might otherwise constitute a defense available to, or a discharge of, the Borrower or any other guarantor or surety in respect of the Obligations or such Guarantor in respect hereof.

(c) The Guaranty provided for herein (i) is a guaranty of payment and not of collection; (ii) is a continuing guaranty and shall remain in full force and effect until the Commitments and Letters of Credit have been terminated and the Obligations have been paid in full in cash; and (iii) shall continue to be effective or shall be reinstated, as the case may be, if at any time any

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payment, or any part thereof, of any of the Obligations is rescinded or must otherwise be returned by any Beneficiary upon or as a result of the insolvency, bankruptcy, dissolution, liquidation or reorganization of the Borrower or otherwise, all as though such payment had not been made.

(d) The obligations and liabilities of the Guarantor hereunder shall not be conditioned or contingent upon the pursuit by any Beneficiary or any other Person at any time of any right or remedy against the Borrower or any other Person that may be or become liable in respect of all or any part of the Obligations or against any collateral security or guaranty therefor or right of setoff with respect thereto.

(e) The Guarantor hereby consents that, without the necessity of any reservation of rights against such Guarantor and without notice to or further assent by such Guarantor, any demand for payment of any of the Obligations made by any Beneficiary may be rescinded by such Beneficiary and any of the Obligations continued after such rescission.

(f) The Guarantor's obligations under this Guaranty shall be unconditional, irrespective of any lack of capacity of the Borrower or any lack of validity or enforceability of any other provision of this Agreement or any other Credit Document, and this Guaranty shall not be affected in any way by any variation, extension, waiver, compromise or release of any or all of the Obligations or of any security or guaranty from time to time therefor.

(g) The obligations of the Guarantor under this Guaranty shall not be reduced, limited, impaired, discharged, deferred, suspended or terminated by any proceeding or action, voluntary or involuntary, involving the bankruptcy, insolvency, receivership, reorganization, marshalling of assets, assignment for the benefit of creditors, composition with creditors, readjustment, liquidation or arrangement of the Borrower or any similar proceedings or actions, or by any defense the Borrower may have by reason of the order, decree or decision of any court or administrative body resulting from any such proceeding or action. Without limiting the generality of the foregoing, the Guarantor's liability shall extend to all amounts and obligations that constitute the Obligations and would be owed by the Borrower, but for the fact that they are unenforceable or not allowable due to the existence of any such proceeding or action.

SECTION 10.02. WAIVERS.

(a) The Guarantor hereby unconditionally waives: (i) promptness and diligence; (ii) notice of or proof of reliance by the Administrative Agent or the Lenders upon this Guaranty or acceptance of this Guaranty; (iii) notice of the incurrence of any Obligation by the Borrower or the renewal, extension or accrual of any Obligation or of any circumstances affecting the Borrower's financial condition or ability to perform the Obligations; (iv) notice of any actions taken by the Beneficiaries or the Borrower or any other Person under any Credit Document or any other agreement or instrument relating thereto; (v) all other notices, demands and protests, and all other formalities of every kind in connection with the enforcement of the Obligations, of the obligations of the Guarantor hereunder or under any other Credit Document, the omission of or delay in which, but for the provisions of this Section 10 might constitute grounds for relieving the Guarantor of its obligations hereunder; (vi) any requirement that the Beneficiaries protect, secure, perfect or insure any Lien or any property subject thereto, or exhaust any right or take

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any action against the Borrower or any other Person or any collateral; and (vii) each other circumstance, other than payment of the Obligations in full, that might otherwise result in a discharge or exoneration of, or constitute a defense to, the Guarantor's obligations hereunder.

(b) No failure on the part of any Beneficiary to exercise, and no delay in exercising, any right, remedy, power or privilege hereunder or under any Credit Document or any other agreement or instrument relating thereto shall operate as a waiver thereof, nor shall any single or partial exercise of any right, remedy, power or privilege hereunder or under any Credit Document or any other agreement or instrument relating thereto preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. This Guaranty is in addition to and not in limitation of any other rights, remedies, powers and privileges the Beneficiaries may have by virtue of any other instrument or agreement heretofore, contemporaneously herewith or hereafter executed by the Guarantor or any other Person or by applicable law or otherwise. All rights, remedies, powers and privileges of the Beneficiaries shall be cumulative and may be exercised singly or concurrently. The rights, remedies, powers and privileges of the Beneficiaries under this Guaranty against the Guarantor are not conditional or contingent on any attempt by the Beneficiaries to exercise any of their rights, remedies, powers or privileges against any other guarantor or surety or under the Credit Documents or any other agreement or instrument relating thereto against the Borrower or against any other Person.

(c) The Guarantor hereby acknowledges and agrees that, until the Commitments have been terminated and all of the Obligations have been paid in full in cash, under no circumstances shall it be entitled to be subrogated to any rights of any Beneficiary in respect of the Obligations performed by it hereunder or otherwise, and the Guarantor hereby expressly and irrevocably waives, until the Commitments have been terminated and all of the Obligations have been paid in full in cash, (i) each and every such right of subrogation and any claims, reimbursements, right or right of action relating thereto (howsoever arising), and (ii) each and every right to contribution, indemnification, set-off or reimbursement, whether from the Borrower or any other Person now or hereafter primarily or secondarily liable for any of the Obligations, and whether arising by contract or operation of law or otherwise by reason of the Guarantor's execution, delivery or performance of this Guaranty.

(d) The Guarantor represents and warrants that it has established adequate means of keeping itself informed of the Borrower's financial condition and of other circumstances affecting the Borrower's ability to perform the Obligations, and agrees that neither the Administrative Agent nor any Lender shall have any obligation to provide to the Guarantor any information it may have, or hereafter receive, in respect of the Borrower.

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ARTICLE XI
MISCELLANEOUS

SECTION 11.01. NOTICES. Except in the case of notices and other communications expressly permitted to be given by telephone, all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopy, as follows:

(a) if to any Credit Party, to it at:

801 East 86th Avenue
Merrillville, Indiana 46410
Attention: Treasurer
Telecopier: (219) 647-6180;

with a copy to such Credit Party at:

801 East 86th Avenue
Merrillville, Indiana 46410
Attention: Director Corporate Finance and Treasury Telecopier: (219) 647-6180;

(b) if to the Administrative Agent or the LC Bank, to Barclays Bank PLC at:

200 Park Avenue
New York, New York 10166
Attn: Sydney G. Dennis, Power and Utilities Group Telecopier: (212) 412-6709

with a copy to such party at:

200 Park Avenue
New York, New York 10166
Attn: May Huang, Customer Service Unit Telephone: (212) 412-3730
Telecopier: (212) 412-5306

(c) if to any Lender or the Swingline Lender, to it at its address (or telecopy number) set forth in its Administrative Questionnaire.

Any Party hereto may change its address or telecopy number for notices and other communications hereunder by notice to the other parties hereto. All notices and other communications given to any party hereto in accordance with the provisions of this Agreement shall be deemed to have been given on the date of receipt.

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SECTION 11.02. WAIVERS; AMENDMENTS.

(a) No failure or delay by the Administrative Agent, the LC Bank or any Lender in exercising any right or power hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Administrative Agent, the LC Bank and the Lenders hereunder are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of this Agreement or consent to any departure by any Credit Party therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) of this Section, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. Without limiting the generality of the foregoing, no Extension of Credit shall be construed as a waiver of any Default, regardless of whether the Administrative Agent, the LC Bank or any Lender may have had notice or knowledge of such Default at the time.

(b) Neither this Agreement nor any provision hereof may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by the Borrower, the Guarantor and the Required Lenders or by the Borrower, the Guarantor and the Administrative Agent with the consent of the Required Lenders; provided that no such agreement shall (i) increase the Commitment of any Lender without the written consent of such Lender, (ii) reduce the principal amount of any Loan or any Unreimbursed LC Disbursement or reduce the rate of interest thereon, or reduce any fees or other amounts payable hereunder, without the written consent of each Lender affected thereby, (iii) postpone the scheduled date of payment of the principal amount of any Loan, any Unreimbursed LC Disbursement or any interest thereon, or any fees or other amounts payable hereunder, or reduce the amount of, waive or excuse any such payment, or postpone the scheduled date of expiration of any Commitment, without the written consent of each Lender affected thereby, (iv) change Section 2.18(b) or (c) in a manner that would alter the pro rata sharing of payments required thereby, without the written consent of each Lender, (v) release the Guarantor from its obligations under the Guaranty without the written consent of each Lender, (vi) waive any of the conditions precedent to the Initial Extension of Credit set forth in Section 3.01 without the written consent of each Lender, (vii) extend the expiry date of any Letter of Credit to a date that is later than the Termination Date without the written consent of each Lender, or (viii) change any of the provisions of this Section or the definition of "Required Lenders" or any other provision hereof specifying the number or percentage of Lenders required to waive, amend or modify any rights hereunder or make any determination or grant any consent hereunder, without the written consent of each Lender; provided, further, that no such agreement shall amend, modify or otherwise affect the rights or duties of the Administrative Agent or the LC Bank hereunder without the prior written consent of the Administrative Agent or the LC Bank, as the case may be.

SECTION 11.03. EXPENSES; INDEMNITY; DAMAGE WAIVER.

(a) The Borrower shall pay (i) all reasonable out-of-pocket expenses incurred by the Administrative Agent and its Affiliates, including the reasonable fees, charges and disbursements of counsel for the Administrative Agent, in connection with the initial syndication of the credit facilities provided for herein, the preparation and administration of this Agreement or any

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amendments, modifications or waivers of the provisions hereof (whether or not the transactions contemplated hereby or thereby shall be consummated), (ii) all reasonable out-of-pocket expenses incurred by the LC Bank, including the reasonable fees, charges and disbursements of counsel for the LC Bank, in connection with the execution, delivery, administration, modification and amendment of any Letters of Credit to be issued by it hereunder, and (iii) all out-of-pocket expenses incurred by the Administrative Agent, the LC Bank or any Lender, including the fees, charges and disbursements of any counsel for the Administrative Agent, the LC Bank or any Lender, in connection with the enforcement or protection of its rights in connection with this Agreement, including its rights under this Section, or in connection with the Loans made and Letters of Credit issued hereunder, including in connection with any workout, restructuring or negotiations in respect thereof.

(b) The Borrower shall indemnify the Administrative Agent, the Syndication Agent, each Co-Documentation Agent, the LC Bank, each Lender and the Swingline Lender, and each Related Party of any of the foregoing Persons (each such Person being called an "INDEMNITEE") against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses, including the fees, charges and disbursements of any counsel for any Indemnitee, incurred by or asserted against any Indemnitee arising out of, in connection with, or as a result of (i) the execution or delivery of this Agreement or any agreement or instrument contemplated hereby, the performance by the parties hereto of their respective obligations hereunder or the consummation of the Transactions or any other transaction contemplated hereby, (ii) any Loan or Letter of Credit or the use of the proceeds therefrom, (iii) any actual or alleged presence or release of Hazardous Materials on or from any property now, in the past or hereafter owned or operated by the Borrower, the Guarantor or any of its other Subsidiaries, or any Environmental Liability related in any way to the Borrower, the Guarantor or any of its other Subsidiaries, or (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory and regardless of whether any Indemnitee is a party thereto; provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee.

(c) To the extent that the Borrower fails to pay any amount required to be paid by it to the Administrative Agent or the LC Bank under paragraph (a) or (b) of this Section, each Lender severally agrees to pay to the Administrative Agent or the LC Bank such Lender's Applicable Percentage (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount; provided that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent or the LC Bank in its capacity as such.

(d) To the extent permitted by applicable law, each party hereto shall not assert, and hereby waives, any claim against each other party, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement or any agreement or instrument contemplated hereby, the Transactions or any Loan or the use of the proceeds thereof.

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(e) All amounts due under this Section shall be payable not later than 20 days after written demand therefor.

SECTION 11.04. SUCCESSORS AND ASSIGNS.

(a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby; provided that, except to the extent permitted pursuant to
Section 6.01(b)(iii)(C), no Credit Party may assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of each Lender and the LC Bank (and any attempted assignment or transfer by a Credit Party without such consent shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) Any Lender may assign to one or more assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans at the time owing to it); provided that (i) except in the case of an assignment to a Lender or an Affiliate of a Lender, each of the Administrative Agent, the LC Bank and, so long as no Event of Default is continuing, the Borrower must give its prior written consent to such assignment (which consent, in the case of the Administrative Agent and the Borrower, shall not unreasonably be withheld and, in the case of the LC Bank, may be given or withheld in the sole discretion of the LC Bank), (ii) except in the case of an assignment to a Lender or an Affiliate of a Lender or an assignment of the entire remaining amount of the assigning Lender's Commitment, the amount of the Commitment of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Acceptance with respect to such assignment is delivered to the Administrative Agent) shall not be less than $5,000,000 unless each of the Administrative Agent and, so long as no Event of Default shall be continuing, the Borrower otherwise consent, (iii) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement and the 364-Day Credit Agreement,
(iv) the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Acceptance, together with a processing and recordation fee of $3,500, and (v) the assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire. Upon acceptance and recording pursuant to paragraph (d) of this Section, from and after the effective date specified in each Assignment and Acceptance, the assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Acceptance, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Acceptance, be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of Sections 2.15,
2.16, 2.17 and 11.03). Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this paragraph shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with paragraph (e) of this Section.

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(c) The Administrative Agent, acting for this purpose as an agent of the Borrower, shall maintain at one of its offices in The City of New York a copy of each Assignment and Acceptance delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitment of, and principal amount of the Loans owing to, each Lender pursuant to the terms hereof from time to time (the "REGISTER"). The entries in the Register shall be conclusive (absent manifest error), and the Borrower, the Administrative Agent and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary.

(d) Upon its receipt of a duly completed Assignment and Acceptance executed by an assigning Lender and an assignee, the assignee's completed Administrative Questionnaire (unless the assignee shall already be a Lender hereunder), the processing and recordation fee referred to in paragraph (b) of this Section and any written consent to such assignment required by paragraph (b) of this Section, the Administrative Agent shall accept such Assignment and Acceptance and record the information contained therein in the Register. No assignment shall be effective for purposes of this Agreement unless it has been recorded in the Register as provided in this paragraph.

(e) Any Lender may, without the consent of the Borrower or the Administrative Agent, sell participations to one or more banks or other entities (a "PARTICIPANT") in all or a portion of such Lender's rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans owing to it); provided that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Borrower, the Guarantors and the Administrative Agent shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver described in the first proviso to Section 11.02(b) that affects such Participant. Subject to paragraph (f) of this Section, the Borrower agrees that each Participant shall be entitled to the benefits of Sections 2.15, 2.16 and 2.17 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (b) of this Section.

(f) A Participant shall not be entitled to receive any greater payment under Section 2.15 or 2.17 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Borrower's prior written consent. A Participant that would be a Foreign Lender if it were a Lender shall not be entitled to the benefits of Section 2.17 unless the Borrower is notified of the participation sold to such Participant and such Participant agrees, for the benefit of the Borrower, to comply with Section 2.17(e) as though it were a Lender.

(g) Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to a Federal Reserve Bank, and this Section shall not apply to

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any such pledge or assignment of a security interest; provided that no such pledge or assignment of a security interest shall release a Lender from any of its obligations hereunder or substitute any such assignee for such Lender as a party hereto.

(h) Anything herein to the contrary notwithstanding, each Lender (the "GRANTING LENDER") shall have the right, without the prior consent of the Borrower, to grant to a special purpose funding vehicle (the "SPFV") that is utilized by such Granting Lender, identified as such in writing from time to time by the Granting Lender to the Administrative Agent and the Borrower, the option to provide all or any part of any Loan that such Granting Lender would otherwise be obligated to make hereunder, provided that (i) nothing herein shall constitute a commitment to make any Loan by any SPFV or shall relieve its Granting Lender of any obligation of such Granting Lender hereunder or under any other Credit Document, except to the extent that such SPFV actually funds all or part of any Loan such Granting Lender is obligated to make hereunder, (ii) if an SPFV elects not to exercise such option or otherwise fails to provide all or any part of such Loan, such Granting Lender shall be obligated to make such Loan pursuant to the terms hereof, (iii) the Granting Lender hereby indemnifies and holds the Administrative Agent harmless from and against any liability, loss, cost or expense (including for or in respect of Taxes) arising out of such identification and grant or any transaction contemplated thereby, and (iv) the provisions of this paragraph (h) shall not impose any increased cost or liability on any Credit Party. The making of a Loan by an SPFV hereunder shall utilize the Commitment of its Granting Lender to the same extent, and as if, such Loan were made by such Granting Lender. Each party hereto agrees that no SPFV shall be liable for any payment under this Agreement or any other Credit Document for which a Lender would otherwise be liable, for so long as, and to the extent that, its Granting Lender makes such payment. As to any Loans or portions of Loans made by it, each SPFV shall have all the rights that a Lender making such Loans or such portions of Loans would have had under this Agreement and otherwise; provided that (1) its voting rights under this Agreement shall be exercised solely by its Granting Lender and (2) its Granting Lender shall remain solely responsible to the other parties hereto for the performance of such SPFV's obligations under this Agreement, including its obligations in respect of the Loans or portions of Loans made by it. No additional promissory notes, if any, shall be required to evidence the Loans or portions of Loans made by a SPFV; and the Granting Lender shall be deemed to hold its promissory note, if any, as agent for its SPFV to the extent of the Loans or portions of Loans funded by such SPFV. Each Granting Lender shall act as administrative agent for its SPFV and give and receive notices and other communications on its behalf. Any payments for the account of any SPFV shall be paid to its Granting Lender as administrative agent for such SPFV, and neither any Credit Party nor the Administrative Agent shall be responsible for any Granting Lender's application of such payments. In furtherance of the foregoing, each party hereto hereby agrees that, until the date that is one year and one day after the payment in full of all outstanding senior Debt of any SPFV, it shall not institute against, or join any other Person in instituting against, such SPFV any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings (or any similar proceedings) under the laws of the United States of America or any State thereof. In addition, notwithstanding anything to the contrary contained in this paragraph (h), an SPFV may (1) (A) with notice to, but without the prior written consent of, the Administrative Agent or the Borrower and without paying any processing fee therefor, assign all or any portion of its interest in any Loan to its Granting Lender or (B) with the consent (which consent shall not be unreasonably withheld) of the Administrative Agent and (if no Event of Default has occurred and

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is continuing) the Borrower, but without paying any processing fee therefor, assign all or any portion of its interest in any Loan to a SPFV financial institution providing liquidity or credit facilities to or for the account of such SPFV to fund the Loans funded by such SPFV and (2) to support any securities issued by such SPFV to fund such Loans, and (2) disclose, on a confidential basis, any non-public information relating to Loans funded by it to any rating agency, commercial paper dealer or provider of a surety, guaranty or credit or liquidity enhancement to such SPFV. The Borrower shall not be required to pay, or to reimburse any Granting Lender for, its expenses relating to any SPFV identified by such Granting Lender pursuant to this paragraph (h).

SECTION 11.05. SURVIVAL. All covenants, agreements, representations and warranties made by the Borrower herein and in the certificates or other instruments delivered in connection with or pursuant to this Agreement shall be considered to have been relied upon by the other parties hereto and shall survive the execution and delivery of this Agreement and the making of any Loans. The provisions of Sections 2.15, 2.16, 2.17 and 11.03 and Article IX shall survive and remain in full force and effect regardless of the consummation of the transactions contemplated hereby, the repayment of the Loans, the expiration or termination of the Commitments or the termination of this Agreement or any provision hereof.

SECTION 11.06. COUNTERPARTS; INTEGRATION; EFFECTIVENESS. This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement, the commitment letter relating to the credit facility provided hereby (to the extent provided therein) and any separate letter agreements with respect to fees payable to the Administrative Agent constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. Except as provided in Section 3.01, this Agreement shall become effective when it shall have been executed by the Administrative Agent and when the Administrative Agent shall have received counterparts hereof which, when taken together, bear the signatures of each of the other parties hereto, and thereafter shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Delivery of an executed counterpart of a signature page of this Agreement by telecopy shall be effective as delivery of a manually executed counterpart of this Agreement.

SECTION 11.07. SEVERABILITY. Any provision of this Agreement held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions hereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction.

SECTION 11.08. RIGHT OF SETOFF. If an Event of Default shall have occurred and be continuing, each Lender or the LC Bank or any Affiliate of either is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Lender to or for the credit or the account of any Credit Party against any of and all the Obligations now or hereafter existing under this Agreement held by such Lender or the LC Bank, irrespective of whether or not such Lender or the LC Bank shall

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have made any demand under this Agreement and although such Obligations may be unmatured. The rights of each Lender and the LC Bank under this Section are in addition to other rights and remedies (including other rights of setoff) which such Lender may have.

SECTION 11.09. GOVERNING LAW; JURISDICTION; CONSENT TO SERVICE OF PROCESS.

(a) This Agreement shall be construed in accordance with and governed by the internal laws of the State of New York.

(b) Each Credit Party hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of the Supreme Court of the State of New York sitting in New York County and of the United States District Court of the Southern District of New York, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State or, to the extent permitted by law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement shall affect any right that the Administrative Agent or any Lender may otherwise have to bring any action or proceeding relating to this Agreement against any Credit Party or its properties in the courts of any jurisdiction.

(c) Each Credit Party hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement in any court referred to in paragraph (b) of this Section. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(d) Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in Section 11.01. Nothing in this Agreement will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

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SECTION 11.10. WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

SECTION 11.11. HEADINGS. Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and shall not affect the construction of, or be taken into consideration in interpreting, this Agreement.

SECTION 11.12. CONFIDENTIALITY. Each of the Administrative Agent and the Lenders agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its and its Affiliates' directors, officers, employees and agents, including accountants, legal counsel and other advisors (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent requested by any regulatory authority, (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (d) to any other party to this Agreement, (e) in connection with the exercise of any remedies hereunder or any suit, action or proceeding relating to this Agreement or the enforcement of rights hereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section, to any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement, (g) with the consent of the Borrower or (h) to the extent such Information (i) becomes publicly available other than as a result of a breach of this Section or (ii) becomes available to the Administrative Agent or any Lender on a nonconfidential basis from a source other than a Credit Party or any Subsidiary of a Credit Party. For the purposes of this Section, "INFORMATION" means all information received from any Credit Party or any Subsidiary of a Credit Party relating to a Credit Party or any Subsidiary of a Credit Party or their respective businesses, other than any such information that is available to the Administrative Agent or any Lender on a nonconfidential basis prior to disclosure by any Credit Party or any Subsidiary of a Credit Party; provided that, in the case of information received from any Credit Party or any Subsidiary of a Credit Party after the Effective Date, such information is clearly identified at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

SECTION 11.13. USA PATRIOT ACT. Each Lender hereby notifies the Credit Parties that pursuant to the requirements of the USA PATRIOT Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "ACT"), it is required to obtain, verify and record information

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that identifies the Credit Parties, which information includes the name and address of the Credit Parties and other information that will allow such Lender to identify the Credit Parties in accordance with the Act.

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

NISOURCE FINANCE CORP., as Borrower

By: /s/ David J. Vajda

Name: David J. Vajda
Title: Vice President and Treasurer

NISOURCE INC., as Guarantor

By: /s/ David J. Vajda

Name: David J. Vajda
Title: Vice President and Treasurer

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BARCLAYS BANK PLC, as a Lead Arranger and Lender, as Swingline Lender, as LC Bank and as Administrative Agent

By: /s/ Gary B. Wenslow

Name: Gary B. Wenslow
Title: Associate Director

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CREDIT SUISSE FIRST BOSTON, ACTING THROUGH ITS CAYMAN ISLANDS BRANCH, as a
Lead Arranger and Lender and as
Syndication Agent

By: /s/ S. William Fox

Name: S. William Fox
Title: Director

By: /s/ David J. Dodd

Name: David J. Dodd
Title: Associate

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BANK ONE, NA, as a Lender and as a Co-Documentation Agent

By: /s/ Jane Bek Keil

Name: Jane Bek Keil
Title: Director

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THE BANK OF TOKYO-MITSUBISHI, LTD.,
Chicago Branch, as a Lender and as a
Co-Documentation Agent

By: /s/ Shinichiro Munechika

Name: Shinichiro Munechika
Title: Deputy General Manager

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CITICORP USA, Inc., as a Lender and as a Co-Documentation Agent

By: /s/ J. Nicholas McRee

Name: J. Nicholas McRee
Title: Managing Director

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BNP PARIBAS, as a Lender

By: /s/ Mark Renaud

Name: Mark Renaud
Title: Managing Director

By: /s/ Francis De Laney

Name: Francis De Laney
Title: Managing Director

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COMMERZBANK AG, New York and Grand Cayman Branches, as a Lender

By: /s/ Andrew Kjoller

Name: Andrew Kjoller
Title: Senior Vice President

By: /s/ Barbara F. Stacks

Name: Barbara F. Stacks
Title: Assistant Treasurer

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DEUTSCHE BANK AG, New York Branch, as a Lender

By: /s/ Joel Makowsky

Name: Joel Makowsky
Title: Director

By: /s/ Michael Starmer-Smith

Name: Michael Starmer-Smith
Title: Managing Director

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DRESDNER BANK A.G., New York and Grand Cayman Branches, as a Lender

By: /s/ Jonathan Newman

Name: Jonathan Newman
Title: Associate

By: /s/ Brian Schneider

Name: Brian Schneider
Title: Vice President

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HARRIS NESBITT FINANCING, INC., as a Lender

By: /s/ Cahal B. Carmody

Name: Cahal B. Carmody
Title: Vice President

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KEYBANK NATIONAL ASSOCIATION, as a Lender

By: /s/ Sherrie I. Manson

Name: Sherrie I. Manson
Title: Vice President

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MIZUHO CORPORATE BANK, LTD., New York Branch, as a Lender

By: /s/ Mark Gronich

Name: Mark Gronich
Title: Senior Vice President

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THE ROYAL BANK OF SCOTLAND plc, as a Lender

By: /s/ Paul McDonagh

Name: Paul McDonagh
Title: Senior Vice President

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WACHOVIA BANK, NATIONAL ASSOCIATION, as a Lender

By: /s/ Yann Pirio

Name: Yann Pirio
Title: Vice President

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BANK OF AMERICA, N.A., as a Lender

By: /s/ Daryl Patterson

Name: Daryl Patterson
Title: Managing Director

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THE BANK OF NOVA SCOTIA, as a Lender

By: /s/ Dennis O'Meara

Name: Dennis O'Meara
Title: Managing Director

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FLEET NATIONAL BANK, as a Lender

By: /s/ Maria F. Maia

Name: Maria F. Maia
Title: Managing Director

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THE NORTHERN TRUST COMPANY, as a Lender

By: /s/ Thomas E. Bernhardt

Name: Thomas E. Bernhardt
Title: Vie President

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PNC BANK, NATIONAL ASSOCIATION, as a Lender

By: /s/ Louis K. McLinden, Jr.

Name: Louis K. McLinden, Jr.
Title: Vice President

Signature page to 3-Year Credit Agreement

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TORONTO DOMINION (TEXAS), INC., as a Lender

By: /s/ Neva Nesbitt

Name: Neva Nesbitt
Title: Vice President

Signature page to 3-Year Credit Agreement

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US BANK NATIONAL ASSOCIATION, as a Lender

By: /s/ Daniel Kraus

Name: Daniel Kraus
Title: Assistant Vice President

Signature page to 3-Year Credit Agreement

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Annex A

PRICING GRID

The "Applicable Rate" for any day with respect to any Eurodollar Loan, ABR Loan, Facility Fee, Utilization Fee or LC Risk Participation Fee, as the case may be, is the percentage set forth below in the applicable row under the column corresponding to the Status that exists on such day:

Status	Level I	Level II	Level III	Level IV	Level V
Eurodollar Revolving Loans (basis points)	40.0	50.0	65.0	92.5	172.5
ABR Loans (basis points)	0	0	0	0	72.5
Facility Fee (basis points)	12.5	15.0	17.5	25.0	47.5
Utilization Fee (basis points)	15.0	15.0	15.0	15.0	15.0
LC Risk Participation Fee (basis points)	40.0	50.0	65.0	92.5	172.5

For purposes of this Pricing Grid, the following terms have the following meanings (as modified by the provisos below):

"LEVEL I STATUS" exists at any date if, at such date, the Index Debt is rated either A- or higher by S&P or A3 or higher by Moody's.

"LEVEL II STATUS" exists at any date if, at such date, the Index Debt is rated either BBB+ by S&P or Baa1 by Moody's.

"LEVEL III STATUS" exists at any date if, at such date, the Index Debt is rated either BBB by S&P or Baa2 by Moody's.

"LEVEL IV STATUS" exists at any date if, at such date, the Index Debt is rated either BBB- by S&P or Baa3 by Moody's.

"LEVEL V STATUS" exists at any date if, at such date, no other Status exists.

"STATUS" refers to the determination of which of Level I Status, Level II Status, Level III Status, Level IV Status or Level V Status exists at any date.

The credit ratings to be utilized for purposes of this Pricing Grid are those assigned to the Index Debt, and any rating assigned to any other debt security of the Borrower shall be disregarded. The rating in effect at any date is that in effect at the close of business on such date.

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Provided, that the applicable Status shall change as and when the applicable Index Debt ratings change.

Provided further, that if the Index Debt is split-rated, the applicable Status shall be determined on the basis of the higher of the two ratings then applicable; provided further, that, if either such rating is lower than BBB-/Baa3, the applicable Status shall instead be determined on the basis of the lower of the two ratings then applicable.

Provided further, that if both Moody's and S&P, or their successors as applicable, shall have ceased to issue or maintain such ratings, then the applicable Status shall be Level V.

Annex A-2

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EXHIBIT A

FORM OF ASSIGNMENT AND ACCEPTANCE

Reference is made to the 3-Year Revolving Credit Agreement dated as of March 18, 2004, among NiSource Finance Corp., a Delaware corporation, as Borrower (the "BORROWER"), NiSource Inc., a Delaware corporation ("NISOURCE"), as Guarantor (the "GUARANTOR"), the Co-Documentation Agents, Lead Arrangers and other Lenders from time to time party thereto, Credit Suisse First Boston, as Syndication Agent, and Barclays Bank PLC, as LC Bank and as Administrative Agent thereunder. Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

The Assignor named on Schedule 1 hereto (the "ASSIGNOR") and the Assignee named on Schedule 1 hereto (the "ASSIGNEE") agree as follows:

1. The Assignor hereby irrevocably sells and assigns to the Assignee without recourse to the Assignor, and the Assignee hereby irrevocably purchases and assumes from the Assignor without recourse to the Assignor, as of the Effective Date (as defined below), an interest as specified in Schedule 1 hereto (the "ASSIGNED INTEREST") in and to the Assignor's rights and obligations under the Credit Agreement as described on Schedule 1 hereto (individually, an "ASSIGNED FACILITY"; collectively, the "ASSIGNED FACILITIES"), in a principal amount for each Assigned Facility as set forth on Schedule 1 hereto.

2. The Assignor (a) makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with the Credit Agreement or any other Credit Document or with respect to the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Credit Agreement or any other instrument or document furnished pursuant thereto, other than that it is the legal and beneficial owner of the Assigned Interest, that it has not created any adverse claim upon the Assigned Interest and that the Assigned Interest is free and clear of any such adverse claim; and (b) makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Borrower, the Guarantor or any of their respective Subsidiaries or the performance or observance by the Borrower or the Guarantor of any of their respective obligations under the Credit Agreement or any other Credit Document.

3. The Assignee (a) represents and warrants that it is legally authorized to enter into the Assignment and Acceptance; (b) confirms that it has received a copy of the Credit Agreement, together with copies of the financial statements referred to in Section 4.01 thereof and the most recent financial statements referred to in Section 5.01 thereof and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Acceptance; (c) agrees that it will, independently and without reliance upon the Assignor, the Administrative Agent, the Syndication Agent, the LC Bank, any Co-Documentation Agent or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Agreement or any other Credit Document; (d) appoints and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers and discretion under the Credit Agreement and any other Credit Document

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as are delegated to the Administrative Agent by the terms thereof, together with such powers as are incidental thereto; and (c) agrees that it will be bound by the provisions of the Credit Agreement and will perform in accordance with its terms all the obligations which by the terms of the Credit Agreement are required to be performed by it as a Lender.

4. The effective date of this Assignment and Acceptance shall be as specified on Schedule 1 hereto (the "EFFECTIVE DATE"). Following the execution of this Assignment and Acceptance, it will be delivered to the Administrative Agent for acceptance by it and recording by the Administrative Agent pursuant to
Section 11.04 of the Credit Agreement, effective as of the Effective Date (which shall not, unless otherwise agreed to by the Administrative Agent, be earlier than five Business Days after the execution hereof).

5. Upon such acceptance and recording, from and after the Effective Date, the Administrative Agent shall make all payments with respect to the Assigned Interest (including payments of principal, interest, fees and other amounts) to the Assignee. The Assignor and the Assignee shall make all appropriate adjustments in payments by the Administrative Agent for periods prior to the Effective Date or with respect to the making of this assignment directly between themselves.

6. From and after the Effective Date, (a) the Assignee shall be a party to the Credit Agreement and, to the extent provided in this Assignment and Acceptance, have (in addition to any rights and obligations theretofore held by it) the rights and obligations of a Lender thereunder and shall be bound by the provisions thereof, and (b) the Assignor shall, to the extent provided in this Assignment and Acceptance, relinquish its rights and be released from its obligations under the Credit Agreement (other than any such rights which expressly survive the termination thereof).

7. This Agreement may be executed in as many counterparts as may be deemed necessary or convenient, and by the different parties hereto on separate counterparts, each of which, when so executed, shall be deemed an original, but all such counterparts shall constitute but one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by telecopier shall be effective as delivery of a manually executed counterpart of this Agreement.

8. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED UNDER THE INTERNAL LAWS OF THE STATE OF NEW YORK. THIS AGREEMENT IS SUBJECT TO SECTION 11.09 (CHOICE OF FORUM AND SERVICE OF PROCESS) AND SECTION 11.10 (WAIVER OF TRIAL BY JURY) OF THE CREDIT AGREEMENT. THE PROVISIONS OF SUCH SECTIONS 11.09 AND 11.10 OF THE CREDIT AGREEMENT ARE INCORPORATED HEREIN BY REFERENCE IN FULL.

IN WITNESS WHEREOF, the parties hereto have caused this Assignment and Acceptance to be executed as of the date first above written by their respective duly authorized officers on Schedule 1 hereto.

Exhibit A-2

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SCHEDULE 1
TO
ASSIGNMENT AND ACCEPTANCE

Name of Assignor:

Name of Assignee:

Effective Date of Assignment:

Facility Assigned	Principal Amount Assigned	Applicable Percentage Assigned*

The terms set forth above and in the Assignment and Acceptance to which this Schedule 1 is attached are hereby agreed to:

[Consented to and]#/ Accepted for the Recordation in the Register:

_____, as Assignor

By:_____
Name:
Title:

BARCLAYS BANK PLC,
As Administrative Agent and LC Bank

By:_____
Name:
Title:

_____, as Assignee

By:_____
Name:
Title:

* If applicable.

To be completed only if consents are required under Section 11.04(b).

Exhibit A-3

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[Consented to]:

NISOURCE FINANCE CORP.,
As Borrower

By:_____
Name:
Title:

Exhibit A-4

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EXHIBIT B

FORM OF OPINION OF SCHIFF HARDIN LLP

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SCHEDULE 2.01
(3-Year Credit Agreement)

Names, Addresses, Allocation of Aggregate Commitment, and Applicable Percentages of Banks

BANK NAME	DOMESTIC LENDING OFFICE	EURODOLLAR LENDING OFFICE	COMMITMENT	APPLICABLE PERCENTAGE
Barclays Bank PLC	200 Park Avenue New York, NY 10166	same	$60,600,000	8.08%
Credit Suisse First Boston	One Madison Avenue 2nd Floor New York, NY 10010 Attn: Client Services	same	$60,600,000	8.08%
Bank One, NA	1 Bank One Plaza Suite IL 1-0010 Chicago, IL 60670 Attn: Ron Cromey	same	$45,600,000	6.08%
The Bank of Tokyo-Mitsubishi, Ltd., Chicago Branch	227 W. Monroe Street Suite 2300 Chicago, IL 60606	same	$45,600,000	6.08%
Citicorp USA, Inc.	388 Greenwich Street 21st Floor New York, NY 10013	same	$45,600,000	6.08%
BNP Paribas	787 7th Avenue New York, NY 10019	same	$36,000,000	4.80%
Commerzbank AG, New York and Grand Cayman Branches	Two World Financial Center, 34th Floor New York, NY 10281-1050	same	$36,000,000	4.80%
Deutsche Bank AG New York Branch	60 Wall Street New York, NY 10005	same	$36,000,000	4.80%
Dresdner Bank A.G., New York and Grand Cayman Branches	75 Wall Street New York, NY 10005	same	$36,000,000	4.80%
Harris Nesbitt Financing, Inc.	115 S. LaSalle Street Chicago, IL 60603 Attn: Denise Dullum	same	$36,000,000	4.80%
KeyBank National Association	127 Public Square Cleveland, OH 44114	same	$36,000,000	4.80%

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BANK NAME	DOMESTIC LENDING OFFICE	EURODOLLAR LENDING OFFICE	COMMITMENT	APPLICABLE PERCENTAGE
Mizuho Corporate Bank, Ltd., New York Branch	1251 Avenue of the Americas New York, NY 10020-1104	same	$36,000,000	4.80%
The Royal Bank of Scotland plc	101 Park Avenue 12th Floor New York, NY 10178	same	$36,000,000	4.80%
Wachovia Bank, National Association	201 South College Street, C89 Charlotte, NC 28288-1183	same	$36,000,000	4.80%
Bank of America, N.A.	901 Main Street Dallas, TX 75202	same	$24,000,000	3.20%
The Bank of Nova Scotia	600 Peachtree Street N.E., Suite 2700 Atlanta, GA 30308	same	$24,000,000	3.20%
Fleet National Bank	100 Federal Street Boston, MA 02110	same	$24,000,000	3.20%
The Northern Trust Company	50 South LaSalle 11th Floor Chicago, IL 60675	same	$24,000,000	3.20%
PNC Bank, National Association	1 PNC Plaza 249 5th Avenue Pittsburgh, PA 15222	same	$24,000,000	3.20%
Toronto Dominion (Texas) Inc.	909 Fannin Suite 1700 Houston, TX 77010	909 Fannin Suite 1700 Houston, TX 77010 Attn: Diana Jugon	$24,000,000	3.20%
US Bank National Association	One US Bank Plaza SL-MO-TL2M St. Louis, MO 63101	same	$24,000,000	3.20%

SWINGLINE LENDER:

BANK NAME	LENDING OFFICE	SWINGLINE COMMITMENT*

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Barclays Bank PLC	200 Park Avenue New York, NY 10166	$200,000,000

*Swingline Commitments expressed as totals for this Agreement. Swingline Commitments are within, and not in addition to, the Swingline Lender's Commitment as a Lender.

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SCHEDULE 3.01

FINANCING FACILITIES TO BE TERMINATED

1. $1,250,000,000 3-Year Revolving Credit Agreement dated as of March 23, 2001 among the Borrower, the Guarantor, the lenders named therein and Barclays Bank PLC, as administrative agent.

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SCHEDULE 6.01(e)

EXISTING AGREEMENTS

1. Lease Agreement, dated December 14, 1999, between Whiting Leasing LLC and Whiting Clean Energy, Inc. ($261,000,000).

2. 4-Year Letter of Credit Reimbursement Agreement, dated as of February 13, 2004, among the Borrower, the Guarantor, the lenders parties thereto and Barclays Bank PLC, as administrative agent and as issuer of letters of credit thereunder.

3. 364-Day Revolving Credit Agreement, dated as of March 18, 2004, among the Borrower, the Guarantor, the lenders parties thereto and Barclays Bank PLC, as administrative agent.

4. Various cumulative preferred stocks of NIPSCO.

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EXHIBIT 10.2

364-DAY REVOLVING CREDIT AGREEMENT

among

NISOURCE FINANCE CORP.,
as Borrower,

NISOURCE INC.,
as Guarantor,

THE LEAD ARRANGERS
and
LENDERS
Party Hereto,
as Lenders,

CREDIT SUISSE FIRST BOSTON
as Syndication Agent,

BANK ONE, NA,
THE BANK OF TOKYO-MITSUBISHI, LTD., CHICAGO BRANCH
and
CITICORP USA, INC.,
as Co-Documentation Agents

BARCLAYS BANK PLC,
as Administrative Agent,

BARCLAYS CAPITAL
and
CREDIT SUISSE FIRST BOSTON
Lead Arrangers

BARCLAYS CAPITAL
Sole Book Runner

Dated as of March 18, 2004

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364-DAY REVOLVING CREDIT AGREEMENT, dated as of March 18, 2004 (this "AGREEMENT"), among NISOURCE FINANCE CORP., an Indiana corporation, as Borrower (the "BORROWER"), NISOURCE INC., a Delaware corporation ("NISOURCE"), as Guarantor (the "GUARANTOR"), the Lead Arrangers and other Lenders from time to time party hereto, the Co-Documentation Agents party hereto, CREDIT SUISSE FIRST BOSTON, as Syndication Agent and BARCLAYS BANK PLC, as administrative agent for the Lenders hereunder (in such capacity, the "ADMINISTRATIVE AGENT").

WITNESSETH:

WHEREAS, the parties are willing to enter into this 364-Day Revolving Credit Agreement on the terms and subject to the conditions herein set forth.

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

ARTICLE I
DEFINITIONS

SECTION 1.01. DEFINED TERMS. As used in this Agreement, the following terms have the meanings specified below:

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

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

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

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

"ALTERNATE BASE RATE" means, for any day, a rate per annum equal to the greater of (a) the Prime Rate in effect on such day and (b) the Federal Funds Effective Rate in effect on such day plus 1/2 of 1%. Any change in the Alternate Base Rate due to a change in the Prime Rate or the Federal Funds Effective Rate shall be effective from and including the effective date of such change in the Prime Rate or the Federal Funds Effective Rate, respectively.

"APPLICABLE PERCENTAGE" means, with respect to any Lender, the percentage of the Aggregate Commitments represented by such Lender's Commitment. If the Commitments have terminated or expired, the Applicable Percentages shall be

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determined based upon the Commitments most recently in effect, giving effect to any assignments.

"APPLICABLE RATE" means, for any day, with respect to any ABR Loan or Eurodollar Revolving Loan, or with respect to the Facility Fees and the Utilization Fee payable hereunder, as the case may be, the applicable rate per annum determined pursuant to the Pricing Grid.

"ARRANGERS" shall mean each of Barclays and Credit Suisse First Boston.

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

"AVAILABILITY PERIOD" means the period from and including the Effective Date to but excluding the Termination Date.

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

"BENEFICIARY" has the meaning set forth in Section 10.01.

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

"BORROWER" means NiSource Finance Corp., Inc. an Indiana corporation.

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

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

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

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

"CAPITAL STOCK" means any and all shares, interests, participations or other equivalents (however designated) of capital stock of a corporation, any and all equivalent ownership interests in a Person other than a corporation (including, but not limited to, all common stock and preferred stock and partnership, membership and joint venture

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interests in a Person), and any and all warrants, rights or options to purchase any of the foregoing.

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

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

"CHANGE IN LAW" means (a) the adoption of any law, rule or regulation after the date of this Agreement, (b) any change in any law, rule or regulation or in the interpretation or application thereof by any Governmental Authority after the date of this Agreement or (c) compliance by any Lender (or, for purposes of Section 2.13(b), by any lending office of such Lender or by such Lender's holding company, if any) with any request, guideline or directive (whether or not having the force of law) of any Governmental Authority made or issued after the date of this Agreement.

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

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

"COMMITMENT" means, with respect to each Lender, the commitment of such Lender to make Revolving Loans hereunder as set forth herein, as such commitment may be (a) reduced from time to time or terminated pursuant to
Section 2.05 or Section 2.07 and (b) reduced or increased from time to time pursuant to assignments by or to such Lender pursuant to Section
11.04. The initial amount of each Lender's Commitment is (x) the amount set forth on Schedule 2.01 opposite such Lender's name; or (y) the amount set forth in the Assignment and Acceptance pursuant to which such Lender shall have assumed its Commitment, as applicable.

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

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repurchase) of the Guarantor and its Consolidated Subsidiaries upon involuntary liquidation.

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

"CONSOLIDATED INTEREST EXPENSE" means, for any period, the interest expense of the Guarantor and its Consolidated Subsidiaries, determined on a consolidated basis in accordance with GAAP.

"CONSOLIDATED NET INCOME" means, for any period, the net income of the Guarantor and its Consolidated Subsidiaries, determined on a consolidated basis in accordance with GAAP, adjusted to exclude: (a) any extraordinary gain or loss, (b) any gain or loss on dispositions of capital assets and (c) the non-cash effects of any impairment or write-down of assets.

"CONSOLIDATED NET TANGIBLE ASSETS" means, at any time, the total amount of assets appearing on a consolidated balance sheet of the Guarantor and its Subsidiaries (other than Utility Subsidiaries), determined in accordance with GAAP and prepared as of the end of the fiscal quarter then most recently ended, less, without duplication, the following (other than those of Utility Subsidiaries):

(a) all current liabilities (excluding any thereof that are by their terms extendable or renewable at the sole option of the obligor thereon, without requiring the consent of the obligee, to a date more than 12 months after the date of determination);

(b) all reserves for depreciation and other asset valuation reserves (but excluding any reserves for deferred Federal income taxes, arising from accelerated amortization or otherwise);

(c) all intangible assets, such as goodwill, trademarks, trade names, patents and unamortized debt discount and expense, carried as an asset on such balance sheet; and

(d) all appropriate adjustments on account of minority interests of other Persons holding common stock of any Subsidiary of the Guarantor.

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

"CONTINGENT GUARANTY" means a direct or contingent liability in respect of a Project Financing (whether incurred by assumption, guaranty, endorsement or otherwise) that either (a) is limited to guarantying performance of the completion of the Project that is financed by such Project Financing or (b) is contingent upon, or the obligation to pay

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or perform under which is contingent upon, the occurrence of any event other than failure of the primary obligor to pay upon final maturity (whether by acceleration or otherwise).

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

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

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

"CREDIT DOCUMENTS" means (a) this Agreement, any promissory notes executed pursuant to Section 2.08, and any Assignment and Acceptances, (b) any certificates, opinions and other documents required to be delivered pursuant to Section 3.01, and (c) any other documents delivered by a Credit Party pursuant to or in connection with any one or more of the foregoing.

"CREDIT PARTY" means each of the Borrower and the Guarantor.

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

"DEBT TO CAPITALIZATION RATIO" means, at any time, the ratio of Consolidated Debt to Consolidated Capitalization.

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

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

"EFFECTIVE DATE" means the date on which this Agreement has been executed and delivered by each of the Borrower, the Guarantor, the Syndication Agent, the Co-Documentation Agents, the initial Lenders and the Administrative Agent.

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

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

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

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

"ERISA EVENT" means (a) a reportable event, within the meaning of
Section 4043 of ERISA, unless the 30-day notice requirement with respect thereto has been waived by the PBGC, (b) the provision by the administrator of any Plan of a notice of intent to terminate such Plan, pursuant to Section 4041(a)(2) and 4041(c) of ERISA (including any such notice with respect to a plan amendment referred to in Section 4041(e) of ERISA), (c) the withdrawal by the Guarantor or an ERISA Affiliate from a Multiple Employer Plan during a plan year for which it was a substantial employer, as defined in Section 4001(a)(2) of ERISA, (d) the failure by the Guarantor or any ERISA Affiliate to make a payment to a Plan required under Section 302(f)(1) of ERISA, which Section imposes a lien for failure to make required payments, (e) the adoption of an amendment to a Plan requiring the provision of security to such Plan, pursuant to Section 307 of ERISA, or (f) the institution by the PBGC of proceedings to terminate a Plan, pursuant to Section 4042 of ERISA, or the occurrence of any event or condition which may reasonably be expected to constitute grounds under
Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, a Plan.

"EUROCURRENCY LIABILITIES" has the meaning assigned to that term in Regulation D of the Board, as in effect from time to time.

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

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

"EVENT OF DEFAULT" has the meaning assigned to such term in Article **VIII.**

"EXCLUDED TAXES" means, with respect to the Administrative Agent, any Lender or any other recipient of any payment to be made by or on account of any obligation of the Borrower hereunder, (a) income or franchise taxes imposed on (or measured by) its net income or net earnings by the United States of America, or by the jurisdiction under the laws of which such recipient is organized or in which its principal office is located or, in the case of any Lender, in which its applicable lending office is located and (b) in case of a Foreign Lender (other than an assignee pursuant to a request by the Borrower under Section 2.17(d)), any withholding tax that (i) is imposed on amounts payable to such Foreign Lender at the time such Foreign Lender becomes a party to this Agreement, except to the extent that such Foreign Lender's assignor (if any) was entitled, at the time of assignment, to receive additional amounts from the Borrower with respect to such withholding tax pursuant to Section 2.15(a) or (ii) is attributable to such Foreign Lender's failure to comply with Section 2.15 (e) when legally able to do so.

"EXTENSION OF CREDIT" means the making by any Lender of a Revolving Loan.

"FACILITY FEE" has the meaning set forth in Section 2.10.

"FEDERAL BANKRUPTCY CODE" means Title 11 of the United States Code (11 U.S.C. Section 101 et seq.) as now or hereafter in effect, or any successor statute.

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

"FOREIGN LENDER" means any Lender that is organized under the laws of a jurisdiction other than that in which the Borrower is located. For purposes of this

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definition, the United States of America, each State thereof and the District of Columbia shall be deemed to constitute a single jurisdiction.

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

"GOVERNMENTAL AUTHORITY" means the government of the United States of America, any other nation, or any political subdivision of the United States of America or any other nation, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government and includes, in any event, an "Independent System Operator" or any entity performing a similar function.

"GRANTING LENDER" has the meaning set forth in Section 11.04.

"GUARANTOR" means NiSource.

"GUARANTY" means the guaranty of the Guarantor pursuant to Article X of this Agreement.

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

"INDEBTEDNESS" of any Person means (without duplication) (a) Debt for Borrowed Money, (b) obligations to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business which are not overdue, (c) all obligations, contingent or otherwise, in respect of any letters of credit, bankers' acceptances or interest rate, currency or commodity swap, cap or floor arrangements, (d) all indebtedness of others secured by (or for which the holder of such indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on property owned or acquired by such Person, whether or not the indebtedness secured thereby has been assumed, (e) all amounts payable in connection with mandatory redemptions or

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repurchases of preferred stock, and (f) obligations under direct or indirect guarantees in respect of, and obligations (contingent or otherwise) to purchase or otherwise acquire, or otherwise to assure a creditor against loss in respect of, indebtedness and obligations of others of the kinds referred to in clauses (a) through (e) above.

"INDEMNIFIED TAXES" means Taxes other than Excluded Taxes.

"INDEMNITEE" has the meaning set forth in Section 11.03.

"INDEX DEBT" means the senior unsecured long-term debt securities of the Borrower, without third-party credit enhancement provided by a Person other than the Guarantor.

"INFORMATION" has the meaning set forth in Section 11.12.

"INITIAL CREDIT EVENT DATE" means the date on which the initial Loan or Borrowing is funded.

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

"INTEREST COVERAGE RATIO" means, for any period, the ratio of (i) the sum of (a) Consolidated Net Income for such period plus (b) income taxes deducted in determining such Consolidated Net Income plus (c) Consolidated Interest Expense for such period to (ii) Consolidated Interest Expense for such period.

"INTEREST ELECTION REQUEST" means a request by the Borrower to convert or continue a Revolving Borrowing in accordance with Section 2.04.

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

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

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of such Interest Period) shall end on the last Business Day of the last calendar month of such Interest Period. For purposes hereof, the date of a Borrowing initially shall be the date on which such Borrowing is made and, in the case of a Revolving Borrowing, thereafter shall be the effective date of the most recent conversion or continuation of such Borrowing.

"LENDERS" means the Persons listed on Schedule 2.01, including any such Person identified thereon or in the signature pages hereto as a Lead Arranger, and any other Person that shall have become a party hereto pursuant to an Assignment and Acceptance, other than any such Person that ceases to be a party hereto pursuant to an Assignment and Acceptance.

"LIBO RATE" means, with respect to any Eurodollar Borrowing for any Interest Period, the rate appearing on Telerate Page 3750 (or on any successor or substitute page of such service, or any successor to or substitute for such service, providing rate quotations comparable to those currently provided on such page of such service, as determined by the Administrative Agent from time to time for purposes of providing quotations of interest rates applicable to dollar deposits in the London interbank market) at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period, as the rate for dollar deposits with a maturity comparable to such Interest Period. In the event that such rate is not available at such time for any reason, then the "LIBO RATE" with respect to such Eurodollar Borrowing for such Interest Period shall be the rate at which Dollar deposits of $5,000,000 and for a maturity comparable to such Interest Period are offered by the principal London office of the Administrative Agent in immediately available funds in the London interbank market at approximately 11:00
a.m., London time, two Business Days prior to the commencement of such Interest Period.

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

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

"MARGIN STOCK" means margin stock within the meaning of Regulations U and X issued by the Board.

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

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

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

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

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

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

"MULTIEMPLOYER PLAN" means a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

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

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

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

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

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

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"OUTSTANDING LOANS" means, as to any Lender at any time, the aggregate principal amount of all Loans made or maintained by such Lender then outstanding.

"PARTICIPANT" has the meaning set forth in Section 11.04.

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

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

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

"PRICING GRID" means the pricing grid attached hereto as Annex A.

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

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

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

"PROJECT FINANCING SUBSIDIARY" means any Subsidiary (a) that (i) is not a Material Subsidiary, and (ii) whose principal purpose is to develop a Project and

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activities incidental thereto (including, without limitation, the financing and operation of such Project), or to become a partner, member or other equity participant in a partnership, limited liability company or other entity having such a principal purpose, and (b) substantially all the assets of which are limited to the assets relating to the Project being developed or Capital Stock in such partnership, limited liability company or other entity (and substantially all of the assets of any such partnership, limited liability company or other entity are limited to the assets relating to such Project); provided that such Subsidiary incurs no Indebtedness other than in respect of a Project Financing.

"REGISTER" has the meaning set forth in Section 11.04.

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

"REQUIRED LENDERS" means Lenders having more than 50% in aggregate amount of the Commitments, or if the Commitments shall have been terminated, of the Total Outstanding Principal.

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

"REVOLVING LOAN" means a Loan made pursuant to Section 2.02.

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

"SPFV" has the meaning set forth in Section 11.04.

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

"SUBSTANTIAL SUBSIDIARIES" has the meaning set forth in Section 8.01.

"SYNDICATION AGENT" means Credit Suisse First Boston, in its capacity as syndication agent for the Lenders hereunder.

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

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"TERMINATING FACILITIES" means financing facilities described on Schedule 3.01 hereto.

"TERMINATION DATE" means the earliest of (a) March 16, 2005 and (b) the date upon which the Commitments are terminated pursuant to Section 8.1 or otherwise.

"3-YEAR CREDIT AGREEMENT" means the 3-Year Revolving Credit Agreement, dated as March 18, 2004, among the Borrower, the Guarantor, the lead arrangers, co-documentation agents and other lenders from time to time parties thereto, Credit Suisse First Boston, as syndication agent and Barclays, as administrative agent thereunder and as issuer of any letters of credit thereunder.

"TOTAL OUTSTANDING PRINCIPAL" means the aggregate amount of the Outstanding Loans of all Lenders.

"TRANSACTIONS" means the execution, delivery and performance by the Borrower of this Agreement and the Borrowing of Loans hereunder.

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

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

"UTILIZATION FEE" has the meaning set forth in Section 2.10.

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

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

SECTION 1.02. CLASSIFICATION OF LOANS AND BORROWINGS. For purposes of this Agreement, Loans may be classified and referred to by Type (e.g., a "EURODOLLAR LOAN"). Borrowings also may be classified and referred to by Type (e.g., a "EURODOLLAR BORROWING").

SECTION 1.03. TERMS GENERALLY. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation". The word "or" shall not be exclusive. The word "will" shall be construed to have the same meaning and effect as the word "shall". Unless the context requires otherwise (a) any

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definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein),
(b) any reference herein to any Person shall be construed to include such Person's successors and assigns, (c) the words "herein", "hereof" and "hereunder", and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (d) all references herein to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement and (e) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights. The terms "knowledge of", "awareness of" and "receipt of notice of" in relation to a Credit Party, and other similar expressions, mean knowledge of, awareness of, or receipt of notice by, a Responsible Officer of such Credit Party.

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

ARTICLE II
THE CREDITS

SECTION 2.01. COMMITMENTS.

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

(b) Within the foregoing limits and subject to the terms and conditions set forth herein, the Borrower may borrow, prepay and reborrow Revolving Loans.

SECTION 2.02. REVOLVING LOANS AND REVOLVING BORROWINGS; REQUESTS FOR BORROWINGS.

(a) Each Revolving Loan shall be made as part of a Borrowing consisting of Revolving Loans made by the Lenders ratably in accordance with their respective Commitments. The failure of any Lender to make any Loan required to be made by it shall not relieve any other

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Lender of its obligations hereunder; provided that the Commitments of the Lenders are several and no Lender shall be responsible for any other Lender's failure to make Loans as required.

(b) Subject to Section 2.12, each Revolving Borrowing shall be comprised entirely of ABR Loans or Eurodollar Loans as the Borrower may request in accordance herewith. Each Lender at its option may make any Eurodollar Loan by causing any domestic or foreign branch or Affiliate of such Lender to make such Loan; provided that any exercise of such option shall not affect the obligation of the Borrower to repay such Loan in accordance with the terms of this Agreement.

(c) At the commencement of each Interest Period for any Eurodollar Revolving Borrowing, such Borrowing shall be in an aggregate amount that is an integral multiple of $5,000,000 and not less than $10,000,000. At the time that each ABR Revolving Borrowing is made, such Borrowing shall be in an aggregate amount that is an integral multiple of $100,000; provided that an ABR Revolving Borrowing may be to an aggregate amount that is equal to the entire unused balance of the Aggregate Commitments. Borrowings of more than one Type may be outstanding at the same time; provided that there shall not at any time be more than a total of ten Eurodollar Revolving Borrowings outstanding under this Agreement and the 3-Year Credit Agreement.

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

(i) the aggregate amount of the requested Borrowing;

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

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

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

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

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

SECTION 2.03. FUNDING OF BORROWINGS.

(a) Each Lender shall make each Loan to be made by it hereunder on the proposed date thereof by wire transfer of immediately available funds by 3:00
p.m., New York City time, to the account of the Administrative Agent most recently designated by it for such purpose by notice to the Lenders. The Administrative Agent will make such Loans available to the Borrower by promptly crediting the amounts so received, in like funds, to an account established and maintained by the Borrower at the Administrative Agent's office in New York City.

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

SECTION 2.04. INTEREST ELECTIONS.

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

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

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

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

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

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

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

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

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

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

SECTION 2.05. MANDATORY TERMINATION OR REDUCTION OF COMMITMENTS.

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

SECTION 2.06. MANDATORY PREPAYMENTS.

(a) If at any time the Total Outstanding Principal exceeds the Aggregate Commitments then in effect for any reason whatsoever (including, without limitation, as a result of any reduction in the Aggregate Commitments pursuant to Section 2.07), the Borrower shall prepay Loans in such aggregate amount (together with accrued interest thereon to the extent required by

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Section 2.11) as shall be necessary so that, after giving effect to such prepayment, the Total Outstanding Principal does not exceed the Aggregate Commitments.

(b) Each prepayment of Loans pursuant to this Section 2.06 shall be accompanied by the Borrower's payment of any amounts payable under Section 2.14 in connection with such prepayment. Prepayments of Revolving Loans shall be applied ratably to the Loans so prepaid.

SECTION 2.07. OPTIONAL REDUCTION OF COMMITMENTS.

(a) The Borrower may at any time terminate, or from time to time reduce, the Commitments; provided that (i) each reduction of the Commitments shall be in an amount that is an integral multiple of $10,000,000 and (ii) the Borrower shall not terminate or reduce the Commitments if, after giving effect to any concurrent prepayment of the Loans in accordance with Section 2.09, the Total Outstanding Principal would exceed the Aggregate Commitments thereafter in effect.

(b) The Borrower shall notify the Administrative Agent of any election to terminate or reduce the Commitments under Section 2.07(a) at least five Business Days prior to the effective date of such termination or reduction, specifying such election and the effective date thereof. Promptly following receipt of any notice, the Administrative Agent shall advise the Lenders of the contents thereof. Each notice delivered by the Borrower pursuant to this Section shall be irrevocable; provided that a notice of termination of the Commitments delivered by the Borrower may state that such notice is conditioned upon the effectiveness of other credit facilities, in which case such notice may be revoked by the Borrower (by notice to the Administrative Agent on or prior to the specified effective date) if such condition is not satisfied. Any termination or reduction of the Commitments shall be permanent.

(c) Each reduction of the Commitments pursuant to this Section 2.07 shall be made ratably among the Lenders in accordance with their respective Commitments immediately preceding such reduction.

SECTION 2.08. REPAYMENT OF LOANS; EVIDENCE OF DEBT.

(a) The Borrower hereby unconditionally promises to pay to the Administrative Agent for the account of each Lender the then unpaid principal amount of each Revolving Loan on the Termination Date.

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

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

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

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

SECTION 2.09. OPTIONAL PREPAYMENT OF LOANS.

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

(b) The Borrower shall notify the Administrative Agent by telephone (confirmed by telecopy) of any prepayment hereunder (i) in the case of prepayment of a Eurodollar Borrowing, not later than 11:00 a.m., New York City time, three Business Days before the date of prepayment, or (ii) in the case of prepayment of an ABR Borrowing, not later than 11:00 a.m., New York City time, one Business Day before the date of prepayment. Each such notice shall be irrevocable and shall specify the prepayment date and the principal amount of each Borrowing or portion thereof to be prepaid; provided that, if a notice of prepayment is given in connection with a conditional notice of termination of the Commitments as contemplated by Section 2.07, then such notice of prepayment may be revoked if such notice of termination is revoked in accordance with
Section 2.07. Promptly following receipt of any such notice relating to a Borrowing, the Administrative Agent shall advise the Lenders of the contents thereof. Each partial prepayment of any Revolving Borrowing shall be in an amount that would be permitted in the case of an advance of a Revolving Borrowing of the same Type as provided in Section 2.02, it being understood that the foregoing minimums shall not apply to the prepayment in whole of the outstanding Revolving Loans of all Lenders. Each prepayment of a Revolving Borrowing shall be applied ratably to the Loans included in the prepaid Revolving Borrowing. Prepayments shall be accompanied by accrued interest to the extent required by Section 2.11 and by any amounts payable under Section 2.14 in connection with such prepayment.

SECTION 2.10. FEES.

(a) The Borrower agrees to pay to the Administrative Agent for the account of each Lender a facility fee (each a "FACILITY FEE"), which shall accrue at the Applicable Rate on the daily amount of the Commitment of such Lender (whether used or unused) during the period from and including the Effective Date to but excluding the date on which such Commitment terminates; provided that, if such Lender continues to have any Outstanding Loans after its

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Commitment terminates, then such Facility Fee shall continue to accrue on the daily amount of such Lender's Outstanding Loans from and including the date on which its Commitment terminates to but excluding the date on which such Lender ceases to have any Outstanding Loans. Accrued Facility Fees shall be payable in arrears on the last day of March, June, September and December of each year and on the date on which the Commitments terminate, commencing on the first such date to occur after the Effective Date; provided that any Facility Fees accruing after the date on which the Commitments terminate shall be payable on demand. All Facility Fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

(b) The Borrower agrees to pay to the Administrative Agent, for its own account and for the account of the other Persons entitled thereto, the fees provided for in that certain fee letter dated February 18, 2004, executed and delivered with respect to the credit facility provided for herein, in each case, in the amounts and at the times set forth therein and in immediately available funds.

(c) If at any time (i) the sum of (A) the Total Outstanding Principal plus (B) the "Total Outstanding Principal" under (and as defined in) the 3-Year Credit Agreement exceeds 50% of (ii) the sum of (X) the Aggregate Commitments plus (Y) the "Aggregate Commitments" under (and as defined in) the 3-Year Credit Agreement, the Borrower shall pay to the Administrative Agent, for the account of the Lenders ratably in proportion to their respective Applicable Percentages, a utilization fee (the "UTILIZATION FEE") calculated for each day with respect to the Total Outstanding Principal on such day at the rate for such day determined in accordance with the Pricing Grid. The accrued Utilization Fee shall be payable in arrears on the last day of March, June, September and December of each year and on the date on which the Commitments terminate, commencing on the first such date to occur after the Effective Date; provided that any Utilization Fee accruing after the date on which the Commitments terminate shall be payable on demand. The Utilization Fee shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

(d) All fees payable hereunder shall be paid on the dates due, in immediately available funds, to the Administrative Agent (for distribution, in the case of Facility Fees and any Utilization Fee, to the Lenders). Fees due and paid shall not be refundable under any circumstances.

SECTION 2.11. INTEREST.

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

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

(c) Notwithstanding the foregoing, if any principal of or interest on any Loan or any fee or other amount payable by the Borrower hereunder is not paid when due, whether at stated maturity, upon acceleration or otherwise, such overdue amount shall bear interest, after as well

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as before judgment, at a rate per annum equal to (i) in the case of overdue principal of any Loan, 2% plus the rate otherwise applicable to such Loan as provided above or (ii) in the case of any other amount, 2% plus the rate applicable to ABR Loans as provided above.

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

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

SECTION 2.12. ALTERNATE RATE OF INTEREST. If prior to the commencement of any Interest Period for a Eurodollar Borrowing:

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

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

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

SECTION 2.13. INCREASED COSTS. If any Change in Law shall:

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

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(ii) impose on any Lender or the London interbank market any other condition affecting this Agreement or Eurodollar Loans made by such Lender or participations therein;

and the result of any of the foregoing shall be to increase the cost to such Lender of making or maintaining any Eurodollar Loan and participation interests therein (or of maintaining its obligation to make any such Loan) or to reduce the amount of any sum received or receivable by such Lender hereunder (whether of principal, interest or otherwise), then the Borrower will pay to such Lender such additional amount or amounts as will compensate such Lender for such additional costs incurred or reduction suffered.

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

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

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

(e) The Borrower shall pay (without duplication as to amounts paid under this Section 2.13) to each Lender, so long as such Lender shall be required under regulations of the Board to maintain reserves with respect to liabilities or assets consisting of or including Eurocurrency Liabilities, additional interest on the unpaid principal amount of each Eurodollar Loan of such Lender, from the date of such Loan until such principal amount is paid in full, at an interest rate per annum equal at all times to the remainder obtained by subtracting (i) the LIBO Rate for the Interest Period for such Loan from (ii) the rate obtained by dividing such LIBO Rate by a percentage equal to 100% minus the Eurodollar Rate Reserve Percentage of such Lender for such Interest Period, payable on each date on which interest is payable on such Loan. Such additional interest determined by such Lender and notified to the Borrower and the Administrative Agent, accompanied by the calculation of the amount thereof, shall be conclusive and binding for all purposes absent manifest error.

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SECTION 2.14. BREAK FUNDING PAYMENTS. In the event of (a) the payment of any principal of any Eurodollar Loan other than on the last day of an Interest Period applicable thereto (including as a result of an Event of Default), (b) the conversion of any Eurodollar Loan other than on the last day of the Interest Period applicable thereto, (c) the failure to borrow, convert, continue or prepay any Revolving Loan on the date specified in any notice delivered pursuant hereto (regardless of whether such notice is permitted to be revocable under
Section 2.09(b) and is revoked in accordance therewith), or (d) the assignment of any Eurodollar Loan other than on the last day of the Interest Period applicable thereto as a result of a request by the Borrower pursuant to Section
2.17, then, in any such event, the Borrower shall compensate each Lender for the loss, cost and expense attributable to such event. In the case of a Eurodollar Loan, the loss to any Lender attributable to any such event shall be deemed to include an amount reasonably determined by such Lender to be equal to the excess, if any, of (x) the amount of interest that such Lender would pay for a deposit equal to the principal amount of such Loan for the period from the date of such payment, conversion, failure or assignment to the last day of the then current Interest Period for such Loan (or, in the case of a failure to borrow, convert or continue, the duration of the Interest Period that would have resulted from such borrowing, conversion or continuation) if the interest rate payable on such deposit were equal to the LIBO Rate for such Interest Period, over (y) the amount of interest that such Lender would earn on such principal amount for such period if such Lender were to invest such principal amount for such period at the interest rate that would be bid by such Lender (or an affiliate of such Lender) for dollar deposit from other banks in the eurodollar market at the commencement of such period. A certificate of any Lender setting forth any amount or amounts that such Lender is entitled to receive pursuant to this Section shall be delivered to the Borrower and shall be conclusive absent manifest error. The Borrower shall pay such Lender the amount shown as due on any such certificate within 10 days after receipt thereof.

SECTION 2.15. TAXES.

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

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

(c) The Borrower shall indemnify the Administrative Agent and each Lender, within 10 days after written demand therefor, for the full amount of any Indemnified Taxes or Other Taxes (and for any Taxes imposed or asserted on or attributable to amounts payable under this Section) paid by the Administrative Agent or such Lender, as the case may be, and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant

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Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Borrower by a Lender or by the Administrative Agent on its own behalf or on behalf of a Lender, shall be conclusive absent manifest error.

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

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

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

SECTION 2.16. PAYMENTS GENERALLY; PRO RATA TREATMENT; SHARING OF SET-OFFS.

(a) The Borrower shall make each payment required to be made by it hereunder (whether of principal, interest or fees, or under Section 2.13, 2.14,
2.15 or 11.03, or otherwise) prior to 12:00 noon, New York City time, on the date when due, in immediately available funds, without set-off or counterclaim. Any amounts received after such time on any date may, in the discretion of the Administrative Agent, be deemed to have been received on the next succeeding Business Day for purposes of calculating interest thereon. All such payments shall be made to the Administrative Agent at its offices at 200 Park Avenue, New York, New York, except that payments pursuant to Sections 2.13, 2.14, 2.15 and 11.03 shall be made directly to the Persons entitled thereto. The Administrative Agent shall distribute any such payments received by it for the account of any other Person to the appropriate recipient promptly following receipt thereof. If any payment hereunder shall be due on a day that is not a Business Day, the date for payment shall be extended to the next succeeding Business Day, and, in the case of any payment accruing interest, interest thereon shall be payable for the period of such extension. All payments hereunder shall be made in Dollars.

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

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thereto in accordance with the amounts of interest and fees then due to such parties, and (ii) second, to pay principal then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of principal then due to such parties.

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

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

(e) If any Lender shall fail to make any payment required to be made by it pursuant to Section 2.03(b) or 2.16(d), then the Administrative Agent may, in its discretion (notwithstanding any contrary provision hereof), apply any amounts thereafter received by the Administrative Agent for the account of such Lender to satisfy such Lender's obligations under such Sections until all such unsatisfied obligations are fully paid.

SECTION 2.17. MITIGATION OBLIGATIONS; REPLACEMENT OF LENDERS.

(a) Any Lender claiming reimbursement or compensation from the Borrower under either of Sections 2.13 and 2.15 for any losses, costs or other liabilities shall use reasonable efforts (including, without limitation, reasonable efforts to designate a different lending office of

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such Lender for funding or booking its Loans or to assign its rights and obligations hereunder to another of its offices, branches or affiliates) to mitigate the amount of such losses, costs and other liabilities, if such efforts can be made and such mitigation can be accomplished without such Lender suffering (i) any economic disadvantage for which such Lender does not receive full indemnity from the Borrower under this Agreement or (ii) otherwise be disadvantageous to such Lender.

(b) In determining the amount of any claim for reimbursement or compensation under Sections 2.13 and 2.15, each Lender will use reasonable methods of calculation consistent with such methods customarily employed by such Lender in similar situations.

(c) Each Lender will notify the Borrower either directly or through the Administrative Agent of any event giving rise to a claim under Section 2.13 or
Section 2.15 promptly after the occurrence thereof which notice shall be accompanied by a certificate of such Lender setting forth in reasonable detail the circumstances of such claim.

(d) If any Lender requests compensation under Section 2.13, or if the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.15, or if any Lender defaults in its obligation to fund Loans hereunder, then the Borrower may, at its sole expense and effort, upon notice to such Lender and the Administrative Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in Section 11.04), all its interests, rights and obligations under this Agreement to an assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment); provided that (i) the Borrower shall have received the prior written consent of the Administrative Agent, which consent shall not unreasonably be withheld, (ii) such Lender shall have received payment of an amount equal to the outstanding principal of its Loans, accrued interest thereon, accrued fees and all other amounts payable to it hereunder, from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrower (in the case of all other amounts) and (iii) in the case of any such assignment resulting from a claim for compensation under Section 2.13 or payments required to be made pursuant to Section 2.15, such assignment will result in a reduction in such compensation or payments. A Lender shall not be required to make any such assignment and delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Borrower to require such assignment and delegation cease to apply.

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ARTICLE III
CONDITIONS

SECTION 3.01. CONDITIONS PRECEDENT TO THE INITIAL EXTENSION OF CREDIT. The obligation of each Lender to make the initial Extension of Credit shall not become effective until the date on which each of the following conditions, and each of the conditions set forth in Section 3.02, is satisfied (or waived in accordance with Section 11.02); provided that each of the conditions set forth in this Section 3.01 shall be satisfied or waived no later than the Initial Credit Event Date.

(a) The Administrative Agent (or its counsel) shall have received from each party thereto either (i) a counterpart of this Agreement and the 3-Year Credit Agreement signed on behalf of such party or (ii) written evidence satisfactory to the Administrative Agent (which may include telecopy transmission of a signed signature page of this Agreement or the 3-Year Credit Agreement, as applicable) that such party has signed a counterpart of this Agreement and the 3-Year Credit Agreement.

(b) The Lenders, the Administrative Agent, the Arrangers and each other Person entitled to the payment of fees or the reimbursement or payment of expenses, pursuant hereto or to that certain fee letter dated February 18, 2004, executed and delivered with respect to the credit facility provided for herein, shall have received all fees required to be paid by the Initial Credit Event Date, and all expenses for which invoices have been presented on or before the Initial Credit Event Date.

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

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

(e) (i) The Administrative Agent shall have received a certificate or certificates of each of the Borrower and the Guarantor, signed on behalf of the Borrower and the Guarantor respectively, by a the Secretary, an Assistant Secretary or a Responsible Officer thereof, dated the Initial Credit Event Date, certifying as to (A) the absence of any amendments to the charter of the Borrower or the Guarantor, as the case may be, since the date of the certificates referred to in paragraph (d) above, (B) a true and correct copy of the bylaws of each of the Borrower or the Guarantor, as the case may be, as in effect on the Initial Credit Event Date, (C) the absence of

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any proceeding for the dissolution or liquidation of the Borrower or the Guarantor, as the case may be, (D) the truth, in all material respects, of the representations and warranties contained in the Credit Documents to which the Borrower or the Guarantor is a party, as the case may be, as though made on and as of the Initial Credit Event Date, and (E) the absence, as of the Initial Credit Event Date, of any Default or Event of Default; and (ii) each of such certifications shall be true.

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

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

(h) The Administrative Agent shall have received such evidence as it and its counsel may reasonably require of the termination and payment in full of the Terminating Facilities and the release by the holders thereof of any collateral security securing such facilities.

SECTION 3.02. CONDITIONS PRECEDENT TO EACH EXTENSION OF CREDIT. The obligation of each Lender to make any Extension of Credit (including the initial Extension of Credit but excluding any conversion or continuation of any Loan) shall be subject to the satisfaction (or waiver in accordance with Section 11.02) of each of the following conditions:

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

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

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

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

(e) In the case of a Revolving Loan, the Administrative Agent shall have timely received a Borrowing Request.

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

ARTICLE IV
REPRESENTATIONS AND WARRANTIES

SECTION 4.01. REPRESENTATIONS AND WARRANTIES OF THE CREDIT PARTIES. Each of the Borrower and the Guarantors represents and warrants as follows:

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

(b) The execution, delivery and performance by each of the Credit Parties of the Credit Documents to which it is a party are within such Credit Party's corporate powers, (i) have been duly authorized by all necessary corporate action, (ii) do not contravene (A) such Credit Party's charter or by-laws, as the case may be, or (B) any law, rule or regulation (including, without limitation, the Public Utility Holding Company Act of 1935, as amended), or any material Contractual Obligation or legal restriction, binding on or affecting any Credit Party or any Material Subsidiary, as the case may be, and (iii) do not require the creation of any Lien on the property of any Credit Party or any Material Subsidiary under any Contractual Obligation binding on or affecting such Credit Party or any Material Subsidiary.

(c) No authorization or approval or other action by, and no notice to or filing with, any Governmental Authority or other Person is required for the due execution, delivery and performance by any Credit Party of this Agreement or any other Credit Document to which any of them is a party, except for such as have been obtained or made and that are in full force and effect.

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

(e) The consolidated balance sheet of the Guarantor and its Subsidiaries as at September 30, 2003, and the related statements of income and retained earnings of the Guarantor and its Subsidiaries for the nine months then ended, copies of which have been made available or furnished to each Lender, fairly present (subject to year-end adjustments) the financial condition of the Guarantor and its Subsidiaries as at such date and the results of the operations of the Guarantor and its Subsidiaries for the period ended on such date, all in accordance with generally accepted accounting principles consistently applied.

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(f) Since December 31, 2002, there has been no material adverse change in such condition or operations, or in the business, assets, operations, condition (financial or otherwise) or prospects of any of the Credit Parties or of Columbia.

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

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

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

(j) Schedule B (Actuarial Information) to the 2002 Annual report (Form 5500 Series) for each Plan, copies of which have been filed with the Internal Revenue Service and made available or furnished to each Lender, is complete and accurate and fairly presents the funding status of such Plan, and since the date of such Schedule B there has been no adverse change in such funding status which may reasonably be expected to have a Material Adverse Effect.

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

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

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

(n) The Guarantor is a "public utility holding company" within the meaning of the Public Utility Holding Company Act of 1935, as amended, registered in compliance therewith.

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

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(p) Each Credit Party and its Subsidiaries are and have been in compliance with all laws (including, without limitation, the Public Utility Holding Company Act of 1935, as amended, and all Environmental Laws), except to the extent that any failure to be in compliance, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

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

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

ARTICLE V
AFFIRMATIVE COVENANTS

SECTION 5.01. AFFIRMATIVE COVENANTS. So long as any Lender shall have any Commitment hereunder or any principal of any Loan, interest or fees payable hereunder shall remain unpaid, each of the Credit Parties will, unless the Required Lenders shall otherwise consent in writing:

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

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

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

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

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

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

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

(h) REPORTING REQUIREMENTS. Deliver to the Administrative Agent for distribution to the Lenders:

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

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

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

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

(v) promptly after the sending or filing thereof, copies of all reports which the Guarantor sends to its stockholders, and copies of all reports and registration statements (other than registration statements filed on Form S-8 and filings under the Public Utility Holding Company Act of 1935, as amended) that the Guarantor, the Borrower or any Subsidiary of the Guarantor or the Borrower, files with the Securities and Exchange Commission;

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

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

(viii) promptly and in any event within five Business Days after receipt thereof by the Guarantor (or knowledge being obtained by the Guarantor of the receipt thereof by

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

(ix) promptly after the Guarantor has knowledge of the commencement thereof, notice of any actions, suits and proceedings before any court or governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, affecting the Guarantor or any Material Subsidiary of the type described in Section 4.01(g);

(x) promptly after the Guarantor or the Borrower knows of any change in the rating of the Index Debt by S&P or Moody's, a notice of such changed rating; and

(xi) such other information respecting the condition or operations, financial or otherwise, of the Guarantor or any of its Subsidiaries as any Lender through the Administrative Agent may from time to time reasonably request.

Notwithstanding the foregoing, the Credit Parties' obligations to deliver the documents or information required under any of clauses (i), (ii) and (v) above shall be deemed to be satisfied upon (x) the relevant documents or information being publicly available on the Guarantor's website or other publicly available electronic medium (such as EDGAR) within the time period required by such clause, and (y) the delivery by the Guarantor or the Borrower of notice to the Administrative Agent and the Lenders, within the time period required by such clause, that such documents or information are so available.

(i) USE OF PROCEEDS. Use the proceeds of the Loans hereunder for working capital and other general corporate purposes, including to provide liquidity support for commercial paper issued by the Borrower.

(j) RATINGS. At all times maintain ratings by both Moody's and S&P with respect to the Index Debt.

ARTICLE VI
NEGATIVE COVENANTS

SECTION 6.01. NEGATIVE COVENANTS. So long as any Lender shall have any Commitment hereunder or any principal of any Loan, interest or fees payable hereunder shall remain unpaid, no Credit Party will, without the written consent of the Required Lenders:

(a) LIMITATION ON LIENS. Create or suffer to exist, or permit any of its Subsidiaries (other than a Utility Subsidiary) to create or suffer to exist, any lien, security interest, or other charge or encumbrance (collectively, "LIENS") upon or with respect to any of its properties, whether now owned or hereafter acquired, or collaterally assign for security purposes, or permit any of its Subsidiaries (other than a Utility Subsidiary) to so assign any right to receive income in each

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case to secure or provide for or guarantee the payment of Debt for Borrowed Money of any Person, without in any such case effectively securing, prior to or concurrently with the creation, issuance, assumption or guaranty of any such Debt for Borrowed Money, the Obligations (together with, if the Guarantor shall so determine, any other Debt for Borrowed Money of or guaranteed by the Guarantor or any of its Subsidiaries ranking equally with the Loans and then existing or thereafter created) equally and ratably with (or prior to) such Debt for Borrowed Money; provided, however, that the foregoing restrictions shall not apply to or prevent the creation or existence of:

(i) (A) Liens on any property acquired, constructed or improved by the Guarantor or any of its Subsidiaries (other than a Utility Subsidiary) after the date of this Agreement that are created or assumed prior to, contemporaneously with, or within 180 days after, such acquisition or completion of such construction or improvement, to secure or provide for the payment of all or any part of the purchase price of such property or the cost of such construction or improvement; or (B) in addition to Liens contemplated by clauses (ii) and (iii) below, Liens on any property existing at the time of acquisition thereof, provided that the Liens shall not apply to any property theretofore owned by the Guarantor or any such Subsidiary other than, in the case of any such construction or improvement, (1) unimproved real property on which the property so constructed or the improvement is located, (2) other property (or improvements thereon) that is an improvement to or is acquired or constructed for specific use with such acquired or constructed property (or improvement thereof), and (3) any rights and interests (A) under any agreements or other documents relating to, or (B) appurtenant to, the property being so constructed or improved or such other property;

(ii) existing Liens on any property or indebtedness of a corporation that is merged with or into or consolidated with any Credit Party or any of its Subsidiaries; provided that such Lien was not created in contemplation of such merger or consolidation;

(iii) Liens on any property or indebtedness of a corporation existing at the time such corporation becomes a Subsidiary of any Credit Party; provided that such Lien was not created in contemplation of such occurrence;

(iv) Liens to secure Debt for Borrowed Money of a Subsidiary of a Credit Party to a Credit Party or to another Subsidiary of the Guarantor;

(v) Liens in favor of the United States of America, any State, any foreign country or any department, agency or instrumentality or political subdivision of any such jurisdiction, to secure partial, progress, advance or other payments pursuant to any contract or statute or to secure any Debt for Borrowed Money incurred for the purpose of financing all or any part of the purchase price of the cost of constructing or improving the property subject to such Liens, including, without limitation, Liens to secure Debt for Borrowed Money of the pollution control or industrial revenue bond type;

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(vi) Liens on any property (including any natural gas, oil or other mineral property) to secure all or part of the cost of exploration, drilling or development thereof or to secure Debt for Borrowed Money incurred to provide funds for any such purpose;

(vii) Liens existing on the date of this Agreement;

(viii) Liens for the sole purposes of extending, renewing or replacing in whole or in part Debt for Borrowed Money secured by any Lien referred to in the foregoing clauses (i) through (vii), inclusive, or this clause (viii); provided, however, that the principal amount of Debt for Borrowed Money secured thereby shall not exceed the principal amount of Debt for Borrowed Money so secured at the time of such extension, renewal or replacement (which, for purposes of this limitation as it applies to a synthetic lease, shall be deemed to be (x) the lessor's original cost of the property subject to such lease at the time of extension, renewal or replacement, less (y) the aggregate amount of all prior payments under such lease allocated pursuant to the terms of such lease to reduce the principal amount of the lessor's investment, and borrowings by the lessor, made to fund the original cost of the property), and that such extension, renewal or replacement shall be limited to all or a part of the property or indebtedness which secured the Lien so extended, renewed or replaced (plus improvements on such property);

(ix) Liens on any property or assets of a Project Financing Subsidiary, or on any Capital Stock in a Project Financing Subsidiary, in either such case, that secure only a Project Financing or a Contingent Guaranty that supports a Project Financing; or

(x) Any Lien, other than a Lien described in any of the foregoing clauses (i) through (ix), inclusive, to the extent that it secures Debt for Borrowed Money, or guaranties thereof, the outstanding principal balance of which at the time of creation of such Lien, when added to the aggregate principal balance of all Debt for Borrowed Money secured by Liens incurred under this clause (x) then outstanding, does not exceed 5% of Consolidated Net Tangible Assets.

If at any time any Credit Party or any of its Subsidiaries shall create, issue, assume or guaranty any Debt for Borrowed Money secured by any Lien and the first paragraph of this Section 6.01(a) requires that the Loans be secured equally and ratably with such Debt for Borrowed Money, the Borrower shall promptly deliver to the Administrative Agent and each Lender:

(1) a certificate of a duly authorized officer of the Borrower stating that the covenant contained in the first paragraph of this Section 6.01(a) has been complied with; and

(2) an opinion of counsel acceptable to the Required Lenders to the effect that such covenant has been complied with and that all documents executed by any Credit Party or any of its Subsidiaries in the performance of such covenant comply with the requirements of such covenant.

(b) MERGERS, ETC. Merge or consolidate with or into, or, except in a transaction permitted under paragraph (c) of this Section, convey, transfer, lease or otherwise dispose of (whether in

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one transaction or in a series of transactions) all or substantially all of its assets (whether now owned or hereafter acquired) to any Person, or permit any of its Subsidiaries to do so, except that:

(i) any Subsidiary of the Guarantor may merge or consolidate with or transfer assets to or acquire assets from any other Subsidiary of the Guarantor; and

(ii) any Subsidiary of the Guarantor may merge into the Guarantor or the Borrower or transfer assets to the Borrower; and

(iii) the Guarantor or any Subsidiary of the Guarantor may merge, or consolidate with or transfer all or substantially all of its assets to any other Person; provided that in each case, immediately after giving effect thereto, (A) no Event of Default shall have occurred and be continuing (determined, for purposes of compliance with Section 7.01 after giving effect to such transaction, on a pro forma basis for the period of four consecutive fiscal quarters of the Guarantor then most recently ended, as if such transaction had occurred on the first day of such period, and, for purposes of compliance with Section 7.02 after giving effect to such transaction, on a pro forma basis as if such transaction had occurred on the last day of the Guarantor's fiscal quarter then most recently ended); (B) in the case of any merger, consolidation or transfer of assets to which the Borrower is a party (other than a merger, consolidation or transfer of assets between the Borrower and the Guarantor), the Borrower shall be the continuing or surviving corporation; (C) in the case of any merger, consolidation or transfer of assets between the Borrower and the Guarantor, the Guarantor shall have assumed all of the obligations of the Borrower under and in respect of the Credit Documents by written instrument satisfactory to the Administrative Agent and its counsel in their reasonable discretion, accompanied by such opinions of counsel and other supporting documents as they may reasonably require; (D) in the case of any merger, consolidation, or transfer of assets to which NIPSCO or Columbia is a party (other than a merger, consolidation or transfer of assets between such Person and a Credit Party), NIPSCO or Columbia, as the case may be, shall be the continuing or surviving corporation and shall be a Wholly-Owned Subsidiary of the Guarantor; (E) in the case of any merger, consolidation or transfer of assets to which the Guarantor is a party, the Guarantor shall be the continuing or surviving corporation; and (F) the Index Debt shall be rated at least BBB- by S&P and at least Baa3 by Moody's.

(c) SALES, ETC. OF ASSETS. Sell, lease, transfer or otherwise dispose of, or permit any of their respective Subsidiaries to sell, lease, transfer or otherwise dispose of (other than in connection with a transaction authorized by paragraph (b) of this Section) any substantial part of its assets; provided that the foregoing shall not prohibit any such sale, conveyance, lease, transfer or other disposition that (i) constitutes realization on a Lien permitted to exist under Section 6.01(a); or (ii) (A) (1) is for a price not materially less than the fair market value of such assets, (2) would not materially impair the ability of any Credit Party to perform its obligations under this Agreement and
(3) together with all other such sales, conveyances, leases, transfers and other dispositions, would have no Material Adverse Effect, or (B) would not result in the sale, lease, transfer or other disposition, in the aggregate, of more than 10% of the consolidated

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total assets of the Guarantor and its Subsidiaries, determined in accordance with GAAP, on September 30, 2003.

(d) COMPLIANCE WITH ERISA. (i) Terminate, or permit any ERISA Affiliate to terminate, any Plan so as to result in a Material Adverse Effect or (ii) permit to exist any occurrence of any Reportable Event (as defined in Title IV of ERISA), or any other event or condition, that presents a material (in the reasonable opinion of the Required Lenders) risk of such a termination by the PBGC of any Plan, if such termination could reasonably be expected to have a Material Adverse Effect.

(e) CERTAIN RESTRICTIONS. Permit any of its Subsidiaries (other than, in the case of the Guarantor, the Borrower) to enter into or permit to exist any agreement that by its terms prohibits such Subsidiary from making any payments, directly or indirectly, to such Credit Party by way of dividends, advances, repayment of loans or advances, reimbursements of management or other intercompany charges, expenses and accruals or other returns on investment, or any other agreement that restricts the ability of such Subsidiary to make any payment, directly or indirectly, to such Credit Party; provided that the foregoing shall not apply to prohibitions and restrictions imposed by this Agreement or (i) (A) imposed under an agreement in existence on the date of this Agreement, and (B) described on Schedule 6.01(e), (ii) existing with respect to a Subsidiary on the date it becomes a Subsidiary that are not created in contemplation thereof (but shall apply to any extension or renewal of, or any amendment or modification expanding the scope of, any such prohibition or restriction), (iii) contained in agreements relating to the sale of a Subsidiary pending such sale, provided that such prohibitions or restrictions apply only to the Subsidiary that is to be sold and such sale is permitted hereunder, (iv) imposed on a Project Financing Subsidiary in connection with a Project Financing, or (v) that could not reasonably be expected to have a Material Adverse Effect.

ARTICLE VII
FINANCIAL COVENANTS

So long as any Lender shall have any Commitment hereunder or any principal of any Loan, interest or fees payable hereunder shall remain unpaid, the Guarantor shall:

SECTION 7.01. INTEREST COVERAGE RATIO. Maintain an Interest Coverage Ratio of not less than 1.75 to 1.00 for each period of four consecutive fiscal quarters, commencing with the four fiscal quarters ended March 31, 2004.

SECTION 7.02. DEBT TO CAPITALIZATION RATIO. Maintain a Debt to Capitalization Ratio of not more than 0.70:1:00.

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ARTICLE VIII
EVENTS OF DEFAULT

SECTION 8.01. EVENTS OF DEFAULT. If any of the following events ("EVENTS OF DEFAULT") shall occur and be continuing:

(a) The Borrower shall fail to pay any principal of any Loan when the same becomes due and payable or shall fail to pay any interest, fees or other amounts hereunder within three days after when the same becomes due and payable; or

(b) Any representation or warranty made by any Credit Party herein or by any Credit Party (or any of its officers) in connection with this Agreement shall prove to have been incorrect in any material respect when made; or

(c) Any Credit Party shall fail to perform or observe any term, covenant or agreement contained in Section 5.01(e), 5.01(f), 5.01(h), 5.01(i), 6.01 or Article VII; or

(d) Any Credit Party shall fail to perform or observe any term, covenant or agreement contained in this Agreement on its part to be performed or observed (other than one identified in paragraph (a), (b) or (c) above) if the failure to perform or observe such other term, covenant or agreement shall remain unremedied for thirty days after written notice thereof shall have been given to the Borrower by the Administrative Agent or any Lender; or

(e) The Guarantor, the Borrower or any of their respective Subsidiaries shall fail to pay any principal of or premium or interest on any Indebtedness (excluding Non-Recourse Debt) which is outstanding in a principal amount of at least $50,000,000 in the aggregate (but excluding the Loans) of the Guarantor, the Borrower or such Subsidiary, as the case may be, when the same becomes due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise), and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Indebtedness; or any other event shall occur or condition shall exist under any agreement or instrument relating to any such Indebtedness and shall continue after the applicable grace period, if any, specified in such agreement or instrument, if the effect of such event or condition is to accelerate, or to permit the acceleration of, the scheduled maturity of such Indebtedness; or any such Indebtedness shall be declared to be due and payable, or required to be prepaid (other than by a regularly scheduled required prepayment), prior to the stated maturity thereof; or an "Event of Default" shall occur and be continuing under (and as defined in) the 3-Year Credit Agreement; or

(f) Any Credit Party shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against any Credit Party seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its property and, in the case of any such proceeding instituted against any Credit Party (but not instituted by any Credit Party), either such proceeding shall

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remain undismissed or unstayed for a period of 60 days, or any of the actions sought in such proceeding (including, without limitation, the entry of an order for relief against, or the appointment of a receiver, trustee, custodian or other similar official for, any Credit Party or for any substantial part of its property) shall occur; or any Credit Party shall take any corporate action to authorize any of the actions set forth above in this paragraph (f); or

(g) One or more Subsidiaries of the Guarantor (other than any Credit Party) in which the aggregate sum of (i) the amounts invested by the Guarantor and its other Subsidiaries in the aggregate, by way of purchases of Capital Stock, Capital Leases, loans or otherwise, and (ii) the amount of recourse, whether contractual or as a matter of law (but excluding Non-Recourse Debt), available to creditors of such Subsidiary or Subsidiaries against the Guarantor or any of its other Subsidiaries, is $100,000,000 or more (collectively, "SUBSTANTIAL SUBSIDIARIES") shall generally not pay their respective debts as such debts become due, or shall admit in writing their respective inability to pay their debts generally, or shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against Substantial Subsidiaries seeking to adjudicate them bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of them or their respective debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, custodian or other similar official for them or for any substantial part of their respective property and, in the case of any such proceeding instituted against Substantial Subsidiaries (but not instituted by any Subsidiary of the Guarantor), either such proceeding shall remain undismissed or unstayed for a period of 60 days, or any of the actions sought in such proceeding (including, without limitation, the entry of an order for relief against, or the appointment of a receiver, trustee, custodian or other similar official for, the Substantial Subsidiaries or for any substantial part of their respective property) shall occur; or Substantial Subsidiaries shall take any corporate action to authorize any of the actions set forth above in this paragraph (g); or

(h) Any judgment or order for the payment of money in excess of $50,000,000 shall be rendered against the Borrower, the Guarantor or any of its other Subsidiaries and either (i) enforcement proceedings shall have been commenced by any creditor upon such judgment or order or (ii) there shall be any period of 30 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect; or

(i) Any ERISA Event shall have occurred with respect to a Plan and, 30 days after notice thereof shall have been given to the Guarantor or the Borrower by the Administrative Agent, (i) such ERISA Event shall still exist and (ii) the sum (determined as of the date of occurrence of such ERISA Event) of the Insufficiency of such Plan and the Insufficiency of any and all other Plans with respect to which an ERISA Event shall have occurred and then exist (or, in the case of a Plan with respect to which an ERISA Event described in clauses (c) through (f) of the definition of ERISA Event shall have occurred and then exist, the liability related thereto) is equal to or greater than $10,000,000 (when aggregated with paragraphs (j), (k) and (l) of this Section), and a Material Adverse Effect could reasonably be expected to occur as a result thereof; or

(j) The Guarantor or any ERISA Affiliate shall have been notified by the sponsor of a Multiemployer Plan that it has incurred Withdrawal Liability to such Multiemployer Plan in an

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amount which, when aggregated with all other amounts required to be paid to Multiemployer Plans by the Guarantor and its ERISA Affiliates as Withdrawal Liability (determined as of the date of such notification), exceeds $10,000,000 or requires payments exceeding $10,000,000 per annum (in either case, when aggregated with paragraphs (i), (k) and (l) of this Section), and a Material Adverse Effect could reasonably be expected to occur as a result thereof; or

(k) The Guarantor or any ERISA Affiliate shall have been notified by the sponsor of a Multiemployer Plan that such Multiemployer Plan is in reorganization or is being terminated, within the meaning of Title IV of ERISA, if as a result of such reorganization or termination the aggregate annual contributions of the Guarantor and its ERISA Affiliates to all Multiemployer Plans which are then in reorganization or being terminated have been or will be increased over the amounts contributed to such Multiemployer Plans for the respective plan year of each such Multiemployer Plan immediately preceding the plan year in which the reorganization or termination occurs by an amount exceeding $10,000,000 (when aggregated with paragraphs (i), (j) and (l) of this Section), and a Material Adverse Effect could reasonably be expected to occur as a result thereof; or

(l) The Guarantor or any ERISA Affiliate shall have committed a failure described in Section 302(f)(1) of ERISA and the amount determined under Section
302(f)(3) of ERISA is equal to or greater than $10,000,000 (when aggregated with paragraphs (i), (j) and (k) of this Section), and a Material Adverse Effect could reasonably be expected to occur as a result thereof; or

(m) Any provision of the Credit Documents shall be held by a court of competent jurisdiction to be invalid or unenforceable against any Credit Party purported to be bound thereby, or any Credit Party shall so assert in writing; or

(n) Any Change of Control shall occur;

then, and in any such event, the Administrative Agent (i) shall at the request, or may with the consent, of the Required Lenders, by notice to the Borrower, declare the Commitment of each Lender to be terminated, whereupon the same shall forthwith terminate, and (ii) shall at the request, or may with the consent, of the Required Lenders, by notice to the Borrower, declare all amounts payable under this Agreement to be forthwith due and payable, whereupon all such amounts shall become and be forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Borrower; provided that in the event of an actual or deemed entry of an order for relief with respect to any Credit Party under the Federal Bankruptcy Code, (1) the Commitment of each Lender shall automatically be terminated and
(2) all such amounts shall automatically become and be due and payable, without presentment, demand, protest or any notice of any kind, all of which are hereby expressly waived by the Borrower.

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ARTICLE IX
THE ADMINISTRATIVE AGENT

SECTION 9.01. THE ADMINISTRATIVE AGENT.

(a) Each of the Lenders hereby irrevocably appoints the Administrative Agent as its agent and authorizes the Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms hereof, together with such actions and powers as are reasonably incidental thereto.

(b) The Person serving as the Administrative Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Administrative Agent, and such bank and its Affiliates may accept deposits from, lend money to and generally engage in any kind of business with the any Credit Party or any of such Credit Party's Subsidiaries or other Affiliates thereof as if it were not the Administrative Agent hereunder.

(c) The Administrative Agent shall not have any duties or obligations except those expressly set forth herein. Without limiting the generality of the foregoing, (i) the Administrative Agent shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing, (ii) the Administrative Agent shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby that the Administrative Agent is required to exercise in writing by the Required Lenders, and (iii) except as expressly set forth herein, the Administrative Agent shall not have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Borrower, the Guarantor or any of its other Subsidiaries that is communicated to or obtained by the bank serving as Administrative Agent or any of its Affiliates in any capacity. The Administrative Agent shall not be liable for any action taken or not taken by it with the consent or at the request of the Required Lenders (or, if applicable, all of the Lenders) or in the absence of its own gross negligence or willful misconduct. The Administrative Agent shall be deemed not to have knowledge of any Default unless and until written notice thereof is given to the Administrative Agent by the Borrower or a Lender, and the Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into (1) any statement, warranty or representation made in or in connection with this Agreement, (2) the contents of any certificate, report or other document delivered hereunder or in connection herewith, (3) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein, (4) the validity, enforceability, effectiveness or genuineness of this Agreement or any other agreement, instrument or document, or (5) the satisfaction of any condition set forth in Article III or elsewhere herein, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent and the conformity thereof to such express requirement.

(d) The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing believed by it to be genuine and to have been signed or sent by the proper Person. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to be made by the proper Person, and shall not incur any liability

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for relying thereon. The Administrative Agent may consult with legal counsel (who may be counsel for a Credit Party) independent accountants and other experts selected by it and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

(e) The Administrative Agent may perform any and all its duties and exercise its rights and powers by or through any one or more sub-agents appointed by the Administrative Agent. The Administrative Agent and any such sub-agent may perform any and all its duties and exercise its rights and powers through their respective Related Parties. The exculpatory provisions of the preceding paragraphs shall apply to any such sub-agent and to the Related Parties of the Administrative Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Administrative Agent.

(f) Subject to the appointment and acceptance of a successor Administrative Agent as provided in this paragraph, the Administrative Agent may resign at any time by notifying the Lenders and the Borrower. Upon any such resignation, the Required Lenders shall have the right, with the consent of the Borrower (which consent shall not unreasonably be withheld), to appoint a successor. If no successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its resignation, then the retiring Administrative Agent may, on behalf of the Lenders, appoint a successor Administrative Agent which shall be a bank with an office in New York, New York, or an Affiliate of any such bank, in any event having total assets in excess of $500,000,000 and who shall serve until such time, if any, as an Agent shall have been appointed as provided above. Upon the acceptance of its appointment as Administrative Agent hereunder by a successor, such successor shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder. The fees payable by the Borrower to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Borrower and such successor. After the Administrative Agent's resignation hereunder, the provisions of this Article and Section 11.03 shall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as Administrative Agent.

(g) Each Lender acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any related agreement or any document furnished hereunder or thereunder.

(h) No Lender identified on the signature pages of this Agreement as a "Lead Arranger", "Co-Documentation Agent" or "Syndication Agent", or that is given any other title hereunder other than "Administrative Agent", shall have any right, power, obligation, liability, responsibility or duty under this Agreement other than those applicable to all Lenders as such.

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Without limiting the generality of the foregoing, no Lender so identified as a "Lead Arranger", "Co-Documentation Agent" or "Syndication Agent" or that is given any other title hereunder, shall have, or be deemed to have, any fiduciary relationship with any Lender. Each Lender acknowledges that it has not relied, and will not rely, on the Lenders so identified in deciding to enter into this Agreement or in taking or not taking action hereunder.

ARTICLE X
GUARANTY

SECTION 10.01. THE GUARANTY.

(a) The Guarantor, as primary obligor and not merely as a surety, hereby irrevocably, absolutely and unconditionally guarantees to the Administrative Agent and the Lenders and each of their respective successors, endorsees, transferees and assigns (each a "BENEFICIARY" and collectively, the "BENEFICIARIES") the prompt and complete payment by the Borrower, as and when due and payable, of the Obligations, in accordance with the terms of the Credit Documents. The provisions of this Article X are sometimes referred to hereinafter as the "GUARANTY".

(b) The Guarantor hereby guarantees that the Obligations will be paid strictly in accordance with the terms of the Credit Documents, regardless of any law now or hereafter in effect in any jurisdiction affecting any such terms or the rights of the Beneficiaries with respect thereto. The obligations and liabilities of the Guarantor under this Guaranty shall be absolute and unconditional irrespective of: (i) any lack of validity or enforceability of any of the Obligations or any Credit Document, or any delay, failure or omission to enforce or agreement not to enforce, or the stay or enjoining, by order of court, by operation of law or otherwise, of the exercise of any right with respect to the foregoing (including, in each case, without limitation, as a result of the insolvency, bankruptcy or reorganization of any Beneficiary, the Borrower or any other Person); (ii) any change in the time, manner or place of payment of, or in any other term in respect of, all or any of the Obligations, or any other amendment or waiver of or consent to any departure from the Credit Documents or any agreement or instrument relating thereto; (iii) any exchange or release of, or non-perfection of any Lien on or in any collateral, or any release, amendment or waiver of, or consent to any departure from, any other guaranty of, or agreement granting security for, all or any of the Obligations;
(iv) any claim, set-off, counterclaim, defense or other rights that such Guarantor may have at any time and from time to time against any Beneficiary or any other Person, whether in connection with this transaction or any unrelated transaction; or (v) any other circumstance that might otherwise constitute a defense available to, or a discharge of, the Borrower or any other guarantor or surety in respect of the Obligations or such Guarantor in respect hereof.

(c) The Guaranty provided for herein (i) is a guaranty of payment and not of collection; (ii) is a continuing guaranty and shall remain in full force and effect until the Commitments have been terminated and the Obligations have been paid in full in cash; and (iii) shall continue to be effective or shall be reinstated, as the case may be, if at any time any payment, or any part thereof, of any of the Obligations is rescinded or must otherwise be returned by any Beneficiary upon or as a result of the insolvency, bankruptcy, dissolution, liquidation or reorganization of the Borrower or otherwise, all as though such payment had not been made.

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(d) The obligations and liabilities of the Guarantor hereunder shall not be conditioned or contingent upon the pursuit by any Beneficiary or any other Person at any time of any right or remedy against the Borrower or any other Person that may be or become liable in respect of all or any part of the Obligations or against any collateral security or guaranty therefor or right of setoff with respect thereto.

(e) The Guarantor hereby consents that, without the necessity of any reservation of rights against such Guarantor and without notice to or further assent by such Guarantor, any demand for payment of any of the Obligations made by any Beneficiary may be rescinded by such Beneficiary and any of the Obligations continued after such rescission.

(f) The Guarantor's obligations under this Guaranty shall be unconditional, irrespective of any lack of capacity of the Borrower or any lack of validity or enforceability of any other provision of this Agreement or any other Credit Document, and this Guaranty shall not be affected in any way by any variation, extension, waiver, compromise or release of any or all of the Obligations or of any security or guaranty from time to time therefor.

(g) The obligations of the Guarantor under this Guaranty shall not be reduced, limited, impaired, discharged, deferred, suspended or terminated by any proceeding or action, voluntary or involuntary, involving the bankruptcy, insolvency, receivership, reorganization, marshalling of assets, assignment for the benefit of creditors, composition with creditors, readjustment, liquidation or arrangement of the Borrower or any similar proceedings or actions, or by any defense the Borrower may have by reason of the order, decree or decision of any court or administrative body resulting from any such proceeding or action. Without limiting the generality of the foregoing, the Guarantor's liability shall extend to all amounts and obligations that constitute the Obligations and would be owed by the Borrower, but for the fact that they are unenforceable or not allowable due to the existence of any such proceeding or action.

SECTION 10.02. WAIVERS.

(a) The Guarantor hereby unconditionally waives: (i) promptness and diligence; (ii) notice of or proof of reliance by the Administrative Agent or the Lenders upon this Guaranty or acceptance of this Guaranty; (iii) notice of the incurrence of any Obligation by the Borrower or the renewal, extension or accrual of any Obligation or of any circumstances affecting the Borrower's financial condition or ability to perform the Obligations; (iv) notice of any actions taken by the Beneficiaries or the Borrower or any other Person under any Credit Document or any other agreement or instrument relating thereto; (v) all other notices, demands and protests, and all other formalities of every kind in connection with the enforcement of the Obligations, of the obligations of the Guarantor hereunder or under any other Credit Document, the omission of or delay in which, but for the provisions of this Section 10 might constitute grounds for relieving the Guarantor of its obligations hereunder; (vi) any requirement that the Beneficiaries protect, secure, perfect or insure any Lien or any property subject thereto, or exhaust any right or take any action against the Borrower or any other Person or any collateral; and (vii) each other circumstance, other than payment of the Obligations in full, that might otherwise result in a discharge or exoneration of, or constitute a defense to, the Guarantor's obligations hereunder.

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(b) No failure on the part of any Beneficiary to exercise, and no delay in exercising, any right, remedy, power or privilege hereunder or under any Credit Document or any other agreement or instrument relating thereto shall operate as a waiver thereof, nor shall any single or partial exercise of any right, remedy, power or privilege hereunder or under any Credit Document or any other agreement or instrument relating thereto preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. This Guaranty is in addition to and not in limitation of any other rights, remedies, powers and privileges the Beneficiaries may have by virtue of any other instrument or agreement heretofore, contemporaneously herewith or hereafter executed by the Guarantor or any other Person or by applicable law or otherwise. All rights, remedies, powers and privileges of the Beneficiaries shall be cumulative and may be exercised singly or concurrently. The rights, remedies, powers and privileges of the Beneficiaries under this Guaranty against the Guarantor are not conditional or contingent on any attempt by the Beneficiaries to exercise any of their rights, remedies, powers or privileges against any other guarantor or surety or under the Credit Documents or any other agreement or instrument relating thereto against the Borrower or against any other Person.

(c) The Guarantor hereby acknowledges and agrees that, until the Commitments have been terminated and all of the Obligations have been paid in full in cash, under no circumstances shall it be entitled to be subrogated to any rights of any Beneficiary in respect of the Obligations performed by it hereunder or otherwise, and the Guarantor hereby expressly and irrevocably waives, until the Commitments have been terminated and all of the Obligations have been paid in full in cash, (i) each and every such right of subrogation and any claims, reimbursements, right or right of action relating thereto (howsoever arising), and (ii) each and every right to contribution, indemnification, set-off or reimbursement, whether from the Borrower or any other Person now or hereafter primarily or secondarily liable for any of the Obligations, and whether arising by contract or operation of law or otherwise by reason of the Guarantor's execution, delivery or performance of this Guaranty.

(d) The Guarantor represents and warrants that it has established adequate means of keeping itself informed of the Borrower's financial condition and of other circumstances affecting the Borrower's ability to perform the Obligations, and agrees that neither the Administrative Agent nor any Lender shall have any obligation to provide to the Guarantor any information it may have, or hereafter receive, in respect of the Borrower.

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ARTICLE XI
MISCELLANEOUS

SECTION 11.01. NOTICES. Except in the case of notices and other communications expressly permitted to be given by telephone, all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopy, as follows:

(a) if to any Credit Party, to it at:

801 East 86th Avenue
Merrillville, Indiana 46410
Attention: Treasurer
Telecopier: (219) 647-6180;

with a copy to such Credit Party at:

801 East 86th Avenue
Merrillville, Indiana 46410
Attention: Director Corporate Finance and Treasury Telecopier: (219) 647-6180;

(b) if to the Administrative Agent, to Barclays Bank PLC at:

200 Park Avenue
New York, New York 10166
Attn: Sydney G. Dennis, Power and Utilities Group Telecopier: (212) 412-6709

with a copy to such party at:

200 Park Avenue
New York, New York 10166
Attn: May Huang, Customer Service Unit Telephone: (212) 412-3730
Telecopier: (212) 412-5306

(c) if to any Lender, to it at its address (or telecopy number) set forth in its Administrative Questionnaire.

Any Party hereto may change its address or telecopy number for notices and other communications hereunder by notice to the other parties hereto. All notices and other communications given to any party hereto in accordance with the provisions of this Agreement shall be deemed to have been given on the date of receipt.

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SECTION 11.02. WAIVERS; AMENDMENTS.

(a) No failure or delay by the Administrative Agent or any Lender in exercising any right or power hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Administrative Agent and the Lenders hereunder are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of this Agreement or consent to any departure by any Credit Party therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) of this Section, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. Without limiting the generality of the foregoing, no Extension of Credit shall be construed as a waiver of any Default, regardless of whether the Administrative Agent or any Lender may have had notice or knowledge of such Default at the time.

(b) Neither this Agreement nor any provision hereof may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by the Borrower, the Guarantor and the Required Lenders or by the Borrower, the Guarantor and the Administrative Agent with the consent of the Required Lenders; provided that no such agreement shall (i) increase the Commitment of any Lender without the written consent of such Lender, (ii) reduce the principal amount of any Loan or reduce the rate of interest thereon, or reduce any fees or other amounts payable hereunder, without the written consent of each Lender affected thereby, (iii) postpone the scheduled date of payment of the principal amount of any Loan, or any interest thereon, or any fees or other amounts payable hereunder, or reduce the amount of, waive or excuse any such payment, or postpone the scheduled date of expiration of any Commitment, without the written consent of each Lender affected thereby, (iv) change Section 2.16(b) or (c) in a manner that would alter the pro rata sharing of payments required thereby, without the written consent of each Lender, (v) release the Guarantor from its obligations under the Guaranty without the written consent of each Lender, (vi) waive any of the conditions precedent to the Initial Extension of Credit set forth in Section 3.01 without the written consent of each Lender, or (vii) change any of the provisions of this Section or the definition of "Required Lenders" or any other provision hereof specifying the number or percentage of Lenders required to waive, amend or modify any rights hereunder or make any determination or grant any consent hereunder, without the written consent of each Lender; provided, further, that no such agreement shall amend, modify or otherwise affect the rights or duties of the Administrative Agent hereunder without the prior written consent of the Administrative Agent.

SECTION 11.03. EXPENSES; INDEMNITY; DAMAGE WAIVER.

(a) The Borrower shall pay (i) all reasonable out-of-pocket expenses incurred by the Administrative Agent and its Affiliates, including the reasonable fees, charges and disbursements of counsel for the Administrative Agent, in connection with the initial syndication of the credit facilities provided for herein, the preparation and administration of this Agreement or any amendments, modifications or waivers of the provisions hereof (whether or not the transactions contemplated hereby or thereby shall be consummated), and (ii) all out-of-pocket expenses incurred by the Administrative Agent or any Lender, including the fees, charges and

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disbursements of any counsel for the Administrative Agent or any Lender, in connection with the enforcement or protection of its rights in connection with this Agreement, including its rights under this Section, or in connection with the Loans made hereunder, including in connection with any workout, restructuring or negotiations in respect thereof.

(b) The Borrower shall indemnify the Administrative Agent, the Syndication Agent, each Co-Documentation Agent and each Lender, and each Related Party of any of the foregoing Persons (each such Person being called an "INDEMNITEE") against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses, including the fees, charges and disbursements of any counsel for any Indemnitee, incurred by or asserted against any Indemnitee arising out of, in connection with, or as a result of (i) the execution or delivery of this Agreement or any agreement or instrument contemplated hereby, the performance by the parties hereto of their respective obligations hereunder or the consummation of the Transactions or any other transaction contemplated hereby, (ii) any Loan or the use of the proceeds therefrom, (iii) any actual or alleged presence or release of Hazardous Materials on or from any property now, in the past or hereafter owned or operated by the Borrower, the Guarantor or any of its other Subsidiaries, or any Environmental Liability related in any way to the Borrower, the Guarantor or any of its other Subsidiaries, or (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory and regardless of whether any Indemnitee is a party thereto; provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee.

(c) To the extent that the Borrower fails to pay any amount required to be paid by it to the Administrative Agent under paragraph (a) or (b) of this Section, each Lender severally agrees to pay to the Administrative Agent such Lender's Applicable Percentage (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount; provided that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent in its capacity as such.

(d) To the extent permitted by applicable law, each party hereto shall not assert, and hereby waives, any claim against each other party, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement or any agreement or instrument contemplated hereby, the Transactions or any Loan or the use of the proceeds thereof.

(e) All amounts due under this Section shall be payable not later than 20 days after written demand therefor.

SECTION 11.04. SUCCESSORS AND ASSIGNS.

(a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby; provided that, except to the extent permitted pursuant to Section 6.01(b)(iii)(C), no Credit Party may assign or

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otherwise transfer any of its rights or obligations hereunder without the prior written consent of each Lender (and any attempted assignment or transfer by a Credit Party without such consent shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) Any Lender may assign to one or more assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans at the time owing to it); provided that (i) except in the case of an assignment to a Lender or an Affiliate of a Lender, each of the Administrative Agent and, so long as no Event of Default is continuing, the Borrower must give its prior written consent to such assignment (which consent, in the case of both the Administrative Agent and the Borrower, shall not unreasonably be withheld), (ii) except in the case of an assignment to a Lender or an Affiliate of a Lender or an assignment of the entire remaining amount of the assigning Lender's Commitment, the amount of the Commitment of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Acceptance with respect to such assignment is delivered to the Administrative Agent) shall not be less than $5,000,000 unless each of the Administrative Agent and, so long as no Event of Default shall be continuing, the Borrower otherwise consent, (iii) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement and the 3-Year Credit Agreement, (iv) the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Acceptance, together with a processing and recordation fee of $3,500, and (v) the assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire. Upon acceptance and recording pursuant to paragraph (d) of this Section, from and after the effective date specified in each Assignment and Acceptance, the assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Acceptance, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Acceptance, be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of Sections 2.13, 2.14, 2.15 and 11.03). Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this paragraph shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with paragraph (e) of this Section.

(c) The Administrative Agent, acting for this purpose as an agent of the Borrower, shall maintain at one of its offices in The City of New York a copy of each Assignment and Acceptance delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitment of, and principal amount of the Loans owing to, each Lender pursuant to the terms hereof from time to time (the "REGISTER"). The entries in the Register shall be conclusive (absent manifest error), and the Borrower, the Administrative Agent and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary.

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(d) Upon its receipt of a duly completed Assignment and Acceptance executed by an assigning Lender and an assignee, the assignee's completed Administrative Questionnaire (unless the assignee shall already be a Lender hereunder), the processing and recordation fee referred to in paragraph (b) of this Section and any written consent to such assignment required by paragraph (b) of this Section, the Administrative Agent shall accept such Assignment and Acceptance and record the information contained therein in the Register. No assignment shall be effective for purposes of this Agreement unless it has been recorded in the Register as provided in this paragraph.

(e) Any Lender may, without the consent of the Borrower or the Administrative Agent, sell participations to one or more banks or other entities (a "PARTICIPANT") in all or a portion of such Lender's rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans owing to it); provided that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Borrower, the Guarantors and the Administrative Agent shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver described in the first proviso to Section 11.02(b) that affects such Participant. Subject to paragraph (f) of this Section, the Borrower agrees that each Participant shall be entitled to the benefits of Sections 2.13, 2.14 and 2.15 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (b) of this Section.

(f) A Participant shall not be entitled to receive any greater payment under Section 2.13 or 2.15 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Borrower's prior written consent. A Participant that would be a Foreign Lender if it were a Lender shall not be entitled to the benefits of Section 2.15 unless the Borrower is notified of the participation sold to such Participant and such Participant agrees, for the benefit of the Borrower, to comply with Section 2.15(e) as though it were a Lender.

(g) Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to a Federal Reserve Bank, and this Section shall not apply to any such pledge or assignment of a security interest; provided that no such pledge or assignment of a security interest shall release a Lender from any of its obligations hereunder or substitute any such assignee for such Lender as a party hereto.

(h) Anything herein to the contrary notwithstanding, each Lender (the "GRANTING LENDER") shall have the right, without the prior consent of the Borrower, to grant to a special purpose funding vehicle (the "SPFV") that is utilized by such Granting Lender, identified as such in writing from time to time by the Granting Lender to the Administrative Agent and the Borrower, the option to provide all or any part of any Loan that such Granting Lender would otherwise be obligated to make hereunder, provided that (i) nothing herein shall constitute a

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commitment to make any Loan by any SPFV or shall relieve its Granting Lender of any obligation of such Granting Lender hereunder or under any other Credit Document, except to the extent that such SPFV actually funds all or part of any Loan such Granting Lender is obligated to make hereunder, (ii) if an SPFV elects not to exercise such option or otherwise fails to provide all or any part of such Loan, such Granting Lender shall be obligated to make such Loan pursuant to the terms hereof, (iii) the Granting Lender hereby indemnifies and holds the Administrative Agent harmless from and against any liability, loss, cost or expense (including for or in respect of Taxes) arising out of such identification and grant or any transaction contemplated thereby, and (iv) the provisions of this paragraph (h) shall not impose any increased cost or liability on any Credit Party. The making of a Loan by an SPFV hereunder shall utilize the Commitment of its Granting Lender to the same extent, and as if, such Loan were made by such Granting Lender. Each party hereto agrees that no SPFV shall be liable for any payment under this Agreement or any other Credit Document for which a Lender would otherwise be liable, for so long as, and to the extent that, its Granting Lender makes such payment. As to any Loans or portions of Loans made by it, each SPFV shall have all the rights that a Lender making such Loans or such portions of Loans would have had under this Agreement and otherwise; provided that (1) its voting rights under this Agreement shall be exercised solely by its Granting Lender and (2) its Granting Lender shall remain solely responsible to the other parties hereto for the performance of such SPFV's obligations under this Agreement, including its obligations in respect of the Loans or portions of Loans made by it. No additional promissory notes, if any, shall be required to evidence the Loans or portions of Loans made by a SPFV; and the Granting Lender shall be deemed to hold its promissory note, if any, as agent for its SPFV to the extent of the Loans or portions of Loans funded by such SPFV. Each Granting Lender shall act as administrative agent for its SPFV and give and receive notices and other communications on its behalf. Any payments for the account of any SPFV shall be paid to its Granting Lender as administrative agent for such SPFV, and neither any Credit Party nor the Administrative Agent shall be responsible for any Granting Lender's application of such payments. In furtherance of the foregoing, each party hereto hereby agrees that, until the date that is one year and one day after the payment in full of all outstanding senior Debt of any SPFV, it shall not institute against, or join any other Person in instituting against, such SPFV any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings (or any similar proceedings) under the laws of the United States of America or any State thereof. In addition, notwithstanding anything to the contrary contained in this paragraph (h), an SPFV may (1) (A) with notice to, but without the prior written consent of, the Administrative Agent or the Borrower and without paying any processing fee therefor, assign all or any portion of its interest in any Loan to its Granting Lender or (B) with the consent (which consent shall not be unreasonably withheld) of the Administrative Agent and (if no Event of Default has occurred and is continuing) the Borrower, but without paying any processing fee therefor, assign all or any portion of its interest in any Loan to any financial institution providing liquidity or credit facilities to or for the account of such SPFV to fund the Loans funded by such SPFV or to support any securities issued by such SPFV to fund such Loans, and (2) disclose, on a confidential basis, any non-public information relating to Loans funded by it to any rating agency, commercial paper dealer or provider of a surety, guaranty or credit or liquidity enhancement to such SPFV. The Borrower shall not be required to pay, or to reimburse any Granting Lender for, its expenses relating to any SPFV identified by such Granting Lender pursuant to this paragraph (h).

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SECTION 11.05. SURVIVAL. All covenants, agreements, representations and warranties made by the Borrower herein and in the certificates or other instruments delivered in connection with or pursuant to this Agreement shall be considered to have been relied upon by the other parties hereto and shall survive the execution and delivery of this Agreement and the making of any Loans. The provisions of Sections 2.13, 2.14, 2.15 and 11.03 and Article IX shall survive and remain in full force and effect regardless of the consummation of the transactions contemplated hereby, the repayment of the Loans, the expiration or termination of the Commitments or the termination of this Agreement or any provision hereof.

SECTION 11.06. COUNTERPARTS; INTEGRATION; EFFECTIVENESS. This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement, the commitment letter relating to the credit facility provided hereby (to the extent provided therein) and any separate letter agreements with respect to fees payable to the Administrative Agent constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. Except as provided in Section 3.01, this Agreement shall become effective when it shall have been executed by the Administrative Agent and when the Administrative Agent shall have received counterparts hereof which, when taken together, bear the signatures of each of the other parties hereto, and thereafter shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Delivery of an executed counterpart of a signature page of this Agreement by telecopy shall be effective as delivery of a manually executed counterpart of this Agreement.

SECTION 11.07. SEVERABILITY. Any provision of this Agreement held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions hereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction.

SECTION 11.08. RIGHT OF SETOFF. If an Event of Default shall have occurred and be continuing, each Lender or any Affiliate thereof is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Lender to or for the credit or the account of any Credit Party against any of and all the Obligations now or hereafter existing under this Agreement held by such Lender, irrespective of whether or not such Lender shall have made any demand under this Agreement and although such Obligations may be unmatured. The rights of each Lender under this Section are in addition to other rights and remedies (including other rights of setoff) which such Lender may have.

SECTION 11.09. GOVERNING LAW; JURISDICTION; CONSENT TO SERVICE OF PROCESS.

(a) This Agreement shall be construed in accordance with and governed by the internal laws of the State of New York.

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(b) Each Credit Party hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of the Supreme Court of the State of New York sitting in New York County and of the United States District Court of the Southern District of New York, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State or, to the extent permitted by law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement shall affect any right that the Administrative Agent or any Lender may otherwise have to bring any action or proceeding relating to this Agreement against any Credit Party or its properties in the courts of any jurisdiction.

(c) Each Credit Party hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement in any court referred to in paragraph (b) of this Section. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(d) Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in Section 11.01. Nothing in this Agreement will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

SECTION 11.10. WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

SECTION 11.11. HEADINGS. Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and shall not affect the construction of, or be taken into consideration in interpreting, this Agreement.

SECTION 11.12. CONFIDENTIALITY. Each of the Administrative Agent and the Lenders agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its and its Affiliates' directors, officers, employees and agents, including accountants, legal counsel and other advisors (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such

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Information and instructed to keep such Information confidential), (b) to the extent requested by any regulatory authority, (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (d) to any other party to this Agreement, (e) in connection with the exercise of any remedies hereunder or any suit, action or proceeding relating to this Agreement or the enforcement of rights hereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section, to any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement, (g) with the consent of the Borrower or (h) to the extent such Information (i) becomes publicly available other than as a result of a breach of this Section or (ii) becomes available to the Administrative Agent or any Lender on a nonconfidential basis from a source other than a Credit Party or any Subsidiary of a Credit Party. For the purposes of this Section, "INFORMATION" means all information received from any Credit Party or any Subsidiary of a Credit Party relating to a Credit Party or any Subsidiary of a Credit Party or their respective businesses, other than any such information that is available to the Administrative Agent or any Lender on a nonconfidential basis prior to disclosure by any Credit Party or any Subsidiary of a Credit Party; provided that, in the case of information received from any Credit Party or any Subsidiary of a Credit Party after the Effective Date, such information is clearly identified at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

SECTION 11.13. USA PATRIOT ACT.

Each Lender hereby notifies the Credit Parties that pursuant to the requirements of the USA PATRIOT Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "ACT"), it is required to obtain, verify and record information that identifies the Credit Parties, which information includes the name and address of the Credit Parties and other information that will allow such Lender to identify the Credit Parties in accordance with the Act.

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

NISOURCE FINANCE CORP., as Borrower

By: /s/ David J. Vajda

Name: David J. Vajda
Title: Vice President and Treasurer

NISOURCE INC., as Guarantor

By: /s/ David J. Vajda

Name: David J. Vajda
Title: Vice President and Treasurer

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BARCLAYS BANK PLC, as a Lead Arranger and Lender, and as Administrative Agent

By: /s/ Gary B. Wenslow

Name: Gary B. Wenslow
Title: Associate Director

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CREDIT SUISSE FIRST BOSTON, acting
through its Cayman Islands Branch, as a
Lead Arranger and Lender and as
Syndication Agent

By: /s/ S. William Fox

Name: S. William Fox
Title: Director

By: /s/ David J. Dodd

Name: David J. Dodd
Title: Associate

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BANK ONE, NA, as a Lender and as a Co-Documentation Agent

By: /s/ Jane Bek Keil

Name: Jane Bek Keil
Title: Director

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THE BANK OF TOKYO-MITSUBISHI, LTD.,
Chicago Branch, as a Lender and as a
Co-Documentation Agent

By: /s/ Shinichiro Munechika

Name: Shinichiro Munechika
Title: Deputy General Manager

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CITICORP USA, Inc., as a Lender and as a Co-Documentation Agent

By: /s/ J. Nicholas McRee

Name: J. Nicholas McRee
Title: Managing Director

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BNP PARIBAS, as a Lender

By: /s/ Mark Renaud

Name: Mark Renaud
Title: Managing Director

By: /s/ Francis De Laney

Name: Francis De Laney
Title: Managing Director

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COMMERZBANK AG, New York and Grand Cayman Branches, as a Lender

By: /s/ Andrew Kjoller

Name: Andrew Kjoller
Title: Senior Vice President

By: /s/ Barbara F. Stacks

Name: Barbara F. Stacks
Title: Assistant Treasurer

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DEUTSCHE BANK AG, New York Branch, as a Lender

By: /s/ Joel Makowsky

Name: Joel Makowsky
Title: Director

By: /s/ Michael Starmer-Smith

Name: Michael Starmer-Smith
Title: Managing Director

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DRESDNER BANK A.G., New York and Grand Cayman Branches, as a Lender

By: /s/ Jonathan Newman

Name: Jonathan Newman
Title: Associate

By: /s/ Brian Schneider

Name: Brian Schneider
Title: Vice President

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HARRIS NESBITT FINANCING, INC., as a Lender

By: /s/ Cahal B. Carmody

Name: Cahal B. Carmody
Title: Vice President

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KEYBANK NATIONAL ASSOCIATION, as a Lender

By: /s/ Sherrie I. Manson

Name: Sherrie I. Manson
Title: Vice President

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MIZUHO CORPORATE BANK, LTD., New York Branch, as a Lender

By: /s/ Mark Gronich

Name: Mark Gronich
Title: Senior Vice President

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THE ROYAL BANK OF SCOTLAND plc, as a Lender

By: /s/ Paul McDonagh

Name: Paul McDonagh
Title: Senior Vice President

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WACHOVIA BANK, NATIONAL ASSOCIATION, as a Lender

By: /s/ Yann Pirio

Name: Yann Pirio
Title: Vice President

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BANK OF AMERICA, N.A., as a Lender

By: /s/ Daryl Patterson

Name: Daryl Patterson
Title: Managing Director

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THE BANK OF NOVA SCOTIA, as a Lender

By: /s/ Dennis O'Meara

Name: Dennis O'Meara
Title: Managing Director

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FLEET NATIONAL BANK, as a Lender

By: /s/ Maria F. Maia

Name: Maria F. Maia
Title: Managing Director

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THE NORTHERN TRUST COMPANY, as a Lender

By: /s/ Thomas E. Bernhardt

Name: Thomas E. Bernhardt
Title: Vice President

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PNC BANK, NATIONAL ASSOCIATION, as a Lender

By: /s/ Louis K. McLinden, Jr.

Name: Louis K. McLinden, Jr.
Title: Vice President

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TORONTO DOMINION (TEXAS), INC., as a Lender

By: /s/ Neva Nesbitt

Name: Neva Nesbitt
Title: Vice President

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US BANK NATIONAL ASSOCIATION, as a Lender

By: /s/ Daniel Kraus

Name: Daniel Kraus
Title: Assistant Vice President

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Annex A

PRICING GRID

The "Applicable Rate" for any day with respect to any Eurodollar Loan, ABR Loan, Facility Fee, or Utilization Fee, as the case may be, is the percentage set forth below in the applicable row under the column corresponding to the Status that exists on such day:

Status	Level I	Level II	Level III	Level IV	Level V
Eurodollar Revolving Loans (basis points)	42.5	52.5	67.5	95.0	177.5
ABR Loans (basis points)	0	0	0	0	77.5
Facility Fee (basis points)	10.0	12.5	15.0	22.5	42.5
Utilization Fee (basis points)	15.0	15.0	15.0	15.0	15.0

For purposes of this Pricing Grid, the following terms have the following meanings (as modified by the provisos below):

"LEVEL I STATUS" exists at any date if, at such date, the Index Debt is rated either A- or higher by S&P or A3 or higher by Moody's.

"LEVEL II STATUS" exists at any date if, at such date, the Index Debt is rated either BBB+ by S&P or Baa1 by Moody's.

"LEVEL III STATUS" exists at any date if, at such date, the Index Debt is rated either BBB by S&P or Baa2 by Moody's.

"LEVEL IV STATUS" exists at any date if, at such date, the Index Debt is rated either BBB- by S&P or Baa3 by Moody's.

"LEVEL V STATUS" exists at any date if, at such date, no other Status exists.

"STATUS" refers to the determination of which of Level I Status, Level II Status, Level III Status, Level IV Status or Level V Status exists at any date.

The credit ratings to be utilized for purposes of this Pricing Grid are those assigned to the Index Debt, and any rating assigned to any other debt security of the Borrower shall be disregarded. The rating in effect at any date is that in effect at the close of business on such date.

Provided, that the applicable Status shall change as and when the applicable Index Debt ratings change.

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Provided further, that if the Index Debt is split-rated, the applicable Status shall be determined on the basis of the higher of the two ratings then applicable; provided further, that, if either such rating is lower than BBB-/Baa3, the applicable Status shall instead be determined on the basis of the lower of the two ratings then applicable.

Provided further, that if both Moody's and S&P, or their successors as applicable, shall have ceased to issue or maintain such ratings, then the applicable Status shall be Level V.

Annex A-2

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EXHIBIT A

FORM OF ASSIGNMENT AND ACCEPTANCE

Reference is made to the 364-Day Revolving Credit Agreement dated as of March 18, 2004, among NiSource Finance Corp., a Delaware corporation, as Borrower (the "BORROWER"), NiSource Inc., a Delaware corporation ("NISOURCE"), as Guarantor (the "GUARANTOR"), the Co-Documentation Agents, Lead Arrangers and other Lenders from time to time party thereto, Credit Suisse First Boston, as Syndication Agent, and Barclays Bank PLC, as Administrative Agent thereunder. Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

The Assignor named on Schedule 1 hereto (the "ASSIGNOR") and the Assignee named on Schedule 1 hereto (the "ASSIGNEE") agree as follows:

1. The Assignor hereby irrevocably sells and assigns to the Assignee without recourse to the Assignor, and the Assignee hereby irrevocably purchases and assumes from the Assignor without recourse to the Assignor, as of the Effective Date (as defined below), an interest as specified in Schedule 1 hereto (the "ASSIGNED INTEREST") in and to the Assignor's rights and obligations under the Credit Agreement as described on Schedule 1 hereto (individually, an "ASSIGNED FACILITY"; collectively, the "ASSIGNED FACILITIES"), in a principal amount for each Assigned Facility as set forth on Schedule 1 hereto.

2. The Assignor (a) makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with the Credit Agreement or any other Credit Document or with respect to the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Credit Agreement or any other instrument or document furnished pursuant thereto, other than that it is the legal and beneficial owner of the Assigned Interest, that it has not created any adverse claim upon the Assigned Interest and that the Assigned Interest is free and clear of any such adverse claim; and (b) makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Borrower, the Guarantor or any of their respective Subsidiaries or the performance or observance by the Borrower or the Guarantor of any of their respective obligations under the Credit Agreement or any other Credit Document.

3. The Assignee (a) represents and warrants that it is legally authorized to enter into the Assignment and Acceptance; (b) confirms that it has received a copy of the Credit Agreement, together with copies of the financial statements referred to in Section 4.01 thereof and the most recent financial statements referred to in Section 5.01 thereof and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Acceptance; (c) agrees that it will, independently and without reliance upon the Assignor, the Administrative Agent, the Syndication Agent, any Co-Documentation Agent or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Agreement or any other Credit Document; (d) appoints and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers and discretion under the Credit Agreement and any other Credit Document as are

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delegated to the Administrative Agent by the terms thereof, together with such powers as are incidental thereto; and (c) agrees that it will be bound by the provisions of the Credit Agreement and will perform in accordance with its terms all the obligations which by the terms of the Credit Agreement are required to be performed by it as a Lender.

4. The effective date of this Assignment and Acceptance shall be as specified on Schedule 1 hereto (the "EFFECTIVE DATE"). Following the execution of this Assignment and Acceptance, it will be delivered to the Administrative Agent for acceptance by it and recording by the Administrative Agent pursuant to
Section 11.04 of the Credit Agreement, effective as of the Effective Date (which shall not, unless otherwise agreed to by the Administrative Agent, be earlier than five Business Days after the execution hereof).

5. Upon such acceptance and recording, from and after the Effective Date, the Administrative Agent shall make all payments with respect to the Assigned Interest (including payments of principal, interest, fees and other amounts) to the Assignee. The Assignor and the Assignee shall make all appropriate adjustments in payments by the Administrative Agent for periods prior to the Effective Date or with respect to the making of this assignment directly between themselves.

6. From and after the Effective Date, (a) the Assignee shall be a party to the Credit Agreement and, to the extent provided in this Assignment and Acceptance, have (in addition to any rights and obligations theretofore held by it) the rights and obligations of a Lender thereunder and shall be bound by the provisions thereof, and (b) the Assignor shall, to the extent provided in this Assignment and Acceptance, relinquish its rights and be released from its obligations under the Credit Agreement (other than any such rights which expressly survive the termination thereof).

7. This Agreement may be executed in as many counterparts as may be deemed necessary or convenient, and by the different parties hereto on separate counterparts, each of which, when so executed, shall be deemed an original, but all such counterparts shall constitute but one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by telecopier shall be effective as delivery of a manually executed counterpart of this Agreement.

8. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED UNDER THE INTERNAL LAWS OF THE STATE OF NEW YORK. THIS AGREEMENT IS SUBJECT TO SECTION 11.09 (CHOICE OF FORUM AND SERVICE OF PROCESS) AND SECTION 11.10 (WAIVER OF TRIAL BY JURY) OF THE CREDIT AGREEMENT. THE PROVISIONS OF SUCH SECTIONS 11.09 AND 11.10 OF THE CREDIT AGREEMENT ARE INCORPORATED HEREIN BY REFERENCE IN FULL.

IN WITNESS WHEREOF, the parties hereto have caused this Assignment and Acceptance to be executed as of the date first above written by their respective duly authorized officers on Schedule 1 hereto.

Exhibit A-2

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SCHEDULE 1
TO
ASSIGNMENT AND ACCEPTANCE

Name of Assignor:

Name of Assignee:

Effective Date of Assignment:

Facility Assigned	Principal Amount Assigned	Applicable Percentage Assigned*

The terms set forth above and in the Assignment and Acceptance to which this Schedule 1 is attached are hereby agreed to:

[Consented to and]#/ Accepted for the Recordation in the Register:

_____, as Assignor

By:_____
Name:
Title:

BARCLAYS BANK PLC,
As Administrative Agent

By:_____
Name:
Title:

_____, as Assignee

By:_____
Name:
Title:

* If applicable.

To be completed only if consents are required under Section 11.04(b).

Exhibit A-3

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[Consented to]:

NISOURCE FINANCE CORP.,
As Borrower

By:_____
Name:
Title:

Exhibit A-4

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EXHIBIT B

FORM OF OPINION OF SCHIFF HARDIN LLP

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SCHEDULE 2.01
(364-Day Credit Agreement)

Names, Addresses, Allocation of Aggregate Commitment, and Applicable Percentages of Banks

BANK NAME	DOMESTIC LENDING OFFICE	EURODOLLAR LENDING OFFICE	COMMITMENT	APPLICABLE PERCENTAGE
Barclays Bank PLC	200 Park Avenue New York, NY 10166	same	$40,400,000	8.08%
Credit Suisse First Boston	One Madison Avenue 2nd Floor New York, NY 10010 Attn: Client Services	same	$40,400,000	8.08%
Bank One, NA	1 Bank One Plaza Suite IL 1-0010 Chicago, IL 60670 Attn: Ron Cromey	same	$30,400,000	6.08%
The Bank of Tokyo Mitsubishi, Ltd., Chicago Branch	227 W. Monroe Street Suite 2300 Chicago, IL 60606	same	$30,400,000	6.08%
Citicorp USA, Inc.	388 Greenwich Street 21st Floor New York, NY 10013	same	$30,400,000	6.08%
BNP Paribas	787 7th Avenue New York, NY 10019	same	$24,000,000	4.80%
Commerzbank AG, New York and Grand Cayman Branches	Two World Financial Center, 34th Floor New York, NY 10281-1050	same	$24,000,000	4.80%
Deutsche Bank AG New York Branch	60 Wall Street New York, NY 10005	same	$24,000,000	4.80%
Dresdner Bank A.G., New York and Grand Cayman Branches	75 Wall Street New York, NY 10005	same	$24,000,000	4.80%
Harris Nesbitt Financing, Inc.	115 S. LaSalle Street Chicago, IL 60603 Attn: Denise Dullum	same	$24,000,000	4.80%

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BANK NAME	DOMESTIC LENDING OFFICE	EURODOLLAR LENDING OFFICE	COMMITMENT	APPLICABLE PERCENTAGE
KeyBank National Association	127 Public Square Cleveland, OH 44114	same	$24,000,000	4.80%
Mizuho Corporate Bank, Ltd., New York Branch	1251 Avenue of the Americas New York, NY 10020-1104	same	$24,000,000	4.80%
The Royal Bank of Scotland plc	101 Park Avenue 12th Floor New York, NY 10178	same	$24,000,000	4.80%
Wachovia Bank, National Association	201 South College Street C89 Charlotte, NC 28288-1183	same	$24,000,000	4.80%
Bank of America, N.A.	901 Main Street Dallas, TX 75202	same	$16,000,000	3.20%
The Bank of Nova Scotia	600 Peachtree Street N.E., Suite 2700 Atlanta, GA 30308	same	$16,000,000	3.20%
Fleet National Bank	100 Federal Street Boston, MA 02110	same	$16,000,000	3.20%
The Northern Trust Company	50 South LaSalle 11th Floor Chicago, IL 60675	same	$16,000,000	3.20%
PNC Bank, National Association	1 PNC Plaza 249 5th Avenue Pittsburgh, PA 15222	same	$16,000,000	3.20%
Toronto Dominion (Texas), Inc.	909 Fannin Suite 1700 Houston, TX 77010	909 Fannin Suite 1700 Houston, TX 77010 Attn: Diana Jugon	$16,000,000	3.20%
US Bank National Association	One US Bank Plaza SL-MO-TL2M St. Louis, MO 63101	same	$16,000,000	3.20%

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SCHEDULE 3.01

FINANCING FACILITIES TO BE TERMINATED

1. $1,250,000,000 3-Year Revolving Credit Agreement dated as of March 23, 2001 among the Borrower, the Guarantor, the lenders named therein and Barclays Bank PLC, as administrative agent.

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SCHEDULE 6.01(e)

EXISTING AGREEMENTS

1. Lease Agreement, dated December 14, 1999, between Whiting Leasing LLC and Whiting Clean Energy, Inc. ($261,000,000).

2. 4-Year Letter of Credit Reimbursement Agreement, dated as of February 13, 2004, among the Borrower, the Guarantor, the lenders parties thereto and Barclays Bank PLC, as administrative agent and as issuer of letters of credit thereunder.

3. 3-Year Revolving Credit Agreement, dated as of March 18, 2004, among the Borrower, the Guarantor, the lenders parties thereto and Barclays Bank PLC, as administrative agent.

4. Various cumulative preferred stocks of NIPSCO.

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EXHIBIT 10.3

4-YEAR LETTER OF CREDIT REIMBURSEMENT AGREEMENT

among

NISOURCE FINANCE CORP.,
as Borrower,

NISOURCE INC.,
as Guarantor,

THE LEAD ARRANGER
and
LENDERS
Party Hereto,
as Lenders,

BARCLAYS BANK PLC,
as Administrative Agent and LC Bank,

BARCLAYS CAPITAL
Lead Arranger

BARCLAYS CAPITAL
Sole Book Runner

Dated as of February 13, 2004

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EXHIBITS AND SCHEDULES

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SCHEDULE 2.01	Letters of Credit
SCHEDULE 6.01(e)	Existing Agreements

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4-YEAR LETTER OF CREDIT REIMBURSEMENT AGREEMENT, dated as of February 13, 2004 (this "AGREEMENT"), among NISOURCE FINANCE CORP., an Indiana corporation, as Borrower (the "BORROWER"), NISOURCE INC., a Delaware corporation ("NISOURCE"), as Guarantor (the "GUARANTOR"), the Lead Arranger and other Lenders from time to time party hereto, and BARCLAYS BANK PLC, as issuer of any Letters of Credit provided for hereunder (in such capacity, the "LC BANK") and as administrative agent for the Lenders hereunder (in such capacity, the "ADMINISTRATIVE AGENT").

WITNESSETH:

WHEREAS, the parties are willing to enter into this 4-Year Letter of Credit Reimbursement Agreement on the terms and subject to the conditions herein set forth.

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

ARTICLE I
DEFINITIONS

SECTION 1.01. DEFINED TERMS. As used in this Agreement, the following terms have the meanings specified below:

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

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

"AGGREGATE COMMITMENTS" means the aggregate amount of the Commitments of all Lenders, as in effect from time to time and as reduced pursuant to the terms of Section 2.04. As of the date hereof, the Aggregate Commitments equal $100,689,865.

"ALTERNATE BASE RATE" means, for any day, a rate per annum equal to the greater of (a) the Prime Rate in effect on such day and (b) the Federal Funds Effective Rate in effect on such day plus 1/2 of 1%. Any change in the Alternate Base Rate due to a change in the Prime Rate or the Federal Funds Effective Rate shall be effective from and including the effective date of such change in the Prime Rate or the Federal Funds Effective Rate, respectively.

"APPLICABLE PERCENTAGE" means, with respect to any Lender, the percentage of the Aggregate Commitments represented by such Lender's Commitment. If the Commitments have terminated or expired, the Applicable Percentages shall be determined based upon the Commitments most recently in effect, giving effect to any assignments.

"APPLICABLE RATE" means, for any day, with respect the LC Risk Participation Fee payable hereunder, a rate per annum equal to 0.825%.

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"ARRANGER" shall mean Barclays.

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

"AVAILABILITY PERIOD" means the period from and including the Effective Date to but excluding the Termination Date.

"BANK CREDIT AGREEMENT" means that certain 3-Year Revolving Credit Agreement, dated as of March 23, 2001, by and among the Borrower, the Guarantor, the lead arrangers, senior managing agents, managers, co-documentation agents and other lenders from time to time parties thereto, Credit Suisse First Boston, as syndication agent, and Barclays, as administrative agent thereunder, as the same may be amended, restated, supplemented, refinanced, replaced or otherwise modified from time to time.

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

"BENEFICIARY" has the meaning set forth in Section 10.01.

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

"BORROWER" means NiSource Finance Corp., Inc. an Indiana corporation.

"BUSINESS DAY" means any day that is not a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to remain closed.

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

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

"CASH ACCOUNT" has the meaning set forth in Section 8.01.

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

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

"CHANGE IN LAW" means (a) the adoption of any law, rule or regulation after the date of this Agreement, (b) any change in any law, rule or regulation or in the interpretation or application thereof by any Governmental Authority after the date of this Agreement or (c) compliance by any Lender (or, for purposes of Section 2.07(b), by any lending office of such Lender or by such Lender's holding company, if any) with any request, guideline or directive (whether or not having the force of law) of any Governmental Authority made or issued after the date of this Agreement.

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

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

"COMMITMENT" means, with respect to each Lender, the commitment of such Lender to participate in Letters of Credit issued hereunder as set forth herein, as such commitment may be (a) reduced from time to time or terminated pursuant to Section 2.02 or Section
2.04 and (b) reduced or increased from time to time pursuant to assignments by or to such Lender pursuant to Section 11.04. The initial amount of each Lender's Commitment is (x) the amount set forth on Schedule 1.01.1 opposite such Lender's name; or (y) the amount set forth in the Assignment and Acceptance pursuant to which such Lender shall have assumed its Commitment, as applicable.

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

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

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"CONSOLIDATED INTEREST EXPENSE" means, for any period, the interest expense of the Guarantor and its Consolidated Subsidiaries, determined on a consolidated basis in accordance with GAAP.

"CONSOLIDATED NET INCOME" means, for any period, the net income of the Guarantor and its Consolidated Subsidiaries, determined on a consolidated basis in accordance with GAAP, adjusted to exclude:
(a) any extraordinary gain or loss, (b) any gain or loss on dispositions of capital assets and (c) the non-cash effects of any impairment or write-down of assets.

"CONSOLIDATED NET TANGIBLE ASSETS" means, at any time, the total amount of assets appearing on a consolidated balance sheet of the Guarantor and its Subsidiaries (other than Utility Subsidiaries), determined in accordance with GAAP and prepared as of the end of the fiscal quarter then most recently ended, less, without duplication, the following (other than those of Utility Subsidiaries):

(a) all current liabilities (excluding any thereof that are by their terms extendable or renewable at the sole option of the obligor thereon, without requiring the consent of the obligee, to a date more than 12 months after the date of determination);

(b) all reserves for depreciation and other asset valuation reserves (but excluding any reserves for deferred Federal income taxes, arising from accelerated amortization or otherwise);

(c) all intangible assets, such as goodwill, trademarks, trade names, patents and unamortized debt discount and expense, carried as an asset on such balance sheet; and

(d) all appropriate adjustments on account of minority interests of other Persons holding common stock of any Subsidiary of the Guarantor.

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

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

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

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

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

"CREDIT DOCUMENTS" means (a) this Agreement and any Assignment and Acceptances, (b) any certificates, opinions and other documents required to be delivered pursuant to Section 3.01, and (c) any other documents delivered by a Credit Party pursuant to or in connection with any one or more of the foregoing.

"CREDIT PARTY" means each of the Borrower and the Guarantor.

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

"DEBT TO CAPITALIZATION RATIO" means, at any time, the ratio of Consolidated Debt to Consolidated Capitalization.

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

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

"EFFECTIVE DATE" means the date on which this Agreement has been executed and delivered by each of the Borrower, the Guarantor, the initial Lenders, the LC Bank and the Administrative Agent.

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

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

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

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

"ERISA EVENT" means (a) a reportable event, within the meaning of Section 4043 of ERISA, unless the 30-day notice requirement with respect thereto has been waived by the PBGC, (b) the provision by the administrator of any Plan of a notice of intent to terminate such Plan, pursuant to Section 4041(a)(2) and 4041(c) of ERISA (including any such notice with respect to a plan amendment referred to in Section 4041(e) of ERISA), (c) the withdrawal by the Guarantor or an ERISA Affiliate from a Multiple Employer Plan during a plan year for which it was a substantial employer, as defined in Section 4001(a)(2) of ERISA, (d) the failure by the Guarantor or any ERISA Affiliate to make a payment to a Plan required under Section 302(f)(1) of ERISA, which Section imposes a lien for failure to make required payments, (e) the adoption of an amendment to a Plan requiring the provision of security to such Plan, pursuant to Section 307 of ERISA, or (f) the institution by the PBGC of proceedings to terminate a Plan, pursuant to Section 4042 of ERISA, or the occurrence of any event or condition which may reasonably be expected to constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer a Plan.

"EVENT OF DEFAULT" has the meaning assigned to such term in Article VIII.

"EXCLUDED TAXES" means, with respect to the Administrative Agent, any Lender or any other recipient of any payment to be made by or on account of any obligation of the Borrower hereunder, (a) income or franchise taxes imposed on (or measured by) its net income or net earnings by the United States of America, or by the jurisdiction under the laws of which such recipient is organized or in which its principal office is located or, in the case of any Lender, in which its applicable lending office is located and (b) in case of a Foreign Lender (other than an assignee pursuant to a request by the Borrower under Section 2.10(d)), any withholding tax that (i) is imposed on amounts payable to such Foreign Lender at the time such Foreign Lender becomes a party to this Agreement, except to the extent that such Foreign Lender's assignor (if any) was entitled, at the time

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of assignment, to receive additional amounts from the Borrower with respect to such withholding tax pursuant to Section 2.08(a) or (d) is attributable to such Foreign Lender's failure to comply with Section 2.08 (e) when legally able to do so.

"EXPOSURE" means, with respect to any Lender at any time, such Lender's Applicable Percentage of the aggregate LC Outstandings at such time plus such Lender's Applicable Percentage of the aggregate Unreimbursed LC Disbursements at such time.

"EXTENSION OF CREDIT" means (a) the deemed issuance of the Letters of Credit by the LC Bank on the Effective Date or (b) the Modification of any Letter of Credit having the effect of extending the stated termination date thereof, increasing the LC Outstandings, or otherwise altering any of the material terms or conditions thereof.

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

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

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

"GOVERNMENTAL AUTHORITY" means the government of the United States of America, any other nation, or any political subdivision of the United States of America or any other nation, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government and includes, in any event, an "Independent System Operator" or any entity performing a similar function.

"GUARANTOR" means NiSource.

"GUARANTY" means the guaranty of the Guarantor pursuant to Article X of this Agreement.

"HAZARDOUS MATERIALS" means any asbestos; flammables; volatile hydrocarbons; industrial solvents; explosive or radioactive materials; hazardous wastes; toxic substances; liquefied natural gas; natural gas liquids; synthetic gas; oil, petroleum, or related materials and any constituents, derivatives, or byproducts thereof or additives

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thereto; or any other material, substance, waste, element or compound (including any product) regulated pursuant to any Environmental Law, including, without limitation, substances defined as "hazardous substances," "hazardous materials," "contaminants," "pollutants," "hazardous wastes," "toxic substances," "solid waste," or "extremely hazardous substances" in (i) CERCLA, (ii) the Hazardous Materials Transportation Act, 49 U.S.C. Section 1801 et seq., (iii) the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901 et seq., (iv) the Federal Water Pollution Control Act, as amended, 33 U.S.C. Section 1251 et seq., (v) the Clean Air Act, 42 U.S.C. Section 7401 et seq., (vi) the Toxic Substances Control Act, 15 U.S.C. Section 2601 et seq., (vii) the Safe Drinking Water Act, 42 U.S.C. Section 300f et seq., or (viii) foreign, state, local or municipal law, in each case, as may be amended from time to time.

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

"INDEMNIFIED TAXES" means Taxes other than Excluded Taxes.

"INDEMNITEE" has the meaning set forth in Section 11.03.

"INDEX DEBT" means the senior unsecured long-term debt securities of the Borrower, without third-party credit enhancement provided by a Person other than the Guarantor.

"INFORMATION" has the meaning set forth in Section 11.12.

"INITIAL CREDIT EVENT DATE" means the date on which the initial Letter of Credit hereunder is deemed issued hereunder.

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

"INTEREST COVERAGE RATIO" means, for any period, the ratio of
(i) the sum of (a) Consolidated Net Income for such period plus (b) income taxes deducted in

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determining such Consolidated Net Income plus (c) Consolidated Interest Expense for such period to (ii) Consolidated Interest Expense for such period.

"LC AMOUNT" means, for any date of determination, an amount equal to the amount set forth on Schedule 1.01.2 for such date.

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

"LC REIMBURSEMENT DATE" means the Business Day immediately after the date the LC Bank shall pay any amount under any Letter of Credit.

"LC RISK PARTICIPATION FEE" has the meaning set forth in Section 2.06.

"LENDERS" means (a) the Persons listed on Schedule 1.01.1, including any such Person identified thereon or in the signature pages hereto as a Lead Arranger, and any other Person that shall have become a party hereto pursuant to an Assignment and Acceptance, other than any such Person that ceases to be a party hereto pursuant to an Assignment and Acceptance and (b) if and to the extent so provided in Section 2.01(d), the LC Bank.

"LETTER OF CREDIT" means a letter of credit deemed to be issued by the LC Bank pursuant to the terms of this Agreement, as such letter of credit may from time to time be amended, modified or extended in accordance with the terms of this Agreement.

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

"MARGIN STOCK" means margin stock within the meaning of Regulations U and X issued by the Board.

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

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

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

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

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

"MODIFICATION" has the meaning set forth in Section 2.01(a).

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

"MULTIEMPLOYER PLAN" means a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

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

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

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

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

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

"PARTICIPANT" has the meaning set forth in Section 11.04.

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

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

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

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

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

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

"PROJECT FINANCING SUBSIDIARY" means any Subsidiary (a) that (i) is not a Material Subsidiary, and (ii) whose principal purpose is to develop a Project and activities incidental thereto (including, without limitation, the financing and operation of such Project), or to become a partner, member or other equity participant in a partnership, limited liability company or other entity having such a principal purpose, and (b) substantially all the assets of which are limited to the assets relating to the Project being developed or Capital Stock in such partnership, limited liability company or other entity (and substantially all of the assets of any such partnership, limited liability

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company or other entity are limited to the assets relating to such Project); provided that such Subsidiary incurs no Indebtedness other than in respect of a Project Financing.

"REGISTER" has the meaning set forth in Section 11.04.

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

"REQUEST FOR MODIFICATION" has the meaning set forth in Section 2.01.

"REQUIRED LENDERS" means Lenders having more than 50% in aggregate amount of the Commitments, or if the Commitments shall have been terminated, of the Total Outstanding Principal.

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

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

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

"SUBSTANTIAL SUBSIDIARIES" has the meaning set forth in Section 8.01.

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

"TERMINATION DATE" means the earliest of (a) January 7, 2009 and (b) the date upon which the Commitments are terminated pursuant to Section 8.1 or otherwise.

"TOTAL OUTSTANDING PRINCIPAL" means the aggregate amount of the aggregate LC Outstandings plus the aggregate Unreimbursed LC Disbursements.

"TRANSACTIONS" means the execution, delivery and performance by the Borrower of this Agreement and deemed issuance or Modification of Letters of Credit hereunder.

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"UNREIMBURSED LC DISBURSEMENT" means the unpaid obligation (or, if the context so requires, the amount of such obligation) of the Borrower to reimburse the LC Bank for a payment made by the LC Bank under a Letter of Credit.

"UTILITY SUBSIDIARY" means a Subsidiary of the Guarantor that is subject to regulation by a Governmental Authority (federal, state or otherwise) having authority to regulate utilities.

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

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

SECTION 1.02. TERMS GENERALLY. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation". The word "or" shall not be exclusive. The word "will" shall be construed to have the same meaning and effect as the word "shall". Unless the context requires otherwise (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein),
(b) any reference herein to any Person shall be construed to include such Person's successors and assigns, (c) the words "herein", "hereof" and "hereunder", and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (d) all references herein to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement and (e) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights. The terms "knowledge of", "awareness of" and "receipt of notice of" in relation to a Credit Party, and other similar expressions, mean knowledge of, awareness of, or receipt of notice by, a Responsible Officer of such Credit Party.

SECTION 1.03. ACCOUNTING TERMS; GAAP. Except as otherwise expressly provided herein, all terms of an accounting or financial nature shall be construed in accordance with GAAP, as in effect from time to time; provided that, if the Borrower notifies the Administrative Agent that the Borrower requests an amendment to any provision hereof to eliminate the effect of any change occurring after the Effective Date in GAAP or in the application thereof on the operation of such provision (or if the Administrative Agent notifies the Borrower that the Required Lenders request an amendment to any provision hereof for such purpose), regardless of whether any such notice is given before or after such change in GAAP or

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in the application thereof, then such provision shall be interpreted on the basis of GAAP as in effect and applied immediately before such change shall have become effective until such notice shall have been withdrawn or such provision amended in accordance herewith.

ARTICLE II
THE CREDITS

SECTION 2.01. LETTERS OF CREDIT

(a) LC Bank; Deemed Issuance of Letters of Credit. Subject to the terms and conditions hereof, from and after the Effective Date each of the letters of credit identified on Schedule 2.01 hereto and issued for the account of the Borrower shall be deemed to be Letters of Credit issued pursuant to this Agreement.

(b) Maximum Amount. At no time shall (i) the aggregate LC Outstandings exceed the sum of the Commitments or (ii) the sum of the aggregate LC Outstandings under this Agreement exceed the then effective LC Amount.

(c) Letters of Credit. The stated maturity of each Letter of Credit shall be extended or terms thereof modified or amended (any such extension, modification or amendment, a "MODIFICATION") on not less than five Business Days' prior written notice thereof to the Administrative Agent (which shall promptly distribute copies thereof to the Lenders) and the LC Bank. Each such notice (a "REQUEST FOR MODIFICATION") shall specify (i) the date (which shall be a Business Day) of effectiveness of such Modification and the stated expiry date thereof (which (i) may be after the Termination Date for any Letter of Credit provided that on or before to the 30th day prior to the Termination Date the Borrower pays to the Administrative Agent an amount in immediately available funds, which funds shall be held in the Cash Account, equal to the aggregate amount of the LC Outstandings at such time plus the aggregate Unreimbursed LC Disbursements at such time in respect of all Letters of Credit with an expiry date on or after the fifth Business Day prior to the Termination Date, and (ii) shall be not later than the fifth Business Day prior to the Termination Date with respect to all other Letters of Credit), (ii) the stated amount of such Letter of Credit and (iii) such other information as shall demonstrate compliance of such Letter of Credit with the requirements specified therefor in this Agreement. Each Request for Modification shall be irrevocable unless modified or rescinded by the Borrower not less than two days prior to the proposed date of effectiveness specified therein. If the LC Bank shall have approved the form of such Modification of such Letter of Credit, the LC Bank shall not later than 11:00 A.M. (New York City time) on the proposed date specified in such Request for Modification, and upon fulfillment of the applicable conditions precedent and the other requirements set forth herein and as otherwise agreed to between the LC Bank and the Borrower, Modify such Letter of Credit and provide notice and a copy thereof to the Administrative Agent. The Administrative Agent shall furnish (x) to each Lender, a copy of such notice and
(y) to each Lender that may so request, a copy of such Letter of Credit.

(d) Reimbursement. Subject to the provisions of Section 2.01(f) hereof, the Borrower hereby agrees to pay to the LC Bank (i) on or prior to any LC Reimbursement Date with respect to any Letter of Credit, a sum equal to the amount paid by the LC Bank under such Letter of Credit, which sum shall constitute a loan from the LC Bank to the Borrower from the date of

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such payment by the LC Bank until so paid by the Borrower and which loan shall be due on the LC Reimbursement Date, plus (ii) interest on any amount remaining unpaid by the Borrower to the LC Bank under clause (i), above, from the date of payment by the LC Bank until payment in full, at a rate per annum which is equal to (x) for the period commencing on the date of such payment by the LC Bank to and including the LC Reimbursement Date, the then applicable Alternate Base Rate and (y) for the period thereafter until paid in full, 2% plus the then applicable Alternate Base Rate.

(e) Loans for Unreimbursed LC Disbursements. If the LC Bank shall make any payment under any Letter of Credit and if the conditions precedent set forth in Section 3.02 of this Agreement have been satisfied as of the date of such honor, then, each Lender's payment made to the LC Bank pursuant to paragraph (f) of this Section 2.01 in respect of such Unreimbursed LC Disbursement shall be deemed to constitute a demand loan made for the account of the Borrower by such Lender bearing interest at a rate per annum which is equal to 2% plus the then applicable Alternate Base Rate until paid in full. Interest in respect of each such demand loan shall be due and payable on (i) the first March 31, June 30, September 30 or December 31 to occur following the date such loan is deemed made, or (ii) if earlier, the Termination Date.

(f) Participation; Reimbursement of LC Bank.

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

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

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subparagraph (ii), such Lender shall be entitled to receive its ratable share of all interest paid by the Borrower in respect of such Unreimbursed LC Disbursement. If such Lender shall have made such payment to the LC Bank, but without all such interest thereon required by the second sentence of this subparagraph (ii), such Lender shall be entitled to receive its ratable share of the interest paid by the Borrower in respect of such Unreimbursed LC Disbursement only from the date it shall have paid all interest required by the second sentence of this subparagraph (ii).

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

(iv) If any Lender shall fail to make any payment to the LC Bank in accordance with subparagraph (ii), above, then, in addition to other rights and remedies which the LC Bank may have, the Administrative Agent is hereby authorized, at the request of the LC Bank, to withhold and to apply to the payment of such amounts owing by such Lender to the LC Bank and any related interest, that portion of any payment received by the Administrative Agent that would otherwise be payable to such Lender. In furtherance of the foregoing, if any Lender shall fail to make any payment to the LC Bank in accordance with subparagraph (ii), above, and such failure shall continue for five Business Days following written notice of such failure from the LC Bank to such Lender, the LC Bank may acquire, or transfer to a third party in exchange for the sum or sums due from such Lender, such Lender's interest in the related Unreimbursed LC Disbursement and all other rights of such Lender hereunder in respect thereof, without, however, relieving such Lender from any liability for damages, costs and expenses suffered by the LC Bank as a result of such failure, and prior to such transfer, the LC Bank shall be deemed, for purposes of Section
2.09 and Article VIII hereof, to be a Lender hereunder owed a loan in an amount equal to the outstanding principal amount due and payable by such Lender to the Administrative Agent for the account of such LC Bank pursuant to subparagraph (ii), above. The purchaser of any such interest shall be deemed to have acquired an interest senior to the interest of such Lender and shall be entitled to receive all subsequent payments which the LC Bank or the Administrative Agent would otherwise have made hereunder to such Lender in respect of such interest.

(g) Obligations Absolute. The payment obligations of each Lender under Section 2.01(f) and of the Borrower under Section 2.01(d) of this Agreement in respect of any payment under any Letter of Credit and any loan made under Section 2.01(e) shall be unconditional and irrevocable, and shall be paid strictly in accordance with the terms of this Agreement under all circumstances, including, without limitation, the following circumstances:

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

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

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

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

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

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

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

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the Borrower to reimburse the Lenders hereunder shall be absolute and unconditional, notwithstanding the gross negligence or willful misconduct of the LC Bank.

SECTION 2.02. MANDATORY TERMINATION OR REDUCTION OF COMMITMENTS.

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

SECTION 2.03. CASH COLLATERALIZATION.

(a) If at any time the Total Outstanding Principal exceeds the lesser of the Aggregate Commitments or the LC Amount then in effect for any reason whatsoever (including, without limitation, as a result of any reduction in the Aggregate Commitments pursuant to Section 2.04), the Borrower shall deposit with the Administrative Agent an amount in the Cash Account equal to such excess. If any drawings then outstanding or thereafter made are not reimbursed in full immediately upon demand or, in the case of subsequent drawings, upon being made, then, in any such event, the Administrative Agent may apply the amounts then on deposit in the Cash Account, in such priority as the Administrative Agent shall elect, toward the payment in full of any or all of the Borrower's obligations hereunder as and when such obligations shall become due and payable.

SECTION 2.04. REDUCTION OF COMMITMENTS.

(a) The Borrower may at any time terminate, or from time to time reduce, the Commitments; provided that (i) each reduction of the Commitments shall be in an amount that is an integral multiple of $10,000,000 and (ii) the Borrower shall not terminate or reduce the Commitments if the Total Outstanding Principal would exceed the Aggregate Commitments thereafter in effect.

(b) The Borrower shall notify the Administrative Agent of any election to terminate or reduce the Commitments under Section 2.04(a) at least five Business Days prior to the effective date of such termination or reduction, specifying such election and the effective date thereof. Promptly following receipt of any notice, the Administrative Agent shall advise the Lenders of the contents thereof. Each notice delivered by the Borrower pursuant to this Section shall be irrevocable; provided that a notice of termination of the Commitments delivered by the Borrower may state that such notice is conditioned upon the effectiveness of other credit facilities, in which case such notice may be revoked by the Borrower (by notice to the Administrative Agent on or prior to the specified effective date) if such condition is not satisfied. Any termination or reduction of the Commitments shall be permanent.

(c) Concurrently with any reduction in the LC Amount as set forth on Schedule 1.01.2, the Aggregate Commitments shall be automatically reduced by an equal amount.

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

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SECTION 2.05. EVIDENCE OF DEBT.

(a) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Borrower to such Lender arising hereunder.

(b) The Administrative Agent shall maintain accounts in which it shall record (i) the amount of each Letter of Credit deemed to be issued hereunder, (ii) the amount of any principal, interest or fees due and payable or to become due and payable from the Borrower to the each Lender hereunder, and
(iii) the amount of any sum received by the Administrative Agent hereunder for the account of the Lenders and each Lender's share thereof.

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

SECTION 2.06. FEES.

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

(b) All fees payable hereunder shall be paid on the dates due, in immediately available funds, to the Administrative Agent (for distribution, in the case of LC Risk Participation Fees to the Lenders). Fees due and paid shall not be refundable under any circumstances.

SECTION 2.07. INCREASED COSTS. If any Change in Law shall:

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

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

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

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

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

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

SECTION 2.08. TAXES.

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

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(ii) such Credit Party shall make such deductions and (iii) such Credit Party shall pay the full amount deducted to the relevant Governmental Authority in accordance with applicable law.

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

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

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

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

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

SECTION 2.09. PAYMENTS GENERALLY; PRO RATA TREATMENT; SHARING OF SET-OFFS.

(a) The Borrower shall make each payment required to be made by it hereunder (whether of principal, interest or fees, or under Section 2.07, 2.08 or 11.03, or otherwise) prior to 12:00 noon, New York City time, on the date when due, in immediately available funds, without set-off or counterclaim. Any amounts received after such time on any date may, in the discretion of the Administrative Agent, be deemed to have been received on the next succeeding Business

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Day for purposes of calculating interest thereon. All such payments shall be made to the Administrative Agent at its offices at 200 Park Avenue, New York, New York, except that payments pursuant to Sections 2.07, 2.08 and 11.03 shall be made directly to the Persons entitled thereto. The Administrative Agent shall distribute any such payments received by it for the account of any other Person to the appropriate recipient promptly following receipt thereof. If any payment hereunder shall be due on a day that is not a Business Day, the date for payment shall be extended to the next succeeding Business Day, and, in the case of any payment accruing interest, interest thereon shall be payable for the period of such extension. All payments hereunder shall be made in Dollars.

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

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

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

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interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Administrative Agent, at the Federal Funds Effective Rate.

(e) If any Lender shall fail to make any payment required to be made by it pursuant to Section 2.01(f), or 2.09(d), then the Administrative Agent may, in its discretion (notwithstanding any contrary provision hereof), apply any amounts thereafter received by the Administrative Agent for the account of such Lender to satisfy such Lender's obligations under such Sections until all such unsatisfied obligations are fully paid.

SECTION 2.10. MITIGATION OBLIGATIONS; REPLACEMENT OF LENDERS. (a) Any Lender claiming reimbursement or compensation from the Borrower under either of Sections 2.07 and 2.08 for any losses, costs or other liabilities shall use reasonable efforts (including, without limitation, reasonable efforts to designate a different lending office of such Lender for funding or booking its Obligations or to assign its rights and obligations hereunder to another of its offices, branches or affiliates) to mitigate the amount of such losses, costs and other liabilities, if such efforts can be made and such mitigation can be accomplished without such Lender suffering (i) any economic disadvantage for which such Lender does not receive full indemnity from the Borrower under this Agreement or (ii) otherwise be disadvantageous to such Lender.

(b) In determining the amount of any claim for reimbursement or compensation under Sections 2.07 and 2.08, each Lender will use reasonable methods of calculation consistent with such methods customarily employed by such Lender in similar situations.

(c) Each Lender will notify the Borrower either directly or through the Administrative Agent of any event giving rise to a claim under Section 2.07 or Section 2.08 promptly after the occurrence thereof which notice shall be accompanied by a certificate of such Lender setting forth in reasonable detail the circumstances of such claim.

(d) If any Lender requests compensation under Section 2.07, or if the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.08, then the Borrower may, at its sole expense and effort, upon notice to such Lender and the Administrative Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in Section 11.04), all its interests, rights and obligations under this Agreement to an assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment); provided that (i) the Borrower shall have received the prior written consent of the Administrative Agent and the LC Bank, which consent, in the case of the Administrative Agent, shall not unreasonably be withheld and, in the case of the LC Bank, may be given or withheld in the sole discretion of the LC Bank, (ii) such Lender shall have received payment of all amounts payable to it hereunder, from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrower (in the case of all other amounts) and (iii) in the case of any such assignment resulting from a claim for compensation under Section 2.07 or payments required to be made pursuant to Section 2.08, such assignment will result in a reduction in such compensation or payments. A Lender shall not be required to make any such assignment and delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Borrower to require such assignment and delegation cease to apply.

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ARTICLE III
CONDITIONS

SECTION 3.01. CONDITIONS PRECEDENT TO THE INITIAL EXTENSION OF CREDIT. The obligation of each Lender to make the Initial Extension of Credit shall not become effective until the date on which each of the following conditions, and each of the conditions set forth in Section 3.02, is satisfied (or waived in accordance with Section 11.02); provided that each of the conditions set forth in this Section 3.01 shall be satisfied or waived no later than the Initial Credit Event Date.

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

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

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

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

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

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

SECTION 3.02. CONDITIONS PRECEDENT TO EACH EXTENSION OF CREDIT. The obligation of the LC Bank to make any Extension of Credit (including the initial Extension of Credit) shall be subject to the satisfaction (or waiver in accordance with Section 11.02) of each of the following conditions:

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

(b) After giving effect to such Extension of Credit, together with all other Extensions of Credit to be made contemporaneously therewith, such Extension of Credit will not result in the sum of the then Total Outstanding Principal exceeding the Aggregate Commitments.

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

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

(e) In the case of a Letter of Credit's Modification, a Request for Modification.

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

ARTICLE IV
REPRESENTATIONS AND WARRANTIES

SECTION 4.01. REPRESENTATIONS AND WARRANTIES OF THE CREDIT PARTIES. Each of the Borrower and the Guarantors represents and warrants as follows:

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

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(b) The execution, delivery and performance by each of the Credit Parties of the Credit Documents to which it is a party are within such Credit Party's corporate powers, (i) have been duly authorized by all necessary corporate action, (ii) do not contravene (A) such Credit Party's charter or by-laws, as the case may be, or (B) any law, rule or regulation (including, without limitation, the Public Utility Holding Company Act of 1935, as amended), or any material Contractual Obligation or legal restriction, binding on or affecting any Credit Party or any Material Subsidiary, as the case may be, and
(iii) do not require the creation of any Lien on the property of any Credit Party or any Material Subsidiary under any Contractual Obligation binding on or affecting such Credit Party or any Material Subsidiary.

(c) No authorization or approval or other action by, and no notice to or filing with, any Governmental Authority or other Person is required for the due execution, delivery and performance by any Credit Party of this Agreement or any other Credit Document to which any of them is a party, except for such as have been obtained or made and that are in full force and effect.

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

(e) The consolidated balance sheet of the Guarantor and its Subsidiaries as at September 30, 2003, and the related statements of income and retained earnings of the Guarantor and its Subsidiaries for the nine months then ended, copies of which have been made available or furnished to each Lender, fairly present (subject to year-end adjustments) the financial condition of the Guarantor and its Subsidiaries as at such date and the results of the operations of the Guarantor and its Subsidiaries for the period ended on such date, all in accordance with generally accepted accounting principles consistently applied.

(f) Since December 31, 2002, there has been no material adverse change in such condition or operations, or in the business, assets, operations, condition (financial or otherwise) or prospects of any of the Credit Parties or of Columbia.

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

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

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

(j) Schedule B (Actuarial Information) to the 2002 Annual report (Form 5500 Series) for each Plan, copies of which have been filed with the Internal Revenue Service and made available or furnished to each Lender, is complete and accurate and fairly presents the funding status of such Plan, and since the date of such Schedule B there has been no adverse change in such funding status which may reasonably be expected to have a Material Adverse Effect.

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

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

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

(n) The Guarantor is a "public utility holding company" within the meaning of the Public Utility Holding Company Act of 1935, as amended, registered in compliance therewith.

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

(p) Each Credit Party and its Subsidiaries are and have been in compliance with all laws (including, without limitation, the Public Utility Holding Company Act of 1935, as amended, and all Environmental Laws), except to the extent that any failure to be in compliance, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

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

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ARTICLE V
AFFIRMATIVE COVENANTS

SECTION 5.01. AFFIRMATIVE COVENANTS. So long as any Lender shall have any Commitment hereunder or any Letter of Credit shall remain outstanding, each of the Credit Parties will, unless the Required Lenders shall otherwise consent in writing:

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

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

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

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

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

(f) VISITATION RIGHTS. At any reasonable time and from time to time, permit the Administrative Agent or any of the Lenders or any agents or representatives thereof, on not less than five Business Days' notice, to examine and make copies of and abstracts from the records and books of account of, and visit the properties of, such Credit Party or any of its Subsidiaries, and to discuss the affairs, finances and accounts of the Credit Parties and their respective

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Subsidiaries with any of their respective officers and with their independent certified public accountants; subject, however, in all cases to the imposition of such conditions as the affected Credit Party or Subsidiary shall deem necessary based on reasonable considerations of safety and security and provided that so long as no Default or Event of Default shall have occurred and be continuing, each Lender will be limited to one visit each year.

(g) KEEPING OF BOOKS. Keep, and cause each of its Subsidiaries to keep, proper books of record and account, in which full and correct entries shall be made of all financial transactions and the assets and business of each of the Credit Parties and each of their respective Subsidiaries in accordance with generally accepted accounting principles consistently applied.

(h) REPORTING REQUIREMENTS. Deliver to the Administrative Agent for distribution to the Lenders:

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

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

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

(iv) as soon as possible and in any event within five days after the occurrence of each Default or Event of Default continuing on the date of such statement, a statement of the chief financial officer of the Borrower setting forth details of such Event of Default

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or event and the action which the Borrower has taken and proposes to take with respect thereto;

(v) promptly after the sending or filing thereof, copies of all reports which the Guarantor sends to its stockholders, and copies of all reports and registration statements (other than registration statements filed on Form S-8 and filings under the Public Utilities Holding Company Act of 1935, as amended) that the Guarantor, the Borrower or any Subsidiary of the Guarantor or the Borrower, files with the Securities and Exchange Commission or any national securities exchange;

(vi) promptly and in any event within 30 days after the filing thereof with the Internal Revenue Service, copies of each Schedule B (Actuarial Information) to the annual report (Form 5500 Series) with respect to each Plan;

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

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

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

(x) promptly after the Guarantor has knowledge of the commencement thereof, notice of any actions, suits and proceedings before any court or governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, affecting the Guarantor or any Material Subsidiary of the type described in Section 4.01(g);

(xi) promptly after the Guarantor or the Borrower knows of any change in the rating of the Index Debt by S&P or Moody's, a notice of such changed rating; and

(xii) such other information respecting the condition or operations, financial or otherwise, of the Guarantor or any of its Subsidiaries as any Lender through the Administrative Agent may from time to time reasonably request.

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Notwithstanding the foregoing, the Credit Parties' obligations to deliver the documents or information required under any of clauses (i), (ii) and (v) above shall be deemed to be satisfied upon (x) the relevant documents or information being publicly available on the Guarantor's website or other publicly available electronic medium (such as EDGAR) within the time period required by such clause, and (y) the delivery by the Guarantor or the Borrower of notice to the Administrative Agent and the Lenders, within the time period required by such clause, that such documents or information are so available.

(i) USE OF PROCEEDS. Use the proceeds of the Letters of Credit hereunder for working capital and other general corporate purposes.

(j) RATINGS. At all times maintain ratings by both Moody's and S&P with respect to the Index Debt.

ARTICLE VI
NEGATIVE COVENANTS

SECTION 6.01. NEGATIVE COVENANTS. So long as any Lender shall have any Commitment hereunder or any principal of any Letter of Credit shall remain outstanding, no Credit Party will, without the written consent of the Required Lenders:

(a) LIMITATION ON LIENS. Create or suffer to exist, or permit any of its Subsidiaries (other than a Utility Subsidiary) to create or suffer to exist, any lien, security interest, or other charge or encumbrance (collectively, "LIENS") upon or with respect to any of its properties, whether now owned or hereafter acquired, or collaterally assign for security purposes, or permit any of its Subsidiaries (other than a Utility Subsidiary) to so assign any right to receive income in each case to secure or provide for or guarantee the payment of Debt for Borrowed Money of any Person, without in any such case effectively securing, prior to or concurrently with the creation, issuance, assumption or guaranty of any such Debt for Borrowed Money, the Obligations (together with, if the Guarantor shall so determine, any other Debt for Borrowed Money of or guaranteed by the Guarantor or any of its Subsidiaries ranking equally with the Obligations and then existing or thereafter created) equally and ratably with (or prior to) such Debt for Borrowed Money; provided, however, that the foregoing restrictions shall not apply to or prevent the creation or existence of:

(i) (A) Liens on any property acquired, constructed or improved by the Guarantor or any of its Subsidiaries (other than a Utility Subsidiary) after the date of this Agreement that are created or assumed prior to, contemporaneously with, or within 180 days after, such acquisition or completion of such construction or improvement, to secure or provide for the payment of all or any part of the purchase price of such property or the cost of such construction or improvement; or (B) in addition to Liens contemplated by clauses (ii) and (iii) below, Liens on any property existing at the time of acquisition thereof, provided that the Liens shall not apply to any property theretofore owned by the Guarantor or any such Subsidiary other than, in the case of any such construction or improvement, (1) unimproved real property on which the property so constructed or the improvement is located, (2) other property (or improvements thereon) that is an improvement to or is acquired or constructed for specific use with such acquired or

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constructed property (or improvement thereof), and (3) any rights and interests (A) under any agreements or other documents relating to, or (B) appurtenant to, the property being so constructed or improved or such other property;

(ii) existing Liens on any property or indebtedness of a corporation that is merged with or into or consolidated with any Credit Party or any of its Subsidiaries; provided that such Lien was not created in contemplation of such merger or consolidation;

(iii) Liens on any property or indebtedness of a corporation existing at the time such corporation becomes a Subsidiary of any Credit Party; provided that such Lien was not created in contemplation of such occurrence;

(iv) Liens to secure Debt for Borrowed Money of a Subsidiary of a Credit Party to a Credit Party or to another Subsidiary of the Guarantor;

(v) Liens in favor of the United States of America, any State, any foreign country or any department, agency or instrumentality or political subdivision of any such jurisdiction, to secure partial, progress, advance or other payments pursuant to any contract or statute or to secure any Debt for Borrowed Money incurred for the purpose of financing all or any part of the purchase price of the cost of constructing or improving the property subject to such Liens, including, without limitation, Liens to secure Debt for Borrowed Money of the pollution control or industrial revenue bond type;

(vi) Liens on any property (including any natural gas, oil or other mineral property) to secure all or part of the cost of exploration, drilling or development thereof or to secure Debt for Borrowed Money incurred to provide funds for any such purpose;

(vii) Liens existing on the date of this Agreement;

(viii) Liens for the sole purposes of extending, renewing or replacing in whole or in part Debt for Borrowed Money secured by any Lien referred to in the foregoing clauses (i) through (vii), inclusive, or this clause (viii); provided, however, that the principal amount of Debt for Borrowed Money secured thereby shall not exceed the principal amount of Debt for Borrowed Money so secured at the time of such extension, renewal or replacement (which, for purposes of this limitation as it applies to a synthetic lease, shall be deemed to be (x) the lessor's original cost of the property subject to such lease at the time of extension, renewal or replacement, less (y) the aggregate amount of all prior payments under such lease allocated pursuant to the terms of such lease to reduce the principal amount of the lessor's investment, and borrowings by the lessor, made to fund the original cost of the property), and that such extension, renewal or replacement shall be limited to all or a part of the property or indebtedness which secured the Lien so extended, renewed or replaced (plus improvements on such property);

(ix) Liens on any property or assets of a Project Financing Subsidiary, or on any Capital Stock in a Project Financing Subsidiary, in either such case, that secure only a Project Financing or a Contingent Guaranty that supports a Project Financing; or

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(x) Any Lien, other than a Lien described in any of the foregoing clauses (i) through (ix), inclusive, to the extent that it secures Debt for Borrowed Money, or guaranties thereof, the outstanding principal balance of which at the time of creation of such Lien, when added to the aggregate principal balance of all Debt for Borrowed Money secured by Liens incurred under this clause (x) then outstanding, does not exceed 5% of Consolidated Net Tangible Assets.

If at any time any Credit Party or any of its Subsidiaries shall create, issue, assume or guaranty any Debt for Borrowed Money secured by any Lien and the first paragraph of this Section 6.01(a) requires that the Obligations be secured equally and ratably with such Debt for Borrowed Money, the Borrower shall promptly deliver to the Administrative Agent and each Lender:

(1) a certificate of a duly authorized officer of the Borrower stating that the covenant contained in the first paragraph of this Section 6.01(a) has been complied with; and

(2) an opinion of counsel acceptable to the Required Lenders to the effect that such covenant has been complied with and that all documents executed by any Credit Party or any of its Subsidiaries in the performance of such covenant comply with the requirements of such covenant.

(b) MERGERS, ETC. Merge or consolidate with or into, or, except in a transaction permitted under paragraph (c) of this Section, convey, transfer, lease or otherwise dispose of (whether in one transaction or in a series of transactions) all or substantially all of its assets (whether now owned or hereafter acquired) to any Person, or permit any of its Subsidiaries to do so, except that:

(i) any Subsidiary of the Guarantor may merge or consolidate with or transfer assets to or acquire assets from any other Subsidiary of the Guarantor; and

(ii) any Subsidiary of the Guarantor may merge into or transfer assets to the Borrower; and

(iii) the Guarantor or any Subsidiary of the Guarantor may merge, or consolidate with or transfer all or substantially all of its assets to any other Person; provided that in each case, immediately after giving effect thereto, (A) no Event of Default shall have occurred and be continuing (determined, for purposes of compliance with
Section 7.01 after giving effect to such transaction, on a pro forma basis for the period of four consecutive fiscal quarters of the Guarantor then most recently ended, as if such transaction had occurred on the first day of such period, and, for purposes of compliance with
Section 7.02 after giving effect to such transaction, on a pro forma basis as if such transaction had occurred on the last day of the Guarantor's fiscal quarter then most recently ended); (B) in the case of any merger, consolidation or transfer of assets to which the Borrower is a party (other than a merger, consolidation or transfer of assets between the Borrower and the Guarantor), the Borrower shall be the continuing or surviving corporation; (C) in the case of any merger, consolidation or transfer of assets

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between the Borrower and the Guarantor, the Guarantor shall have assumed all of the obligations of the Borrower under and in respect of the Credit Documents by written instrument satisfactory to the Administrative Agent and its counsel in their reasonable discretion, accompanied by such opinions of counsel and other supporting documents as they may reasonably require; (D) in the case of any merger, consolidation, or transfer of assets to which NIPSCO or Columbia is a party (other than a merger, consolidation or transfer of assets between such Person and a Credit Party), NIPSCO or Columbia, as the case may be, shall be the continuing or surviving corporation; (E) in the case of any merger, consolidation or transfer of assets to which the Guarantor is a party, the Guarantor shall be the continuing or surviving corporation; and (F) the Index Debt shall be rated at least BBB- by S&P and at least Baa3 by Moody's.

(c) SALES, ETC. OF ASSETS. Sell, lease, transfer or otherwise dispose of, or permit any of their respective Subsidiaries to sell, lease, transfer or otherwise dispose of (other than in connection with a transaction authorized by paragraph (b) of this Section) any substantial part of its assets; provided that the foregoing shall not prohibit any such sale, conveyance, lease, transfer or other disposition that (i) constitutes realization on a Lien permitted to exist under Section 6.01(a); or (ii) (A) (1) is for a price not materially less than the fair market value of such assets, (2) would not materially impair the ability of any Credit Party to perform its obligations under this Agreement and (3) together with all other such sales, conveyances, leases, transfers and other dispositions, would have no Material Adverse Effect, or (B) would not result in the sale, lease, transfer or other disposition, in the aggregate, of more than 10% of the consolidated total assets of the Guarantor and its Subsidiaries, determined in accordance with GAAP, on September 30, 2003.

(d) COMPLIANCE WITH ERISA. (i) Terminate, or permit any ERISA Affiliate to terminate, any Plan so as to result in a Material Adverse Effect or
(ii) permit to exist any occurrence of any Reportable Event (as defined in Title IV of ERISA), or any other event or condition, that presents a material (in the reasonable opinion of the Required Lenders) risk of such a termination by the PBGC of any Plan, if such termination could reasonably be expected to have a Material Adverse Effect.

(e) CERTAIN RESTRICTIONS. Permit any of its Subsidiaries (other than, in the case of the Guarantor, the Borrower) to enter into or permit to exist any agreement that by its terms prohibits such Subsidiary from making any payments, directly or indirectly, to such Credit Party by way of dividends, advances, repayment of loans or advances, reimbursements of management or other intercompany charges, expenses and accruals or other returns on investment, or any other agreement that restricts the ability of such Subsidiary to make any payment, directly or indirectly, to such Credit Party; provided that the foregoing shall not apply to prohibitions and restrictions imposed by this Agreement or (i) (A) imposed under an agreement in existence on the date of this Agreement, and (B) described on Schedule 6.01(e), (ii) existing with respect to a Subsidiary on the date it becomes a Subsidiary that are not created in contemplation thereof (but shall apply to any extension or renewal of, or any amendment or modification expanding the scope of, any such prohibition or restriction), (iii) contained in agreements relating to the sale of a Subsidiary pending such sale, provided that such prohibitions or restrictions apply only to the Subsidiary that is to be sold and such sale is permitted hereunder, (iv) imposed on a Project

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Financing Subsidiary in connection with a Project Financing, or (v) that could not reasonably be expected to have a Material Adverse Effect.

ARTICLE VII
FINANCIAL COVENANTS

So long as any Lender shall have any Commitment hereunder or any Letter of Credit shall remain outstanding, the Guarantor shall:

SECTION 7.01. INTEREST COVERAGE RATIO. Maintain an Interest Coverage Ratio of not less than 1.75 to 1.00 for each period of four consecutive fiscal quarters, commencing with the four fiscal quarters ended March 31, 2004.

SECTION 7.02. DEBT TO CAPITALIZATION RATIO. Maintain a Debt to Capitalization Ratio of not more than 0.70:1:00.

ARTICLE VIII
EVENTS OF DEFAULT

SECTION 8.01. EVENTS OF DEFAULT. If any of the following events ("EVENTS OF DEFAULT") shall occur and be continuing:

(a) The Borrower shall fail to pay any principal of any Unreimbursed LC Disbursement when the same becomes due and payable or shall fail to pay any interest, fees or other amounts hereunder within three days after when the same becomes due and payable; or

(b) Any representation or warranty made by any Credit Party herein or by any Credit Party (or any of its officers) in connection with this Agreement shall prove to have been incorrect in any material respect when made; or

(c) Any Credit Party shall fail to perform or observe any term, covenant or agreement contained in Section 5.01(e), 5.01(f), 5.01(h), 5.01(i),
6.01 or Article VII; or

(d) Any Credit Party shall fail to perform or observe any term, covenant or agreement contained in this Agreement on its part to be performed or observed (other than one identified in paragraph (a), (b) or (c) above) if the failure to perform or observe such other term, covenant or agreement shall remain unremedied for thirty days after written notice thereof shall have been given to the Borrower by the Administrative Agent or any Lender; or

(e) The Guarantor, the Borrower or any of their respective Subsidiaries shall fail to pay any principal of or premium or interest on any Indebtedness (excluding Non-Recourse Debt) which is outstanding in a principal amount of at least $50,000,000 in the aggregate of the Guarantor, the Borrower or such Subsidiary, as the case may be, when the same becomes due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise), and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Indebtedness; or any other event shall occur or condition shall exist under any agreement or instrument relating to any such Indebtedness and

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shall continue after the applicable grace period, if any, specified in such agreement or instrument, if the effect of such event or condition is to accelerate, or to permit the acceleration of, the scheduled maturity of such Indebtedness; or any such Indebtedness shall be declared to be due and payable, or required to be prepaid (other than by a regularly scheduled required prepayment), prior to the stated maturity thereof; or an "Event of Default" shall occur and be continuing under (and as defined in) the Bank Credit Agreement; or

(f) Any Credit Party shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against any Credit Party seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its property and, in the case of any such proceeding instituted against any Credit Party (but not instituted by any Credit Party), either such proceeding shall remain undismissed or unstayed for a period of 60 days, or any of the actions sought in such proceeding (including, without limitation, the entry of an order for relief against, or the appointment of a receiver, trustee, custodian or other similar official for, any Credit Party or for any substantial part of its property) shall occur; or any Credit Party shall take any corporate action to authorize any of the actions set forth above in this paragraph (f); or

(g) One or more Subsidiaries of the Guarantor (other than any Credit Party) in which the aggregate sum of (i) the amounts invested by the Guarantor and its other Subsidiaries in the aggregate, by way of purchases of Capital Stock, Capital Leases, loans or otherwise, and (ii) the amount of recourse, whether contractual or as a matter of law (but excluding Non-Recourse Debt), available to creditors of such Subsidiary or Subsidiaries against the Guarantor or any of its other Subsidiaries, is $100,000,000 or more (collectively, "SUBSTANTIAL SUBSIDIARIES") shall generally not pay their respective debts as such debts become due, or shall admit in writing their respective inability to pay their debts generally, or shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against Substantial Subsidiaries seeking to adjudicate them bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of them or theft respective debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, custodian or other similar official for them or for any substantial part of their respective property and, in the case of any such proceeding instituted against Substantial Subsidiaries (but not instituted by any Subsidiary of the Guarantor), either such proceeding shall remain undismissed or unstayed for a period of 60 days, or any of the actions sought in such proceeding (including, without limitation, the entry of an order for relief against, or the appointment of a receiver, trustee, custodian or other similar official for, the Substantial Subsidiaries or for any substantial part of their respective property) shall occur; or Substantial Subsidiaries shall take any corporate action to authorize any of the actions set forth above in this paragraph (g); or

(h) Any judgment or order for the payment of money in excess of $50,000,000 shall be rendered against the Borrower, the Guarantor or any of its other Subsidiaries and either (i) enforcement proceedings shall have been commenced by any creditor upon such judgment or

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order or (ii) there shall be any period of 30 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect; or

(i) Any ERISA Event shall have occurred with respect to a Plan and, 30 days after notice thereof shall have been given to the Guarantor or the Borrower by the Administrative Agent, (i) such ERISA Event shall still exist and
(ii) the sum (determined as of the date of occurrence of such ERISA Event) of the Insufficiency of such Plan and the Insufficiency of any and all other Plans with respect to which an ERISA Event shall have occurred and then exist (or, in the case of a Plan with respect to which an ERISA Event described in clauses
(iii) through (vi) of the definition of ERISA Event shall have occurred and then exist, the liability related thereto) is equal to or greater than $10,000,000 (when aggregated with paragraphs (j), (k) and (l) of this Section), and a Material Adverse Effect could reasonably be expected to occur as a result thereof; or

(j) The Guarantor or any ERISA Affiliate shall have been notified by the sponsor of a Multiemployer Plan that it has incurred Withdrawal Liability to such Multiemployer Plan in an amount which, when aggregated with all other amounts required to be paid to Multiemployer Plans by the Guarantor and its ERISA Affiliates as Withdrawal Liability (determined as of the date of such notification), exceeds $10,000,000 or requires payments exceeding $10,000,000 per annum (in either case, when aggregated with paragraphs (i), (k) and (l) of this Section), and a Material Adverse Effect could reasonably be expected to occur as a result thereof; or

(k) The Guarantor or any ERISA Affiliate shall have been notified by the sponsor of a Multiemployer Plan that such Multiemployer Plan is in reorganization or is being terminated, within the meaning of Title IV of ERISA, if as a result of such reorganization or termination the aggregate annual contributions of the Guarantor and its ERISA Affiliates to all Multiemployer Plans which are then in reorganization or being terminated have been or will be increased over the amounts contributed to such Multiemployer Plans for the respective plan year of each such Multiemployer Plan immediately preceding the plan year in which the reorganization or termination occurs by an amount exceeding $10,000,000 (when aggregated with paragraphs (i), (j) and (l) of this Section), and a Material Adverse Effect could reasonably be expected to occur as a result thereof; or

(l) The Guarantor or any ERISA Affiliate shall have committed a failure described in Section 302(f)(1) of ERISA and the amount determined under
Section 302(f)(3) of ERISA is equal to or greater than $10,000,000 (when aggregated with paragraphs (i), (j) and (k) of this Section), and a Material Adverse Effect could reasonably be expected to occur as a result thereof; or

(m) Any provision of the Credit Documents shall be held by a court of competent jurisdiction to be invalid or unenforceable against any Credit Party purported to be bound thereby, or any Credit Party shall so assert in writing; or

(n) Any Change of Control shall occur;

then, and in any such event, the Administrative Agent (i) shall at the request, or may with the consent, of the Required Lenders, by notice to the Borrower, declare the Commitment of each

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Lender and the obligation of the LC Bank to issue or maintain Letters of Credit hereunder to be terminated, whereupon the same shall forthwith terminate, and

(ii) shall at the request, or may with the consent, of the Required Lenders, by notice to the Borrower, declare all amounts payable under this Agreement to be forthwith due and payable, whereupon all such amounts shall become and be forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Borrower; provided that in the event of an actual or deemed entry of an order for relief with respect to any Credit Party under the Federal Bankruptcy Code, (1) the Commitment of each Lender and the obligation of the LC Bank to issue or maintain Letters of Credit hereunder shall automatically be terminated and (2) all such amounts shall automatically become and be due and payable, without presentment, demand, protest or any notice of any kind, all of which are hereby expressly waived by the Borrower.

Notwithstanding anything to the contrary contained herein, no notice given or declaration made by the Administrative Agent pursuant to this Section
8.01 shall affect (i) the obligation of the LC Bank to make any payment under any outstanding Letter of Credit in accordance with the terms of such Letter of Credit, or (ii) the obligations of each Lender in respect of each such Letter of Credit; provided, however, that upon the occurrence and during the continuance of any Event of Default, the Administrative Agent shall at the request, or may with the consent, of the Required Lenders, upon notice to the Borrower, require the Borrower to deposit with the Administrative Agent an amount in the cash account (the "CASH ACCOUNT") described below equal to the then current LC Outstandings. Such Cash Account shall at all times be free and clear of all rights or claims of third parties. The Cash Account shall be maintained with the Administrative Agent in the name of, and under the sole dominion and control of, the Administrative Agent, and amounts deposited in the Cash Account shall bear interest at a rate equal to the rate generally offered by Barclays for deposits equal to the amount deposited by the Borrower in the Cash Account pursuant to this Section 8.01, for a term to be agreed to between the Borrower and the Administrative Agent. If any drawings then outstanding or thereafter made are not reimbursed in full immediately upon demand or, in the case of subsequent drawings, upon being made, then, in any such event, the Administrative Agent may apply the amounts then on deposit in the Cash Account, in such priority as the Administrative Agent shall elect, toward the payment in full of any or all of the Borrower's obligations hereunder as and when such obligations shall become due and payable. Upon payment in full, after the termination of the Letters of Credit, of all such obligations, the Administrative Agent will repay to the Borrower any cash then on deposit in the Cash Account.

ARTICLE IX
THE ADMINISTRATIVE AGENT

SECTION 9.01. THE ADMINISTRATIVE AGENT.

(a) Each of the Lenders and the LC Bank hereby irrevocably appoints the Administrative Agent as its agent and authorizes the Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms hereof, together with such actions and powers as are reasonably incidental thereto.

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(b) The Person serving as the Administrative Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Administrative Agent, and such bank and its Affiliates may accept deposits from, lend money to and generally engage in any kind of business with the any Credit Party or any of such Credit Party's Subsidiaries or other Affiliates thereof as if it were not the Administrative Agent hereunder.

(c) The Administrative Agent shall not have any duties or obligations except those expressly set forth herein. Without limiting the generality of the foregoing, (i) the Administrative Agent shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing, (ii) the Administrative Agent shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby that the Administrative Agent is required to exercise in writing by the Required Lenders, and (iii) except as expressly set forth herein, the Administrative Agent shall not have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Borrower, the Guarantor or any of its other Subsidiaries that is communicated to or obtained by the bank serving as Administrative Agent or any of its Affiliates in any capacity. The Administrative Agent shall not be liable for any action taken or not taken by it with the consent or at the request of the Required Lenders or in the absence of its own gross negligence or willful misconduct. The Administrative Agent shall be deemed not to have knowledge of any Default unless and until written notice thereof is given to the Administrative Agent by the Borrower or a Lender, and the Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into (1) any statement, warranty or representation made in or in connection with this Agreement, (2) the contents of any certificate, report or other document delivered hereunder or in connection herewith, (3) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein, (4) the validity, enforceability, effectiveness or genuineness of this Agreement or any other agreement, instrument or document, or
(5) the satisfaction of any condition set forth in Article III or elsewhere herein, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent and the conformity thereof to such express requirement.

(d) The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing believed by it to be genuine and to have been signed or sent by the proper Person. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to be made by the proper Person, and shall not incur any liability for relying thereon. The Administrative Agent may consult with legal counsel (who may be counsel for a Credit Party) independent accountants and other experts selected by it and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

(e) The Administrative Agent may perform any and all its duties and exercise its rights and powers by or through any one or more sub-agents appointed by the Administrative Agent. The Administrative Agent and any such sub-agent may perform any and all its duties and exercise its rights and powers through their respective Related Parties. The exculpatory provisions of the preceding paragraphs shall apply to any such sub-agent and to the Related Parties of the Administrative Agent and any such sub-agent, and shall apply to their respective

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activities in connection with the syndication of the credit facilities provided for herein as well as activities as Administrative Agent.

(f) Subject to the appointment and acceptance of a successor Administrative Agent as provided in this paragraph, the Administrative Agent may resign at any time by notifying the Lenders and the Borrower. Upon any such resignation, the Required Lenders shall have the right, with the consent of the Borrower (which consent shall not unreasonably be withheld), to appoint a successor. If no successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its resignation, then the retiring Administrative Agent may, on behalf of the Lenders, appoint a successor Administrative Agent which shall be a bank with an office in New York, New York, or an Affiliate of any such bank, in any event having total assets in excess of $500,000,000 and who shall serve until such time, if any, as an Agent shall have been appointed as provided above. Upon the acceptance of its appointment as Administrative Agent hereunder by a successor, such successor shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder. The fees payable by the Borrower to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Borrower and such successor. After the Administrative Agent's resignation hereunder, the provisions of this Article and Section 11.03 shall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as Administrative Agent.

(g) Each Lender acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any related agreement or any document furnished hereunder or thereunder.

(h) No Lender identified on the signature pages of this Agreement as a "Lead Arranger", or that is given any other title hereunder other than "LC Bank" or "Administrative Agent", shall have any right, power, obligation, liability, responsibility or duty under this Agreement other than those applicable to all Lenders as such. Without limiting the generality of the foregoing, no Lender so identified as a "Lead Arranger", or that is given any other title hereunder, shall have, or be deemed to have, any fiduciary relationship with any Lender. Each Lender acknowledges that is has not relied, and will not rely, on the Lenders so identified in deciding to enter into this Agreement or in taking or not taking action hereunder.

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ARTICLE X
GUARANTY

SECTION 10.01. THE GUARANTY.

(a) The Guarantor, as primary obligor and not merely as a surety, hereby irrevocably, absolutely and unconditionally guarantees to the Administrative Agent and the Lenders and each of their respective successors, endorsees, transferees and assigns (each a "BENEFICIARY" and collectively, the "BENEFICIARIES") the prompt and complete payment by the Borrower, as and when due and payable, of the Obligations, in accordance with the terms of the Credit Documents. The provisions of this Article X are sometimes referred to hereinafter as the "GUARANTY".

(b) The Guarantor hereby guarantees that the Obligations will be paid strictly in accordance with the terms of the Credit Documents, regardless of any law now or hereafter in effect in any jurisdiction affecting any such terms or the rights of the Beneficiaries with respect thereto. The obligations and liabilities of the Guarantor under this Guaranty shall be absolute and unconditional irrespective of: (i) any lack of validity or enforceability of any of the Obligations or any Credit Document, or any delay, failure or omission to enforce or agreement not to enforce, or the stay or enjoining, by order of court, by operation of law or otherwise, of the exercise of any right with respect to the foregoing (including, in each case, without limitation, as a result of the insolvency, bankruptcy or reorganization of any Beneficiary, the Borrower or any other Person); (ii) any change in the time, manner or place of payment of, or in any other term in respect of, all or any of the Obligations, or any other amendment or waiver of or consent to any departure from the Credit Documents or any agreement or instrument relating thereto; (iii) any exchange or release of, or non-perfection of any Lien on or in any collateral, or any release, amendment or waiver of, or consent to any departure from, any other guaranty of, or agreement granting security for, all or any of the Obligations;
(iv) any claim, set-off, counterclaim, defense or other rights that such Guarantor may have at any time and from time to time against any Beneficiary or any other Person, whether in connection with this transaction or any unrelated transaction; or (v) any other circumstance that might otherwise constitute a defense available to, or a discharge of, the Borrower or any other guarantor or surety in respect of the Obligations or such Guarantor in respect hereof.

(c) The Guaranty provided for herein (i) is a guaranty of payment and not of collection; (ii) is a continuing guaranty and shall remain in full force and effect until the Commitments and Letters of Credit have been terminated and the Obligations have been paid in full in cash; and (iii) shall continue to be effective or shall be reinstated, as the case may be, if at any time any payment, or any part thereof, of any of the Obligations is rescinded or must otherwise be returned by any Beneficiary upon or as a result of the insolvency, bankruptcy, dissolution, liquidation or reorganization of the Borrower or otherwise, all as though such payment had not been made.

(d) The obligations and liabilities of the Guarantor hereunder shall not be conditioned or contingent upon the pursuit by any Beneficiary or any other Person at any time of any right or remedy against the Borrower or any other Person that may be or become liable in respect of all or any part of the Obligations or against any collateral security or guaranty therefor or right of setoff with respect thereto.

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(e) The Guarantor hereby consents that, without the necessity of any reservation of rights against such Guarantor and without notice to or further assent by such Guarantor, any demand for payment of any of the Obligations made by any Beneficiary may be rescinded by such Beneficiary and any of the Obligations continued after such rescission.

(f) The Guarantor's obligations under this Guaranty shall be unconditional, irrespective of any lack of capacity of the Borrower or any lack of validity or enforceability of any other provision of this Agreement or any other Credit Document, and this Guaranty shall not be affected in any way by any variation, extension, waiver, compromise or release of any or all of the Obligations or of any security or guaranty from time to time therefor.

(g) The obligations of the Guarantor under this Guaranty shall not be reduced, limited, impaired, discharged, deferred, suspended or terminated by any proceeding or action, voluntary or involuntary, involving the bankruptcy, insolvency, receivership, reorganization, marshalling of assets, assignment for the benefit of creditors, composition with creditors, readjustment, liquidation or arrangement of the Borrower or any similar proceedings or actions, or by any defense the Borrower may have by reason of the order, decree or decision of any court or administrative body resulting from any such proceeding or action. Without limiting the generality of the foregoing, the Guarantor's liability shall extend to all amounts and obligations that constitute the Obligations and would be owed by the Borrower, but for the fact that they are unenforceable or not allowable due to the existence of any such proceeding or action.

SECTION 10.02. WAIVERS.

(a) The Guarantor hereby unconditionally waives: (i) promptness and diligence; (ii) notice of or proof of reliance by the Administrative Agent or the Lenders upon this Guaranty or acceptance of this Guaranty; (iii) notice of the incurrence of any Obligation by the Borrower or the renewal, extension or accrual of any Obligation or of any circumstances affecting the Borrower's financial condition or ability to perform the Obligations; (iv) notice of any actions taken by the Beneficiaries or the Borrower or any other Person under any Credit Document or any other agreement or instrument relating thereto; (v) all other notices, demands and protests, and all other formalities of every kind in connection with the enforcement of the Obligations, of the obligations of the Guarantor hereunder or under any other Credit Document, the omission of or delay in which, but for the provisions of this Section 10 might constitute grounds for relieving the Guarantor of its obligations hereunder; (vi) any requirement that the Beneficiaries protect, secure, perfect or insure any Lien or any property subject thereto, or exhaust any right or take any action against the Borrower or any other Person or any collateral; and (vii) each other circumstance, other than payment of the Obligations in full, that might otherwise result in a discharge or exoneration of, or constitute a defense to, the Guarantor's obligations hereunder.

(b) No failure on the part of any Beneficiary to exercise, and no delay in exercising, any right, remedy, power or privilege hereunder or under any Credit Document or any other agreement or instrument relating thereto shall operate as a waiver thereof, nor shall any single or partial exercise of any right, remedy, power or privilege hereunder or under any Credit Document or any other agreement or instrument relating thereto preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. This Guaranty is in addition to and not in limitation of any other rights, remedies, powers and privileges the

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Beneficiaries may have by virtue of any other instrument or agreement heretofore, contemporaneously herewith or hereafter executed by the Guarantor or any other Person or by applicable law or otherwise. All rights, remedies, powers and privileges of the Beneficiaries shall be cumulative and may be exercised singly or concurrently. The rights, remedies, powers and privileges of the Beneficiaries under this Guaranty against the Guarantor are not conditional or contingent on any attempt by the Beneficiaries to exercise any of their rights, remedies, powers or privileges against any other guarantor or surety or under the Credit Documents or any other agreement or instrument relating thereto against the Borrower or against any other Person.

(c) The Guarantor hereby acknowledges and agrees that, until the Commitments have been terminated and all of the Obligations have been paid in full in cash, under no circumstances shall it be entitled to be subrogated to any rights of any Beneficiary in respect of the Obligations performed by it hereunder or otherwise, and the Guarantor hereby expressly and irrevocably waives, until the Commitments have been terminated and all of the Obligations have been paid in full in cash, (i) each and every such right of subrogation and any claims, reimbursements, right or right of action relating thereto (howsoever arising), and (ii) each and every right to contribution, indemnification, set-off or reimbursement, whether from the Borrower or any other Person now or hereafter primarily or secondarily liable for any of the Obligations, and whether arising by contract or operation of law or otherwise by reason of the Guarantor's execution, delivery or performance of this Guaranty.

(d) The Guarantor represents and warrants that it has established adequate means of keeping itself informed of the Borrower's financial condition and of other circumstances affecting the Borrower's ability to perform the Obligations, and agrees that neither the Administrative Agent nor any Lender shall have any obligation to provide to the Guarantor any information it may have, or hereafter receive, in respect of the Borrower.

ARTICLE XI
MISCELLANEOUS

SECTION 11.01. NOTICES. Except in the case of notices and other communications expressly permitted to be given by telephone, all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopy, as follows:

(a) if to any Credit Party, to it at:

801 East 86th Avenue
Merrillville, Indiana 46410 Attention: Treasurer
Telecopier: (219) 647-6180;

with a copy to such Credit Party at:

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801 East 86th Avenue
Merrillville, Indiana 46410 Attention: Director Corporate Finance and Treasury Telecopier: (219) 647-6180;

(b) if to the Administrative Agent or the LC Bank, to Barclays Bank PLC at:

200 Park Avenue
New York, New York 10166 Attn: Sydney G. Dennis, Power and Utilities Group Telecopier: (212) 412-6709

with a copy to such party at:

200 Park Avenue
New York, New York 10166 Attn: May Huang, Customer Service Unit Telephone: (212) 412-3730 Telecopier: (212) 412-5306

(c) if to any Lender, to it at its address (or telecopy number) set forth in its Administrative Questionnaire.

Any Party hereto may change its address or telecopy number for notices and other communications hereunder by notice to the other parties hereto. All notices and other communications given to any party hereto in accordance with the provisions of this Agreement shall be deemed to have been given on the date of receipt.

SECTION 11.02. WAIVERS; AMENDMENTS. (a) No failure or delay by the Administrative Agent, the LC Bank or any Lender in exercising any right or power hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Administrative Agent, the LC Bank and the Lenders hereunder are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of this Agreement or consent to any departure by any Credit Party therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) of this Section, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. Without limiting the generality of the foregoing, no Extension of Credit shall be construed as a waiver of any Default, regardless of whether the Administrative Agent, the LC Bank or any Lender may have had notice or knowledge of such Default at the time.

(b) Neither this Agreement nor any provision hereof may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by the Borrower, the Guarantor and the Required Lenders or by the Borrower, the Guarantor and the

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Administrative Agent with the consent of the Required Lenders; provided that no such agreement shall (i) increase the Commitment of any Lender without the written consent of such Lender, (ii) reduce the principal amount of any Unreimbursed LC Disbursement or reduce the rate of interest thereon, or reduce any fees payable hereunder, without the written consent of each Lender affected thereby, (iii) extend the expiry date of any Letter of Credit to a date after the Termination Date, postpone the scheduled date of payment of any fees payable hereunder, or reduce the amount of, waive or excuse any such payment, or postpone the scheduled date of expiration of any Commitment, without the written consent of each Lender affected thereby, (iv) change Section 2.09(b) or (c) in a manner that would alter the pro rata sharing of payments required thereby, without the written consent of each Lender, (v) release the Guarantor from its obligations under the Guaranty, or (vi) change any of the provisions of this
Section or the definition of "Required Lenders" or any other provision hereof specifying the number or percentage of Lenders required to waive, amend or modify any rights hereunder or make any determination or grant any consent hereunder, without the written consent of each Lender; provided, further, that no such agreement shall amend, modify or otherwise affect the rights or duties of the Administrative Agent or the LC Bank hereunder without the prior written consent of the Administrative Agent or the LC Bank, as the case may be.

SECTION 11.03. EXPENSES; INDEMNITY; DAMAGE WAIVER. (a) The Borrower shall pay (i) all reasonable out-of-pocket expenses incurred by the Administrative Agent and its Affiliates, including the reasonable fees, charges and disbursements of counsel for the Administrative Agent, in connection with the initial syndication of the credit facilities provided for herein, the preparation and administration of this Agreement or any amendments, modifications or waivers of the provisions hereof (whether or not the transactions contemplated hereby or thereby shall be consummated), (ii) all reasonable out-of-pocket expenses incurred by the LC Bank, including the reasonable fees, charges and disbursements of counsel for the LC Bank, in connection with the execution, delivery, administration, modification and amendment of any Letters of Credit issued by it hereunder, and (iii) all out-of-pocket expenses incurred by the Administrative Agent, the LC Bank or any Lender, including the fees, charges and disbursements of any counsel for the Administrative Agent, the LC Bank or any Lender, in connection with the enforcement or protection of its rights in connection with this Agreement, including its rights under this Section, or in connection with the Letters of Credit deemed issued hereunder, including in connection with any workout, restructuring or negotiations in respect thereof.

(b) The Borrower shall indemnify the Administrative Agent, the LC Bank, each Lender, and each Related Party of any of the foregoing Persons (each such Person being called an "INDEMNITEE") against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses, including the fees, charges and disbursements of any counsel for any Indemnitee, incurred by or asserted against any Indemnitee arising out of, in connection with, or as a result of (i) the execution or delivery of this Agreement or any agreement or instrument contemplated hereby, the performance by the parties hereto of their respective obligations hereunder or the consummation of the Transactions or any other transaction contemplated hereby, (ii) any Letter of Credit or the use of the proceeds therefrom, (iii) any actual or alleged presence or release of Hazardous Materials on or from any property now, in the past or hereafter owned or operated by the Borrower, the Guarantor or any of its other Subsidiaries, or any Environmental Liability related in any way to the Borrower, the Guarantor or any of its other Subsidiaries, or (iv) any actual or prospective claim, litigation,

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investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory and regardless of whether any Indemnitee is a party thereto; provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee.

(c) To the extent that the Borrower fails to pay any amount required to be paid by it to the Administrative Agent or the LC Bank under paragraph (a) or (b) of this Section, each Lender severally agrees to pay to the Administrative Agent or the LC Bank such Lender's Applicable Percentage (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount; provided that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent or the LC Bank in its capacity as such.

(d) To the extent permitted by applicable law, each party hereto shall not assert, and hereby waives, any claim against each other party, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement or any agreement or instrument contemplated hereby, the Transactions or the use of the proceeds thereof.

(e) All amounts due under this Section shall be payable not later than 20 days after written demand therefor.

SECTION 11.04. SUCCESSORS AND ASSIGNS. (a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby; provided that, except to the extent permitted pursuant to Section 6.01(b)(iii)(C), no Credit Party may assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of each Lender and the LC Bank (and any attempted assignment or transfer by a Credit Party without such consent shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) Any Lender may assign to one or more assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Obligations at the time owing to it); provided that (i) except in the case of an assignment to a Lender or an Affiliate of a Lender, each of the Administrative Agent, the LC Bank and, so long as no Event of Default is continuing, the Borrower must give its prior written consent to such assignment (which consent, in the case of the Administrative Agent and the Borrower, shall not unreasonably be withheld and, in the case of the LC Bank, may be given or withheld in the sole discretion of the LC Bank), (ii) except in the case of an assignment to a Lender or an Affiliate of a Lender or an assignment of the entire remaining amount of the assigning Lender's Commitment, the amount of the Commitment of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Acceptance with respect to such assignment is delivered to the Administrative Agent) shall not be less than $5,000,000 unless

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each of the Administrative Agent and, so long as no Event of Default shall be continuing, the Borrower otherwise consent, (iii) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement, (iv) the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Acceptance, together with a processing and recordation fee of $3,500, and (v) the assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire. Upon acceptance and recording pursuant to paragraph (d) of this Section, from and after the effective date specified in each Assignment and Acceptance, the assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Acceptance, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Acceptance, be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of Sections 2.07, 2.08 and 11.03), any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this paragraph shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with paragraph (e) of this Section.

(c) The Administrative Agent, acting for this purpose as an agent of the Borrower, shall maintain at one of its offices in The City of New York a copy of each Assignment and Acceptance delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitment of, and principal amount of the Obligations owing to, each Lender pursuant to the terms hereof from time to time (the "REGISTER"). The entries in the Register shall be conclusive (absent manifest error), and the Borrower, the Administrative Agent and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary.

(d) Upon its receipt of a duly completed Assignment and Acceptance executed by an assigning Lender and an assignee, the assignee's completed Administrative Questionnaire (unless the assignee shall already be a Lender hereunder), the processing and recordation fee referred to in paragraph (b) of this Section and any written consent to such assignment required by paragraph (b) of this Section, the Administrative Agent shall accept such Assignment and Acceptance and record the information contained therein in the Register. No assignment shall be effective for purposes of this Agreement unless it has been recorded in the Register as provided in this paragraph.

(e) Any Lender may, without the consent of the Borrower or the Administrative Agent, sell participations to one or more banks or other entities (a "PARTICIPANT") in all or a portion of such Lender's rights and obligations under this Agreement (including all or a portion of its Commitment and the Obligations owing to it); provided that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Borrower, the Guarantors and the Administrative Agent shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that

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such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver described in the first proviso to Section 11.02(b) that affects such Participant. Subject to paragraph (f) of this Section, the Borrower agrees that each Participant shall be entitled to the benefits of Sections 2.07 and 2.08 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (b) of this Section.

(f) A Participant shall not be entitled to receive any greater payment under Section 2.15 or 2.08 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Borrower's prior written consent. A Participant that would be a Foreign Lender if it were a Lender shall not be entitled to the benefits of Section 2.08 unless the Borrower is notified of the participation sold to such Participant and such Participant agrees, for the benefit of the Borrower, to comply with Section
2.08(e) as though it were a Lender.

(g) Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to a Federal Reserve Bank, and this Section shall not apply to any such pledge or assignment of a security interest; provided that no such pledge or assignment of a security interest shall release a Lender from any of its obligations hereunder or substitute any such assignee for such Lender as a party hereto.

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SECTION 11.05. SURVIVAL. All covenants, agreements, representations and warranties made by the Borrower herein and in the certificates or other instruments delivered in connection with or pursuant to this Agreement shall be considered to have been relied upon by the other parties hereto and shall survive the execution and delivery of this Agreement and the making of any Extension of Credit. The provisions of Sections 2.07, 2.17 and 11.03 and Article IX shall survive and remain in full force and effect regardless of the consummation of the transactions contemplated hereby, the repayment of the Obligations, the expiration or termination of the Commitments or the termination of this Agreement or any provision hereof.

SECTION 11.06. COUNTERPARTS; INTEGRATION; EFFECTIVENESS. This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement, the commitment letter relating to the credit facility provided hereby (to the extent provided therein) and any separate letter agreements with respect to fees payable to the Administrative Agent constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. Except as provided in Section 3.01, this Agreement shall become effective when it shall have been executed by the Administrative Agent and when the Administrative Agent shall have received counterparts hereof which, when taken together, bear the signatures of each of the other parties hereto, and thereafter shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Delivery of an executed counterpart of a signature page of this Agreement by telecopy shall be effective as delivery of a manually executed counterpart of this Agreement.

SECTION 11.07. SEVERABILITY. Any provision of this Agreement held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions hereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction.

SECTION 11.08. RIGHT OF SETOFF. If an Event of Default shall have occurred and be continuing, each Lender or the LC Bank or any Affiliate of either is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Lender to or for the credit or the account of any Credit Party against any of and all the Obligations now or hereafter existing under this Agreement held by such Lender or the LC Bank, irrespective of whether or not such Lender or the LC Bank shall have made any demand under this Agreement and although such Obligations may be unmatured. The rights of each Lender and the LC Bank under this Section are in addition to other rights and remedies (including other rights of setoff) which such Lender may have.

SECTION 11.09. GOVERNING LAW; JURISDICTION; CONSENT TO SERVICE OF PROCESS.

(a) This Agreement shall be construed in accordance with and governed by the internal laws of the State of New York.

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(b) Each Credit Party hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of the Supreme Court of the State of New York sitting in New York County and of the United States District Court of the Southern District of New York, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State or, to the extent permitted by law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement shall affect any right that the Administrative Agent or any Lender may otherwise have to bring any action or proceeding relating to this Agreement against any Credit Party or its properties in the courts of any jurisdiction.

(c) Each Credit Party hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement in any court referred to in paragraph (b) of this Section. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(d) Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in Section 11.01. Nothing in this Agreement will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

SECTION 11.10. WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

SECTION 11.11. HEADINGS. Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and shall not affect the construction of, or be taken into consideration in interpreting, this Agreement.

SECTION 11.12. CONFIDENTIALITY. Each of the Administrative Agent and the Lenders agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its and its Affiliates' directors, officers, employees and agents, including accountants, legal counsel and other advisors (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such

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Information and instructed to keep such Information confidential), (b) to the extent requested by any regulatory authority, (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (d) to any other party to this Agreement, (e) in connection with the exercise of any remedies hereunder or any suit, action or proceeding relating to this Agreement or the enforcement of rights hereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section, to any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement, (g) with the consent of the Borrower or (h) to the extent such Information (i) becomes publicly available other than as a result of a breach of this Section or (ii) becomes available to the Administrative Agent or any Lender on a nonconfidential basis from a source other than a Credit Party or any Subsidiary of a Credit Party. For the purposes of this Section, "INFORMATION" means all information received from any Credit Party or any Subsidiary of a Credit Party relating to a Credit Party or any Subsidiary of a Credit Party or their respective businesses, other than any such information that is available to the Administrative Agent or any Lender on a nonconfidential basis prior to disclosure by any Credit Party or any Subsidiary of a Credit Party; provided that, in the case of information received from any Credit Party or any Subsidiary of a Credit Party after the Effective Date, such information is clearly identified at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

NISOURCE FINANCE CORP., as Borrower

By: /s/ David J. Vajda

Name: David J. Vajda
Title: Voce President and Treasurer

NISOURCE INC., as Guarantor

By: /s/ David J. Vajda

Name: David J. Vajda
Title: Voce President and Treasurer

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BARCLAYS BANK PLC, as a Lender, as LC Bank and as Administrative Agent

By: /s/ Gary B. Wenslow

Name:Gary B. Wenslow
Title: Associate Director

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Signature Page to 4-Year Letter of Credit Reimbursement Agreement

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EXHIBIT A

FORM OF ASSIGNMENT AND ACCEPTANCE

Reference is made to the 4-Year Letter of Credit Reimbursement Agreement dated as of February 13, 2004, among NiSource Finance Corp., a Delaware corporation, as Borrower (the "BORROWER"), NiSource Inc., a Delaware corporation ("NISOURCE"), as Guarantor (the "GUARANTOR"), the Lead Arranger and other Lenders from time to time party thereto, and Barclays Bank PLC, as LC Bank and as Administrative Agent thereunder. Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

The Assignor named on Schedule 1 hereto (the "ASSIGNOR") and the Assignee named on Schedule 1 hereto (the "ASSIGNEE") agree as follows:

1. The Assignor hereby irrevocably sells and assigns to the Assignee without recourse to the Assignor, and the Assignee hereby irrevocably purchases and assumes from the Assignor without recourse to the Assignor, as of the Effective Date (as defined below), an interest as specified in Schedule 1 hereto (the "ASSIGNED INTEREST") in and to the Assignor's rights and obligations under the Credit Agreement as described on Schedule 1 hereto (individually, an "ASSIGNED FACILITY"; collectively, the "ASSIGNED FACILITIES"), in a principal amount for each Assigned Facility as set forth on Schedule 1 hereto.

2. The Assignor (a) makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with the Credit Agreement or any other Credit Document or with respect to the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Credit Agreement or any other instrument or document furnished pursuant thereto, other than that it is the legal and beneficial owner of the Assigned Interest, that it has not created any adverse claim upon the Assigned Interest and that the Assigned Interest is free and clear of any such adverse claim; and (b) makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Borrower, the Guarantor or any of their respective Subsidiaries or the performance or observance by the Borrower or the Guarantor of any of their respective obligations under the Credit Agreement or any other Credit Document.

3. The Assignee (a) represents and warrants that it is legally authorized to enter into the Assignment and Acceptance; (b) confirms that it has received a copy of the Credit Agreement, together with copies of the financial statements referred to in Section 4.01 thereof and the most recent financial statements referred to in Section 5.01 thereof and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Acceptance; (c) agrees that it will, independently and without reliance upon the Assignor, the Administrative Agent, the LC Bank or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Agreement or any other Credit Document; (d) appoints and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers and discretion under the Credit Agreement and

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any other Credit Document as are delegated to the Administrative Agent by the terms thereof, together with such powers as are incidental thereto; and (e) agrees that it will be bound by the provisions of the Credit Agreement and will perform in accordance with its terms all the obligations which by the terms of the Credit Agreement are required to be performed by it as a Lender.

4. The effective date of this Assignment and Acceptance shall be as specified on Schedule 1 hereto (the "EFFECTIVE DATE"). Following the execution of this Assignment and Acceptance, it will be delivered to the Administrative Agent for acceptance by it and recording by the Administrative Agent pursuant to Section 11.04 of the Credit Agreement, effective as of the Effective Date (which shall not, unless otherwise agreed to by the Administrative Agent, be earlier than five Business Days after the execution hereof).

5. Upon such acceptance and recording, from and after the Effective Date, the Administrative Agent shall make all payments with respect to the Assigned Interest (including payments of principal, interest, fees and other amounts) to the Assignee. The Assignor and the Assignee shall make all appropriate adjustments in payments by the Administrative Agent for periods prior to the Effective Date or with respect to the making of this assignment directly between themselves.

6. From and after the Effective Date, (a) the Assignee shall be a party to the Credit Agreement and, to the extent provided in this Assignment and Acceptance, have (in addition to any rights and obligations theretofore held by it) the rights and obligations of a Lender thereunder and shall be bound by the provisions thereof, and (b) the Assignor shall, to the extent provided in this Assignment and Acceptance, relinquish its rights and be released from its obligations under the Credit Agreement (other than any such rights which expressly survive the termination thereof).

7. This Agreement may be executed in as many counterparts as may be deemed necessary or convenient, and by the different parties hereto on separate counterparts, each of which, when so executed, shall be deemed an original, but all such counterparts shall constitute but one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by telecopier shall be effective as delivery of a manually executed counterpart of this Agreement.

8. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED UNDER THE INTERNAL LAWS OF THE STATE OF NEW YORK. THIS AGREEMENT IS SUBJECT TO SECTION 11.09 (CHOICE OF FORUM AND SERVICE OF PROCESS) AND SECTION 11.10 (WAIVER OF TRIAL BY JURY) OF THE CREDIT AGREEMENT. THE PROVISIONS OF SUCH SECTIONS 11.09 AND 11.10 OF THE CREDIT AGREEMENT ARE INCORPORATED HEREIN BY REFERENCE IN FULL.

IN WITNESS WHEREOF, the parties hereto have caused this Assignment and Acceptance to be executed as of the date first above written by their respective duly authorized officers on Schedule 1 hereto.

Exhibit A-2

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SCHEDULE 1
TO
ASSIGNMENT AND ACCEPTANCE

Name of Assignor:

Name of Assignee:

Effective Date of Assignment:

Facility Assigned Principal Amount Assigned Commitment Percentage Assigned*

The terms set forth above and in the Assignment and Acceptance to which this Schedule 1 is attached are hereby agreed to:

[Consented to and]#/ Accepted for the Recordation in the Register:

_____, as Assignor

By:_____
Name:
Title:

BARCLAYS BANK PLC,
As Administrative Agent and LC Bank

By:_____
Name:
Title:

_____, as Assignee

By:_____
Name:
Title:

* If applicable.

To be completed only if consents are required under Section 11.04(b).

Exhibit A-3

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[Consented to]:

NISOURCE FINANCE CORP.,
As Borrower

By:_____
Name:
Title:

Exhibit A-4

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EXHIBIT B

FORM OF OPINION OF SCHIFF HARDIN LLP

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SCHEDULE 1.01.1
(4-Year Letter of Credit Reimbursement Agreement)

Names, Addresses, Allocation of Aggregate Commitment, and Applicable Percentages of Lenders

DOMESTIC LENDING			
APPLICABLE BANK NAME	OFFICE	COMMITMENT	PERCENTAGE
Barclays Bank PLC	200 Park Avenue New York, NY 10166	$100,689,865	100%

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SCHEDULE 1.01.2
(4-Year Letter of Credit Reimbursement Agreement)

LC Amounts

Actual Stated Amount of Letters of Credit in Effect from Time to Time	Effective Date for Stated Amount
$100,689,865	February 1, 2004
$99,411,409	March 1, 2004
$98,097,450	April 1, 2004
$97,100,109	May 1, 2004
$96,186,020	June 1, 2004
$95,289,497	July 1, 2004
$94,370,091	August 1, 2004
$93,347,471	September 1, 2004
$92,241,676	October 1, 2004
$90,904,123	November 1, 2004
$89,377,722	December 1, 2004
$87,826,483	January 1, 2005
$86,350,892	February 1, 2005
$84,836,215	March 1, 2005
$83,359,884	April 1, 2005
$82,101,866	May 1, 2005
$80,924,760	June 1, 2005
$79,766,932	July 1, 2005
$78,583,855	August 1, 2005
$77,297,230	September 1, 2005
$75,929,169	October 1, 2005
$74,326,948	November 1, 2005
$72,737,637	December 1, 2005
$71,021,060	January 1, 2006
$69,477,221	February 1, 2006
$67,900,559	March 1, 2006
$66,255,257	April 1, 2006
$64,830,122	May 1, 2006
$63,583,289	June 1, 2006
$62,357,608	July 1, 2006
$61,004,040	August 1, 2006
$59,646,533	September 1, 2006
$58,109,495	October 1, 2006
$56,035,615	November 1, 2006
$53,876,571	December 1, 2006
$51,187,549	January 1, 2007
$48,666,859	February 1, 2007
$46,120,407	March 1, 2007
$43,497,460	April 1, 2007
$41,196,779	May 1, 2007

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Actual Stated Amount of Letters of Credit in Effect from Time to Time Amount	Effective Date for Stated
$38,971,472	June 1, 2007
$36,669,438	July 1, 2007
$34,436,559	August 1, 2007
$31,929,311	September 1, 2007
$29,484,687	October 1, 2007
$26,830,216	November 1, 2007
$24,092,758	December 1, 2007
$21,222,285	January 1, 2008
$18,516,137	February 1, 2008
$15,762,650	March 1, 2008
$12,953,204	April 1, 2008
$10,368,361	May 1, 2008
$7,955,632	June 1, 2008
$5,568,538	July 1, 2008
$4,647,304	August 1, 2008
$3,721,223	September 1, 2008
$2,820,166	October 1, 2008
$1,875,913	November 1, 2008
$951,100	December 1, 2008

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SCHEDULE 2.01
(4-Year Letter of Credit Reimbursement Agreement)

Letters of Credit

Identification No.	Issuing Bank	Date	Beneficiary	Face Amount as of the Effective Date
SB00195	Barclays	08/13/02	Federal Insurance Company	$56,100,000
SB00196	Barclays	08/13/02	Federal Insurance Company	$44,589,865

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SCHEDULE 6.01(e)

EXISTING AGREEMENTS

1. Lease Agreement, dated August 18, 2000, between Winslow Hill Funding, Limited Partnership and Ironside Energy LLC. ($61,440,000).

2. Lease Agreement, dated December 14, 1999, between Mattco Funding, Limited Partnership and Whiting Clean Energy, Inc. ($261,000,000).

3. Lease Agreement, dated May 1, 1998, between Giffords Brook Funding, Limited Partnership and Cokenergy, Inc ($115,500,000).

4. Lease Agreement, dated July 31, 1997, between Stormville Mountain Funding, Limited Partnership and Portside Energy Corporation ($60,625,000).

5. Lease Agreement, dated September 24, 1996, between Depot Hill Funding, Limited Partnership and Lakeside Energy Corporation ($59,232,000).

6. Indenture, dated August 1, 1939, as supplemented from time to time, between Northern Indiana Public Service Company and Harris Trust and Savings Bank, as Trustees.

7. Revolving Credit Agreement, dated as of February 23, 1989, between Northern Utilities, Inc. and The First National Bank of Boston ($10,000,000).

8. Northern Utilities, Inc. Note Agreement, dated as of January 1, 1992, for the issuance of $13,000,000 principal amount of 9.70% Notes due September 1, 2031.

9. Northern Utilities, Inc. Note Agreement, dated as of September 1, 1995, for the issuance of $10,000,000 principal amount of 6.93% Senior Notes, Series A, due September 1, 2010, and $5,000,000 principal amount of
6.30% Senior Notes, Series B, due September 1, 1998.

10. Term Loan Agreement by and between I.W.C. Resources Corporation and KeyBank National Association, dated August 7, 1996 ($5,600,000).

11. $1,250,000,000 3-Year Revolving Credit Agreement, dated as of March 23, 2001 among the Borrower, the Guarantor, the lenders parties thereto and Barclays Bank PLC, as administrative agent.

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EXHIBIT 10.4

AMENDMENT NO. 1

to

4-YEAR LETTER OF CREDIT REIMBURSEMENT AGREEMENT

THIS AMENDMENT NO. 1 TO 4-YEAR LETTER OF CREDIT REIMBURSEMENT AGREEMENT (the "Amendment") is made as of March 18, 2004, by and among NISOURCE FINANCE CORP. (the "Borrower"), NISOURCE INC. (the "Guarantor") and BARCLAYS BANK PLC, as lender (in such capacity, the "Lender"), as administrative agent (in such capacity, the "Administrative Agent") and as issuer of letters of credit (in such capacity, the "LC Bank") under that certain 4-Year Letter of Credit Reimbursement Agreement dated as of February 13, 2004, by and among the Borrower, the Guarantor, the Lender, the LC Bank and the Administrative Agent (as amended, supplemented or otherwise modified as of the date hereof, the "LC Reimbursement Agreement"). Defined terms used herein and not otherwise defined herein shall have the meaning given to them in the LC Reimbursement Agreement.

WITNESSETH

WHEREAS, the Borrower, the Guarantor, the Lender, the LC Bank and the Administrative Agent are parties to the LC Reimbursement Agreement; and

WHEREAS, the Borrower and the Guarantor have requested that the Lender, the LC Bank and the Administrative Agent amend the LC Reimbursement Agreement on the terms and conditions set forth herein;

WHEREAS, the Borrower, the Guarantor, the Administrative Agent, the LC Bank and the Lender have agreed to amend the LC Reimbursement Agreement on the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the premises set forth above, the terms and conditions contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto have agreed to the following amendments to the LC Reimbursement Agreement:

1. Amendments to the LC Reimbursement Agreement. Effective as of the date hereof and subject to the satisfaction of the condition precedent set forth in Section 2 below, the LC Reimbursement Agreement is hereby amended as follows:

1.1. Section 1.1 of the LC Reimbursement is amended to insert alphabetically therein the following defined terms:

"FEDERAL BANKRUPTCY CODE" means Title 11 of the United States Code (11 U.S.C. Section 101 et seq.) as now or hereafter in effect, or any successor statute.

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"364-DAY CREDIT AGREEMENT" means that certain 364-Day Revolving Credit Agreement, dated as of March 18, 2004, by and among the Borrower, the Guarantor, the lead arrangers, co-documentation agents and other lenders from time to time parties thereto, Credit Suisse First Boston, as syndication agent, and Barclays, as administrative agent thereunder, as the same may be amended, restated, supplemented, refinanced, replaced or otherwise modified from time to time.

"3-YEAR CREDIT AGREEMENT" means that certain 3-Year Revolving Credit Agreement, dated as of March 18, 2004, by and among the Borrower, the Guarantor, the lead arrangers, co-documentation agents and other lenders from time to time parties thereto, Credit Suisse First Boston, as syndication agent, and Barclays, as administrative agent thereunder, as the same may be amended, restated, supplemented, refinanced, replaced or otherwise modified from time to time.

1.2. The definition of "Bank Credit Agreement" now appearing in Section 1.1 of the LC Reimbursement Agreement is deleted in its entirety.

1.3. Clause (f) of the definition of "Change of Control" now appearing in Section 1.1 of the LC Reimbursement Agreement is amended to delete the reference therein to "Section 6.01(b)" and substitute "Section 6.01(b)(iii)" therefor.

1.4. The definition of "Consolidated Debt" now appearing in Section 1.1 of the LC Reimbursement Agreement is amended to delete the reference therein to "indebtedness" and substitute "Indebtedness" therefor.

1.5. The definition of "Utility Subsidiary" now appearing in Section 1.1 of the LC Reimbursement Agreement is amended to insert the phrase ", and any Wholly-Owned Subsidiary thereof" immediately before the end thereof.

1.6. Clause (ii) of Section 2.05(b) of the LC Reimbursement Agreement is amended to delete the reference therein to "the each Lender" and substitute "each Lender" therefor.

1.7. Clause (ii) of Section 3.01(c) of the LC Reimbursement Agreement is deleted in its entirety and the following is substituted therefor:

(ii) stating, in the case of the Borrower, that the Borrower is authorized to transact business under the laws of the jurisdiction of its place of incorporation, and, in the case of the Guarantor, that the Guarantor is duly incorporated and in good standing under the laws of the jurisdiction of its place of incorporation.

1.8. Section 4.01(a) of the LC Reimbursement Agreement is deleted in its entirety and the following is substituted therefor:

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

1.9. Section 4.01(g) of the LC Reimbursement Agreement is deleted in its entirety and the following is substituted therefor:

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

1.10. Section 4.01 of the LC Reimbursement Agreement is amended to insert the following new subsection (r) at the end thereof:

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

1.11. The proviso appearing in Section 5.01(e) of the LC Reimbursement Agreement is amended to delete the last reference therein to "such Person" and substitute "any Credit Party" therefor.

1.12. Section 5.01(g) of the LC Reimbursement Agreement is deleted in its entirety and the following is substituted therefor:

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

1.13. Section 5.01(h)(i)-(ii) of the LC Reimbursement Agreement is deleted in its entirety and the following is substituted therefor:

(i) as soon as available and in any event within 60 days after the end of each of the first three quarters of each fiscal year of the Guarantor (or, if earlier, concurrently with the filing thereof with the Securities and Exchange Commission

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or any national securities exchange in accordance with applicable law or regulation), balance sheets of the Guarantor and its Consolidated Subsidiaries in comparative form as of the end of such quarter and statements of income and retained earnings of the Guarantor and its Consolidated Subsidiaries for the period commencing at the end of the previous fiscal year of the Guarantor and ending with the end of such quarter, each prepared in accordance with generally accepted accounting principles consistently applied, subject to normal year-end audit adjustments, certified by the chief financial officer of the Guarantor.

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

1.14. Section 5.01(h)(v) of the LC Reimbursement Agreement is amended to (a) delete the reference therein to "the Public Utilities Holding Company Act of 1935" and substitute "the Public Utility Holding Company Act of 1935" therefor and (b) delete in its entirety the phrase "or any national securities exchange" appearing at the end thereof.

1.15. Section 5.01(h)(vi) of the LC Reimbursement Agreement is deleted in its entirety and the following is substituted therefor:

(vi) [Intentionally omitted.]

1.16. Clause (ii) of Section 6.01(b) of the LC Reimbursement Agreement is deleted in its entirety and the following is substituted therefor:

(ii) any Subsidiary of the Guarantor may merge into the Guarantor or the Borrower or transfer assets to the Borrower; and

1.17. Clause (iii)(D) of Section 6.01(b) of the LC Reimbursement Agreement is amended to insert the phrase "and shall be a Wholly-Owned Subsidiary of the Guarantor" immediately before the end thereof.

1.18. Clause (i) of the proviso appearing in Section 6.01(e) of the LC Reimbursement Agreement is deleted in its entirety and the following is substituted therefor:

(i) imposed under an agreement described on Schedule 6.01(e),

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1.19. Section 8.01(e) of the LC Reimbursement Agreement is amended to delete the reference immediately before the end thereof to "the Bank Credit Agreement" and substitute "either the 364-Day Credit Agreement or the 3-Year Credit Agreement" therefor.

1.20. Section 8.01(g) of the LC Reimbursement Agreement is amended to delete the reference therein to "theft" and substitute "their" therefor.

1.21. Clause (ii) of Section 8.01(i) of the LC Reimbursement Agreement is amended to delete the reference therein to "clauses (iii) through (vi)" and substitute "clauses (c) through (f)" therefor.

1.22. The third sentence of Section 9.01(c) of the LC Reimbursement Agreement is amended to insert the parenthetical "(or, if applicable, all of the Lenders)" immediately after the reference therein to "Required Lenders".

1.23. The last sentence of Section 9.01(h) of the LC Reimbursement Agreement is amended to delete the reference therein to "is has not relied" and substitute "it has not relied" therefor.

1.24. Section 11.02(b) of the LC Reimbursement Agreement is deleted in its entirety and the following is substituted therefor:

(b) Neither this Agreement nor any provision hereof may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by the Borrower, the Guarantor and the Required Lenders or by the Borrower, the Guarantor and the Administrative Agent with the consent of the Required Lenders; provided that no such agreement shall (i) increase the Commitment of any Lender without the written consent of such Lender, (ii) reduce the principal amount of any Unreimbursed LC Disbursements or reduce the rate of interest thereon, or reduce any fees or other amounts payable hereunder, without the written consent of each Lender affected thereby, (iii) extend the expiry date of any Letter of Credit to a date after the Termination Date, postpone the scheduled date of payment of any fees or other amounts payable hereunder, or reduce the amount of, waive or excuse any such payment, or postpone the scheduled date of expiration of any Commitment, without the written consent of each Lender affected thereby, (iv) change Section 2.09(b) or
(c) in a manner that would alter the pro rata sharing of payments required thereby, without the written consent of each Lender, (v) release the Guarantor from its obligations under the Guaranty without the written consent of each Lender, or
(vi) change any of the provisions of this Section or the definition of "Required Lenders" or any other provision hereof specifying the number or percentage of Lenders required to waive, amend or modify any rights hereunder or make any determination or grant any consent hereunder, without the written consent of each Lender; provided, further, that no such agreement shall amend, modify or otherwise affect the rights or duties of the Administrative Agent or the LC Bank hereunder without the prior written consent of the Administrative Agent or the LC Bank, as the case may be.

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1.25. The last sentence of Section 11.04(b) of the LC Reimbursement Agreement is deleted in its entirety and the following is substituted therefor:

Upon acceptance and recording pursuant to paragraph (d) of this Section, from and after the effective date specified in each Assignment and Acceptance, the assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Acceptance, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Acceptance, be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of Sections 2.07, 2.08 and 11.03). Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this paragraph shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with paragraph (e) of this Section.

1.26. Article XI of the LC Reimbursement Agreement is amended to insert the following new Section 11.13 at the end thereof:

SECTION 11.13. USA PATRIOT ACT. Each Lender hereby notifies the Credit Parties that pursuant to the requirements of the USA PATRIOT Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "Act"), it is required to obtain, verify and record information that identifies the Credit Parties, which information includes the name and address of the Credit Parties and other information that will allow such Lender to identify the Credit Parties in accordance with the Act.

1.27. Schedule 6.01(e) to the LC Reimbursement Agreement is deleted in its entirety and a new Schedule 6.01(e) in the form of Attachment A hereto is substituted therefor.

2. Condition of Effectiveness. The effectiveness of this Amendment is subject to the condition precedent that the Administrative Agent shall have received duly executed originals of this Amendment from each of the Borrower, the Guarantor, the Lender, the LC Bank and the Administrative Agent.

3. Representations and Warranties of the Borrower and the Guarantor. Each of the Borrower and the Guarantor hereby represents and warrants as follows:

(a) Each of the Borrower and the Guarantor hereby represents and warrants that this Amendment and the LC Reimbursement Agreement as previously executed and as modified hereby constitute legal, valid and binding obligations of the Borrower and the Guarantor and are enforceable against the Borrower and the Guarantor in accordance with their terms (except as enforceability may be limited by

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bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally).

(b) Upon the effectiveness of this Amendment and after giving effect hereto, each of the Borrower and the Guarantor hereby
(i) reaffirms all covenants, representations and warranties made in the LC Reimbursement Agreement as modified hereby, and agrees that all such covenants, representations and warranties shall be deemed to have been remade as of the effective date of this Amendment except that any such covenant, representation, or warranty that was made as of a specific date shall be considered reaffirmed only as of such date and
(ii) certifies to the Administrative Agent, the LC Bank and the Lender that no Default has occurred and is continuing.

4. Reference to the Effect on the LC Reimbursement Agreement.

4.1. Upon the effectiveness of Section 1 hereof, on and after the date hereof, each reference in the LC Reimbursement Agreement (including any reference therein to "this LC Reimbursement Agreement," "hereunder," "hereof," "herein" or words of like import referring thereto) or in any other Credit Document shall mean and be a reference to the LC Reimbursement Agreement as modified hereby.

4.2. Except as specifically modified above, the LC Reimbursement Agreement and all other documents, instruments and agreements executed and/or delivered in connection therewith, shall remain in full force and effect, and are hereby ratified and confirmed.

4.3. The execution, delivery and effectiveness of this Amendment shall not operate as a waiver of any right, power or remedy of the Administrative Agent, the LC Bank or the Lender, nor constitute a waiver of any provision of the LC Reimbursement Agreement or any other documents, instruments and agreements executed and/or delivered in connection therewith.

5. GOVERNING LAW. THIS AMENDMENT SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE INTERNAL LAWS OF THE STATE OF NEW YORK.

6. Headings. Section headings in this Amendment are included herein for convenience of reference only and shall not constitute a part of this Amendment for any other purpose.

7. Counterparts. This Amendment may be executed by one or more of the parties to this Amendment on any number of separate counterparts and all of said counterparts taken together shall be deemed to constitute one and the same instrument.

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IN WITNESS WHEREOF, this Amendment has been duly executed as of the day and year first above written.

NISOURCE FINANCE CORP., as Borrower

By: /s/ David J. Vajda

Name: David J. Vajda
Title: Voce President and Treasurer

NISOURCE INC., as Guarantor

By: /s/ David J. Vajda

Name: David J. Vajda
Title: Voce President and Treasurer

BARCLAYS BANK PLC, as a Lender, as LC Bank and as Administrative Agent

By: /s/ Gary B. Wenslow

Name: Gary B. Wenslow
Title: Associate Director

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ATTACHMENT A

SCHEDULE 6.01(e)
EXISTING AGREEMENTS

1. Lease Agreement, dated December 14, 1999, between Whiting Leasing LLC and Whiting Clean Energy, Inc. ($261,000,000).

2. 3-Year Revolving Credit Agreement, dated as of March 18, 2004, among the Borrower, the Guarantor, the lenders parties thereto and Barclays Bank PLC, as administrative agent.

3. 364-Day Revolving Credit Agreement, dated as of March 18, 2004, among the Borrower, the Guarantor, the lenders parties thereto and Barclays Bank PLC, as administrative agent.

4. Various cumulative preferred stocks of NIPSCO.

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Exhibit 31.1

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Gary L. Neale, certify that:

1. I have reviewed this Quarterly Report of NiSource Inc. on Form 10-Q for the quarter ended March 31, 2004;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 7, 2004

By: /s/ Gary L. Neale
---------- Gary L. Neale
Chairman and Chief Executive Officer

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EXHIBIT 31.2

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Michael W. O'Donnell, certify that:

1. I have reviewed this Quarterly Report of NiSource Inc. on Form 10-Q for the quarter ended March 31, 2004;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 7, 2004 *By: /s/ Michael W. O'Donnell*

Michael W. O'Donnell
Chief Financial Officer

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EXHIBIT 32.1

CERTIFICATION PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of NiSource Inc. (the "Company") on Form 10-Q for the period ending March 31, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Gary L. Neale, Chairman and Chief Executive Officer of the Company, certify, pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or
15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Gary L. Neale

Gary L. Neale
Chairman and Chief Executive Officer

Date: May 7, 2004

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EXHIBIT 32.2

CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of NiSource Inc. (the "Company") on Form 10-Q for the period ending March 31, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael W. O'Donnell, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Michael W. O'Donnell

Michael W. O'Donnell
Executive Vice President and Chief Financial Officer

Date: May 7, 2004

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End of Filing

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

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2004

OR

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

FOR THE TRANSITION PERIOD FROM _____ TO _____

Commission file number 001-16189

NISOURCE INC.
(Exact name of registrant as specified in its charter)

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

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

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2).
Yes [X] No[ ]

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: Common Stock, $0.01 Par Value:
263,488,662 shares outstanding at July 31, 2004.

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NISOURCE INC.
FORM 10-Q QUARTERLY REPORT
FOR THE QUARTER ENDED JUNE 30, 2004

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PART I

ITEM 1. FINANCIAL STATEMENTS

NISOURCE INC.
STATEMENTS OF CONSOLIDATED INCOME (LOSS) (UNAUDITED)

(in millions, except per share amounts)	Three Months Ended June 30, 2004	Three Months Ended June 30, 2003	Six Months Ended June 30, 2004	Six Months Ended June 30, 2003
NET REVENUES				
Gas Distribution	$ 612.4	$ 546.8	$ 2,263.3	$ 2,289.4
Gas Transmission and Storage	206.5	221.0	551.8	563.2
Electric	272.6	262.1	536.1	526.4
Other	153.5	111.3	367.0	286.8
Gross Revenues	1,245.0	1,141.2	3,718.2	3,665.8
Cost of Sales	628.9	499.4	2,110.1	1,994.3
Total Net Revenues	616.1	641.8	1,608.1	1,671.5
OPERATING EXPENSES				
Operation and maintenance	284.7	275.4	608.0	601.9
Depreciation and amortization	127.6	124.9	253.0	249.5
Loss on sale of assets	0.3	0.2	1.0	1.3
Other taxes	46.0	65.5	146.0	170.6
Total Operating Expenses	458.6	466.0	1,008.0	1,023.3
OPERATING INCOME	157.5	175.8	600.1	648.2
OTHER INCOME (DEDUCTIONS)				
Interest expense, net	(99.6)	(114.9)	(202.3)	(237.9)
Minority interests	-	-	-	(2.5)
Dividend requirements on preferred stock of subsidiaries	(1.1)	(1.1)	(2.2)	(2.3)
Other, net	0.6	5.9	3.9	10.0
Total Other Income (Deductions)	(100.1)	(110.1)	(200.6)	(232.7)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	57.4	65.7	399.5	415.5
INCOME TAXES	22.1	26.4	147.7	153.9
INCOME FROM CONTINUING OPERATIONS	35.3	39.3	251.8	261.6
Loss from Discontinued Operations - net of taxes	(0.7)	(1.4)	(3.7)	(4.8)
Loss on Disposition of Discontinued Operations - net of taxes	-	(362.8)	-	(318.0)
Change in Accounting - net of taxes	-	-	-	(8.8)
NET INCOME (LOSS)	$ 34.6	$ (324.9)	$ 248.1	$ (70.0)
BASIC EARNINGS (LOSS) PER SHARE ($)				
Continuing operations	0.13	0.15	0.96	1.02
Discontinued operations	-	(1.39)	(0.01)	(1.25)
Change in accounting	-	-	-	(0.04)
BASIC EARNINGS (LOSS) PER SHARE	0.13	(1.24)	0.95	(0.27)
DILUTED EARNINGS (LOSS) PER SHARE ($)				
Continuing operations	0.13	0.15	0.95	1.01
Discontinued operations	-	(1.38)	(0.01)	(1.24)
Change in accounting	-	-	-	(0.04)
DILUTED EARNINGS (LOSS) PER SHARE	0.13	(1.23)	0.94	(0.27)
DIVIDENDS DECLARED PER COMMON SHARE	0.23	0.29	0.46	0.58
BASIC AVERAGE COMMON SHARES OUTSTANDING (MILLIONS)	262.5	261.3	262.4	257.6
DILUTED AVERAGE COMMON SHARES (MILLIONS)	264.5	263.1	264.6	259.5

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The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

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ITEM 1. FINANCIAL STATEMENTS (continued)

NISOURCE INC.
CONSOLIDATED BALANCE SHEETS

(in millions)	JUNE 30, 2004	December 31, 2003
	(unaudited)	
ASSETS		
PROPERTY, PLANT AND EQUIPMENT		
Utility Plant	$ 16,041.9	$ 15,977.3
Accumulated depreciation and amortization	(7,146.6)	(7,095.9)
Net utility plant	8,895.3	8,881.4
Other property, at cost, less accumulated depreciation	462.4	409.3
Net Property, Plant and Equipment	9,357.7	9,290.7
INVESTMENTS AND OTHER ASSETS		
Assets of discontinued operations and assets held for sale	20.7	20.7
Unconsolidated affiliates	96.3	113.2
Other investments	69.9	67.4
Total Investments	186.9	201.3
CURRENT ASSETS		
Cash and cash equivalents	16.4	27.3
Restricted cash	15.3	22.8
Accounts receivable (less reserve of $74.4 and $54.1, respectively)	311.1	511.1
Unbilled revenue (less reserve of $0.9 and $3.5, respectively)	120.8	303.2
Gas inventory	230.8	429.4
Underrecovered gas and fuel costs	159.1	203.2
Materials and supplies, at average cost	71.8	71.5
Electric production fuel, at average cost	30.5	29.0
Price risk management assets	85.4	74.3
Exchange gas receivable	157.8	174.8
Regulatory Assets	123.9	114.5
Prepayments and other	66.5	101.8
Total Current Assets	1,389.4	2,062.9
OTHER ASSETS		
Price risk management assets	110.8	114.4
Regulatory assets	581.5	575.5
Goodwill	3,704.0	3,704.0
Intangible assets	520.3	527.2
Deferred charges and other	152.6	147.8
Total Other Assets	5,069.2	5,068.9
TOTAL ASSETS	$ 16,003.2	$ 16,623.8

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

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ITEM 1. FINANCIAL STATEMENTS (continued)

NISOURCE INC.
CONSOLIDATED BALANCE SHEETS (CONTINUED)

(in millions)	JUNE 30, 2004	December 31, 2003
	(unaudited)	
CAPITALIZATION AND LIABILITIES		
CAPITALIZATION		
Common Stock Equity	$ 4,500.8	$ 4,415.9
Preferred Stocks--		
Series without mandatory redemption provisions	81.1	81.1
Long-term debt, excluding amounts due within one year	5,573.1	5,993.4
Total Capitalization	10,155.0	10,490.4
CURRENT LIABILITIES		
Current portion of long-term debt	366.1	118.3
Short-term borrowings	143.5	685.5
Accounts payable	482.8	496.6
Dividends declared on common and preferred stocks	61.7	1.8
Customer deposits	82.0	80.4
Taxes accrued	254.3	210.8
Interest accrued	82.2	82.4
Overrecovered gas and fuel costs	32.7	29.2
Price risk management liabilities	36.9	36.5
Exchange gas payable	249.5	290.8
Current deferred revenue	25.4	28.2
Regulatory liabilities	85.0	73.7
Accrued liability for postretirement and pension benefits	75.1	56.8
Other accruals	305.1	418.0
Total Current Liabilities	2,282.3	2,609.0
OTHER LIABILITIES AND DEFERRED CREDITS		
Price risk management liabilities	6.3	0.2
Deferred income taxes	1,612.3	1,595.9
Deferred investment tax credits	82.9	87.3
Deferred credits	59.7	72.7
Noncurrent deferred revenue	92.8	113.0
Accrued liability for postretirement and pension benefits	408.2	406.9
Preferred stock liabilities with mandatory redemption provisions	2.4	2.4
Regulatory liabilities and other removal costs	1,089.7	1,061.6
Other noncurrent liabilities	211.6	184.4
Total Other	3,565.9	3,524.4
COMMITMENTS AND CONTINGENCIES	-	-
TOTAL CAPITALIZATION AND LIABILITIES	$ 16,003.2	$ 16,623.8

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

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ITEM 1. FINANCIAL STATEMENTS (continued)

NISOURCE INC.
STATEMENTS OF CONSOLIDATED CASH FLOWS (UNAUDITED)

Six Months Ended June 30, (in millions)	2004	2003
OPERATING ACTIVITIES		
Net income (loss)	$ 248.1	$ (70.0)
Adjustments to reconcile net income to net cash from continuing operations:		
Depreciation and amortization	253.0	249.5
Net changes in price risk management activities	2.7	(11.0)
Deferred income taxes and investment tax credits	(11.9)	15.7
Deferred revenue	(23.0)	(3.5)
Amortization of unearned compensation	4.4	2.8
Loss on sale of assets	1.0	1.3
Change in accounting	-	8.8
Income from unconsolidated affiliates	(0.4)	(0.7)
Loss from sale of discontinued operations	-	318.0
Loss from discontinued operations	3.7	4.8
Amortization of discount/premium on debt	9.4	9.5
Other	1.2	1.7
Changes in assets and liabilities, net of effect from acquisitions of businesses:		
Restricted cash	7.5	14.9
Accounts receivable and unbilled revenue	377.7	183.3
Inventories	196.7	32.0
Accounts payable	(46.7)	(35.3)
Customer deposits	1.7	7.8
Taxes accrued	40.0	(21.9)
Interest accrued	(0.2)	12.6
(Under) Overrecovered gas and fuel costs	47.7	93.4
Exchange gas receivable/payable	25.5	(158.6)
Other accruals	(109.5)	(112.6)
Prepayment and other current assets	33.9	17.8
Regulatory assets/liabilities	2.9	6.6
Postretirement and postemployment benefits	19.5	19.7
Deferred credits	(13.1)	(27.0)
Deferred charges and other noncurrent assets	(1.8)	10.1
Other noncurrent liabilities	23.0	22.0
Net Cash Flows from Continuing Operations	1,093.0	591.7
Net Cash Flows used for Discontinued Operations	-	(119.9)
Net Cash Flows from Operating Activities	1,093.0	471.8
INVESTING ACTIVITIES		
Capital expenditures	(237.7)	(237.8)
Proceeds from disposition of assets	1.6	99.9
Other investing activities	(6.5)	(11.1)
Net Cash Flows used for Investing Activities	(242.6)	(149.0)
FINANCING ACTIVITIES		
Issuance of long-term debt	-	345.3
Retirement of long-term debt	(202.5)	(465.8)
Change in short-term debt	(542.0)	(53.7)
Retirement of preferred shares	-	(345.0)
Issuance of common stock and capital contributed	8.7	348.9
Acquisition of treasury stock	(3.7)	(1.0)
Dividends paid - common shares	(121.8)	(147.9)

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Net Cash Flows used for Financing Activities	(861.3)	(319.2)
Increase (decrease) in cash and cash equivalents	(10.9)	3.6
Cash and cash equivalents at beginning of year	27.3	31.1
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 16.4	$ 34.7
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid for interest	194.3	215.7
Interest capitalized	1.2	1.7
Cash paid for income taxes	96.4	145.0

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ITEM 1. FINANCIAL STATEMENTS (continued)

NISOURCE INC.
STATEMENTS OF CONSOLIDATED COMPREHENSIVE INCOME (LOSS) (UNAUDITED)

(in millions)	Three Months Ended June 30, 2004	Three Months Ended June 30, 2003	Six Months Ended June 30, 2004	Six Months Ended June 30, 2003
Net Income (Loss)	$ 34.6	$ (324.9)	$ 248.1	$ (70.0)
Other comprehensive income, net of tax				
Foreign currency translation adjustment	-	0.6	0.7	1.5
Net unrealized gains (losses) on cash flow hedges	(1.5)	17.0	8.5	25.3
Net gain (loss) on available for sale securities	(1.0)	2.0	0.5	-
Total other comprehensive income (loss), net of tax	(2.5)	19.6	9.7	26.8
Total Comprehensive Income (Loss)	$ 32.1	$ (305.3)	$ 257.8	$ (43.2)

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

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ITEM 1. FINANCIAL STATEMENTS (continued)

NISOURCE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. BASIS OF ACCOUNTING PRESENTATION

The accompanying unaudited consolidated financial statements for NiSource Inc. (NiSource) reflect all normal recurring adjustments that are necessary, in the opinion of management, to present fairly the results of operations in accordance with accounting principles generally accepted in the United States of America.

The accompanying financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in NiSource's Annual Report on Form 10-K for the fiscal year ended December 31, 2003. Income for interim periods may not be indicative of results for the calendar year due to weather variations and other factors. Certain reclassifications have been made to the 2003 financial statements to conform to the 2004 presentation.

2. DILUTED AVERAGE COMMON SHARES COMPUTATION

Basic earnings per share (EPS) is computed by dividing income available to common stockholders by the weighted average number of common shares outstanding for the period. The weighted average shares outstanding for diluted EPS are impacted by the incremental effect of the various long-term incentive compensation plans and the forward equity contracts associated with the Stock Appreciation Income Linked Securities(SM) (SAILS(SM)), and through February 18, 2003, Corporate Premium Income Equity Securities (Corporate PIES). Effective February 19, 2003, the forward equity contracts related to the Corporate PIES were settled as prescribed in the agreements. As a result of the settlement, 13.1 million common shares were issued and are reflected in basic average common shares. In the 2003 period, the SAILS(SM) were anti-dilutive and therefore not included in the calculation.

The numerator in calculating both basic and diluted EPS for each year is reported net income. The computation of diluted average common shares follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	2004	2003	2004	2003
Denominator				
Basic average common shares outstanding	262,543	261,259	262,414	257,573
Dilutive potential common shares				
Nonqualified stock options	118	75	166	64
Shares contingently issuable under employee stock plans	1,182	1,313	1,182	1,313
SAILS(SM)	40	-	187	-
Shares restricted under employee stock plans	581	491	636	553
Diluted Average Common Shares	264,464	263,138	264,585	259,503

3. STOCK OPTIONS AND AWARDS

Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock-Based Compensation" (SFAS No. 123), encourages, but does not require, entities to adopt the fair value method of accounting for stock-based compensation plans. The fair value method would require the amortization of the fair value of stock-based compensation at the date of grant over the related vesting period. NiSource continues to apply the intrinsic value method of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," for awards granted under its stock-based compensation plans. The following table illustrates the effect on net income and EPS as if NiSource had applied the fair value recognition provisions of SFAS No. 123 to stock-based employee compensation.

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ITEM 1. FINANCIAL STATEMENTS (continued)

NISOURCE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) (UNAUDITED)

($ in millions, except per share data)	Three Months Ended June 30, 2004	Three Months Ended June 30, 2003	Six Months Ended June 30, 2004	Six Months Ended June 30, 2003
NET INCOME (LOSS)				
As reported	34.6	(324.9)	248.1	(70.0)
Add: Stock-based employee compensation expense included in reported net income, net of related tax effects	1.5	1.0	2.8	2.3
Less: Total stock-based employee compensation expense determined under the fair value method for all awards, net of tax	(3.1)	(2.6)	(6.0)	(5.6)
Pro forma	33.0	(326.5)	244.9	(73.3)
EARNINGS PER SHARE				
Basic - as reported	0.13	(1.24)	0.95	(0.27)
- pro forma	0.13	(1.25)	0.93	(0.28)
Diluted - as reported	0.13	(1.23)	0.94	(0.27)
- pro forma	0.12	(1.24)	0.93	(0.28)

4. REGULATORY MATTERS

Through October 2004, Columbia Gas of Ohio, Inc. (Columbia of Ohio) is operating under a regulatory stipulation approved by the Public Utilities Commission of Ohio (PUCO). On October 9, 2003, Columbia of Ohio and other parties filed with the PUCO an amended stipulation that would govern Columbia of Ohio's regulatory framework from November 2004 through October 2010. The majority of Columbia of Ohio's contracts with interstate pipelines expire in October 2004, and the amended stipulation would permit Columbia of Ohio to renew those contracts for firm capacity sufficient to meet up to 100% of the design peak day requirements through October 31, 2005 and up to 95% of the design peak day requirements through October 31, 2010. Among other things, the amended stipulation would also: (1) extend Columbia of Ohio's CHOICE(R) program through October 2010; (2) provide Columbia of Ohio with an opportunity to generate revenues sufficient to cover the stranded costs associated with the CHOICE(R) program; and (3) allow Columbia of Ohio to record post-in-service carrying charges on plant placed into service after October 2004, and to defer the property taxes and depreciation associated with such plant.

On March 11, 2004, the PUCO issued an order that adopted and modified the stipulation from Columbia of Ohio and a collaborative of parties. The order extended Columbia of Ohio's CHOICE(R) program. However, the order limited the time period of the stipulation through December 31, 2007 and declined to pre-approve the amount of interstate pipeline firm capacity for which Columbia of Ohio

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could contract. In addition, the PUCO made other modifications which would limit Columbia of Ohio's ability to generate additional revenues sufficient to cover stranded costs, including declining to mandate that natural gas marketers participating in the Choice(R) program obtain 75% of their interstate capacity directly from Columbia of Ohio and changing the allocation of revenues generated through off-system sales. The order allows Columbia of Ohio to record post-in-service carrying charges on plant placed in service after October 2004 and allows the deferral of property taxes and depreciation associated with such plant.

On April 9, 2004, Columbia of Ohio and other signatory parties to the stipulation, consistent with standard regulatory process, petitioned the PUCO for rehearing on the components which have been modified. That same day the Office of the Ohio Consumers' Counsel (OCC) also filed an application for rehearing, and argued that the PUCO should not have permitted Columbia of Ohio to record post-in-service carrying charges on plant placed into service after October 2004, and to defer the property taxes and depreciation associated with such plant. On April 19, 2004, the OCC filed a motion to dismiss the application for rehearing filed by Columbia of Ohio and other parties.

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ITEM 1. FINANCIAL STATEMENTS (continued)

NISOURCE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) (UNAUDITED)

On May 5, 2004 the PUCO issued an order on rehearing, in which it denied the OCC's motion to dismiss and its application for rehearing. The PUCO granted, in part, the joint application filed by Columbia of Ohio and others. In granting the joint application for rehearing, in part, the PUCO did the following: (1) revised the term of the stipulation so that it runs through October 31, 2008; (2) restored the marketers' responsibility for 75% of CHOICE(R) costs; and (3) revised the mechanism applicable to Columbia of Ohio's sharing of off-system sales and capacity release revenue. Under the revised off-system sales/capacity release revenue sharing mechanism, Columbia of Ohio must now begin sharing such revenue equally with the customers when the annual revenue exceeds $25 million, instead of $35 million as originally proposed by Columbia of Ohio and other collaborative parties.

In a letter docketed on May 12, 2004, Columbia of Ohio and the other signatory parties to the stipulation accepted the PUCO's modifications. On May 14, 2004, the OCC filed a Second Application for Rehearing. In the pleading, the OCC argued that the joint applicants did not meet the statutory requirements for an application for rehearing, and thus the PUCO's order on rehearing granting rehearing was unlawful. The OCC also argued that the rehearing was the result of exclusionary settlement negotiations. The OCC continued to disagree with the PUCO's treatment of off-system sales and capacity release revenues, and post-in-service carrying charges and related deferrals.

On June 3, 2004, Columbia of Ohio filed its proposed tariffs and accounting, as required. On June 9, 2004, the PUCO denied the OCC's Second Application for Rehearing. On July 29, 2004, the OCC filed an appeal with the Supreme Court of Ohio, contesting the PUCO's May 5, 2004 order on rehearing, which granted in part Columbia of Ohio's joint application for rehearing, and the PUCO's June 9, 2004 order, denying the OCC's Second Application for Rehearing.

On December 17, 2003, the PUCO approved an application by Columbia of Ohio and other Ohio local distribution companies (LDCs) to establish a tracking mechanism that will provide for recovery of current bad debt expense and for the recovery over a five-year period of previously deferred uncollected accounts receivable. As of June 30, 2004, Columbia of Ohio has $46.9 million of uncollected accounts receivable pending future recovery.

On June 11, 2004, Columbia Gas of Pennsylvania, Inc. (Columbia of Pennsylvania) signed a settlement agreement ("Settlement Agreement") in its annual gas cost recovery proceeding with The Office of Consumer Advocate, The Office of Small Business Advocate, The Office of Trial Staff, and Commercial & Industrial Intervenors. Under the Settlement Agreement, the signatory parties agreed to financial incentive mechanisms for off-system sales and capacity release transactions performed by Columbia of Pennsylvania. Under the incentive mechanism, customers receive 100% of the total combined proceeds from off-system sales and capacity release transactions up to a benchmark of $6.0 million. After the benchmark is reached, Columbia of Pennsylvania will retain 50% of proceeds from the transactions; however, Columbia of Pennsylvania may never retain more than 40% of the actual net proceeds generated from off-system sales and capacity release transactions. The incentive mechanism begins October 1, 2004 and ends on September 30, 2006.

On August 11, 1999, the Indiana Utility Regulatory Commission (IURC) approved a flexible gas cost adjustment (GCA) mechanism for Northern Indiana Public Service Company (Northern Indiana). Under the approved procedure, the demand component of the adjustment factor will be determined, after hearings and IURC approval, and made effective on November 1 of each year. The demand component will remain in effect for one year until a new demand component is approved by the IURC. The commodity component of the adjustment factor will be determined by monthly filings, which will become effective on the first day of each calendar month, subject to refund. The monthly filings do not require IURC approval but will be reviewed by the IURC during the annual hearing that will take place regarding the demand component filing. Northern Indiana's GCA factor also includes a gas cost incentive mechanism which allows the sharing of any cost savings or cost increases with customers based on a comparison of actual gas supply portfolio cost to a market-based benchmark price.

Northern Indiana's GCA4 annual demand filing, covering the period November 1, 2002 through October 31, 2003, was made on August 29, 2002 and approved by the IURC for implementation as interim rates, subject to refund effective November 1, 2002. The Indiana Office of Utility Consumer Counselor (OUCC) filed testimony indicating that some gas costs, for the month of March 2003, should not be recovered. On September 10, 2003, the IURC issued an order adjusting the recovery of costs in March 2003 and reducing recovery by $3.8 million. On October 8, 2003, the IURC approved the demand component of the adjustment factor.

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ITEM 1. FINANCIAL STATEMENTS (continued)

NISOURCE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) (UNAUDITED)

Northern Indiana's GCA5 annual demand filing, covering the period November 1, 2003 through October 31, 2004, was made on August 26, 2003 and approved by the IURC for implementation as interim rates, subject to refund, effective November 1, 2003. On June 8, 2004, Northern Indiana and the OUCC entered into a joint stipulation and agreement resolving all issues in GCA5. A hearing was held before the IURC on July 18, 2004 in support of the settlement. Among the settlement agreement's provisions, Northern Indiana has agreed to return $3.8 million to its customers over a twelve-month period following IURC approval. This refund is the resolution of issues similar to those from March 2003. An additional provision of the agreement was to extend the current Alternative Regulatory Procedure (ARP), including Northern Indiana's gas cost incentive mechanism, from the current expiration date of December 31, 2004 to March 31, 2005. An order approving the settlement is expected in the third quarter of 2004. Negotiations are in progress to extend the ARP past March 31, 2005.

On June 20, 2002, Northern Indiana, Ameren Corporation and First Energy Corporation established terms for joining the Midwest Independent System Operator (MISO) through participation in an independent transmission company (ITC). Northern Indiana transferred functional control of its electric transmission assets to the ITC and MISO on October 1, 2003. As part of Northern Indiana's use of MISO's transmission service, Northern Indiana will incur new categories of transmission charges based upon MISO's Federal Energy Regulatory Commission (FERC)-approved tariff. One of the new categories of charges, Schedule 10, relates to the payment of administrative charges to MISO for its continuing management and operations of the transmission system. Northern Indiana filed a petition on September 30, 2003, with the IURC seeking approval to establish accounting treatment for the deferral of the Schedule 10 charges from MISO. On July 21, 2004 the IURC issued an order which denied Northern Indiana's request for deferred accounting treatment for the MISO Schedule 10 administrative fees. Northern Indiana has taken a charge during the second quarter 2004 in the amount of $2.1 million related to the MISO administrative charges deferred through June 30, 2004. The MISO Schedule 10 administrative fees are currently estimated to be approximately $2.8 million annually. Northern Indiana is currently evaluating the IURC order to determine whether an appeal will be filed.

The MISO has initiated the Midwest Market Initiative (MMI), which will develop the structures and processes to be used to implement an electricity market for the MISO region. This MMI proposes non-discriminatory transmission service, reliable grid operation, and the purchase and sale of electric energy in a competitive, efficient and non-discriminatory manner. MISO has filed with FERC detailed tariff information, with a planned initial operation date of March 1, 2005. Northern Indiana and EnergyUSA-TPC (TPC) are actively pursuing roles in the MMI. At the current time, management believes that the MMI will change the manner in which Northern Indiana and TPC conduct their electric business; however, at this time management cannot determine the impact the MMI will have on Northern Indiana or TPC.

Northern Indiana has been recovering the costs of electric power purchased for sale to its customers through the fuel adjustment clause (FAC). The FAC provides for costs to be collected if they are below a negotiated cap. If costs exceed this cap, Northern Indiana must demonstrate that the costs were prudently incurred to achieve approval for recovery. This negotiated cap agreement is subject to continuing negotiations. A group of industrial customers challenged the manner in which Northern Indiana applied costs associated with a specific interruptible sales tariff. An estimated refund liability was recorded in the first quarter of 2003. A settlement was reached with the customers and Northern Indiana recorded the full costs of the settlement. As a result of the settlement, the industrial customers challenge was withdrawn and dismissed in January 2004. In addition, as a result of the settlement, Northern Indiana has sought and received approval by the IURC to reduce the charges under the interruptible sales tariff. This reduction will remain in effect until the Dean H. Mitchell Generating Station (Mitchell Station) returns to service.

Currently, Northern Indiana is reviewing options to meet the electric needs of its customers. This review includes an assessment of Northern Indiana's oldest generating units, which includes the Mitchell Station. Northern Indiana has requested proposals from outside companies to provide power under varying terms and conditions. These proposals are being evaluated. In February 2004, the City of Gary announced an interest to acquire the land on which the Mitchell Station is located for economic development, including a proposal to increase the length of the runways at the Gary International Airport. On May 7, 2004, the City of Gary filed a petition with the IURC seeking valuation of the Mitchell Station and determination of the terms and conditions under which the City of Gary would acquire the Mitchell Station. The procedural schedule for the City of Gary has been set, and Northern Indiana has filed its Prepared Direct Testimony, stating that Northern Indiana has no current plans to restart the Mitchell Station.

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NISOURCE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) (UNAUDITED)

On May 25, 2004 Northern Indiana filed a petition for approval of a Purchased Power and Transmission Tracker Mechanism to recover the cost of purchased power to meet Northern Indiana's retail electric load requirements and charges imposed on Northern Indiana by MISO and Grid America. Northern Indiana's direct testimony is due to be filed by August 6, 2004. The hearing is set for the fourth quarter of 2004.

On July 9, 2004 a verified joint petition was filed by PSI Energy, Inc., Indianapolis Power & Light Company, Northern Indiana and Vectren Energy Delivery of Indiana, Inc., seeking approval of certain changes in operations that are likely to result from the MISO's implementation of energy markets, and for determination of the manner and timing of recovery of costs resulting from the MISO's implementation of standard market design mechanisms, such as the MISO's proposed real-time and day-ahead energy markets.

In January 2002, Northern Indiana filed for approval to implement an environmental cost tracker (ECT). The ECT was approved by the IURC on November 26, 2002. Under the ECT Northern Indiana is permitted to recover (1) allowance for funds used during construction and a return on the capital investment expended by Northern Indiana to implement Indiana Department of Environmental Management's nitrogen oxide State Implementation Plan through an Environmental Cost Recovery Mechanism (ECRM) and (2) related operation and maintenance and depreciation expenses once the environmental facilities become operational through an Environmental Expense Recovery Mechanism (EERM). Under the Commission's November 26, 2002 order, Northern Indiana is permitted to submit filings on a semi-annual basis for the ECRM and on an annual basis for the EERM. Northern Indiana's latest ECRM filing (ECR-3) was for capital expenditures of $194.1 million, and was made simultaneous with its first EERM filing (EER-1) for $1.9 million. Over the timeframe required to meet the environmental standards, Northern Indiana anticipates a total capital investment amounting to approximately $274.2 million. On February 4, 2004, the IURC approved Northern Indiana's latest compliance plan with the estimate of $274.2 million. The ECRM revenues amounted to $7.5 million for the six months ended June 30, 2004, and $12.6 million from inception to date, while EERM revenues were $0.3 for the first half of 2004.

5. RESTRUCTURING ACTIVITIES

Since 2000, NiSource has implemented restructuring initiatives to streamline its operations and realize efficiencies from the acquisition of Columbia Energy Group (Columbia). The restructuring activities were primarily associated with reductions in headcount and facility exit costs.

For all of the restructuring plans, a total of approximately 1,600 management, professional, administrative and technical positions have been identified for elimination. As of June 30, 2004, approximately 1,560 employees were terminated, of whom 1 employee and 10 employees were terminated during the quarter and six months ended June 30, 2004, respectively. As of June 30, 2004 and December 31, 2003, the consolidated balance sheets reflected liabilities of $16.6 million and $19.5 million related to the restructuring plans, respectively. During the quarter and six months ended June 30, 2004, $1.2 million and $2.8 million in payments were made, respectively, in association with the restructuring plans and a $0.6 million net decrease and $0.1 million net increase, respectively, to the restructuring liability was recorded mainly to adjust for facility exit costs. Of the remaining restructuring liability, $13.0 million is related to facility exit costs.

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ITEM 1. FINANCIAL STATEMENTS (continued)

NISOURCE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) (UNAUDITED)

6. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

In May 2004, Columbia Gas Transmission Corporation (Columbia Transmission) identified certain facilities as being non-core to the operation of the pipeline system. As a result, Columbia Transmission is in the process of selling these facilities to third parties. NiSource has accounted for the assets of these facilities, with a net book value of approximately $14.2 million, as assets held for sale.

On October 20, 2003, NiSource sold all of the steel-related, "inside-the-fence" assets of its subsidiary PEI Holdings, Inc. (PEI), to Private Power, LLC (Private Power). The sale included six PEI operating subsidiaries and the name "Primary Energy". Private Power paid approximately $325.4 million, comprised of $113.1 million in cash and the assumption of debt-related liabilities and other obligations. The assumption of such liabilities and the after tax cash proceeds from the sale reduced NiSource's debt by $206.3 million. NiSource has accounted for the assets sold as discontinued operations and has adjusted all periods presented accordingly.

On August 29, 2003, NiSource sold its exploration and production subsidiary, Columbia Energy Resources, Inc. (CER), to a subsidiary of Triana Energy Holdings (Triana). Under the CER sales agreement, Triana , an affiliate of Morgan Stanley Dean Witter Capital Partners IV, L.P. (MSCP), purchased all of the stock of CER for $330.0 million, plus the assumption of obligations to deliver approximately 94.0 billion cubic feet of natural gas pursuant to existing forward sales contracts. The sale transferred 1.1 trillion cubic feet of natural gas reserves. Approximately $220.0 million of after-tax cash proceeds from the sale were used to reduce NiSource's debt. In addition, a $213.0 million liability related to the forward sales contracts was removed from the balance sheet. On January 28, 2003, NiSource's former subsidiary Columbia Natural Resources, Inc. sold its interest in certain natural gas exploration and production assets in New York for approximately $95.0 million. NiSource has accounted for CER as discontinued operations and has adjusted all periods presented accordingly.

During 2002, NiSource decided to exit the telecommunications business. The results of operations related to Columbia Transmission Communications Corporation (Transcom) were displayed as discontinued operations on NiSource's consolidated income statement and its assets and liabilities were separately aggregated and reflected as assets and liabilities of discontinued operations on the consolidated balance sheets. On September 15, 2003, NiSource's subsidiary Columbia sold 100% of its shares in Transcom.

Results from discontinued operations of CER (including the New York State properties), the six PEI subsidiaries and Transcom are provided in the following table:

	Three Months Ended June 30,		Six Months Ended June 30,	
($ in millions)	2004	2003	2004	2003
REVENUES FROM DISCONTINUED OPERATIONS	$ -	$ 52.6	$ -	$ 112.1
Loss from discontinued operations	(0.7)	(5.2)	(5.7)	(6.0)
Income taxes	-	(3.8)	(2.0)	(1.2)
NET LOSS FROM DISCONTINUED OPERATIONS	$ (0.7)	$ (1.4)	$ (3.7)	$ (4.8)

The assets held for sale and assets of discontinued operations were net property, plant, and equipment of $20.7 million at June 30, 2004 and December 31, 2003.

7. RISK MANAGEMENT ACTIVITIES

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NiSource uses commodity-based derivative financial instruments to manage certain risks in its business. NiSource accounts for its derivatives under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended, (SFAS No. 133.)

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ITEM 1. FINANCIAL STATEMENTS (continued)

NISOURCE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) (UNAUDITED)

HEDGING ACTIVITIES. The activity for the second quarter and six months ended June 30, 2004 and June 30, 2003 affecting accumulated other comprehensive income, with respect to cash flow hedges included the following:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions, net of tax)	2004	2003	2004	2003
Net unrealized gains on derivatives qualifying as cash flow hedges at the beginning of the period	$ 101.7	$ 76.1	$ 91.7	$ 67.8
Unrealized hedging gains arising during the period on derivatives qualifying as cash flow hedges	7.3	21.7	28.6	31.4
Reclassification adjustment for net gain included in net income	(8.8)	(4.7)	(20.1)	(6.1)
Net unrealized gains on derivatives qualifying as cash flow hedges at the end of the period	$ 100.2	$ 93.1	$ 100.2	$ 93.1

Unrealized gains and losses on NiSource's hedges were recorded as price risk management assets and liabilities along with unrealized gains on NiSource's marketing and trading portfolios. The accompanying consolidated balance sheets reflected price risk management assets related to unrealized gains on hedges of $166.4 million and $165.6 million at June 30, 2004 and December 31, 2003, respectively, of which $56.2 million and $51.3 million were included in "Current Assets" and $110.2 million and $114.3 million were included in "Other Assets." Price risk management liabilities related to unrealized losses on hedges (and net option premiums) were $14.7 million and $9.5 million at June 30, 2004 and December 31, 2003, respectively, of which $8.7 million and $9.3 million were included in "Current Liabilities" and $6.0 million and $0.2 million were included in "Other Liabilities and Deferred Credits."

During the second quarter 2004, no amounts were recognized in earnings due to the change in value of certain derivative instruments, and there were no components of the derivatives' fair values excluded in the assessment of hedge effectiveness. Also during the second quarter, NiSource reclassified no amounts from other comprehensive income to earnings, due to the probability that certain forecasted transactions would not occur. It is anticipated that during the next twelve months the expiration and settlement of cash flow hedge contracts will result in income recognition of amounts currently classified in other comprehensive income of approximately $27.8 million, net of tax.

In addition, Northern Indiana and Bay State Gas Company engage in writing options that potentially obligate them to purchase or sell gas at the holder's discretion at some future market-based price. These written options are derivative instruments, must be marked to fair value and do not meet the requirement for hedge accounting treatment. Northern Indiana also uses NYMEX derivative contracts to minimize its gas costs. These contracts do not qualify for hedge accounting and must be marked to fair value. Because these derivatives are used within the framework of its gas cost incentive mechanism, regulatory assets or liabilities are recorded to offset the change in the fair value of these derivatives. The consolidated balance sheets reflected $1.2 million and $1.2 million of price risk management assets associated with the programs at June 30, 2004 and December 31, 2003, respectively. In addition, the consolidated balance sheets reflected $0.6 million and $0.5 million of price risk management liabilities associated with the programs at June 30, 2004 and December 31, 2003, respectively.

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For regulatory incentive purposes, the Columbia distribution companies, comprised of Columbia Gas of Kentucky, Inc., Columbia Gas of Maryland, Inc., Columbia Gas of Ohio, Inc., Columbia Gas of Pennsylvania, Inc., and Columbia Gas of Virginia, Inc., enter into contracts that allow counterparties the option to sell gas to Columbia LDCs at first of the month prices for a particular month of delivery. Columbia LDCs charge the counterparties a fee for this option. The changes in the fair value of the options are primarily due to the changing expectations of the future intra-month volatility of gas prices. Columbia LDCs defer a portion of the change in the fair value of the options as either a regulatory asset or liability in accordance with SFAS No. 71. The remaining change is recognized currently in earnings. The consolidated balance sheets reflected $1.2 million and $3.3 million of price risk management liabilities associated with the programs at June 30, 2004 and December 31, 2003, respectively.

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ITEM 1. FINANCIAL STATEMENTS (continued)

NISOURCE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) (UNAUDITED)

On May 12, 2004, Columbia terminated fixed-to-variable interest rate swap agreements in a notional amount of $663.0 million with five counterparties. Columbia received an aggregate settlement payment of $1.8 million, which is being amortized as a reduction to interest expense over the remaining term of the underlying debt.

On May 12, 2004, NiSource entered into fixed-to-variable interest rate swap agreements in a notional amount of $660.0 million with six counterparties having a 6 1/2-year term. NiSource will receive payments based upon a fixed 7.875% interest rate and pay a floating interest amount based on U.S. 6-month British Banker Association (BBA) LIBOR plus an average of 3.08% per annum. There was no exchange of premium at the initial date of the swaps. In addition, each party has the right to cancel the swaps on May 15, 2009 at mid-market.

MARKETING AND TRADING ACTIVITIES. The operations of TPC primarily involve commercial and industrial gas sales and power trading.

In April 2003, the gas-related activities (physical commodity sales to commercial and industrial customers) that had been classified as derivatives were considered to fall within the normal purchase and sale exception under SFAS No. 133. Therefore, all gas-related derivatives used to offset the physical obligations necessary to fulfill these commodity sales were designated as cash flow hedges.

The fair market values of NiSource's power trading assets and liabilities were $28.6 million and $26.7 million, respectively, at June 30, 2004 and $21.9 million and $23.4 million, respectively, at December 31, 2003.

8. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

FASB INTERPRETATION NO. 46 (REVISED DECEMBER 2003) -- CONSOLIDATION OF VARIABLE INTEREST ENTITIES. On January 17, 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities" (FIN 46R). FIN 46R requires a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or is entitled to receive a majority of the entity's residual returns. A company that consolidates a variable interest entity is called the primary beneficiary of that entity. In general, a variable interest entity is a corporation, partnership, trust, or any other legal structure used for business purposes that either (a) does not have equity investors with voting rights, or (b) has equity investors that do not provide sufficient financial resources for the entity to support its activities. FIN 46R also requires various disclosures about variable interest entities that a company is not required to consolidate but in which it has a significant variable interest. On December 18, 2003, the FASB deferred the implementation of FIN 46R to the first quarter of 2004. As a result, NiSource consolidated certain low income housing real estate investments beginning in the first quarter of 2004. Upon consolidation, NiSource increased its long-term debt by approximately $40 million.

FASB STAFF POSITION (FSP) NO. FAS 106-2 -- ACCOUNTING AND DISCLOSURE REQUIREMENTS RELATED TO THE MEDICARE PRESCRIPTION DRUG, IMPROVEMENT AND MODERNIZATION ACT OF 2003 (FSP 106-2). (SUPERSEDES FSP 106-1-- ACCOUNTING AND DISCLOSURE REQUIREMENTS RELATED TO THE MEDICARE PRESCRIPTION DRUG, IMPROVEMENT AND MODERNIZATION ACT OF 2003.) On December 8, 2003, the President of the United States signed the Medicare Prescription Drug, Improvement and Modernization Act into law. The Act introduces a prescription drug benefit under Medicare (Medicare Part D) as well as a federal subsidy to sponsors of retiree health care benefit plans that provide a benefit that is at least actuarially equivalent to Medicare Part D. FASB Statement No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," requires presently enacted changes in relevant laws to be considered in current period measurements of postretirement benefit costs and the Accumulated Projected Benefit Obligation. FSP 106-2 is effective for fiscal interims beginning after June 15, 2004. NiSource previously elected to defer accounting for the effects of this pronouncement, as allowed by FSP 106-2, and will adopt FSP 106-2 in the third quarter of 2004. NiSource is currently evaluating the impact of FSP 106-2 and believes the impact will not be significant, since NiSource has a restrictive cap on its retiree post age-65 drug coverage plans.

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ITEM 1. FINANCIAL STATEMENTS (continued)

NISOURCE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) (UNAUDITED)

9. LEGAL PROCEEDINGS

In the normal course of its business, NiSource and its subsidiaries have been named as defendants in various legal proceedings. In the opinion of management, the ultimate disposition of these currently asserted claims will not have a material adverse impact on NiSource's consolidated financial position. Please see Item 1, Part II, "Legal Proceedings," contained herein for more specific information regarding current legal matters.

10. ACCUMULATED OTHER COMPREHENSIVE LOSS

The following table displays the components of Accumulated Other Comprehensive Loss, which is included in "Common Stock Equity," on the consolidated balance sheets.

(in millions)	JUNE 30, 2004	December 31, 2003
Foreign currency translation adjustment	$ -	$ (0.7)
Net unrealized gains on cash flow hedges	100.2	91.7
Loss on available for sale securities	(1.3)	(1.8)
Minimum pension liability adjustment	(150.2)	(150.2)
TOTAL ACCUMULATED OTHER COMPREHENSIVE LOSS, NET	$ (51.3)	$ (61.0)

As a part of normal business, NiSource and certain subsidiaries enter into various agreements providing financial or performance assurance to third parties on behalf of other subsidiaries. Such agreements include guarantees and stand-by letters of credit. These agreements are entered into primarily to support or enhance the creditworthiness otherwise attributed to a subsidiary on a stand-alone basis, thereby facilitating the extension of sufficient credit to accomplish the subsidiaries' intended commercial purposes. The total commercial commitments in existence at June 30, 2004 and the years in which they expire are:

11. GUARANTEES AND INDEMNITIES

(in millions)	Total	2004	2005	2006	2007	2008	After
Guarantees of subsidiaries debt	$ 3,843.1	$ 2.7	$ 1,183.2	$ 293.1	$ 32.4	$ 8.7	$ 2,323.0
Guarantees supporting commodity transactions of subsidiaries	1,389.9	219.7	252.3	669.2	35.1	54.0	159.6
Other guarantees	373.9	-	51.1	-	-	10.1	312.7
Lines of credit	143.5	143.5	-	-	-	-	-
Letters of credit	119.5	1.2	19.2	1.9	1.0	96.2	-
Total commercial commitments	$ 5,869.9	$ 367.1	$ 1,505.8	$ 964.2	$ 68.5	$ 169.0	$ 2,795.3

NiSource has guaranteed the payment of $3.8 billion of debt for various wholly-owned subsidiaries including Whiting Leasing LLC, NiSource Finance Corp. (NiSource Finance), and through a support agreement, NiSource Capital Markets, Inc. Other than debt associated with the former PEI subsidiaries that were sold, the debt is reflected on NiSource's consolidated balance sheet. The subsidiaries are required to comply with certain financial covenants under the debt indenture and in the event of default, NiSource

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would be obligated to pay the debt's principal and related interest. NiSource does not anticipate its subsidiaries will have any difficulty maintaining compliance. NiSource Finance also maintains lines of credit with financial institutions. At June 30, 2004, the amount outstanding under the lines of credit and guaranteed by NiSource amounted to $143.5 million. Additionally, NiSource has issued guarantees, which support up to approximately $1.4 billion of commodity-related payments for its current subsidiaries involved in energy marketing and trading and those satisfying requirements under forward gas sales agreements of former subsidiaries. These guarantees were provided to counterparties in order to facilitate physical and financial transactions involving natural gas and electricity. To the extent liabilities exist under the commodity-related contracts subject to these guarantees, such liabilities are included in the consolidated balance sheets.

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ITEM 1. FINANCIAL STATEMENTS (continued)

NISOURCE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) (UNAUDITED)

NiSource has issued standby letters of credit of approximately $119.5 million through financial institutions for the benefit of third parties that have extended credit to certain subsidiaries. If a subsidiary does not pay amounts when due under covered contracts, the beneficiary may present its claim for payment to the financial institution, which will in turn request payment from NiSource.

NiSource has purchase and sales agreement guarantees totaling $137.5 million, which guarantee performance of the seller's covenants, agreements, obligations, liabilities, representations and warranties under the agreements. No amounts related to the purchase and sales agreement guarantees are reflected in the consolidated balance sheet.

Management believes that the likelihood NiSource would be required to perform or otherwise incur any significant losses associated with any of the aforementioned guarantees is remote.

After the October 20, 2003 sale of six subsidiaries, PEI continues to own Whiting Clean Energy, Inc. (Whiting Clean Energy). The total of the outstanding debt guaranteed for Whiting Clean Energy at June 30, 2004 was $325.6 million. As of June 30, 2004, approximately $302.8 million of debt related to Whiting Clean Energy was included in NiSource's consolidated balance sheet.

NiSource retains certain operational and financial guarantees with respect to the former PEI subsidiaries and CER. NiSource has retained guarantees of $153.6 million as of June 30, 2004 of debt outstanding related to three of the former PEI projects. In addition, NiSource has retained several operational guarantees related to the former PEI subsidiaries. These operational guarantees are related to environmental compliance, inventory balances, employee relations, and a residual future purchase guarantee. The fair value of the guarantees was determined to be $11.1 million and a portion of the net proceeds in the sale amount were assumed allocated to the guarantees as prescribed by FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" (FIN 45).

NiSource has retained liabilities related to the CER forward gas sales agreements with Mahonia II Limited (Mahonia) for guarantees of the forward sales and for indemnity agreements with respect to surety bonds backing the forward sales. The guarantees, surety bonds and associated indemnity agreements remain in place subsequent to the closing of the CER sale and decline over time as volumes are delivered in satisfaction of the contractual obligations, ending in February 2006. NiSource will be indemnified by Triana, and MSCP will fund up to a maximum of $221.0 million of additional equity to Triana to support Triana's indemnity, for Triana's gas delivery and related obligations to Mahonia. The MSCP commitment declines over time in concert with the surety bonds and the guaranteed obligation to deliver gas to Mahonia.

Immediately after the closing of the sale, Triana owned approximately 1.1 Tcf of proved reserves, and was capitalized with $330.0 million, approximately $200.0 million of which was provided as initial equity by MSCP and the remainder of which is provided as part of a $500.0 million revolving credit facility. NiSource believes that the combination of Triana's proved reserves, sufficient capitalization, and access to the credit facility, combined with the Triana indemnity and the $221.0 million of further commitments to Triana from MSCP, adequately offset any risk of losses that may be incurred by NiSource due to Triana's non-performance under the Mahonia agreements. Accordingly, NiSource has not recognized a liability related to the retention of the Mahonia guarantees.

12. PENSION AND OTHER POSTRETIREMENT BENEFITS

NiSource used a measurement date of September 30, 2003 for the calculation of its obligations under the pension and other postretirement benefit plans. NiSource expects to make contributions of $16.7 million to its pension plans and $50.4 million to its postretirement medical and life plans in 2004.

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ITEM 1. FINANCIAL STATEMENTS (continued)

NISOURCE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) (UNAUDITED)

The following table provides the components of the plans' net periodic benefits cost (benefit) for the second quarter and six months ended June 30, 2004 and June 30, 2003:

	PENSION BENEFITS		OTHER BENEFITS	
Three months ended June 30, (in millions)	2004	2003	2004	2003
NET PERIODIC COST				
Service cost	$ 9.8	$ 8.8	$ 2.2	$ 1.8
Interest cost	31.7	32.8	9.9	9.1
Expected return on assets	(39.3)	(35.4)	(3.5)	(2.6)
Amortization of transitional obligation	-	1.4	2.9	2.9
Amortization of prior service cost	2.4	2.1	0.2	-
Recognized actuarial (gain) loss	4.5	6.4	0.7	(0.9)
NET PERIODIC BENEFITS COST	$ 9.1	$ 16.1	$ 12.4	$ 10.3

	PENSION BENEFITS		OTHER BENEFITS	
Six months ended June 30, (in millions)	2004	2003	2004	2003
NET PERIODIC COST				
Service cost	$ 19.6	$ 17.6	$ 4.4	$ 3.6
Interest cost	63.4	65.6	19.8	18.2
Expected return on assets	(78.6)	(70.8)	(7.0)	(5.2)
Amortization of transitional obligation	-	2.8	5.8	5.8
Amortization of prior service cost	4.8	4.2	0.4	-
Recognized actuarial (gain) loss	9.0	12.8	1.4	(1.8)
NET PERIODIC BENEFITS COST	$ 18.2	$ 32.2	$ 24.8	$ 20.6

13. SALE OF TRADE RECEIVABLES

On May 14, 2004, Columbia of Ohio entered into an agreement to sell, without recourse, substantially all of its trade receivables, as they originate, to Columbia of Ohio Receivables Corporation (CORC), a wholly-owned subsidiary of Columbia of Ohio. CORC, in turn, is party to an agreement, also dated May 14, 2004, in which it sells an undivided percentage ownership interest in the accounts receivable to a commercial paper conduit sponsored by Dresdner Kleinwort Wasserstein. The conduit can purchase up to $300.0 million of accounts receivable under the agreement. The agreements, which replaced prior similar agreements, expire in May 2005, but can be automatically renewed if mutually agreed to by both parties. As of June 30, 2004, $164.8 million of accounts receivable had been sold by CORC.

On December 30, 2003, Northern Indiana entered into an agreement to sell, without recourse, all of its trade receivables, as they originate, to NIPSCO Receivables Corporation (NRC), a wholly-owned subsidiary of Northern Indiana. NRC, in turn, is party to an agreement in which it sells an undivided percentage ownership interest in the accounts receivable to a commercial paper conduit. The conduit can purchase up to $200 million of accounts receivable under the agreement. The agreements expire in December 2004. As of June 30, 2004, NRC had sold $135.6 million of accounts receivable.

14. BUSINESS SEGMENT INFORMATION

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Operating segments are components of an enterprise for which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance.

During the second quarter 2003, NiSource re-aligned its reportable segments to reflect the announced sale of its exploration and production operations. As of the second quarter 2003, NiSource no longer reported an Exploration and Production Operations segment. In addition, the PEI subsidiaries sold are reported as discontinued operations. All periods have been adjusted to conform with the realignment.

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ITEM 1. FINANCIAL STATEMENTS (continued)

NISOURCE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) (UNAUDITED)

NiSource's operations are divided into four primary business segments. The Gas Distribution Operations segment provides natural gas service and transportation for residential, commercial and industrial customers in Ohio, Pennsylvania, Virginia, Kentucky, Maryland, Indiana, Massachusetts, Maine and New Hampshire. The Gas Transmission and Storage Operations segment offers gas transportation and storage services for LDCs, marketers and industrial and commercial customers located in northeastern, mid-Atlantic, midwestern and southern states and the District of Columbia. The Electric Operations segment provides electric service in 21 counties in the northern part of Indiana and engages in electric wholesale and wheeling transactions. The Other Operations segment primarily includes gas marketing, power marketing and trading and ventures focused on distributed power generation technologies, including cogeneration facilities, fuel cells and storage systems.

The following tables provide information about NiSource's business segments. NiSource uses operating income (loss) as its primary measurement for each of the reporting segments and makes decisions on finance, dividends and taxes at the corporate level on a consolidated basis. Segment revenues include intersegment sales to affiliated subsidiaries, which are eliminated in consolidation. Affiliated sales are recognized on the basis of prevailing market prices, regulated prices or at levels provided for under contractual agreements. Operating income (loss) is derived from revenues and expenses directly associated with each segment.

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	2004	2003	2004	2003
REVENUES				
GAS DISTRIBUTION				
Unaffiliated	$ 702.1	$ 653.9	$ 2,560.3	$ 2,604.1
Intersegment	0.9	4.9	4.0	14.3
Total	703.0	658.8	2,564.3	2,618.4
GAS TRANSMISSION AND STORAGE				
Unaffiliated	133.3	141.9	300.2	304.8
Intersegment	61.4	53.4	131.3	126.5
Total	194.7	195.3	431.5	431.3
ELECTRIC OPERATIONS				
Unaffiliated	263.8	255.9	519.6	511.8
Intersegment	3.6	3.5	8.7	10.4
Total	267.4	259.4	528.3	522.2
OTHER				
Unaffiliated	136.5	82.3	320.3	213.4
Intersegment	9.1	10.4	14.2	23.7
Total	145.6	92.7	334.5	237.1
Adjustments and eliminations	(65.7)	(65.0)	(140.4)	(143.2)
CONSOLIDATED REVENUES	$ 1,245.0	$ 1,141.2	$ 3,718.2	$ 3,665.8
OPERATING INCOME (LOSS)				
Gas Distribution	$ 15.1	$ 56.8	$ 300.1	$ 371.0
Gas Transmission and Storage	73.5	87.3	184.9	198.6
Electric	82.0	64.1	140.8	116.7
Other	(8.1)	(10.4)	(26.3)	(24.3)
Corporate	(5.0)	(22.0)	0.6	(13.8)

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CONSOLIDATED OPERATING INCOME	$ 157.5	$ 175.8	$ 600.1	$ 648.2

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

NISOURCE INC.

NOTE REGARDING FORWARD-LOOKING STATEMENTS

The Management's Discussion and Analysis, including statements regarding market risk sensitive instruments, contains "forward-looking statements," within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Investors and prospective investors should understand that many factors govern whether any forward-looking statement contained herein will be or can be realized. Any one of those factors could cause actual results to differ materially from those projected. These forward-looking statements include, but are not limited to, statements concerning NiSource Inc.'s (NiSource) plans, objectives, expected performance, expenditures and recovery of expenditures through rates, stated on either a consolidated or segment basis, and any and all underlying assumptions and other statements that are other than statements of historical fact. From time to time, NiSource may publish or otherwise make available forward-looking statements of this nature. All such subsequent forward-looking statements, whether written or oral and whether made by or on behalf of NiSource, are also expressly qualified by these cautionary statements. All forward-looking statements are based on assumptions that management believes to be reasonable; however, there can be no assurance that actual results will not differ materially.

Realization of NiSource's objectives and expected performance is subject to a wide range of risks and can be adversely affected by, among other things, weather, fluctuations in supply and demand for energy commodities, growth opportunities for NiSource's businesses, increased competition in deregulated energy markets, dealings with third parties over whom NiSource has no control, actual operating experience of acquired assets, the regulatory process, regulatory and legislative changes, changes in general economic, capital and commodity market conditions, and counter-party credit risk, many of which risks are beyond the control of NiSource. In addition, the relative contributions to profitability by each segment, and the assumptions underlying the forward-looking statements relating thereto, may change over time.

The following Management's Discussion and Analysis should be read in conjunction with NiSource's Annual Report on Form 10-K for the fiscal year ended December 31, 2003.

CONSOLIDATED REVIEW

EXECUTIVE SUMMARY

NiSource generates nearly all of its net revenue through the sale, distribution, and transmission and storage of natural gas and the generation, transmission and distribution of electricity, which are rate regulated. A significant portion of NiSource's operations, most notably in the gas distribution, gas transportation and electric businesses, is subject to seasonal fluctuations in sales. During the heating season, which is primarily from November through March, and the cooling season, which is primarily from June through September, net revenues from gas and electric sales and transportation services are more significant than in other months.

For the second quarter of 2004, income from continuing operations was $35.3 million, or $0.13 per share, while for the six months ended June 30, 2004, NiSource reported income from continuing operations of $251.8 million, or $0.96 per share. This compares to income from continuing operations of $39.3 million, or $0.15 per share, for the year-ago quarter and income from continuing operations of $261.6 million, or $1.02 per share for the period ended June 30, 2003. Warmer weather during the crucial winter heating season, as compared to the period a year ago, partially offset by a reduced estimate of property tax expense, were the primary factors affecting NiSource's second quarter and year-to-date results for 2004. Additionally, continued actions to reduce debt have resulted in significant improvements to NiSource's balance sheet and reduced interest expense. All per share amounts are basic earnings per share.

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

NISOURCE INC.

The second quarter of 2004 was marked by many key factors that contributed to our results. Weather in the markets served by NiSource's natural gas utility and pipeline companies was approximately 10 percent warmer than normal and 11 percent warmer compared with the year-ago period. In addition, both this quarter and the second quarter of 2003 reflect lower interruptible transmission service revenues than those that have been historically realized by NiSource's pipeline business. Management has evaluated operational and market conditions, and anticipates that there will be fewer opportunities for interruptible revenue on an ongoing basis. Also, with a reduction in the company's debt and lower average long-term borrowing rates, interest expense for the second quarter of 2004 decreased by $15.2 million, or 13.2 percent, compared with the year-ago period. NiSource continues to improve its capital structure, with a total debt to total capitalization ratio of 57 percent, compared with 60 percent at year-end 2003. The decrease in the total debt to total capitalization ratio from December 31, 2003 is a result of a seasonal reduction in short-term debt due to lower working capital requirements.

NiSource will continue to build value and customer trust by capitalizing on its super-regional utility and pipeline operations. NiSource will focus on:
continuing to standardize its operations and improve on predictability and reliability; continuing to deliver the best possible service at the lowest cost; continuing to develop innovative ways to help our customers manage heating bills and gas price volatility, with products such as a fixed-price option; continuing to find ways to control the cost of generating electricity; and pursuing projects that will bring long-term attractively priced gas supplies to the market.

RESULTS OF OPERATIONS
THE QUARTER ENDED JUNE 30, 2004

Net Income

NiSource reported net income of $34.6 million, or $0.13 per share, for the three months ended June 30, 2004, compared to a net loss of $324.9 million, or $1.24 loss per share, for the second quarter 2003. Operating income was $157.5 million, a decrease of $18.3 million from the same period in 2003. NiSource's net income reflects the impact of the discontinued operations, a $364.2 million loss in the second quarter of 2003, which included the sale of Columbia Energy Resources (CER) and all of the steel-industry-related, inside-the-fence project entities of PEI Holdings, Inc. (PEI). All per share amounts are basic earnings per share.

Net Revenues

Total consolidated net revenues (gross revenues less cost of sales) for the three months ended June 30, 2004, were $616.1 million, a $25.7 million decrease from the same period last year. The decrease in gas net revenues was primarily a result of reduced residential and commercial natural gas sales and deliveries of approximately $6.0 million due to warmer weather, and lower non-traditional revenue amounting to $6.1 million during the second quarter of 2004 compared with the same period in 2003. In addition, transmission and storage net revenues decreased by $4.4 million due to a reduction in interruptible service revenues primarily due to lower throughput, which were partially offset by an increase in demand charge revenues. The reduction in gas distribution revenue and transmission and storage revenue were partially offset by a $6.8 million increase in electric net revenue for the 2004 quarter, which was due to greater customer usage and favorable weather. The comparable 2003 period was also favorably impacted by adjustments for gas costs associated with certain customers of about $14.3 million.

Expenses

Operating expenses for the second quarter 2004 were $458.6 million, a decrease of $7.4 million from the 2003 period. The second quarter of 2004 was favorably impacted by litigation settlements of $3.3 million and an adjustment of insurance reserves of $5.8 million. These 2004 benefits compared to 2003 benefits that included insurance adjustments and recoveries of $13.1 million and the reversal of a litigation reserve upon settlement amounting to $6.6 million. Taking into consideration these items impacting both 2004 and 2003 operation and maintenance expenses, quarter-over-quarter, baseline operation and maintenance expenses were essentially flat. Other taxes expense for the second quarter 2004 was $19.5 million lower than the second quarter of 2003 mainly as a result of reducing an accrual for estimated property tax expense.

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

NISOURCE INC.

Other Income (Deductions)

Interest expense, net was $99.6 million for the quarter, a decrease of $15.3 million compared to the second quarter 2003. The decrease was the result of a quarter-over-quarter reduction in debt balances along with lower average long-term borrowing rates attributable to debt refinancings completed during 2003.

Income Taxes

Income tax expense for the second quarter 2004 was $22.1 million, a decrease of $4.3 million compared to the 2003 period, due to lower pre-tax income.

Discontinued Operations

The after-tax loss from discontinued operations was $0.7 million for the second quarter 2004 versus an after-tax loss from discontinued operations of $364.2 million in the second quarter of 2003. The current quarter after-tax loss from discontinued operations is a result of residual liabilities associated with the sale of NiSource's exploration and production subsidiary, CER, in August 2003. For the comparable quarter in 2003, the after-tax loss of $362.8 million was related to the sales of CER, and all of the steel-industry-related, inside-the-fence project entities of its subsidiary PEI. NiSource accounted for the CER and PEI subsidiaries as discontinued operations as of June 30, 2003.

RESULTS OF OPERATIONS
SIX MONTHS ENDED JUNE 30, 2004

Net Income

NiSource reported net income of $248.1 million, or $0.95 per share, for the six months ended June 30, 2004, compared to a net loss of $70.0 million, or $0.27 loss per share, for the first six month of 2003. Operating income was $600.1 million, a decrease of $48.1 million from the same period in 2003. NiSource's net income reflects the impact of the discontinued operations sales, a $318.0 million loss in the second quarter of 2003, which included CER and all of the steel-industry-related, inside-the-fence project entities of PEI. All per share amounts are basic earnings per share.

Net Revenues

Total consolidated net revenues (gross revenues less cost of sales) for the six months ended June 30, 2004, were $1,608.1 million, a $63.4 million decrease from the same period last year. The decrease in gas net revenues was primarily a result of reduced residential and commercial natural gas sales and deliveries due to warmer weather of approximately $22.6 million, reduced revenue from cost trackers of $13.6 million and lower non-traditional revenue amounting to $9.2 million during the first half of 2004 compared with the same period in 2003. Both the six-months ended June 30, 2004, and the six-months ended June 30, 2003, reflect lower interruptible transmission service revenues than those that have been historically realized, driving a $3.1 million decrease in transmission net revenue. Management has evaluated operational and market conditions, and anticipates that there will be fewer opportunities for interruptible revenue on an ongoing basis. The reduction in gas distribution revenue and transmission revenue was partially offset by a $16.8 million increase in electric net revenue for the first six months of 2004, which was due to greater customer usage and favorable weather. The comparable 2003 period was also favorably impacted by adjustments for gas costs associated with certain customers.

Expenses

Operating expenses for the first six months of 2004 were $1,008.0 million, a decrease of $15.3 million from the 2003 period. Other taxes expense for the first half of 2004 was $24.6 million lower than the first half of 2003 mainly as a result of reducing an accrual for estimated property tax expense. Operation and maintenance expenses for the first half of 2004 were $6.1 million higher than they were in first half of 2003. The six months ended June 30, 2004, benefited from the reversal of a reserve upon settlement of a lawsuit of $14.3 million and the adjustment of insurance reserves of $5.1 million, and was reduced by the write-down of a regulatory asset amounting to $8.6 million. The comparable 2003 period was favorably impacted by insurance adjustments and recoveries of $13.1 million and the reversal of litigation reserves upon the settlement of lawsuits amounting to $19.2 million.

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

NISOURCE INC.

Other Income (Deductions)

Interest expense, net was $202.3 million for the first six months of 2004 compared to $237.9 million for the first six months of last year. This decrease of $35.6 million was mainly due to a reduction in short-term debt balances and lower average long-term borrowing rates attributable to debt refinancings completed during 2003.

Income Taxes

Income tax expense for the first six months of 2004 was $147.7 million, a decrease of $6.2 million compared to the 2003 period, due to lower pre-tax income.

Discontinued Operations

The after-tax loss from discontinued operations was $3.7 million for the six months ended June 30, 2004 versus an after-tax loss from discontinued operations of $322.8 million for the comparable 2003 period. The current period's after-tax loss from discontinued operations is a result of residual liabilities associated with the sale of CER in August 2003. For the six months ended June 30, 2003 the after-tax loss of $362.8 million was related to the sales of CER, and all of the steel-industry-related, inside-the-fence project entities of PEI.

Change in Accounting

The change in accounting in the first half of 2003 of $8.8 million, net-of-tax, resulted from the cumulative effect of adopting the Financial Accounting Standards Board statement on asset retirement obligations.

LIQUIDITY AND CAPITAL RESOURCES

Generally, cash flow from operations has provided sufficient liquidity to meet operating requirements. A significant portion of NiSource's operations, most notably in the gas distribution, gas transportation and electric businesses, is subject to seasonal fluctuations in cash flow. During the heating season, which is primarily from November through March, cash receipts from gas sales and transportation services typically exceed cash requirements. During the summer months, cash on hand, together with the seasonal increase in cash flows from the electric business during the summer cooling season and external short-term and long-term financing, is used to purchase gas to place in storage for heating season deliveries, perform necessary maintenance of facilities, make capital improvements in plant and expand service into new areas.

Net cash from continuing operations for the six months ended June 30, 2004 was $1,093.0 million. Net cash from continuing operations increased $501.3 million from the comparable period a year-ago, mainly as a result of increased cash flow from working capital. The increase in cash flow from working capital was $540.9 million, driven largely by increased factoring of accounts receivable through the expanded accounts receivable sales agreements, decreased gas inventories and the timing of the recovery of gas and fuel costs.

During July 2004, NiSource redeemed $32.0 million of Northern Indiana Public Service Company (Northern Indiana) medium-term notes, with an average interest rate of 6.53%.

During April 2004, NiSource redeemed $80.0 million of NiSource Capital Markets, Inc. medium-term notes, with an average interest rate of 7.39%.

During February 2004, Northern Indiana redeemed $111.1 million of its medium-term notes and Bay State Gas Company redeemed $10.0 million of its medium-term notes, with an average interest rate of 7.49% and 7.63%, respectively. The associated redemption premium was $4.6 million, of which $4.2 million was charged to expense and $0.4 million was recorded as a regulatory asset.

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

NISOURCE INC.

Credit Facilities

During March 2004, NiSource obtained a new $500 million 364-day credit facility and a $750 million 3-year credit facility with a syndicate of banks led by Barclays Capital. The new facilities replaced an expiring $1.25 billion credit facility. NiSource had outstanding credit facility advances of $143.5 million at June 30, 2004, at a weighted average interest rate of 2.3%, and advances of $685.5 million at December 31, 2003, at a weighted average interest rate of 1.82%. As of June 30, 2004 and December 31, 2003, NiSource had $114.4 million and $121.4 million of standby letters of credit outstanding, respectively. At June 30, 2004, $96.2 million of the $114.4 million total outstanding letters of credit resided within a separate bi-lateral letter of credit arrangement with Barclays Bank which NiSource obtained during February 2004. As of June 30, 2004, $1,088.3 million of credit was available under the credit facilities. In addition, NiSource had standby letters of credit of $5.1 million and $4.9 million as of June 30, 2004 and December 31, 2003, respectively, issued under another credit facility.

Sale of Trade Receivables

On May 14, 2004, Columbia Gas of Ohio, Inc. (Columbia of Ohio) entered into an agreement to sell, without recourse, substantially all of its trade receivables, as they originate, to Columbia of Ohio Receivables Corporation (CORC), a wholly-owned subsidiary of Columbia of Ohio. CORC, in turn, is party to an agreement, also dated May 14, 2004, in which it sells an undivided percentage ownership interest in the accounts receivable to a commercial paper conduit sponsored by Dresdner Kleinwort Wasserstein. The conduit can purchase up to $300.0 million of accounts receivable under the agreement. The agreements, which replaced prior similar agreements, expire in May 2005, but can be automatically renewed if mutually agreed to by both parties. As of June 30, 2004, $164.8 million of accounts receivable had been sold by CORC.

On December 30, 2003, Northern Indiana entered into an agreement to sell, without recourse, all of its trade receivables, as they originate, to NIPSCO Receivables Corporation (NRC), a wholly-owned subsidiary of Northern Indiana. NRC, in turn, is party to an agreement in which it sells an undivided percentage ownership interest in the accounts receivable to a commercial paper conduit. The conduit can purchase up to $200 million of accounts receivable under the agreement. The agreements expire in December 2004. As of June 30, 2004, NRC had sold $135.6 million of accounts receivable.

MARKET RISK DISCLOSURES

Through its various business activities, NiSource is exposed to both non-trading and trading risks. The non-trading risks to which NiSource is exposed include interest rate risk, commodity market risk and credit risk of its subsidiaries. The risk resulting from trading activities consists primarily of commodity market and credit risks. NiSource's risk management policy permits the use of certain financial instruments to manage its market risk, including futures, forwards, options and swaps.

Various analytical techniques are employed to measure and monitor NiSource's market and credit risks, including value-at-risk and instrument sensitivity to market factors (VaR). VaR represents the potential loss or gain for an instrument or portfolio from changes in market factors, for a specified time period and at a specified confidence level.

Non-Trading Risks

Commodity price risk resulting from non-trading activities at NiSource's rate-regulated subsidiaries is limited, since current regulations allow recovery of prudently incurred purchased power, fuel and gas costs through the rate-making process. As states experiment with regulatory reform, these subsidiaries may begin providing services without the benefit of the traditional rate-making process and may be more exposed to commodity price risk.

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

NISOURCE INC.

NiSource is exposed to interest rate risk as a result of changes in interest rates on borrowings under revolving credit agreements and lines of credit, which have interest rates that are indexed to short-term market interest rates. At June 30, 2004, the combined borrowings outstanding under these facilities totaled $143.5 million. NiSource is also exposed to interest rate risk due to changes in interest rates on fixed-to-variable interest rate swaps that hedge the fair value of long-term debt. The principal amount of such long-term debt subject to interest rate hedges at June 30, 2004 was $1,160.0 million. Based upon average borrowings under agreements subject to fluctuations in short-term market interest rates during the second quarter 2004, an increase in short-term interest rates of 100 basis points (1%) would have increased interest expense by $4.4 million and $9.6 million for the quarter and six months ended June 30, 2004, respectively.

On May 12, 2004, Columbia terminated fixed-to-variable interest rate swap agreements in a notional amount of $663.0 million with five counterparties. Columbia received an aggregate settlement payment of $1.8 million, which is being amortized as a reduction to interest expense over the remaining term of the underlying debt.

On May 12, 2004, NiSource entered into fixed-to-variable interest rate swap agreements in a notional amount of $660.0 million with six counterparties having a 6 1/2-year term. NiSource will receive payments based upon a fixed 7.875% interest rate and pay a floating interest amount based on U.S. 6-month British Banker Association (BBA) LIBOR plus an average of 3.08% per annum. There was no exchange of premium at the initial date of the swaps. In addition, each party has the right to cancel the swaps on May 15, 2009 at mid-market.

Due to the nature of the industry, credit risk is a factor in many of NiSource's business activities. Credit risk arises because of the possibility that a customer, supplier or counterparty will not be able or willing to fulfill its obligations on a transaction on or before the settlement date. For derivative contracts such as interest rate swaps, credit risk arises when counterparties are obligated to pay NiSource the positive fair value or receivable resulting from the execution of contract terms. Exposure to credit risk is measured in terms of both current and potential exposure. Current credit exposure is generally measured by the notional or principal value of financial instruments and direct credit substitutes, such as commitments, standby letters of credit and guarantees. Because many of NiSource's exposures vary with changes in market prices, NiSource also estimates the potential credit exposure over the remaining term of transactions through statistical analyses of market prices. In determining exposure, NiSource considers collateral and master netting agreements, which are used to reduce individual counterparty credit risk.

Trading Risks

The transactions associated with NiSource's power trading operations give rise to various risks, including market risks resulting from the potential loss from adverse changes in the market prices of electricity. The power trading operations market and trade over-the-counter contracts for the purchase and sale of electricity. Those contracts within the power trading portfolio that require settlement by physical delivery are often net settled in accordance with industry standards.

Fair value represents the amount at which willing parties would transact an arms-length transaction. Fair value is determined by applying a current price to the associated contract volume for a commodity. The current price is derived from one of three sources including actively quoted markets such as the New York Mercantile Exchange (NYMEX), other external sources including electronic exchanges and over-the-counter broker-dealer markets, as well as financial models such as the Black-Scholes option pricing model.

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

NISOURCE INC.

The fair values of the contracts related to NiSource's trading operations, the activity affecting the changes in the fair values during the second quarter of 2004, the sources of the valuations of the contracts during 2004 and the years in which the remaining contracts mature are:

(in millions)	Three Months Ended June 30, 2004	Six Months Ended June 30, 2004
Fair value of contracts outstanding at the beginning of the period	$ -	$ (1.5)
Contracts realized or otherwise settled during the period (including net option premiums received)	1.1	(1.6)
Fair value of new contracts entered into during the period	(1.3)	(4.4)
Other changes in fair values during the period	2.1	9.4
Fair value of contracts outstanding at the end of the period	$ 1.9	$ 1.9

(in millions)	2004	2005	2006	2007	2008	After
Prices actively quoted	$ -	$ -	$ -	$ -	$ -	$ -
Prices from other external sources	1.0	0.2	-	-	-	-
Prices based on models/other method	2.7	(2.0)	-	-	-	-
Total fair values	$ 3.7	$ (1.8)	$ -	$ -	$ -	$ -

The caption "Prices from other external sources" generally includes contracts traded on electronic exchanges and over-the-counter contracts whose value is based on published indices or other publicly available pricing information. Contracts shown within "Prices based on models/other method" are generally valued employing the widely used Black-Scholes option-pricing model.

Market Risk Measurement

Market risk refers to the risk that a change in the level of one or more market prices, rates, indices, volatilities, correlations or other market factors, such as liquidity, will result in losses for a specified position or portfolio. NiSource calculates a one-day VaR at a 95% confidence level for the power trading group and the gas marketing group that utilize a variance/covariance methodology. Based on the results of the VaR analysis, the daily market exposure for power trading on an average, high and low basis was $0.2 million, $0.4 million and effectively zero, during the second quarter of 2004, respectively. The daily market exposure for the gas marketing portfolio on an average, high and low basis was $0.1 million, $0.2 million and $0.1 million during the second quarter of 2004, respectively. Prospectively, management has set the VaR limits at $2.5 million for power trading and $0.5 million for gas marketing. Exceeding the VaR limits would result in management actions to reduce portfolio risk.

Refer to "Risk Management Activities" in Note 7 of the Notes to Consolidated Financial Statements for further discussion of NiSource's risk management.

OFF BALANCE SHEET ARRANGEMENTS

NiSource has issued guarantees that support up to approximately $1.4 billion of commodity-related payments for its current subsidiaries involved in energy marketing and power trading and to satisfy requirements under forward gas sales agreements of a former subsidiary. These guarantees were provided to counterparties to facilitate physical and financial transactions involving natural gas and electricity. To the extent liabilities exist under the commodity-related contracts subject to these guarantees, such liabilities are included in the consolidated balance sheets. In addition, NiSource has other guarantees, purchase commitments, operating leases, lines of credit and letters of credit outstanding. Refer to Note 7, Risk Management Activities, and Note 11, Guarantees and Indemnities, of the Notes to Consolidated Financial Statements for further discussion of NiSource's off balance sheet arrangements.

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In addition, NiSource subsidiaries have sold certain accounts receivable. NiSource's accounts receivable programs qualify for sale accounting because they meet the conditions specified in the Statement of Financial Accounting Standards (SFAS) No. 140 "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." In the agreements, all transferred assets have been isolated from the transferor and put presumptively beyond the reach of the transferor and its creditors, even in bankruptcy or other receivership. NiSource does not retain any interest in the receivables under these programs.

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

NISOURCE INC.

OTHER INFORMATION

Bargaining Unit Contract

Northern Indiana reached an agreement with its bargaining unit employees to replace the contract agreements that expired May 31, 2004. The new agreements are for five years, expiring May 31, 2009.

RESULTS AND DISCUSSION OF SEGMENT OPERATIONS

Presentation of Segment Information

NiSource's operations are divided into four primary business segments; Gas Distribution Operations, Gas Transmission and Storage Operations, Electric Operations, and Other Operations.

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

NISOURCE INC.
GAS DISTRIBUTION OPERATIONS

(in millions)	Three Months Ended June 30, 2004	Three Months Ended June 30, 2003	Six Months Ended June 30, 2004	Six Months Ended June 30, 2003
NET REVENUES				
Sales Revenues	$ 627.8	$ 576.4	$ 2,307.3	$ 2,352.8
Less: Cost of gas sold	462.0	385.3	1,742.8	1,729.3
Net Sales Revenues	165.8	191.1	564.5	623.5
Transportation Revenues	75.2	82.4	257.0	265.6
Net Revenues	241.0	273.5	821.5	889.1
OPERATING EXPENSES				
Operation and maintenance	145.7	135.4	329.0	319.2
Depreciation and amortization	48.6	47.9	96.3	95.5
Other taxes	31.6	33.4	96.1	103.4
Total Operating Expenses	225.9	216.7	521.4	518.1
Operating Income	$ 15.1	$ 56.8	$ 300.1	$ 371.0
REVENUES ($ IN MILLIONS)				
Residential	335.8	378.5	1,450.9	1,555.1
Commercial	116.8	135.0	512.7	552.7
Industrial	38.0	37.1	118.7	110.5
Transportation	75.2	82.4	257.0	265.6
Off System Sales	114.5	17.4	155.3	60.6
Other	22.7	8.4	69.7	73.9
Total	703.0	658.8	2,564.3	2,618.4
SALES AND TRANSPORTATION (MMDTH)				
Residential sales	27.6	29.5	137.4	150.8
Commercial sales	11.6	12.1	53.0	58.0
Industrial sales	5.3	3.9	13.4	12.1
Transportation	112.8	103.8	300.0	286.1
Off System Sales	19.0	2.6	26.0	5.3
Other	0.1	2.0	0.1	2.2
Total	176.4	153.9	529.9	514.5
HEATING DEGREE DAYS	434	486	3,158	3,371
NORMAL HEATING DEGREE DAYS	483	485	3,138	3,120
% COLDER (WARMER) THAN NORMAL	(10%)	0%	1%	8%
CUSTOMERS				
Residential			2,303,083	2,303,356
Commercial			211,704	213,982
Industrial			5,863	5,999
Transportation			753,654	744,324
Other			61	65
Total	-	-	3,274,365	3,267,726

NiSource's natural gas distribution operations serve approximately 3.3 million customers in nine states: Ohio, Indiana, Pennsylvania, Massachusetts, Virginia, Kentucky, Maryland, New Hampshire and Maine. The regulated subsidiaries offer both traditional bundled services as well as transportation only for customers that purchase gas from alternative suppliers. The operating results reflect the temperature-sensitive nature of customer demand with over 72% of annual residential and commercial throughput affected by seasonality. As a result, segment operating income is higher in the first and fourth quarters reflecting the heating demand during the winter season.

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

NISOURCE INC.
GAS DISTRIBUTION OPERATIONS (CONTINUED)

Regulatory Matters

Through October 2004, Columbia of Ohio is operating under a regulatory stipulation approved by the Public Utilities Commission of Ohio (PUCO). On October 9, 2003, Columbia of Ohio and other parties filed with the PUCO an amended stipulation that would govern Columbia of Ohio's regulatory framework from November 2004 through October 2010. The majority of Columbia of Ohio's contracts with interstate pipelines expire in October 2004, and the amended stipulation would permit Columbia of Ohio to renew those contracts for firm capacity sufficient to meet up to 100% of the design peak day requirements through October 31, 2005 and up to 95% of the design peak day requirements through October 31, 2010. Among other things, the amended stipulation would also: (1) extend Columbia of Ohio's CHOICE(R) program through October 2010; (2) provide Columbia of Ohio with an opportunity to generate revenues sufficient to cover the stranded costs associated with the CHOICE(R) program; and (3) allow Columbia of Ohio to record post-in-service carrying charges on plant placed into service after October 2004, and to defer the property taxes and depreciation associated with such plant.

On March 11, 2004, the PUCO issued an order that adopted and modified the stipulation from Columbia of Ohio and a collaborative of parties. The order extended Columbia of Ohio's CHOICE(R) program. However, the order limited the time period of the stipulation through December 31, 2007 and declined to pre-approve the amount of interstate pipeline firm capacity for which Columbia of Ohio could contract. In addition, the PUCO made other modifications which would limit Columbia of Ohio's ability to generate additional revenues sufficient to cover stranded costs, including declining to mandate that natural gas marketers participating in the CHOICE(R) program obtain 75% of their interstate capacity directly from Columbia of Ohio and changing the allocation of revenues generated through off-system sales. The order allows Columbia of Ohio to record post-in-service carrying charges on plant placed in service after October 2004 and allows the deferral of property taxes and depreciation associated with such plant.

On April 9, 2004, Columbia of Ohio and other signatory parties to the stipulation, consistent with standard regulatory process, petitioned the PUCO for rehearing on the components which have been modified. That same day the Office of the Ohio Consumers' Counsel (OCC) also filed an application for rehearing, and argued that the PUCO should not have permitted Columbia of Ohio to record post-in-service carrying charges on plant placed into service after October 2004, and to defer the property taxes and depreciation associated with such plant. On April 19, 2004, the OCC filed a motion to dismiss the application for rehearing filed by Columbia of Ohio and other parties.

On May 5, 2004 the PUCO issued an order on rehearing, in which it denied the OCC's motion to dismiss and its application for rehearing. The PUCO granted, in part, the joint application filed by Columbia of Ohio and others. In granting the joint application for rehearing, in part, the PUCO did the following: (1) revised the term of the stipulation so that it runs through October 31, 2008; (2) restored the marketers' responsibility for 75% of CHOICE(R) costs; and (3) revised the mechanism applicable to Columbia of Ohio's sharing of off-system sales and capacity release revenue. Under the revised off-system sales/capacity release revenue sharing mechanism, Columbia of Ohio must now begin sharing such revenue equally with the customers when the annual revenue exceeds $25 million, instead of $35 million as originally proposed by Columbia of Ohio and other collaborative parties.

In a letter docketed on May 12, 2004, Columbia of Ohio and the other signatory parties to the stipulation accepted the PUCO's modifications. On May 14, 2004, the OCC filed a Second Application for Rehearing. In the pleading, the OCC argued that the joint applicants did not meet the statutory requirements for an application for rehearing, and thus the PUCO's order on rehearing granting rehearing was unlawful. The OCC also argued that the rehearing was the result of exclusionary settlement negotiations. The OCC continued to disagree with the PUCO's treatment of off-system sales and capacity release revenues, and post-in-service carrying charges and related deferrals.

On June 3, 2004, Columbia of Ohio filed its proposed tariffs and accounting, as required. On June 9, 2004, the PUCO denied the OCC's Second Application for Rehearing. On July 29, 2004, the OCC filed an appeal with the Supreme Court of Ohio, contesting the PUCO's May 5, 2004 order on rehearing, which granted in part Columbia of Ohio's joint application for rehearing, and the PUCO's June 9, 2004 order, denying the OCC's Second Application for Rehearing.

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

NISOURCE INC.
GAS DISTRIBUTION OPERATIONS (CONTINUED)

On December 17, 2003, the PUCO approved an application by Columbia of Ohio and other Ohio local distribution companies (LDCs) to establish a tracking mechanism that will provide for recovery of current bad debt expense and for the recovery over a five-year period of previously deferred uncollected accounts receivable. As of June 30, 2004, Columbia of Ohio has $46.9 million of uncollected accounts receivable pending future recovery.

On June 11, 2004, Columbia Gas of Pennsylvania, Inc. (Columbia of Pennsylvania) signed a settlement agreement ("Settlement Agreement") in its annual gas cost recovery proceeding with The Office of Consumer Advocate, The Office of Small Business Advocate, The Office of Trial Staff, and Commercial & Industrial Intervenors. Under the Settlement Agreement, the signatory parties agreed to financial incentive mechanisms for off-system sales and capacity release transactions performed by Columbia of Pennsylvania. Under the incentive mechanism, customers receive 100% of the total combined proceeds from off-system sales and capacity release transactions up to a benchmark of $6.0 million. After the benchmark is reached, Columbia of Pennsylvania will retain 50% of proceeds from the transactions; however, Columbia of Pennsylvania may never retain more than 40% of the actual net proceeds generated from off-system sales and capacity release transactions. The incentive mechanism begins October 1, 2004 and ends on September 30, 2006.

On August 11, 1999, the Indiana Utility Regulatory Commission (IURC) approved a flexible gas cost adjustment (GCA) mechanism for Northern Indiana Public Service Company (Northern Indiana). Under the approved procedure, the demand component of the adjustment factor will be determined, after hearings and IURC approval, and made effective on November 1 of each year. The demand component will remain in effect for one year until a new demand component is approved by the IURC. The commodity component of the adjustment factor will be determined by monthly filings, which will become effective on the first day of each calendar month, subject to refund. The monthly filings do not require IURC approval but will be reviewed by the IURC during the annual hearing that will take place regarding the demand component filing. Northern Indiana's GCA factor also includes a gas cost incentive mechanism which allows the sharing of any cost savings or cost increases with customers based on a comparison of actual gas supply portfolio cost to a market-based benchmark price.

Northern Indiana's GCA4 annual demand filing, covering the period November 1, 2002 through October 31, 2003, was made on August 29, 2002 and approved by the IURC for implementation as interim rates, subject to refund effective November 1, 2002. The Indiana Office of Utility Consumer Counselor (OUCC) filed testimony indicating that some gas costs, for the month of March 2003, should not be recovered. On September 10, 2003, the IURC issued an order adjusting the recovery of costs in March 2003 and reducing recovery by $3.8 million. On October 8, 2003, the IURC approved the demand component of the adjustment factor.

Northern Indiana's GCA5 annual demand filing, covering the period November 1, 2003 through October 31, 2004, was made on August 26, 2003 and approved by the IURC for implementation as interim rates, subject to refund, effective November 1, 2003. On June 8, 2004, Northern Indiana and the OUCC entered into a joint stipulation and agreement resolving all issues in GCA5. A hearing was held before the IURC on July 18, 2004 in support of the settlement. Among the settlement agreement's provisions, Northern Indiana has agreed to return $3.8 million to its customers over a twelve-month period following IURC approval. This refund is the resolution of issues similar to those from March 2003. An additional provision of the agreement was to extend the current Alternative Regulatory Procedure (ARP), including Northern Indiana's gas cost incentive mechanism, from the current expiration date of December 31, 2004 to March 31, 2005. An order approving the settlement is expected in the third quarter of 2004. Negotiations are in progress to extend the ARP past March 31, 2005.

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

NISOURCE INC.
GAS DISTRIBUTION OPERATIONS (CONTINUED)

All of the Columbia distribution companies presently hold long-term contracts for pipeline and storage services with its affiliate pipelines, Columbia Gas Transmission Corporation (Columbia Transmission) and Columbia Gulf Transmission Company (Columbia Gulf), and a majority of those contracts expire on October 31, 2004. The Columbia distribution companies are comprised of Columbia Gas of Kentucky, Inc., Columbia Gas of Maryland, Inc., Columbia Gas of Ohio, Inc., Columbia Gas of Pennsylvania, Inc., and Columbia Gas of Virginia, Inc. Each distribution company continues to discuss its plan to renew pipeline and storage contracts with industry stakeholders to ensure the continued ability to serve the requirements of firm customers in a tightening capacity market. All contract negotiations between the distribution companies and Columbia Transmission and Columbia Gulf are expected to be resolved prior to the contracts expiring. In addition, certain contracts will be subject to the approval of the respective state regulatory agencies. On April 29, 2004, the Pennsylvania Public Utility Commission approved a request by Columbia of Pennsylvania, Inc. to renew its pipeline and storage contracts with Columbia Transmission and Columbia Gulf. Pursuant to this approval, Columbia of Pennsylvania's storage contracts and approximately half of its pipeline contracts will be renewed for terms of fifteen years, while the remaining pipeline contracts will be renewed on a tiered basis for terms ranging from five or ten years. Columbia of Pennsylvania, Inc. will also acquire additional capacity to meet customer requirements on peak days. In addition, on August 3, 2004, the Virginia State Corporation Commission approved a request by Columbia of Virginia, Inc. to renew its pipeline and storage contracts with Columbia Transmission and Columbia Gulf. Pursuant to this approval, Columbia of Virginia's storage and pipeline contracts with Columbia Transmission and Columbia Gulf will be renewed for terms of fifteen years.

Environmental Matters

In January of 2004, Northern Indiana and Kokomo Gas and Fuel Company signed a multi-site Voluntary Remediation Program Order addressing 14 former manufactured gas plant sites with the Indiana Department of Environmental Management. Northern Indiana Fuel and Light Company, Inc. expects to enter into a similar agreement for an additional site. Previously Northern Indiana, together with other potentially responsible parties, had entered into similar agreements with the Indiana Department of Environmental Management for 11 additional sites, for which Northern Indiana is required to investigate, and to the extent necessary, clean up.

Weather

In general, NiSource calculates the weather related revenue variance based on changing customer demand driven by weather variance from normal heating degree-days. Normal is evaluated using heating degree days across the NiSource distribution region. While the temperature base for measuring heating degree-days (i.e. the estimated average daily temperature at which heating load begins) varies slightly across the region, the NiSource composite measurement is based on 62 degrees.

Weather in the Gas Distribution Operation's territories for the second quarter of 2004 was 10% warmer than normal and 11% warmer than the second quarter of 2003.

For the first six months of 2004, weather was 1% colder than normal. However, the first six months of 2004 was still 6% warmer than the first six months of 2003.

Throughput

Total volumes sold and transported of 176.4 million dekatherms (MMDth) for the second quarter of 2004 increased 22.5 MMDth from the same period last year primarily due to increased lower margin off-system sales, partially offset by reduced residential and commercial sales as a result of warmer weather.

For the six month period ended June 30, 2004, total volumes sold and transported were 529.9 MMDth, an increase of 15.4 MMDth from the same period in 2003 primarily reflecting increased off-system sales and transportation in the first half of 2004 compared to the first half of 2003, partly offset by a reduction of residential and commercial sales.

Net Revenues

Net revenues for the three months ended June 30, 2004 were $241.0 million, a decrease of $32.5 million from the same period in 2003. The decrease in net revenues was primarily a result of reduced residential and commercial sales of $6.0 million due to warmer weather and reduced non-traditional revenue of $6.1 million in the 2004 period, while the 2003 period was favorably affected by adjustments recorded for gas costs associated with certain customers.

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

NISOURCE INC.
GAS DISTRIBUTION OPERATIONS (CONTINUED)

For the six month period ended June 30, 2004, net revenues were $821.5 million, a $67.6 million decrease from the same period in 2003, largely due to reduced residential and commercial sales as a result of warmer weather of $22.7 million, lower cost tracker and gross receipts tax revenues of $13.6 million that are generally offset in operating expenses, and lower non-traditional revenues.

Operating Income

For the second quarter of 2004, Gas Distribution Operations reported operating income of $15.1 million, a decrease of $41.7 million from the same period in 2003. The decrease was mainly attributable to lower net revenue of $32.5 million discussed above and increased operating expenses due primarily to insurance refunds and adjustments of $8.9 million in the 2003 period and a revised allocation methodology of corporate employee and administrative cost of $4.8 million that lowered expenses in the 2003 period, partially offset by the reversal of certain claims reserves in the 2004 period. In addition, Other taxes was impacted by a reduction of an accrual for estimated property tax expense of $4.7 million, offset by a $5.0 million increase in sales tax accrual during the 2004 period.

Operating income for the first six months of 2004 totaled $300.1 million, a $70.9 decrease compared to the same period in 2003 largely due to lower net revenues of $67.6 million discussed above. In addition, operating expenses increased slightly, due to increased employee and administrative expenses, insurance refunds and adjustments of $5.2 million in the 2003 period and an adjustment to change the allocation of corporate employee and administrative expenses of $4.8 million in the 2003 period, reduced by lower cost tracker and gross receipts tax offset in revenues. In addition, other taxes was impacted by a reduction of an accrual for estimated property tax expense of $4.7 million, offset by a $5.0 million increase in sales tax accrual during the 2004 period.

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

NISOURCE INC.
GAS DISTRIBUTION OPERATIONS (CONTINUED)

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	2004	2003	2004	2003
OPERATING REVENUES				
Transportation revenues	$ 148.4	$ 148.0	$ 336.7	$ 335.0
Storage revenues	44.5	44.6	89.7	89.3
Other revenues	1.8	2.7	5.1	7.0
Total Operating Revenues	194.7	195.3	431.5	431.3
Less: Cost of gas sold	6.5	2.7	10.4	7.1
Net Revenues	188.2	192.6	421.1	424.2
OPERATING EXPENSES				
Operation and maintenance	71.1	63.3	149.4	141.2
Depreciation and amortization	29.4	27.7	57.7	55.6
Loss on sale of assets	0.3	0.2	0.3	0.2
Other taxes	13.9	14.1	28.8	28.6
Total Operating Expenses	114.7	105.3	236.2	225.6
Operating Income	$ 73.5	$ 87.3	$ 184.9	$ 198.6
THROUGHPUT (MMDTH)				
Columbia Transmission				
Market Area	168.4	171.5	575.3	606.3
Columbia Gulf				
Mainline	140.6	173.7	300.6	353.7
Short-haul	20.9	29.3	47.9	58.6
Columbia Pipeline Deep Water	4.3	1.9	8.7	3.4
Crossroads Gas Pipeline	9.8	8.4	20.5	16.1
Granite State Pipeline	5.7	6.6	19.6	21.0
Intrasegment eliminations	(144.5)	(168.1)	(298.7)	(336.6)
Total	205.2	223.3	673.9	722.5

NiSource's Gas Transmission and Storage Operations segment consists of the operations of Columbia Transmission, Columbia Gulf, Columbia Deep Water Service Company, Crossroads Pipeline Company and Granite State Gas Transmission, Inc. In total NiSource owns a pipeline network of approximately 16,000 miles extending from offshore in the Gulf of Mexico to New York and the eastern seaboard. The pipeline network serves customers in nineteen northeastern, mid-Atlantic, midwestern and southern states, as well as the District of Columbia. In addition, the NiSource gas transmission and storage operations segment operates one of the nation's largest underground natural gas storage systems.

Pipeline Firm Service Contracts

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The services of Columbia Transmission and Columbia Gulf consist of open access transportation services, and open access storage services in the case of Columbia Transmission. These services are provided primarily to LDCs. The majority of the firm contracts currently in effect with Columbia Gas and Columbia Gulf expire in late 2004. Customer decisions on capacity re-subscription are affected by many factors, including decisions by state regulators on the treatment of pipeline capacity agreements in the context of LDC unbundling proceedings. Numerous LDCs have already committed to extending their long-term capacity commitments and the companies are in discussions with a number of other firm capacity holders regarding future capacity commitments.

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

NISOURCE INC.
GAS TRANSMISSION AND STORAGE OPERATIONS (CONTINUED)

Regulatory Matters

On February 28, 2003, Columbia Transmission filed with Federal Energy Regulatory Commission (FERC) certain scheduled annual rate adjustments, designated as the Transportation Costs Rate Adjustment (TCRA), Retainage Adjustment Mechanism (RAM), and Electric Power Cost Adjustment (EPCA). These filings sought recovery, during the period April 1, 2003 through March 31, 2004, of certain expenses relating to transportation costs incurred by Columbia Transmission on interconnecting pipelines and electric costs incurred in the operation of certain compressors (TCRA and EPCA, respectively), as well as quantities of gas required by Columbia Transmission to operate its pipeline system RAM. The recovery of each of these costs occurs through a "tracker" which ensures full recovery of actual expenses. Each of the three filings was conditionally accepted by FERC subject to refund and the filing of additional data by Columbia Transmission. On October 1, 2003, FERC issued an order accepting Columbia Transmission's TCRA filing, and accepting the full recovery of upstream transportation costs. On February 11, 2004, FERC issued an order regarding the annual EPCA filing, which upheld Columbia Transmission's ability to fully recover its electric costs, but required Columbia Transmission to implement a separate EPCA rate to recover electric power costs incurred by a newly expanded electric-powered compressor station from specific customers. The order also limits Columbia Transmission's ability to prospectively discount its EPCA rates. Management does not believe this order will have a material financial impact. On April 14, 2004 the FERC issued an order accepting Columbia Transmission's RAM filing and approving the full recovery of gas required in system operations. FERC will permit parties to pursue certain issues raised in the 2003 filing in connection with consideration of Columbia Transmission's 2004 RAM filing, which became effective April 1, 2004, and is currently pending.

Environmental Matters

On April 1, 2004, U.S. Environmental Protection Agency (EPA) issued its final Phase II nitrogen oxide (NOx) regulation establishing NOx budgets for states. States will be developing State Implementation Plans (SIPs) which may impact certain compressor station engines/turbines owned by Columbia Transmission and Columbia Gulf. Columbia Transmission and Columbia Gulf will continue to closely monitor the development of SIPs, but anticipates that the cost will not be material.

The EPA has issued maximum achievable control technology (MACT) standards for hazardous air pollutants for stationary combustion turbines and reciprocating internal combustion engines. The final standards for turbines do not impose any compliance costs. The MACT for internal reciprocating internal combustion engines will only impact one Columbia Transmission facility and the estimated cost of compliance is expected to be immaterial.

On April 15, 2004 EPA finalized the 8-hour ozone non-attainment area designations. Following designation of the 8-hour ozone non-attainment areas, the Clean Air Act provides for a process for promulgation of rules specifying a compliance level, compliance deadline, and necessary controls to be implemented within designated areas. Resulting state rules could require additional reductions in NOx. Columbia Transmission and Columbia Gulf will closely monitor implementation of the rules. While the outcome of such rulemakings is uncertain, the cost could be significant.

Proposed Millennium Pipeline Project

The proposed Millennium Pipeline Project (Millennium), in which Columbia Transmission is participating and will serve as developer and operator, will provide access to a number of supply and storage basins and the Dawn, Ontario trading hub. The project is now being marketed in two phases. Phase 1 of the project is an expansion of the Algonquin Pipeline extending from Ramapo, N.Y and connecting to the Empire State Pipeline (Empire), an existing pipeline that originates at the Canadian border and extends easterly to near Syracuse. Empire will construct a lateral pipeline southward to connect with Millennium near Corning, N.Y. Phase 2 would cross the Hudson River, linking to the New York City metropolitan market.

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

NISOURCE INC.
GAS TRANSMISSION AND STORAGE OPERATIONS (CONTINUED)

On September 19, 2002, the FERC issued its order granting final certificate authority for the original Millennium project and specified that Millennium may not begin construction until certain environmental and other conditions are met. One such condition, impacting Phase 2 of the project, is compliance with the Coastal Zone Management Act, which is administered by the State of New York's Department of State (NYDOS). NYDOS has determined that the Hudson River crossing plan is not consistent with the Act. Millennium's appeal of that decision to the United States Department of Commerce was denied. Millennium filed an appeal of the U.S. Department of Commerce ruling relating to the project's Hudson River crossing plan in the U.S. Federal District Court on February 13, 2004. The procedural schedule calls for all briefings to be completed by January 14, 2005.

During the second quarter of 2004, a NiSource affiliate purchased an additional interest in the project. NiSource intends to find another sponsor by the end of 2004 to purchase this interest. The other sponsors remain the same and they are Columbia Transmission, Westcoast Energy, Inc. (subsidiary of Duke Energy Corp.) and MCN Energy Group, Inc. (subsidiary of DTE Energy Co.).

Throughput

Throughput for the Gas Transmission and Storage Operations segment totaled 205.2 MMDth for the second quarter 2004, compared to 223.3 MMDth for the same period in 2003. The decrease of 18.1 MMDth is due mainly to a continued decline of offshore natural gas production.

Throughput for the six months ended June 30, 2004 was 673.9 MMDth, a decrease of 48.6MMDth from the same period in 2003 due to warmer weather in the first half of 2004 than for the comparable period in 2003, and a continued decline of offshore natural gas production, and other non-weather factors.

Net Revenues

Net revenues were $188.2 million for the second quarter 2004, a decrease of $4.4 million from the same period in 2003. Net revenues decreased due to a reduction in interruptible service revenues primarily due to lower throughput, which were partially offset by an increase in demand charge revenues.

Net revenues were $421.1 million for the six months ended June 30, 2004, a slight decrease of $3.1 million from the comparable 2003 period. The 2003 period was unfavorably impacted by higher costs to meet customer demand during a period of sustained cold weather in the Northeast market areas during the first quarter of 2003. Both the six-months ended 2004 and the first half of 2003 reflect lower interruptible transmission service revenues than those that have been historically realized. Management has evaluated operational issues and market conditions and anticipates that there will be fewer opportunities for interruptible revenue on an ongoing basis. Also, net revenues decreased due to lower throughput, which was partially offset by an increase in demand charge revenues.

Operating Income

Operating income was $73.5 million for the second quarter of 2004, a decrease of $13.8 million from the second quarter of 2003. Operating income was mainly affected by reduced net revenues discussed above and a reversal of a litigation reserve of $6.6 million relating to a lawsuit that was settled in the second quarter of 2003.

For the first six months of 2004, operating income was $184.9 million, a $13.7 million decrease from the first six months of 2003. The decrease was mainly attributable to reduced revenues discussed above and increased operation and maintenance expenses largely due to the reversal of a litigation reserve of $6.6 million relating to a lawsuit that was settled in the second quarter of 2003.

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

NISOURCE INC.
ELECTRIC OPERATIONS

(in millions)	Three Months Ended June 30, 2004	Three Months Ended June 30, 2003	Six Months Ended June 30, 2004	Six Months Ended June 30, 2003
NET REVENUES				
Sales revenues	$ 267.4	$ 259.4	$ 528.3	$ 522.2
Less: Cost of sales	84.9	83.7	166.3	177.0
Net Revenues	182.5	175.7	362.0	345.2
OPERATING EXPENSES				
Operation and maintenance	58.8	52.9	119.1	110.4
Depreciation and amortization	44.4	43.6	88.5	87.3
Other taxes	(2.7)	15.1	13.6	30.8
Total Operating Expenses	100.5	111.6	221.2	228.5
Operating Income	$ 82.0	$ 64.1	$ 140.8	$ 116.7
REVENUES ($ IN MILLIONS)				
Residential	66.7	62.4	137.9	134.6
Commercial	73.2	69.7	143.6	136.4
Industrial	102.5	93.4	203.8	191.3
Wholesale	11.4	25.8	22.8	45.4
Other	13.6	8.1	20.2	14.5
Total	267.4	259.4	528.3	522.2
SALES (GIGAWATT HOURS)				
Residential	694.2	639.1	1,448.7	1,428.7
Commercial	899.4	859.2	1,759.5	1,710.7
Industrial	2,327.2	2,205.4	4,665.4	4,478.9
Wholesale	289.5	751.5	559.4	1,293.4
Other	33.8	27.5	66.2	61.2
Total	4,244.1	4,482.7	8,499.2	8,972.9
COOLING DEGREE DAYS	205	113	205	113
NORMAL COOLING DEGREE DAYS	227	224	227	224
% WARMER (COLDER) THAN NORMAL	(10%)	(50%)	(10%)	(50%)
ELECTRIC CUSTOMERS				
Residential			388,824	384,750
Commercial			49,635	48,694
Industrial			2,516	2,560
Wholesale			25	28
Other			776	796
Total			441,776	436,828

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NiSource generates and distributes electricity, through its subsidiary Northern Indiana, to approximately 442 thousand customers in 21 counties in the northern part of Indiana. The operating results reflect the temperature-sensitive nature of customer demand with annual sales affected by temperatures in the northern part of Indiana. As a result, segment operating income is generally higher in the second and third quarters, reflecting cooling demand during the summer season.

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

NISOURCE INC.
ELECTRIC OPERATIONS (CONTINUED)

Market Conditions

The regulatory frameworks applicable to Electric Operations continue to be affected by fundamental changes that will impact Electric Operations' structure and profitability. Notwithstanding those changes, competition within the industry will create opportunities to compete for new customers and revenues. Management has taken steps to improve operating efficiencies in this changing environment and improve the transmission interconnections with neighboring electric utilities.

Regulatory Matters

During 2002, Northern Indiana settled matters related to an electric rate review. On September 23, 2002, the IURC issued an order adopting most aspects of the settlement. The order approving the settlement provides that electric customers of Northern Indiana will receive bill credits of approximately $55.1 million each year, for a cumulative total of $225 million, for the minimum 49-month period, beginning on July 1, 2002. The order also provides that 60% of any future earnings beyond a specified cap will be retained by Northern Indiana. Credits amounting to $26.8 million and $24.3 million were recognized for electric customers for the first half of 2004 and 2003, respectively.

On June 20, 2002, Northern Indiana, Ameren Corporation and First Energy Corporation established terms for joining the Midwest Independent System Operator (MISO) through participation in an independent transmission company (ITC). Northern Indiana transferred functional control of its electric transmission assets to the ITC and MISO on October 1, 2003. As part of Northern Indiana's use of MISO's transmission service, Northern Indiana will incur new categories of transmission charges based upon MISO's Federal Energy Regulatory Commission (FERC)-approved tariff. One of the new categories of charges, Schedule 10, relates to the payment of administrative charges to MISO for its continuing management and operations of the transmission system. Northern Indiana filed a petition on September 30, 2003, with the IURC seeking approval to establish accounting treatment for the deferral of the Schedule 10 charges from MISO. On July 21, 2004 the IURC issued an order which denied Northern Indiana's request for deferred accounting treatment for the MISO Schedule 10 administrative fees. Northern Indiana has taken a charge during the second quarter 2004 in the amount of $2.1 million related to the MISO administrative charges deferred through June 30, 2004. The MISO Schedule 10 administrative fees are currently estimated to be approximately $2.8 million annually. Northern Indiana is currently evaluating the IURC order to determine whether an appeal will be filed.

The MISO has initiated the Midwest Market Initiative (MMI), which will develop the structures and processes to be used to implement an electricity market for the MISO region. This MMI proposes non-discriminatory transmission service, reliable grid operation, and the purchase and sale of electric energy in a competitive, efficient and non-discriminatory manner. MISO has filed with FERC detailed tariff information, with a planned initial operation date of March 1, 2005. Northern Indiana and EnergyUSA-TPC (TPC) are actively pursuing roles in the MMI. At the current time, management believes that the MMI will change the manner in which Northern Indiana and TPC conduct their electric business; however, at this time management cannot determine the impact the MMI will have on Northern Indiana or TPC.

Northern Indiana has been recovering the costs of electric power purchased for sale to its customers through the fuel adjustment clause (FAC). The FAC provides for costs to be collected if they are below a negotiated cap. If costs exceed this cap, Northern Indiana must demonstrate that the costs were prudently incurred to achieve approval for recovery. This negotiated cap agreement is subject to continuing negotiations. A group of industrial customers challenged the manner in which Northern Indiana applied costs associated with a specific interruptible sales tariff. An estimated refund liability was recorded in the first quarter of 2003. A settlement was reached with the customers and Northern Indiana recorded the full costs of the settlement. As a result of the settlement, the industrial customers challenge was withdrawn and dismissed in January 2004. In addition, as a result of the settlement, Northern Indiana has sought and received approval by the IURC to reduce the charges under the interruptible sales tariff. This reduction will remain in effect until the Dean H. Mitchell Generating Station (Mitchell Station) returns to service.

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

NISOURCE INC.
ELECTRIC OPERATIONS (CONTINUED)

Currently, Northern Indiana is reviewing options to meet the electric needs of its customers. This review includes an assessment of Northern Indiana's oldest generating units, which includes the Mitchell Station. Northern Indiana has requested proposals from outside companies to provide power under varying terms and conditions. These proposals are being evaluated. In February 2004, the City of Gary announced an interest to acquire the land on which the Mitchell Station is located for economic development, including a proposal to increase the length of the runways at the Gary International Airport. On May 7, 2004, the City of Gary filed a petition with the IURC seeking valuation of the Mitchell Station and determination of the terms and conditions under which the City of Gary would acquire the Mitchell Station. The procedural schedule for the City of Gary has been set, and Northern Indiana has filed its Prepared Direct Testimony, stating that Northern Indiana has no current plans to restart the Mitchell Station.

On May 25, 2004 Northern Indiana filed a petition for approval of a Purchased Power and Transmission Tracker Mechanism to recover the cost of purchased power to meet Northern Indiana's retail electric load requirements and charges imposed on Northern Indiana by MISO and Grid America. Northern Indiana's direct testimony is due to be filed by August 6, 2004. The hearing is set for the fourth quarter of 2004.

On July 9, 2004 a verified joint petition was filed by PSI Energy, Inc., Indianapolis Power & Light Company, Northern Indiana and Vectren Energy Delivery of Indiana, Inc., seeking approval of certain changes in operations that are likely to result from the MISO's implementation of energy markets, and for determination of the manner and timing of recovery of costs resulting from the MISO's implementation of standard market design mechanisms, such as the MISO's proposed real-time and day-ahead energy markets.

In January 2002, Northern Indiana filed for approval to implement an environmental cost tracker (ECT). The ECT was approved by the IURC on November 26, 2002. Under the ECT Northern Indiana is permitted to recover (1) allowance for funds used during construction and a return on the capital investment expended by Northern Indiana to implement Indiana Department of Environmental Management's nitrogen oxide State Implementation Plan through an Environmental Cost Recovery Mechanism (ECRM) and (2) related operation and maintenance and depreciation expenses once the environmental facilities become operational through an Environmental Expense Recovery Mechanism (EERM). Under the Commission's November 26, 2002 order, Northern Indiana is permitted to submit filings on a semi-annual basis for the ECRM and on an annual basis for the EERM. Northern Indiana's latest ECRM filing (ECR-3) was for capital expenditures of $194.1 million, and was made simultaneous with its first EERM filing (EER-1) for $1.9 million. Over the timeframe required to meet the environmental standards, Northern Indiana anticipates a total capital investment amounting to approximately $274.2 million. On February 4, 2004, the IURC approved Northern Indiana's latest compliance plan with the estimate of $274.2 million. The ECRM revenues amounted to $7.5 million for the six months ended June 30, 2004, and $12.6 million from inception to date, while EERM revenues were $0.3 for the first half of 2004.

Environmental Matters

AIR. On April 15, 2004, the U.S. Environmental Protection Agency (EPA) finalized the 8-hour ozone non-attainment area designations. Following designation of the 8-hour ozone non-attainment areas, the Clean Air Act provides for a process for promulgation of rules specifying a compliance level, compliance deadline, and necessary controls to be implemented within designated areas over the next few years. Resulting state rules could require additional reductions in NOx emissions from coal-fired boilers including Northern Indiana's electric generating stations. Until the rules are promulgated, the potential impact on Northern Indiana is uncertain. Northern Indiana will continue to closely monitor developments in this area.

On June 28 and 29, 2004, the EPA responded to the states' initial recommendations for EPA designation of areas meeting and not meeting the National Ambient Air Quality Standards (NAAQS) for fine particles. (Fine particles are those less than or equal to 2.5 micrometers in diameter and are also referred to as PM2.5.) The states will have 120 days to comment on or dispute these recommendations. Once the designations are finalized, states will need to initiate rulemaking that would seek emissions reductions to bring the designated areas into attainment. Northern Indiana will continue to closely monitor developments in this area.

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

NISOURCE INC.
ELECTRIC OPERATIONS (CONTINUED)

On April 15, 2004, the EPA proposed amendments to its July 1999 Regional Haze Rule that requires states to set periodic goals for improving visibility in 156 natural areas across the United States. These amendments would apply to the provisions of the regional haze rule that require emissions controls known as best available retrofit technology (BART) for BART eligible industrial facilities emitting air pollutants that reduce visibility. Under the rule, states would be required to develop rules that specify the stringency, type of reductions, and controls that could be applied to BART eligible sources consistent with EPA guidance. The BART eligible sources, including many of the boilers at Northern Indiana's electric generating stations, have the potential to emit more than 250 tons a year of visibility impairing emissions, and fall within one of 26 categories, including utility and industrial boilers. States must develop implementation rules by January 2008. Resulting rules could require additional reductions of NOx, sulfur dioxide (SO2) and particulate matter from coal-fired boilers including Northern Indiana's electric generating stations. Until the state rules are promulgated, the potential impact on Northern Indiana is uncertain. Northern Indiana will continue to closely monitor developments in this area.

The EPA Administrator signed a Supplemental Notice of Proposed Rulemaking on May 18, 2004. This rule requires that each state must submit to EPA a plan that demonstrates it will meet its assigned statewide Clean Air Interstate Rule SO2 and NOx emissions budget. The final EPA rule is expected by late Fall, 2004. Until the Federal and State rules are promulgated, the potential impact is uncertain. Northern Indiana will continue to closely monitor developments in this area.

In March 2004, the State of North Carolina filed a petition under Section 126 of the Clean Air Act seeking EPA imposition of additional NOx and SO2 reductions from electrical generating units in 13 states, including Indiana. The EPA is addressing the issues raised by North Carolina in other current regulatory initiatives that are being monitored by Northern Indiana.

WATER. On February 16, 2004, the EPA Administrator signed the Phase II Rule of the Clean Water Act Section 316(b) which requires all large existing steam electric generating stations to meet certain performance standards to reduce the mortality of aquatic organisms at their cooling water intake structures. EPA has delayed the publication of the rule to complete additional revisions. The rule was reissued on July 9, 2004 and becomes effective on September 7, 2004. Under this rule, plants will either have to demonstrate that the performance of their existing fish protection systems meet the new standards or develop new systems whose compliance is based on any of five options. Northern Indiana is assessing the specific impacts of the final Phase II rule on its four (4) generating stations.

REMEDIATION. Northern Indiana is a potentially responsible party under the Comprehensive Environmental Response Compensation and Liability Act and similar State laws at two waste disposal sites and shares in the cost of their cleanup with other potentially responsible parties. At one site, investigations are ongoing and final costs of clean up have not yet been determined. At the second site, Northern Indiana has entered into EPA Administrative Orders on Consent to perform an interim action that includes providing a municipal water supply system for approximately 275 homes. Northern Indiana has also agreed to conduct a Remedial Investigation and Feasibility Study in the vicinity of the third party, state-permitted landfill where Northern Indiana contracted for fly ash disposal.

Sales

Electric sales for the second quarter 2004 were 4,244.1 gwh, a decrease of 238.6 gwh compared to the 2003 period, mainly as a result of decreased wholesale transaction sales, which were offset in part by modest improvements in residential, commercial and industrial sales. Residential and commercial sales improved due to an increase in the number of customers and higher usage, while industrial sales increased due to increased demand from the steel industry.

Electric sales for the first six months of 2004 was 8,499.2 gwh, a decrease of 473.7 gwh compared to the 2003 period, as a result of decreased wholesale transaction sales, partially offset by increased residential, commercial, and industrial sales.

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

NISOURCE INC.
ELECTRIC OPERATIONS (CONTINUED)

Net Revenues

In second quarter 2004, electric net revenues of $182.5 million increased by $6.8 million from the comparable 2003 period. The increase was primarily a result of increased customer usage and customer count of $9.0 million and favorable weather during the quarter, slightly offset by lower wholesale power revenue.

In the first six months of 2004, electric net revenues were $362.0 million, an increase of $16.8 million from the comparable 2003 period as a result of increased customer usage and customer count of $8.2 million, favorable weather, and $6.8 million in environmental cost tracker revenues. In addition, Electric Operations was affected by regulatory items that reduced net revenues by $8.5 million in the comparable 2003 period. These increases in Electric Operations revenues for the first half of 2004 were partially offset by increased regulatory revenue credits of $4.6 million and reduced wholesale revenues of $1.6 million.

Operating Income

Operating income for the second quarter 2004 was $82.0 million, an increase of $17.9 million from the same period in 2003. This increase for the comparative quarters was primarily due to the increase in net revenue mentioned above and a reduction of an accrual for estimated property tax expense. These increases to operating income were partially offset by a $5.9 million increase in operation and maintenance expenses due primarily to higher employee and administrative expenses of $4.8 million and a $2.1 million charge taken for MISO administrative fees. The increased expenses were partially reduced by a $3.2 million reversal of certain claims reserves upon settlement.

Operating income for the first six months of 2004 was $140.8 million, an increase of $24.1 million from the same period in 2003. The increase was primarily due to increased net revenue mentioned above and a reduction of an accrual for estimated property tax expense. Operation and maintenance expenses increased $8.7 million due mainly to higher employee and administrative expenses of $3.3 million, a $2.1 million charge taken for MISO administrative fees, and an expense of $3.3 million recorded in the first quarter of 2004, representing Electric Operations' portion of the redemption premium from the early extinguishment of certain medium-term notes at Northern Indiana. These increased expenses were reduced by a $3.2 million reversal of certain claims reserves upon settlement.

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

NISOURCE INC.
OTHER OPERATIONS

(in millions)	Three Months Ended June 30, 2004	2003	Six Months Ended June 30, 2004	2003
NET REVENUES				
Products and services revenue	$ 145.6	$ 92.7	$ 334.5	$ 237.1
Less: Cost of products purchased	139.8	86.8	328.5	224.7
Net Revenues	5.8	5.9	6.0	12.4
OPERATING EXPENSES				
Operation and maintenance	9.8	12.1	22.8	26.6
Depreciation and amortization	3.0	3.3	5.9	6.2
Loss on sale or impairment of assets	-	-	0.7	1.1
Other taxes	1.1	0.9	2.9	2.8
Total Operating Expenses	13.9	16.3	32.3	36.7
Operating Loss	$ (8.1)	$ (10.4)	$ (26.3)	$ (24.3)

The Other Operations segment participates in energy-related services including gas marketing, power trading and ventures focused on distributed power generation technologies, fuel cells and storage systems. PEI operates the Whiting Clean Energy, Inc. (Whiting Clean Energy) project, which is a 525mw cogeneration facility that uses natural gas to produce electricity for sale in the wholesale markets and also provides steam for industrial use. Additionally, the Other Operations segment is involved in real estate and other businesses.

PEI Holdings, Inc.

WHITING CLEAN ENERGY. PEI's Whiting Clean Energy project at BP's Whiting, Indiana refinery was placed in service in 2002. Initially, the facility was not able to deliver steam to BP to the extent originally contemplated without plant modifications. Whiting Clean Energy has reached an agreement in principle with the engineering, procurement and construction contractor, which requires the contractor to pay for a portion of the necessary plant modifications. Whiting Clean Energy is also pursuing recovery from the insurance provider for construction delays and necessary plant modifications.

PEI estimates that the facility will operate at a loss in the near term based on the current market view of forward pricing for gas and electricity. For 2003, the after-tax loss was approximately $30.0 million and the expected 2004 after-tax loss is expected to be similar to 2003. During the first half of 2004, Whiting Clean Energy continued to experience losses due to the market for wholesale power and the contract requirements to run the plant at a level to produce steam required by the BP refinery in Whiting, Indiana. These contract

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requirements currently are being renegotiated. The profitability of the project in future periods will be dependent on, among other things, prevailing prices in the energy markets and regional load dispatch patterns. Because of the expected losses from this facility and decreases in estimated forward pricing for electricity versus changes in gas prices, an impairment study was performed in the first quarter of 2003 on this facility in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". The study indicated that, at that time, no impairment charge was necessary.

However, the study includes many estimates and assumptions for the 40-year estimated useful life of the facility. Changes in these estimates and assumptions, such as forward prices for electricity and gas, volatility in the market, etc., could result in a situation where total undiscounted net revenues are less than the carrying value of the facility, which would result in a write-down that could be significant.

Net Revenues

Net revenues of $5.8 million for the second quarter of 2004 remained consistent with the same period a year-ago. For the first six months of 2004, net revenues were $6.0 million, a $6.4 million decrease compared to the same period in 2003. The decrease was mainly due to reduced revenues from the Whiting Clean Energy facility of $4.4 million and lower power trading revenues.

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

NISOURCE INC.
OTHER OPERATIONS (CONTINUED)

Operating Income

The Other segment reported an operating loss of $8.1 million for the second quarter of 2004, versus an operating loss of $10.4 million for the comparable period 2003. The improvement was a result of lower operation and maintenance expense due to a reduction in employee and administrative expenses during the second quarter of 2004 as compared the same period in 2003.

For the first six months of 2004, operating loss was $26.3 million compared to an operating loss of $24.3 million for the comparable 2003 period due to increased losses of $3.2 million associated with Whiting Clean Energy and lower power trading revenues. Operation and maintenance expense decreased in the 2004 period as a result of a reduction in employee and administrative expenses during the first half of 2004 as compared the same period in 2003 and a reversal of a litigation reserve during the first half of 2004.

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

NISOURCE INC.

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

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

NiSource's chief executive officer and its chief financial officer, after evaluating the effectiveness of NiSource's disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)), have concluded based on the evaluation required by paragraph (b) of Exchange Act Rules 13a-15 and 15d-15 that, as of the end of the period covered by this report. NiSource's disclosure controls and procedures were adequate and effective to ensure that material information relating to NiSource and its consolidated subsidiaries would be made known to them by others within those entities.

Changes in Internal Controls

There was no change in NiSource's internal control over financial reporting during the fiscal quarter covered by this report that has materially affected, or is reasonably likely to materially affect, NiSource's internal control over financial reporting.

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PART II

ITEM 1. LEGAL PROCEEDINGS

NISOURCE INC.

1. VIRGINIA NATURAL GAS, INC. V. COLUMBIA GAS TRANSMISSION CORP., FEDERAL ENERGY REGULATORY COMMISSION (FERC)

On January 13, 2004, Virginia Natural Gas, Inc. (VNG) filed with FERC a "Complaint Seeking Compliance with the Natural Gas Act and with Regulations and Certificate Orders of the Federal Energy Regulatory Commission and Seeking Remedies" in Docket No. RP04-139. VNG alleged various violations during the Winter of 2002-2003 by Columbia Transmission of its firm service obligations to VNG. VNG sought monetary damages and remedies (exceeding $37 million), and also sought certain prospective remedies. On July 29, 2004, FERC issued an order in which it refused to grant VNG any monetary damages and said such claims are best determined by a court of law. FERC also agreed with Columbia Transmission, that Columbia Transmission had not abandoned its obligation to provide service and that it had not inappropriately continued interruptible service to the detriment of firm service. However, FERC did find that Columbia Transmission had failed to exercise sufficient due diligence in its modifications to or its operation of vaporization equipment at its Chesapeake LNG facility and that Columbia Transmission had failed to deliver gas to VNG at 250 psig as called for by the agreement between VNG and Columbia Transmission. FERC declined VNG's request to award damages in this case and, as noted above, stated that any claim for damages could best be determined by a court of law.

2. STAND ENERGY CORPORATION, ET AL. V. COLUMBIA GAS TRANSMISSION CORPORATION, ET AL KANAWHA COUNTY COURT, WEST VIRGINIA, ATLANTIGAS CORPORATION V. NISOURCE, ET AL, U.S. DISTRICT COURT, NORTHERN DISTRICT OF MARYLAND AND TRIAD ENERGY RESOURCES, ET AL. V. NISOURCE, ET AL

In June 2002, Atlantigas Corporation filed a complaint in the U.S. District Court, District of Columbia. In March 2003, Triad Energy Resources filed a similar complaint in the U.S. District Court, District of Columbia. On September 29, 2003, the Atlantigas complaint was dismissed for lack of personal jurisdiction and Atlantigas filed a new complaint in the U.S. District Court of Northern Maryland on October 27, 2003. Based on the Court's decision on personal jurisdiction in Atlantigas, the plaintiffs in the Triad case dismissed that case on October 31, 2003 from the District of Columbia and indicated that the case would be refiled in another jurisdiction. On July 14, 2004, Stand Energy Corporation filed a complaint in Kanawha County Court in West Virginia and on or about July 22, Atlantigas filed a voluntary notice of dismissal without prejudice in the case in the U.S. District Court of Northern Maryland, citing its joinder as a plaintiff in the Stand Energy case. All of these complaints contain allegations against various NiSource companies, including Columbia Transmission and Columbia Gulf, and assert that those companies and certain "select shippers" engaged in an "illegal gas scheme" that violated federal anti-trust and state law. The "illegal gas scheme" complained of by the plaintiffs relates to the Columbia Transmission and Columbia Gulf gas imbalance transactions that were the subject of the FERC enforcement staff investigation and subsequent settlement approved in October 2000. An answer in the Stand Energy case is due on August 14, 2004.

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ITEM 1. LEGAL PROCEEDINGS (continued)

NISOURCE INC.

3. UNITED STATES OF AMERICA EX REL. JACK J. GRYNBERG V. COLUMBIA GAS TRANSMISSION CORP., ET AL., U.S. DISTRICT COURT, E.D. LOUISIANA

The plaintiff filed a complaint in 1997, under the False Claims Act, on behalf of the United States of America, against approximately seventy pipelines, including Columbia Gulf and Columbia Transmission. The plaintiff claimed that the defendants had submitted false royalty reports to the government (or caused others to do so) by mis-measuring the volume and heating content of natural gas produced on Federal land and Indian lands. The Plaintiff's original complaint was dismissed without prejudice for misjoinder of parties and for failing to plead fraud with specificity. The plaintiff then filed over sixty-five new False Claims Act complaints against over 330 defendants in numerous Federal courts. One of those complaints was filed in the Federal District Court for the Eastern District of Louisiana against Columbia and thirteen affiliated entities.

Plaintiff's second complaint, filed in 1997, repeats the mis-measurement claims previously made and adds valuation claims alleging that the defendants have undervalued natural gas for royalty purposes in various ways, including sales to affiliated entities at artificially low prices. Most of the Grynberg cases were transferred to Federal court in Wyoming in 1999.

The defendants, including the Columbia defendants, have filed motions to dismiss for lack of subject matter jurisdiction in this case.

4. TAWNEY, ET AL. V. COLUMBIA NATURAL RESOURCES, INC., ROANE COUNTY, WV CIRCUIT COURT

The Plaintiffs, who are royalty owners, filed a lawsuit in early 2003 against Columbia Natural Resources alleging that Columbia Natural Resources underpaid royalties by improperly deducting post-production costs and not paying a fair value for the gas produced from their leases. Plaintiffs seek the alleged royalty underpayment and punitive damages claiming that Columbia Natural Resources fraudulently concealed the deduction of post-production charges. In February 2004, the court certified the case as a class action that includes any person who, after January 1, 1980, received or is due royalties from Columbia Natural Resources (and its predecessors or successors) on lands lying within the boundary of the State of West Virginia. All individuals, corporations, agencies, departments or instrumentalities of the United States of America are excepted from the class. Although NiSource sold Columbia Natural Resources in 2003, it remains obligated to manage this litigation and also remains at least partly liable for any damages awarded to the plaintiffs. Columbia Natural Resources appealed the decision certifying the class and the Supreme Court of West Virginia denied the appeal. Trial is scheduled for July 5, 2005.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

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ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

NISOURCE INC.

On May 11, 2004, NiSource held its Annual Meeting of Stockholders. On the March 16, 2004 record date, NiSource had 263,302,932 shares of common stock outstanding, each of which was entitled to one vote at the meeting. The following items were voted upon and approved by the requisite number of shares present in person or by proxy at the meeting:

	Votes For	Votes Against	Abstentions
Ratify appointment of Deloitte & Touche LLP	223,258,822	3,947,982	1,763,421

	Votes For	Votes Withheld
Directors:		
Steven C. Beering	214,487,092	14,483,133
Dennis E. Foster	222,087,788	6,882,437
Richard L. Thompson	223,142,752	5,827,473
Carolyn Y. Woo	222,011,931	6,958,294

ITEM 5. OTHER INFORMATION

None

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ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

(10.1) NiSource Corporate Incentive Plan dated July 16, 2004 and effective as of January 1, 2004.

(10.2) Pension Restoration Plan for Nisource Inc. and Affiliates, as amended and restated effective January 1, 2004.

(10.3) Savings Restoration Plan for Nisource Inc. and Affiliates, as amended and restated effective January 1, 2004.

(10.4) Nisource Inc. Nonemployee Director Stock Incentive Plan, as amended and restated effective January 1, 2004.

(10.5) Nisource Inc. Supplemental Executive Retirement Plan, as amended and restated effective January 1, 2004.

(10.6) Agreement dated September 1, 2002, with Samuel W. Miller, Jr.

(31.1) Certification of Gary L. Neale, Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

(31.2) Certification of Michael W. O'Donnell, Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

(32.1) Certification of Gary L. Neale, Chief Executive Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(32.2) Certification of Michael W. O'Donnell, Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Pursuant to Item 601(b)(4)(iii) of Regulation S-K, NiSource hereby agrees to furnish the U.S. Securities and Exchange Commission, upon request, any instrument defining the rights of holders of long-term debt of NiSource not filed as an exhibit herein. No such instrument authorizes long-term debt securities in excess of 10% of the total assets of NiSource and its subsidiaries on a consolidated basis.

(b) Reports on Form 8-K

The following reports on Form 8-K were filed during the second quarter of 2004:

Item Reported	Financial Statements Included	Date of Event	Date Filed
7, 12	Y	4/30/2004	4/30/2004
9	N	5/11/2004	5/11/2004

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9	N	5/18/2004
5/18/2004		
9	N	6/1/2004
6/01/2004		

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SIGNATURE

NISOURCE INC.

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

NiSource Inc.
(Registrant)

Date: August 6, 2004 *By: /s/ Jeffrey W. Grossman*

Jeffrey W. Grossman
Vice President and Controller
(Principal Accounting Officer and Duly Authorized Officer)

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Exhibit 10.1

NISOURCE CORPORATE INCENTIVE PLAN

1. PURPOSE.

NiSource Inc. ("Company") established the NiSource Corporate Incentive Plan ("Plan") to provide additional compensation for employees who influence the profitability of the Company and its affiliates (individually, "Employer" and collectively, "Employers").

2. ADMINISTRATION.

The Plan is administered by the Officer Nomination and Compensation Committee ("Committee") of the Board of Directors of the Company ("Board"), which, subject to action of the Board, has complete discretion and authority with respect to the Plan and its application, except to the extent that discretion is expressly limited by the Plan.

3. ELIGIBILITY FOR PARTICIPATION.

The participating group of employees ("Participants") under the Plan is comprised of exempt and non-exempt employees of the Company and its affiliates, excluding any employee who has received a last chance letter, final notice letter or equivalent during the Plan year, certain exempt employees who participate in other specialized functional incentive plans and bargaining unit employees of Kokomo Gas and Fuel Company. The Committee, in its sole discretion, shall determine each calendar year the identity of the Participants. The Committee may add additional employees, and remove employees, as Participants during each calendar year.

Notwithstanding the previous paragraph, an employee described above shall be a "Limited Participant" if he or she has received a suspension without pay during the Plan year. Any Participant not covered under the preceding sentence is a "Full Participant."

4. DETERMINATION OF INCENTIVE PAYMENT.

The incentive payment calculation is shown on Exhibit I attached hereto. The Plan is predicated on establishing an incentive pool based on achievement by the Company of a financial trigger, as shown on Exhibit I, for the applicable calendar year, up to a maximum incentive pool established by the Committee. If the financial trigger is met or exceeded for a calendar year, an incentive pool is created for such calendar year. Each Participant's incentive payment from the incentive pool will be based on such Participant's status (i.e., exempt or non-exempt, Employer and job scope level) as of December 31 of the calendar year on which the incentive payment is based.

The incentive payment for a Participant who is an exempt employee is divided into two parts. The first part will be calculated based on a formula set forth in Exhibit I. The remainder of the Participant's potential incentive payment is drawn from a portion of the incentive pool ("Division Pool") allocated to the Participant's manager, in the discretion of the Executive Council of the Company ("Executive Council"), and allocated by such manager among the Participants supervised by the manager. The amount of the Division Pool will be determined by

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the Executive Council based on the performance of the applicable business unit. The allocation of the Division Pool among the Participants in the business unit will be determined by the manager of such business unit based on individual performance of each Participant in the business unit. The discretion exercised by the Executive Council and each manager in this respect is conclusive.

The incentive payment for a Participant who is a non-exempt employee will be awarded to the Participant on a calculated, formula basis set forth in Exhibit I.

Any Participant who terminates employment with the Employers and their affiliates due to death, disability or retirement, pursuant to an Employer's qualified retirement plan, during a calendar year will be deemed a Participant on December 31 of such calendar year, and will receive a prorated calculated incentive payment for such year based on his or her Eligible Earnings as determined pursuant to Exhibit I, through the date of termination of employment.

5. DISTRIBUTION OF THE INCENTIVE PAYMENT.

The elements of each incentive payment, namely, (1) the calculated incentive payment amount and (2) the discretionary incentive payment amount, if applicable, are distributable to the Participant, or his or her beneficiary, in cash in a single sum as soon after the end of the applicable calendar year as practicable, in the same manner as payroll.

6. CONTINUITY OF THE PLAN.

Although it is the present intention of the Company to continue the Plan in effect for an indefinite period of time, the Company reserves the right to terminate the Plan in its entirety as of the end of any calendar year or to modify the Plan as it exists from time to time, provided that no such action shall adversely affect any incentive payment amounts previously earned in a preceding calendar year under the Plan.

7. NOTICES.

Any notice required or permitted to be given by the Company or the Committee pursuant to the Plan shall be deemed given when personally delivered or deposited in the United States mail, registered or certified, postage prepaid, addressed to the Participant, his or her beneficiary, executors, administrators, successors, assigns or transferees, at the last address shown for the Participant on the records of the Company or subsequently provided in writing to the Company.

8. WITHHOLDING.

The Company may withhold from any incentive payment under the Plan amounts sufficient to satisfy applicable withholding requirements under any federal, state or local law, and deductions as may be required pursuant to agreement with, or with the consent of, a Participant, including any elective deferrals under the NiSource Inc. Retirement Savings Plan and the NiSource Inc. Executive Deferred Compensation Plan.

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9. MISCELLANEOUS PROVISIONS.

(a) No incentive payment under the Plan shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge prior to actual receipt thereof by the payee; and any attempt to so anticipate, alienate, sell, transfer, assign, pledge, encumber or charge prior to such receipt shall be void; and the Company shall not be liable in any manner for or subject to the debts, contracts, liabilities, engagements or torts of any person entitled to any incentive payment under the Plan.

(b) Nothing contained herein will confer upon any Participant the right to be retained in the service of an Employer or any affiliate thereof nor limit the right of an Employer or any subsidiary thereof to discharge or otherwise deal with any Participant without regard to the existence of the Plan.

(c) The Plan shall at all times be entirely unfunded and no provision shall at any time be made with respect to segregating assets of an Employer or any affiliate thereof for payment of any incentive payments hereunder. No Participant or any other person shall have any interest in any particular assets of an Employer or any affiliate thereof by reason of the right to receive an incentive payment under the Plan and any such Participant or any other person shall have only the rights of a general unsecured creditor of an Employer or any affiliate thereof with respect to any rights under the Plan.

(d) Any portion of the incentive pool not allocated to Participants for a given calendar year shall remain a general asset of the Company.

10. GOVERNING LAW.

The provisions of the Plan shall be construed and interpreted according to the laws of the State of Indiana, except as preempted by federal law.

IN WITNESS WHEREOF, the Company has caused the Plan to be executed in its name by its duly authorized officer this 16th day of July, 2004, effective as of the 1st day of January, 2004.

NISOURCE INC.

By: /s/ Steven A. Barkauskas

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EXHIBIT I

2004 INCENTIVE CALCULATION

Financial trigger:	Basic earnings per share from continuing operations ("EPS") of $1.65 as of December 31, 2004, after accounting for the cost of the incentive pool. Therefore, EPS must be higher than $1.65 in order for an incentive pool to be established.
Incentive pool:	Any earnings above the financial trigger may, in the discretion of the Committee, fund the incentive pool.
Eligible Earnings:	Actual base earnings in 2004 plus all shift premiums and overtime pay. (Reimbursements for educational assistance,relocation, meals, mileage, incentive payments, and long-term disability payments are not included in base earnings.)
Payout Percentage:	Each Participant will be given an incentive opportunity range, from trigger to maximum, during February 2004 and will be assigned his or her Payout Percentage as soon as practicable after the release of 2004 Company earnings.
Incentive Payment:	(a) Each Full Participant who is a non-exempt employee will receive his or her incentive payment from the incentive pool as a fixed percentage of his or her Eligible Earnings, according to the following formula: Non-Exempt Employee Incentive Payment = Eligible Earnings x Payout Percentage (b) Each Full Participant who is an exempt employee will receive his or her incentive payment from the incentive pool partly from the formula set forth below and partly as a discretionary payment, as described in the Plan. Exempt Employee Incentive Payment = Eligible Earnings x Payout Percentage x 66-2/3% + discretionary payment, if any (c) Each Limited Participant will receive 50% of the amount calculated in paragraph (a) or (b) above, as applicable.

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Exhibit 10.2

PENSION RESTORATION PLAN

FOR NISOURCE INC. AND AFFILIATES

AS AMENDED AND RESTATED EFFECTIVE JANUARY 1, 2004

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PENSION RESTORATION PLAN
FOR NISOURCE INC. AND AFFILIATES

AS AMENDED AND RESTATED EFFECTIVE JANUARY 1, 2004

ARTICLE I

PURPOSE

The Columbia Gas System, Inc., adopted The Pension Restoration Plan for The Columbia Gas System, Inc., as amended and restated effective March 1, 1997. The Plan was amended and restated, effective January 1, 2002, by Columbia Energy Group, successor to Columbia Gas System, Inc., and renamed the Pension Restoration Plan for the Columbia Energy Group. Effective January 1, 2004, NiSource Inc., the parent company of Columbia Energy Group, assumes sponsorship of the Pension Restoration Plan for Columbia Energy Group, renames the Plan the Pension Restoration Plan for NiSource Inc. and Affiliates, and broadens the Plan to include all employees of NiSource Inc. and Affiliated Companies.

The purpose of the Plan is to provide for the payment of pension restoration benefits to employees of NiSource Inc. and Affiliated Companies, whose benefits under the Basic Plans are subject to the Limits, or affected by deferrals into the DCP, so that the total pension plan benefits of such employees will be determined on the same basis as is applicable to all other employees of the Company. The Plan is adopted solely (1) for the purpose of providing benefits to Participants in the Plan and their Beneficiaries in excess of the Limits imposed on qualified plans by Sections 415 and 401(a)(17), and any other sections, of the Code, by restoring benefits to such Plan Participants and Beneficiaries that are no longer available under the Basic Plans as a result of the Limits, and (2) for the purpose of restoring benefits to Plan Participants and Beneficiaries that are no longer available under the Basic Plans as a result of the Participant's deferrals into the DCP. The provisions of the Plan apply only to Participants who actively

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participate in the Plan on or after January 1, 2004. Any Participant who retired or otherwise terminated employment with the Company and Affiliated Companies prior to January 1, 2004, shall have his or her rights determined under the provision of the Plan, as in effect when his or her employment relationship terminated.

ARTICLE II

DEFINITIONS

2.1 "Affiliated Company" means an affiliate of NiSource Inc.

2.2 "`Basic Plan(s)" means the tax qualified retirement plan(s) maintained by the Company and Affiliated Companies listed on Schedule A, attached hereto.

2.3 "Code" means the Internal Revenue Code of 1986, as amended.

2.4 "Committee" means the NiSource Inc. and Affiliates Retirement Plan Administrative and Investment Committee.

2.5 "Company" means NiSource Inc.

2.6 "DCP" means the Columbia Energy Group, Deferred Compensation Plan on or prior to December 31, 2003, and thereafter the NiSource Inc. Executive Deferred Compensation Plan.

2.7 "Employee" means any individual who is employed by an Employer on a basis that involves payment of salary, wages or commissions.

2.8 "Employer" means the Company or an Affiliated Company whose Employees participate in the Plan.

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2.9 "ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

2.10 "Limits" means the limits imposed on tax qualified retirement plans by Sections 415 and 401(a)(17) and any other Sections of the Code.

2.11 "Participant" means any Employee who is participating in the Plan in accordance with its provisions.

2.12 "Plan" means the Pension Restoration Plan for NiSource Inc. and Affiliates (formerly known as the Pension Restoration Plan for the Columbia Energy Group, and before that as the Pension Restoration Plan for The Columbia Gas System, Inc.), as set forth herein.

ARTICLE III

PARTICIPATION IN THE PLAN

Each Employee of an Employer shall be a Participant in the Plan if his or her benefits under a Basic Plan are affected by the Limits or by his or her deferrals under the DCP.

ARTICLE IV

AMOUNT OF BENEFIT

4.1 Participants Before January 1, 2004. The benefit payable under the Plan to a Participant who was participating in the Plan prior to January 1, 2004, or to his or her Beneficiary under a Basic Plan, shall be equal to the excess (if any) of the benefit determined under Paragraph (a) below over the benefit determined under Paragraph (b) below:

(a) The benefit that would have been payable under a Basic Plan to a Participant, or to his or her Beneficiary determined under the Basic Plan, which benefit shall be

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determined (i) without regard to the Limits and (ii) without regard to the Participant's deferrals into the DCP, if any.

(b) The benefit actually payable to the Participant, or to his or her Beneficiary determined under a Basic Plan, which benefit shall be determined after applying the Limits and considering deferrals into the DCP, if any.

4.2 Participants On or After January 1, 2004.

(a) The benefit payable under the Plan to a Participant who first becomes a Participant on or after January 1, 2004, and whose Accrued Benefit under a Basic Plan is a Final Average Pay Option Benefit, or to his or her Beneficiary under the Basic Plan, shall be equal to the excess (if any) of the benefit determined under Paragraph (1) below over the benefit determined under Paragraph (2) below:

(1) The benefit that would have been payable under a Basic Plan to a Participant or his or her Beneficiary, calculated based upon the Participant's Credited Service and Compensation from and after the date the Participant first becomes eligible to participate in the Plan, which benefit shall be determined (i) without regard to the Limits and (ii) without regard to the Participant's deferrals into the DCP, if any.

(2) The benefit actually payable to the Participant, or to his or her Beneficiary determined under a Basic Plan, calculated based upon the Participant's Credited Service and Compensation from and after the date the Participant first becomes eligible to participate in

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the Plan, which benefit shall be determined after applying the Limits and considering deferrals into the DCP, if any.

A Participant's service used under the Basic Plan for purposes of determining eligibility for any retirement benefit shall also be used for similar purposes hereunder.

(b) The benefit payable under the Plan to a Participant who first becomes a Participant on or after January 1, 2004, and whose Accrued Benefit under a Basic Plan is an Account Balance Option Benefit, or to his or her Beneficiary under the Basic Plan, shall be equal to the excess (if any) of the benefit determined under Paragraph (1) below over the benefit determined under Paragraph (2) below, determined as if the Participant's Opening Account Balance is $0 as of January 1, 2004:

(1) The benefit that would have been payable under a Basic Plan to a Participant or his or her Beneficiary, which benefit shall be determined (i) without regard to the Limits and (ii) without regard to the Participant's deferrals into the DCP, if any.

(2) The benefit actually payable to the Participant, or to his or her Beneficiary determined under a Basic Plan, which benefit shall be determined after applying the Limits and considering deferrals into the DCP, if any.

ARTICLE V

TIME AND METHOD OF PAYMENT OF BENEFIT

5.1 Method of Payment. The benefit payable to a Participant or his or her Beneficiary shall be paid in the same form under which the Basic Plan Accrued Benefit is payable to the

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Participant or his or her Beneficiary. The Participant's election under the Basic Plan of any optional form of payment of his or her Basic Plan Accrued Benefit (with the valid consent of his or her surviving spouse where required under the Basic Plan) shall also be applicable to the payment of his or her Benefit under the Plan.

5.2 Timing of Payment. Payment of the benefit to a Participant or his or her Beneficiary shall commence on the same date as payment of the Basic Plan Accrued Benefit to the Participant or his or her Beneficiary commences. Any election under the Basic Plan made by the Participant with respect to the commencement of payment of his or her Basic Plan Accrued Benefit shall also be applicable with respect to the commencement of payment of his or her benefit under the Plan.

5.3 Committee Approval. Notwithstanding the provisions of Sections 5.1 and 5.2 above, an election made by the Participant under the Basic Plan with respect to the form of payment of his or her Basic Plan Accrued Benefit (with the valid consent of his or her surviving spouse where required under the Basic Plan), or the date for commencement of payment thereof, shall not be effective with respect to the form of payment or date for commencement of payment of his or her benefit under the Plan unless such election is expressly approved in writing by the Committee with respect to his or her benefit. If the Committee shall not approve such election in writing, then the form of payment or date for commencement of payment of the Participant's benefit under the Plan shall be selected by the Committee at its sole discretion.

5.4 Interest and Mortality Assumptions. Determinations under Sections 5.2 and 5.3 shall be based on the interest and mortality assumptions used in the applicable Basic Plan on the date of such determination.

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ARTICLE VI

ADMINISTRATION OF PLAN

The Plan shall be administered by the Committee.

ARTICLE VII

COMPANY'S RIGHT TO AMEND OR TERMINATE PLAN

While the Company intends to maintain the Plan in conjunction with the Basic Plans, the Company, or the Officer Nomination and Compensation Committee of the Board of Directors of the Company, reserves the right to amend the Plan at any time and from time to time, or to terminate it at any time for any reason; provided, however, that no amendment or termination of the Plan shall impair or alter such right to a benefit that would have arisen under the Plan as it read before the effective date of such amendment or termination to or with respect to any employee who has become a Participant in the Plan before the effective date of such amendment or termination or with respect to his her Beneficiary.

ARTICLE VIII

MISCELLANEOUS PROVISIONS

8.1 Definitions. The terms used in the Plan, that are defined in the Basic Plans, shall have the meanings assigned to them in the Basic Plans unless otherwise defined in the Plan.

8.2 Unsecured General Creditor. Participants and Beneficiaries shall be unsecured general creditors, with no secured or preferential right to any assets of the Company, any other Employer, or any other party for payment of benefits under the Plan. Obligations of the Company and each other Employer under the Plan shall be an unfunded and unsecured promise to pay money in the future.

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8.3 Income Tax Payout. Notwithstanding anything to the contrary contained herein, (a) in the event that the Internal Revenue Service prevails in its claim that any amount of a benefit payable pursuant to the Plan and held in the general assets of the Company or any other Employer, constitutes taxable income to a Participant or his or her Beneficiary for such taxable year of him or her, prior to the taxable year in which such amount is distributed to him or her, or (b) in the event that legal counsel satisfactory to the Company, and the applicable Participant or his or her Beneficiary, renders an opinion that the Internal Revenue Service would likely prevail in such a claim, the amount of such benefit held in the general assets of the Company or any other Employer, to the extent constituting taxable income, shall be immediately distributed to the Participant or his or her Beneficiary. For purposes of this Section, the Internal Revenue Service shall be deemed to have prevailed in a claim if such claim is upheld by a court of final jurisdiction, or if the Participant or Beneficiary, based upon an opinion of legal counsel satisfactory to the Company and the Participant or his or her Beneficiary, fails to appeal a decision of the Internal Revenue Service, or a court of applicable jurisdiction, with respect to such claim, to an appropriate Internal Revenue Service appeals authority or to a court of higher jurisdiction within the appropriate time period.

8.4 General Conditions. Except as otherwise expressly provided herein, all terms and conditions of a Basic Plan applicable to a Basic Plan benefit shall also be applicable to a benefit payable hereunder. Any Basic Plan benefit shall be paid solely in accordance with the terms and conditions of the applicable Basic Plan and nothing in the Plan shall operate or be construed in any way to modify, amend or affect the terms and provisions of the Basic Plan.

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8.5 No Guaranty of Benefits. Nothing contained in the Plan shall constitute a guaranty by the Company or any other Employer or any other entity or person that the assets of the Company or any other Employer will be sufficient to pay any benefit hereunder.

8.6 No Enlargement of Employee Rights. No Participant or Beneficiary shall have any right to a benefit under the Plan except in accordance with the terms of the Plan. Establishment of the Plan shall not be construed to give any Participant or Beneficiary the right to be retained in the service of the Company or any Affiliated Company.

8.7 Spendthrift Provision. No interest of any person or entity in, or right to receive a benefit under, the Plan shall be subject in any manner to sale, transfer, assignment, pledge, attachment, garnishment, or other alienation or encumbrance of any kind; nor may such interest or right to receive a benefit be taken, either voluntarily or involuntarily, for the satisfaction of the debts of, or other obligations or claims against, such person or entity, including claims for alimony, support, separate maintenance, and claims in bankruptcy proceedings.

Notwithstanding the preceding paragraph, the benefit of any Participant shall be subject to and payable in the amount determined in accordance with any qualified domestic relations order, as that term is defined in Section 206(d)(3) of the ERISA. The Committee shall provide for payment of such benefit to an alternate payee (as defined in ERISA Section 206(d)(3)) as soon as administratively possible following receipt of such order. Any federal, state or local income tax associated with such payment shall be the responsibility of the alternate payee. The benefit that is subject to any qualified domestic relations order shall be reduced by the amount of any payment made pursuant to such order.

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8.8 Applicable Law. The Plan shall be construed and administered under the laws of the State of Indiana, except to the extent preempted by applicable federal law.

8.9 Incapacity of Recipient. If any person entitled to a benefit payment under the Plan is deemed by the Committee to be incapable of personally receiving and giving a valid receipt for such payment, then, unless and until claim therefor shall have been made by a duly appointed guardian or other legal representative of such person, the Committee may provide for such payment or any part thereof to be made to any other person or institution then contributing toward or providing for the care and maintenance of such person. Any such payment shall be a payment for the account of such person and a complete discharge of any liability of the Company, any other Employer, the Committee and the Plan therefor.

8.10 Unclaimed Benefit. Each Participant shall keep the Committee informed of his or her current address and the current address of his or her Beneficiaries. The Committee shall not be obligated to search for the whereabouts of any person. If the location of a Participant is not made known to the Committee within three (3) years after the date on which payment of the Participant's benefit may first be made, payment may be made as though the Participant had died at the end of the three-year period. If, within one additional year after such three-year period has elapsed, or, within three years after the actual death of a Participant, the Committee is unable to locate any Beneficiary of the Participant, then the Committee shall have no further obligation to pay any benefit hereunder to such Participant, Beneficiary, or any other person and such benefit shall be irrevocably forfeited.

8.11 Limitations on Liability. Notwithstanding any of the preceding provisions of the Plan, none of the Company, any other Employer, or any individual acting as an employee, or

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agent at the direction of the Company or any other Employer, or any member of the Committee, shall be liable to any Participant, former Participant, Beneficiary, or any other person for any claim, loss, liability or expense incurred in connection with the Plan.

8.12 Claims Procedure. Claims for benefits under the Plan shall be made in writing to the Committee. If the Committee wholly or partially denies a claim for benefits, the Committee shall, within a reasonable period of time, but no later than 90 days after receiving the claim, notify the claimant in writing of the denial of the claim. If the Committee fails to notify the claimant in writing of the denial of the claim within 90 days after the Committee receives it, the claim shall be deemed denied. A notice of denial shall be written in a manner calculated to be understood by the claimant, and shall contain:

(a) the specific reason or reasons for denial of the claim;

(b) a specific reference to the pertinent Plan provisions upon which the denial is based;

(c) a description of any additional material or information necessary for the claimant to perfect the claim, together with an explanation of why such material or information is necessary; and

(d) an explanation of the Plan's review procedure.

Within 60 days of the receipt by the claimant of the written notice of denial of the claim, or within 60 days after the claim is deemed denied as set forth above, if applicable, the claimant may file a written request with the Committee that it conduct a full and fair review of the denial of the claimant's claim for benefits, including the conducting of a hearing, if the Committee deems one necessary. In connection with the claimant's appeal of the denial of his or her benefit, the claimant may review pertinent documents and may submit issues and comments in writing. The Committee shall render a decision on the claim appeal promptly, but not later than 60 days after receiving the claimant's request for review, unless, in the discretion of the Committee, special circumstances (such as the need to hold a hearing) require an extension of

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time for processing, in which case the 60-day period may be extended to 120 days. The Committee shall notify the claimant in writing of any such extension. The decision upon review shall (1) include specific reasons for the decision, (2) be written in a manner calculated to be understood by the claimant, and (3) contain specific references to the pertinent Plan provisions upon which the decision is based.

IN WITNESS WHEREOF, NiSource Inc. has caused this amended and restated Plan to be executed in its name, by its duly authorized officer, on this 16th day of April 2004, effective as of January 1, 2004.

NISOURCE INC.

Date: April 16, 2004 *By: /s/ S. LaNette Zimmerman*

ATTEST:

Date: April 19, 2004 *By: /s/ Gary W. Pottorff*

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SCHEDULE A

NiSource Inc. and Northern Indiana Public Service Company Pension Plan Provisions Pertaining to Salaried and Non-Exempt employees NiSource Subsidiary Pension Plan
Retirement Plan of Columbia Energy Group Companies Bay State Gas Company Pension Plan.

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Exhibit 10.3

SAVINGS RESTORATION PLAN

FOR NISOURCE INC. AND AFFILIATES

AS AMENDED AND RESTATED EFFECTIVE JANUARY 1, 2004

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SAVINGS RESTORATION PLAN FOR NISOURCE INC. AND AFFILIATES

AS AMENDED AND RESTATED EFFECTIVE JANUARY 1, 2004

ARTICLE I

PURPOSE

Prior to January 1, 2004, Columbia Energy Group sponsored the Savings Restoration Plan for Columbia Energy Group, for eligible executives of Columbia Energy Group and certain affiliated companies. Effective January 1, 2004, NiSource Inc., the parent company of Columbia Energy Group assumes sponsorship of the Savings Restoration Plan for Columbia Energy Group, renames the Plan the Savings Restoration Plan for NiSource Inc. and Affiliates, and broadens the Plan to include all employees of NiSource Inc. and Affiliated Companies.

The purpose of the Plan is to provide for the payment of savings restoration benefits to employees of NiSource Inc. and Affiliated Companies, whose benefits under the Basic Plan are subject to the Limits, or affected by deferrals into the DCP, so that the total savings plan benefits of such employees will be determined on the same basis as is applicable to all other employees of the Company. The Plan is adopted solely (1) for the purpose of providing benefits to Participants in the Plan and their Beneficiaries in excess of the Limits imposed on qualified plans by Sections 415 and 401(a)(17), and any other sections, of the Code, by restoring benefits to such Plan Participants and Beneficiaries that are no longer available under the Basic Plan as a result of the Limits, and (2) for the purpose of restoring benefits to Plan Participants and Beneficiaries that are no longer available under the Basic Plan as a result of the Participant's deferrals into the DCP. The provisions of the Plan apply only to Participants who actively participate in the Plan on or after January 1, 2004. Any Participant who retired or otherwise terminated employment

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with the Company and Affiliated Companies prior to January 1, 2004, shall have his or her rights determined under the provision of the Plan, as it existed when his or her employment relationship terminated.

ARTICLE II

DEFINITIONS

2.1 "Affiliated Company" means an affiliate of NiSource Inc.

2.2 "Annual Addition" for any Participant means the sum, in any Plan Year, of:

(a) the Company's, or any Affiliated Company's, matching or profit sharing contributions to the Basic Plan on behalf of the Participant; plus

(b) all Participant deposits to the Basic Plan, including before-tax and after-tax deposits.

For purposes of this Plan, the determination of a Participant's Annual Addition shall be made without regard to the Limits.

2.3 "'Basic Plan" means the NiSource Inc. Retirement Savings Plan, as amended and restated effective January 1, 2002, and as may be further amended from time to time.

2.4 "Code" means the Internal Revenue Code of 1986, as amended.

2.5 "Committee" means the NiSource Inc. and Affiliates Retirement Plan Administrative and Investment Committee.

2.6 "Company" means NiSource Inc.

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2.7 "DCP" means the Columbia Energy Group, Deferred Compensation Plan on or prior to December 31, 2003, and thereafter the NiSource Inc. Executive Deferred Compensation Plan.

2.8 "Employee" means any individual who is employed by an Employer on a basis that involves payment of salary, wages or commissions.

2.9 "Employer" means the Company or an Affiliated Company whose Employees participate in the Plan.

2.10 "ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

2.11 "Interest" means the average of the prime rates of interest charged as of the last business day of a month, determined under procedures established by the Committee.

2.12 "Limits" means the limits imposed on tax qualified retirement plans by Sections 415 and 401(a)(17) and any other Sections of the Code.

2.13 "Participant" means any Employee who is participating in the Plan in accordance with its provisions.

2.14 "Plan" means the Savings Restoration Plan for NiSource Inc. and Affiliates (formerly known as the Savings Restoration Plan for the Columbia Energy Group, and before that as the Thrift Restoration Plan for the Columbia Energy Group), as set forth herein.

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2.15 "Plan Year" means the 12-month period commencing each January 1 and ending the following December 31.

2.16 "Supplemental Savings Account" means the sum of credits accrued under Article III on behalf of a Participant, adjusted to reflect Interest credited to the account, and reduced by any withdrawals under Article V.

ARTICLE III

ELIGIBILITY

3.1 Eligibility. Any Employee who is participating in the Basic Plan and
(i) whose Annual Addition in any Plan Year will exceed the Limits for the Plan Year, (ii) whose Compensation in a Plan Year will exceed the Limits, or (iii) who has deferrals in the DCP excluded for purposes of benefit allocations in the Basic Plan, will be eligible to become a Participant in the Plan as of January 1 of such Plan Year. If an Employee who was not expected to be eligible to become a Participant in a given Plan Year subsequently qualifies because his or her Annual Addition exceeds the Limits for that Plan Year, his or her Compensation exceeds the Limits for that Plan Year, or because he or she becomes eligible for, or begins to participate in, the DCP, such Employee will be eligible to participate in the Plan as soon as practicable after this determination has been made or deferrals begin.

3.2 Notice of Eligibility to Participants. The Committee will inform each Employee of his or her eligibility to participate in the Plan as soon as practicable but before the earliest date such Employee's participation could become effective.

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3.3 Method of Becoming a Participant. In order to become a Participant, each eligible Employee must sign a written agreement with his or her Employer providing for a reduction of his or her Compensation and a corresponding direction of Employer contributions to Participant Pre-tax Contributions that would normally be made to the Basic Plan except for the Limits or deferrals into the DCP, to be credited to his or her Supplemental Savings Account under this Plan, to the extent necessary to satisfy the Limits with respect to the Basic Plan or deferrals into the DCP.

3.4 Continuation of Participation. A Participant will remain a Participant so long as his or her Supplemental Savings Account has not been fully distributed to him or her.

ARTICLE IV

SUPPLEMENTAL SAVINGS ACCOUNT

4.1 Supplemental Savings Account. A Supplemental Savings Account shall be established for each Participant. The amounts to be credited to a Participant's Supplemental Savings Account shall be determined under procedures established by the Committee and shall consist of:

(a) Employer credits, as described in Section 4.2; plus

(b) Participant credits, as described in Section 4.3; plus

(c) Interest credits under Section 4.4.

A Participant's Supplemental Savings Account shall be reduced by any withdrawals made under Article V.

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4.2 Employer Credits. The amount of Employer credits for a Participant shall equal (a) minus (b) below:

(a) The total amount of Matching Contributions that would otherwise have been contributed to the Basic Plan for the Participant without regard to the Limits, or deferrals into the DCP;

(b) The actual amount of Matching Contributions contributed to the Basic Plan for the Participant.

4.3 Participant Credits. The amount of Participant credits for a Participant shall equal (a) minus (b) below:

(a) The total amount of Pre-tax Contributions that would otherwise have been contributed to the Basic Plan for the Participant without regard to the Limits or deferrals into the DCP;

(b) The actual amount of Pre-tax Contributions contributed to the Basic Plan for the Participant.

4.4 Interest Credits.

(a) Interest credits to a Participant's Supplemental Savings Account, if applicable, will be considered made on the same day as such amounts would otherwise have been credited under the Basic Plan.

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(b) All credits will accrue Interest starting with the first full calendar month in which they are deemed to be a part of the applicable Supplemental Savings Account and ending with the last full calendar month in which credits are still deemed to be part of the Supplemental Savings Account.

(c) Interest will be based on the balance of the value of the Participant's Supplemental Savings Account as of the first working day of the month and credited as of the last working day of the calendar month.

(d) In the event there is a withdrawal by a Participant from his or her Supplemental Savings Account, the value of such Supplemental Savings Account, prior to the withdrawal, will be credited with Interest to the end of the calendar month in which the withdrawal is actually made. The amount at the withdrawal will then be subtracted from the balance so determined.

(e) Interest will be earned only on monies held under reserve by an Employer. If the Committee has invested any portion of a Participant's Supplemental Savings Account, Interest shall not be earned on such portion, but such Account shall be adjusted for actual earnings, gains, and losses on such investment.

ARTICLE V

WITHDRAWALS

5.1 Withdrawals. Subject to the limitations of Section 5.2, a Participant, by filing a written request with the Committee, may elect to withdraw 33%, 67% or 100% of the total amount that has been credited to his or her Supplemental Savings Account.

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5.2 Limitations on Withdrawals. Any withdrawal under this Article V will be subject to the following provisions:

(a) Only one withdrawal will be permitted in any 12-month period.

(b) Withdrawals under this Article V will require suspension of Employer credits and Participant credits (but not Interest credits) under this Plan for a period of time varying with the percentage of the value of the Participant's Supplemental Savings Account which is withdrawn, according to the following schedule:

Percentage Suspension	
33%	2 months
67%	4 months
100%	6 months

This suspension will not affect a Participant's participation in the Basic Plan nor the basis for determining the Employer contributions or Participant Pre-tax Contributions under the Basic Plan.

(c) Withdrawals under paragraphs (a) and (b) of this Article V will be subject to a l0% early distribution penalty.

(d) At the written request of a Participant, and in the written discretion of the Committee, up to 100% of the balance in a Participant's Supplemental Savings Account, determined as of the last day of the calendar month prior to the date of distribution, may be distributed to a Participant in a lump sum in the case of an Unforeseeable Emergency, subject to the limitations set forth below. For

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purposes of this paragraph an Unforeseeable Emergency is a severe financial hardship of the Participant resulting from a sudden and unexpected illness or accident of the Participant or of a dependent (as defined in Code Section 152(a)) of the Participant, loss of the Participant's property due to casualty or other similar, extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. The circumstances that will constitute an Unforeseeable Emergency will depend upon the facts of each case, as determined by the Committee in its discretion, but in any case payment may not be made to the extent that such hardship is or may be relieved:

(i) through reimbursement or compensation by insurance or otherwise;

(ii) by liquidation of the Participant's assets to the extent the liquidation of such assets would not itself cause severe financial hardship; or

(iii) by cessation of Participant credits under the Plan.

Withdrawal of amounts because of an Unforeseeable Emergency shall be permitted only to the extent reasonably needed to satisfy the Unforeseeable Emergency.

ARTICLE VI

TERMINATION OF PARTICIPATION AND PAYMENT OF BENEFITS

6.1 Termination of Participation. A Participant's participation in this Plan shall terminate at termination of employment with all Employers for any reason including separation from service, Disability or death.

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6.2 Benefits at Termination of Participation. Upon his or her termination of participation in the Plan, a Participant, his or her spouse, or his or her Beneficiary or legal representative will be entitled to 100 percent of the value of the Participant's Supplemental Savings Account credited with Interest, if applicable, through the calendar month preceding the date payment is made to the Participant (or to his or her spouse, legal representative or Beneficiary in the case of his or her incapacity or death).

6.3 Time and Method of Payment. (a) The benefit payable under this Plan to a Participant or his or her spouse, Beneficiary, or legal representative shall be paid in the same form under which the Basic Plan benefit is payable to the Participant or his or her spouse, Beneficiary, or legal representative. The Participant's election under the Basic Plan of any optional form of payment of his or her Basic Plan benefit (with the valid consent of his or her surviving spouse where required under the Basic Plan) shall also be applicable to the payment of his or her benefit under this Plan.

(b) Payment of the benefit under this Plan to a Participant or his or her spouse, Beneficiary, or legal representative under this Plan shall commence on the same date as payment of the benefit to the Participant or his or her spouse, Beneficiary, or legal representative under the Basic Plan commences. Any election under the Basic Plan made by the Participant with respect to the commencement of payment of his or her benefit under the Basic Plan shall also be applicable with respect to the commencement of payment of his or her benefit under this Plan.

(c) Notwithstanding the provisions of paragraphs (a) and (b) above, an election made by the Participant under the Basic Plan with respect to the form of payment of his or her benefit thereunder (with the valid consent of his or her surviving spouse where required under the Basic

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Plan), or the date for commencement of payment thereof, shall not be effective with respect to the form of payment or date for commencement of payment of his or her benefit under this Plan unless such election is expressly approved in writing by the Committee with respect to his or her benefit. If the Committee shall not approve such election in writing, then the form of payment or date for commencement of payment of the Participant's benefit under this Plan shall be selected by the Committee at its sole discretion.

ARTICLE VII

ADMINISTRATION OF PLAN

The Plan shall be administered by the Committee.

ARTICLE VIII

COMPANY'S RIGHTS TO AMEND OR TERMINATE PLAN

While the Company intends to maintain the Plan in conjunction with the Basic Plan, the Company, or the Officer Nomination and Compensation Committee of the Board of Directors of the Company, reserves the right to amend the Plan at any time and from time to time, or to terminate it at any time for any reason; provided, however, that no amendment or termination of the Plan shall impair or alter such right to a benefit that would have arisen under the Plan as it read before the effective date of such amendment or termination to or with respect to any employee who has become a Participant in the Plan before the effective date of such amendment or termination or with respect to his or her Beneficiary.

ARTICLE IX

MISCELLANEOUS PROVISIONS

9.1 Definitions. The terms used in the Plan, that are defined in the Basic Plan, shall have the meanings assigned to them in the Basic Plan unless otherwise defined in the Plan.

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9.2 Unsecured General Creditor. Participants and Beneficiaries shall be unsecured general creditors, with no secured or preferential right to any assets of the Company, any other Employer, or any other party for payment of benefits under the Plan. Obligations of the Company and each other Employer under the Plan shall be an unfunded and unsecured promise to pay money in the future.

9.3 Income Tax Payout. Notwithstanding anything to the contrary contained herein, (a) in the event that the Internal Revenue Service prevails in its claim that any amount of a benefit payable pursuant to the Plan and held in the general assets of the Company or any other Employer, constitutes taxable income to a Participant or his or her Beneficiary for such taxable year of him or her, prior to the taxable year in which such amount is distributed to him or her, or (b) in the event that legal counsel satisfactory to the Company, and the applicable Participant or his or her Beneficiary, renders an opinion that the Internal Revenue Service would likely prevail in such a claim, the amount of such benefit held in the general assets of the Company or any other Employer, to the extent constituting taxable income, shall be immediately distributed to the Participant or his or her Beneficiary. For purposes of this Section, the Internal Revenue Service shall be deemed to have prevailed in a claim if such claim is upheld by a court of final jurisdiction, or if the Participant or Beneficiary, based upon an opinion of legal counsel satisfactory to the Company and the Participant or his or her Beneficiary, fails to appeal a decision of the Internal Revenue Service, or a court of applicable jurisdiction, with respect to such claim, to an appropriate Internal Revenue Service appeals authority or to a court of higher jurisdiction within the appropriate time period.

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9.4 General Conditions. Except as otherwise expressly provided herein, all terms and conditions of the Basic Plan applicable to a Basic Plan benefit shall also be applicable to a benefit payable hereunder. Any Basic Plan benefit shall be paid solely in accordance with the terms and conditions of the Basic Plan and nothing in the Plan shall operate or be construed in any way to modify, amend or affect the terms and provisions of the Basic Plan.

9.5 No Guaranty of Benefits. Nothing contained in the Plan shall constitute a guaranty by the Company or any other Employer or any other entity or person that the assets of the Company or any other Employer will be sufficient to pay any benefit hereunder.

9.6 No Enlargement of Employee Rights. No Participant or Beneficiary shall have any right to a benefit under the Plan except in accordance with the terms of the Plan. Establishment of the Plan shall not be construed to give any Participant or Beneficiary the right to be retained in the service of the Company or any other Employer.

9.7 Spendthrift Provision. No interest of any person or entity in, or right to receive a benefit under, the Plan shall be subject in any manner to sale, transfer, assignment, pledge, attachment, garnishment, or other alienation or encumbrance of any kind; nor may such interest or right to receive a benefit be taken, either voluntarily or involuntarily, for the satisfaction of the debts of, or other obligations or claims against, such person or entity, including claims for alimony, support, separate maintenance, and claims in bankruptcy proceedings. Notwithstanding the preceding sentence, the Supplemental Savings Account of any Participant shall be subject to and payable in the amount determined in accordance with any qualified domestic relations order, as that term is defined in Section 206(d)(3) of ERISA. The Committee shall provide for payment

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of such portion of a Supplemental Savings Account to an alternate payee (as defined in ERISA Section 206(d)(3)) as soon as administratively possible following receipt of such order. Any federal, state or local income tax associated with such payment shall be the responsibility of the alternate payee. The balance of any Supplemental Savings Account that is subject to any qualified domestic relations order shall be reduced by the amount of any payment made pursuant to such order.

9.8 Applicable Law. The Plan shall be construed and administered under the laws of the State of Indiana, except to the extent preempted by applicable federal law.

9.9 Incapacity of Recipient. If any person entitled to a benefit payment under the Plan is deemed by the Committee to be incapable of personally receiving and giving a valid receipt for such payment, then, unless and until claim therefor shall have been made by a duly appointed guardian or other legal representative of such person, the Committee may provide for such payment or any part thereof to be made to any other person or institution then contributing toward or providing for the care and maintenance of such person. Any such payment shall be a payment for the account of such person and a complete discharge of any liability of the Company, any other Employer, the Committee and the Plan therefor.

9.10 Unclaimed Benefit. Each Participant shall keep the Committee informed of his or her current address and the current address of his or her Beneficiaries. The Committee shall not be obligated to search for the whereabouts of any person. If the location of a Participant is not made known to the Committee within three (3) years after the date on which payment of the Participant's benefit may first be made, payment may be made as though the Participant had died

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at the end of the three-year period. If, within one additional year after such three-year period has elapsed, or, within three years after the actual death of a Participant, the Committee is unable to locate any Beneficiary of the Participant, then the Committee shall have no further obligation to pay any benefit hereunder to such Participant, Beneficiary, or any other person and such benefit shall be irrevocably forfeited.

9.11 Limitations on Liability. Notwithstanding any of the preceding provisions of the Plan, none of the Company, any other Employer, or any individual acting as an employee, or agent at the direction of the Company or any other Employer, or any member of the Committee, shall be liable to any Participant, former Participant, Beneficiary, or any other person for any claim, loss, liability or expense incurred in connection with the Plan.

9.12 Claims Procedure. Claims for benefits under the Plan shall be made in writing to the Committee. If the Committee wholly or partially denies a claim for benefits, the Committee shall, within a reasonable period of time, but no later than 90 days after receiving the claim, notify the claimant in writing of the denial of the claim. If the Committee fails to notify the claimant in writing of the denial of the claim within 90 days after the Committee receives it, the claim shall be deemed denied. A notice of denial shall be written in a manner calculated to be understood by the claimant, and shall contain:

(a) the specific reason or reasons for denial of the claim;

(b) a specific reference to the pertinent Plan provisions upon which the denial is based;

(c) a description of any additional material or information necessary for the claimant to perfect the claim, together with an explanation of why such material or information is necessary; and

(d) an explanation of the Plan's review procedure.

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Within 60 days of the receipt by the claimant of the written notice of denial of the claim, or within 60 days after the claim is deemed denied as set forth above, if applicable, the claimant may file a written request with the Committee that it conduct a full and fair review of the denial of the claimant's claim for benefits, including the conducting of a hearing, if the Committee deems one necessary. In connection with the claimant's appeal of the denial of his or her benefit, the claimant may review pertinent documents and may submit issues and comments in writing. The Committee shall render a decision on the claim appeal promptly, but not later than 60 days after receiving the claimant's request for review, unless, in the discretion of the Committee, special circumstances (such as the need to hold a hearing) require an extension of time for processing, in which case the 60-day period may be extended to 120 days. The Committee shall notify the claimant in writing of any such extension. The decision upon review shall (1) include specific reasons for the decision, (2) be written in a manner calculated to be understood by the claimant, and (3) contain specific references to the pertinent Plan provisions upon which the decision is based.

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IN WITNESS WHEREOF, NiSource Inc. has caused this amended and restated Plan to be executed in its name, by its duly authorized officer, on this 16th day of April, 2004, effective as of January 1, 2004.

NISOURCE INC.

Date: April 16, 2004 *By: /s/ S. LaNette Zimmerman*

ATTEST:

Date: April 19, 2004 *By: /s/ Gary W. Pottorff*

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Exhibit 10.4

NISOURCE INC.

NONEMPLOYEE DIRECTOR STOCK INCENTIVE PLAN

(AS AMENDED AND RESTATED EFFECTIVE JANUARY 1, 2004)

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NISOURCE INC.
NONEMPLOYEE DIRECTOR
STOCK INCENTIVE PLAN

(AS AMENDED AND RESTATED EFFECTIVE JANUARY 1, 2004)

WHEREAS, NiSource Inc. (the "Company") adopted the NiSource Inc. Nonemployee Director Stock Incentive Plan (formerly the NIPSCO Industries, Inc. Nonemployee Director Stock Incentive Plan), effective February 1, 1992, as last amended effective December 16, 1997 and February 1, 1998 ("Plan"); and

WHEREAS, the Company adopted the NiSource Inc. Nonemployee Director Restricted Stock Unit Plan (formerly the NIPSCO Industries, Inc. Nonemployee Director Restricted Stock Unit Plan) effective January 1, 1999 ("Stock Unit Plan") and

WHEREAS, pursuant to Section 9.1 of the Plan and Section 14 of the Stock Unit Plan, the Company amended the Plan and the Stock Unit Plan in certain respects, and merged the Stock Unit Plan into the Plan and restated the merged Plan in a single document, effective July 1, 2002; and

WHEREAS, pursuant to Section 9.1 of the Plan, the Company wishes to further amend and restate the Plan to reflect changes in the structure of nonemployee director compensation.

NOW THEREFORE, the Plan is hereby amended and restated, effective January 1, 2004, as follows:

ARTICLE I

ESTABLISHMENT, PURPOSE, AND DURATION

1.1 ESTABLISHMENT OF THE PLAN. NiSource Inc. established an incentive compensation plan known as the "NiSource Inc. Nonemployee Director Stock Incentive Plan" (the "Plan"), as set forth in this document. The Plan permits the grant of Restricted Stock, Nonqualified Stock

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Options and Restricted Stock Units to Nonemployee Directors, subject to the terms and provisions set forth herein.

Upon approval by the Board of Directors of the Company, subject to ratification within twelve (12) months by an affirmative vote of a majority of Shares present and entitled to vote at the May 20, 2003 annual shareholders meeting at which a quorum was present, the Plan became effective as of July 1, 2002. All grants of Awards made under the Plan from and after July 1, 2002 and prior to the date of such approval were conditioned upon such shareholder approval and would have been null and void if such approval was not obtained by May 20, 2003.

Effective July 1, 2002, the Stock Unit Plan was merged into and become a part of the Plan as amended and restated herein.

1.2 PURPOSE OF THE PLAN. The purpose of the Plan is to promote the achievement of long-term objectives of the Company by linking the personal interests of Nonemployee Directors to those of Company shareholders, enhancing the interest of Nonemployee Directors in the growth and success of the Company, and attracting and retaining Nonemployee Directors of outstanding competence.

1.3 DURATION OF THE PLAN. The Plan, as amended and restated herein, is effective January 1, 2004 and shall remain in effect, subject to the right of the Committee to terminate the Plan at any time pursuant to Article IX herein, until all Shares subject to it shall have been purchased or acquired according to the Plan's provisions. However, in no event may an Award be granted under the Plan on or after June 30, 2012.

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ARTICLE II

DEFINITIONS

Whenever used in the Plan, the following terms shall have the meanings set forth below and, when the meaning is intended, the initial letter of the word is capitalized:

2.1 AWARD. "Award" means, individually or collectively, a grant of Restricted Stock, Nonqualified Stock Options or Restricted Stock Units under the Plan.

2.2 AWARD AGREEMENT. "Award Agreement" means an agreement entered into by and between the Company and a Nonemployee Director, setting forth the terms and provisions applicable to an Award granted under the Plan.

2.3 BOARD OR BOARD OF DIRECTORS. "Board" or "Board of Directors" means the Board of Directors of the Company, and includes any committee of the Board of Directors designated by the Board to administer part or all of the Plan.

2.4 CHANGE IN CONTROL. "Change in Control" of the Company shall be deemed to have occurred if any one of the occurrences of "Change in Control" set forth in the Change in Control and Termination Agreements between the Company and certain executive officers thereof shall have been satisfied.

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

2.6 COMPANY. "Company" means NiSource Inc., a Delaware corporation, or any successor thereto as provided in Section 10.11 herein.

2.7 COMMITTEE. "Committee" means the Corporate Governance Committee of the Board.

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2.8 DIRECTOR. "Director" means any individual who is a member of the Board of Directors of the Company.

2.9 DISABILITY. "Disability" means any physical or mental condition of a permanent nature which, in the sole judgment of the Committee, based upon the advice of a competent medical professional selected by the Committee, prevents a Director from performing his or her duties as a member of the Board.

2.10 EMPLOYEE. "Employee" means any full-time, nonunion, salaried employee of the Company. For purposes of the Plan, an individual whose only employment relationship with the Company is as a Director shall not be deemed to be an Employee.

2.11 FAIR MARKET VALUE. "Fair Market Value" means the average of the high and low prices on the New York Stock Exchange Composite Transactions on the date of the grant, or on any other applicable date.

2.12 NONEMPLOYEE DIRECTOR. "Nonemployee Director" means any individual who is a member of the Board of Directors of the Company, but who is not otherwise an Employee of the Company.

2.13 NONQUALIFIED STOCK OPTION OR NQSO. "Nonqualified Stock Option" or "NQSO" means an option to purchase Shares, granted under Article VII herein that does not constitute an Incentive Stock Option under Section 422 (or any successor Section) of the Code.

2.14 OPTION. "Option" means a Nonqualified Stock Option granted under the Plan.

2.15 PARTICIPANT. "Participant" means a Nonemployee Director of the Company who has outstanding a viable Award granted under the Plan.

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2.16 PERIOD OF RESTRICTION. "Period of Restriction" means the period during which the transfer of Shares of Restricted Stock is limited in some way, and the Shares are subject to a substantial risk of forfeiture, as provided in Article VI herein.

2.17 RESTRICTED STOCK. "Restricted Stock" means an Award granted to a Nonemployee Director pursuant to Article VI herein.

2.18 RESTRICTED STOCK UNIT. "Restricted Stock Unit" means an Award granted to a Nonemployee Director pursuant to Article VI herein.

2.19 SHARES. "Shares" means the common shares of NiSource Inc., without par value.

ARTICLE III

ADMINISTRATION

3.1 COMMITTEE. The Plan shall be administered by the Committee, subject to the restrictions set forth in the Plan.

3.2 ADMINISTRATION BY THE COMMITTEE. The Committee shall have the full power, discretion and authority to interpret and administer the Plan in a manner which is consistent with the Plan's provisions. However, except as otherwise set forth in Section 10.1, in no event shall the Committee have the power to determine Plan eligibility, or to determine the number, the value, the vesting period, or the timing, of Awards to be made under the Plan (all such determinations are automatic pursuant to the provisions of the Plan). Notwithstanding the preceding sentence, the Committee shall have the authority to designate whether an upcoming grant of Awards shall consist of Restricted Stock, Nonqualified Stock Options or Restricted Stock Units.

3.3 DECISIONS BINDING. All determinations and decisions made by the Committee pursuant to the provisions of the Plan, and all related orders or resolutions of the Committee,

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shall be final, conclusive and binding on all persons, including the Company, its stockholders, employees, Participants, and their estates and beneficiaries.

ARTICLE IV

SHARES AND RESTRICTED STOCK UNITS SUBJECT TO THE PLAN

4.1 NUMBER OF SHARES AND RESTRICTED STOCK UNITS. Subject to adjustment as provided in Section 4.3 herein, the total number of Shares available for grant as Awards under the Plan may not exceed an aggregate of 500,000.

4.2 LAPSED AWARDS. If any Share of Restricted Stock, Option, or Restricted Stock Unit granted under the Plan terminates, expires or lapses for any reason, any such Share of Restricted Stock, any Share subject to purchase pursuant to such Option and any such Restricted Stock Unit again shall be available for grant under the Plan. Awards shall be subject to such terms and conditions, in addition to the terms and conditions set forth in the Plan, as the Committee shall determine.

4.3 ADJUSTMENTS IN AUTHORIZED SHARES AND RESTRICTED STOCK UNITS.

(a) Appropriate adjustments in the aggregate number of Shares and Restricted Stock Units issuable pursuant to the Plan, the number of Shares and Restricted Stock Units subject to each outstanding Award granted under the Plan and the option price with respect to Options, shall be made to give effect to any increase or decrease in the number of issued Shares resulting from a subdivision or consolidation of shares, whether through recapitalization, stock split, reverse stock split, spin-off, spinout or other distribution of assets to stockholders, stock distributions or combinations of shares, payment of stock dividends, other increase or decrease in the number of such Shares outstanding effected without receipt of consideration by the Company, or any other occurrence for which the Committee determines an adjustment is appropriate.

(b) In the event of any merger, consolidation or reorganization of the Company with any other corporation or corporations, or an acquisition by the Company of the stock or assets of any other corporation or corporations, there shall be substituted on an equitable basis, as determined by the Committee in its sole discretion, for each Share then subject to the Plan, and for each Share then subject to an Award granted under the Plan, the number and kind of shares of stock, other securities, cash or other property to which the holders of Shares of the Company are entitled pursuant to such transaction.

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(c) Without limiting the generality of the foregoing provisions of this section, any such adjustment shall be deemed to have prevented any dilution or enlargement of a Participant's rights, if such Participant receives in any such adjustment, rights that are substantially similar (after taking into account the fact that the Participant has not paid the applicable Option price) to the rights the Participant would have received had he or she exercised his or her outstanding Award and become a shareholder of the Company immediately prior to the event giving rise to such adjustment. Adjustments under this paragraph shall be made by the Committee, whose decision as to the amount and timing of any such adjustment shall be conclusive and binding on all persons.

ARTICLE V

ELIGIBILITY AND PARTICIPATION

5.1 ELIGIBILITY. Persons eligible to participate in the Plan are limited to Nonemployee Directors who are serving on the Board on the date of each grant under the Plan.

5.2 ACTUAL PARTICIPATION. All eligible Nonemployee Directors shall receive grants of Restricted Stock, Options and Restricted Stock Units pursuant to the terms and provisions set forth in Articles VI and VII herein.

ARTICLE VI

GRANTS OF RESTRICTED STOCK AND RESTRICTED STOCK UNITS

6.1 INITIAL GRANT. Each person who was a Nonemployee Director on February 1, 1992 was then granted two hundred fifty (250) Shares of Restricted Stock for each year of service as a Nonemployee Director of the Company or its predecessor (the number of years of service was determined as of the date of the first annual meeting of shareholders of the Company following February 1, 1992).

Each person who was a Nonemployee Director on April 14, 1999 was then granted five hundred (500) Restricted Stock Units.

6.2 SPECIAL GRANT OF RESTRICTED STOCK UNITS. Each Nonemployee Director participating in the NiSource Inc. Nonemployee Director Retirement Plan (the "Retirement

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Plan") on December 31, 2001 made an irrevocable election, by written instrument delivered to the Committee between May 1, 2002 and June 30, 2002, to: (i) continue his or her participation in the Retirement Plan on and after July 1, 2002 or (ii) terminate his or her participation in the Retirement Plan as of June 30, 2002 and have the present value of his or her retirement benefit under Section 5 of the Retirement Plan, determined as of June 30, 2002, converted to Restricted Stock Units of comparable value and granted to him or her under the Plan on July 1, 2002. Any Restricted Stock Units granted to a Nonemployee Director pursuant to this Section 6.2 who had fewer than five (5) Years of Service on June 30, 2002 shall fully vest upon the completion of such Nonemployee Director's fifth Year of Service. "Year of Service" means the 12-month period commencing with the first day of the calendar month in which each annual meeting of the shareholders of the Company takes place, and throughout which a Nonemployee Director served on the Board as a Nonemployee Director.

6.3 GRANTS PRIOR TO JANUARY 1, 2004. Upon each election, reelection or appointment, as applicable, of a Nonemployee Director to serve on the Board, on and after July 1, 2002 and prior to January 1, 2004, such Nonemployee Director was granted twenty-six hundred (2,600) Shares of Restricted Stock and six hundred (600) Restricted Stock Units, subject to the terms of the Plan. Each such grant was made as of the first day of the Board term of the newly-elected, reelected or appointed, as applicable, Nonemployee Director, which began immediately following such election, reelection or appointment, as applicable.

6.4 FUTURE GRANTS ON AND AFTER JANUARY 1, 2004.

(a) Each Nonemployee Director shall receive a portion of his or her annual retainer equal to $20,000 in the form of an Award granted in four equal installments on the last business day of each calendar quarter, commencing on March 31, 2004. Such Award shall be a grant of Restricted Stock or Restricted Stock Units, or a combination thereof, as determined by the Committee in its sole discretion. The number of Shares of Restricted Stock or Restricted

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Stock Units, as applicable, constituting such quarterly grant shall be determined by dividing $5,000 by the Fair Market Value of Shares on the last business day of the relevant quarter.

(b) Each Nonemployee Director elected, reelected or appointed on the date of an Annual Meeting of Shareholders shall receive an additional Award equal to $30,000 for each full Year in the term for which he or she is elected, reelected or appointed, granted upon the date of such election, reelection or appointment, as applicable, of such Nonemployee Director to serve on the Board, on and after May 11, 2004. Such additional Award shall be a grant of Restricted Stock or Restricted Stock Units, or a combination thereof, as determined by the Committee in its sole discretion. The number of Shares of Restricted Stock or Restricted Stock Units, as applicable, constituting such grant shall be determined by dividing the total value of the grant under this subsection (b) by the Fair Market Value of Shares on the date of the Annual Meeting of Shareholders coincident with such election, reelection or appointment, or if the Annual Meeting of Shareholders is not held on a business day, the first business day preceding the date of such Meeting.

(c) Each Nonemployee Director elected or appointed on a date other than the date of an Annual Meeting of Shareholders shall receive an additional Award equal to $30,000 for each full Year in the term for which he or she is elected or appointed, granted upon the date of such election or appointment, as applicable, of such Nonemployee Director to serve on the Board, on and after May 11, 2004; such Nonemployee Director shall receive an additional Award with respect to any fractional Year in the term for which he or she is elected or appointed equal to $2,500 for each full month of the term from the date of election or appointment to the date of the first Annual Meeting of Shareholders next following such election or appointment, granted upon the date of such election or appointment, as applicable, of such Nonemployee Director to serve on the Board, on and after May 11, 2004. Such additional Award shall be a grant of Restricted Stock or Restricted Stock Units, or a combination thereof, as determined by the Committee in its sole discretion. The number of Shares of Restricted Stock or Restricted Stock Units, as applicable, constituting such grant shall be determined by dividing the total value of the grant under this subsection (c) by the Fair Market Value of Shares on the date of the election or appointment of such Nonemployee Director, or if the election or appointment does not occur on a business day, the first business day preceding such election or appointment.

(d) For purposes of subsections (b) and (c), Year shall mean each period commencing on the date of an Annual Meeting of Shareholders and ending on the date of the next Annual Meeting of Shareholders.

6.5 AWARD AGREEMENTS.

(a) Each Restricted Stock grant under the Plan shall be evidenced by a Restricted Stock Award Agreement that shall specify the Period(s) of Restriction, the number of Restricted Stock Shares granted and such other provisions as the Committee shall determine consistent with the Plan.

(b) Each Restricted Stock Unit grant under the Plan may, in the Committee's sole discretion, be evidenced by a Restricted Stock Unit Award Agreement that shall specify the

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vesting period of Restricted Stock Units, the number of Restricted Stock Units granted and such other provisions as the Committee shall determine consistent with the Plan.

6.6 OTHER RESTRICTIONS. The Committee shall impose such other restrictions on any Shares of Restricted Stock granted pursuant to the Plan as it may deem advisable, including restrictions imposed under Section 7.7 hereof. Any restriction imposed on Shares of Restricted Stock shall be included in a legend appearing on the certificates representing Shares of Restricted Stock.

6.7 CERTIFICATE LEGEND. In addition to any legends placed on certificates pursuant to Section 6.6 herein, each certificate representing Shares of Restricted Stock granted pursuant to the Plan shall bear the following legend:

"The sale or other transfer of the Shares of stock represented by this certificate, whether voluntary, involuntary or by operation of law, is subject to certain restrictions on transfer as set forth in the NiSource Inc. Nonemployee Director Stock Incentive Plan, and in a Restricted Stock Award Agreement. A copy of the Plan and such Restricted Stock Award Agreement may be obtained from the Secretary of NiSource Inc."

6.8 RESTRICTED STOCK UNIT ACCOUNT. Restricted Stock Units granted to a Nonemployee Director under the Plan shall be credited to a Restricted Stock Unit Account (the "Account") established and maintained for such Nonemployee Director. The Account of a Nonemployee Director shall be the record of Restricted Stock Units granted to him or her under the Plan. The Account is solely for accounting purposes and shall not require a segregation of any assets of the Company. Each Restricted Stock Unit shall be valued by the Committee, in the manner provided in Section 6.12, as of the date of payment thereof. Each grant of Restricted Stock Units under the Plan to a Nonemployee Director and the value of such Restricted Stock Units as of the date of grant shall be communicated by the Committee in writing to the Nonemployee Director within thirty (30) days after the date of grant.

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6.9 VESTING AND TRANSFERABILITY. Except as otherwise provided in the Plan, all Restricted Stock Units granted under the Plan shall vest, and in the case of Restricted Stock shall become freely transferable, by the Participant according to the following schedule:

Anniversary of Grant Date	Annual Percentage of Units or Shares Which Vest or Become Freely Transferable	Cumulative Percentage of Units or Shares Which are Vested or Became Freely Transferable
1	20%	20%
2	20%	40%
3	20%	60%
4	20%	80%
5	20%	100%

Regardless of the schedule set forth above, all Shares of Restricted Stock and Restricted Stock Units held by a Participant or credited to a Participant's Account, as applicable, shall immediately become one hundred percent (100%) freely transferable or vested, as applicable, upon the first to occur of the following:

(a) The completion of the schedule set forth above (or in Section 6.2, if applicable);

(b) The death of the Participant;

(c) The Disability of the Participant;

(d) The retirement of the Participant from service on the Board prior to death or Disability and after attaining the age of seventy (70) years; or

(e) The effective date of a Change in Control of the Company.

However, in no event may any Shares of Restricted Stock granted under the Plan become freely transferable by a Participant prior to six (6) months following the date of its grant. Upon becoming freely transferable, each Participant shall be entitled to have the legend required by Section 6.6 and/or Section 6.7 removed from his or her Share certificates.

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6.10 VOTING AND STOCK OWNERSHIP RIGHTS.

(a) During the Period of Restriction, except as set forth in the applicable Restricted Stock Award Agreement, a Participant holding Shares of Restricted Stock granted hereunder may exercise full voting and other stock ownership rights with respect to such Shares.

(b) Except as set forth in Section 6.11(b), no Participant shall be entitled to any voting or other stock ownership rights with respect to Shares attributable to Restricted Stock Units granted under the Plan.

6.11 DIVIDENDS AND OTHER DISTRIBUTIONS.

(a) During the Period of Restriction, Participants holding Shares of Restricted Stock granted hereunder shall be entitled to receive all dividends and other distributions paid with respect to such Shares while they are so held. Any such dividends or distributions shall be fully vested and shall be paid to Participants on the date such dividends are actually paid to shareholders of the Company.

(b) Additional Restricted Stock Units shall be credited to each Participant's Account with respect to Restricted Stock Units included in such Account from time to time, to reflect dividends paid to stockholders of the Company with respect to Shares. The additional Restricted Stock Units credited before January 1, 2004 shall be granted at such time or times and shall be subject to such terms and conditions, in addition to the terms and conditions set forth in the Plan, as the Committee shall determine. The additional Restricted Stock Units credited on or after January 1, 2004 shall be fully vested and granted on the date such dividends are actually paid to shareholders of the Company

6.12 PAYMENT OF RESTRICTED STOCK UNITS.

(a) Except as provided in paragraph (b) or (c) below, upon a Participant's termination of service on the Board for any reason other than for Cause (as defined in Section 10.6), the Participant shall be entitled to receive from the Company, with respect to each then vested Restricted Stock Unit in the Participant's Account, a number of Shares with an aggregate Fair Market Value on the date of payment equal to the aggregate Fair Market Value of such vested Restricted Stock Units. Payment to a Participant for Restricted Stock Units shall be made in Shares in a single payment within sixty (60) days after the date of termination of the Participant's service on the Board.

(b) Restricted Stock Units in the Participant's Account granted pursuant to Section 6.2, and additional Restricted Stock Units with respect thereto credited pursuant to Section 6.11(b), shall be paid to the Participant in a single payment within six (6) months after the date of the Participant's termination of service on the Board. Payment to a Participant for such Restricted Stock Units shall be made in the form of a number of Shares with an aggregate Fair Market Value on the date of payment equal to the aggregate Fair Market Value of such vested Restricted Stock Units in the Participant's Account on the date of payment.

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(c) With respect to Restricted Stock Units granted pursuant to Section 6.4, and additional Restricted Stock Units with respect thereto credited pursuant to Section 6.11(b), on or after January 1, 2004, upon a Participant's termination of service on the Board for any reason other than for Cause (as defined in Section 10.6), the Participant shall be entitled to receive from the Company, with respect to such then vested Restricted Stock Units in the Participant's Account, a number of Shares with an aggregate Fair Market Value on the date of payment equal to the aggregate Fair Market Value of such vested Restricted Stock Units. Payment to a Participant for Restricted Stock Units shall be made in Shares in a single payment six (6) months after the date of termination of the Participant's service on the Board, or as soon as administratively practicable thereafter.

(d) A Participant shall be credited with additional Restricted Stock Units pursuant to Section 6.11(b) on the value of his or her Restricted Stock Units with respect to the period between his or her termination of service on the Board and the receipt of payment under the Plan.

ARTICLE VII

NONQUALIFIED STOCK OPTIONS

7.1 POTENTIAL GRANTS OF OPTIONS. In the event that the Committee properly designates (pursuant to Section 3.2 herein) that a scheduled Award under Section 6.4 shall consist of Options rather than Restricted Stock or Restricted Stock Units, then each eligible Nonemployee Director shall be granted an Option to purchase a number of Shares so that the Option shall have a value, as determined by the Committee in its sole discretion, equal to the value of the Restricted Stock or Restricted Stock Units that would otherwise have been awarded, subject to the terms and provisions of the Plan.

7.2 OPTION AWARD AGREEMENT. Each Option grant shall be evidenced by an Option Award Agreement that shall specify the Option Price, the duration of the Option, the number of Shares available for purchase under the Option, and such other provisions as the Committee shall determine.

7.3 OPTION PRICE. The purchase price per Share available for purchase under an Option shall equal the Fair Market Value of a Share on the date the Option is granted.

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7.4 DURATION OF OPTIONS. Each Option shall expire on the tenth (10th) anniversary date of its grant.

7.5 VESTING OF SHARES SUBJECT TO OPTION. Subject to Section 10.6, Participants shall be entitled to exercise Options at any time and from time to time, but no sooner than the time period beginning six (6) months after the grant of the Option and ending ten (10) years after the grant of the Option, and according to the following vesting schedule:

Anniversary of Grant Date Vested	Annual Percentage of Options Which Vest	Cumulative Percentage of Options Which are
1	20%	20%
2	20%	40%
3	20%	60%
4	20%	80%
5	20%	100%

Regardless of the vesting schedule set forth above, all Options held by a Participant shall immediately become one hundred percent (100%) vested upon the first to occur of the following:

(a) The completion of the vesting schedule set forth above;

(b) The death of the Participant;

(c) The Disability of the Participant;

(d) The retirement of the Participant from service on the Board prior to death or Disability and after attaining the age of seventy (70) years; or

(e) The effective date of a Change in Control of the Company.

7.6 PAYMENT. Options shall be exercised by the delivery of a written notice of exercise to the Secretary of the Company, setting forth the number of Shares with respect to which the Option is to be exercised, accompanied by full payment for the Shares.

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The Option Price upon exercise of any Option shall be payable to the Company in full either: (i) in cash or its equivalent, or (ii) by tendering previously acquired Shares having a Fair Market Value at the time of exercise equal to the total Option Price of the Shares for which the Option is being exercised (provided that the Shares tendered upon Option exercise have been held by the Participant for at least six (6) months prior to their tender to satisfy the Option Price), or (iii) by a combination of (i) and (ii). The proceeds from such a payment shall be added to the general funds of the Company and shall be used for general corporate purposes.

As soon as practicable after receipt of a written notification of exercise and full payment, the Company shall deliver to the Participant, in the Participant's name, Share certificates in an appropriate amount based upon the number of Shares purchased pursuant to the exercise of the Option.

7.7 RESTRICTIONS ON SHARE TRANSFERABILITY. The Committee shall impose such restrictions on any Shares acquired pursuant to the exercise of an Option under the Plan as it may deem advisable, including, without limitation, restrictions under applicable Federal securities laws, under the requirements of any stock exchange or market upon which such Shares are then listed and/or traded, and under any blue sky or state securities laws applicable to such Shares.

ARTICLE VIII

CHANGE IN CONTROL

In the event of a Change in Control of the Company, all Awards granted under the Plan that are still outstanding and not yet vested or freely transferable, shall become immediately one hundred percent (100%) vested and freely transferable for each Participant, as of the effective date of the Change in Control, and shall remain as such for the remaining life of the Award, as such life is provided herein, and within the provisions of the related Award Agreements. All

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Options that are outstanding as of the effective date of the Change in Control shall remain exercisable for the remaining lives of the Options.

ARTICLE IX

AMENDMENT, MODIFICATION AND TERMINATION

9.1 AMENDMENT, MODIFICATION AND TERMINATION. Subject to the terms set forth in this Section 9.1, the Committee may terminate, amend or modify the Plan at any time and from time to time; provided, however, that the provisions set forth in the Plan regarding the amount of securities to be awarded to Nonemployee Directors, the price of securities to be awarded to Nonemployee Directors, and the timing of Awards to Nonemployee Directors, may not be amended more than once within any six (6) month period.

Amendment or termination of the Plan may occur without the approval of the shareholders of the Company (except as may be required by law or by any national securities exchange or system on which the Shares are then listed or reported, or by a regulatory body having jurisdiction with respect hereto).

9.2 AWARDS PREVIOUSLY GRANTED. Unless required by law, no termination, amendment or modification of the Plan shall in any manner adversely affect any Award previously granted under the Plan without the written consent of the Participant holding the Award.

ARTICLE X

GENERAL PROVISIONS

10.1 Additional Awards. In addition to any Award received pursuant to
Section 6.3, 6.4 or 7.1, each Nonemployee Director who first serves on the Board on or after January 1, 2002, and each Nonemployee Director who served on the Board on December 31, 2001 and who

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elected to discontinue participation in the NiSource Inc. Nonemployee Director Retirement Plan on and after July 1, 2002, shall receive a grant of Shares of Restricted Stock upon each election, reelection or appointment, as applicable, to the Board on or after July 1, 2002. At the discretion of the Committee, such grant may be in any combination of Shares of Restricted Stock, and Restricted Stock Units, as determined by the Committee. Such Award shall have an aggregate value, as determined by the Committee, based on information provided by the management of the Company, that ensures that the Award, together with other compensation paid to the Nonemployee Director for service on the Board, delivers a compensation package to the Nonemployee Director competitive with the nonemployee director compensation packages offered by companies in the same or similar industries as that of the Company.

10.2 GENDER AND NUMBER. Except where otherwise indicated by the context, any masculine term used herein also shall include the feminine, the plural shall include the singular and the singular shall include the plural.

10.3 SEVERABILITY. In the event any provision of the Plan shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the Plan, and the Plan shall be construed and enforced as if the illegal or invalid provision had not been included.

10.4 INDEMNIFICATION. Each individual who is or shall have been a member of the Committee shall be indemnified and held harmless by the Company against and from any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by him or her in connection with or resulting from any claim, action, suit or proceeding to which he or she may be a party or in which he or she may be involved by reason of any action taken or failure to act under the Plan and against and from any and all amounts paid by him or her in settlement

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thereof, with the Company's approval, or paid by him or her in satisfaction of any judgment in any such action, suit, or proceeding against him or her, provided he or she shall give the Company an opportunity, at its own expense, to handle and defend the same before he or she undertakes to handle and defend it on his or her own behalf.

The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such individuals may be entitled under the Company's Articles of Incorporation or By-laws, as a matter of law, or otherwise, or any power that the Company may have to indemnify them or hold them harmless.

10.5 BENEFICIARY DESIGNATION. Each Participant under the Plan may, from time to time, name any beneficiary or beneficiaries (who may be named contingently or successively) to whom any benefit under the Plan is to be paid in the event of his or her death (and/or who may exercise the Participant's vested Options following his or her death). Each designation shall revoke all prior designations by the same Participant, shall be in a form prescribed by the Committee, and shall be effective only when filed by the Participant in writing with the Committee during his or her lifetime. In the absence of any such designation, benefits remaining unpaid at the Participant's death shall be paid to the Participant's estate (and, subject to the terms and provisions of the Plan, any unexercised vested Options may be exercised by the administrator or executor of the Participant's estate).

10.6 TERMINATION OF DIRECTORSHIP. In the event a Participant ceases to be a Director for any reason other than death, Disability, retirement from service on the Board after attaining the age of seventy (70) years, or a Change in Control of the Company, all Shares of Restricted Stock, all Options and all Restricted Stock Units that have not vested or become freely transferable on or prior to the date of the occurrence of such event shall terminate and be

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forfeited and neither the Participant nor his or her heirs, personal representatives, successors or assigns shall have any future rights with respect to any such Shares of Restricted Stock, Options and Restricted Stock Units. All Options that are vested at termination shall remain exercisable for six (6) months following the date the Director's service on the Board terminates, or until their expiration date, whichever period is shorter.

Notwithstanding any other provision of the Plan, in the event a Participant is discharged from service on the Board for Cause, all rights to any Shares of Restricted Stock that have not become freely transferable, any vested or unvested Options granted on and after July 1, 2002, and any vested or unvested Restricted Stock Units shall be discontinued and forfeited, and the Company shall have no further obligation hereunder to such Participant or any other person. For purposes of the Plan, "Cause" shall mean:

(a) the Participant's conviction of any criminal violation involving dishonesty, fraud or breach of trust;

(b) the Participant's willful engagement in any misconduct in the performance of his or her duty that materially injures the Company;

(c) the Participant's performance of any act which, if known to the customers or stockholders of the Company, would materially and adversely impact the business of the Company; or

(d) the Participant's willful and substantial nonperformance of assigned duties.

The Committee shall have sole discretion with respect to the application of the provisions of subsections (a)-(d) next above, and such exercise of discretion shall be conclusive and binding upon the Participant and all other persons.

10.7 NONTRANSFERABILITY OF OPTIONS. No Share of Restricted Stock (until the end of the applicable Period of Restriction specified in the Restricted Stock Award Agreement), Option or Restricted Stock Unit granted under the Plan may be sold, transferred, pledged, assigned, or

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otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. In the event of a Participant's death, payment of any amount due under the Plan shall be made to the duly appointed and qualified executor or other personal representative of the Participant's estate to be distributed in accordance with the Participant's will or applicable intestacy law; or in the event that there shall be no such representative duly appointed and qualified within six (6) months after the date of death of such deceased Participant, then to such persons as, at the date of his or her death, would be entitled to share in the distribution of such deceased Participant's personal estate under the provisions of the applicable statute then in force governing the descent of intestate property, in the proportions specified in such statute. All Options granted to a Participant under the Plan shall be exercisable, during his or her lifetime, only by such Participant.

Notwithstanding the preceding provisions of this Section, a Participant, at any time prior to his or her death, may assign all or any portion of an Award granted to him or her under the Plan to (i) his or her spouse or lineal descendant, (ii) the trustee of a trust for the primary benefit of his or her spouse or lineal descendant or (iii) a tax-exempt organization as described in Section 501(c)(3) of the Code. In such event, the spouse, lineal descendant, trustee, or tax-exempt organization shall be entitled to all of the rights of the Participant with respect to the assigned portion of such Award, and such portion of the Award shall continue to be subject to all of the terms, conditions and restrictions applicable to the Award as set forth herein, and in the related Award Agreement, immediately prior to the effective date of the assignment. Any such assignment shall be permitted only if (A) the Participant does not receive any consideration therefor, and (B) the assignment is expressly approved by the Committee or its delegate. Any such assignment shall be evidenced by an appropriate written document executed by the

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Participant, and a copy thereof shall be delivered to the Committee or its delegate on or prior to the effective date of the assignment.

10.8 NO RIGHT OF NOMINATION. Nothing in the Plan shall be deemed to create any obligation on the part of the Board to nominate any Director for reelection by the Company's shareholders.

10.9 SHARES AVAILABLE. The Shares made available pursuant to Awards under the Plan may be either authorized but unissued Shares or Shares which have been or may be reacquired by the Company, as determined from time to time by the Committee.

10.10 ADDITIONAL COMPENSATION. Awards granted under the Plan shall be in addition to any additional annual retainer, attendance fees or other compensation payable to each Participant as a result of his or her service on the Board.

10.11 SUCCESSORS. All obligations of the Company under the Plan, with respect to Awards granted hereunder, shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all of the business and/or assets of the Company.

10.12 REQUIREMENTS OF LAW. The granting of Awards under the Plan shall be subject to all applicable laws, rules and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.

10.13 GOVERNING LAW. To the extent not preempted by Federal law, the Plan, and all agreements hereunder, shall be construed in accordance with and governed by the laws of the State of Indiana.

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IN WITNESS WHEREOF, the Company has caused the amended and restated Plan to be signed on this 29th day of April 2004, effective as of January 1, 2004.

NISOURCE INC.

By: /s/ S. LaNette Zimmerman

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Exhibit 10.5

NISOURCE INC.

SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

AS AMENDED AND RESTATED EFFECTIVE JANUARY 1, 2004

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NISOURCE INC.
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

AS AMENDED AND RESTATED EFFECTIVE JANUARY 1, 2004

ARTICLE I

PURPOSE

Effective as of December 23, 1982, and as subsequently amended as of January 1, 1989, Northern Indiana Public Service Company adopted the Northern Indiana Public Service Company Supplemental Executive Retirement Plan. Effective as of January 1, 1991, NIPSCO Industries, Inc. (the "Company") adopted the NIPSCO Industries, Inc. Supplemental Executive Retirement Plan (the "Plan"), to benefit the Company by providing key executives and employees with additional security in order to aid the Company in retaining its present management and, should circumstances require it, to aid the Company in attracting additions to management. The Company, by providing such additional benefits, expects key executives and employees to be available for consulting assignments to the Company after retirement, at the Company's request. The Plan was amended and restated, effective January 1, 1993, in order to clarify certain provisions, and was further amended and restated effective September 1, 1994. The Plan was further amended and restated effective June 1, 2002 to reflect the name change of the Company to NiSource Inc. and to make other administrative and technical changes. The Plan is further amended herein, effective January 1, 2004, to reflect changes in the structure of benefits under the Plan.

It is intended that the Plan be exempt from the reporting and disclosure requirements of Title I of the Employee Retirement Income Security Act of 1974 because it is an unfunded plan maintained by an employer for the purpose of providing benefits for a select group of management or highly compensated employees.

ARTICLE II

DEFINITIONS

2.1 Definitions. Where the following words or phrases appear in the Plan, they shall have the respective meanings set forth in the following Sections of this Article, unless the context clearly indicates to the contrary.

2.2 Principal Entities.

(a) Board. The Board of Directors of NiSource Inc.

(b) Committee. The Officer Nomination and Compensation Committee of the Board which has certain specific duties with respect to the Plan.

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(c) Company. NiSource Inc. and its subsidiaries and affiliates that adopt the Plan for the benefit of key employees, or its successor or successors.

(d) NiSource Pension Plan. NiSource Inc. and Northern Indiana Public Service Company Pension Plan Provisions Pertaining to Salaried and Non-Exempt Employees, as amended from time to time.

(e) Participant. An employee or retiree participating in the Plan in accordance with the provisions of Article III.

(f) Plan. NiSource Inc. Supplemental Executive Retirement Plan.

(g) Qualified Pension Plan. The NiSource Pension Plan and any other tax-qualified defined benefit pension plan maintained by the Company or any Affiliate.

2.3 Other Definitions.

(a) Code. The Internal Revenue of Code of 1986, as amended.

(b) Compensation. As defined in the NiSource Pension Plan, but disregarding the definition of Taxable Compensation and the limitations required by Code Section 401(a)(17), or any successor Section. In addition, for purposes of the Plan, bonuses shall be considered in full as Compensation and not limited to 50% of base pay.

(c) Early Retirement. Termination of employment for reasons other than death or disability after the Participant has both attained age 55 and completed at least 10 years of Service, but before the Participant's Normal Retirement, except as otherwise provided.

(d) Final Average Compensation. The result obtained by dividing the total Compensation paid to a Participant during a considered period by the number of months for which such Compensation was received. The considered period shall be the 60 consecutive calendar months within the last 120 months of service that produces the highest result.

(e) Normal Retirement. Termination of employment for reasons other than death or disability after a Participant has: (1) attained age 62; or
(2) attained age 60 and completed at least 25 years of Service, except as otherwise provided.

(f) Pension. A series of monthly amounts that are payable to a person who is entitled to receive benefits under the Plan.

(g) Pension Restoration Plan. Pension Restoration Plan for NiSource Inc. and Affiliates, as amended from time to time.

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(h) Primary Social Security Benefit. The monthly amount available to a Participant at age 65 (or at Retirement, if later) under the provisions of Title II of the Social Security Act in effect at the time of termination of employment, assuming the following:

(i) The Participant attained age 65 in the year of Retirement, and

(ii) The Participant earned maximum taxable wages under Code Section 3121(a)(1) in all years prior to the year of Retirement. A Participant's Primary Social Security Benefit will be deducted in accordance with Article IV, even though he or she may not be receiving or may not be eligible to receive Social Security benefits.

(i) Retirement. A Participant's Normal or Early Retirement.

(j) Service. A Participant's or employee's employment or service with the Company, as defined in the NiSource Pension Plan, or such other employment or service date as determined by the Board.

ARTICLE III

PARTICIPATION

The Board or the Committee shall select which key employees of the Company will participate in the Plan. In accordance with Article I, it is intended that officers and certain other employees be eligible for participation.

After the Board or the Committee approves participation for an individual, the Company or the Committee shall provide the individual with a notice of participation in the Plan and a description of the Plan.

ARTICLE IV

SUPPLEMENTAL RETIREMENT PENSION

4.1 Applicability. This Article IV shall apply to each Participant or former Participant who first participated in the Plan prior to January 23, 2004.

4.2 Supplemental Retirement Pension. Upon Normal Retirement, a Participant shall receive a monthly Supplemental Retirement Pension calculated on a single-life basis equal to the larger of (a) or (b) below, reduced in each case by the single-life pension (excluding any supplements related to eligibility for a Social Security benefit) the Participant is eligible to receive under (1) either the Final Average Pay Option or the Account Balance Option of the NiSource Pension Plan, or any other Qualified Pension Plan and (2) the Pension Restoration Plan.

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(a) The sum of:

(i) 1.7% of the Participant's Final Average Compensation multiplied by the Participant's Service to a maximum of 30 years; plus

(ii) 0.6% of the Participant's Final Average Compensation multiplied by the Participant's Service in excess of 30 years.

(b) The sum of:

(i) 3% of the Participant's Final Average Compensation multiplied by the Participant's Service to a maximum of 20 years; plus

(ii) 0.5% of the Participant's Final Average Compensation multiplied by the Participant's Service in excess of 20 years, to a maximum of 30 years;

(iii) less 5% of the Participant's Primary Social Security Benefit, multiplied by the Participant's Service to a maximum of 20 years.

Upon Early Retirement, a Participant shall receive a monthly Supplemental Retirement Pension in a reduced amount (as described in Section 4.3 below).

4.3 Reduction for Early Retirement. A Participant who terminates employment prior to Normal Retirement, but after Early Retirement, shall receive a monthly Supplemental Retirement Pension in an amount determined in accordance with Section 4.2 above, but reduced as follows: (1) by 6% for each of the first two (2) years and 4% for each of the next five (5) years that commencement of the Participant's Supplemental Retirement Pension precedes the date that the Participant would attain age 62; or (2) if the Participant had completed 25 years of Service at the time of his or her termination, by 6% for the first year and 4% for each of the next four (4) years that commencement of the Participant's Supplemental Retirement Pension precedes the date that the Participant would attain age 60, with a pro rata reduction for any fraction of a year.

Payment of the Participant's monthly reduced Supplemental Retirement Pension shall normally commence as soon as practicable following termination of employment. Notwithstanding the preceding sentence, a Participant may elect to defer the commencement of his or her reduced Supplemental Retirement Pension to any date between Early Retirement and attainment of age 62 by a written election delivered to the Committee on or before the last day of the calendar year preceding the calendar year of Early Retirement.

4.4 Termination of Employment Prior to Early Retirement. Upon termination of employment prior to Early Retirement, a Participant shall receive a monthly Supplemental Retirement Pension, calculated on a single-life basis equal to the excess, if any, of the single-life pension the Participant would be eligible to receive under either the Final Average Pay Option or the Account Balance Option of the NiSource Pension Plan, or any other Qualified Pension Plan, if the limitations required by Code Sections 401(a)(17) and 415, or any other limitation imposed by the Code, the limitation on bonuses to 50% of base pay and the potential limitations relating

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to Taxable Compensation were not applied, reduced by the single-life pension the Participant is eligible to receive under (1) either such Option of the NiSource Pension Plan, or any other Qualified Pension Plan and (2) the Pension Restoration Plan, and commencing on the same date as the pension under the NiSource Pension Plan or any other Qualified Pension Plan.

4.5 Supplemental Disability Pension. If a Participant becomes disabled while in the active employment of the Company prior to age 65, the Participant shall be eligible for a monthly Supplemental Disability Pension commencing on the date the disability begins and continuing to the first to occur of the Participant's death or attainment of age 65, calculated on a single-life basis, and equal to the larger of (a) or (b) below, reduced in each case by the basic benefit the Participant is eligible to receive under the long-term group disability insurance coverage provided under any long term disability plan maintained by the Company or any Affiliate. For purposes of the Plan, a Participant is deemed disabled if he or she receives long-term disability benefits from a plan maintained by the Company or an Affiliate or receives Social Security disability payments.

(a) The sum of:

(i) 1.7% of the Participant's Final Average Compensation multiplied by the Participant's Service to a maximum of 30 years, plus

(ii) 0.6% of the Participant's Final Average Compensation multiplied by the Participant's Service in excess of 30 years.

(b) The sum of:

(i) 3% of the Participant's Final Average Compensation multiplied by the Participant's Service to a maximum of 20 years; plus

(ii) 0.5% of the Participant's Final Average Compensation multiplied by the Participant's Service in excess of 20 years, to a maximum of 30 years;

(iii) less 5% of the Participant's Primary Social Security Benefit, multiplied by the Participant's Service to a maximum of 20 years.

After age 65, the Participant shall be eligible for a monthly Supplemental Retirement Pension in accordance with Section 4.2, based on Service the Participant would have had if the Participant had continued working for the Company or an Affiliate to age 65, the Participant's Final Average Compensation at the time he or she became disabled, the Primary Social Security Benefit determined at the time the Participant became disabled, and the single-life pension the Participant is entitled to receive at age 65 from the NiSource Pension Plan, or any other Qualified Pension Plan, and the Pension Restoration Plan, determined at the time he or she became disabled.

4.6 Supplemental Spouse Pension. Upon the death of a Participant in active employment or while receiving a Supplemental Disability Pension, his or her surviving spouse, if any, shall be eligible to receive a monthly Supplemental Spouse Pension equal to the greater of:

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(a) 25% of the Participant's Final Average Compensation; or

(b) the monthly amount that would have been payable to such surviving spouse if the Participant had elected payment of his or her monthly Supplemental Retirement Pension in the form of a reduced 50% joint and survivor Pension, with his or her spouse as the contingent annuitant, terminated employment (on the date of his or her actual death) and then died immediately prior to the commencement of payments.

The Supplemental Spouse Pension shall commence in the month next following the month of the Participant's death and continue for the life of such spouse. In the event that the Supplemental Spouse Pension calculated under option (a) of this Section will provide a greater benefit to the spouse immediately following the Participant's death, but option (b) of this Section will provide a greater monthly benefit as of the date the Participant would have attained age 55, the amount of monthly Supplemental Spouse Pension payable to the surviving spouse shall be: (1) calculated and payable under option (a) during the period immediately following the Participant's death; and (2) recalculated and payable according to option (b) beginning on the date the Participant would have attained age 55. Beginning on the earliest date that the surviving spouse could have begun receiving a benefit under the NiSource Pension Plan, or any other Qualified Pension Plan, the Supplemental Spouse Pension payable under this
Section shall be reduced by the amount of benefit under the NiSource Pension Plan, or any other Qualified Pension Plan, and the Pension Restoration Plan that the spouse is (or would have been) entitled to receive.

4.7 Retiree Death Benefit. Upon the death of a retired Participant, a lump-sum death benefit equal to 50% of his or her retiree group life insurance coverage shall be paid to the retiree's spouse or other beneficiaries designated with respect to such coverage.

4.8 Cost of Living Adjustment. For Participants in the Final Average Pay Option of the NiSource Pension Plan, the benefits payable under Sections 4.2 through 4.7 shall be increased in the same percentage and at the same time as cost of living adjustments are made to the pensions of salaried employees of the Company or an Affiliate under the NiSource Pension Plan, or any other Qualified Pension Plan.

4.9 Separate Agreement. Notwithstanding Sections 2.3(d) and (i), each Participant who first becomes eligible to participate in the Plan on and after January 1, 2004 and prior to January 23, 2004 shall have his or her Supplemental Retirement Pension determined based upon his or her Service and Compensation as set forth in a separate, written agreement, if any, between the Company and such Participant.

ARTICLE V

SUPPLEMENTAL RETIREMENT ACCOUNT

5.1 Applicability. This Article V shall apply to each Participant who first participates in the Plan on and after January 23, 2004.

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5.2 Supplemental Retirement Account. A Participant's Supplemental Retirement Account is a notional account equal to the sum of his or her Compensation Credits, Supplemental Credits, if any, and Interest Credits. Compensation Credits shall be credited to a Participant's Supplemental Retirement Account as of the last day of each Plan Year beginning on or after January 1, 2004 equal to five percent of the Participant's Compensation for such Plan Year. Supplemental Credits, if any, shall be credited pursuant to Section 5.3. Interest Credits shall be calculated in the same manner and shall be credited to a Participant's Supplemental Retirement Account at the same time as provided under the NiSource Pension Plan or any other Qualified Pension Plan.

5.3 Supplemental Credits. The Committee, subject to approval of the Board, may authorize Supplemental Credits to a Participant's Supplemental Retirement Account in such amounts and at such times, and subject to such specific terms and provisions, as authorized by the Committee.

5.4 Termination of Employment. Upon termination of employment, for any reason other than death, with five or more years of Service, unless a shorter period is provided in a separate, written agreement between the Company and the Participant and approved by the Board, a Participant shall receive the balance of his or her Supplemental Retirement Account distributed in accordance with Sections 6.1 and 6.2.

5.5 Death. Upon the death of a Participant prior to final distribution of his or her Supplemental Retirement Account after completing five or more years of Service, unless a shorter period is provided in a separate, written agreement between the Company and the Participant and approved by the Board, the Participant's beneficiary, designated in such manner as provided by the Committee, shall receive the balance of the Participant's Supplemental Retirement Account distributed in accordance with Sections 6.1 and 6.2. If the Participant designates multiple beneficiaries, he or she shall designate the percentage, in whole numbers, allocated to each such beneficiary.

If any Participant fails to designate a beneficiary in the manner provided above, if the designation is void or if the beneficiary designated by a deceased Participant dies before the Participant or before complete distribution of the Participant's benefits, the Participant's beneficiary shall be the person in the first of the following classes in which there is a survivor:

(a) The Participant's spouse;

(b) The Participant's children in equal shares, except that if any of the children predeceases the Participant but leaves issue surviving, then such issue shall take by right of representation the share the parent would have taken if living;

(c) The Participant's estate.

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ARTICLE VI

DISTRIBUTIONS

6.1 Form of Payment. Notwithstanding Sections 4.2, 4.3 and 4.4, a Participant shall receive distribution of his or her Supplemental Retirement Pension or Supplemental Retirement Account in the same form as his or her distribution under the NiSource Pension Plan, computed in the same manner as in the NiSource Pension Plan, or under any other Qualified Pension Plan, computed in the same manner as in such Qualified Pension Plan. Any election under the NiSource Pension Plan or any other Qualified Pension Plan shall apply to his or her Supplemental Retirement Pension or Supplemental Retirement Account pursuant to the preceding sentence only if it is made by written instrument delivered to the Committee at least 30 days prior to the date of such distribution. If such election is not so made at least 30 days prior to the date of distribution of his or her Supplemental Retirement Pension or Supplemental Retirement Account, the Participant's Supplemental Retirement Pension or Supplemental Retirement Account shall be paid as a 50% joint and survivor Pension if such Participant is married, or as a single-life Pension if such Participant is unmarried. If a Participant who makes an election pursuant to this Section 6.1 at least 30 days prior to the date of distribution dies prior to distribution pursuant to such election, such election shall be revoked and the provisions of Article IV and
Section 6.2 shall apply.

6.2 Small Benefit Amounts. At the discretion of the Committee, the present value of any benefit payable under the Plan that does not exceed $5,000 may be paid to the Participant or his or her surviving spouse or other designated beneficiary in quarterly, semi-annual or annual installments, or in a single lump sum.

ARTICLE VII

MISCELLANEOUS

7.1 Plan Financing. Except as set forth below in this Section and in
Section 8.5, benefits under the Plan shall be paid from the general assets of the Company. To the extent any Participant or surviving spouse or other designated beneficiary acquires a right to receive payments hereunder, such right shall be no greater than the right of any other unsecured creditor of the Company. Notwithstanding the foregoing, the Company has entered into a trust agreement ("Trust Agreement") whereby the Company agrees to contribute to a trust ("Trust") for the purpose of accumulating assets to assist the Company in fulfilling its obligations to Participants and surviving spouses or other designated beneficiaries hereunder. Such Trust includes the provision that all assets of the Trust shall be subject to the creditors of the Company in the event of its insolvency.

7.2 Non-Compete and Related Provisions. Benefits under the Plan may be forfeited if:

(a) A Participant, while employed by the Company or within a period of three (3) years after the Participant's termination of employment for any reason,

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including Retirement (the "Restrictive Period"), engages in activity or employment that directly or indirectly competes with the business of the Company or its Affiliates, including, but not by way of limitation, by directly or indirectly owning, managing, operating, controlling, financing, or by directly or indirectly serving as an employee, officer or director of or consultant to, or by soliciting or inducing, or attempting to solicit or induce, any employee or agent of the Company or its Affiliates to terminate employment with the Company or its Affiliates, and become employed by, any person, firm, partnership, corporation, trust or other entity that provides commodities, products or services to customers of the Company or its Affiliates of the same type as commodities, products or services provided by the Company or its Affiliates (the "Restrictive Covenant"). The foregoing Restrictive Covenant shall not prohibit a Participant from owning directly or indirectly capital stock or similar securities which are listed on a securities exchange or quoted on the National Association of Securities Dealers Automated Quotation System which do not represent more than 1% of the outstanding capital stock of any such entity; or

(b) A Participant performs any action or makes any statement that is detrimental to the Company or its Affiliates, unless such action or statement is retracted to the Company's satisfaction after the Participant is notified regarding such action or statement.

7.3 Nonguarantee of Employment. Participation in the Plan does not limit the right of the Company or an Affiliate to discharge any individual with or without cause.

7.4 Nonalienation of Benefits. Neither a Participant, nor a surviving spouse or other designated beneficiary may assign or transfer any benefits under the Plan.

7.5 Plan Amendment or Termination. The Chairman of the Board of Directors may amend any provision of the Plan except for Articles III, IV and V, which may only be amended by the Company or the Committee. The Company or the Committee may terminate the Plan at any time, except that any benefits that are payable due to a Retirement, death, disability, or other termination of employment occurring prior to the amendment or termination shall not be reduced or discontinued. No amendment or termination of the Plan shall directly or indirectly deprive any current or former Participant (or surviving spouse) of all or any portion of any Supplemental Retirement Benefit, Supplemental Disability Pension, Supplemental Spouse Pension, or Supplemental Retirement Account, the payment of which has commenced prior to the effective date of such amendment or termination, or which would be payable if the Participant terminated employment for any reason on such effective date. Upon termination of the Plan, distribution of Supplemental Retirement Benefits, Supplemental Disability Pension, Supplemental Spouse Pension or Supplemental Retirement Account shall be made to Participants, surviving spouses and beneficiaries in the manner and at the time described in Article VI of the Plan. No additional Supplemental Retirement Benefits, Supplemental Disability Pension, Supplemental Spouse Pension, or Compensation Credits or Supplemental Credits under a Supplemental Retirement Account, shall be earned after termination of the Plan, except as provided in Section 8.3.

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7.6 Indemnification.

(a) Limitation of Liability. Notwithstanding any other provision of the Plan or the Trust, none of the Company, or any member of the Committee, or an individual acting as an employee or agent of any of them, shall be liable to any Participant or former Participant, or any surviving spouse or other designated beneficiary of any Participant or former Participant, for any claim, loss, liability or expense incurred in connection with the Plan or the Trust, except when the same shall have been judicially determined to be due to the willful misconduct of such person.

(b) Indemnity. The Company shall indemnify and hold harmless each member of the Committee, or any employee of the Company or any individual acting as an employee or agent of either of them (to the extent not indemnified or saved harmless under any liability insurance or any other indemnification arrangement with respect to the Plan or the Trust) from any and all claims, losses, liabilities, costs and expenses (including attorneys' fees) arising out of any actual or alleged act or failure to act made in good faith pursuant to the provisions of the Plan, including expenses reasonably incurred in the defense of any claim relating thereto with respect to the administration of the Plan or the Trust, except that no indemnification or defense shall be provided to any person with respect to any conduct that has been judicially determined, or agreed by the parties, to have constituted willful misconduct on the part of such person, or to have resulted in his or her receipt of personal profit or advantage to which he or she is not entitled. In connection with the indemnification provided by the preceding sentence, expenses incurred in defending a civil or criminal action, suit or proceeding, or incurred in connection with a civil or criminal investigation, may be paid by the Company in advance of the final disposition of such action, suit, proceeding, or investigation, as authorized by the Committee in the specific case, upon receipt of an undertaking by or on behalf of the party to be indemnified to repay such amount unless it shall ultimately be determined that the person is entitled to be indemnified by the Company pursuant to this paragraph.

(c) Severability. Each of the Sections contained in the Plan, and each provision in each Section, shall be enforceable independently of every other Section or provision in the Plan, and the invalidity or unenforceability of any Section or provision shall not invalidate or render unenforceable any other Section or provision contained herein. If any Section or provision in a Section is found invalid or unenforceable, it is the intent of the parties that a court of competent jurisdiction shall reform the Section or provision to produce its nearest enforceable economic equivalent.

7.7 Action by Company. Any action required or permitted of the Company under the Plan shall be by resolution of the Board or of the Committee, or by a person or persons authorized by resolution of the Board or the Committee.

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7.8 Protective Provisions. A Participant will cooperate with the Company by furnishing any and all information requested by the Company and its Affiliates in order to facilitate the payment of benefits hereunder, and by taking such physical examinations as the Company and its Affiliates may deem necessary and taking such other action as may be requested by the Company and its Affiliates.

7.9 Governing Law. The provisions of the Plan shall be construed and interpreted according to the laws of the State of Indiana, except as preempted by federal law.

7.10 Notice. Any notice required or permitted under the Plan shall be sufficient if in writing and hand delivered or sent by registered or certified mail. Such notice shall be deemed as given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark on the receipt for registration or certification. Mailed notice to the Committee shall be directed to the Company's address. Mailed notice to a Participant, a surviving spouse or other designated beneficiary shall be directed to the individual's last known address in the Company's records.

7.11 Successors. The provisions of the Plan shall bind and inure to the benefit of the Company, its Affiliates and their successors and assigns. The term successors as used herein shall include any corporate or other business entity that shall, whether by merger, consolidation, purchase, or otherwise, acquire all or substantially all of the business and assets of the Company, and successors of any such corporation or other business entity.

7.12 Actuarial Assumptions. Unless otherwise provided in the Plan, all actuarial adjustments necessary to determine the amount, form or timing of any distribution shall be based on the same actuarial assumptions used for the pension a Participant is eligible to receive under the NiSource Pension Plan.

7.13 Tax Savings. Notwithstanding anything to the contrary contained in the Plan, (1) in the event that the Internal Revenue Service prevails in its claim that benefits under the Plan constitute taxable income to a Participant, his or her spouse or other designated beneficiary, for any taxable year, prior to the taxable year in which such benefits are distributed to him or her, or (2) in the event that legal counsel satisfactory to the Company and the applicable Participant, his or her spouse or other designated beneficiary, renders an opinion that the Internal Revenue Service would likely prevail in such a claim, the assets in the Plan, to the extent constituting taxable income, shall be immediately distributed to the Participant, his or her spouse or other designated beneficiary. For purposes of this Section, the Internal Revenue Service shall be deemed to have prevailed in a claim if such claim is upheld by a court of final jurisdiction, or, if based upon an opinion of legal counsel satisfactory to the Company and the Participant, his or her spouse or other designated beneficiary, the Plan fails to appeal a decision of the Internal Revenue Service, or a court of applicable jurisdiction, with respect to such claim to an appropriate Internal Revenue Service appeals authority or to a court of higher jurisdiction within the appropriate time period.

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ARTICLE VIII

CHANGE IN CONTROL

8.1 Change in Control. A Change in Control of the Company shall be deemed to have occurred if any one of the occurrences of a "Change in Control" set forth in the Change in Control and Termination Agreements between the Company and certain executive officers thereof shall have been satisfied.

8.2 Potential Change in Control. A "Potential Change in Control" shall include any of the following:

(a) The delivery to the Company by any "person," as defined in Section 13(d)(3) of The Securities Exchange Act of 1934 (the "Act"), of a statement containing the information required by Schedule 13-D under the Act, or any amendment to any such statement, that shows that such person has acquired, directly or indirectly, the beneficial ownership of (1) more than twenty percent (20%) of any class of equity security of the Company entitled to vote as a class in the election or removal from office of directors, or (2) more than twenty percent (20%) of the voting power of any group of classes of equity securities of the Company entitled to vote as a single class in the election or removal from office of directors.

(b) The Company becomes aware that preliminary or definitive copies of a proxy statement and information statement or other information have been filed with the Securities and Exchange Commission pursuant to Rule 14a-6, Rule 14c-5 or Rule 14f-1 under the Act relating to a proposed change in control of the Company.

(c) The delivery to the Company pursuant to Rule 14d-3 under the Act of a Tender Offer Statement relating to equity securities of the Company.

(d) The Board adopts a resolution to the effect that for purposes of the Plan a Potential Change in Control has occurred.

8.3 Additional Service and Compensation Upon Change in Control. With respect to a Participant who, pursuant to contract with the Company, is entitled to compensation from the Company for an additional 36 months in the event that after a Change in Control the Participant's employment is terminated by the Company or an Affiliate under circumstances described in the contract, such Participant's years of Service under Section 2.3, and Supplemental Retirement Pension under Section 4.2 or Supplemental Retirement Account under Section 5.2, as applicable, shall be calculated as if the Participant had continued in employment with the Company for an additional 36 months at the rate of Compensation in effect immediately prior to his or her employment termination; provided that, in no event shall the counting of a Participant's Compensation during this 36-month period reduce his or her Final Average Compensation figure below its highest level prior to the Participant's termination of employment.

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8.4 Waiver of Service and Age Requirements Upon Change in Control. A Participant whose employment is terminated within 24 months following a Change in Control for any reason other than a termination by the Company for Good Cause, but prior to Early Retirement, shall be eligible for the Supplemental Retirement Pension specified in Section 4.2, rather than the Supplemental Retirement Pension specified in Section 4.4, commencing at Normal Retirement, except that the Participant may elect to begin receiving such Supplemental Retirement Pension at any time after attaining age 55 years, subject to the reduction specified in Section 4.3.

8.5 Funding of Plan Benefits Upon Change in Control. Upon a Potential Change in Control, the Committee shall identify the amount by which the present value of all benefits earned to date under the Plan (after offsets) exceeds the then fair market value of the applicable Trust assets, calculated using the Pension Benefit Guaranty Corporation immediate annuity interest rate as of the date of the Potential Change in Control, the 1983 GAM mortality tables, and the most valuable optional payment form (the "Full Funding Amount"), and the Company shall contribute such Full Funding Amount to the Trust. Each Participant's benefits for purposes of calculating present value shall be the highest benefit the Participant would have under the Plan within the six (6) months following a Potential Change in Control, assuming that the Participant's employment continues for six (6) months at the same rate of Compensation, and that the Participant receives any benefit enhancement provided by the Plan, or any other agreement, upon a Change in Control.

8.6 Plan Administration and Amendment Upon a Change in Control. Upon and after a Change in Control, the Company no longer shall have the power to appoint or remove members of the Committee, nor the power to approve legal counsel or actuaries employed by the Committee. Upon and after a Change in Control, only the Committee members shall have the power to appoint or remove members. If, at any time after a Change in Control, all members of the Committee have been removed or resigned, then all of the powers, rights and duties vested in the Committee by Article IX below shall be vested in the trustee of the Trust.

8.7 Committee Discretion to Pay Lump Sum After a Change in Control. Upon and after a Change in Control, the Committee may, in its sole discretion, distribute, or cause the trustee under the Trust to distribute, to a Participant or a surviving spouse, the present value (determined in accordance with the assumptions in Section 7.12) of the Participant's Supplemental Retirement Pension or Supplemental Disability Pension, or the surviving spouse's Supplemental Spouse Pension, or the balance of the Participant's Supplemental Retirement Account, payable under the Plan in a lump sum payment.

8.8 Lump Sum Election. Each calendar year, a Participant shall have the right to elect to receive the present value (determined in accordance with the assumptions in Section 7.12) of the Participant's Supplemental Retirement Pension or Supplemental Disability Pension, or the balance of the Participant's Supplemental Retirement Account, in a lump sum if:

(a) a Change in Control occurs in the calendar year subsequent to the calendar year in which the election is made; and

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(b) (i) within 24 months following the Change in Control any one of the payment triggering conditions set forth in the Change in Control and Termination Agreement between the Company and the Participant shall have occurred; or

(ii) if no Change in Control and Termination Agreement is in effect between the Company and the Participant on the date of the Change in Control and within 24 months following the Change in Control the employment of the Participant with the Company is terminated by the Company for any reason other than Good Cause or the Participant terminates his or her employment with the Company for Good Reason.

Such election shall be irrevocable for the calendar year to which it applies. A distribution pursuant to this Section 8.8 shall be made as soon as practicable following the Participant's termination of employment. Notwithstanding the preceding provisions of this Section 8.8, a Participant shall have the right to make the election set forth in this Section at any time during the first three (3) months of calendar year 2003 with respect to a Change in Control that occurs during the last nine (9) months of calendar year 2003. Any such election shall be irrevocable for calendar year 2003 and shall be subject to the other provisions of this Section 8.8.

8.9 Definitions.

(a) "Good Cause" shall be deemed to exist if, and only if:

(i) the Participant engages in acts or omissions constituting dishonesty, intentional breach of fiduciary obligation or intentional wrongdoing or malfeasance, in each case that results in substantial harm to the Company; or

(ii) the Participant is convicted of a criminal violation involving fraud or dishonesty.

(b) "Good Reason" shall be deemed to exist if, and only if:

(i) there is a significant change in the nature or the scope of the Participant's authorities or duties;

(ii) there is a significant reduction in the Participant's monthly rate of base salary, his or her opportunity to earn a bonus under an incentive bonus compensation plan maintained by the Company or his or her benefits; or

(iii) the Company changes by 100 miles or more the principal location in which the Participant is required to perform services.

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ARTICLE IX

PLAN ADMINISTRATION: THE COMMITTEE

9.1 General Powers, Rights and Duties. The Committee has the following powers, rights and duties in addition to those given it elsewhere in the Plan:

(a) To interpret the Plan and determine all questions arising in the administration, interpretation and application of the Plan, including, but not limited to, the power to determine the rights or eligibility of employees or Participants, and their surviving spouses and any other beneficiaries, and the amount of their respective benefits under the Plan, and to remedy ambiguities, inconsistencies or omissions.

(b) To adopt such rules of procedure and regulations as in its opinion may be necessary for the proper and efficient administration of the Plan and as are consistent with the Plan.

(c) To enforce the Plan and the rules and regulations, if any, adopted by the Committee as above.

(d) To direct the trustee as respects benefit payments or other distributions from the Trust fund pursuant to the provisions of the Plan.

(e) To furnish the Company with such information as may be required by it for tax or other purposes as respects the Plan.

(f) To employ agents, attorneys, accountants, actuaries or other persons (who also may be employed by the Company or an Affiliate) and to allocate or delegate to them such powers, rights and duties as the Committee may consider necessary or advisable to properly carry out the administration of the Plan, including maintaining the accounts of Participants, provided that such allocation or delegation, and the acceptance thereof by such agents, attorneys, accountants, actuaries or other persons, shall be in writing.

9.2 Information Required by Committee. The Company shall furnish the Committee with such data and information as the Committee may deem necessary or desirable in order to administer the Plan. The records of the Company as to an employee's or Participant's period or periods of employment, termination of employment and the reason therefor, reemployment and Compensation will be conclusive on all persons unless determined to the Committee's satisfaction to be incorrect. Participants and other persons entitled to benefits under the Plan also shall furnish the Committee with such evidence, data or information as the Committee considers necessary or desirable to administer the Plan.

9.3 Committee Decision Final. Subject to applicable law, and the provisions of Section 9.4, any interpretation of the provisions of the Plan and any decision on any matter within the discretion of the Committee made by the Committee in good faith shall be binding on all persons. To the extent not inconsistent with the Plan, all definitions, terms and provisions set

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forth in the NiSource Pension Plan, including with respect to the administrative powers and duties of the Committee, the expenses of administration, and the procedures for filing claims, also shall be applicable with respect to the Plan.

9.4 Claims Procedure. Claims for benefits under the Plan shall be made in writing to the Committee. If the Committee wholly or partially denies a claim for benefits, the Committee shall, within a reasonable period of time, but no later than 90 days after receiving the claim, notify the claimant in writing of the denial of the claim. If the Committee fails to notify the claimant in writing of the denial of the claim within 90 days after the Committee receives it, the claim shall be deemed denied. A notice of denial shall be written in a manner calculated to be understood by the claimant, and shall contain:

(a) the specific reason or reasons for denial of the claim;

(b) a specific reference to the pertinent Plan provisions upon which the denial is based;

(c) a description of any additional material or information necessary for the claimant to perfect the claim, together with an explanation of why such material or information is necessary; and

(d) an explanation of the Plan's review procedure.

Within 60 days of the receipt by the claimant of the written notice of denial of the claim, or within 60 days after the claim is deemed denied as set forth above, if applicable, the claimant may file a written request with the Committee that it conduct a full and fair review of the denial of the claimant's claim for benefits, including the conducting of a hearing, if the Committee deems one necessary. In connection with the claimant's appeal of the denial of his or her benefit, the claimant may review pertinent documents and may submit issues and comments in writing. The Committee shall render a decision on the claim appeal promptly, but not later than 60 days after receiving the claimant's request for review, unless, in the discretion of the Committee, special circumstances (such as the need to hold a hearing) require an extension of time for processing, in which case the 60-day period may be extended to 120 days. The Committee shall notify the claimant in writing of any such extension. The decision upon review shall (1) include specific reasons for the decision, (2) be written in a manner calculated to be understood by the claimant, and (3) contain specific references to the pertinent Plan provisions upon which the decision is based.

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IN WITNESS WHEREOF, the Company has caused this amendment and restatement of the Plan to be executed in its name by its duly authorized officer this 24th day of May 2004, effective as of the 1st day of January, 2004.

NISOURCE INC.

By: /s/ Gary L. Neale

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Exhibit 10.6

September 1, 2002

CONFIDENTIAL

Mr. Sam Miller
3605 Royal Fox Drive
St. Charles, IL 60174

Dear Sam:

On behalf of NiSource Corporate Services Company ("Company"), I am pleased to offer you employment as the Chief Operating Officer for the subsidiaries and affiliates of NiSource, Inc., beginning September 1, 2002, conditioned upon approval by the Board of Directors. This letter does not constitute an offer of a contract of guaranteed employment; if you accept this offer, you will be an employee at will. The terms of the offer are as follows:

Position: You will report to the Chief Executive Officer.

Base Salary: Your annual base salary will be $500,000, payable monthly. Adjustments to base salary may be made periodically.

Short Term Incentive: Your annual incentive under the NiSource Inc. 2002 Annual Incentive Plan will be 70% target. You are guaranteed payment of your pro-rata target bonus for 2002, payable in December 2002. Additional payment is possible in March 2003, depending on Company performance.

Long Term Incentive: You will also have the opportunity to achieve an annual long-term incentive compensation under the NiSource Inc. 1994 Long Term Incentive Plan, as amended, of $900,000 target current value. This amount may be reviewed periodically at the Board's discretion. Currently, this long-term incentive is structured as a combination of 75% restricted stock and 25% stock options, authorized by action of the Board at its November meeting with an effective date of the grant of January 1, 2003. The Executive Compensation Review that is completed in the fall and presented at the November 2002 meeting of the Nominating and Compensation Committee of the Board may determine a higher annualized value, which would then be reflected in the January 2003 grant. Actual delivery of value may or may not continue in the combination as referenced above.

Restricted Stock: You will receive a step-in grant of restricted stock equal to $200,000 in value, with restrictions to lapse three years from the date of the grant.

Vacation: You will participate in the executive vacation plan, receiving six weeks of vacation per year.

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Other Fringe Benefits: You will receive the same fringe benefits as other NiSource Corporate Services employees. You are also eligible for AYCO financial counseling and planning.

Retirement: You will participate in the NiSource Supplemental Executive Retirement Plan, as amended and restated.

NiSource Policies. You are expected to familiarize yourself with and observe all Company policies. During the course of your employment with the Company, you will have access to confidential and proprietary information of the Company. You agree to maintain the confidentiality of such information, both during and after your employment.

Severance: If your employment is involuntarily terminated prior to September 1, 2004 due to the transaction currently under discussion or one similar to it, you will receive a lump-sum payment of one year of base pay, target bonus and the prorated value of the long term incentive plan then in effect, through the date of termination. This payment is in lieu of benefits under the NiSource Executive Severance Policy. If your employment is terminated for any other reason at any time, the NiSource Executive Severance Policy will apply to you. If you terminate your employment voluntarily prior to September 1, 2006, the Company will not be obligated to pay any incentives which are unpaid at the time of your voluntary termination, including but not limited to, long term incentive plan payments.

Change In Control. If similarly situated officers are offered Change In Control Agreements after September 1, 2004, you will be offered a similar agreement.

To acknowledge your acceptance of this offer, please sign and return one copy of this letter to LaNette Zimmerman at your earliest convenience.

Sam, I hope that you accept the Company's offer of employment. I am delighted with your interest in continuing to work with us at NiSource and look forward to a mutually beneficial relationship. Please call me if you have any questions.

Sincerely,

/s/ Gary L. Neale

Gary L. Neale

/s/ Samuel W. Miller *08/13/02*

Sam Miller *Date*

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Exhibit 31.1

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Gary L. Neale, certify that:

1. I have reviewed this Quarterly Report of NiSource Inc. on Form 10-Q for the quarter ended June 30, 2004;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2004 *By:* */s/ Gary L. Neale*

Gary L. Neale
Chairman and Chief Executive Officer

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EXHIBIT 31.2

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Michael W. O'Donnell, certify that:

1. I have reviewed this Quarterly Report of NiSource Inc. on Form 10-Q for the quarter ended June 30, 2004;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2004 *By: /s/ Michael W. O'Donnell*

Michael W. O'Donnell
Chief Financial Officer

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EXHIBIT 32.1

CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of NiSource Inc. (the "Company") on Form 10-Q for the period ending June 30, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Gary L. Neale, Chairman and Chief Executive Officer of the Company, certify, pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Gary L. Neale

Gary L. Neale
Chairman and Chief Executive Officer

Date: August 6, 2004

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EXHIBIT 32.2

CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of NiSource Inc. (the "Company") on Form 10-Q for the period ending June 30, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael W. O'Donnell, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Michael W. O'Donnell

Michael W. O'Donnell
Executive Vice President and Chief Financial Officer

Date: August 6, 2004

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End of Filing

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

FORM 10-Q

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

For the quarterly period ended September 30, 2004

or

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

For the transition period from _____ to _____

Commission File Number: 001-16189

NiSource Inc.
(Exact name of registrant as specified in its charter)

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

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

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes [X] No [ ]

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. Common Stock, $0.01 Par Value:
263,587,751 shares outstanding at October 31, 2004.

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NISOURCE INC.
FORM 10-Q QUARTERLY REPORT
FOR THE QUARTER ENDED SEPTEMBER 30, 2004

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

NISOURCE INC.
STATEMENTS OF CONSOLIDATED INCOME (LOSS) (UNAUDITED)

(in millions, except per share amounts)	Three Months Ended September 30, 2004	Three Months Ended September 30, 2003	Nine Months Ended September 30, 2004	Nine Months Ended September 30, 2003
NET REVENUES				
Gas Distribution	$ 325.8	$ 274.0	$2,589.1	$ 2,563.4
Gas Transmission and Storage	199.8	189.2	753.1	753.5
Electric	305.0	328.2	841.1	854.6
Other	149.2	106.9	514.7	392.5
Gross Revenues	979.8	898.3	4,698.0	4,564.0
Cost of Sales	389.4	321.0	2,499.5	2,315.3
Total Net Revenues	590.4	577.3	2,198.5	2,248.7
OPERATING EXPENSES				
Operation and maintenance	283.5	273.0	891.5	874.9
Depreciation and amortization	125.9	123.1	378.9	372.6
Loss (Gain) on sale of assets	(0.1)	(16.2)	0.9	(14.9)
Other taxes	53.3	48.5	199.3	219.1
Total Operating Expenses	462.6	428.4	1,470.6	1,451.7
OPERATING INCOME	127.8	148.9	727.9	797.0
OTHER INCOME (DEDUCTIONS)				
Interest expense, net	(100.0)	(113.6)	(302.3)	(351.5)
Minority interests	-	-	-	(2.5)
Dividend requirements on preferred stock of subsidiaries	(1.1)	(1.1)	(3.3)	(3.4)
Other, net	1.5	2.4	5.4	12.4
Total Other Income (Deductions)	(99.6)	(112.3)	(300.2)	(345.0)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	28.2	36.6	427.7	452.0
INCOME TAXES	6.7	13.1	154.4	166.9
INCOME FROM CONTINUING OPERATIONS	21.5	23.5	273.3	285.1
Income from Discontinued Operations - net of taxes	8.9	6.1	5.2	1.3
Loss on Disposition of Discontinued Operations - net of taxes	(1.6)	(14.2)	(1.6)	(332.2)
Change in Accounting - net of taxes	-	-	-	(8.8)
NET INCOME (LOSS)	$ 28.8	$ 15.4	$ 276.9	$ (54.6)
BASIC EARNINGS (LOSS) PER SHARE ($)				
Continuing operations	0.08	0.09	1.04	1.10
Discontinued operations	0.03	(0.03)	0.02	(1.28)
Change in accounting	-	-	-	(0.03)
BASIC EARNINGS (LOSS) PER SHARE	0.11	0.06	1.06	(0.21)
DILUTED EARNINGS (LOSS) PER SHARE ($)				
Continuing operations	0.08	0.09	1.03	1.09
Discontinued operations	0.03	(0.03)	0.02	(1.27)
Change in accounting	-	-	-	(0.03)
DILUTED EARNINGS (LOSS) PER SHARE	0.11	0.06	1.05	(0.21)
DIVIDENDS DECLARED PER COMMON SHARE	0.23	0.29	0.69	0.87
BASIC AVERAGE COMMON SHARES OUTSTANDING (MILLIONS)	262.7	261.4	262.5	258.9
DILUTED AVERAGE COMMON SHARES (MILLIONS)	264.6	263.4	264.5	260.9

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The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

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ITEM 1. FINANCIAL STATEMENTS (continued)

NISOURCE INC.
CONSOLIDATED BALANCE SHEETS

(in millions)	SEPTEMBER 30, 2004 (unaudited)	December 31, 2003
ASSETS		
PROPERTY, PLANT AND EQUIPMENT		
Utility Plant	$ 16,124.5	$ 15,977.3
Accumulated depreciation and amortization	(7,203.6)	(7,095.9)
Net utility plant	8,920.9	8,881.4
Other property, at cost, less accumulated depreciation	458.0	409.3
Net Property, Plant and Equipment	9,378.9	9,290.7
INVESTMENTS AND OTHER ASSETS		
Assets of discontinued operations and assets held for sale	19.2	20.7
Unconsolidated affiliates	96.3	113.2
Other investments	73.6	73.3
Total Investments	189.1	207.2
CURRENT ASSETS		
Cash and cash equivalents	40.4	27.3
Restricted cash	19.9	22.8
Accounts receivable (less reserve of $49.3 and $54.1, respectively)	318.3	546.3
Unbilled revenue (less reserve of $5.6 and $3.5, respectively)	76.6	268.0
Gas inventory	555.7	429.4
Underrecovered gas and fuel costs	185.6	203.2
Materials and supplies, at average cost	71.3	71.5
Electric production fuel, at average cost	26.5	29.0
Price risk management assets	113.3	74.3
Exchange gas receivable	168.3	174.8
Regulatory Assets	126.2	114.5
Prepayments and other	59.3	101.8
Total Current Assets	1,761.4	2,062.9
OTHER ASSETS		
Price risk management assets	168.5	114.4
Regulatory assets	575.2	575.5
Goodwill	3,698.1	3,698.1
Intangible assets	522.1	527.2
Deferred charges and other	169.5	147.8
Total Other Assets	5,133.4	5,063.0
TOTAL ASSETS	$ 16,462.8	$ 16,623.8

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

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ITEM 1. FINANCIAL STATEMENTS (continued)

NISOURCE INC.
CONSOLIDATED BALANCE SHEETS (CONTINUED)

(in millions)	SEPTEMBER 30, 2004 (unaudited)	December 31, 2003
CAPITALIZATION AND LIABILITIES		
CAPITALIZATION		
Common Stock Equity	$ 4,503.3	$ 4,415.9
Preferred Stocks --		
Series without mandatory redemption provisions	81.1	81.1
Long-term debt, excluding amounts due within one year	5,589.2	5,993.4
Total Capitalization	10,173.6	10,490.4
CURRENT LIABILITIES		
Current portion of long-term debt	368.0	118.3
Short-term borrowings	678.4	685.5
Accounts payable	295.1	496.6
Dividends declared on common and preferred stocks	61.7	1.8
Customer deposits	82.0	80.4
Taxes accrued	161.2	210.8
Interest accrued	140.9	82.4
Overrecovered gas and fuel costs	27.1	29.2
Price risk management liabilities	48.4	36.5
Exchange gas payable	249.8	290.8
Deferred revenue	25.8	28.2
Regulatory liabilities	36.5	73.7
Accrued liability for postretirement and pension benefits	47.0	56.8
Other accruals	363.1	418.0
Total Current Liabilities	2,585.0	2,609.0
OTHER LIABILITIES AND DEFERRED CREDITS		
Price risk management liabilities	5.7	0.2
Deferred income taxes	1,639.1	1,595.9
Deferred investment tax credits	80.6	87.3
Deferred credits	61.3	72.7
Deferred revenue	93.7	113.0
Accrued liability for postretirement and pension benefits	432.9	406.9
Preferred stock liabilities with mandatory redemption provisions	1.2	2.4
Regulatory liabilities and other removal costs	1,176.0	1,061.6
Other noncurrent liabilities	213.7	184.4
Total Other	3,704.2	3,524.4
COMMITMENTS AND CONTINGENCIES	-	-
TOTAL CAPITALIZATION AND LIABILITIES	$ 16,462.8	$ 16,623.8

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

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ITEM 1. FINANCIAL STATEMENTS (continued)

NISOURCE INC.
STATEMENTS OF CONSOLIDATED CASH FLOWS (UNAUDITED)

Nine Months Ended September 30, (in millions)	2004	2003
OPERATING ACTIVITIES		
Net income (loss)	$ 276.9	$ (54.6)
Adjustments to reconcile net income to net cash from continuing operations:		
Depreciation and amortization	378.9	372.6
Net changes in price risk management activities	3.2	14.7
Deferred income taxes and investment tax credits	(5.9)	(4.8)
Deferred revenue	(21.7)	(7.3)
Amortization of unearned compensation	6.9	7.4
Loss (Gain) on sale of assets	0.9	(14.9)
Change in accounting	-	8.8
Income from unconsolidated affiliates	(1.1)	(0.4)
Loss from sale of discontinued operations	1.6	332.2
Income from discontinued operations	(5.2)	(1.3)
Amortization of discount/premium on debt	13.9	14.2
Other	(1.9)	(2.8)
Changes in assets and liabilities:		
Restricted cash	2.8	(17.0)
Accounts receivable and unbilled revenue	395.6	368.0
Inventories	(123.7)	(301.9)
Accounts payable	(196.4)	(100.4)
Customer deposits	1.7	8.2
Taxes accrued	(49.4)	(12.6)
Interest accrued	58.5	94.2
(Under) Overrecovered gas and fuel costs	15.5	44.7
Exchange gas receivable/payable	7.8	(222.9)
Other accruals	(38.2)	(28.4)
Prepayment and other current assets	41.1	41.0
Regulatory assets/liabilities	40.7	21.6
Postretirement and postemployment benefits	15.8	(59.1)
Deferred credits	(11.4)	(30.6)
Deferred charges and other noncurrent assets	(18.0)	12.4
Other noncurrent liabilities	25.5	(5.2)
Net Cash Flows from Continuing Operations	814.4	475.8
Net Cash Flows used for Discontinued Operations	-	(139.1)
Net Cash Flows from Operating Activities	814.4	336.7
INVESTING ACTIVITIES		
Capital expenditures	(382.3)	(365.9)
Proceeds from disposition of assets	5.9	437.7
Other investing activities	(5.7)	(12.5)
Net Cash Flows (used for) or from Investing Activities	(382.1)	59.3
FINANCING ACTIVITIES		
Issuance of long-term debt	-	845.6
Retirement of long-term debt	(235.8)	(552.7)
Change in short-term debt	(7.1)	(470.2)
Retirement of preferred shares	(1.2)	(345.0)
Issuance of common stock and capital contributed	11.1	350.8
Acquisition of treasury stock	(3.7)	(1.8)
Dividends paid - common shares	(182.5)	(223.9)

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Net Cash Flows used for Financing Activities	(419.2)	(397.2)
Increase (decrease) in cash and cash equivalents	13.1	(1.2)
Cash and cash equivalents at beginning of year	27.3	31.1
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 40.4	$ 29.9
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid for interest	231.8	245.8
Interest capitalized	1.9	2.8
Cash paid for income taxes	136.8	136.6

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

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ITEM 1. FINANCIAL STATEMENTS (continued)

NISOURCE INC.
STATEMENTS OF CONSOLIDATED COMPREHENSIVE INCOME (UNAUDITED)

(in millions)	Three Months Ended September 30, 2004	Three Months Ended September 30, 2003	Nine Months Ended September 30, 2004	Nine Months Ended September 30, 2003
Net Income (Loss)	$ 28.8	$ 15.4	$ 276.9	$ (54.6)
Other comprehensive income, net of tax				
Foreign currency translation adjustment	-	(0.6)	0.7	0.9
Net unrealized gains (losses) on cash flow hedges	18.1	(17.8)	26.7	7.5
Net gain (loss) on available for sale securities	0.3	(0.5)	0.7	(0.4)
Minimum pension liability adjustment	4.6	55.3	4.6	55.3
Total other comprehensive income, net of tax	23.0	36.4	32.7	63.3
Total Comprehensive Income	$ 51.8	$ 51.8	$ 309.6	$ 8.7

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

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ITEM 1. FINANCIAL STATEMENTS (continued)

NISOURCE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. BASIS OF ACCOUNTING PRESENTATION

The accompanying unaudited consolidated financial statements for NiSource Inc. (NiSource) reflect all normal recurring adjustments that are necessary, in the opinion of management, to present fairly the results of operations in accordance with accounting principles generally accepted in the United States of America.

The accompanying financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in NiSource's Annual Report on Form 10-K for the fiscal year ended December 31, 2003. Income for interim periods may not be indicative of results for the calendar year due to weather variations and other factors. Certain reclassifications have been made to the 2003 financial statements to conform to the 2004 presentation.

2. DILUTED AVERAGE COMMON SHARES COMPUTATION

Basic earnings per share (EPS) is computed by dividing income available to common stockholders by the weighted average number of common shares outstanding for the period. The weighted average shares outstanding for diluted EPS are impacted by the incremental effect of the various long-term incentive compensation plans and the forward equity contracts associated with the Stock Appreciation Income Linked Securities(SM) (SAILS(SM)), and through February 18, 2003, Corporate Premium Income Equity Securities (Corporate PIES). Effective February 19, 2003, the forward equity contracts related to the Corporate PIES were settled as prescribed in the agreements. As a result of the settlement, 13.1 million common shares were issued and are reflected in basic average common shares. In the 2003 period, the SAILS(SM) were anti-dilutive and therefore not included in the calculation.

The numerator in calculating both basic and diluted EPS for each year is reported net income. The computation of diluted average common shares follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands)	2004	2003	2004	2003
Denominator				
Basic average common shares outstanding	262,651	261,440	262,494	258,876
Dilutive potential common shares				
Nonqualified stock options	134	61	155	62
Shares contingently issuable under employee stock plans	1,180	1,103	1,180	1,103
SAILS(SM)	-	-	18	-
Shares restricted under employee stock plans	601	790	649	906
Diluted Average Common Shares	264,566	263,394	264,496	260,947

3. STOCK OPTIONS AND AWARDS

Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock-Based Compensation" (SFAS No. 123), encourages, but does not require, entities to adopt the fair value method of accounting for stock-based compensation plans. The fair value method would require the amortization of the fair value of stock-based compensation at the date of grant over the related vesting period. NiSource continues to apply the intrinsic value method of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," for awards granted under its stock-based compensation plans. The following table illustrates the effect on net income and EPS as if NiSource had applied the fair value recognition provisions of SFAS No. 123 to stock-based employee compensation.

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ITEM 1. FINANCIAL STATEMENTS (continued)

NISOURCE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) (UNAUDITED)

($ in millions, except per share data)	Three Months Ended September 30, 2004	Three Months Ended September 30, 2003	Nine Months Ended September 30, 2004	Nine Months Ended September 30, 2003
NET INCOME (LOSS)				
As reported	28.8	15.4	276.9	(54.6)
Add: Stock-based employee compensation expense included in reported net income, net of related tax effects	1.6	2.4	4.3	4.7
Less: Total stock-based employee compensation expense determined under the fair value method for all awards, net of tax	(3.2)	(3.7)	(9.0)	(9.7)
Pro forma	27.2	14.1	272.2	(59.6)
EARNINGS (LOSS) PER SHARE				
Basic - as reported	0.11	0.06	1.06	(0.21)
Basic - pro forma	0.10	0.05	1.04	(0.23)
Diluted - as reported	0.11	0.06	1.05	(0.21)
Diluted - pro forma	0.10	0.05	1.03	(0.23)

4. REGULATORY MATTERS

Gas Operations Related Matters

Through October 2004, Columbia Gas of Ohio, Inc. (Columbia of Ohio) operated under a regulatory stipulation approved by the Public Utilities Commission of Ohio (PUCO). On October 9, 2003, Columbia of Ohio and other parties filed with the PUCO an amended stipulation that would govern Columbia of Ohio's regulatory framework from November 2004 through October 2010. The majority of Columbia of Ohio's contracts with interstate pipelines expired in October 2004, and the amended stipulation would have permitted Columbia of Ohio to renew those contracts for firm capacity sufficient to meet up to 100% of the design peak day requirements through October 31, 2005 and up to 95% of the design peak day requirements through October 31, 2010. Among other things, the amended stipulation would also have: (1) extended Columbia of Ohio's CHOICE(R) program through October 2010; (2) provided Columbia of Ohio with an opportunity to generate revenues sufficient to cover the stranded costs associated with the CHOICE(R) program; and (3) allowed Columbia of Ohio to record post-in-service carrying charges on plant placed into service after October 2004, and to defer the property taxes and depreciation associated with such plant.

On March 11, 2004, the PUCO issued an order that adopted and modified the stipulation from Columbia of Ohio and a collaborative of parties. The order extended Columbia of Ohio's CHOICE(R) program only through December 31, 2007 and declined to pre-approve the amount of interstate pipeline firm capacity for which Columbia of Ohio could contract. In addition, the PUCO made other modifications which would limit Columbia of Ohio's ability to generate additional revenues sufficient to cover stranded costs, including declining to mandate that natural gas marketers participating in the CHOICE(R) program obtain 75% of their interstate capacity directly from Columbia of Ohio and changing the allocation of revenues generated through off-system sales. The order allowed Columbia of Ohio to record post-in-service carrying charges on plant placed in service after October 2004 and allowed the deferral of property taxes and depreciation associated with such plant.

On April 9, 2004, Columbia of Ohio and other signatory parties to the stipulation, consistent with standard regulatory process, petitioned the PUCO for rehearing on the components which were modified in the order. That same day the Office of the Ohio Consumers' Counsel (OCC) also filed an application for rehearing, and argued that the PUCO should not have permitted Columbia of Ohio to record post-in-service carrying charges on plant placed into service after October 2004, and to defer the property taxes and depreciation associated with such plant. On April 19, 2004, the OCC filed a motion to dismiss the application for rehearing filed by Columbia of Ohio and other parties.

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NISOURCE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) (UNAUDITED)

On May 5, 2004, the PUCO issued an order on rehearing, in which it denied the OCC's motion to dismiss and its application for rehearing. The PUCO granted, in part, the joint application filed by Columbia of Ohio and others. In granting the joint application for rehearing, in part, the PUCO did the following: (1) revised the term of the stipulation so that it runs through October 31, 2008; (2) restored the mandate that required natural gas marketers participating in the CHOICE(R) program obtain 75% of their interstate capacity directly from Columbia of Ohio; and (3) revised the mechanism applicable to Columbia of Ohio's sharing of off-system sales and capacity release revenue. Under the revised off-system sales/capacity release revenue sharing mechanism, Columbia of Ohio must now begin sharing such revenue with the customers when the annual revenue exceeds $25 million, instead of $35 million as originally proposed by Columbia of Ohio and other collaborative parties.

In a letter docketed on May 12, 2004, Columbia of Ohio and the other signatory parties to the stipulation accepted the PUCO's modifications. On May 14, 2004, the OCC filed a Second Application for Rehearing. In the pleading, the OCC argued that the joint applicants did not meet the statutory requirements for an application for rehearing, and thus the PUCO's order on rehearing granting rehearing was unlawful. The OCC also argued that the rehearing was the result of exclusionary settlement negotiations. The OCC continued to disagree with the PUCO's treatment of off-system sales and capacity release revenues, and post-in-service carrying charges and related deferrals.

On June 3, 2004, Columbia of Ohio filed its proposed tariffs and accounting, as required. On June 9, 2004, the PUCO denied the OCC's Second Application for Rehearing. On July 29, 2004, the OCC filed an appeal with the Supreme Court of Ohio, contesting the PUCO's May 5, 2004 order on rehearing, which granted in part Columbia of Ohio's joint application for rehearing, and the PUCO's June 9, 2004 order, denying the OCC's Second Application for Rehearing. On August 4, 2004, Columbia of Ohio moved to intervene in the appellate proceeding.

On December 17, 2003, the PUCO approved an application by Columbia of Ohio and other Ohio local distribution companies (LDCs) to establish a tracking mechanism that will provide for recovery of current bad debt expense and for the recovery over a five-year period of previously deferred uncollected accounts receivable. As of September 30, 2004, Columbia of Ohio has $48 million of uncollected accounts receivable pending future recovery. On October 1, 2004 Columbia of Ohio filed an application for approval to increase its Uncollectible Expense Rider. On October 20, 2004 the PUCO issued an Entry that approved this request. The PUCO's approval of this request will result in Columbia's commencement of recovery in November 2004 of the aforementioned deferred uncollectible accounts receivables and future bad-debt recovery requirements.

On June 11, 2004, Columbia Gas of Pennsylvania, Inc. (Columbia of Pennsylvania) signed a settlement agreement (Settlement Agreement) in its annual gas cost recovery proceeding with The Office of Consumer Advocate, The Office of Small Business Advocate, The Office of Trial Staff, and Commercial & Industrial Intervenors. Under the Settlement Agreement, the signatory parties agreed to financial incentive mechanisms for off-system sales and capacity release transactions performed by Columbia of Pennsylvania. Under the incentive mechanism, customers receive 100% of the total combined proceeds from off-system sales and capacity release transactions up to a benchmark of $6 million. After the benchmark is reached, Columbia of Pennsylvania will retain 50% of proceeds from the transactions; however, Columbia of Pennsylvania may never retain more than 40% of the actual net proceeds generated from off-system sales and capacity release transactions. The incentive mechanism begins October 1, 2004 and ends on September 30, 2006. On September 10, 2004, the Pennsylvania Public Utility Commission approved the Settlement Agreement.

On August 11, 1999, the Indiana Utility Regulatory Commission (IURC) approved a flexible gas cost adjustment (GCA) mechanism for Northern Indiana Public Service Company (Northern Indiana). Under the approved procedure, the demand component of the adjustment factor will be determined, after hearings and IURC approval, and made effective on November 1 of each year. The demand component will remain in effect for one year until a new demand component is approved by the IURC. The commodity component of the adjustment factor will be determined by monthly filings, which will become effective on the first day of each calendar month, subject to refund. The monthly filings do not require IURC approval but will be reviewed by the IURC during the annual hearing that will take place regarding the demand component filing. Northern Indiana's GCA factor also includes a gas cost incentive mechanism which allows the sharing of any cost savings or cost increases with customers based on a comparison of actual gas supply portfolio cost to a market-based benchmark price.

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NISOURCE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) (UNAUDITED)

Northern Indiana's GCA4 annual demand filing, covering the period November 1, 2002 through October 31, 2003, was made on August 29, 2002 and approved by the IURC for implementation as interim rates, subject to refund effective November 1, 2002. The Indiana Office of Utility Consumer Counselor (OUCC) filed testimony indicating that some gas costs, for the month of March 2003, should not be recovered. On September 10, 2003, the IURC issued an order adjusting the recovery of costs in March 2003 and reducing recovery by $3.8 million. On October 8, 2003, the IURC approved the demand component of the adjustment factor.

Northern Indiana's GCA5 annual demand filing, covering the period November 1, 2003 through October 31, 2004, was made on August 26, 2003 and approved by the IURC for implementation as interim rates, subject to refund, effective November 1, 2003. On June 8, 2004, Northern Indiana and the OUCC entered into a joint stipulation and agreement resolving all issues in GCA5. A hearing was held before the IURC on July 18, 2004 in support of the settlement. Among the settlement agreement's provisions, Northern Indiana has agreed to return $3.8 million to its customers over a twelve-month period following IURC approval. This refund is the resolution of issues similar to those from March 2003. An additional provision of the agreement was to extend the current Alternative Regulatory Procedure (ARP), including Northern Indiana's gas cost incentive mechanism, from the current expiration date of December 31, 2004 to March 31, 2005. The IURC approved the joint stipulation and agreement, without change, at their August 18, 2004 administrative meeting.

Northern Indiana's GCA 6 annual demand filing, covering the period November 1, 2004 through October 31, 2005 was made on August 26, 2004 and approved by the IURC on October 20, 2004 for implementation as interim rates, subject to refund, effective November 1, 2004.

Northern Indiana, the OUCC, Testimonial Staff of the IURC, and the Marketer Group (a group which collectively represents 7 marketers participating in Northern Indiana Choice) filed a Stipulation and Agreement with the IURC on October 12, 2004, that, among other things, extends the expiration date of the 1997 ARP decision to March 31, 2006. The agreement, if approved by the IURC extends the expiration date of Northern Indiana's gas incentive mechanism - GCIM to March 31, 2006 as well. The agreement grandfathers the terms of existing contracts that marketers have with Choice customers. Lastly, the agreement establishes a scope for negotiations that parties will follow when convening within the next several months to establish a long-term resolution of the ARP.

On September 21, 2004, Northern Indiana petitioned the IURC under the ARP statutory requirements to permit a two-year pilot low-income energy assistance program. The program, filed under the name NIPSCO Winter Warmth provides, if approved, approximately $4.0 million of assistance for customer security deposits and bill assistance for qualifying low-income customers presently disconnected for non-payment or at risk for disconnection. As proposed, Northern Indiana will fund this program through a monthly $0.50 charge to residential and general service customers and an annual contribution of $200,000 from Northern Indiana.

Electric Operations Related Matters

On June 20, 2002, Northern Indiana, Ameren Corporation and First Energy Corporation established terms for joining the Midwest Independent System Operator (MISO) through participation in an independent transmission company (ITC). Northern Indiana transferred functional control of its electric transmission assets to the ITC and MISO on October 1, 2003. As part of Northern Indiana's use of MISO's transmission service, Northern Indiana will incur new categories of transmission charges based upon MISO's Federal Energy Regulatory Commission (FERC)-approved tariff. One of the new categories of charges, Schedule 10, relates to the payment of administrative charges to MISO for its continuing management and operations of the transmission system. Northern Indiana filed a petition on September 30, 2003, with the IURC seeking approval to establish accounting treatment for the deferral of the Schedule 10 charges from MISO. On July 21, 2004 the IURC issued an order which denied Northern Indiana's request for deferred accounting treatment for the MISO Schedule 10 administrative fees. Northern Indiana recorded a charge during the second quarter 2004 in the amount of $2.1 million related to the MISO administrative charges deferred through June 30, 2004, and recognized $0.9 million in MISO fees in the third quarter 2004. The MISO Schedule 10 administrative fees are currently estimated to be approximately $2.8 million annually. On October 6, 2004, the IURC denied Northern Indiana's Motion for Reconsideration. Northern Indiana filed its notice of appeal and this matter is pending.

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ITEM 1. FINANCIAL STATEMENTS (continued)

NISOURCE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) (UNAUDITED)

The MISO has initiated the Midwest Market Initiative (MMI), which will develop the structures and processes to be used to implement an electricity market for the MISO region. This MMI proposes non-discriminatory transmission service, reliable grid operation, and the purchase and sale of electric energy in a competitive, efficient and non-discriminatory manner. MISO has filed with the FERC detailed tariff information, with a planned initial operation date of March 1, 2005. Northern Indiana and EnergyUSA-TPC Corp. (TPC) are actively pursuing roles in the MMI. At the current time, management believes that the MMI will change the manner in which Northern Indiana and TPC conduct their electric business; however, at this time management cannot determine the impact the MMI will have on Northern Indiana or TPC.

Northern Indiana has been recovering the costs of electric power purchased for sale to its customers through the fuel adjustment clause (FAC). The FAC provides for costs to be collected if they are below a negotiated cap. If costs exceed this cap, Northern Indiana must demonstrate that the costs were prudently incurred to achieve approval for recovery. This negotiated cap agreement is subject to continuing negotiations. A group of industrial customers challenged the manner in which Northern Indiana applied costs associated with a specific interruptible sales tariff. An estimated refund liability was recorded in the first quarter of 2003. A settlement was reached with the customers and Northern Indiana recorded the full costs of the settlement. As a result of the settlement, the industrial customers' challenge was withdrawn and dismissed in January 2004. In addition, as a result of the settlement, Northern Indiana has sought and received approval by the IURC to reduce the charges under the interruptible sales tariff. This reduction will remain in effect until the Dean H. Mitchell Generating Station (Mitchell Station) returns to service.

Currently, Northern Indiana is reviewing options to meet the electric needs of its customers. This review includes an assessment of Northern Indiana's oldest generating units, which includes the Mitchell Station. On October 8, 2004, Northern Indiana requested proposals from wholesale power marketers to provide power under varying terms and conditions. These proposals will be evaluated after the submittal date on November 5, 2004. Northern Indiana requested similar proposals during 2003 which were not executed. In February 2004, the City of Gary announced an interest to acquire the land on which the Mitchell Station is located for economic development, including a proposal to increase the length of the runways at the Gary International Airport. On May 7, 2004, the City of Gary filed a petition with the IURC seeking valuation of the Mitchell Station and determination of the terms and conditions under which the City of Gary would acquire the Mitchell Station. The procedural schedule for the City of Gary has been set, and Northern Indiana has filed its prepared direct testimony, stating that Northern Indiana has no current plans to restart the Mitchell Station. Interveners, including the Indiana Office of Utility Consumer Council, filed direct testimony on October 12, 2004. The IURC hearing of the City of Gary petition is scheduled for the fourth quarter of 2004.

On May 25, 2004, Northern Indiana filed a petition for approval of a Purchased Power and Transmission Tracker Mechanism to recover the cost of purchased power to meet Northern Indiana's retail electric load requirements and charges imposed on Northern Indiana by MISO and Grid America. Northern Indiana's direct testimony was filed on August 6, 2004. The hearing in this matter is also scheduled for the fourth quarter of 2004.

On July 9, 2004, a verified joint petition was filed by PSI Energy, Inc., Indianapolis Power & Light Company, Northern Indiana and Vectren Energy Delivery of Indiana, Inc., seeking approval of certain changes in operations that are likely to result from the MISO's implementation of energy markets, and for determination of the manner and timing of recovery of costs resulting from the MISO's implementation of standard market design mechanisms, such as the MISO's proposed real-time and day-ahead energy markets. The hearing in this matter is scheduled for the first quarter of 2005.

In January 2002, Northern Indiana filed for approval to implement an environmental cost tracker (ECT). The ECT was approved by the IURC on November 26, 2002. Under the ECT Northern Indiana is permitted to recover (1) allowance for funds used during construction and a return on the capital investment expended by Northern Indiana to implement Indiana Department of Environmental Management's nitrogen oxide State Implementation Plan through an Environmental Cost Recovery Mechanism (ECRM) and (2) related operation and maintenance and depreciation expenses once the environmental facilities become operational through an Environmental Expense Recovery Mechanism (EERM). Under the Commission's November 26, 2002 order, Northern Indiana is permitted to submit filings on a semi-annual basis for the ECRM and on an annual basis for the EERM. Northern Indiana's latest ECRM filing (ECR-4) was made in August 2004 for capital expenditures of $231.3 million. Northern

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NISOURCE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) (UNAUDITED)

Indiana's first annual EERM filing (EER-1) was made in February 2004 for $1.9 million. On February 4, 2004, the IURC approved Northern Indiana's latest compliance plan with the estimate of $274.2 million. On October 8, 2004, Northern Indiana filed for approval of the revised cost estimates to meet the environmental standards. Northern Indiana anticipates a total capital investment amounting to approximately $305 million. The ECRM revenues amounted to $12.8 million for the nine months ended September 30, 2004, and $18.0 million from inception to date, while EERM revenues were $0.8 million for the first nine months of 2004.

5. RESTRUCTURING ACTIVITIES

Since 2000, NiSource has implemented restructuring initiatives to streamline its operations and realize efficiencies from the acquisition of Columbia Energy Group (Columbia). The restructuring activities were primarily associated with reductions in headcount and facility exit costs.

For all of the restructuring plans, a total of approximately 1,600 management, professional, administrative and technical positions have been identified for elimination. As of September 30, 2004, approximately 1,565 employees were terminated, of whom 3 and 13 employees were terminated during the quarter and nine months ended September 30, 2004, respectively. As of September 30, 2004 and December 31, 2003, the consolidated balance sheets reflected liabilities of $15.6 million and $19.5 million related to the restructuring plans, respectively. During the quarter and nine months ended September 30, 2004, $0.9 million and $3.7 million in payments were made, respectively, in association with the restructuring plans. Adjustments of $0.2 million were made for the first nine months of 2004, decreasing the restructuring liability for facility exit costs. Of the remaining restructuring liability, $12.3 million is related to facility exit costs.

6. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

In May 2004, Columbia Gas Transmission Corporation (Columbia Transmission) identified certain facilities as being non-core to the operation of the pipeline system. As a result, Columbia Transmission is in the process of selling these facilities to third parties. NiSource has accounted for the assets of these facilities, with a net book value of approximately $14.2 million, as assets held for sale. During the third quarter of 2004, $1.1 million of these assets were sold for a nominal amount.

On October 20, 2003, NiSource sold all of the steel-related, "inside-the-fence" assets of its subsidiary PEI Holdings, Inc. (PEI), to Private Power, LLC (Private Power). The sale included six PEI operating subsidiaries and the name "Primary Energy". Private Power paid approximately $325.4 million, comprised of $113.1 million in cash and the assumption of debt-related liabilities and other obligations. The assumption of such liabilities and the after tax cash proceeds from the sale reduced NiSource's debt by $206.3 million. NiSource has accounted for the assets sold as discontinued operations and has adjusted all periods presented accordingly.

On August 29, 2003, NiSource sold its exploration and production subsidiary, Columbia Energy Resources, Inc. (CER), to a subsidiary of Triana Energy Holdings (Triana). Under the CER sales agreement, Triana , an affiliate of Morgan Stanley Dean Witter Capital Partners IV, L.P. (MSCP), purchased all of the stock of CER for $330 million, plus the assumption of obligations to deliver approximately 94 billion cubic feet of natural gas pursuant to existing forward sales contracts. The sale transferred 1.1 trillion cubic feet of natural gas reserves. Approximately $220 million of after-tax cash proceeds from the sale were used to reduce NiSource's debt. In addition, a $213 million liability related to the forward sales contracts was removed from the balance sheet. On January 28, 2003, NiSource's former subsidiary Columbia Natural Resources, Inc. sold its interest in certain natural gas exploration and production assets in New York for approximately $95 million. NiSource has accounted for CER as discontinued operations and has adjusted all periods presented accordingly.

During 2002, NiSource decided to exit the telecommunications business. The results of operations related to Columbia Transmission Communications Corporation (Transcom) were displayed as discontinued operations on NiSource's consolidated income statement and its assets and liabilities were separately aggregated and reflected as assets and liabilities of discontinued operations on the consolidated balance sheets. On September 15, 2003, NiSource's subsidiary Columbia sold 100% of its shares in Transcom.

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ITEM 1. FINANCIAL STATEMENTS (continued)

NISOURCE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) (UNAUDITED)

Results from discontinued operations of CER (including the New York State properties), the six PEI subsidiaries and Transcom are provided in the following table:

	Three Months Ended September 30,		Nine Months Ended September 30,	
($ in millions)	2004	2003	2004	2003
REVENUES FROM DISCONTINUED OPERATIONS	$ -	$ 42.5	$ -	$ 154.6
Loss (Income) from discontinued operations	(5.2)	10.5	(10.9)	4.5
Income taxes	(14.1)	4.4	(16.1)	3.2
NET INCOME FROM DISCONTINUED OPERATIONS	$ 8.9	$ 6.1	$ 5.2	$ 1.3

The assets held for sale and assets of discontinued operations were net property, plant, and equipment of $19.2 million and $20.7 million at September 30, 2004 and December 31, 2003, respectively.

7. RISK MANAGEMENT ACTIVITIES

NiSource uses commodity-based derivative financial instruments to manage certain risks in its business. NiSource accounts for its derivatives under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended, (SFAS No. 133.)

HEDGING ACTIVITIES. The activity for the third quarter and nine months ended September 30, 2004 and September 30, 2003 affecting accumulated other comprehensive income, with respect to cash flow hedges included the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions, net of tax)	2004	2003	2004	2003
Net unrealized gains on derivatives qualifying as cash flow hedges at the beginning of the period	$ 100.2	$ 93.1	$ 91.6	$ 67.8
Unrealized hedging gains (losses) arising during the period on derivatives qualifying as cash flow hedges	27.0	(19.5)	57.2	11.9
Reclassification adjustment for net gain (loss) included in net income	(8.9)	1.7	(30.5)	(4.4)
Net unrealized gains on derivatives qualifying as cash flow hedges at the end of the period	$ 118.3	$ 75.3	$ 118.3	$ 75.3

Unrealized gains and losses on NiSource's hedges were recorded as price risk management assets and liabilities along with unrealized gains on NiSource's marketing and trading portfolios. The accompanying consolidated balance sheets reflected price risk management assets related to unrealized gains on hedges of $242.0 million and $165.6 million at September 30, 2004 and December 31, 2003, respectively, of which $73.7 million and $51.3 million were included in "Current Assets" and $168.3 million and $114.3 million were included in "Other Assets." Price risk management liabilities related to unrealized losses on hedges (and net option premiums) were $18.5 million and $9.5 million at September 30, 2004 and December 31, 2003, respectively, of which $12.8 million and $9.3 million were included in "Current Liabilities" and $5.7 million and $0.2 million were included in "Other Liabilities and Deferred Credits."

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NISOURCE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) (UNAUDITED)

During the third quarter 2004, there were no components of the derivatives' fair values excluded in the assessment of hedge effectiveness. Also during the third quarter, NiSource reclassified no amounts from other comprehensive income to earnings, due to the probability that certain forecasted transactions would not occur. It is anticipated that during the next twelve months the expiration and settlement of cash flow hedge contracts will result in income recognition of amounts currently classified in other comprehensive income of approximately $33.7 million, net of tax.

In addition, Northern Indiana engages in writing options that potentially obligate Northern Indiana to purchase or sell gas at the holder's discretion at some future market-based price. These written options are derivative instruments, must be marked to fair value and do not meet the requirement for hedge accounting treatment. Northern Indiana, Northern Indiana Fuel and Light Company, Kokomo Gas and Fuel Company and Northern Utilities, Inc. also use NYMEX derivative contracts to minimize risk associated with gas price volatility. These derivative hedging programs must be marked to fair value, but because these derivatives are used within the framework of their respective gas cost recovery mechanisms, regulatory assets or liabilities are recorded to offset the change in the fair value of these derivatives. The consolidated balance sheets reflected $11.3 million and $1.2 million of price risk management assets associated with these programs at September 30, 2004 and December 31, 2003, respectively. In addition, the consolidated balance sheets reflected $0.7 million and $0.5 million of price risk management liabilities associated with these programs at September 30, 2004 and December 31, 2003, respectively.

For regulatory incentive purposes, the Columbia LDCs, comprised of Columbia Gas of Kentucky, Inc., Columbia Gas of Maryland, Inc., Columbia of Ohio, Columbia of Pennsylvania, and Columbia Gas of Virginia, Inc. enter into contracts that allow counterparties the option to sell gas to Columbia LDCs at first of the month prices for a particular month of delivery. Columbia LDCs charge the counterparties a fee for this option. The changes in the fair value of the options are primarily due to the changing expectations of the future intra-month volatility of gas prices. Columbia LDCs defer a portion of the change in the fair value of the options as either a regulatory asset or liability in accordance with SFAS No. 71, "Accounting for the Effects of Certain Types of Regulation." The remaining change is recognized currently in earnings. The consolidated balance sheets reflected $6.6 million and $3.3 million of price risk management liabilities associated with the programs at September 30, 2004 and December 31, 2003, respectively.

On May 12, 2004, Columbia terminated fixed-to-variable interest rate swap agreements in a notional amount of $663.0 million with five counterparties. Columbia received an aggregate settlement payment of $1.8 million, which is being amortized as a reduction to interest expense over the remaining term of the underlying debt.

On May 12, 2004, NiSource entered into fixed-to-variable interest rate swap agreements in a notional amount of $660.0 million with six counterparties having a 6 1/2-year term. NiSource will receive payments based upon a fixed 7.875% interest rate and pay a floating interest amount based on U.S. 6-month British Banker Association LIBOR plus an average of 3.08% per annum. There was no exchange of premium at the initial date of the swaps. In addition, each party has the right to cancel the swaps on May 15, 2009 at mid-market.

MARKETING AND TRADING ACTIVITIES. The operations of TPC primarily involve commercial and industrial gas sales and power trading.

In April 2003, the gas-related activities (physical commodity sales to commercial and industrial customers) that had been classified as derivatives were considered to fall within the normal purchase and sale exception under SFAS No. 133. Therefore, all gas-related derivatives used to offset the physical obligations necessary to fulfill these commodity sales were designated as cash flow hedges.

The fair market values of NiSource's power trading assets and liabilities were $28.3 million and $28.3 million, respectively, at September 30, 2004 and $21.9 million and $23.4 million, respectively, at December 31, 2003.

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ITEM 1. FINANCIAL STATEMENTS (continued)

NISOURCE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) (UNAUDITED)

8. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

FASB INTERPRETATION NO. 46 (REVISED DECEMBER 2003) -- CONSOLIDATION OF VARIABLE INTEREST ENTITIES. On January 17, 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities" (FIN 46R). FIN 46R requires a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or is entitled to receive a majority of the entity's residual returns. A company that consolidates a variable interest entity is called the primary beneficiary of that entity. In general, a variable interest entity is a corporation, partnership, trust, or any other legal structure used for business purposes that either (a) does not have equity investors with voting rights, or (b) has equity investors that do not provide sufficient financial resources for the entity to support its activities. FIN 46R also requires various disclosures about variable interest entities that a company is not required to consolidate but in which it has a significant variable interest. On December 18, 2003, the FASB deferred the implementation of FIN 46R to the first quarter of 2004. As a result, NiSource consolidated certain low income housing real estate investments beginning in the first quarter of 2004. Upon consolidation, NiSource increased its long-term debt by approximately $40 million.

FASB STAFF POSITION (FSP) NO. FAS 106-2 -- ACCOUNTING AND DISCLOSURE REQUIREMENTS RELATED TO THE MEDICARE PRESCRIPTION DRUG, IMPROVEMENT AND MODERNIZATION ACT OF 2003 (FSP 106-2). (SUPERSEDES FSP 106-1-- ACCOUNTING AND DISCLOSURE REQUIREMENTS RELATED TO THE MEDICARE PRESCRIPTION DRUG, IMPROVEMENT AND MODERNIZATION ACT OF 2003.) On December 8, 2003, the President of the United States signed the Medicare Prescription Drug, Improvement and Modernization Act into law. The Act introduces a prescription drug benefit under Medicare (Medicare Part D) as well as a federal subsidy to sponsors of retiree health care benefit plans that provide a benefit that is at least actuarially equivalent to Medicare Part D. FASB Statement No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," requires presently enacted changes in relevant laws to be considered in current period measurements of postretirement benefit costs and the Accumulated Projected Benefit Obligation. FSP 106-2 is effective for the first interim or annual period beginning after June 15, 2004. NiSource had previously elected to defer accounting for the effects of this pronouncement, as allowed by FSP 106-1. On July 1, 2004, NiSource adopted the provisions of FSP 106-2. The impact of accounting for the federal subsidy was not material to NiSource's financial position or results of operations.

9. LEGAL PROCEEDINGS

In the normal course of its business, NiSource and its subsidiaries have been named as defendants in various legal proceedings. In the opinion of management, the ultimate disposition of these currently asserted claims will not have a material adverse impact on NiSource's consolidated financial position. Please see Item 1, Part II, "Legal Proceedings," contained herein for more specific information regarding current legal matters.

10. ACCUMULATED OTHER COMPREHENSIVE LOSS

The following table displays the components of Accumulated Other Comprehensive Loss, which is included in "Common Stock Equity," on the consolidated balance sheets.

(in millions)	SEPTEMBER 30, 2004	December 31, 2003
Foreign currency translation adjustment	$ -	$ (0.7)
Net unrealized gains on cash flow hedges	118.3	91.7
Loss on available for sale securities	(1.0)	(1.8)
Minimum pension liability adjustment	(145.6)	(150.2)
TOTAL ACCUMULATED OTHER COMPREHENSIVE LOSS, NET	$ (28.3)	$ (61.0)

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ITEM 1. FINANCIAL STATEMENTS (continued)

NISOURCE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) (UNAUDITED)

11. GUARANTEES AND INDEMNITIES

As a part of normal business, NiSource and certain subsidiaries enter into various agreements providing financial or performance assurance to third parties on behalf of other subsidiaries. Such agreements include guarantees and stand-by letters of credit. These agreements are entered into primarily to support or enhance the creditworthiness otherwise attributed to a subsidiary on a stand-alone basis, thereby facilitating the extension of sufficient credit to accomplish the subsidiaries' intended commercial purposes. The total commercial commitments in existence at September 30, 2004 and the years in which they expire are:

(in millions)	Total	2004	2005	2006	2007	2008	After
Guarantees of subsidaries debt	$ 3,843.1	$ 2.7	$ 1,183.2	$ 293.1	$ 32.4	$ 8.6	$ 2,323.1
Guarantees supporting commodity transactions of subsidiaries	1,260.3	113.3	309.1	606.0	32.8	53.0	146.1
Other guarantees	368.5	-	50.4	-	-	9.6	308.5
Lines of credit	678.4	678.4	-	-	-	-	-
Letters of credit	116.6	1.1	19.3	1.8	1.0	93.4	-
Total commercial commitments	$ 6,266.9	$ 795.5	$ 1,562.0	$ 900.9	$ 66.2	$ 164.6	$ 2,777.7

NiSource has guaranteed the payment of $3.8 billion of debt for various wholly-owned subsidiaries including Whiting Leasing LLC, NiSource Finance Corp. (NiSource Finance), and through a support agreement, NiSource Capital Markets, Inc. Other than debt associated with the former PEI subsidiaries that were sold, the debt is reflected on NiSource's consolidated balance sheet. The subsidiaries are required to comply with certain financial covenants under the debt indenture and in the event of default, NiSource would be obligated to pay the debt's principal and related interest. NiSource does not anticipate its subsidiaries will have any difficulty maintaining compliance. NiSource Finance also maintains lines of credit with financial institutions. At September 30, 2004, the amount outstanding under the lines of credit and guaranteed by NiSource amounted to $678.4 million. Additionally, NiSource has issued guarantees, which support up to approximately $1.3 billion of commodity-related payments for its current subsidiaries involved in energy marketing and trading and those satisfying requirements under forward gas sales agreements of former subsidiaries. These guarantees were provided to counterparties in order to facilitate physical and financial transactions involving natural gas and electricity. To the extent liabilities exist under the commodity-related contracts subject to these guarantees, such liabilities are included in the consolidated balance sheets.

NiSource has issued standby letters of credit of approximately $116.6 million through financial institutions for the benefit of third parties that have extended credit to certain subsidiaries. If a subsidiary does not pay amounts when due under covered contracts, the beneficiary may present its claim for payment to the financial institution, which will in turn request payment from NiSource.

NiSource has purchase and sales agreement guarantees totaling $137.5 million, which guarantee performance of the seller's covenants, agreements, obligations, liabilities, representations and warranties under the agreements. No amounts related to the purchase and sales agreement guarantees are reflected in the consolidated balance sheet.

Management believes that the likelihood NiSource would be required to perform or otherwise incur any significant losses associated with any of the aforementioned guarantees is remote.

After the October 20, 2003 sale of six subsidiaries, PEI continues to own Whiting Clean Energy, Inc. (Whiting Clean Energy). The total of the outstanding debt guaranteed for Whiting Clean Energy at September 30, 2004 was $325.6 million. As of September 30, 2004, approximately $302.8 million of debt related to Whiting Clean Energy was included in NiSource's consolidated balance sheet.

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ITEM 1. FINANCIAL STATEMENTS (continued)

NISOURCE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) (UNAUDITED)

NiSource retains certain operational and financial guarantees with respect to the former PEI subsidiaries and CER. NiSource has retained guarantees of $150.3 million as of September 30, 2004 of debt outstanding related to three of the former PEI projects. In addition, NiSource has retained several operational guarantees related to the former PEI subsidiaries. These operational guarantees are related to environmental compliance, inventory balances, employee relations, and a residual future purchase guarantee. The fair value of the guarantees was determined to be $11.1 million and a portion of the net proceeds in the sale amount were assumed allocated to the guarantees as prescribed by FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" (FIN 45).

NiSource has retained liabilities related to the CER forward gas sales agreements with Mahonia II Limited (Mahonia) for guarantees of the forward sales and for indemnity agreements with respect to surety bonds backing the forward sales. The guarantees, surety bonds and associated indemnity agreements remain in place subsequent to the closing of the CER sale and decline over time as volumes are delivered in satisfaction of the contractual obligations, ending in February 2006. NiSource will be indemnified by Triana, and MSCP will fund up to a maximum of $221 million of additional equity to Triana to support Triana's indemnity, for Triana's gas delivery and related obligations to Mahonia. The MSCP commitment declines over time in concert with the surety bonds and the guaranteed obligation to deliver gas to Mahonia.

Immediately after the closing of the sale, Triana owned approximately 1.1 Tcf of proved reserves, and was capitalized with $330 million, approximately $200 million of which was provided as initial equity by MSCP and the remainder of which is provided as part of a $500 million revolving credit facility. NiSource believes that the combination of Triana's proved reserves, sufficient capitalization, and access to the credit facility, combined with the Triana indemnity and the $221 million of further commitments to Triana from MSCP, adequately offset any risk of losses that may be incurred by NiSource due to Triana's non-performance under the Mahonia agreements. Accordingly, NiSource has not recognized a liability related to the retention of the Mahonia guarantees.

12. PENSION AND OTHER POSTRETIREMENT BENEFITS

NiSource used a measurement date of September 30, 2003 for the calculation of its obligations under the pension and other postretirement benefit plans. The following table provides the components of the plans' net periodic benefits cost (benefit) for the third quarter and nine months ended September 30, 2004 and September 30, 2003:

	PENSION BENEFITS		OTHER BENEFITS	
Three months ended September 30, (in millions)	2004	2003	2004	2003
NET PERIODIC COST				
Service cost	$ 9.8	$ 8.8	$ 2.2	$ 1.8
Interest cost	31.7	32.8	9.9	9.1
Expected return on assets	(39.3)	(35.4)	(3.5)	(2.6)
Amortization of transitional obligation	-	1.4	2.9	2.9
Amortization of prior service cost	2.4	2.1	0.2	-
Recognized actuarial (gain) loss	4.5	6.4	0.7	(0.9)
NET PERIODIC BENEFITS COST	$ 9.1	$ 16.1	$ 12.4	$ 10.3

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ITEM 1. FINANCIAL STATEMENTS (continued)

NISOURCE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) (UNAUDITED)

	PENSION BENEFITS		OTHER BENEFITS	
Nine months ended September 30, (in millions)	2004	2003	2004	2003
NET PERIODIC COST				
Service cost	$ 29.4	$ 26.4	$ 6.6	$ 5.4
Interest cost	95.1	98.4	29.7	27.3
Expected return on assets	(117.9)	(106.2)	(10.5)	(7.8)
Amortization of transitional obligation	-	4.2	8.7	8.7
Amortization of prior service cost	7.2	6.3	0.6	-
Recognized actuarial (gain) loss	13.5	19.2	2.1	(2.7)
NET PERIODIC BENEFITS COST	$ 27.3	$ 48.3	$ 37.2	$ 30.9

NiSource made a $14.9 million contribution to its pension plans and expects to contribute $40.1 million to its postretirement medical and life plans in 2004.

13. SALE OF TRADE RECEIVABLES

On May 14, 2004, Columbia of Ohio entered into an agreement to sell, without recourse, substantially all of its trade receivables, as they originate, to Columbia of Ohio Receivables Corporation (CORC), a wholly-owned subsidiary of Columbia of Ohio. CORC, in turn, is party to an agreement, also dated May 14, 2004, in which it sells an undivided percentage ownership interest in the accounts receivable to a commercial paper conduit sponsored by Dresdner Kleinwort Wasserstein. The conduit can purchase up to $300 million of accounts receivable under the agreement. The agreements, which replaced prior similar agreements, expire in May 2005, but can be renewed if mutually agreed to by both parties. As of September 30, 2004, $43.5 million of accounts receivable had been sold by CORC.

On December 30, 2003, Northern Indiana entered into an agreement to sell, without recourse, all of its trade receivables, as they originate, to NIPSCO Receivables Corporation (NRC), a wholly-owned subsidiary of Northern Indiana. NRC, in turn, is party to an agreement in which it sells an undivided percentage ownership interest in the accounts receivable to a commercial paper conduit. The conduit can purchase up to $200 million of accounts receivable under the agreement. The agreements expire in December 2004, but can be renewed if mutually agreed to by both parties. As of September 30, 2004, NRC had sold $105.0 million of accounts receivable.

14. BUSINESS SEGMENT INFORMATION

Operating segments are components of an enterprise for which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance.

During the second quarter 2003, NiSource re-aligned its reportable segments to reflect the announced sale of its exploration and production operations. As of the second quarter 2003, NiSource no longer reported an Exploration and Production Operations segment. In addition, the PEI subsidiaries sold are reported as discontinued operations. All periods have been adjusted to conform with the realignment.

NiSource's operations are divided into four primary business segments. The Gas Distribution Operations segment provides natural gas service and transportation for residential, commercial and industrial customers in Ohio, Pennsylvania, Virginia, Kentucky, Maryland, Indiana, Massachusetts, Maine and New Hampshire. The Gas Transmission and Storage Operations segment offers gas transportation and storage services for LDCs, marketers and industrial and commercial customers located in northeastern, mid-Atlantic, midwestern and southern states and the District of Columbia. The Electric Operations segment provides electric service in 21 counties in the northern part of Indiana and engages in electric wholesale and wheeling transactions. The Other Operations segment primarily includes gas marketing, power marketing and trading and ventures focused on distributed power generation technologies, including cogeneration facilities, fuel cells and storage systems.

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ITEM 1. FINANCIAL STATEMENTS (continued)

NISOURCE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) (UNAUDITED)

The following tables provide information about NiSource's business segments. NiSource uses operating income (loss) as its primary measurement for each of the reporting segments and makes decisions on finance, dividends and taxes at the corporate level on a consolidated basis. Segment revenues include intersegment sales to affiliated subsidiaries, which are eliminated in consolidation. Affiliated sales are recognized on the basis of prevailing market prices, regulated prices or at levels provided for under contractual agreements. Operating income (loss) is derived from revenues and expenses directly associated with each segment.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	2004	2003	2004	2003
REVENUES				
GAS DISTRIBUTION				
Unaffiliated	$ 394.8	$ 344.2	$ 2,955.1	$ 2,948.3
Intersegment	4.6	2.0	8.6	16.3
Total	399.4	346.2	2,963.7	2,964.6
GAS TRANSMISSION AND STORAGE				
Unaffiliated	133.1	136.7	433.3	441.5
Intersegment	55.7	54.7	187.0	181.2
Total	188.8	191.4	620.3	622.7
ELECTRIC OPERATIONS				
Unaffiliated	298.7	307.5	818.3	819.3
Intersegment	4.6	7.3	13.3	17.7
Total	303.3	314.8	831.6	837.0
OTHER				
Unaffiliated	144.2	83.7	464.5	297.1
Intersegment	5.1	13.8	19.3	37.5
Total	149.3	97.5	483.8	334.6
Adjustments and eliminations	(61.0)	(51.6)	(201.4)	(194.9)
CONSOLIDATED REVENUES	$ 979.8	$ 898.3	$ 4,698.0	$ 4,564.0
OPERATING INCOME (LOSS)				
Gas Distribution	$ (35.7)	$ (27.2)	$ 264.4	$ 343.8
Gas Transmission and Storage	69.1	90.8	254.0	289.4
Electric	95.4	89.5	236.2	206.2
Other	(0.9)	(12.3)	(27.2)	(36.6)
Corporate	(0.1)	8.1	0.5	(5.8)
CONSOLIDATED OPERATING INCOME	$ 127.8	$ 148.9	$ 727.9	$ 797.0

15. SUBSEQUENT EVENT

On November 1, 2004 NiSource issued approximately 6.8 million shares of common stock upon the settlement of the forward stock purchase contracts comprising a component of NiSource's Stock Appreciation Income Linked Securities(SM) (SAILS(SM)). NiSource received approximately $144.4 million in satisfaction of the SAILS holders' obligation under the stock purchase contracts, which was used to pay down short-term borrowings. Effective November 1, 2004, the interest rate on the $144.4 million of debentures that comprised the other component of the SAILS was reset to 3.628% per annum. The debentures mature November 1, 2006.

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

NISOURCE INC.

NOTE REGARDING FORWARD-LOOKING STATEMENTS

The Management's Discussion and Analysis, including statements regarding market risk sensitive instruments, contains "forward-looking statements," within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Investors and prospective investors should understand that many factors govern whether any forward-looking statement contained herein will be or can be realized. Any one of those factors could cause actual results to differ materially from those projected. These forward-looking statements include, but are not limited to, statements concerning NiSource Inc.'s (NiSource) plans, objectives, expected performance, expenditures and recovery of expenditures through rates, stated on either a consolidated or segment basis, and any and all underlying assumptions and other statements that are other than statements of historical fact. From time to time, NiSource may publish or otherwise make available forward-looking statements of this nature. All such subsequent forward-looking statements, whether written or oral and whether made by or on behalf of NiSource, are also expressly qualified by these cautionary statements. All forward-looking statements are based on assumptions that management believes to be reasonable; however, there can be no assurance that actual results will not differ materially.

Realization of NiSource's objectives and expected performance is subject to a wide range of risks and can be adversely affected by, among other things, weather, fluctuations in supply and demand for energy commodities, growth opportunities for NiSource's businesses, increased competition in deregulated energy markets, dealings with third parties over whom NiSource has no control, actual operating experience of acquired assets, the regulatory process, regulatory and legislative changes, changes in general economic, capital and commodity market conditions, and counter-party credit risk, many of which risks are beyond the control of NiSource. In addition, the relative contributions to profitability by each segment, and the assumptions underlying the forward-looking statements relating thereto, may change over time.

The following Management's Discussion and Analysis should be read in conjunction with NiSource's Annual Report on Form 10-K for the fiscal year ended December 31, 2003.

CONSOLIDATED REVIEW

EXECUTIVE SUMMARY

NiSource generates nearly all of its net revenue through the sale, distribution, and transmission and storage of natural gas and the generation, transmission and distribution of electricity, which are rate regulated. A significant portion of NiSource's operations, most notably in the gas distribution, gas transportation and electric businesses, is subject to seasonal fluctuations in sales. During the heating season, which is primarily from November through March, and the cooling season, which is primarily from June through September, net revenues from gas and electric sales and transportation services are more significant than in other months.

For the third quarter of 2004, income from continuing operations was $21.5 million, or $0.08 per share, compared to income from continuing operations of $23.5 million, or $0.09 per share for the 2003 period. Weather for the summer cooling season in the markets served by NiSource's electric utility this quarter was 18% cooler than the comparable quarter last year. Operating expenses for the third quarter of 2004 were favorably impacted by a reduction in uncollectible expense. Operating expenses increased by $34.2 million mainly due to the affect of reserve reversals and the gain on the sale of Columbia Service Partners, Inc. in the third quarter of 2003. Interest expense for the quarter decreased $13.6 million due to lower long-term interest rates as a result of refinancing activity completed in 2003 and a quarter-over-quarter reduction in debt balances. All per share amounts are basic earnings per share.

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

NISOURCE INC.

For the nine months ended September 30, 2004, NiSource reported income from continuing operations of $273.3 million, or $1.04 per share versus income from continuing operations of $285.1 million, or $1.10 per share for the comparable 2003 period. The first nine months of 2004 were affected by many key factors. Weather in the markets served by NiSource's natural gas utility and pipeline companies was approximately 7 percent warmer than the year-ago period. In addition, both this year and last year reflect lower interruptible transmission service revenues than those that have been historically realized by NiSource's pipeline business. Management has evaluated operational and market conditions, and anticipates that there will be fewer opportunities for interruptible revenue on an ongoing basis. Operating expenses in first nine months of 2004 were favorable impacted by reduced uncollectible expense, a reduction in estimated property taxes and the favorable settlement of a lawsuit. These reductions in expense in the 2004 period partially offset the 2003 impact of the gain on the sale of Columbia Service Partners, Inc., and the reversal of reserves and accrued expenses in 2003. Also, with lower average long-term borrowing rates and a reduction in the company's long-term debt, interest expense for the first nine month of 2004 decreased by $49.2 million, or 14.0 percent, compared with the year-ago period.

NiSource will continue to build value and customer trust by capitalizing on its super-regional utility and pipeline operations. NiSource will focus on:
continuing to standardize its operations and improve on predictability and reliability; continuing to deliver the best possible service at the lowest cost; continuing to develop innovative ways to help customers manage heating bills and gas price volatility, with products such as a fixed-price option; continuing to find ways to control the cost of generating electricity; and pursuing projects that will bring long-term attractively priced gas supplies to the market.

RESULTS OF OPERATIONS
THE QUARTER ENDED SEPTEMBER 30, 2004

Net Income

NiSource reported net income of $28.8 million, or $0.11 per share, for the three months ended September 30, 2004, compared to net income of $15.4 million, or $0.06 per share, for the third quarter 2003. Operating income was $127.8 million, a decrease of $21.1 million from the same period in 2003. NiSource's net income reflects the impact of the discontinued operations, a $7.3 million gain in the third quarter of 2004, and an $8.1 million loss for the 2003 period. All per share amounts are basic earnings per share.

Net Revenues

Total consolidated net revenues (gross revenues less cost of sales) for the three months ended September 30, 2004, were $590.4 million, a $13.1 million increase from the same period last year. Electric net revenue increased $5.0 million for the third quarter primarily due to increased revenue from environmental trackers. The impact of cooler weather on NiSource's electric utility was offset by the impact of reserves recorded for regulatory refunds recorded in the 2003 period. NiSource's Other Operations net revenues increased due mainly to a $5.1 million settlement of a lawsuit.

Expenses

Operating expenses for the third quarter 2004 were $462.6 million, an increase of $34.2 million from the 2003 period. Operation and maintenance expenses for NiSource increased, as the comparative results for the current quarter were impacted by the reversal of $11.0 million of accrued expenses for environmental remediation and the reversal of $6.8 million of reserves and accrued expenses in the 2003 period. In the current quarter, a decrease in uncollectible expense of $11.8 million, largely attributable to the bad debt cost tracker that was approved for Columbia Gas of Ohio, Inc. (Columbia of Ohio) in 2003, was partially offset by increases in employee and administrative expenses attributable mostly to pension funding. The 2003 period was also favorably impacted by a $16.2 million gain on the sale of Columbia Service Partners, Inc.

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

NISOURCE INC.

Other Income (Deductions)

Interest expense, net was $100.0 million for the quarter, a decrease of $13.6 million compared to the third quarter 2003. The decrease was due mainly to lower long-term interest rates as a result of refinancing activity completed in 2003 and a quarter-over-quarter reduction in debt balances.

Income Taxes

Income tax expense for the third quarter 2004 was $6.7 million, a decrease of $6.4 million compared to the 2003 period, due to lower pre-tax income and the reversal of a $5.7 million tax reserve.

Discontinued Operations

The income from discontinued operations, net of tax, of $8.9 million for the third quarter 2004 is due mostly to a reduction in estimated state taxes associated with NiSource's exploration and production subsidiary, Columbia Energy Resources, Inc. (CER). The loss of $1.6 million on the disposition of discontinued operations was related to a post-sale adjustment. The loss of $8.1 million in the 2003 period was a result of an after-tax loss of $14.2 million, related to the sale of CER in the third quarter of 2003, slightly offset by income related to the operations of CER and the Primary Energy Inc. (Primary Energy) subsidiaries that were sold in the fourth quarter of 2003. NiSource accounted for CER and the Primary Energy subsidiaries as discontinued operations and has adjusted all periods presented accordingly.

RESULTS OF OPERATIONS
NINE MONTHS ENDED SEPTEMBER 30, 2004

Net Income

NiSource reported net income of $276.9 million, or $1.06 per share, for the nine months ended September 30, 2004, compared to a net loss of $54.6 million, or $0.21 loss per share, for the first nine months of 2003. Operating income was $727.9 million, a decrease of $69.1 million from the same period in 2003. NiSource's net income reflects the impact of the discontinued operations, a $3.6 million gain for the first nine months of 2004 versus a $330.9 million loss for the comparable 2003 period.

Net Revenues

Total consolidated net revenues (gross revenues less cost of sales) for the nine months ended September 30, 2004, were $2,198.5 million, a $50.2 million decrease from the same period last year. The decrease in gas net revenues was primarily a result of reduced residential and commercial natural gas sales and deliveries due to warmer weather of approximately $29.0 million, reduced revenue from cost trackers of $11.9 million, largely offset in operating expenses, and lower non-traditional revenue during the first nine months of 2004 compared with the same period in 2003. Both the 2004 period and the 2003 period reflect lower interruptible transmission service revenues than those that have been historically realized. Management has evaluated operational and market conditions, and anticipates that there will be fewer opportunities for interruptible revenue on an ongoing basis. The reduction in gas distribution revenue and transmission revenue was partially offset by a $21.8 million increase in electric net revenue for the first nine months of 2004, which was due to higher net revenues from environmental trackers, increased customer usage and the effect of reserves recorded for regulatory refunds in the comparable 2003 period.

Expenses

Operating expenses for the first nine months of 2004 were $1,470.6 million, an increase of $18.9 million from the 2003 period. Operation and maintenance expenses for the first nine months of 2004 were $16.6 million higher than they were in the 2003 period. The 2004 operating expenses were favorably impacted by reduced uncollectible expense of $15.1 million, the favorable settlement of a lawsuit of $14.3 million and a reduction in estimated property taxes of $19.8 million. The 2003 operating expenses were favorably impacted by a $16.2 million gain on the sale of Columbia Service Partners, Inc., the reversal of legal, environmental and other reserves and accrued expenses of $33.8 million and the favorable impact of insurance adjustments and recoveries of $15.8 million.

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

NISOURCE INC.

Other Income (Deductions)

Interest expense, net was $302.3 million for the first nine months of 2004 compared to $351.5 million for the first nine months of last year. This decrease of $49.2 million was mainly due to lower long-term interest rates as a result of refinancing activity completed in 2003 and a year-over-year reduction in long-term debt and average short-term debt balances.

Income Taxes

Income tax expense for the first nine months of 2004 was $154.4 million, a decrease of $12.5 million compared to the 2003 period, due to lower pre-tax income and the reversal of a tax reserve.

Discontinued Operations

Income from discontinued operations, net-of-tax, was $5.2 million for the nine months ended September 30, 2004. The current period's income from discontinued operations, net-of-tax, is mostly due to a reduction in estimated state taxes associated with NiSource's exploration and production subsidiary, CER. For the 2003 period, an after-tax loss of $332.2 million was related to the sales of CER, six Primary Energy subsidiaries and Columbia Transmission Communications Corporation (Transcom), slightly offset by a first quarter 2003 gain on the sale of CER's interest in natural gas production properties in New York State. NiSource accounted for CER, Transcom and the Primary Energy subsidiaries as discontinued operations and has adjusted all periods presented accordingly.

Change in Accounting

The change in accounting in the first nine months of 2003 of $8.8 million, net-of-tax, resulted from the cumulative effect of adopting the Financial Accounting Standards Board statement on asset retirement obligations.

LIQUIDITY AND CAPITAL RESOURCES

Generally, cash flow from operations has provided sufficient liquidity to meet operating requirements. A significant portion of NiSource's operations, most notably in the gas distribution, gas transportation and electric businesses, is subject to seasonal fluctuations in cash flow. During the heating season, which is primarily from November through March, cash receipts from gas sales and transportation services typically exceed cash requirements. During the summer months, cash on hand, together with the seasonal increase in cash flows from the electric business during the summer cooling season and external short-term and long-term financing, is used to purchase gas to place in storage for heating season deliveries, perform necessary maintenance of facilities, make capital improvements in plant and expand service into new areas.

Net cash from continuing operations for the nine months ended September 30, 2004 was $814.4 million. Net cash from continuing operations increased $338.6 million from the comparable period a year-ago, mainly as a result of increased cash flow from working capital. The increase in cash flow from working capital was $242.4 million, driven largely by a lower level of exchange gas activity and reduction of higher priced inventory levels during 2004.

On November 1, 2004 NiSource issued approximately 6.8 million shares of common stock upon the settlement of the forward stock purchase contracts comprising a component of NiSource's Stock Appreciation Income Linked Securities(SM) (SAILS(SM)). NiSource received approximately $144.4 million in satisfaction of the SAILS holders' obligation under the stock purchase contracts, which was used to pay down short-term borrowings. Effective November 1, 2004, the interest rate on the $144.4 million of debentures that comprised the other component of the SAILS was reset to 3.628% per annum. The debentures mature November 1, 2006.

During July 2004, Northern Indiana Public Service Company (Northern Indiana) redeemed $32.0 million of its medium-term notes, with an average interest rate of 6.53%.

During April 2004, NiSource redeemed $80.0 million of NiSource Capital Markets, Inc. medium-term notes, with an average interest rate of 7.39%.

During February 2004, Northern Indiana redeemed $111.1 million of its medium-term notes and Bay State Gas Company redeemed $10.0 million of its medium-term notes, with an average interest rate of 7.49% and 7.63%,

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NISOURCE INC.

respectively. The associated redemption premium was $4.6 million, of which $4.2 million was charged to expense and $0.4 million was recorded as a regulatory asset.

Credit Facilities

During March 2004, NiSource obtained a new $500 million 364-day credit facility and a $750 million 3-year credit facility with a syndicate of banks led by Barclays Capital. The new facilities replaced an expiring $1.25 billion credit facility. NiSource had outstanding credit facility advances of $678.4 million at September 30, 2004, at a weighted average interest rate of 2.57%, and advances of $685.5 million at December 31, 2003, at a weighted average interest rate of 1.82%. As of September 30, 2004 and December 31, 2003, NiSource had $111.6 million and $121.4 million of standby letters of credit outstanding, respectively. At September 30, 2004, $93.3 million of the $111.6 million total outstanding letters of credit resided within a separate bi-lateral letter of credit arrangement with Barclays Bank which NiSource obtained during February 2004. As of September 30, 2004, $553.4 million of credit was available under the credit facilities. In addition, NiSource had standby letters of credit of $5.1 million and $4.9 million as of September 30, 2004 and December 31, 2003, respectively, issued under another credit facility.

Sale of Trade Receivables

On May 14, 2004, Columbia of Ohio entered into an agreement to sell, without recourse, substantially all of its trade receivables, as they originate, to Columbia of Ohio Receivables Corporation (CORC), a wholly-owned subsidiary of Columbia of Ohio. CORC, in turn, is party to an agreement, also dated May 14, 2004, in which it sells an undivided percentage ownership interest in the accounts receivable to a commercial paper conduit sponsored by Dresdner Kleinwort Wasserstein. The conduit can purchase up to $300 million of accounts receivable under the agreement. The agreements, which replaced prior similar agreements, expire in May 2005, but can be renewed if mutually agreed to by both parties. As of September 30, 2004, $43.5 million of accounts receivable had been sold by CORC.

On December 30, 2003, Northern Indiana entered into an agreement to sell, without recourse, all of its trade receivables, as they originate, to NIPSCO Receivables Corporation (NRC), a wholly-owned subsidiary of Northern Indiana. NRC, in turn, is party to an agreement in which it sells an undivided percentage ownership interest in the accounts receivable to a commercial paper conduit. The conduit can purchase up to $200 million of accounts receivable under the agreement. The agreements expire in December 2004, but can be renewed if mutually agreed to by both parties. As of September 30, 2004, NRC had sold $105.0 million of accounts receivable.

MARKET RISK DISCLOSURES

Through its various business activities, NiSource is exposed to both non-trading and trading risks. The non-trading risks to which NiSource is exposed include interest rate risk, commodity market risk and credit risk of its subsidiaries. The risk resulting from trading activities consists primarily of commodity market and credit risks. NiSource's risk management policy permits the use of certain financial instruments to manage its market risk, including futures, forwards, options and swaps.

Various analytical techniques are employed to measure and monitor NiSource's market and credit risks, including value-at-risk and instrument sensitivity to market factors (VaR). VaR represents the potential loss or gain for an instrument or portfolio from changes in market factors, for a specified time period and at a specified confidence level.

Non-Trading Risks

Commodity price risk resulting from non-trading activities at NiSource's rate-regulated subsidiaries is limited, since current regulations allow recovery of prudently incurred purchased power, fuel and gas costs through the rate-making process. As states experiment with regulatory reform, these subsidiaries may begin providing services without the benefit of the traditional rate-making process and may be more exposed to commodity price risk.

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

NISOURCE INC.

NiSource is exposed to interest rate risk as a result of changes in interest rates on borrowings under revolving credit agreements and lines of credit, which have interest rates that are indexed to short-term market interest rates. At September 30, 2004, the combined borrowings outstanding under these facilities totaled $678.4 million. NiSource is also exposed to interest rate risk due to changes in interest rates on fixed-to-variable interest rate swaps that hedge the fair value of long-term debt. The principal amount of such long-term debt subject to interest rate hedges at September 30, 2004 was $1,160.0 million. Based upon average borrowings under agreements subject to fluctuations in short-term market interest rates during the third quarter 2004, an increase in short-term interest rates of 100 basis points (1%) would have increased interest expense by $5.3 million and $14.9 million for the quarter and nine months ended September 30, 2004, respectively.

On May 12, 2004, Columbia Energy Group (Columbia) terminated fixed-to-variable interest rate swap agreements in a notional amount of $663.0 million with five counterparties. Columbia received an aggregate settlement payment of $1.8 million, which is being amortized as a reduction to interest expense over the remaining term of the underlying debt.

On May 12, 2004, NiSource entered into fixed-to-variable interest rate swap agreements in a notional amount of $660.0 million with six counterparties having a 6 1/2-year term. NiSource will receive payments based upon a fixed 7.875% interest rate and pay a floating interest amount based on U.S. 6-month British Banker Association LIBOR plus an average of 3.08% per annum. There was no exchange of premium at the initial date of the swaps. In addition, each party has the right to cancel the swaps on May 15, 2009 at mid-market.

Due to the nature of the industry, credit risk is a factor in many of NiSource's business activities. Credit risk arises because of the possibility that a customer, supplier or counterparty will not be able or willing to fulfill its obligations on a transaction on or before the settlement date. For derivative contracts such as interest rate swaps, credit risk arises when counterparties are obligated to pay NiSource the positive fair value or receivable resulting from the execution of contract terms. Exposure to credit risk is measured in terms of both current and potential exposure. Current credit exposure is generally measured by the notional or principal value of financial instruments and direct credit substitutes, such as commitments, standby letters of credit and guarantees. Because many of NiSource's exposures vary with changes in market prices, NiSource also estimates the potential credit exposure over the remaining term of transactions through statistical analysis of market prices. In determining exposure, NiSource considers collateral and master netting agreements, which are used to reduce individual counterparty credit risk.

Trading Risks

The transactions associated with NiSource's power trading operations give rise to various risks, including market risks resulting from the potential loss from adverse changes in the market prices of electricity. The power trading operations market and trade over-the-counter contracts for the purchase and sale of electricity. Those contracts within the power trading portfolio that require settlement by physical delivery are often net settled in accordance with industry standards.

Fair value represents the amount at which willing parties would transact an arms-length transaction. Fair value is determined by applying a current price to the associated contract volume for a commodity. The current price is derived from one of three sources including actively quoted markets such as the New York Mercantile Exchange (NYMEX), other external sources including electronic exchanges and over-the-counter broker-dealer markets, as well as financial models such as the Black-Scholes option pricing model.

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

NISOURCE INC.

The fair values of the contracts related to NiSource's trading operations, the activity affecting the changes in the fair values during the third quarter of 2004, the sources of the valuations of the contracts during 2004 and the years in which the remaining contracts mature are:

(in millions)	Three Months Ended September 30, 2004	Nine Months Ended September 30, 2004
Fair value of contracts outstanding at the beginning of the period	$ 1.9	$ (1.5)
Contracts realized or otherwise settled during the period (including net option premiums received)	1.6	-
Fair value of new contracts entered into during the period	(3.0)	(7.4)
Other changes in fair values during the period	(0.5)	8.9
Fair value of contracts outstanding at the end of the period	$ -	$ -

(in millions)	2004	2005	2006	2007	2008	After
Prices actively quoted	$ -	$ -	$ -	$ -	$ -	$ -
Prices from other external sources	0.7	0.3	-	-	-	-
Prices based on models/other method	0.7	(1.7)	-	-	-	-
Total fair values	$ 1.4	$ (1.4)	$ -	$ -	$ -	$ -

The caption "Prices from other external sources" generally includes contracts traded on electronic exchanges and over-the-counter contracts whose value is based on published indices or other publicly available pricing information. Contracts shown within "Prices based on models/other method" are generally valued employing the widely used Black-Scholes option-pricing model.

Market Risk Measurement

Market risk refers to the risk that a change in the level of one or more market prices, rates, indices, volatilities, correlations or other market factors, such as liquidity, will result in losses for a specified position or portfolio. NiSource calculates a one-day VaR at a 95% confidence level for the power trading group and the gas marketing group that utilize a variance/covariance methodology. Based on the results of the VaR analysis, the daily market exposure for power trading on an average, high and low basis was $0.1 million, $0.2 million and effectively zero, during the third quarter of 2004, respectively. The daily market exposure for the gas marketing portfolio on an average, high and low basis was $0.1 million, $0.1 million and $0.1 million during the third quarter of 2004, respectively. Prospectively, management has set the VaR limits at $2.5 million for power trading and $0.5 million for gas marketing. Exceeding the VaR limits would result in management actions to reduce portfolio risk.

Refer to "Risk Management Activities" in Note 7 of the Notes to Consolidated Financial Statements for further discussion of NiSource's risk management.

OFF BALANCE SHEET ARRANGEMENTS

NiSource has issued guarantees that support up to approximately $1.3 billion of commodity-related payments for its current subsidiaries involved in energy marketing and power trading and to satisfy requirements under forward gas sales agreements of a former subsidiary. These guarantees were provided to counterparties to facilitate physical and financial transactions involving natural gas and electricity. To the extent liabilities exist under the commodity-related contracts subject to these guarantees, such liabilities are included in the consolidated balance sheets. In addition, NiSource has other guarantees, purchase commitments, operating leases, lines of credit and letters of credit outstanding. Refer to Note 7, Risk Management Activities, and Note 11, Guarantees and Indemnities, of the Notes to Consolidated Financial Statements for further discussion of NiSource's off balance sheet arrangements.

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In addition, NiSource subsidiaries have sold certain accounts receivable. NiSource's accounts receivable programs qualify for sale accounting because they meet the conditions specified in the Statement of Financial Accounting Standards (SFAS) No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." In the agreements, all transferred assets have been isolated from the transferor and put presumptively beyond the reach of the transferor and its creditors, even in bankruptcy or other receivership. NiSource does not retain any interest in the receivables under these programs.

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

NISOURCE INC.

OTHER INFORMATION

Bargaining Unit Contract

Northern Indiana reached an agreement with its bargaining unit employees to replace the contract agreements that expired May 31, 2004. The new agreements are for five years, expiring May 31, 2009.

RESULTS AND DISCUSSION OF SEGMENT OPERATIONS

Presentation of Segment Information

NiSource's operations are divided into four primary business segments; Gas Distribution Operations, Gas Transmission and Storage Operations, Electric Operations, and Other Operations.

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

NISOURCE INC.
GAS DISTRIBUTION OPERATIONS

(in millions)	Three Months Ended September 30, 2004	Three Months Ended September 30, 2003	Nine Months Ended September 30, 2004	Nine Months Ended September 30, 2003
NET REVENUES				
Sales Revenues	$ 330.7	$ 291.5	$ 2,636.5	$ 2,643.2
Less: Cost of gas sold	220.7	170.0	1,963.5	1,899.3
Net Sales Revenues	110.0	121.5	673.0	743.9
Transportation Revenues	68.7	54.7	327.2	321.4
Net Revenues	178.7	176.2	1,000.2	1,065.3
OPERATING EXPENSES				
Operation and maintenance	142.8	137.4	471.8	456.6
Depreciation and amortization	48.2	47.2	144.5	142.7
Other taxes	23.4	18.8	119.5	122.2
Total Operating Expenses	214.4	203.4	735.8	721.5
Operating Income (Loss)	$ (35.7)	$ (27.2)	$ 264.4	$ 343.8
REVENUES ($ IN MILLIONS)				
Residential	193.8	164.9	1,644.7	1,720.0
Commercial	70.8	61.4	583.5	614.1
Industrial	27.6	28.4	146.3	138.9
Transportation	68.7	54.7	327.2	321.4
Off System Sales	24.9	6.6	180.2	67.2
Other	13.6	30.2	81.8	103.0
Total	399.4	346.2	2,963.7	2,964.6
SALES AND TRANSPORTATION (MMDTH)				
Residential sales	13.8	13.2	151.2	164.0
Commercial sales	6.4	6.2	59.4	64.2
Industrial sales	4.1	3.5	17.5	15.6
Transportation	95.6	86.3	395.6	372.4
Off System Sales	4.5	1.3	30.5	6.6
Other	0.1	1.3	0.2	3.5
Total	124.5	111.8	654.4	626.3
HEATING DEGREE DAYS	33	66	3,191	3,437
NORMAL HEATING DEGREE DAYS	58	58	3,196	3,178
% COLDER (WARMER) THAN NORMAL	(43%)	14%	0%	8%
CUSTOMERS				
Residential			2,314,195	2,229,713
Commercial			211,649	206,600
Industrial			5,820	5,882
Transportation			725,572	783,964
Other			61	155
Total	-	-	3,257,297	3,226,314

NiSource's natural gas distribution operations serve approximately 3.3 million customers in nine states: Ohio, Indiana, Pennsylvania, Massachusetts, Virginia, Kentucky, Maryland, New Hampshire and Maine. The regulated subsidiaries offer both traditional bundled services as well as transportation only for customers that purchase gas from alternative suppliers. The operating results reflect the temperature-sensitive nature of customer demand with over 72% of annual residential and commercial throughput affected by seasonality. As a result, segment operating income is higher in the first and fourth quarters reflecting the heating demand during the

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winter season.

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

NISOURCE INC.
GAS DISTRIBUTION OPERATIONS (CONTINUED)

Regulatory Matters

Through October 2004, Columbia of Ohio operated under a regulatory stipulation approved by the Public Utilities Commission of Ohio (PUCO). On October 9, 2003, Columbia of Ohio and other parties filed with the PUCO an amended stipulation that would govern Columbia of Ohio's regulatory framework from November 2004 through October 2010. The majority of Columbia of Ohio's contracts with interstate pipelines expired in October 2004, and the amended stipulation would have permitted Columbia of Ohio to renew those contracts for firm capacity sufficient to meet up to 100% of the design peak day requirements through October 31, 2005 and up to 95% of the design peak day requirements through October 31, 2010. Among other things, the amended stipulation would also have: (1) extended Columbia of Ohio's CHOICE(R) program through October 2010; (2) provided Columbia of Ohio with an opportunity to generate revenues sufficient to cover the stranded costs associated with the CHOICE(R) program; and (3) allowed Columbia of Ohio to record post-in-service carrying charges on plant placed into service after October 2004, and to defer the property taxes and depreciation associated with such plant.

On March 11, 2004, the PUCO issued an order that adopted and modified the stipulation from Columbia of Ohio and a collaborative of parties. The order extended Columbia of Ohio's CHOICE(R) program only through December 31, 2007 and declined to pre-approve the amount of interstate pipeline firm capacity for which Columbia of Ohio could contract. In addition, the PUCO made other modifications which would limit Columbia of Ohio's ability to generate additional revenues sufficient to cover stranded costs, including declining to mandate that natural gas marketers participating in the CHOICE(R) program obtain 75% of their interstate capacity directly from Columbia of Ohio and changing the allocation of revenues generated through off-system sales. The order allowed Columbia of Ohio to record post-in-service carrying charges on plant placed in service after October 2004 and allowed the deferral of property taxes and depreciation associated with such plant.

On April 9, 2004, Columbia of Ohio and other signatory parties to the stipulation, consistent with standard regulatory process, petitioned the PUCO for rehearing on the components which were modified in the order. That same day the Office of the Ohio Consumers' Counsel (OCC) also filed an application for rehearing, and argued that the PUCO should not have permitted Columbia of Ohio to record post-in-service carrying charges on plant placed into service after October 2004, and to defer the property taxes and depreciation associated with such plant. On April 19, 2004, the OCC filed a motion to dismiss the application for rehearing filed by Columbia of Ohio and other parties.

On May 5, 2004, the PUCO issued an order on rehearing, in which it denied the OCC's motion to dismiss and its application for rehearing. The PUCO granted, in part, the joint application filed by Columbia of Ohio and others. In granting the joint application for rehearing, in part, the PUCO did the following: (1) revised the term of the stipulation so that it runs through October 31, 2008; (2) restored the mandate that required natural gas marketers participating in the CHOICE(R) program obtain 75% of their interstate capacity directly from Columbia of Ohio; and (3) revised the mechanism applicable to Columbia of Ohio's sharing of off-system sales and capacity release revenue. Under the revised off-system sales/capacity release revenue sharing mechanism, Columbia of Ohio must now begin sharing such revenue with the customers when the annual revenue exceeds $25 million, instead of $35 million as originally proposed by Columbia of Ohio and other collaborative parties.

In a letter docketed on May 12, 2004, Columbia of Ohio and the other signatory parties to the stipulation accepted the PUCO's modifications. On May 14, 2004, the OCC filed a Second Application for Rehearing. In the pleading, the OCC argued that the joint applicants did not meet the statutory requirements for an application for rehearing, and thus the PUCO's order on rehearing granting rehearing was unlawful. The OCC also argued that the rehearing was the result of exclusionary settlement negotiations. The OCC continued to disagree with the PUCO's treatment of off-system sales and capacity release revenues, and post-in-service carrying charges and related deferrals.

On June 3, 2004, Columbia of Ohio filed its proposed tariffs and accounting, as required. On June 9, 2004, the PUCO denied the OCC's Second Application for Rehearing. On July 29, 2004, the OCC filed an appeal with the Supreme Court of Ohio, contesting the PUCO's May 5, 2004 order on rehearing, which granted in part Columbia of Ohio's joint application for rehearing, and the PUCO's June 9, 2004 order, denying the OCC's Second Application for Rehearing. On August 4, 2004, Columbia of Ohio moved to intervene in the appellate proceeding.

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

NISOURCE INC.
GAS DISTRIBUTION OPERATIONS (CONTINUED)

On December 17, 2003, the PUCO approved an application by Columbia of Ohio and other Ohio local distribution companies (LDCs) to establish a tracking mechanism that will provide for recovery of current bad debt expense and for the recovery over a five-year period of previously deferred uncollected accounts receivable. As of September 30, 2004, Columbia of Ohio has $48 million of uncollected accounts receivable pending future recovery. On October 1, 2004 Columbia of Ohio filed an application for approval to increase its Uncollectible Expense Rider. On October 20, 2004 the PUCO issued an Entry that approved this request. The PUCOs approval of this request will result in Columbia's commencement of recovery in November 2004 of the aforementioned deferred uncollectible accounts receivables and future bad-debt recovery requirements.

On June 11, 2004, Columbia Gas of Pennsylvania, Inc. (Columbia of Pennsylvania) signed a settlement agreement (Settlement Agreement) in its annual gas cost recovery proceeding with The Office of Consumer Advocate, The Office of Small Business Advocate, The Office of Trial Staff, and Commercial & Industrial Intervenors. Under the Settlement Agreement, the signatory parties agreed to financial incentive mechanisms for off-system sales and capacity release transactions performed by Columbia of Pennsylvania. Under the incentive mechanism, customers receive 100% of the total combined proceeds from off-system sales and capacity release transactions up to a benchmark of $6 million. After the benchmark is reached, Columbia of Pennsylvania will retain 50% of proceeds from the transactions; however, Columbia of Pennsylvania may never retain more than 40% of the actual net proceeds generated from off-system sales and capacity release transactions. The incentive mechanism begins October 1, 2004 and ends on September 30, 2006. On September 10, 2004, the Pennsylvania Public Utility Commission approved the Settlement Agreement.

On August 11, 1999, the Indiana Utility Regulatory Commission (IURC) approved a flexible gas cost adjustment (GCA) mechanism for Northern Indiana. Under the approved procedure, the demand component of the adjustment factor will be determined, after hearings and IURC approval, and made effective on November 1 of each year. The demand component will remain in effect for one year until a new demand component is approved by the IURC. The commodity component of the adjustment factor will be determined by monthly filings, which will become effective on the first day of each calendar month, subject to refund. The monthly filings do not require IURC approval but will be reviewed by the IURC during the annual hearing that will take place regarding the demand component filing. Northern Indiana's GCA factor also includes a gas cost incentive mechanism which allows the sharing of any cost savings or cost increases with customers based on a comparison of actual gas supply portfolio cost to a market-based benchmark price.

Northern Indiana's GCA4 annual demand filing, covering the period November 1, 2002 through October 31, 2003, was made on August 29, 2002 and approved by the IURC for implementation as interim rates, subject to refund effective November 1, 2002. The Indiana Office of Utility Consumer Counselor (OUCC) filed testimony indicating that some gas costs, for the month of March 2003, should not be recovered. On September 10, 2003, the IURC issued an order adjusting the recovery of costs in March 2003 and reducing recovery by $3.8 million. On October 8, 2003, the IURC approved the demand component of the adjustment factor.

Northern Indiana's GCA5 annual demand filing, covering the period November 1, 2003 through October 31, 2004, was made on August 26, 2003 and approved by the IURC for implementation as interim rates, subject to refund, effective November 1, 2003. On June 8, 2004, Northern Indiana and the OUCC entered into a joint stipulation and agreement resolving all issues in GCA5. A hearing was held before the IURC on July 18, 2004 in support of the settlement. Among the settlement agreement's provisions, Northern Indiana has agreed to return $3.8 million to its customers over a twelve-month period following IURC approval. This refund is the resolution of issues similar to those from March 2003. An additional provision of the agreement was to extend the current Alternative Regulatory Procedure (ARP), including Northern Indiana's gas cost incentive mechanism, from the current expiration date of December 31, 2004 to March 31, 2005. The IURC approved the joint stipulation and agreement, without change, at their August 18, 2004 administrative meeting.

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

NISOURCE INC.
GAS DISTRIBUTION OPERATIONS (CONTINUED)

Northern Indiana's GCA 6 annual demand filing, covering the period November 1, 2004 through October 31, 2005 was made on August 26, 2004 and approved by the IURC on October 20, 2004 for implementation as interim rates, subject to refund, effective November 1, 2004.

Northern Indiana, the OUCC, Testimonial Staff of the IURC, and the Marketer Group (a group which collectively represents 7 marketers participating in Northern Indiana Choice) filed a Stipulation and Agreement with the IURC on October 12, 2004, that, among other things, extends the expiration date of the 1997 ARP decision to March 31, 2006. The agreement, if approved by the IURC extends the expiration date of Northern Indiana's gas incentive mechanism - GCIM to March 31, 2006 as well. The agreement grandfathers the terms of existing contracts that marketers have with Choice customers. Lastly, the agreement establishes a scope for negotiations that Parties will follow when convening within the next several months to establish a long-term resolution of ARP.

On September 21, 2004, Northern Indiana petitioned the IURC under the ARP statutory requirements to permit a two-year pilot low-income energy assistance program. The program, filed under the name NIPSCO Winter Warmth provides, if approved, approximately $4.0 million of assistance for customer security deposits and bill assistance for qualifying low-income customers presently disconnected for non-payment or at risk for disconnection. As proposed, Northern Indiana will fund this program through a monthly $0.50 charge to residential and general service customers and an annual contribution of $200,000 from Northern Indiana.

All of the Columbia distribution companies hold long-term contracts for pipeline and storage services with its affiliate pipelines, Columbia Gas Transmission Corporation (Columbia Transmission) and Columbia Gulf Transmission Company (Columbia Gulf), and a majority of those contracts expired on October 31, 2004. The Columbia distribution companies are comprised of Columbia Gas of Kentucky, Inc., Columbia Gas of Maryland, Inc., Columbia of Ohio, Columbia of Pennsylvania, and Columbia Gas of Virginia, Inc. (Columbia of Virginia). Several distribution companies discussed their plan to renew pipeline and storage contracts with industry stakeholders to ensure the continued ability to serve the requirements of firm customers in a tightening capacity market. All contract negotiations between the distribution companies and Columbia Transmission and Columbia Gulf have been resolved prior to the contracts expiring. In addition, certain contracts were subject to the approval of the respective state regulatory agencies. On April 29, 2004, the Pennsylvania Public Utility Commission approved a request by Columbia of Pennsylvania to renew its pipeline and storage contracts with Columbia Transmission and Columbia Gulf. Pursuant to this approval, Columbia of Pennsylvania's storage contracts and approximately half of its pipeline contracts will be renewed for terms of fifteen years, while the remaining pipeline contracts will be renewed on a tiered basis for terms ranging from five or ten years. Columbia of Pennsylvania will also acquire additional capacity to meet customer requirements on peak days. In addition, on August 3, 2004, the Virginia State Corporation Commission approved a request by Columbia of Virginia to renew its pipeline and storage contracts with Columbia Transmission and Columbia Gulf. Pursuant to this approval, Columbia of Virginia's storage and pipeline contracts with Columbia Transmission and Columbia Gulf will be renewed for terms of fifteen years.

Environmental Matters

In January of 2004, Northern Indiana and Kokomo Gas and Fuel Company signed a multi-site Voluntary Remediation Program Order addressing 14 former manufactured gas plant sites with the Indiana Department of Environmental Management. Northern Indiana Fuel and Light Company, Inc. expects to enter into a similar agreement for an additional site. Previously Northern Indiana, together with other potentially responsible parties, had entered into similar agreements with the Indiana Department of Environmental Management for 11 additional sites. Those agreements require Northern Indiana to investigate, and to the extent necessary, clean up the sites.

Weather

In general, NiSource calculates the weather related revenue variance based on changing customer demand driven by weather variance from normal heating degree-days. Normal is evaluated using heating degree days across the NiSource distribution region. While the temperature base for measuring heating degree-days (i.e. the estimated average daily temperature at which heating load begins) varies slightly across the region, the NiSource composite measurement is based on 62 degrees.

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

NISOURCE INC.
GAS DISTRIBUTION OPERATIONS (CONTINUED)

Weather in the Gas Distribution Operation's territories for the third quarter of 2004 was 43% warmer than normal and 50% warmer than the third quarter of 2003.

For the first nine months of 2004, weather was normal. However, the first nine months of 2004 was 7% warmer than the first nine months of 2003.

Throughput

Total volumes sold and transported of 124.5 million dekatherms (MMDth) for the third quarter of 2004 increased 12.7 MMDth from the same period last year primarily due to increased transportation sales and off-system sales.

For the nine month period ended September 30, 2004, total volumes sold and transported were 654.4 MMDth, an increase of 28.1 MMDth from the same period in 2003 primarily reflecting increased off-system sales and transportation sales in the first nine months of 2004 compared to the first nine months of 2003, partly offset by a reduction of residential and commercial sales.

Net Revenues

Net revenues for the three months ended September 30, 2004 were $178.7 million, an increase of $2.5 million from the same period in 2003. The increase in net revenues was primarily a result of higher transportation revenue in the current quarter, and the affect of lower non-weather related gas sales and incentive program revenue in the comparable 2003 period.

For the nine month period ended September 30, 2004, net revenues were $1,000.2 million, a $65.1 million decrease from the same period in 2003, largely due to reduced residential and commercial sales of $29.0 million as a result of warmer weather, lower cost tracker and gross receipts tax revenues of $11.9 million that are generally offset in operating expenses, and lower non-traditional revenues.

Operating Income (Loss)

For the third quarter of 2004, Gas Distribution Operations reported an operating loss of $35.7 million, versus an operating loss of $27.2 million for the comparable period in 2003. The increased operating loss was mainly attributable to higher operating expenses for the third quarter 2004 due primarily to the comparable 2003 period being favorably impacted by the reversal of $8.9 million in reserves and accrued expenses. The current period was favorably impacted by a decrease in uncollectible expense of $11.2 million largely attributable to the bad debt cost tracker that was approved for Columbia of Ohio in December 2003, partially offset by an increase in employee and administrative expenses.

Operating income for the first nine months of 2004 totaled $264.4 million, a $79.4 million decrease compared to the same period in 2003 largely due to lower net revenues of $65.1 million discussed above. Higher employee and administrative expenses were offset by a decrease in uncollectible expense of $14.5 million. Operating expenses increased $14.3 million due mainly to the impact of the reversal of reserves and accrued expenses of $11.1 million and an adjustment to change the allocation of corporate employee and administrative expenses of $5.2 million in the 2003 period. Other taxes was favorably impacted by a reduction of an accrual for estimated property tax expense of $6.5 million and lower gross receipts taxes offset in revenue, and unfavorably impacted by $11.7 million of increased sales tax accruals in the 2004 and 2003 periods.

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

NISOURCE INC.
GAS TRANSMISSION AND STORAGE OPERATIONS

(in millions)	Three Months Ended September 30, 2004	Three Months Ended September 30, 2003	Nine Months Ended September 30, 2004	Nine Months Ended September 30, 2003
OPERATING REVENUES				
Transportation revenues	$ 142.4	$ 145.1	$ 479.1	$ 480.1
Storage revenues	44.3	44.2	134.0	133.5
Other revenues	2.1	2.1	7.2	9.1
Total Operating Revenues	188.8	191.4	620.3	622.7
Less: Cost of gas sold	2.1	5.7	12.5	12.8
Net Revenues	186.7	185.7	607.8	609.9
OPERATING EXPENSES				
Operation and maintenance	76.9	56.4	226.3	197.6
Depreciation and amortization	28.2	27.8	85.9	83.4
Loss (Gain) on sale of assets	(0.1)	(0.1)	0.2	0.1
Other taxes	12.6	10.8	41.4	39.4
Total Operating Expenses	117.6	94.9	353.8	320.5
Operating Income	$ 69.1	$ 90.8	$ 254.0	$ 289.4
THROUGHPUT (MMDTH)				
Columbia Transmission				
Market Area	125.9	127.8	701.2	734.1
Columbia Gulf				
Mainline	114.9	127.8	415.5	481.5
Short-haul	28.9	35.9	76.8	94.5
Columbia Pipeline Deep Water	4.1	1.5	12.8	4.9
Crossroads Gas Pipeline	9.2	9.1	29.7	25.2
Granite State Pipeline	3.5	2.1	23.1	23.1
Intrasegment eliminations	(116.6)	(127.6)	(415.3)	(464.2)
Total	169.9	176.6	843.8	899.1

NiSource's Gas Transmission and Storage Operations segment consists of the operations of Columbia Gas Transmission Corporation (Columbia Transmission), Columbia Gulf Transmission Company (Columbia Gulf), Columbia Deep Water Service Company, Crossroads Pipeline Company and Granite State Gas Transmission, Inc. In total NiSource owns a pipeline network of approximately 16,000 miles extending from offshore in the Gulf of Mexico to New York and the eastern seaboard. The pipeline network serves customers in nineteen northeastern, mid-Atlantic, midwestern and southern states, as well as the District of Columbia. In addition, the NiSource gas transmission and storage operations segment operates one of the nation's largest underground natural gas storage systems.

Pipeline Firm Service Contracts

The services of Columbia Transmission and Columbia Gulf consist of open access transportation services, and open access storage services in the case of Columbia Transmission. These services are provided primarily to LDCs. On October 31, 2004, firm contracts expired for both Columbia Transmission and Columbia Gulf, representing approximately 60% of the Transmission Segment's net annual revenues. Based upon commitments made to date, the Transmission Segment is projecting a reduction of approximately $40 million in annual revenues under the replacement contracts, which represents approximately 5% of total Segment revenues. The terms of the replacement contracts entered into by Columbia Transmission and Columbia Gulf range from one year to 15 years, with an average term of approximately 7 years. Certain customers, who have storage and related transportation contracts which were extended through the end of the 2004/2005 winter, have not made long-term commitments. These customers represent 16% of the Transmission Segment's annual net revenues. It's anticipated that these customers will make longer-term elections in early 2005.

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

NISOURCE INC.
GAS TRANSMISSION AND STORAGE OPERATIONS (CONTINUED)

Regulatory Matters

On February 28, 2003, Columbia Transmission filed with the Federal Energy Regulatory Commission (FERC) certain scheduled annual rate adjustments, designated as the Transportation Costs Rate Adjustment (TCRA), Retainage Adjustment Mechanism (RAM), and Electric Power Cost Adjustment (EPCA). These filings sought recovery, during the period April 1, 2003 through March 31, 2004, of certain expenses relating to transportation costs incurred by Columbia Transmission on interconnecting pipelines and electric costs incurred in the operation of certain compressors (TCRA and EPCA, respectively), as well as quantities of gas required by Columbia Transmission to operate its pipeline system RAM. The recovery of each of these costs occurs through a "tracker" which ensures full recovery of actual expenses. Each of the three filings was conditionally accepted by the FERC subject to refund and the filing of additional data by Columbia Transmission. On October 1, 2003, the FERC issued an order accepting Columbia Transmission's TCRA filing, and accepting the full recovery of upstream transportation costs. On February 11, 2004, the FERC issued an order regarding the annual EPCA filing, which upheld Columbia Transmission's ability to fully recover its electric costs, but required Columbia Transmission to implement a separate EPCA rate to recover electric power costs incurred by a newly expanded electric-powered compressor station from specific customers. The order also limits Columbia Transmission's ability to prospectively discount its EPCA rates. Management does not believe this order will have a material financial impact. On April 14, 2004 the FERC issued an order accepting Columbia Transmission's RAM filing and approving the full recovery of gas required in system operations. The FERC will permit parties to pursue certain issues raised in the 2003 filing in connection with consideration of Columbia Transmission's 2004 RAM filing, which became effective April 1, 2004, and is currently pending.

Environmental Matters

On April 1, 2004, the U.S. Environmental Protection Agency (EPA) issued its final Phase II nitrogen oxide (NOx) regulation establishing NOx budgets for states. States will be developing State Implementation Plans (SIPs) which may impact certain compressor station engines/turbines owned by Columbia Transmission and Columbia Gulf. Columbia Transmission and Columbia Gulf will continue to monitor the development of SIPs, but anticipates that the cost will not be material.

The EPA has issued maximum achievable control technology (MACT) standards for hazardous air pollutants for stationary combustion turbines and reciprocating internal combustion engines. The final standards for turbines do not impose any additional compliance costs. The MACT for reciprocating internal combustion engines will only impact one Columbia Transmission facility and the estimated cost of compliance is expected to be immaterial.

On April 15, 2004, the EPA finalized the 8-hour ozone non-attainment areas. After designation, the Clean Air Act provides for a process for promulgation of rules specifying a compliance level, compliance deadline, and necessary controls to be implemented within designated areas. Resulting state rules could require additional reductions in NOx. Columbia Transmission and Columbia Gulf will monitor implementation of the rules. While the outcome of such rulemakings is uncertain, the cost could be significant.

Proposed Millennium Pipeline Project

The proposed Millennium Pipeline Project (Millennium), in which Columbia Transmission is participating and will serve as developer and operator, will provide access to a number of supply and storage basins and the Dawn, Ontario trading hub. The project is now being marketed in two phases. Phase 1 of the project is to begin at a proposed interconnect with the Empire State Pipeline (Empire), an existing pipeline that originates at the Canadian border and extends easterly towards Syracuse. Empire would construct a lateral pipeline southward to connect with Millennium near Corning, N.Y. Millennium would extend eastward to an interconnect with Algonquin Gas Transmission at Ramapo, N.Y. As currently planned, Phase 2 would cross the Hudson River, linking to the New York City metropolitan market.

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

NISOURCE INC.
GAS TRANSMISSION AND STORAGE OPERATIONS (CONTINUED)

On September 19, 2002, the FERC issued its order granting final certificate authority for the original Millennium project and specified that Millennium may not begin construction until certain environmental and other conditions are met. One such condition, impacting what is now being marketed as Phase 2 of the project, is compliance with the Coastal Zone Management Act, which is administered by the State of New York's Department of State (NYDOS). NYDOS has determined that the Hudson River crossing plan is not consistent with the Act. Millennium's appeal of that decision to the United States Department of Commerce was denied. Millennium filed an appeal of the U.S. Department of Commerce ruling relating to the project's Hudson River crossing plan in the U.S. Federal District Court on February 13, 2004. The procedural schedule calls for all briefings to be completed by the first quarter of 2005.

During the second quarter of 2004, a NiSource affiliate purchased an additional interest in the project. NiSource intends to find another sponsor by the end of 2004 to purchase this interest. During the third quarter of 2004, KeySpan Millennium, L.L.C. (subsidiary of KeySpan Corporation) purchased the interest of West Coast Energy, Inc. (subsidiary of Duke Energy Corp.). The other sponsors are Columbia Transmission and MCN Energy Group, Inc. (subsidiary of DTE Energy Co.).

Throughput

Throughput for the Gas Transmission and Storage Operations segment totaled 169.9 MMDth for the third quarter 2004, compared to 176.6 MMDth for the same period in 2003. The decrease of 6.7 MMDth is due mainly to a continued decline of offshore natural gas production.

Throughput for the nine months ended September 30, 2004 was 843.8 MMDth, a decrease of 55.3 MMDth from the same period in 2003 due to warmer weather in the first half of 2004 than for the comparable period in 2003, a continued decline of offshore natural gas production, and other non-weather factors.

Net Revenues

Net revenues were $186.7 million for the third quarter of 2004, an increase of $1.0 million from the same period in 2003. Net revenues increased due to higher demand charge revenues partially offset by a reduction in interruptible service revenues primarily due to lower throughput.

Net revenues were $607.8 million for the nine months ended September 30, 2004, a decrease of $2.1 million from the comparable 2003 period. Both of the nine-month periods reflect lower interruptible transmission service revenues than those that have been historically realized. Management has evaluated operational issues and market conditions and anticipates that there will be fewer opportunities for interruptible revenue on an ongoing basis. The 2003 period was unfavorably impacted by higher costs to meet customer demand during a period of sustained cold weather in the Northeast market areas during the first quarter of 2003. Also, net revenues for the 2004 period decreased due to lower throughput, which was partially offset by an increase in demand changes.

Operating Income

Operating income was $69.1 million for the third quarter of 2004, a decrease of $21.7 million from the third quarter of 2003 due to increased operating expenses. The increase in operating expenses in the third quarter 2004 is attributable to higher employee and administrative expenses of $6.7 million, primarily due to an increase in pension expense. The comparable 2003 period benefited from the reversal of $11.0 million in accrued expenses for environmental remediation, the reversal of a franchise tax reserve and the receipt of insurance proceeds.

For the nine months ended September 30, 2004, operating income was $254.0 million, a $35.4 million decrease from the comparable 2003 period. The decrease was mainly attributable to higher operating expenses as a result of higher employee and administrative expenses of $9.0 million, primarily due to an increase in pension expense. The comparable 2003 period benefited from the reversal of $11.0 million in accrued expenses for environmental remediation and the $6.6 million reversal of a legal reserve.

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

NISOURCE INC.
ELECTRIC OPERATIONS

(in millions)	Three Months Ended September 30, 2004	Three Months Ended September 30, 2003	Nine Months Ended September 30, 2004	Nine Months Ended September 30, 2003
NET REVENUES				
Sales revenues	$ 303.3	$ 314.8	$ 831.6	$ 837.0
Less: Cost of sales	92.4	108.9	258.7	285.9
Net Revenues	210.9	205.9	572.9	551.1
OPERATING EXPENSES				
Operation and maintenance	57.2	57.0	176.3	167.4
Depreciation and amortization	44.1	43.4	132.6	130.7
Other taxes	14.2	16.0	27.8	46.8
Total Operating Expenses	115.5	116.4	336.7	344.9
Operating Income	$ 95.4	$ 89.5	$ 236.2	$ 206.2
REVENUES ($ IN MILLIONS)				
Residential	86.9	94.7	224.8	229.3
Commercial	78.8	84.0	222.4	220.4
Industrial	100.3	90.9	304.1	282.2
Wholesale	18.8	34.0	41.6	79.4
Other	18.5	11.2	38.7	25.7
Total	303.3	314.8	831.6	837.0
SALES (GIGAWATT HOURS)				
Residential	923.7	1,008.1	2,372.4	2,436.8
Commercial	990.1	1,011.8	2,749.6	2,722.5
Industrial	2,295.3	2,176.4	6,960.7	6,655.3
Wholesale	504.2	911.8	1,063.6	2,205.2
Other	31.0	36.0	97.2	97.2
Total	4,744.3	5,144.1	13,243.5	14,117.0
COOLING DEGREE DAYS	377	459	582	572
NORMAL COOLING DEGREE DAYS	576	584	803	808
% WARMER (COOLER) THAN NORMAL	(35%)	(21%)	(28%)	(29%)
ELECTRIC CUSTOMERS				
Residential			389,878	386,227
Commercial			49,983	48,984
Industrial			2,518	2,548
Wholesale			26	19
Other			777	795
Total			443,182	438,573

NiSource generates and distributes electricity, through its subsidiary Northern Indiana, to approximately 443 thousand customers in 21 counties in the northern part of Indiana. The operating results reflect the temperature-sensitive nature of customer demand with annual sales affected by temperatures in the northern part of Indiana. As a result, segment operating income is generally higher in the second and third quarters, reflecting cooling demand during the summer season.

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

NISOURCE INC.
ELECTRIC OPERATIONS (CONTINUED)

Market Conditions

The regulatory frameworks applicable to Electric Operations continue to be affected by fundamental changes that will impact Electric Operations' structure and profitability. Notwithstanding those changes, competition within the industry will create opportunities to compete for new customers and revenues. Management has taken steps to improve operating efficiencies in this changing environment.

Regulatory Matters

During 2002, Northern Indiana settled matters related to an electric rate review. On September 23, 2002, the IURC issued an order adopting most aspects of the settlement. The order approving the settlement provides that electric customers of Northern Indiana will receive bill credits of approximately $55.1 million each year, for a cumulative total of $225 million, for the minimum 49-month period, beginning on July 1, 2002. The order also provides that 60% of any future earnings beyond a specified cap will be retained by Northern Indiana. Credits amounting to $41.9 million and $39.8 million were recognized for electric customers for the first nine months of 2004 and 2003, respectively.

On June 20, 2002, Northern Indiana, Ameren Corporation and First Energy Corporation established terms for joining the Midwest Independent System Operator (MISO) through participation in an independent transmission company (ITC). Northern Indiana transferred functional control of its electric transmission assets to the ITC and MISO on October 1, 2003. As part of Northern Indiana's use of MISO's transmission service, Northern Indiana will incur new categories of transmission charges based upon MISO's FERC-approved tariff. One of the new categories of charges, Schedule 10, relates to the payment of administrative charges to MISO for its continuing management and operations of the transmission system. Northern Indiana filed a petition on September 30, 2003, with the IURC seeking approval to establish accounting treatment for the deferral of the Schedule 10 charges from MISO. On July 21, 2004 the IURC issued an order which denied Northern Indiana's request for deferred accounting treatment for the MISO Schedule 10 administrative fees. Northern Indiana recorded a charge during the second quarter 2004 in the amount of $2.1 million related to the MISO administrative charges deferred through June 30, 2004, and recognized $0.9 million in MISO fees in the third quarter 2004. The MISO Schedule 10 administrative fees are currently estimated to be approximately $2.8 million annually. On October 6, 2004, the IURC denied Northern Indiana's Motion for Reconsideration. Northern Indiana filed its notice of appeal and this matter is pending.

The MISO has initiated the Midwest Market Initiative (MMI), which will develop the structures and processes to be used to implement an electricity market for the MISO region. This MMI proposes non-discriminatory transmission service, reliable grid operation, and the purchase and sale of electric energy in a competitive, efficient and non-discriminatory manner. MISO has filed with the FERC detailed tariff information, with a planned initial operation date of March 1, 2005. Northern Indiana and EnergyUSA-TPC Corp. (TPC) are actively pursuing roles in the MMI. At the current time, management believes that the MMI will change the manner in which Northern Indiana and TPC conduct their electric business; however, at this time management cannot determine the impact the MMI will have on Northern Indiana or TPC.

Northern Indiana has been recovering the costs of electric power purchased for sale to its customers through the fuel adjustment clause (FAC). The FAC provides for costs to be collected if they are below a negotiated cap. If costs exceed this cap, Northern Indiana must demonstrate that the costs were prudently incurred to achieve approval for recovery. This negotiated cap agreement is subject to continuing negotiations. A group of industrial customers challenged the manner in which Northern Indiana applied costs associated with a specific interruptible sales tariff. An estimated refund liability was recorded in the first quarter of 2003. A settlement was reached with the customers and Northern Indiana recorded the full costs of the settlement. As a result of the settlement, the industrial customers' challenge was withdrawn and dismissed in January 2004. In addition, as a result of the settlement, Northern Indiana has sought and received approval by the IURC to reduce the charges under the interruptible sales tariff. This reduction will remain in effect until the Dean H. Mitchell Generating Station (Mitchell Station) returns to service.

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

NISOURCE INC.
ELECTRIC OPERATIONS (CONTINUED)

Currently, Northern Indiana is reviewing options to meet the electric needs of its customers. This review includes an assessment of Northern Indiana's oldest generating units, which includes the Mitchell Station. On October 8, 2004, Northern Indiana requested proposals from wholesale power marketers to provide power under varying terms and conditions. These proposals will be evaluated after the submittal date on November 5, 2004. Northern Indiana requested similar proposals during 2003 which were not executed. In February 2004, the City of Gary announced an interest to acquire the land on which the Mitchell Station is located for economic development, including a proposal to increase the length of the runways at the Gary International Airport. On May 7, 2004, the City of Gary filed a petition with the IURC seeking valuation of the Mitchell Station and determination of the terms and conditions under which the City of Gary would acquire the Mitchell Station. The procedural schedule for the City of Gary has been set, and Northern Indiana has filed its prepared direct testimony, stating that Northern Indiana has no current plans to restart the Mitchell Station. Interveners, including the Indiana Office of Utility Consumer Council, filed direct testimony on October 12, 2004. The IURC hearing of the City of Gary petition is scheduled for the fourth quarter of 2004.

On May 25, 2004, Northern Indiana filed a petition for approval of a Purchased Power and Transmission Tracker Mechanism to recover the cost of purchased power to meet Northern Indiana's retail electric load requirements and charges imposed on Northern Indiana by MISO and Grid America. Northern Indiana's direct testimony was filed on August 6, 2004. The hearing in this matter is also scheduled for the fourth quarter of 2004.

On July 9, 2004, a verified joint petition was filed by PSI Energy, Inc., Indianapolis Power & Light Company, Northern Indiana and Vectren Energy Delivery of Indiana, Inc., seeking approval of certain changes in operations that are likely to result from the MISO's implementation of energy markets, and for determination of the manner and timing of recovery of costs resulting from the MISO's implementation of standard market design mechanisms, such as the MISO's proposed real-time and day-ahead energy markets. The hearing in this matter is scheduled for the first quarter of 2005.

In January 2002, Northern Indiana filed for approval to implement an environmental cost tracker (ECT). The ECT was approved by the IURC on November 26, 2002. Under the ECT Northern Indiana is permitted to recover (1) allowance for funds used during construction and a return on the capital investment expended by Northern Indiana to implement Indiana Department of Environmental Management's nitrogen oxide State Implementation Plan through an Environmental Cost Recovery Mechanism (ECRM) and (2) related operation and maintenance and depreciation expenses once the environmental facilities become operational through an Environmental Expense Recovery Mechanism (EERM). Under the Commission's November 26, 2002 order, Northern Indiana is permitted to submit filings on a semi-annual basis for the ECRM and on an annual basis for the EERM. Northern Indiana's latest ECRM filing (ECR-4) was made in August 2004 for capital expenditures of $231.3 million. Northern Indiana's first annual EERM filing (EER-1) was made in February 2004 for $1.9 million. On February 4, 2004, the IURC approved Northern Indiana's latest compliance plan with the estimate of $274.2 million. On October 8, 2004, Northern Indiana filed for approval of the revised cost estimates to meet the environmental standards. Northern Indiana anticipates a total capital investment amounting to approximately $305 million. The ECRM revenues amounted to $12.8 million for the nine months ended September 30, 2004, and $18.0 million from inception to date, while EERM revenues were $0.8 million for the first nine months of 2004.

Environmental Matters

AIR. In December 2001, the EPA approved regulations developed by the State of Indiana to comply with the EPA's NOx SIP call. The NOx SIP call requires certain states, including Indiana, to reduce NOx levels from several sources, including industrial and utility boilers, to lower regional transport of ozone. Compliance with the NOx limits contained in these rules was required by May 31, 2004. To comply with the rule, Northern Indiana developed a NOx Compliance plan and is currently in compliance with the NOx limits. In implementing the NOx compliance plan, Northern Indiana has expended approximately $264.2 million as of September 30, 2004 to install NOx reduction technology at each of its active generating stations and estimates total capital costs of approximately $305 million. Actual compliance costs may vary depending on a number of factors including market demand and resource constraints, uncertainty of future equipment and construction costs, and the potential need for additional control technology.

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

NISOURCE INC.
ELECTRIC OPERATIONS (CONTINUED)

In March 2004, the State of North Carolina filed a petition under Section 126 of the Clean Air Act seeking the EPA imposition of additional NOx and sulfur dioxide (SO2) reductions from electrical generating units in 13 states, including Indiana. The EPA is addressing the issues raised by North Carolina in other current regulatory initiatives that are being monitored by Northern Indiana.

On April 15, 2004, the EPA finalized the 8-hour ozone non-attainment area designations. After designation, the Clean Air Act provides for a process for promulgation of rules specifying a compliance level, compliance deadline, and necessary controls to be implemented within designated areas over the next few years. Resulting state rules could require additional reductions in NOx emissions from coal-fired boilers including Northern Indiana's electric generating stations. Until the rules are promulgated, the potential impact on Northern Indiana is uncertain. Northern Indiana will continue to closely monitor developments in this area.

On April 15, 2004, the EPA proposed amendments to its July 1999 Regional Haze Rule that requires states to set periodic goals for improving visibility in 156 natural areas across the United States. These amendments would apply to the provisions of the regional haze rule that require emissions controls known as best available retrofit technology (BART) for BART eligible industrial facilities emitting air pollutants that reduce visibility. Under the rule, states would be required to develop rules that specify the stringency, type of reductions, and controls that could be applied to BART eligible sources consistent with the EPA guidance. The BART eligible sources include facilities that were built between 1962 and 1977, have the potential to emit more than 250 tons a year of visibility impairing emissions, and fall within one of 26 categories, including utility and industrial boilers. States must develop implementation rules by January 2008. Resulting rules could require additional reductions of NOx, SO2 and particulate matter from coal-fired boilers including Northern Indiana's electric generating stations. Until the state rules are promulgated, the potential impact on Northern Indiana is uncertain. Northern Indiana will continue to closely monitor developments in this area.

The EPA Administrator signed a Supplemental Notice of Proposed Rulemaking on May 18, 2004. This rule requires that each state must submit to the EPA a plan that demonstrates it will meet its assigned statewide Clean Air Interstate Rule SO2 and NOx emissions budget. The final EPA rule is expected by late Fall, 2004. Until the Federal and State rules are promulgated, the potential impact is uncertain. Northern Indiana will continue to closely monitor developments in this area.

On June 28 and 29, 2004, the EPA responded to the states' initial recommendations for the EPA designation of areas meeting and not meeting the National Ambient Air Quality Standards (NAAQS) for fine particles. (Fine particles are those less than or equal to 2.5 micrometers in diameter and are also referred to as PM2.5.) The states will have 120 days to comment on or dispute these recommendations. Once the designations are finalized, states will need to initiate rulemaking that would seek emissions reductions to bring the designated areas into attainment. Northern Indiana will continue to closely monitor developments in this area.

In late 1999 the EPA initiated a New Source Review enforcement action against several industries including the electric utility industry concerning rule interpretations that have been the subject of recent (prospective) reform regulations. Northern Indiana has received and responded to the EPA information requests on this subject, most recently in June 2002. The EPA issued a Notice of Violation (NOV) to Northern Indiana on September 29, 2004, for alleged violations of the Clean Air Act and the SIP. Specifically, the NOV alleges that modifications were made to certain boiler units at the Michigan City, Schahfer, and Bailly Generating Stations without obtaining appropriate air permits for the modifications. Northern Indiana has held an initial meeting with the EPA to discuss the violations alleged in the NOV but is unable, at this time, to predict the timing or likely outcome of this EPA action.

WATER. On February 16, 2004, the EPA Administrator signed the Phase II Rule of the Clean Water Act Section 316(b) which requires all large existing steam electric generating stations meet certain performance standards to reduce the mortality of aquatic organisms at their cooling water intake structures. The EPA has delayed the publication of the rule to complete additional revisions. The rule was reissued on July 9, 2004 and becomes effective on September 7, 2004. Under this rule, plants will either have to demonstrate that the performance of their existing fish protection systems meet the new standards or develop new systems whose compliance is based on any of five options. Specific impacts of the final Phase II rule on the four (4) Northern Indiana generating stations are in the process of being determined at this time.

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

NISOURCE INC.
ELECTRIC OPERATIONS (CONTINUED)

REMEDIATION. Northern Indiana is a potentially responsible party under the Comprehensive Environmental Response Compensation and Liability Act and similar State laws at two waste disposal sites and shares in the cost of their cleanup with other potentially responsible parties. At one site, investigations are ongoing and final costs of clean up have not yet been determined. At the second site, Northern Indiana has entered into EPA Administrative Orders on Consent to perform an interim action that includes providing a municipal water supply system for approximately 275 homes. Northern Indiana has also agreed to conduct a Remedial Investigation and Feasibility Study in the vicinity of the third party, state-permitted landfill where Northern Indiana contracted for fly ash disposal.

Sales

Electric sales for the third quarter 2004 were 4,744.3 gwh, a decrease of 399.8 gwh compared to the 2003 period, mainly as a result of 18% cooler weather than the comparable period and decreased wholesale transaction sales, which was offset in part by an improvement in industrial sales due to increased demand from the steel industry.

Electric sales for the first nine months of 2004 was 13,243.5 gwh, a decrease of 873.5 gwh compared to the 2003 period, as a result of the cooler weather during the third quarter and decreased wholesale transaction sales.

Net Revenues

In the third quarter 2004, electric net revenues of $210.9 million increased by $5.0 million from the comparable 2003 period. Net revenue increased primarily due to environmental trackers of $4.3 million, increased transmission revenues of $2.1 million, and the impact of reserves of $3.0 million recorded for regulatory refunds in the 2003 period. These increases were partially offset by a reduction of $6.2 million in net revenues resulting from cooler weather in the current period.

In the first nine months of 2004, electric net revenues were $572.9 million, an increase of $21.8 million from the comparable 2003 period due to higher net revenues from environmental trackers of $11.0 million, and an increase in non-weather-related usage and customer count of $7.4 million and the effect of reserves recorded for regulatory refunds of $12.3 million in the comparable 2003 period. These increases were partially offset by unfavorable weather amounting to $6.0 million, the majority of which occurred in the current quarter and a decrease in net revenues of $3.2 million as a result of a reduced interruptible sales tariff for industrial customers approved by the IURC earlier this year.

Operating Income

Operating income for the third quarter 2004 was $95.4 million, an increase of $5.9 million from the same period in 2003. This increase for the comparative quarters was primarily due to the increase in net revenue mentioned above. Operating expenses decreased due to reduced electric production maintenance expenses of $2.7 million, a $1.7 million reduction of an accrual for estimated property tax expense and a $0.6 million decrease in employee and administrative expenses. These decreases in operating expenses were partially offset by an increase in insurance expense of $1.0 million, MISO administrative fees of $0.9 million in the current quarter and the impact of a $1.8 million adjustment to a reserve for employee insurance in the 2003 period.

Operating income for the first nine months of 2004 was $236.2 million, an increase of $30.0 million from the same period in 2003. The increase was primarily due to increased net revenue mentioned above and an overall reduction in operating expenses of $8.2 million. Contributing to current period expense savings was a reduction of an accrual for prior year estimated property taxes of $14.9 million and a reduction in the current year accrual of $4.5 million. Operation and maintenance expenses increased $8.9 million due mainly to an adjustment to an insurance reserve of $3.8 million recorded in 2003, an expense of $3.3 million recorded in the first quarter of 2004 representing Electric Operations' portion of the redemption premium from the early extinguishment of certain medium-term notes at Northern Indiana, MISO administrative expenses of $3.0 million recognized this year, higher outside services expense of $1.8 million and higher employee and administrative expenses of $1.4 million. These increases in operation and maintenance expenses were partially offset by a $3.2 million reversal of claims reserves upon settlement in the second quarter of 2004, lower electric production maintenance expense of $2.4 million, and $1.5 million in property insurance reimbursements.

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

NISOURCE INC.
OTHER OPERATIONS

(in millions)	Three Months Ended September 30, 2004	Three Months Ended September 30, 2003	Nine Months Ended September 30, 2004	Nine Months Ended September 30, 2003
NET REVENUES				
Products and services revenue	$ 149.3	$ 97.5	$ 483.8	$ 334.6
Less: Cost of products purchased	134.0	90.4	462.5	315.1
Net Revenues	15.3	7.1	21.3	19.5
OPERATING EXPENSES				
Operation and maintenance	12.1	17.2	34.9	43.8
Depreciation and amortization	3.0	2.4	8.9	8.6
Loss on sale or impairment of assets	-	-	0.7	1.1
Other taxes	1.1	(0.2)	4.0	2.6
Total Operating Expenses	16.2	19.4	48.5	56.1
Operating Loss	$ (0.9)	$ (12.3)	$ (27.2)	$ (36.6)

The Other Operations segment participates in energy-related services including gas marketing, power trading and ventures focused on distributed power generation technologies, fuel cells and storage systems. PEI Holdings, Inc. (PEI) operates the Whiting Clean Energy, Inc. (Whiting Clean Energy) project, which is a 525mw cogeneration facility that uses natural gas to produce electricity for sale in the wholesale markets and also provides steam for industrial use. Additionally, the Other Operations segment is involved in real estate and other businesses.

PEI Holdings, Inc.

WHITING CLEAN ENERGY. PEI's Whiting Clean Energy project at BP's Whiting, Indiana refinery was placed in service in 2002. Initially, the facility was not able to deliver steam to BP to the extent originally contemplated without plant modifications. Whiting Clean Energy reached an agreement in October 2004 with the engineering, procurement and construction contractor, which requires the contractor to pay for a portion of the necessary plant modifications and other expenses. Whiting Clean Energy is also pursuing recovery from the insurance provider for construction delays and necessary plant modifications and repairs.

PEI estimates that the facility will operate at a loss in the near term based on the current market view of forward pricing for gas and electricity. For 2003, the after-tax loss was approximately $30.0 million and the expected 2004 after-tax loss is expected to be similar to 2003. During the first nine months of 2004, Whiting Clean Energy continued to experience losses due to the market for wholesale power and the contract requirements to run the plant at a level to produce steam required by the BP refinery in Whiting, Indiana. These contract requirements currently are being renegotiated. The profitability of the project in future periods will be dependent on, among other things, prevailing prices in the energy markets and regional load dispatch patterns. Because of the expected losses from this facility and decreases in estimated forward pricing for electricity versus changes in gas prices, an impairment study was performed in the first quarter of 2003 on this facility in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". The study indicated that, at that time, no impairment charge was necessary.

However, the study includes many estimates and assumptions for the 40-year estimated useful life of the facility. Changes in these estimates and assumptions, such as forward prices for electricity and gas, volatility in the market, etc., could result in a situation where total undiscounted net revenues are less than the carrying value of the facility, which would result in a write-down that could be significant.

Net Revenues

Net revenues were $15.3 million for the third quarter of 2004, an increase of $8.2 million compared with the same period a year-ago due mostly to a $5.1 million settlement of a lawsuit in the current period.

For the first nine months of 2004, net revenues were $21.3 million, a $1.8 million increase compared to the same period in 2003. The

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increase was mainly due to a $5.1 million settlement of a lawsuit in the current period partially offset by reduced revenues from the Whiting Clean Energy facility of $4.4 million.

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

NISOURCE INC.
OTHER OPERATIONS (CONTINUED)

Operating Loss

The Other segment reported an operating loss of $0.9 million for the third quarter of 2004, versus an operating loss of $12.3 million for the comparable period 2003. This improvement is the result of the settlement of a lawsuit in the third quarter of 2004 mentioned above and the effect of an accrual in the comparable period in 2003 for an unrelated lawsuit of approximately $4.4 million.

For the first nine months of 2004, the operating loss was $27.2 million compared to an operating loss of $36.6 million for the comparable 2003 period. This improvement was mainly due to a $5.1 million settlement of a lawsuit in the current period and the effect of an accrual in the comparable period in 2003 for two unrelated lawsuits totaling approximately $9.4 million, partially offset by reduced revenues from the Whiting Clean Energy facility of $4.4 million.

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

NISOURCE INC.

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

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

NiSource's chief executive officer and its chief financial officer, after evaluating the effectiveness of NiSource's disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)), have concluded based on the evaluation required by paragraph (b) of Exchange Act Rules 13a-15 and 15d-15 that, as of the end of the period covered by this report. NiSource's disclosure controls and procedures were adequate and effective to ensure that material information relating to NiSource and its consolidated subsidiaries would be made known to them by others within those entities.

Changes in Internal Controls

There was no change in NiSource's internal control over financial reporting during the fiscal quarter covered by this report that has materially affected, or is reasonably likely to materially affect, NiSource's internal control over financial reporting.

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PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

NISOURCE INC.

1. VIRGINIA NATURAL GAS, INC. V. COLUMBIA GAS TRANSMISSION CORP., FEDERAL ENERGY REGULATORY COMMISSION (FERC)

On January 13, 2004, Virginia Natural Gas, Inc. (VNG) filed with the FERC a "Complaint Seeking Compliance with the Natural Gas Act and with Regulations and Certificate Orders of the Federal Energy Regulatory Commission and Seeking Remedies" in Docket No. RP04-139. VNG alleged various violations during the winter of 2002-2003 by Columbia Gas Transmission Corp. (Columbia Transmission) of its firm service obligations to VNG. VNG sought monetary damages and remedies (exceeding $37 million), and also sought certain prospective remedies. On July 29, 2004, the FERC issued an order in which it refused to grant VNG any monetary damages and said such claims are best determined by a court of law. The FERC also agreed with Columbia Transmission, that Columbia Transmission had not abandoned its obligation to provide service and that it had not inappropriately continued interruptible service to the detriment of firm service. However, the FERC did find that Columbia Transmission had failed to exercise sufficient due diligence in its modifications to or its operation of vaporization equipment at its Chesapeake LNG facility and that Columbia Transmission had failed to deliver gas to VNG at 250 pounds per square inch gauge (psig) as called for by the agreement between VNG and Columbia Transmission. The FERC declined VNG's request to award damages in this case and, as noted above, stated that any claim for damages could best be determined by a court of law. Both VNG and Columbia Transmission sought rehearing of the FERC order, but the FERC denied the requests for rehearing at its October 26, 2004 public meeting.

2. STAND ENERGY CORPORATION, ET AL. V. COLUMBIA GAS TRANSMISSION CORPORATION, ET AL KANAWHA COUNTY COURT, WEST VIRGINIA, ATLANTIGAS CORPORATION V. NISOURCE, ET AL, U.S. DISTRICT COURT, NORTHERN DISTRICT OF MARYLAND AND TRIAD ENERGY RESOURCES, ET AL. V. NISOURCE, ET AL

In June 2002, Atlantigas Corporation filed a complaint in the U.S. District Court, District of Columbia. In March 2003, Triad Energy Resources filed a similar complaint in the U.S. District Court, District of Columbia. On September 29, 2003, the Atlantigas complaint was dismissed for lack of personal jurisdiction and Atlantigas filed a new complaint in the U.S. District Court of Northern Maryland on October 27, 2003. Based on the Court's decision on personal jurisdiction in Atlantigas, the plaintiffs in the Triad case dismissed that case on October 31, 2003 from the District of Columbia and indicated that the case would be refiled in another jurisdiction. On July 14, 2004, Stand Energy Corporation filed a complaint in Kanawha County Court in West Virginia and on or about July 22, Atlantigas filed a voluntary notice of dismissal without prejudice in the case in the U.S. District Court of Northern Maryland, citing its joinder as a plaintiff in the Stand Energy case. All of these complaints contain allegations against various NiSource companies, including Columbia Transmission and Columbia Gulf Transmission Company (Columbia Gulf), and assert that those companies and certain "select shippers" engaged in an "illegal gas scheme" that violated federal anti-trust and state law. The "illegal gas scheme" complained of by the plaintiffs relates to the Columbia Transmission and Columbia Gulf gas imbalance transactions that were the subject of the FERC enforcement staff investigation and subsequent settlement approved in October 2000. Columbia Transmission and Columbia Gulf filed a Notice of Removal with the Federal Court in West Virginia on August 13, 2004 and a Motion to Dismiss on September 10, 2004. All briefing on the Motion to Dismiss is now complete.

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ITEM 1. LEGAL PROCEEDINGS (continued)

NISOURCE INC.

3. UNITED STATES OF AMERICA EX REL. JACK J. GRYNBERG V. COLUMBIA GAS TRANSMISSION CORP., ET AL., U.S. DISTRICT COURT, E.D. LOUISIANA

The plaintiff filed a complaint in 1997, under the False Claims Act, on behalf of the United States of America, against approximately seventy pipelines, including Columbia Gulf and Columbia Transmission. The plaintiff claimed that the defendants had submitted false royalty reports to the government (or caused others to do so) by mis-measuring the volume and heating content of natural gas produced on Federal land and Indian lands. The Plaintiff's original complaint was dismissed without prejudice for misjoinder of parties and for failing to plead fraud with specificity. The plaintiff then filed over sixty-five new False Claims Act complaints against over 330 defendants in numerous Federal courts. One of those complaints was filed in the Federal District Court for the Eastern District of Louisiana against Columbia and thirteen affiliated entities.

Plaintiff's second complaint, filed in 1997, repeats the mis-measurement claims previously made and adds valuation claims alleging that the defendants have undervalued natural gas for royalty purposes in various ways, including sales to affiliated entities at artificially low prices. Most of the Grynberg cases were transferred to Federal court in Wyoming in 1999.

The defendants, including the Columbia defendants, have filed motions to dismiss for lack of subject matter jurisdiction in this case. Responses and replies to the motions are to be filed on or before December 1, 2004.

4. TAWNEY, ET AL. V. COLUMBIA NATURAL RESOURCES, INC., ROANE COUNTY, WV CIRCUIT COURT

The Plaintiffs, who are royalty owners, filed a lawsuit in early 2003 against Columbia Natural Resources alleging that Columbia Natural Resources underpaid royalties by improperly deducting post-production costs and not paying a fair value for the gas produced from their leases. Plaintiffs seek the alleged royalty underpayment and punitive damages claiming that Columbia Natural Resources fraudulently concealed the deduction of post-production charges. In February 2004, the court certified the case as a class action that includes any person who, after January 1, 1980, received or is due royalties from Columbia Natural Resources (and its predecessors or successors) on lands lying within the boundary of the State of West Virginia. All individuals, corporations, agencies, departments or instrumentalities of the United States of America are excepted from the class. Although NiSource sold Columbia Natural Resources in 2003, it remains obligated to manage this litigation and also remains at least partly liable for any damages awarded to the plaintiffs. Columbia Natural Resources appealed the decision certifying the class and the Supreme Court of West Virginia denied the appeal. Members of the class had until October 15, 2004 to opt out; the list of class members is now being prepared by the Special Master. Trial is scheduled for July 5, 2005.

5. ENVIRONMENTAL PROTECTION AGENCY NOTICE OF VIOLATION

On September 29, 2004, the United States Environmental Protection Agency, (EPA) issued a Notice of Violation (NOV) to Northern Indiana Public Service Company (Northern Indiana) for alleged violations of the Clean Air Act and the Indiana State Implementation Plan. The NOV alleges that modifications were made to certain boiler units at three of Northern Indiana's power plants without obtaining appropriate air permits for the modifications. Northern Indiana has met with the EPA to discuss the violations alleged in the NOV.

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

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

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ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

ITEM 5. OTHER INFORMATION

None

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ITEM 6. EXHIBITS

NISOURCE INC.

(10.1) Change in Control Agreement, between Samuel W. Miller, Jr. and NiSource Inc., dated August 17, 2004.

(10.2) Supplemental Executive Retirement Agreement between Michael W. O'Donnell and NiSource Inc., dated July 28, 2004.

(31.1) Certification of Gary L. Neale, Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

(31.2) Certification of Michael W. O'Donnell, Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

(32.1) Certification of Gary L. Neale, Chief Executive Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(32.2) Certification of Michael W. O'Donnell, Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Pursuant to Item 601(b)(4)(iii) of Regulation S-K, NiSource hereby agrees to furnish the U.S. Securities and Exchange Commission, upon request, any instrument defining the rights of holders of long-term debt of NiSource not filed as an exhibit herein. No such instrument authorizes long-term debt securities in excess of 10% of the total assets of NiSource and its subsidiaries on a consolidated basis.

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SIGNATURE

NISOURCE INC.

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

NiSource Inc.
(Registrant)

Date: November 2, 2004 *By:* */s/ Jeffrey W. Grossman*

Jeffrey W. Grossman
Vice President and Controller
(Principal Accounting Officer
and Duly Authorized Officer)

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Exhibit 10.1

CHANGE IN CONTROL AND TERMINATION AGREEMENT

NiSource Inc., a Delaware corporation ("Employer"), which as used herein shall mean NiSource Inc. and all of its Affiliates, and Samuel W. Miller, Jr. ("Executive") hereby enter into a Change in Control and Termination Agreement as of August 17, 2004 ("Agreement"), which is hereinafter set forth.

WITNESSETH:

WHEREAS, Employer desires to provide security to Executive in connection with Executive's employment with Employer in the event of a Change in Control; and

WHEREAS, Executive and Employer desire to enter into this Agreement pertaining to the terms of the security Employer is providing to Executive with respect to his employment in the event of a Change in Control;

NOW, THEREFORE, in consideration of the mutual covenants and promises contained herein, and other good and valuable consideration, the receipt of which is hereby acknowledged, the parties agree as follows:

1. Term. The term of this Agreement shall be the period beginning on the date hereof and terminating on the date 36 months after such date (the "Term"), provided that for each day from and after the date hereof the Term will automatically be extended for an additional day, unless either Employer or Executive has given written notice to the other party of its or his election to cease such automatic extension, in which case the Term shall be the 36-month period beginning on the date such notice is received by such other party.

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2. Definitions. For purposes of this Agreement:

(a) "Affiliate" or "Associate" shall have the meaning set forth in Rule 12b-2 under the Securities Exchange Act of 1934.

(b) "Base Salary" shall mean Executive's monthly base salary at the rate in effect on the date of a reduction for purposes of paragraph (g) of this Section, or on the date of a termination of employment under circumstances described in subsections 3(a) or (b) below, whichever is higher; provided, however, that such rate shall in no event be less than the highest rate in effect for Executive at any time during the Term.

(c) "Beneficiary" shall mean the person or entity designated by Executive, by written instrument delivered to Employer, to receive the benefits payable under this Agreement in the event of his death. If Executive fails to designate a Beneficiary, or if no Beneficiary survives Executive, such death benefits shall be paid:

(i) to his surviving spouse; or

(ii) if there is no surviving spouse, to his living descendants per stirpes; or

(iii) if there is neither a surviving spouse nor descendants, to his duly appointed and qualified executor or personal representative.

(d) "Bonus" shall mean Executive's target annual incentive bonus compensation for the calendar year in which the date of a termination of employment under circumstances described in

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subsection 3(a) below occurs, under the incentive bonus compensation plan then maintained by Employer; provided, however, that such target annual incentive bonus compensation shall in no event be less than the highest target annual incentive bonus compensation of Executive under any such incentive bonus compensation plan for any calendar year commencing during the Term.

(e) A "Change in Control" shall be deemed to take place on the occurrence of any of the following events:

(i) The acquisition by an entity, person or group (including all Affiliates or Associates of such entity, person or group) of beneficial ownership, as that term is defined in Rule 13d-3 under the Securities Exchange Act of 1934, of capital stock of NiSource Inc. entitled to exercise more than 30% of the outstanding voting power of all capital stock of NiSource Inc. entitled to vote in elections of directors ("Voting Power");

(ii) The effective time of (1) a merger or consolidation of NiSource Inc. with one or more other corporations as a result of which the holders of the outstanding Voting Power of NiSource Inc. immediately prior to such merger or consolidation (other than the surviving or resulting corporation or any Affiliate or Associate thereof) hold less than 50% of the Voting Power of the surviving or resulting corporation, or (2) a transfer of 30% of the Voting Power, or a Substantial Portion of the Property, of NiSource Inc. other than

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to an entity of which NiSource Inc. owns at least 50% of the Voting Power; or

(iii) The election to the Board of Directors of NiSource Inc. of candidates who were not recommended for election by the Board of Directors of NiSource Inc. in office immediately prior to the election, if such candidates constitute a majority of those elected in that particular election.

Notwithstanding the foregoing, a Change in Control shall not be deemed to take place by virtue of any transaction in which Executive is a participant in a group effecting an acquisition of NiSource Inc. and, after such acquisition, Executive holds an equity interest in the entity that has acquired NiSource Inc.

(f) "Good Cause" shall be deemed to exist if, and only if:

(i) Executive engages in acts or omissions constituting dishonesty, intentional breach of fiduciary obligation or intentional wrongdoing or malfeasance, in each case that results in substantial harm to Employer; or

(ii) Executive is convicted of a criminal violation involving fraud or dishonesty.

(g) "Good Reason" shall be deemed to exist if, and only if:

(i) there is a significant change in the nature or the scope of Executive's authorities or duties;

(ii) there is a significant reduction in Executive's monthly rate of Base Salary, his opportunity to earn a bonus under an

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incentive bonus compensation plan maintained by Employer or his benefits; or

(iii) Employer changes by 100 miles or more the principal location in which Executive is required to perform services.

(h) "Pension Plan" shall mean any Retirement Plan that is a defined benefit plan as defined in Section 3(35) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA").

(i) "Retirement Plan" shall mean any qualified or supplemental employee pension benefit plan, as defined in Section 3(2) of ERISA, currently or hereinafter made available by Employer in which Executive is eligible to participate.

(j) "Severance Period" shall mean the period beginning on the date Executive's employment with Employer terminates under circumstances described in subsection 3(a) and ending on the date 36 months thereafter.

(k) "Substantial Portion of the Property of NiSource Inc." shall mean 50% of the aggregate book value of the assets of NiSource Inc. and its Affiliates and Associates as set forth on the most recent balance sheet of NiSource Inc. prepared on a consolidated basis, by its regularly employed, independent, certified public accountants.

(l) "Welfare Plan" shall mean any health and dental plan, disability plan, survivor income plan or life insurance plan, as defined in

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Section 3(1) of ERISA, currently or hereafter made available by Employer in which Executive is eligible to participate.

3. Benefits Upon Termination of Employment.

(a) The following provisions will apply if a Change in Control occurs during the Term, and (1) at any time during the 24 months after the Change in Control occurs (whether during or after the expiration of the Term), the employment of Executive with Employer is terminated by Employer for any reason other than Good Cause, or Executive terminates his employment with Employer for Good Reason, or (2) at any time during the thirteenth month after the Change in Control occurs (whether during or after the expiration of the Term), Executive terminates his employment with Employer for any reason:

(i) Employer shall pay Executive an amount equal to 36 times the sum of (1) Executive's Base Salary plus (2) one-twelfth of his Bonus. Such amount shall be paid to Executive in a lump sum within 180 days after his date of termination of employment; provided, however, Executive, by written notice to Employer, may elect to receive such payment on any date that is no earlier than the later to occur of (1) the date 10 days after the date of termination, and
(2) the date 10 days after receipt of such notice.

(ii) Employer shall pay Executive an amount equal to the pro rata portion of Executive's target annual incentive bonus compensation for the calendar year in which the date of termination

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of employment occurs, under the incentive bonus compensation plan then maintained by Employer, that is applicable to the period commencing on the first day of such calendar year and ending on the date of termination. Such amount shall be paid to Executive in a lump sum within 180 days after his date of termination of employment; provided, however, Executive, by written notice to Employer, may elect to receive such payment on any date that is no earlier than the later to occur of (1) the date 10 days after the date of termination, and (2) the date 10 days after receipt of such notice.

(iii) Executive shall receive any and all benefits accrued under any Retirement Plan, Welfare Plan or other plan or program in which he participates at the date of termination of employment, to the date of termination of employment, the amount, form and time of payment of such benefits to be determined by the terms of such Retirement Plan, Welfare Plan and other plan or program, and Executive's employment shall be deemed to have terminated by reason of retirement, and without regard to vesting limitations in all such Plans and other plans or programs not subject to the qualification requirements of Section 401(a) of the Internal Revenue Code of 1986 as amended ("Code"), under circumstances that have the most favorable result for Executive thereunder for all purposes of such Plans and other plans or programs. Payment

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shall be made at the earliest date permitted under any such Plan or other plan or program that is not funded with a trust agreement.

(iv) (1) Employer shall pay to Executive a monthly Supplemental Pension Benefit in an amount equal to the amount determined pursuant to clause (A) below less the amount determined pursuant to clause (B) below:

(A) the aggregate monthly amount of the pension benefit ("Pension") that would have been payable to Executive under all Pension Plans if that Pension were computed (1) by treating the Severance Period as service for all purposes of the Pension Plans and (2) by considering his compensation during the Severance Period to be his Base Salary and one-twelfth of his Bonus for all purposes of the Pension Plans;

(B) the aggregate monthly amount of any Pension actually paid to Executive under all Pension Plans.

(2) The Supplemental Pension Benefit payable to Executive hereunder shall be paid (i) commencing at the later to occur of the last day of the Severance Period or the date payment of his Pension commences under the Pension

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Plans; and (ii) in the same form as is applicable to the Pension payable to Executive under the Pension Plans.

(3) If Executive dies prior to commencement of payment to him of his Pension under the Pension Plans, under circumstances in which a death benefit under the Pension Plans is payable to his surviving spouse or other beneficiary, then Employer shall pay a monthly Supplemental Death Benefit to Executive's surviving spouse or other beneficiary entitled to receive the death benefit payable with respect to Executive under the Pension Plans in an amount equal to the amount determined pursuant to clause (A) below less the amount determined pursuant to clause (B) below:

(A) the aggregate monthly amount of the death benefit that would have been payable to the surviving spouse or other beneficiary of Executive under the Pension Plans if that death benefit were computed (1) by treating the Severance Period as service for all purposes of the Pension Plans and (2) by considering his compensation during the Severance Period to be his Base Salary and one-twelfth of his Bonus for all purposes of the Pension Plans;

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(B) the aggregate monthly amount of any death benefit actually paid to the surviving spouse or other beneficiary of Executive under the Pension Plans.

(4) The Supplemental Death Benefit payable with respect to Executive hereunder shall be payable at the same time, in the same form, and to the same persons as is applicable to the death benefit payable with respect to Executive under the Pension Plans.

(5) Notwithstanding the foregoing provisions, the total of the actual years of service of Executive for purposes of each of the Pension Plans and the years of service for which credit is given pursuant to subparagraphs (iv)(1) and (3) shall not exceed the maximum number of years of service, if any, that can be considered pursuant to the terms of such Pension Plan.

(6) Any actuarial adjustments made under the Pension Plans with respect to the form or time of payment of a Pension or death benefit to Executive or his surviving spouse or other beneficiary under the Pension Plans shall also be applicable to the Supplemental Pension Benefit or Supplemental Death Benefit payable hereunder and shall be

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based upon the same actuarial assumptions as those specified in the Pension Plans.

(v) If upon the date of termination of Executive's employment Executive holds any options with respect to stock of Employer, all such options will immediately become exercisable upon such date and will be exercisable for 200 days thereafter. Any restrictions on stock of Employer owned by Executive on the date of termination of his employment will lapse on such date.

(vi) During the Severance Period Executive and his spouse and other dependents will continue to be covered by all Welfare Plans maintained by Employer in which he and his spouse and other dependents were participating immediately prior to the date of his termination as if he continued to be an employee of Employer and Employer will continue to pay the costs of coverage of Executive and his spouse and other dependents under such Welfare Plans on the same basis as is applicable to active employees covered thereunder; provided that, if participation in any one or more of such Welfare Plans is not possible under the terms thereof, Employer will provide substantially identical benefits. Coverage under any such Welfare Plan will cease if and when Executive obtains employment with another employer during the Severance Period, and becomes eligible for coverage under any substantially similar Welfare Plan provided by his new employer.

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(vii) During the Severance Period, Executive shall not be entitled to reimbursement for fringe benefits, including without limitation, dues and expenses related to club memberships, automobile expenses, expenses for professional services and other similar perquisites.

(b) If the employment of Executive with Employer is terminated by Employer or Executive other than under circumstances set forth in subsection 3(a), Executive's Base Salary shall be paid through the date of his termination, and Employer shall have no further obligation to Executive or any other person under this Agreement. Such termination shall have no effect upon Employee's other rights, including but not limited to, rights under the Retirement Plans and the Welfare Plans.

(c) Notwithstanding anything herein to the contrary, (1) in the event Employer shall terminate the employment of Executive for Good Cause hereunder, Employer shall give Executive at least thirty (30) days prior written notice specifying in detail the reason or reasons for Executive's termination, and (2) in the event Executive terminates his employment for Good Reason hereunder, Executive shall give Employer at least thirty (30) days prior written notice specifying in detail the reason or reasons for Executive's termination.

(d) This Agreement shall have no effect, and Employer shall have no obligations hereunder, if Executive's employment terminates for

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any reason at any time other than during the 24 months following a Change in Control.

4. Excise Tax.

(a) In the event that a Change in Control shall occur, and a final determination is made by legislation, regulation, ruling directed to Executive or Employer, by court decision, or by independent tax counsel described in subsection (b) next below, that the aggregate amount of any payment made to Executive (1) hereunder, and (2) pursuant to any plan, program or policy of Employer in connection with, on account of, or as a result of, such Change in Control ("Total Payments") will be subject to the excise tax provisions of Section 4999 of the Code, or any successor section thereof, Executive shall be entitled to receive from Employer, in addition to any other amounts payable hereunder, a lump sum payment (the "Gross-Up Payment"), sufficient to cover the full cost of such excise taxes and Executive's federal, state and local income and employment taxes on this additional payment so that the net amount retained by Executive, after the payment of all such excise taxes on the Total Payments, and all federal, state and local income and employment taxes and excise taxes on the Gross-Up Payment, shall be equal to the Total Payments. The Total Payments, however, shall be subject to any federal, state and local income and employment taxes thereon. For this purpose, Executive shall be deemed to be in the highest marginal rate of federal,

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state and local taxes. The Gross-Up Payment shall be made at the same time as the payments described in subsections 3(a)(i) and (ii) above.

(b) Employer and Executive shall mutually and reasonably determine the amount of the Gross-Up Payment to be made to Executive pursuant to the preceding subsection. Prior to the making of any such Gross-Up Payment, either party may request a determination as to the amount of such Gross-Up Payment. If such a determination is requested, it shall be made promptly, at Employer's expense, by independent tax counsel selected by Executive and approved by Employer (which approval shall not unreasonably be withheld), and such determination shall be conclusive and binding on the parties. Employer shall provide such information as such counsel may reasonably request, and such counsel may engage accountants or other experts at Employer's expense to the extent that they deem necessary or advisable to enable them to reach a determination. The term "independent tax counsel," as used herein, shall mean a law firm of recognized expertise in federal income tax matters that has not previously advised or represented either party. It is hereby agreed that neither Employer nor Executive shall engage any such firm as counsel for any purpose, other than to make the determination provided for herein, for three years following such firm's announcement of its determination.

(c) In the event the Internal Revenue Service subsequently adjusts the excise tax computation made pursuant to subsections 4(a) and

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(b) above, Employer shall pay to Executive, or Executive shall pay to Employer, as the case may be, the full amount necessary to make either Executive or Employer whole had the excise tax initially been computed as subsequently adjusted, including the amount of any underpaid or overpaid excise tax, and any related interest and/or penalties due to the Internal Revenue Service.

5. Setoff. No payments or benefits payable to or with respect to Executive pursuant to this Agreement shall be reduced by any amount Executive or his spouse or Beneficiary, or any other beneficiary under the Pension Plans, may earn or receive from employment with another employer or from any other source, except as expressly provided in subsection 3(a)(vi).

6. Death. If Executive's employment with Employer terminates under circumstances described in subsections 3(a) or (b), then upon Executive's subsequent death, all unpaid amounts payable to Executive under subsections 3(a)(i), (ii) or (iii) or 3(b), or Section 4, if any, shall be paid to his Beneficiary, all amounts payable under subsection 3(a)(iv) shall be paid pursuant to the terms of said subsection to his spouse or other beneficiary under the Pension Plans, and if subsection 3(a) applies, his spouse and other dependents shall continue to be covered under all applicable Welfare Plans during the remainder of the Severance Period, if any, pursuant to subsection 3(a)(vi).

7. No Solicitation of Representatives and Employees. Executive agrees that he shall not, during the Term or the Severance Period, directly or indirectly, in his individual capacity or otherwise, induce, cause, persuade, or

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attempt to do any of the foregoing in order to cause, any representative, agent or employee of Employer to terminate such person's employment relationship with Employer, or to violate the terms of any agreement between said representative, agent or employee and Employer.

8. Confidentiality. Executive acknowledges that preservation of a continuing business relationship between Employer and their respective customers, representatives, and employees is of critical importance to the continued business success of Employer and that it is the active policy of Employer to guard as confidential certain information not available to the public and relating to the business affairs of Employer. In view of the foregoing, Executive agrees that he shall not during the Term and at any time thereafter, without the prior written consent of Employer, disclose to any person or entity any such confidential information that was obtained by Executive in the course of his employment by Employer. This section shall not be applicable if and to the extent Executive is required to testify in a legislative, judicial or regulatory proceeding pursuant to an order of Congress, any state or local legislature, a judge, or an administrative law judge or is otherwise required by law to disclose such information.

9. Forfeiture. If Executive shall at any time violate any obligation of his under Sections 7 or 8 in a manner that results in material damage to the Employer or its business, he shall immediately forfeit his right to any benefits under this Agreement, and Employer shall thereafter have no further obligation hereunder to Executive or his spouse, Beneficiary or any other person.

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10. Executive Assignment. No interest of Executive, his spouse or any Beneficiary, or any other beneficiary under the Pension Plans under this Agreement, or any right to receive any payment or distribution hereunder, shall be subject in any manner to anticipation, alienation, assignment, pledge, attachment, garnishment, or other alienation or encumbrance of any kind, nor may such interest or right to receive a payment or distribution be taken, voluntarily or involuntarily, for the satisfaction of the obligations or debts of, or other claims against, Executive or his spouse, Beneficiary or other beneficiary, including claims for alimony, support, separate maintenance, and claims in bankruptcy proceedings.

11. Benefits Unfunded. Except as otherwise provided in Section 13, all rights under this Agreement of Executive and his spouse, Beneficiary or other beneficiary under the Pension Plans, shall at all times be entirely unfunded, and no provision shall at any time be made with respect to segregating any assets of Employer for payment of any amounts due hereunder. None of Executive, his spouse, Beneficiary or any other beneficiary under the Pension Plans shall have any interest in or rights against any specific assets of Employer, and Executive and his spouse, Beneficiary or other beneficiary shall have only the rights of a general unsecured creditor of Employer. Except as otherwise provided in Section 13, and notwithstanding the preceding provisions of this Section, the Nominating and Compensation Committee of the Board of Directors of Employer, in its discretion, shall have the right, at any time and from time to time, to cause amounts payable to Executive or his Beneficiary hereunder to be paid to the

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trustee of the NiSource Inc. Umbrella Trust For Management established effective January 1, 1991, as amended from time to time, or any similar trust at any time established by Employer ("Trust").

12. Waiver. No waiver by any party at any time of any breach by the other party of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of any other provisions or conditions at the same time or at any prior or subsequent time.

13. Litigation Expenses. Employer shall pay Executive's reasonable attorneys' fees and legal expenses in connection with any judicial proceeding to enforce this Agreement, or to construe or determine the validity of this Agreement or otherwise in connection therewith, whether or not Executive is successful in such litigation. Within 10 days following the occurrence of a Potential Change in Control (as defined in the Trust described in Section 11), the Nominating and Compensation Committee of the Board of Directors of Employer shall cause Employer to contribute the sum of $100,000 to the Trust to be applied in satisfaction of Employer's obligations under this Section. The Nominating and Compensation Committee shall cause Employer to contribute additional amounts to the Trust, at such time or times as the Committee deems appropriate, to the extent the aggregate of (1) the aforementioned sum of $100,000, plus Trust earnings thereon, and (2) any additional Employer contributions to the Trust, plus Trust earnings thereon, is not sufficient to satisfy in full Employer's obligations under this Section.

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14. Applicable Law. This Agreement shall be construed and interpreted pursuant to the laws of Indiana.

15. Entire Agreement. This Agreement contains the entire Agreement between the Employer and Executive and supersedes any and all previous agreements; written or oral; between the parties relating to the subject matter hereof. No amendment or modification of the terms of this Agreement shall be binding upon the parties hereto unless reduced to writing and signed by Employer and Executive.

16. No Employment Contract. Nothing contained in this Agreement shall be construed to be an employment contract between Executive and Employer.

17. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original.

18. Severability. In the event any provision of this Agreement is held illegal or invalid, the remaining provisions of this Agreement shall not be affected thereby.

19. Successors. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, representatives and successors.

20. Employment with an Affiliate. For purposes of this Agreement, (a) employment or termination of employment of Executive shall mean employment or termination of employment with Employer and all Affiliates, (b) Base Salary and Bonus shall include remuneration received by Executive

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from Employer and all Affiliates, and (c) the terms Pension Plan, Retirement Plan and Welfare Plan maintained or made available by Employer shall include any such plans of any Affiliate of Employer.

21. Notice. Notices required under this Agreement shall be in writing and sent by registered mail, return receipt requested, to the following addresses or to such other address as the party being notified may have previously furnished to the other party by written notice:

If to Employer: NiSource Inc.
801 E. 86th Avenue
Merrillville, Indiana 46410
Attention: Gary L. Neale

If to Executive: Samuel W. Miller, Jr.

_____

_____

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IN WITNESS WHEREOF, Executive has hereunto set his hand, and Employer has caused these presents to be executed in its name on its behalf, all on the 17 day of August, 2004, effective August 14, 2004.

NISOURCE INC.

By: /s/ Gary L. Neale

Title: Chairman & CEO

/s/ Samuel W. Miller, Jr.

Samuel W. Miller, Jr., Executive

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Exhibit 10.2

July 28, 2004

Mr. Michael W. O'Donnell

RE: SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

Dear Mike:

This letter sets forth NiSource Inc.'s understanding of your participation in the NiSource Inc. Supplemental Executive Retirement Plan ("SERP"):

(1) Your participation in the SERP is effective January 1, 2004;

(2) Your Compensation, as defined in the SERP, includes compensation with Columbia Energy Group and NiSource Inc. from and after November 1, 2000;

(3) Your Service, as defined in the SERP, includes service with Columbia Energy Group and NiSource Inc. from and after November 1, 2000; and

(4) Your Supplemental Retirement Pension will be offset by your benefits under the Retirement Plan of Columbia Energy Group Companies and the Pension Restoration Plan for NiSource Inc. and Affiliates accrued on and after November 1, 2000.

Please sign the attached copy of this letter and return it to S. LaNette Zimmerman to indicate your confirmation of the above terms of your SERP participation.

Sincerely,

NiSource Inc.

By: /s/ S. LaNette Zimmerman
S. LaNette Zimmerman
Executive Vice President of Human
Resources and Communications

Confirmation of SERP terms:

/s/ MW O'Donnell *Date: 8/19/04*

Michael W. O'Donnell

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Exhibit 31.1

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Gary L. Neale, certify that:

1. I have reviewed this Quarterly Report of NiSource Inc. on Form 10-Q for the quarter ended September 30, 2004;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 2, 2004 *By:* */s/ Gary L. Neale*

Gary L. Neale
Chairman and Chief Executive Officer

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EXHIBIT 31.2

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Michael W. O'Donnell, certify that:

1. I have reviewed this Quarterly Report of NiSource Inc. on Form 10-Q for the quarter ended September 30, 2004;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 2, 2004 *By:* */s/ Michael W. O'Donnell*

Michael W. O'Donnell
Chief Financial Officer

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EXHIBIT 32.1

CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of NiSource Inc. (the "Company") on Form 10-Q for the period ending September 30, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Gary L. Neale, Chairman and Chief Executive Officer of the Company, certify, pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Gary L. Neale

Gary L. Neale
Chairman and Chief Executive Officer

Date: November 2, 2004

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EXHIBIT 32.2

CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of NiSource Inc. (the "Company") on Form 10-Q for the period ending September 30, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael W. O'Donnell, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Michael W. O'Donnell

Michael W. O'Donnell
Executive Vice President and Chief Financial Officer

Date: November 2, 2004

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End of Filing

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

FORM 10-Q

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

For the quarterly period ended March 31, 2005

or

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

For the transition period from _____to _____

Commission file number 001-16189

NiSource Inc.

(Exact name of registrant as specified in its charter)

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

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

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).
Yes R No £

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: Common Stock, $0.01 Par Value: 271,846,565 shares outstanding at April 29, 2005.

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Executive Severance Policy
Second Amendment to Corporate Incentive Plan
Section 302 Certification of CEO
Section 302 Certification of CFO
Section 906 Certification of CEO
Section 906 Certification of CFO

DEFINED TERMS

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

NiSource Subsidiaries and Affiliates

Bay State	Bay State Gas Company
Capital Markets	NiSource Capital Markets, Inc.
CER	Columbia Energy Resources, Inc.
Columbia Deep Water	Columbia Deep Water Service Company
Columbia Energy Services	Columbia Energy Services Corporation
Columbia Gulf	Columbia Gulf Transmission Company
Columbia of Kentucky	Columbia Gas of Kentucky, Inc.
Columbia of Ohio	Columbia Gas of Ohio, Inc.
Columbia of Pennsylvania	Columbia Gas of Pennsylvania, Inc.
Columbia of Virginia	Columbia Gas of Virginia, Inc.
Columbia Transmission	Columbia Gas Transmission Corporation
Columbia	Columbia Energy Group
CORC	Columbia of Ohio Receivables Corporation
Crossroads Pipeline	Crossroads Pipeline Company
Granite State Gas	Granite State Gas Transmission, Inc.
Hardy Storage	Hardy Storage Company, L.L.C.
Kokomo Gas	Kokomo Gas and Fuel Company
Lake Erie Land	Lake Erie Land Company
Millennium	Millennium Pipeline Company, L.P.
NiSource Finance	NiSource Finance Corp.
NiSource	NiSource Inc.
Northern Indiana Fuel and Light	Northern Indiana Fuel and Light Company
Northern Indiana	Northern Indiana Public Service Company
Northern Utilities	Northern Utilities, Inc.
NRC	NIPSCO Receivables Corporation
PEI	PEI Holdings, Inc.
TPC	EnergyUSA-TPC Corp.
Transcom	Columbia Transmission Communications Corporation
Whiting Clean Energy	Whiting Clean Energy, Inc.
Whiting Leasing	Whiting Leasing LLC

Abbreviations

APB No. 25	Accounting Principles Board Opinion No. 25, “Accounting for Stock Issued to Employees”
ARP	Alternative Regulatory Plan
BBA	British Banker Association
Bcf	Billion cubic feet
BP	BP Amoco p.l.c.
CAIR	Clean Air Interstate Rule
CAMR	Clean Air Mercury Rule
ECRM	Environmental Cost Recovery Mechanism
ECT	Environmental cost tracker
EERM	Environmental Expense Recovery Mechanism
Empire	Empire State Pipeline
EPA	United States Environmental Protection Agency
EPCA	Electric Power Cost Adjustment
EPS	Earnings per share
FAC	Fuel adjustment clause
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
FIN 45	FASB Interpretation No. 45, “Guarantor’s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others”
FIN 47	FASB Interpretation No. 47, “Accounting for Conditional Asset Retirement Obligations”

DEFINED TERMS (continued)

FTRs	Financial Transmission Rights
GCA	Gas cost adjustment
GCIM	Gas Cost Incentive Mechanism
gwh	Gigawatt hours
IBM	International Business Machines Corp.
IDEM	Indiana Department of Environmental Management
ITC	Independent Transmission Company (Grid America)
IURC	Indiana Utility Regulatory Commission
Joint Petitioners	Columbia Gas of Ohio and other signatory parties to the stipulation
Jupiter	Jupiter Aluminum Corporation
LDCs	Local distribution companies
LIBOR	London InterBank Offered Rate
Mahonia	Mahonia II Limited
Maine OPA	Maine Office of Public Advocate
Maine PUC	Maine Public Utility Commission
Massachusetts DTE	Massachusetts Department of Telecommunications and Energy
MISO	Midwest Independent System Operator
Mitchell Station	Dean H. Mitchell Generating Station
MMDth	Million dekatherms
MMI	Midwest Market Initiative
MOU	Memorandum of Understanding
MSCP	Morgan Stanley Dean Witter Capital Partners IV, L.P.
mw	Megawatts
NAAQS	National Ambient Air Quality Standards
NOx	Nitrogen oxide
NYDOS	New York's Department of State
NYMEX	New York Mercantile Exchange
OCC	Office of the Ohio Consumers' Counsel
OUCC	Indiana Office of Utility Consumer Counselor
Piedmont	Piedmont Natural Gas Company, Inc.
PSC	Kentucky Public Service Commission
PUCO	Public Utilities Commission of Ohio
QPAI	Qualified production activities income
RAM	Retainage Adjustment Mechanism
RFP	Request for proposals
SAILS SM	Stock Appreciation Income Linked Securities SM
SEC	Securities and Exchange Commission
SFAS	Statement of Financial Accounting Standards
SFAS No. 71	Statement of Financial Accounting Standards No. 71, "Accounting for the Effects of Certain Types of Regulation"
SFAS No. 123R	Statement of Financial Accounting Standards No. 123R, "Share-Based Payment"
SFAS No. 133	Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended
SFAS No. 140	Statement of Financial Accounting Standards No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities"
SFAS No. 143	Statement of Financial Accounting Standards No. 143, "Accounting for Asset Retirement Obligations"
SIP	State Implementation Plan
SO2	Sulfur dioxide
Tcf	Trillion cubic feet
Triana	Triana Energy Holdings
VaR	Value-at-risk and instrument sensitivity to market factors

PART I

ITEM 1. FINANCIAL STATEMENTS

NiSource Inc. Statements of Consolidated Income (unaudited)

Three Months Ended March 31, *(in millions,* except per share amounts *)*	**2005**	2004
Net Revenues		
Gas Distribution	**$1,826.8**	$1,658.4
Gas Transportation and Storage	**328.9**	345.3
Electric	**282.3**	263.5
Other	**243.5**	205.1
Gross Revenues	**2,681.5**	2,472.3
Cost of Sales	**1,668.5**	1,481.0
Total Net Revenues	**1,013.0**	991.3
Operating Expenses		
Operation and maintenance	**337.6**	322.4
Depreciation and amortization	**135.1**	125.4
Loss (Gain) on sale of assets	**(0.5)**	0.7
Other taxes	**103.1**	100.0
Total Operating Expenses	**575.3**	548.5
Operating Income	**437.7**	442.8
Other Income (Deductions)		
Interest expense, net	**(104.0)**	(102.2)
Dividend requirements on preferred stock of subsidiaries	**(1.1)**	(1.1)
Other, net	**(0.5)**	2.8
Total Other Income (Deductions)	**(105.6)**	(100.5)
Income From Continuing Operations Before Income Taxes	**332.1**	342.3
Income Taxes	**123.4**	125.7
Income from Continuing Operations	**208.7**	216.6
Loss from Discontinued Operations — net of taxes	**(2.2)**	(3.1)
Loss on Disposition of Discontinued Operations — net of taxes	**(0.2)**	—
Net Income	**$ 206.3**	$ 213.5
Basic Earnings Per Share ($)		
Continuing operations	**0.77**	0.83
Discontinued operations	**(0.01)**	(0.02)
Basic Earnings Per Share	**0.76**	0.81
Diluted Earnings Per Share ($)		
Continuing operations	**0.77**	0.82
Discontinued operations	**(0.01)**	(0.01)
Diluted Earnings Per Share	**0.76**	0.81
Dividends Declared Per Common Share	**0.23**	0.23
Basic Average Common Shares Outstanding (millions)	**270.3**	262.3
Diluted Average Common Shares (millions)	**272.1**	264.3

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

ITEM 1. FINANCIAL STATEMENTS (continued)

NiSource Inc.
Consolidated Balance Sheets

(in millions)	**March 31, 2005**	December 31, 2004
	(unaudited)	
ASSETS		
Property, Plant and Equipment		
Utility Plant	**$ 16,270.9**	$ 16,194.1
Accumulated depreciation and amortization	**(7,340.9)**	(7,247.7)
Net utility plant	**8,930.0**	8,946.4
Other property, at cost, less accumulated depreciation	**427.5**	427.5
Net Property, Plant and Equipment	**9,357.5**	9,373.9
Investments and Other Assets		
Assets of discontinued operations and assets held for sale	**40.8**	38.6
Unconsolidated affiliates	**97.8**	104.8
Other investments	**82.8**	72.4
Total Investments	**221.4**	215.8
Current Assets		
Cash and cash equivalents	**588.0**	29.5
Restricted cash	**30.1**	56.3
Accounts receivable (less reserve of $71.4 and $44.7, respectively)	**610.0**	536.4
Unbilled revenue (less reserve of $7.1 and $10.9, respectively)	**282.8**	352.7
Gas inventory	**70.1**	452.9
Underrecovered gas and fuel costs	**183.5**	293.8
Materials and supplies, at average cost	**72.5**	70.6
Electric production fuel, at average cost	**31.2**	29.2
Price risk management assets	**125.2**	61.1
Exchange gas receivable	**182.4**	169.6
Regulatory Assets	**143.8**	136.2
Prepayments and other	**84.7**	96.1
Total Current Assets	**2,404.3**	2,284.4
Other Assets		
Price risk management assets	**149.3**	148.3
Regulatory assets	**582.2**	568.4
Goodwill	**3,687.2**	3,687.2
Intangible assets	**516.2**	520.3
Deferred charges and other	**185.6**	189.5
Total Other Assets	**5,120.5**	5,113.7
Total Assets	**$ 17,103.7**	$ 16,987.8

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

NiSource Inc.
Consolidated Balance Sheets (continued)

(in millions)	**March 31, 2005**	December 31, 2004
	(unaudited)	
CAPITALIZATION AND LIABILITIES		
Capitalization		
Common stock equity		
Common stock — $0.01 par value — 400,000,000 shares authorized, 271,665,136 and 270,625,370 shares issued and outstanding, respectively	**$ 2.7**	$ 2.7
Additional paid-in-capital	**3,943.9**	3,924.0
Retained earnings	**1,006.8**	925.4
Accumulated other comprehensive loss and other common stock equity	**(10.4)**	(65.0)
Total common stock equity	**4,943.0**	4,787.1
Preferred stocks—Series without mandatory redemption provisions	**81.1**	81.1
Long-term debt, excluding amounts due within one year	**4,809.7**	4,835.9
Total Capitalization	**9,833.8**	9,704.1
Current Liabilities		
Current portion of long-term debt	**1,299.6**	1,299.9
Short-term borrowings	**—**	307.6
Accounts payable	**502.3**	648.4
Dividends declared on common and preferred stocks	**63.6**	1.1
Customer deposits	**95.3**	92.2
Taxes accrued	**376.8**	160.9
Interest accrued	**146.7**	84.1
Overrecovered gas and fuel costs	**44.5**	15.5
Price risk management liabilities	**28.4**	46.9
Exchange gas payable	**237.0**	325.1
Deferred revenue	**26.8**	31.5
Regulatory liabilities	**40.5**	30.2
Accrued liability for postretirement and pension benefits	**86.7**	85.5
Other accruals	**597.1**	478.2
Total Current Liabilities	**3,545.3**	3,607.1
Other Liabilities and Deferred Credits		
Price risk management liabilities	**8.6**	5.5
Deferred income taxes	**1,695.7**	1,665.9
Deferred investment tax credits	**76.2**	78.4
Deferred credits	**63.3**	74.0
Deferred revenue	**83.0**	86.9
Accrued liability for postretirement and pension benefits	**420.3**	413.0
Preferred stock liabilities with mandatory redemption provisions	**0.6**	0.6
Regulatory liabilities and other removal costs	**1,189.0**	1,168.6
Other noncurrent liabilities	**187.9**	183.7
Total Other Liabilities and Deferred Credits	**3,724.6**	3,676.6
Commitments and Contingencies	**—**	—
Total Capitalization and Liabilities	**$ 17,103.7**	$ 16,987.8

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

NiSource Inc.
Statements of Consolidated Cash Flows (unaudited)

Three Months Ended March 31, *(in millions)*	**2005**	2004
Operating Activities		
Net income	**$ 206.3**	$ 213.5
Adjustments to reconcile net income to net cash from continuing operations:		
Depreciation and amortization	**135.1**	125.4
Net changes in price risk management activities	**(31.2)**	(6.4)
Deferred income taxes and investment tax credits	**(29.8)**	(13.4)
Deferred revenue	**(8.6)**	(8.5)
Amortization of unearned compensation	**1.5**	2.0
Loss (Gain) on sale of assets	**(0.5)**	0.7
Gain from unconsolidated affiliates	**(2.0)**	(1.1)
Loss from sale of discontinued operations	**0.2**	—
Loss from discontinued operations	**2.2**	3.1
Amortization of discount/premium on debt	**4.8**	5.0
Other adjustments	**0.2**	(0.7)
Changes in assets and liabilities, net of effect from acquisitions of businesses:		
Restricted cash	**26.2**	7.8
Accounts receivable and unbilled revenue	**0.1**	(177.8)
Inventories	**615.5**	498.6
Accounts payable	**(141.4)**	(67.4)
Customer deposits	**3.1**	2.8
Taxes accrued	**218.0**	177.2
Interest accrued	**61.7**	56.0
(Under) Overrecovered gas and fuel costs	**139.4**	61.1
Exchange gas receivable/payable	**(80.7)**	(5.6)
Other accruals	**(102.9)**	(125.2)
Prepayment and other current assets	**11.4**	3.6
Regulatory assets/liabilities	**(4.1)**	(6.2)
Postretirement and postemployment benefits	**8.9**	12.0
Deferred credits	**(10.7)**	(14.8)
Deferred charges and other noncurrent assets	**1.4**	3.0
Other noncurrent liabilities	**(2.6)**	27.8
Net Cash Flows from Continuing Operations	**1,021.5**	772.5
Net Cash Flows from Discontinued Operations	**0.1**	(0.1)
Net Cash Flows from Operating Activities	**1,021.6**	772.4
Investing Activities		
Capital expenditures	**(104.1)**	(110.3)
Proceeds from disposition of assets	**5.8**	—
Other investing activities	**(11.9)**	(3.2)
Net Cash Flows used for Investing Activities	**(110.2)**	(113.5)
Financing Activities		
Retirement of long-term debt	**(0.3)**	(121.2)
Change in short-term debt	**(307.6)**	(462.9)
Issuance of common stock and capital contributed	**18.7**	7.3
Acquisition of treasury stock	**(1.4)**	(3.7)
Dividends paid — common shares	**(62.3)**	(61.2)
Net Cash Flows used for Financing Activities	**(352.9)**	(641.7)
Increase in cash and cash equivalents	**558.5**	17.2
Cash and cash equivalents at beginning of year	**29.5**	27.3
Cash and cash equivalents at end of period	**$ 588.0**	$ 44.5
Supplemental Disclosures of Cash Flow Information		
Cash paid for interest	**36.4**	42.5
Interest capitalized	**(0.2)**	0.7
Cash paid (refunded) for income taxes	**(25.3)**	3.3

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

NiSource Inc.
Statements of Consolidated Comprehensive Income (unaudited)

Three Months Ended March 31, *(in millions)*	**2005**	2004
Net Income	**$ 206.3**	$ 213.5
Other comprehensive income, net of tax		
Foreign currency translation adjustment	**—**	0.8
Net unrealized gains on cash flow hedges	**54.4**	10.0
Net gain on available for sale securities	**1.5**	1.4
Total other comprehensive income, net of tax	**55.9**	12.2
Total Comprehensive Income	**$ 262.2**	$ 225.7

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

NiSource Inc.
Notes to Consolidated Financial Statements (unaudited)

1. Basis of Accounting Presentation

The accompanying unaudited consolidated financial statements for NiSource reflect all normal recurring adjustments that are necessary, in the opinion of management, to present fairly the results of operations in accordance with accounting principles generally accepted in the United States of America.

The accompanying financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in NiSource's Annual Report on Form 10-K for the fiscal year ended December 31, 2004. Income for interim periods may not be indicative of results for the calendar year due to weather variations and other factors. Certain reclassifications have been made to the 2004 financial statements to conform to the 2005 presentation.

2. Recent Accounting Pronouncements

FASB Interpretation No. 47 — Accounting for Conditional Asset Retirement Obligations. In March 2005, the FASB issued FIN 47 to clarify the accounting for conditional asset retirement obligations and to provide additional guidance for when an entity would have sufficient information to reasonably estimate the fair value of an asset retirement obligation, as used in SFAS No. 143. This interpretation is effective for fiscal years ending after December 15, 2005, and early adoption is encouraged. NiSource is currently reviewing the legal obligations surrounding future retirement of tangible long-lived assets with regards to this interpretation.

SFAS No. 123 (revised 2004) — Share-Based Payment. In December 2004, the FASB issued SFAS No. 123R which requires that the cost resulting from all share-based payment transactions be recognized in the financial statements and establishes fair value as the measurement objective in accounting for these transactions. This statement is effective for public entities as of the beginning of the first interim or annual reporting period beginning after December 15, 2005, as directed by the SEC in their April 15, 2005 amendment to Rule 4-01(a) of Regulation S-X. NiSource plans to adopt this standard on January 1, 2006, using a modified version of the prospective application as described in the statement.

3. Earnings Per Share

Basic EPS is computed by dividing income available to common stockholders by the weighted-average number of shares of common stock outstanding for the period. Basic average common shares outstanding increased from the comparative 2004 period due primarily to the issuance of approximately 6.8 million shares of common stock upon the settlement of the forward stock purchase contracts associated with the SAILS [SM] on November 1, 2004. The weighted average shares outstanding for diluted EPS include the incremental effects of the various long-term incentive compensation plans. The numerator in calculating both basic and diluted EPS for each year is reported net income. The computation of diluted average common shares follows:

Three Months Ended March 31, (in thousands)	**2005**	2004
Denominator		
Basic average common shares outstanding	**270,327**	262,287
Dilutive potential common shares		
Nonqualified stock options	**319**	227
Shares contingently issuable under employee stock plans	**885**	1,186
Shares restricted under employee stock plans	**601**	631
Diluted Average Common Shares	**272,132**	264,331

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

4. Stock Options and Awards

FASB SFAS No. 123R encourages, but does not require at this time, entities to adopt the fair value method of accounting for stock-based compensation plans. NiSource plans to adopt SFAS No. 123R on January 1, 2006, as allowed for by the SEC in their April 15, 2005 amendment to Rule 4-01(a) of Regulation S-X. The fair value method would require the amortization of the fair value of stock-based compensation at the date of grant over the related vesting period. NiSource continues to apply the intrinsic value method of APB No. 25 for awards granted under its stock-based compensation plans. The following table illustrates the effect on net income and EPS as if NiSource had applied the fair value recognition provisions of SFAS No. 123R to stock-based employee compensation.

Three Months Ended March 31, *($ in millions, except per share data)*		**2005**	2004
Net Income			
As reported		**206.3**	213.5
Add:	Stock-based employee compensation expense included in reported net income, net of related tax effects	**1.0**	1.3
Less:	Total stock-based employee compensation expense determined under the fair value method for all awards, net of tax	**7.2**	2.8
Pro forma		**200.1**	212.0
Earnings per share			
Basic	- as reported	**0.76**	0.81
	- pro forma	**0.74**	0.81
Diluted	- as reported	**0.76**	0.81
	- pro forma	**0.74**	0.80

NiSource has traditionally awarded stock options to employees at the beginning of each year that vested one year from the date of grant. For stock options granted during January 2005, NiSource awarded stock options that vested immediately, but included a one-year exercise restriction. Due to the one-year vesting terms of the options awarded prior to 2005 and the immediate vesting of the options awarded in January 2005, the pro-forma expense shown for the first quarter 2005 is higher than the first quarter 2004 pro-forma expense.

5. Restructuring Activities

Since 2000, NiSource has implemented restructuring initiatives to streamline its operations and realize efficiencies from the acquisition of Columbia. The restructuring activities were primarily associated with reductions in headcount and facility exit costs.

In connection with these restructuring initiatives, a total of approximately 1,600 management, professional, administrative and technical positions have been identified for elimination. As of March 31, 2005, approximately 1,560 employees were terminated, of whom none were terminated during the first quarter 2005. As of March 31, 2005 and December 31, 2004, the Consolidated Balance Sheets reflected liabilities of $13.0 million and $14.6 million related to the restructuring initiatives, respectively. For the first quarter of 2005, $1.1 million in payments were made in association with the restructuring initiatives and a $0.5 million reduction to the restructuring liability was recorded mainly to adjust for a reduction in estimated expenses related to previous restructuring initiatives partly offset by an increase in facility exit costs. Of the remaining restructuring liability, $11.8 million was related to facility exit costs. The reduction in the estimated liability was reflected in “Operation and Maintenance” expense.

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

6. Discontinued Operations and Assets Held for Sale

In March 2005, Lake Erie Land, wholly owned by NiSource, recognized a pre-tax impairment charge of $2.9 million related to the Sand Creek Golf Club property and began accounting for the operations of the golf club as discontinued operations. The assets of the Sand Creek Golf Club, valued at $12.1 million as of March 31, 2005, are reported as assets of discontinued operations. An additional $5.6 million of assets, representing an estimate of land to be sold during the next twelve-months, are reflected as assets held for sale.

Columbia Transmission is in the process of selling certain facilities that are non-core to the operation of the pipeline system. NiSource has accounted for the assets of these facilities, with a net book value of $17.0 million, as assets held for sale. NiSource is also actively pursuing a buyer of certain assets formerly held by Transcom valued at $6.1 million.

Results from discontinued operations from the golf course assets of Lake Erie Land and adjustments for NiSource's former exploration and production subsidiary, CER, and water utilities are provided in the following table:

Three Months Ended March 31, *($ in millions)*		**2005**		2004
Revenues from discontinued operations	**$**	**1.0**	$	0.9
Loss from discontinued operations		**(3.8)**		(5.2)
Income taxes		**(1.6)**		(2.1)
Net Loss from discontinued operations	**$**	**(2.2)**	$	(3.1)

The balance of Discontinued Operations and Assets Held for Sale included net property, plant, and equipment of $40.8 million and $38.6 million at March 31, 2005 and December 31, 2004, respectively.

7. Regulatory Matters

Gas Distribution Operations Related Matters
Gas Distribution Operations continues to offer CHOICE ® opportunities, where customers can choose to purchase gas from a third party supplier, through regulatory initiatives in all of its jurisdictions. Through the month of March 2005, approximately 725 thousand of Gas Distribution Operations' residential and small commercial and industrial customers selected an alternate supplier.

On March 29, 2005, the PSC approved a renewed pilot program for Columbia of Kentucky authorizing the continuation of the Customer Choice SM Program. The program provides residential and small commercial customers the option to choose their natural gas supplier and avoids the stranded costs associated with the previous pilot. In addition, Columbia received approval from the PSC to implement programs that provide Columbia of Kentucky with the opportunity to stabilize wholesale costs for gas during the winter heating season and share certain cost savings with customers.

Since November 1, 2004, Columbia of Ohio has been operating under a new regulatory stipulation approved by the PUCO that expires on October 31, 2008. This regulatory stipulation has been contested by the OCC, and on June 9, 2004, the PUCO denied the OCC's Second Application for Rehearing. The OCC then filed an appeal with the Supreme Court of Ohio on July 29, 2004, contesting the PUCO's May 5, 2004 order on rehearing, which granted in part Columbia of Ohio's joint application for rehearing, and the PUCO's June 9, 2004 order, denying the OCC's Second Application for Rehearing. Columbia of Ohio intervened in the appellate proceeding. On December 8, 2004, the PUCO and Columbia of Ohio filed motions to dismiss the appeal, based upon the OCC's failure to comply with the Supreme Court of Ohio's procedural rules. On December 17, 2004, the OCC filed its Memoranda Contra. On March 23, 2005, the Supreme Court of Ohio issued a decision in which it granted the motions to dismiss and dismissed the appeal based upon the OCC's failure to comply with the Court's procedural rules. On April 1, 2005, the OCC filed a Motion for Reconsideration with the Supreme Court of Ohio. Columbia of Ohio and the PUCO filed Memoranda Contra on April 8, 2005.

On December 17, 2003, the PUCO approved an application by Columbia of Ohio and other Ohio LDCs to establish a tracking mechanism that will provide for recovery of current bad debt expense and for the recovery over a five-year period of previously deferred uncollected accounts receivable. On October 1, 2004, Columbia of Ohio filed an application for approval to increase its Uncollectible Expense Rider and on October 20, 2004, the PUCO approved the application. The PUCO's approval of this application resulted in Columbia of Ohio's commencing recovery of the deferred uncollectible accounts receivables and establishment of future bad-debt recovery requirements in November 2004. As of March 31, 2005, Columbia of Ohio has $35.3 million of uncollected accounts receivable pending future recovery. On May 2, 2005, Columbia filed an application for approval to decrease its Uncollectible Expense Rider rate, effective June 2005. This request for reduction in its Uncollectible Expense Rider rate was based on projected annual recovery requirements of $26.3 million for the period ending March 31, 2006 — a reduction of $11.4 million from Columbia's currently effective rate.

On December 2, 2004, Columbia of Ohio filed two applications with the Ohio Power Siting Board, requesting certificates of environmental compatibility and public need for the construction of the Northern Columbus Loop Natural Gas Pipeline project. The project is proposed in three phases (Phases IV, V and VI), and contemplates an approximately 25-mile long pipeline, to be constructed in northern Columbus and southern Delaware County. The project will help secure current and future natural gas supplies for Columbia of Ohio's customers in the region. On February 7, 2005, the Board notified Columbia that the applications were certified as complete. Columbia of Ohio also filed requests for waivers from certain of the Board's requirements. The waivers were approved on February 4, 2005. On April 14, 2005, the Board issued an Order (i) finding that the effective date of the applications is April 15, 2005, (ii) granting Columbia's motion to consolidate the cases for hearing purposes, and (iii) establishing a public hearing date of June 20, 2005, and an adjudicatory hearing date of June 21, 2005.

On April 27, 2005 Bay State filed for a rate increase of $22.2 million, or 4.7%, with the Massachusetts DTE. The rate filing includes requests for a performance based rate plan and cost recovery of a steel infrastructure replacement program. If approved, the increase would go into effect on December 1, 2005.

Northern Indiana's gas costs are recovered under a flexible GCA mechanism approved by the IURC in 1999. Under the approved procedure, a demand component of the fuel adjustment factor is determined annually effective November 1 of each year, after hearings and IURC approval. The commodity component of the adjustment factor is determined by monthly filings, which do not require IURC approval but are reviewed by the IURC during the annual hearing that takes place regarding the demand component filing. Northern Indiana's GCA factor also includes a GCIM which allows the sharing of any cost savings or cost increases with customers based on a comparison of actual gas supply portfolio cost to a market-based benchmark price.

Northern Indiana's GCA5 annual demand cost recovery filing, covering the period November 1, 2003 through October 31, 2004, was made on August 26, 2003. The IURC authorized the collection of the demand charge, subject to refund, effective November 1, 2003. On June 8, 2004, Northern Indiana and the OUCC entered into a joint stipulation and agreement resolving all issues in GCA5. Among the settlement agreement's provisions, Northern Indiana has agreed to return $3.8 million to its customers over a twelve-month period following IURC approval, which occurred on August 18, 2004. An additional provision of the agreement extended the current ARP, including Northern Indiana's GCIM, from the current expiration date of December 31, 2004 to March 31, 2005. This date has been further extended through March 31, 2006, as discussed below.

Northern Indiana's GCA6 annual demand cost recovery filing, covering the period November 1, 2004 through October 31, 2005 was made on August 26, 2004. The IURC authorized the collection of the demand charge, subject to refund, effective November 1, 2004 on October 20, 2004. The IURC held an evidentiary hearing in this Cause on March 2, 2005. Northern Indiana expects the IURC's order in the second quarter of 2005.

Northern Indiana, the OUCC, Testimonial Staff of the IURC, and the Marketer Group (a group which collectively represents marketers participating in Northern Indiana Choice) filed a Stipulation and Agreement with the IURC on October 12, 2004, that, among other things, extends the expiration date of the 1997 ARP to March 31, 2006. The IURC approved the settlement agreement on January 26, 2005. The agreement, as approved by the IURC, grandfathers the terms of existing contracts that marketers have with Choice customers and establishes a scope for negotiations that parties will follow when convening within the next several months to establish a long-term resolution of ARP. Parties have been meeting since early January to establish the future terms of ARP, to be effective post March 31, 2006. The filing of an agreement or petition is expected in the second quarter of 2005.

On December 14, 2004, the Maine PUC opened an investigation into the reasonable maintenance and replacement of cast iron facilities of Northern Utilities. The Maine PUC sought Northern Utilities opinion regarding the merits of an accelerated cast iron replacement program that would result in the replacement of all cast iron mains and services in Northern Utilities distribution system over ten years. Northern Utilities estimated that the incremental cost of such a program over ten years would be $35 million. Northern Utilities took the position that such a program was not necessary, but if the Maine PUC determined that such a program was required, Northern Utilities should be allowed to seek approval for an annual rate adjustment mechanism for the incremental investment associated with the accelerated cast iron replacement program. On March 28, 2005, the Maine PUC approved a settlement between Northern Utilities and the Maine OPA in which Northern Utilities agreed to replace approximately $15 million of cast iron facilities in a portion of its distribution system over a four-year period. The settlement, supported by the Maine PUC Staff Bench Analysis, also allows Northern Utilities to seek approval of an annual rate adjustment mechanism to recover the incremental cost of the accelerated cast iron replacement program. The Maine OPA has agreed not to oppose the request.

Electric Operations Related Matters

During 2002, Northern Indiana settled certain regulatory matters related to an electric rate review. On September 23, 2002, the IURC issued an order adopting most aspects of the settlement. The order approving the settlement provides that electric customers of Northern Indiana will receive bill credits of approximately $55.1 million each year, for a cumulative total of $225 million, for the minimum 49-month period, beginning on July 1, 2002. The order also provides that 60% of any future earnings beyond a specified earnings level will be retained by Northern Indiana. Credits amounting to $14.4 million and $13.1 million were recognized for electric customers for the first quarter of 2005 and 2004, respectively.

On June 20, 2002, Northern Indiana, Ameren Corporation and First Energy Corporation established terms for joining the MISO through participation in an ITC. Northern Indiana transferred functional control of its electric transmission assets to the ITC and MISO on October 1, 2003. In April 2005, Northern Indiana, as well as the other two participants of the ITC, announced their withdrawal from the ITC and the ITC will cease operations effective November 1, 2005. As part of Northern Indiana's use of MISO's transmission service, Northern Indiana will incur new categories of transmission charges based upon MISO's FERC-approved tariff. One of the new categories of charges, Schedule 10, relates to the payment of administrative charges to MISO for its continuing management and operations of the transmission system. Northern Indiana filed a petition on September 30, 2003, with the IURC seeking approval to establish accounting treatment for the deferral of the Schedule 10 charges from MISO. On July 21, 2004, the IURC issued an order which denied Northern Indiana's request for deferred accounting treatment for the MISO Schedule 10 administrative fees. Northern Indiana appealed this decision to the Indiana Appellate Court, but on April 27, 2005, the Court affirmed the IURC's original decision. Northern Indiana recorded a charge during the second quarter 2004 in the amount of $2.1 million related to the MISO administrative charges deferred through June 30, 2004, and recognized $1.6 million in MISO fees for the second half of 2004. The MISO Schedule 10 administrative fees are currently estimated to be approximately $3.1 million annually.

The MISO has launched the MMI, implementing structures and processes of an electricity market for the MISO region. The MMI provides non-discriminatory transmission service, reliable grid operation, and the purchase and sale of electric energy in a competitive, efficient and non-discriminatory manner. MISO's MMI tariffs have been approved by FERC. Financially binding activities began with the opening of the market for bids and offers on March 25, 2005, and the Real-Time Market on April 1, 2005. Northern Indiana and TPC are actively participating in the MMI. Management is assessing the impact of MMI, and, based on the first month of market operation, expects a financial impact of $3.5 to $4.0 million annually in operating expenses for MMI administrative costs. These are in addition to the MISO Schedule 10 administrative costs for which Northern Indiana was denied deferral treatment in 2004. MMI energy costs are being accounted for in the same manner that energy costs were recorded prior to the implementation of the MMI, and are recovered through the FAC, pending approval by the IURC of MISO Day 2 costs. The detailed MMI tariff manages system reliability through the use of a market-based congestion management system. The FERC approved tariff includes a centralized dispatch platform, which dispatches the most economic resources to meet load requirements efficiently and reliably in the MISO region. The tariff uses Locational Marginal Pricing (i.e. the energy price for the next lowest priced megawatt available at each location within the MISO footprint). The tariff also allows for the allocation, auction or sale of FTRs, which are instruments that hedge against congestion costs occurring in the day-ahead market. Northern Indiana has not yet

been a participant in the auction market for FTRs, but has been allocated, at zero cost, a number of FTRs for use through the summer season. The MISO performs a day-ahead unit commitment and dispatch forecast for all resources in its market. The MISO also performs the real time resource dispatch for resources under its control on a five-minute basis.

Northern Indiana has been recovering the costs of electric power purchased for sale to its customers through the FAC. The FAC provides for costs to be collected if they are below a negotiated cap. If costs exceed this cap, Northern Indiana must demonstrate that the costs were prudently incurred to achieve approval for recovery. Northern Indiana is in discussions with the OUCC on a new basis for establishing the cap. An agreement is anticipated to be filed with the IURC in the second quarter of 2005, and Northern Indiana anticipates that approval will also be received from the IURC in the second quarter of 2005. A group of industrial customers challenged the manner in which Northern Indiana applied such costs under a specific interruptible sales tariff. A settlement was reached with the customers and the industrial customers' challenge was withdrawn and dismissed in January 2004. In addition, as a result of the settlement, Northern Indiana has sought and received approval by the IURC to reduce the charges applicable to the interruptible sales tariff. This reduction will remain in effect until the Mitchell Station returns to service.

In January 2002, Northern Indiana indefinitely shut down its Mitchell Station. In February 2004, the City of Gary announced an interest in acquiring the land on which the Mitchell Station is located for economic development, including a proposal to increase the length of the runways at the Gary International Airport. On May 7, 2004, the City of Gary filed a petition with the IURC seeking to have the IURC establish a value for the Mitchell Station and establish the terms and conditions under which the City of Gary would acquire the Mitchell Station. Northern Indiana has reached an agreement with the City of Gary that provides for a joint redevelopment process for the Mitchell Station where the City of Gary could ultimately receive ownership of the property provided that the City of Gary and Northern Indiana can find funding for the demolition and environmental cleanup cost associated with demolishing the facility. The agreement expressly provides that neither Northern Indiana nor its customers will be obligated to provide funds for these costs.

On May 25, 2004, Northern Indiana filed a petition for approval of a Purchased Power and Transmission Tracker Mechanism to recover the cost of purchased power to meet Northern Indiana's retail electric load requirements and charges imposed on Northern Indiana by MISO and ITC. A hearing in this matter was held December 1st and 2nd of 2004. An IURC order is expected in the second quarter of 2005.

On March 31, 2005, Northern Indiana and the OUCC filed an MOU with the IURC that could result in settlements of the City of Gary petition and Purchased Power and Transmission Tracker petition. The settlement agreement that is contemplated by the MOU would provide, among other things, for the recovery of Northern Indiana's costs for intermediate dispatchable power purchased from TPC and would require Northern Indiana to file a base rate case in 2007. The MOU provides that a settlement is contingent upon: 1) acceptable results of a third party evaluation study to be performed by an independent consultant relating to the use of Whiting Clean Energy and the Mitchell Station to meet the control performance standards required by the National Electric Reliability Council and 2) affirmative consent to the other terms of the MOU by Northern Indiana's large industrial electric customers. The scope of the proposed settlement does not include MISO costs. The ability to recover or defer MISO costs will be determined in another proceeding before the IURC, filed by several of the investor-owned electric utilities in Indiana (see the following paragraph). Northern Indiana expects that it will be able to file a settlement with the OUCC, based upon the outcome of the independent consultant's study, with the IURC in the second quarter of 2005, and that it would be approved in the third quarter of 2005. Northern Indiana has also filed a separate petition with the IURC in which it, TPC and Whiting Clean Energy, have requested expedited approval for the sale of intermediate dispatchable power this summer from Whiting Clean Energy through TPC to Northern Indiana.

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

On July 9, 2004, a verified joint petition was filed by PSI Energy, Inc., Indianapolis Power & Light Company, Northern Indiana and Vectren Energy Delivery of Indiana, Inc., seeking approval of certain changes in operations that are likely to result from the MISO's implementation of energy markets, and for determination of the manner and timing of recovery of costs resulting from the MISO's implementation of standard market design mechanisms, such as the MISO's proposed real-time and day-ahead energy markets. The hearing in this matter was completed on February 11, 2005 and an IURC order is expected in the second quarter of 2005.

On November 26, 2002, Northern Indiana received approval for an ECT. Under the ECT Northern Indiana is permitted to recover (1) allowance for funds used during construction and a return on the capital investment expended by Northern Indiana to implement IDEM's nitrogen oxide State Implementation Plan through an ECRM and (2) related operation and maintenance and depreciation expenses once the environmental facilities become operational through an EERM. Under the IURC's November 26, 2002 order, Northern Indiana is permitted to submit filings on a semi-annual basis for the ECRM and on an annual basis for the EERM. Northern Indiana currently anticipates a total capital investment amounting to approximately $305 million. This amount was filed in Northern Indiana's latest compliance plan, which was approved by the IURC on January 19, 2005. The ECRM revenues amounted to $6.3 million for the three months ended March 31, 2005, and $30.3 million from inception to date, while EERM revenues were $0.4 million for the first quarter of 2005. On February 4, 2005, Northern Indiana filed ECR-5 simultaneously with EER-2 for capital expenditures of $235.6 million and depreciation and operating expenses of $10.5 million through December 31, 2004.

On April 13, 2005, Northern Indiana received an order from the IURC in a complaint filed by Jupiter. The complaint asserted that Northern Indiana's service quality was not reasonably adequate. While not concluding that Northern Indiana's service was not reasonably adequate, the IURC ruled that Northern Indiana must construct a backup line and pay Jupiter $2.5 million to install special fast switching equipment at the Jupiter plant. Further, Northern Indiana is precluded from recovering the $2.5 million in rates. Northern Indiana and Jupiter have both filed motions requesting the IURC to reconsider its order.

8. Risk Management Activities and Energy Trading Activities

NiSource uses commodity-based derivative financial instruments to manage certain risks in its business. NiSource accounts for its derivatives under SFAS No. 133.

Hedging Activities. The activity for the first quarter 2005 and 2004 affecting accumulated other comprehensive income, with respect to cash flow hedges included the following:

The three months ended March 31, *(in millions, net of tax)*	**2005**	2004
Net unrealized gains on derivatives qualifying as cash flow hedges at the beginning of the period	**$ 93.7**	$ 91.7
Unrealized hedging gains arising during the period on derivatives qualifying as cash flow hedges	**52.6**	21.3
Reclassification adjustment for net loss (gain) included in net income	**1.8**	(11.3)
Net unrealized gains on derivatives qualifying as cash flow hedges at the end of the period	**$ 148.1**	$ 101.7

Unrealized gains and losses on NiSource's hedges were recorded as price risk management assets and liabilities along with unrealized gains and losses on NiSource's trading portfolio. The accompanying Consolidated Balance Sheets include price risk management assets related to unrealized gains and losses on hedges of $254.4 million and $200.0 million at March 31, 2005 and December 31, 2004, respectively, of which $107.5 million and $51.7 million were included in "Current Assets," and $146.9 million and $148.3 million were included in "Other Assets." Price risk management liabilities related to unrealized gains and losses on hedges (including net option premiums) were $24.3 million and $26.7 million at March 31, 2005 and December 31, 2004, respectively, of which $17.8 million and $21.3 million were included in "Current Liabilities," and $6.5 million and $5.4 million were included in "Other Liabilities", respectively.

During the first quarter of 2005 and 2004, a loss of $0.1 million and a gain of $0.1 million, net of tax respectively, was recognized in earnings due to the change in value of certain derivative instruments primarily representing time value. Additionally, all derivatives classified as a hedge are assessed for hedge effectiveness, with any components determined to be ineffective charged to earnings or classified as a regulatory asset or liability per SFAS No. 71 as appropriate. During the first quarter of 2005 and 2004, NiSource reclassified no amounts related to its cash flow hedges from other comprehensive income to earnings, due to the probability that certain forecasted transactions would not occur. It is anticipated that during the next twelve months the expiration and settlement of cash flow hedge contracts will result in income recognition of amounts currently classified in other comprehensive income of approximately $47.2 million, net of tax.

Commodity Price Risk Programs. Northern Indiana, Northern Indiana Fuel and Light, Kokomo Gas, Northern Utilities, and Columbia of Pennsylvania use NYMEX derivative contracts to minimize risk associated with gas price volatility. These derivative hedging programs must be marked to fair value, but because these derivatives are used within the framework of their gas cost recovery mechanism, regulatory assets or liabilities are recorded to offset the change in the fair value of these derivatives. The Consolidated Balance Sheets reflected $12.1 million and $0.5 million of price risk management assets associated with these programs at March 31, 2005 and December 31, 2004, respectively. In addition, the Consolidated Balance Sheets reflected $2.2 million and $9.2 million of price risk management liabilities associated with these programs at March 31, 2005 and December 31, 2004, respectively.

Northern Indiana offers a Price Protection Service as an alternative to the standard gas cost recovery mechanism. This service provides Northern Indiana customers with the opportunity to either lock in their gas cost or place a cap on the total cost that could be charged for any future month specified. In order to hedge the anticipated physical future purchases associated with these obligations, Northern Indiana purchases NYMEX futures and options contracts that correspond to a fixed or capped price in the associated delivery month. The NYMEX futures and options contracts are designated as cash flow hedges. Columbia of Virginia started a program in April 2005 similar to the Northern Indiana Price Protection Service, which would allow non-jurisdictional customers the opportunity to lock in their gas cost.

Northern Indiana also offers a DependaBill program to its customers as an alternative to the standard tariff rate that is charged to residential customers. The program allows Northern Indiana customers to fix their total monthly bill at a flat rate regardless of gas usage or commodity cost. In order to hedge the anticipated physical purchases associated with these obligations, Northern Indiana purchases fixed priced gas, as well as options to call on additional volumes that match the anticipated delivery needs of the program and currently uses NYMEX futures and options contracts for these hedge transactions. These derivatives are presently designated as cash flow hedges. The Consolidated Balance Sheets reflected $2.1 million and zero of price risk management assets and $0.1 million and $6.2 million of price risk management liabilities at March 31, 2005 and December 31, 2004, respectively, associated with the Price Protection Service and the DependaBill programs.

For regulatory incentive purposes, Northern Indiana enters into purchase contracts at first of the month prices that give counterparties the daily option to either sell an additional package of gas at first of the month prices or recall the original volume to be delivered. Northern Indiana charges a fee for this option. The changes in the fair value of these options are primarily due to the changing expectations of the future intra-month volatility of gas prices. These written options are derivative instruments, must be marked to fair value and do not meet the requirement for hedge accounting treatment. However, in accordance with SFAS No. 71, Northern Indiana records the related gains and losses associated with these transactions as a regulatory asset or liability.

For regulatory incentive purposes, Columbia of Kentucky, Columbia of Ohio, and Columbia of Pennsylvania, (collectively, the “Columbia LDCs”) enter into contracts that allow counterparties the option to sell gas to Columbia LDCs at first of the month prices for a particular month of delivery. Columbia LDCs charge the counterparties a fee for this option. The changes in the fair value of the options are primarily due to the changing expectations of the future intra-month volatility of gas prices. Columbia LDCs defer a portion of the change in the fair value of the options as either a regulatory asset or liability in accordance with SFAS No. 71. The remaining change is recognized currently in earnings. The Consolidated Balance Sheets reflected $3.3 million and $4.6 million of price risk management liabilities associated with the programs at March 31, 2005 and December 31, 2004, respectively.

Columbia Energy Services has fixed price gas delivery commitments to three municipalities in the United States. Columbia Energy Services entered into a forward purchase agreement with a gas supplier, wherein the supplier will fulfill the delivery obligation requirements at a slight premium to index. In order to hedge this anticipated future purchase of gas from the supplier, Columbia Energy Services entered into commodity swaps priced at the locations designated for physical delivery. These swaps are designated as cash flow hedges of the anticipated purchases.

Interest Rate Risk Activities. Between October 27, 2004 and November 1, 2004, NiSource Finance entered into $900 million of forward starting interest rate swaps, hedging the future interest payments of long-term debt. The $900 million of forward starting swaps included $450 million notional value of 12-year forward starting swaps entered into with three counterparties and $450 million notional value of 15-year forward starting swaps entered into with three additional counterparties. Entering into these hedge transactions allows NiSource Finance to mitigate the risk from rising interest rates and uncertain interest expense cash flows in the future. Assuming prevailing credit spreads in effect at the time the forward starting swaps were put in place, the swaps would result in a net effective interest rate of approximately 5.55%-5.65% for the planned 12-year note issuance and approximately 5.70%-5.80% for the planned 15-year note issuance. These approximate interest rates assume the relationship between swap spreads embedded in the forward starting swaps and NiSource Finance's credit spread remain constant from execution date of the swaps through the planned notes issuance date anticipated in September 2005. Each of the forward starting swap transactions have both an effective date and a mandatory early termination date of September 7, 2005, which is the date NiSource Finance anticipates completing $900 million of new debt issuance, consisting of $450 million of 12-year notes and $450 million of 15-year notes.

NiSource has entered into interest rate swap agreements to modify the interest rate characteristics of its outstanding long-term debt from fixed to variable. On May 12, 2004, NiSource Finance entered into fixed-to-variable interest rate swap agreements in a notional amount of $660 million with six counterparties having a 6 1/2-year term. NiSource Finance will receive payments based upon a fixed 7.875% interest rate and pay a floating interest amount based on United States 6-month BBA LIBOR plus an average of 3.08% per annum. There was no exchange of premium at the initial date of the swaps. In addition, each party has the right to cancel the swaps on May 15, 2009 at mid-market.

On July 22, 2003, NiSource Finance entered into fixed-to-variable interest rate swap agreements in a notional amount of $500 million with four counterparties with an 11-year term. NiSource will receive payments based upon a fixed 5.40% interest rate and pay a floating interest amount based on U.S. 6-month BBA LIBOR plus an average of 0.78% per annum. There was no exchange of premium at the initial date of the swaps. In addition, each party has the right to cancel the swaps on either July 15, 2008 or July 15, 2013 at mid-market.

As a result of the fixed-to-variable interest rate swap transactions referenced above, $1,160 million of NiSource Finance's existing long-term debt is now subject to fluctuations in interest rates. These interest rate swaps are designated as fair value hedges. The effectiveness of the interest rate swaps in offsetting the exposure to changes in the debt's fair value is measured using the short-cut method pursuant to SFAS No. 133. NiSource had no net gain or loss recognized in earnings due to hedging ineffectiveness from prior years.

Marketing and Trading Activities. The remaining operations of TPC primarily involve commercial and industrial gas sales and power trading.

In April 2003, the remaining gas-related activities (physical commodity sales to commercial and industrial customers) that had been classified as derivatives were considered to fall within the normal purchase and sale exception under SFAS No. 133. Therefore, all gas-related derivatives used to offset the physical obligations necessary to fulfill these commodity sales were designated as cash flow hedges.

The fair market values of NiSource's power trading assets and liabilities were $8.0 million and $7.3 million, respectively, at March 31, 2005 and $8.8 million and $11.9 million, respectively, at December 31, 2004.

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

9. Pension and Other Postretirement Benefits

NiSource uses September 30 as its measurement date for its pension and other postretirement benefit plans. NiSource expects to make contributions of $3.6 million to its pension plans and $52.7 million to its other postretirement medical and life plans in 2005.

The following table provides the components of the plans' net periodic benefits cost for first quarter of 2005 as compared to the first quarter of 2004:

	Pension Benefits		Other Benefits	
Three months ended March 31, *(in millions)*	**2005**	2004	**2005**	2004
Net periodic cost				
Service cost	**$ 10.4**	$ 9.8	**$ 2.3**	$ 2.2
Interest cost	**32.0**	31.7	**10.4**	9.9
Expected return on assets	**(41.1)**	(39.3)	**(4.0)**	(3.5)
Amortization of transitional obligation	**—**	—	**2.4**	2.9
Amortization of prior service cost	**2.6**	2.4	**0.2**	0.2
Recognized actuarial loss	**4.3**	4.5	**0.9**	0.7
Net Periodic Benefits Cost	**$ 8.2**	$ 9.1	**$ 12.2**	$ 12.4

10. Other Commitments and Contingencies

A. Guarantees and Indemnities. As a part of normal business, NiSource and certain subsidiaries enter into various agreements providing financial or performance assurance to third parties on behalf of certain subsidiaries. Such agreements include guarantees and stand-by-letters of credit. These agreements are entered into primarily to support or enhance the creditworthiness otherwise attributed to a subsidiary on a stand-alone basis, thereby facilitating the extension of sufficient credit to accomplish the subsidiaries' intended commercial purposes. The total commercial commitments in existence at March 31, 2005 and the years in which they expire were:

(*in millions*)	Total	2005	2006	2007	2008	2009	After
Guarantees of subsidiaries debt	$4,041.5	$ 932.8	$ 293.1	$ 32.4	$ 8.7	$ 464.0	$2,310.5
Guarantees supporting commodity transactions of subsidiaries	1,155.0	248.0	667.4	28.2	48.3	51.5	111.6
Letters of credit	106.9	0.4	20.6	1.1	84.8	—	—
Other guarantees	362.5	50.0	—	—	8.6	7.8	296.1
Total commercial commitments	$5,665.9	$1,231.2	$ 981.1	$ 61.7	$ 150.4	$ 523.3	$2,718.2

Guarantees of Subsidiaries Debt . NiSource has guaranteed the payment of $4.0 billion of debt for various wholly owned subsidiaries including Whiting Leasing, NiSource Finance, and through a support agreement, Capital Markets. Other than debt associated with the former PEI subsidiaries that were sold, the debt is reflected on NiSource's Consolidated Balance Sheets. The subsidiaries are required to comply with certain financial covenants under the debt indenture and in the event of default, NiSource would be obligated to pay the debt's principal and related interest. NiSource does not anticipate its subsidiaries will have any difficulty maintaining compliance.

Guarantees Supporting Commodity Transactions of Subsidiaries. NiSource has issued guarantees, which support up to approximately $1.2 billion of commodity-related payments for its current subsidiaries involved in energy marketing and trading and those satisfying requirements under forward gas sales agreements of current and former subsidiaries. These guarantees were provided to counterparties in order to facilitate physical and financial transactions involving natural gas and electricity. To the extent liabilities exist under the commodity-related contracts subject to these guarantees, such liabilities are included in the Consolidated Balance Sheets.

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

Lines and Letters of Credit. NiSource Finance maintains a revolving line of credit with a syndicate of financial institutions which can be used either for borrowings or the issuance of letters of credit. At March 31, 2005, NiSource had no guaranteed amounts outstanding under the revolving line of credit. Through this revolver and through other letter of credit facilities, NiSource has issued standby letters of credit of approximately $106.9 million for the benefit of third parties.

Other Guarantees . After the October 20, 2003 sale of six subsidiaries, PEI continues to own Whiting Clean Energy. The total of the outstanding debt guaranteed for Whiting Clean Energy at March 31, 2005 was $324.3 million, of which approximately $301.5 million of debt related to Whiting Clean Energy was included in NiSource's Consolidated Balance Sheets.

NiSource retains certain operational and financial guarantees with respect to the former PEI subsidiaries and CER. NiSource has retained guarantees of $144.8 million as of March 31, 2005 of debt outstanding related to three of the PEI projects. In addition, NiSource has retained several operational guarantees related to the former PEI subsidiaries. These operational guarantees are related to environmental compliance, inventory balances, employee relations, and a residual future purchase guarantee. The fair value of the guarantees was determined to be $11.1 million and a portion of the net proceeds in the sale amount were assumed allocated to the guarantees as prescribed by FIN 45.

Off Balance Sheet Items. NiSource has purchase and sales agreement guarantees totaling $137.5 million, which guarantee performance of the seller's covenants, agreements, obligations, liabilities, representations and warranties under the agreements. No amounts related to the purchase and sales agreement guarantees are reflected in the Consolidated Balance Sheets. Management believes that the likelihood NiSource would be required to perform or otherwise incur any significant losses associated with any of the aforementioned guarantees is remote.

NiSource has issued guarantees, which support up to approximately $1.2 million of commodity-related payments for its current subsidiaries. Refer to the discussion above in this Note 10, "Guarantees and Indemnities — Guarantees Supporting Commodity Transactions of Subsidiaries" for additional information.

NiSource has retained liabilities related to the CER forward gas sales agreements with Mahonia for guarantees of the forward sales and for indemnity agreements with respect to surety bonds backing the forward sales. The guarantees, surety bonds and associated indemnity agreements remain in place subsequent to the closing of the CER sale and decline over time as volumes are delivered in satisfaction of the contractual obligations, ending in February 2006. As of March 31, 2005, approximately 27.6 Bcf remained to be delivered under the forward sales agreements. NiSource is indemnified by Triana, and MSCP will fund up to a maximum of $49.3 million of additional equity to Triana to support Triana's indemnity, for Triana's gas delivery and related obligations to Mahonia. The MSCP commitment declines over time in concert with the surety bonds and the guaranteed obligation to deliver gas to Mahonia.

Immediately after the close of the sale, Triana owned approximately 1.1 Tcf of proved reserves, and was capitalized with $330 million, approximately $200 million of which was provided as initial equity by MSCP and the remainder of which is provided as part of a $500 million revolving credit facility. NiSource believes that the combination of Triana's proved reserves, sufficient capitalization, and access to the credit facility, combined with the Triana indemnity and the $49.3 million of further commitments to Triana from MSCP, adequately offset any losses that may be incurred by NiSource due to Triana's non-performance under the Mahonia agreements. Accordingly, NiSource has not recognized a liability related to the retention of the Mahonia guarantees.

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

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

C. Environmental Matters.

General. The operations of NiSource are subject to extensive and evolving federal, state and local environmental laws and regulations intended to protect the public health and the environment. Such environmental laws and regulations affect operations as they relate to impacts on air, water and land.

As of March 31, 2005, a reserve of approximately $73.3 million has been recorded to cover probable corrective actions at sites where NiSource has environmental remediation liability. Regulatory assets have been recorded to the extent environmental expenditures are expected to be recovered in rates. The ultimate liability in connection with these sites will depend upon many factors, including the volume of material contributed to the site, the number of the other potentially responsible parties and their financial viability, the extent of corrective actions required and rate recovery. Based upon investigations and management's understanding of current environmental laws and regulations, NiSource believes that any corrective actions required will not have a material effect on its financial position or results of operations.

Gas Distribution Operations and Gas Transmission and Storage Operations.
There were no new environmental matters relating to Gas Distribution Operation or Gas Transmission and Storage Operations during the first quarter of 2005.

Electric Operations.
Air. On June 28 and 29, 2004, the EPA responded to the states' initial recommendations for the EPA designation of areas meeting and not meeting the NAAQS for fine particles. (Fine particles are those less than or equal to 2.5 micrometers in diameter and are also referred to as PM2.5.) The EPA's PM2.5 nonattainment designations were announced on December 17, 2004, and published in the Federal Register on January 5, 2005. The designations become effective on April 5, 2005. Indiana has disputed some of the June 2004, EPA designation recommendations and submitted final 2004 monitoring data on February 17, 2005, for EPA re-evaluation of the disputed areas. On March 7, 2005, the Indiana Attorney General filed a legal action on behalf of the IDEM asking that all but three areas (none of these three areas are in Northern Indiana's service territory) be removed from the EPA's nonattainment list. The EPA is expected to finalize by early 2006, an implementation rule detailing state obligations to bring the nonattainment areas into attainment with the PM2.5 NAAQS. Indiana and other states will be required to finalize state rulemaking by April 2008 that specify emissions reductions consistent with the final EPA implementation rule to bring the designated areas into attainment by as early as April 2010. Northern Indiana will continue to closely monitor developments in this area.

On March 10, 2005, the EPA issued the CAIR final regulations. The rule establishes phased reductions of NOx and SO2 from 28 Eastern States, including Indiana electric utilities, by establishing an annual emissions cap for NOx and SO2 and an additional cap on NOx emissions during the ozone control season. Phase I reductions would be required by January 2009 and January 2010 for NOx and SO2, respectively. Phase II reductions for both NOx and SO2 would be required by January 2015. Emission trading programs would be established to meet the emission caps. As an affected state, Indiana is required to initiate a state rule making, for submittal to the EPA by September 11, 2006, creating a SIP detailing how it will implement the federal rule and meet the emission caps. The final form of the state rule will determine whether or not Northern Indiana and other utilities in the state will be able to participate in the EPA's emission trading programs and impact the level of control required for each unit. Northern Indiana will continue to closely monitor developments in this area and cannot accurately estimate the timing or cost of emission controls at this time.

On March 15, 2005, the EPA issued the CAMR, that will require mercury emissions reductions from electric power generating stations. The rule establishes a two-phased reduction of mercury from Indiana electric utilities by establishing a cap-and-trade program with a state-wide annual cap on emissions. The first phase begins in 2010, a second phase in 2018, designed to achieve about a 70% reduction in utility emissions of mercury. Emission trading programs could be established to assist compliance with these emission caps. Indiana's final SIP rule implementing the CAMR will determine Northern Indiana's ability to participate in the federal trading program and impact the level of control required for each unit. Northern Indiana will continue to closely monitor developments in this area and cannot accurately estimate the timing or cost of emission controls at this time.

As an alternative to the regulatory approach defined in the CAIR and CAMR rules, as discussed above, the Bush Administration is attempting to pursue multipollutant legislation in 2005, the Clear Skies Act, which would require significant reductions of SO2, NOx and mercury emissions from electric power generating stations, including Northern Indiana's stations. The proposed legislation contains phased-in reductions for these three pollutants under alternative control approaches, including trading programs. The current proposal has not been passed out of its legislative committee and may still be revisited by Congress either later this year or at some point in the future. Until the legislation passes and/ or the rulemaking is completed by the EPA and implemented by the states, the potential impact on Northern Indiana will be uncertain. Nonetheless, if implemented, these potential reduction requirements could impose substantial costs on affected utilities, including Northern Indiana.

Water. On February 16, 2004, the EPA Administrator signed the Phase II Rule of the Clean Water Act Section 316(b) which requires all large existing steam electric generating stations meet certain performance standards to reduce the effects on aquatic organisms at their cooling water intake structures. The rule became effective on September 7, 2004. Under this rule, stations will either have to demonstrate that the performance of their existing fish protection systems meet the new standards or develop new systems whose compliance is based on any of five options. To determine the impacts of the Bailly Station's intake on the aquatic organisms in Lake Michigan, a detailed background biological sampling program was initiated in April 2005 and will continue for at least one year. The results of this sampling program will be utilized to choose the appropriate compliance option, or combination of options, for the facility. Specific impacts and available compliance options of the final Phase II rule for the remaining three Northern Indiana generating stations are still in the process of being determined at this time.

Remediation. On March 31, 2005, the EPA and Northern Indiana entered into an Administrative Order on Consent under the authority of Section 3008(h) of the Resource Conservation and Recovery Act for the Bailly Station. The order requires Northern Indiana to identify the nature and extent of releases of hazardous waste and hazardous constituents from the facility. Northern Indiana must also remediate any release of hazardous constituents that present an unacceptable risk to human health or the environment. A reserve has been established to fund the required investigations and conduct interim measures at the facility. The final costs of clean up have not yet been determined. As site investigations and clean up proceed and as additional information becomes available reserves are adjusted.

11. Accumulated Other Comprehensive Income (Loss)

The following table displays the components of Accumulated Other Comprehensive Income (Loss), which is included in "Common Stock Equity," on the Consolidated Balance Sheets.

(in millions)	**March 31, 2005**	December 31, 2004
Other comprehensive income, before tax:		
Unrealized losses on securities	**$ (0.2)**	$ (0.4)
Unrealized gains on cash flow hedges	**229.9**	142.8
Minimum pension liability adjustment	**(243.6)**	(243.6)
Other comprehensive loss, before tax	**(13.9)**	(101.2)
Income tax benefit related to items of other comprehensive loss	**18.4**	49.8
Total Accumulated Other Comprehensive Income (Loss), net of tax	**$ 4.5**	$ (51.4)

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

12. Business Segment Information

Operating segments are components of an enterprise for which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance.

NiSource's operations are divided into four primary business segments. The Gas Distribution Operations segment provides natural gas service and transportation for residential, commercial and industrial customers in Ohio, Pennsylvania, Virginia, Kentucky, Maryland, Indiana, Massachusetts, Maine and New Hampshire. The Gas Transmission and Storage Operations segment offers gas transportation and storage services for LDCs, marketers and industrial and commercial customers located in northeastern, mid-Atlantic, midwestern and southern states and the District of Columbia. The Electric Operations segment provides electric service in 21 counties in the northern part of Indiana and engages in wholesale and wheeling transactions. The Other Operations segment primarily includes gas marketing, power marketing and trading, and ventures focused on distributed power generation technologies, including cogeneration facilities, fuel cells and storage systems.

The following tables provide information about business segments. NiSource uses operating income as its primary measurement for each of the reported segments and makes decisions on finance, dividends and taxes at the corporate level on a consolidated basis. Segment revenues include intersegment sales to affiliated subsidiaries, which are eliminated in consolidation. Affiliated sales are recognized on the basis of prevailing market, regulated prices or at levels provided for under contractual agreements. Operating income is derived from revenues and expenses directly associated with each segment.

Three Months Ended March 31, *(in millions)*	**2005**	2004
REVENUES		
Gas Distribution		
Unaffiliated	**$2,016.6**	$1,858.6
Intersegment	**(0.8)**	2.7
Gas Transmission and Storage		
Unaffiliated	**158.2**	166.9
Intersegment	**71.5**	69.9
Total	**229.7**	236.8
Electric Operations		
Unaffiliated	**281.5**	255.8
Intersegment	**0.9**	5.1
Total	**282.4**	260.9
Other Operations		
Unaffiliated	**224.5**	182.9
Intersegment	**5.0**	5.1
Total	**229.5**	188.0
Adjustments and eliminations	**(75.9)**	(74.7)
Consolidated Revenues	**$2,681.5**	$2,472.3
Operating Income (Loss)		
Gas Distribution	**$ 274.9**	$ 285.0
Gas Transmission and Storage	**109.5**	111.4
Electric	**65.4**	58.8
Other	**(5.2)**	(18.0)
Corporate	**(6.9)**	5.6
Consolidated Operating Income	**$ 437.7**	$ 442.8

NiSource Inc.

Note regarding forward-looking statements

The Management's Discussion and Analysis, including statements regarding market risk sensitive instruments, contains "forward-looking statements," within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Investors and prospective investors should understand that many factors govern whether any forward-looking statement contained herein will be or can be realized. Any one of those factors could cause actual results to differ materially from those projected. These forward-looking statements include, but are not limited to, statements concerning NiSource plans, objectives, expected performance, expenditures and recovery of expenditures through rates, stated on either a consolidated or segment basis, and any and all underlying assumptions and other statements that are other than statements of historical fact. From time to time, NiSource may publish or otherwise make available forward-looking statements of this nature. All such subsequent forward-looking statements, whether written or oral and whether made by or on behalf of NiSource, are also expressly qualified by these cautionary statements. All forward-looking statements are based on assumptions that management believes to be reasonable; however, there can be no assurance that actual results will not differ materially.

Realization of NiSource's objectives and expected performance is subject to a wide range of risks and can be adversely affected by, among other things, weather, fluctuations in supply and demand for energy commodities, growth opportunities for NiSource's businesses, increased competition in deregulated energy markets, the success of regulatory and commercial initiatives, dealings with third parties over whom NiSource has no control, the scope, timing and impact of any 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, many of which risks are beyond the control of NiSource. In addition, the relative contributions to profitability by each segment, and the assumptions underlying the forward-looking statements relating thereto, may change over time.

The following Management's Discussion and Analysis should be read in conjunction with NiSource's Annual Report on Form 10-K for the fiscal year ended December 31, 2004.

CONSOLIDATED REVIEW

Executive Summary

NiSource generates virtually 100% of the company's operating income through the sale, distribution, transportation and storage of natural gas and the generation, transmission and distribution of electricity, which are rate regulated.

For the first quarter of 2005, net income was $206.3 million, or $0.76 per share. This compares to net income of $213.5 million, or $0.81 per share, for the year-ago period. The quarterly difference was primarily due to a decline in revenue resulting from the renegotiation of pipeline long-term contracts, lower gas distribution customer usage and warmer weather, as compared to the prior period. Partially offsetting these declines were increased revenues from regulatory initiatives and remarketing efforts within Gas Transmission and Storage Operations. The pipeline renegotiation process is now complete and the new contracts span an average of seven years with staggered expiration dates.

Also contributing to the decline in EPS was an increase of 8.0 million shares in the average number of shares outstanding at March 31, 2005, compared to the year earlier, due primarily to the NiSource SAILS [SM] conversion in November 2004.

NiSource made progress towards its key initiatives in the first quarter of 2005 and built a platform for long-term sustainable growth in 2006 and beyond. As discussed in NiSource's annual report on Form 10-K, financial results for 2005 will continue to be negatively impacted by regulatory proceedings and pipeline re-contracting that took place in 2004 and several operational and financial initiatives underway. Despite these issues, NiSource made progress on its key initiatives during the quarter.

NiSource Inc.

As a regulated company, NiSource is exposed to regulatory risk and manages this risk by monitoring its operations and working with various regulatory bodies to maintain a business that continues to provide value for its customers and stockholders in this changing environment. During the first quarter of 2005, NiSource continued to make progress with regulatory and commercial initiatives that began in 2004. Northern Indiana and the OUCC signed an MOU that would allow Northern Indiana to recover purchased power costs under certain conditions while at the same time would secure safe, reliable and intermediate dispatchable supplies of power for its electric customers. Bay State filed a $22.2 million, or 4.7 %, base rate case in Massachusetts that, if approved, would go into effect December 1, 2005. The rate case includes requests for a performance-based rate plan and cost recovery for a steel infrastructure replacement program. Columbia of Kentucky received regulatory approval to renew its Customer Choice SM Program, which began in 2000 as a pilot and was scheduled to end March 31, 2005. The program will now continue as a new pilot through March 31, 2009. Whiting Clean Energy completed renegotiation of the terms of its agreement with BP's oil refinery in Whiting, Indiana. Under the revised agreement, Whiting Clean Energy will continue to meet BP's need for steam, while reducing the power plant's required run time.

NiSource also continued to strengthen its financial position through management of the balance sheet and expenses. NiSource entered into a $1.25 billion revolving credit agreement to fund future working capital requirements and other corporate needs. The new five-year agreement replaces existing agreements and is expected to reduce interest expense by approximately $0.9 million for the remainder of 2005 and by about $1.2 million annually thereafter.

NiSource has selected IBM as the business process service provider with whom NiSource will move forward into a period of exclusive negotiation toward a contract to outsource up to $2 billion of business support activities over ten years. Teams of employees from the areas under consideration for transformation have been working for three months through a disciplined process with Accenture Ltd. and IBM — the two service providers that responded to an extensive RFP from NiSource — to identify potential solutions and savings. NiSource has not yet finalized which activities and processes will be outsourced or to what extent. A team from NiSource and IBM is working on the details of the future relationship between the two companies. NiSource expects to make final decisions and conclude contract negotiations in June 2005.

NiSource will continue to focus on its 2005 strategic platform for growth. This plan is centered on four key initiatives: pipeline growth and expansion; broad regulatory and commercial initiatives premised on existing assets; ongoing financial management of our balance sheet; and expense management.

Results of Operations
The Quarter Ended March 31, 2005

Net Income
NiSource reported net income of $206.3 million, or $0.76 per share, for the three months ended March 31, 2005, compared to net income of $213.5 million, or $0.81 per share, for the first quarter 2004. Operating income was $437.7 million, a decrease of $5.1 million from the same period in 2004. All per share amounts are basic earnings per share. Basic average shares of common stock outstanding at March 31, 2005 were 270.3 million compared to 262.3 million at March 31, 2004. The increase was primarily due to the issuance during the fourth quarter of 2004 of 6.8 million shares of common stock upon the settlement of the forward stock purchase contracts comprising a component of NiSource's SAILS SM .

Comparability of line item operating results was impacted by regulatory trackers that allow for the recovery in rates of certain costs such as bad debt expenses. These trackers increase both operating expenses and net revenues and had essentially no impact on total operating income results. Approximately $18 million of the increase in operating expenses was offset by a corresponding increase to net revenues reflecting recovery of these costs.

Net Revenues

Total consolidated net revenues (gross revenues less cost of sales) for the three months ended March 31, 2005, were $1,013.0 million, a $21.7 million increase from the same period last year. Excluding the impact of $18 million of trackers discussed above, revenues were essentially flat. Increased revenues of approximately $16 million from regulatory initiatives, including the expiration of the 1999 stipulation for Columbia of Ohio and the ECT, were offset by the impact of the restructuring of firm transportation and storage contracts that expired October 31, 2004, net of remarketing activities, and lower customer usage and warmer weather compared to the prior period.

Expenses

Operating expenses for the first quarter 2005 were $575.3 million, an increase of $26.8 million from the 2004 period. Excluding the impact of $18 million of trackers discussed above, operating expenses were $8.8 million higher, reflecting higher depreciation primarily the result of the expiration of the 1999 stipulation for Columbia of Ohio. Operation and maintenance expenses for the first quarter 2005 were $15.2 million higher than they were in the first quarter of 2004. Taking into consideration the trackers directly offset in revenues, operation and maintenance expenses, quarter-over-quarter, were essentially flat.

Other Income (Deductions)

Interest expense, net was $104.0 million for the quarter, an increase of $1.8 million compared to the first quarter 2004. Other, net was a loss of $0.5 million for the current quarter compared to $2.8 million of income for the comparable 2004 period due to costs associated with the sale of more accounts receivables compared to the previous period.

Income Taxes

Income tax expense for the first quarter 2005 was $123.4 million, a decrease of $2.3 million compared to the 2004 period, due to lower pre-tax income and a $1.1 million income tax benefit from an electric production deduction (discussed below), offset by a $1.0 million increase in state income tax expense and a $1.5 million increase in tax expense related to the regulatory treatment of depreciation differences.

The American Jobs Creation Act of 2004, signed into law on October 22, 2004, created new Internal Revenue Code Section 199 which, beginning in 2005, permits taxpayers to claim a deduction from taxable income attributable to certain domestic production activities. Northern Indiana and Whiting Clean Energy's electric production activities qualify for this deduction. The deduction is equal to 3% of QPAI for the taxable year, with certain limitations. This deduction increases to 6% of QPAI beginning in 2007 and 9% of QPAI beginning in 2010 and thereafter. The 2005 tax benefit associated with the Section 199 domestic production deduction is estimated to be $2 million. The United States Treasury Department has issued guidance for calculating this deduction in Notice 2005-14, but there are many issues still to be addressed in forthcoming proposed regulations. As such, the estimated $2 million tax benefit is subject to revision based on subsequently released Treasury guidance.

NiSource Inc.

Liquidity and Capital Resources

Generally, cash flow from operations has provided sufficient liquidity to meet operating requirements. A significant portion of NiSource's operations, most notably in the gas distribution, gas transportation and electric businesses, is subject to seasonal fluctuations in cash flow. During the heating season, which is primarily from November through March, cash receipts from gas sales and transportation services typically exceed cash requirements. During the summer months, cash on hand, together with the seasonal increase in cash flows from the electric business during the summer cooling season and external short-term and long-term financing, is used to purchase gas to place in storage for heating season deliveries, perform necessary maintenance of facilities, make capital improvements in plant and expand service into new areas.

Operating Activities. Net cash from operating activities for the three months ended March 31, 2005 was $1,021.6 million, an increase of $249.2 million from the comparable 2004 period. This change was due to increased cash from the change in working capital. Cash from working capital increased $319.3 million due to the increased sale of accounts receivable, and lower inventory levels, as a result of increased gas storage withdrawals at a higher cost.

Investing Activities. Capital expenditures of $104.1 million in the first quarter of 2005 were $6.2 million lower than the comparable 2004 period. The spending for the first quarter primarily reflected on-going system improvements and upgrades to maintain service and reliability. Capital spending is expected to increase in the remaining 2005 periods as compared to last year, mainly to support increased pipeline integrity related work and growth initiatives within Gas Transmission and Storage Operations.

Financing Activities. At March 31, 2005, NiSource had no borrowings under the company's $1.25 billion line of credit and NiSource's shelf capacity was $1.85 billion.

Long-term Debt

NiSource had filed a shelf registration statement on July 29, 2003 with the SEC to periodically sell up to $2.5 billion in debt securities, common and preferred stock, and other securities. The registration statement became effective on August 7, 2003, which when combined with NiSource's pre-existing shelf capacity, provided NiSource with an aggregate $2.8 billion of total issuance capacity. After the $500 million of notes issued on November 4, 2003 and the $450 million of notes issued on November 23, 2004, NiSource's shelf capacity remains at $1.85 billion.

On November 23, 2004, NiSource Finance issued $450 million of 5-year floating rate unsecured notes that mature November 23, 2009. The notes are callable, at par, on or after November 23, 2006. Subsequently, on December 10, 2004, NiSource Finance used $250 million of the proceeds from the $450 million floating rate note offering to redeem $250 million of existing floating rate notes that were due May 2005. The remaining proceeds were used to repay a portion of NiSource Finance short-term borrowings.

On November 1, 2004, NiSource issued approximately 6.8 million shares of common stock upon the settlement of the forward stock purchase contracts comprising a component of NiSource's SAILS ^{SM}. NiSource received approximately $144.4 million in satisfaction of the SAILS ^{SM} holders' obligation under the stock purchase contracts, which was used to pay down short-term borrowings. Effective November 1, 2004, the interest rate on the $144.4 million of debentures that comprised the debt component of the SAILS ^{SM} was reset to 3.628% per annum. The debentures mature November 1, 2006.

During February 2004, Northern Indiana redeemed $111.1 million of its medium-term notes and Bay State redeemed $10 million of its medium-term notes, with an average interest rate of 7.49% and 7.63%, respectively. The associated redemption premium was $4.6 million, of which $4.2 million was charged to operating expense and $0.4 million was recorded as a regulatory asset.

NiSource Inc.

Credit Facilities

During March 2005, NiSource obtained a new $1.25 billion five-year revolving credit facility with a syndicate of banks led by Barclays Capital. The new facility replaced an expiring $500 million 364-day credit facility, as well as a $750 million three-year credit facility that would have expired in March 2007. NiSource had no outstanding credit facility advances at March 31, 2005 and $307.6 million at December 31, 2004, at a weighted average interest rate of 3.04%. NiSource had $553 million of short-term investment balances at March 31, 2005. As of March 31, 2005 and December 31, 2004, NiSource had $106.9 million and $111.6 million of standby letters of credit outstanding, respectively. At March 31, 2005, $84.8 million of the $106.9 million total outstanding letters of credit resided within a separate bi-lateral letter of credit arrangement with Barclays Bank that NiSource obtained during February 2004. Of the remaining $22 million of standby letters of credit outstanding at March 31, 2005, $18.2 million resided under NiSource's five-year revolving credit facility and $3.8 million resided under an uncommitted arrangement with another financial institution. As of March 31, 2005, $1,231.8 million of credit was available under the credit facility.

Sale of Trade Accounts Receivables

On May 14, 2004, Columbia of Ohio entered into an agreement to sell, without recourse, substantially all of its trade receivables, as they originate, to CORC, a wholly-owned subsidiary of Columbia of Ohio. CORC, in turn, is party to an agreement, also dated May 14, 2004, in which it sells an undivided percentage ownership interest in the accounts receivable to a commercial paper conduit sponsored by Dresdner Kleinwort Wasserstein. The conduit can purchase up to $300 million of accounts receivable under the agreement. The agreement, which replaced a prior similar agreement, expires in May 2005, but can be renewed if mutually agreed to by both parties. As of March 31, 2005, $300 million of accounts receivable had been sold by CORC.

Under the agreement, Columbia of Ohio acts as administrative agent, by performing record keeping and cash collection functions for the accounts receivable sold by CORC. Columbia of Ohio receives a fee, which provides adequate compensation, for such services.

On December 30, 2003, Northern Indiana entered into an agreement to sell, without recourse, all of its trade receivables, as they originate, to NRC, a wholly-owned subsidiary of Northern Indiana. NRC, in turn, is party to an agreement in which it sells an undivided percentage ownership interest in the accounts receivable to a commercial paper conduit. The conduit can purchase up to $200 million of accounts receivable under the agreement. The agreement will expire on December 26, 2005, but can be renewed if mutually agreed to by both parties. As of March 31, 2005, NRC had sold $200 million of accounts receivable. Under the arrangement, Northern Indiana may not sell any new receivables if Northern Indiana's debt rating falls below BBB- or Baa3 at Standard and Poor's and Moody's, respectively.

Under the agreement, Northern Indiana acts as administrative agent, performing record keeping and cash collection functions for the accounts receivable sold. Northern Indiana receives a fee, which provides adequate compensation, for such services.

Market Risk Disclosures

Through its various business activities, NiSource is exposed to both non-trading and trading risks. The non-trading risks to which NiSource is exposed include interest rate risk, commodity market risk and credit risk of its subsidiaries. The risk resulting from trading activities consists primarily of commodity market and credit risks. NiSource's risk management policy permits the use of certain financial instruments to manage its market risk, including futures, forwards, options and swaps.

Various analytical techniques are employed to measure and monitor NiSource's market and credit risks, including VaR. VaR represents the potential loss or gain for an instrument or portfolio from changes in market factors, for a specified time period and at a specified confidence level.

NiSource Inc.

Non-Trading Risks

Commodity price risk resulting from non-trading activities at NiSource's rate-regulated subsidiaries is limited, since regulations allow recovery of prudently incurred purchased power, fuel and gas costs through the rate-making process. If states should explore additional regulatory reform, these subsidiaries may begin providing services without the benefit of the traditional ratemaking process and may be more exposed to commodity price risk.

NiSource is exposed to interest rate risk as a result of changes in interest rates on borrowings under revolving credit agreements, variable rate pollution control bonds and floating rate notes, which have interest rates that are indexed to short-term market interest rates. NiSource is also exposed to interest rate risk due to changes in interest rates on fixed-to-variable interest rate swaps that hedge the fair value of long-term debt. Based upon average borrowings and debt obligations subject to fluctuations in short-term market interest rates during the first quarter of 2005, an increase in short-term interest rates of 100 basis points (1%) would have increased interest expense by $4.9 million for the three months ended March 31, 2005.

Due to the nature of the industry, credit risk is a factor in many of NiSource's business activities. Credit risk arises because of the possibility that a customer, supplier or counterparty will not be able or willing to fulfill its obligations on a transaction on or before the settlement date. For derivative contracts such as interest rate swaps, credit risk arises when counterparties are obligated to pay NiSource the positive fair value or receivable resulting from the execution of contract terms. Exposure to credit risk is measured in terms of both current and potential exposure. Current credit exposure is generally measured by the notional or principal value of financial instruments and direct credit substitutes, such as commitments, standby letters of credit and guarantees. Because many of NiSource's exposures vary with changes in market prices, NiSource also estimates the potential credit exposure over the remaining term of transactions through statistical analysis of market prices. In determining exposure, NiSource considers collateral that it holds to reduce individual counterparty credit risk.

Trading Risks

The transactions associated with NiSource's power trading operations give rise to various risks, including market risks resulting from the potential loss from adverse changes in the market prices of electricity. The power trading operations market and trade over-the-counter contracts for the purchase and sale of electricity. Those contracts within the power trading portfolio that require settlement by physical delivery are often net settled in accordance with industry standards.

Fair value represents the amount at which willing parties would transact an arms-length transaction. Fair value is determined by applying a current price to the associated contract volume for a commodity. The current price is derived from one of three sources including actively quoted markets such as the NYMEX, other external sources including electronic exchanges and over-the-counter broker-dealer markets, as well as financial models such as the Black-Scholes option pricing model.

The fair values of the contracts related to NiSource's trading operations, the activity affecting the changes in the fair values during the first quarter of 2005, the sources of the valuations of the contracts during 2005 and the years in which the remaining contracts (all power trading) mature are:

(in millions)		**2005**
Fair value of contracts outstanding at the beginning of the period	**$**	**(3.0)**
Contracts realized or otherwise settled during the period (including net option premiums received)		**(0.8)**
Fair value of new contracts entered into during the period		**2.5**
Other changes in fair values during the period		**2.1**
Fair value of contracts outstanding at the end of the period	**$**	**0.8**

NiSource Inc.

(in millions)	2005	2006	2007	2008	2009	After
Prices from other external sources	$ 0.5	$ —	$ —	$ —	$ —	$ —
Prices based on models/other method	0.3	—	—	—	—	—
Total fair values	$ 0.8	$ —	$ —	$ —	$ —	$ —

The caption "Prices from other external sources" generally includes contracts traded on electronic exchanges and over-the-counter contracts whose value is based on published indices or other publicly available pricing information. Contracts shown within "Prices based on models/other method" are generally valued employing the widely used Black-Scholes option-pricing model.

Market Risk Measurement

Market risk refers to the risk that a change in the level of one or more market prices, rates, indices, volatilities, correlations or other market factors, such as liquidity, will result in losses for a specified position or portfolio. NiSource calculates a one-day VaR at a 95% confidence level for the power trading group and the gas marketing group that utilize a variance/covariance methodology. Based on the results of the VaR analysis, the daily market exposure for power trading on an average, high and low basis was $0.1 million, $0.4 million and effectively zero, during the first quarter of 2005, respectively. The daily market exposure for the gas marketing portfolio on an average, high and low basis was $0.1 million, $0.2 million and $0.1 million during the first quarter of 2005, respectively. Prospectively, management has set the VaR limits at $2.5 million for power trading and $0.5 million for gas marketing. Exceeding the VaR limits would result in management actions to reduce portfolio risk.

Refer to Note 8, "Risk Management and Energy Trading Activities," in the Notes to Consolidated Financial Statements for further discussion of NiSource's risk management.

Off Balance Sheet Arrangements

NiSource has issued guarantees that support up to approximately $1.2 billion of commodity-related payments for its current subsidiaries involved in energy marketing and power trading and to satisfy requirements under forward gas sales agreements of a former subsidiary. These guarantees were provided to counterparties in order to facilitate physical and financial transactions involving natural gas and electricity. To the extent liabilities exist under the commodity-related contracts subject to these guarantees, such liabilities are included in the Consolidated Balance Sheets.

NiSource has purchase and sales agreement guarantees totaling $137.5 million, which guarantee performance of the seller's covenants, agreements, obligations, liabilities, representations and warranties under the agreements. No amounts related to the purchase and sales agreement guarantees are reflected in the Consolidated Balance Sheets. Management believes that the likelihood NiSource would be required to perform or otherwise incur any significant losses associated with any of the aforementioned guarantees is remote.

NiSource has other guarantees, operating leases, and lines and letters of credit outstanding. Refer to Note 8, "Risk Management and Energy Trading Activities," and Note 10, "Guarantees and Indemnities," in the Notes to Consolidated Financial Statements for additional information about NiSource's off balance sheet arrangements.

NiSource has retained liabilities related to the CER forward gas sales agreements with Mahonia for guarantees of the forward sales and for indemnity agreements with respect to surety bonds backing the forward sales. The guarantees, surety bonds and associated indemnity agreements remain in place subsequent to the closing of the CER sale and decline over time as volumes are delivered in satisfaction of the contractual obligations, ending in February 2006. As of March 31, 2005, approximately 27.6 Bcf remained to be delivered under the forward sales agreements. NiSource is indemnified by Triana, and MSCP will fund up to a maximum of $49.3 million of additional equity to Triana to support Triana's indemnity, for Triana's gas delivery and related obligations to Mahonia. The MSCP commitment declines over time in concert with the surety bonds and the guaranteed obligation to deliver gas to Mahonia.

Immediately after the close of the sale, Triana owned approximately 1.1 Tcf of proved reserves, and was capitalized with $330 million, approximately $200 million of which was provided as initial equity by MSCP and the remainder of which is provided as part of a $500 million revolving credit facility. NiSource believes that the combination of Triana's proved reserves, sufficient capitalization, and access to the credit facility, combined with the Triana indemnity and the $49.3 million of further commitments to Triana from MSCP, adequately offset any losses that may be incurred by NiSource due to Triana's non-performance under the Mahonia agreements. Accordingly, NiSource has not recognized a liability related to the retention of the Mahonia guarantees.

RESULTS AND DISCUSSION OF SEGMENT OPERATIONS

Presentation of Segment Information

NiSource's operations are divided into four primary business segments; Gas Distribution Operations, Gas Transmission and Storage Operations, Electric Operations, and Other Operations.

NiSource Inc.

Gas Distribution Operations

Three Months Ended March 31, *(in millions)*	**2005**	2004
Net Revenues		
Sales Revenues	**$ 1,839.0**	$ 1,679.5
Less: Cost of gas sold	**1,417.7**	1,280.8
Net Sales Revenues	**421.3**	398.7
Transportation Revenues	**176.8**	181.8
Net Revenues	**598.1**	580.5
Operating Expenses		
Operation and maintenance	**198.7**	183.3
Depreciation and amortization	**55.8**	47.7
Other taxes	**68.7**	64.5
Total Operating Expenses	**323.2**	295.5
Operating Income	**$ 274.9**	$ 285.0
Revenues ($ in Millions)		
Residential	**1,261.7**	1,115.1
Commercial	**431.3**	395.9
Industrial	**74.6**	80.7
Transportation	**176.8**	181.8
Off System Sales	**51.2**	40.8
Other	**20.2**	47.0
Total	**2,015.8**	1,861.3
Sales and Transportation Volumes (MMDth)		
Residential sales	**109.1**	109.8
Commercial sales	**39.5**	41.4
Industrial sales	**7.8**	8.1
Transportation	**174.7**	187.2
Off System Sales	**7.2**	7.0
Other	**0.2**	0.3
Total	**338.5**	353.8
Heating Degree Days	**2,673**	2,724
Normal Heating Degree Days	**2,627**	2,655
% Colder (Warmer) than Normal	**2%**	3%
Customers		
Residential	**2,382,114**	2,313,364
Commercial	**215,719**	215,178
Industrial	**5,740**	5,991
Transportation	**749,831**	784,219
Other	**61**	61
Total	**3,353,465**	3,318,813

NiSource's natural gas distribution operations serve approximately 3.4 million customers in nine states: Ohio, Indiana, Pennsylvania, Massachusetts, Virginia, Kentucky, Maryland, New Hampshire and Maine. The regulated subsidiaries offer both traditional bundled services as well as transportation only for customers that purchase gas from alternative suppliers. The operating results reflect the temperature-sensitive nature of customer demand with over 72% of annual residential and commercial throughput affected by seasonality. As a result, segment operating income is higher in the first and fourth quarters reflecting the heating demand during the winter season.

Gas Distribution Operations (continued)

Regulatory Matters

Gas Distribution Operations continues to offer CHOICE ® opportunities, where customers can choose to purchase gas from a third party supplier, through regulatory initiatives in all of its jurisdictions. Through the month of March 2005, approximately 725 thousand of Gas Distribution Operations' residential and small commercial and industrial customers selected an alternate supplier.

On March 29, 2005, the PSC approved a renewed pilot program for Columbia of Kentucky authorizing the continuation of the Customer Choice SM Program. The program provides residential and small commercial customers the option to choose their natural gas supplier and avoids the stranded costs associated with the previous pilot. In addition, Columbia received approval from the PSC to implement programs that provide Columbia of Kentucky with the opportunity to stabilize wholesale costs for gas during the winter heating season and share certain cost savings with customers.

Since November 1, 2004, Columbia of Ohio has been operating under a new regulatory stipulation approved by the PUCO that expires on October 31, 2008. This regulatory stipulation has been contested by the OCC, and on June 9, 2004, the PUCO denied the OCC's Second Application for Rehearing. The OCC then filed an appeal with the Supreme Court of Ohio on July 29, 2004, contesting the PUCO's May 5, 2004 order on rehearing, which granted in part Columbia of Ohio's joint application for rehearing, and the PUCO's June 9, 2004 order, denying the OCC's Second Application for Rehearing. Columbia of Ohio intervened in the appellate proceeding. On December 8, 2004, the PUCO and Columbia of Ohio filed motions to dismiss the appeal, based upon the OCC's failure to comply with the Supreme Court of Ohio's procedural rules. On December 17, 2004, the OCC filed its Memoranda Contra. On March 23, 2005, the Supreme Court of Ohio issued a decision in which it granted the motions to dismiss and dismissed the appeal based upon the OCC's failure to comply with the Court's procedural rules. On April 1, 2005, the OCC filed a Motion for Reconsideration with the Supreme Court of Ohio. Columbia of Ohio and the PUCO filed Memoranda Contra on April 8, 2005.

On December 17, 2003, the PUCO approved an application by Columbia of Ohio and other Ohio LDCs to establish a tracking mechanism that will provide for recovery of current bad debt expense and for the recovery over a five-year period of previously deferred uncollected accounts receivable. On October 1, 2004, Columbia of Ohio filed an application for approval to increase its Uncollectible Expense Rider and on October 20, 2004, the PUCO approved the application. The PUCO's approval of this application resulted in Columbia of Ohio's commencing recovery of the deferred uncollectible accounts receivables and establishment of future bad-debt recovery requirements in November 2004. As of March 31, 2005, Columbia of Ohio has $35.3 million of uncollected accounts receivable pending future recovery. On May 2, 2005, Columbia filed an application for approval to decrease its Uncollectible Expense Rider rate, effective June 2005. This request for reduction in its Uncollectible Expense Rider rate was based on projected annual recovery requirements of $26.3 million for the period ending March 31, 2006 — a reduction of $11.4 million from Columbia's currently effective rate.

On December 2, 2004, Columbia of Ohio filed two applications with the Ohio Power Siting Board, requesting certificates of environmental compatibility and public need for the construction of the Northern Columbus Loop Natural Gas Pipeline project. The project is proposed in three phases (Phases IV, V and VI), and contemplates an approximately 25-mile long pipeline, to be constructed in northern Columbus and southern Delaware County. The project will help secure current and future natural gas supplies for Columbia of Ohio's customers in the region. On February 7, 2005, the Board notified Columbia that the applications were certified as complete. Columbia of Ohio also filed requests for waivers from certain of the Board's requirements. The waivers were approved on February 4, 2005. On April 14, 2005, the Board issued an Order (i) finding that the effective date of the applications is April 15, 2005, (ii) granting Columbia's motion to consolidate the cases for hearing purposes, and (iii) establishing a public hearing date of June 20, 2005, and an adjudicatory hearing date of June 21, 2005.

On April 27, 2005 Bay State filed for a rate increase of $22.2 million, or 4.7 %, with the Massachusetts DTE. The rate filing includes requests for a performance based rate plan and cost recovery of a steel infrastructure replacement program. If approved, the increase would go into effect on December 1, 2005.

Northern Indiana's gas costs are recovered under a flexible GCA mechanism approved by the IURC in 1999. Under the approved procedure, a demand component of the fuel adjustment factor is determined annually effective November 1 of each year, after hearings and IURC approval. The commodity component of the adjustment factor is determined by monthly filings, which do not require IURC approval but are reviewed by the IURC during the annual hearing that takes place regarding the demand component filing. Northern Indiana's GCA factor also

NiSource Inc.
Gas Distribution Operations (continued)

includes a GCIM which allows the sharing of any cost savings or cost increases with customers based on a comparison of actual gas supply portfolio cost to a market-based benchmark price.

Northern Indiana's GCA5 annual demand cost recovery filing, covering the period November 1, 2003 through October 31, 2004, was made on August 26, 2003. The IURC authorized the collection of the demand charge, subject to refund, effective November 1, 2003. On June 8, 2004, Northern Indiana and the OUCC entered into a joint stipulation and agreement resolving all issues in GCA5. Among the settlement agreement's provisions, Northern Indiana has agreed to return $3.8 million to its customers over a twelve-month period following IURC approval, which occurred on August 18, 2004. An additional provision of the agreement extended the current ARP, including Northern Indiana's GCIM, from the current expiration date of December 31, 2004 to March 31, 2005. This date has been further extended through March 31, 2006, as discussed below.

Northern Indiana's GCA6 annual demand cost recovery filing, covering the period November 1, 2004 through October 31, 2005 was made on August 26, 2004. The IURC authorized the collection of the demand charge, subject to refund, effective November 1, 2004 on October 20, 2004. The IURC held an evidentiary hearing in this Cause on March 2, 2005. Northern Indiana expects the IURC's order in the second quarter of 2005.

Northern Indiana, the OUCC, Testimonial Staff of the IURC, and the Marketer Group (a group which collectively represents marketers participating in Northern Indiana Choice) filed a Stipulation and Agreement with the IURC on October 12, 2004, that, among other things, extends the expiration date of the 1997 ARP to March 31, 2006. The IURC approved the settlement agreement on January 26, 2005. The agreement, as approved by the IURC, grandfathers the terms of existing contracts that marketers have with Choice customers and establishes a scope for negotiations that parties will follow when convening within the next several months to establish a long-term resolution of ARP. Parties have been meeting since early January to establish the future terms of ARP, to be effective post March 31, 2006. The filing of an agreement or petition is expected in the second quarter of 2005.

On December 14, 2004, the Maine PUC opened an investigation into the reasonable maintenance and replacement of cast iron facilities of Northern Utilities. The Maine PUC sought Northern Utilities opinion regarding the merits of an accelerated cast iron replacement program that would result in the replacement of all cast iron mains and services in Northern Utilities distribution system over ten years. Northern Utilities estimated that the incremental cost of such a program over ten years would be $35 million. Northern Utilities took the position that such a program was not necessary, but if the Maine PUC determined that such a program was required, Northern Utilities should be allowed to seek approval for an annual rate adjustment mechanism for the incremental investment associated with the accelerated cast iron replacement program. On March 28, 2005, the Maine PUC approved a settlement between Northern Utilities and the Maine OPA in which Northern Utilities agreed to replace approximately $15 million of cast iron facilities in a portion of its distribution system over a four-year period. The settlement, supported by the Maine PUC Staff Bench Analysis, also allows Northern Utilities to seek approval of an annual rate adjustment mechanism to recover the incremental cost of the accelerated cast iron replacement program. The Maine OPA has agreed not to oppose the request.

Environmental Matters
Currently, various environmental matters impact the Gas Distribution Operations segment. As of March 31, 2005, a reserve has been recorded to cover probable environmental response actions. Refer to Note 10-C, "Environmental Matters," in the Notes to Consolidated Financial Statements for additional information regarding environmental matters for Gas Distribution Operations.

Weather
In general, NiSource calculates the weather related revenue variance based on changing customer demand driven by weather variance from normal heating degree-days. Normal is evaluated using heating degree days across the NiSource distribution region. While the temperature base for measuring heating degree-days (i.e. the estimated average daily temperature at which heating load begins) varies slightly across the region, the NiSource composite measurement is based on 62 degrees.

Bay State Gas Company
Witness Responsible: Stephen H. Bryant
D.T.E. 05-27
Attachment AG-1-3 (d)

NiSource Inc.
Gas Distribution Operations (continued)

Weather in the Gas Distribution Operation's territories for the first quarter of 2005 was 2% warmer than the comparable quarter in 2004, but 2% colder than normal.

Throughput
Total volumes sold and transported of 338.5 MMDth for the first quarter of 2005 decreased 15.3 MMDth from the same period last year. This decrease in volume is attributed to lower customer usage as a result of slightly warmer weather in the first quarter of 2005 compared to the first quarter of 2004.

Net Revenues
Net revenues for the three months ended March 31, 2005 were $598.1 million, an increase of $17.6 million from the same period in 2004 due primarily to an increase in revenues recognized for trackers of $20.0 million which are offset in operating expense. Additionally, the expiration of the 1999 stipulation for Columbia of Ohio resulted in $13.0 million of additional revenue recognized in the first quarter of 2005 compared to the first quarter of 2004. These increases in net revenues were partially offset by a decrease in customer usage.

Operating Income
For the first quarter of 2005, Gas Distribution Operations reported operating income of $274.9 million, a decrease of $10.1 million from the same period in 2004. The decrease in operating income was mainly attributable to reduced usage and slightly warmer weather as compared to the first quarter of last year, as noted above. The $20 million increase in revenue from trackers was offset by $16.3 million of increased tracker related operation and maintenance expense and $3.7 million of increased operating taxes. The expiration of the 1999 stipulation for Columbia of Ohio also resulted in an increase in depreciation expense of $7.0 million, which partially offset the $13.0 million increase in revenue for the first quarter of 2005 compared to the first quarter of 2004.

NiSource Inc.
Gas Transmission and Storage Operations

Three Months Ended March 31, *(in millions)*	**2005**	2004
Operating Revenues		
Transportation revenues	**$ 178.4**	$ 188.3
Storage revenues	**45.2**	45.2
Other revenues	**6.1**	3.3
Total Operating Revenues	**229.7**	236.8
Less: Cost of gas sold	**5.5**	3.9
Net Revenues	**224.2**	232.9
Operating Expenses		
Operation and maintenance	**71.4**	78.3
Depreciation and amortization	**28.1**	28.3
Other taxes	**15.2**	14.9
Total Operating Expenses	**114.7**	121.5
Operating Income	**$ 109.5**	$ 111.4
Throughput (MMDth)		
Columbia Transmission		
Market Area	**395.6**	406.9
Columbia Gulf		
Mainline	**138.7**	160.0
Short-haul	**18.2**	27.0
Columbia Pipeline Deep Water	**3.5**	4.4
Crossroads Gas Pipeline	**12.0**	10.7
Granite State Pipeline	**13.9**	13.9
Intrasegment eliminations	**(138.6)**	(154.2)
Total	**443.3**	468.7

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

Regulatory Matters

On March 31, 2005, the FERC issued an order regarding Columbia Transmission's annual EPCA filing. The FERC's order accepted the filing, subject to refund, and established a hearing to address issues related to the appropriate methodology for allocating costs associated with the new electric Downingtown Compressor units. The order does not inhibit Columbia's ability to fully recover its electric costs; as such, management does not believe this order will have a material financial impact.

On March 29, 2005, the FERC issued an unconditional order accepting Columbia Transmission's March 1, 2005 RAM filing. Columbia Transmission's March 1, 2004 RAM is still pending before the FERC, with no statutory time requirement for future action; however, with the approval of the 2005 RAM filing, management does not anticipate a material adverse order.

Environmental Matters

Currently, various environmental matters impact the Gas Transmission and Storage Operations segment. As of March 31, 2005, a reserve has been recorded to cover probable environmental response actions. Refer to Note 10-C, "Environmental Matters," in the Notes to Consolidated Financial Statements for additional information regarding environmental matters for Gas Transmission and Storage Operations.

NiSource Inc.
Gas Transmission and Storage Operations (continued)

Proposed Millennium Pipeline Project
The proposed Millennium Project, in which Columbia Transmission is participating and will serve as developer and operator, will provide access to a number of supply and storage basins and the Dawn, Ontario trading hub. The project is now being marketed in two phases. Phase 1 of the project is to begin at a proposed interconnect with Empire, an existing pipeline that originates at the Canadian border and extends easterly towards Syracuse. Empire would construct a lateral pipeline southward to connect with Millennium near Corning, N.Y. Millennium would extend eastward to an interconnect with Algonquin Gas Transmission at Ramapo, N.Y. As currently planned, Phase 2 would cross the Hudson River, linking to the New York City metropolitan market.

On September 19, 2002, the FERC issued its order granting final certificate authority for the original Millennium project and specified that Millennium may not begin construction until certain environmental and other conditions are met. One such condition, impacting what is now being marketed as Phase 2 of the project, is compliance with the Coastal Zone Management Act, which is administered by the NYDOS. NYDOS has determined that the Hudson River crossing plan is not consistent with the Act. Millennium's appeal of that decision to the United States Department of Commerce was denied. Millennium filed an appeal of the United States Department of Commerce ruling relating to the project's Hudson River crossing plan in the United States Federal District Court on February 13, 2004. The procedural schedule calls for all briefings to be completed by the end of 2005.

During the second quarter of 2004, a NiSource affiliate purchased an additional interest in the project. NiSource is finalizing plans to transfer this interest to other sponsors in the second quarter of 2005. The other sponsors are Columbia Transmission, MCNIC Millennium Company (subsidiary of DTE Energy Company), and KeySpan Millennium, L.L.C. (subsidiary of KeySpan Corporation).

Hardy Storage Project
In November 2004, Columbia Transmission and a subsidiary of Piedmont reached an agreement to jointly develop a major new underground natural gas storage field to help meet increased market demand for natural gas in the eastern United States.

Columbia Transmission and Piedmont have formed Hardy Storage, to develop a natural gas storage field from a depleted natural gas production field in West Virginia. Columbia Transmission and Piedmont each have a 50% equity interest in the project, and Columbia Transmission will serve as operator of the facilities.

An open season for Hardy Storage conducted in early 2004 resulted in full subscription of the project's storage capacity under long-term firm contracts. The field, which will have the capacity to store approximately 12 Bcf natural gas, is planned to begin service in November 2007, and will ultimately deliver 176 MMDth per day of firm storage service to the four customers subscribing for Hardy Storage capacity. These customers have also signed long-term firm agreements with Columbia Transmission for transportation capacity to deliver gas from Hardy Storage to their markets. Columbia Transmission will expand its natural gas transmission system to create this capacity.

Both Hardy Storage and Columbia Transmission filed the necessary applications for the projects with the FERC on April 25, 2005, with plans to begin construction later this year. Service from both projects is expected to be available in 2007.

Throughput
Throughput for the Gas Transmission and Storage Operations segment totaled 443.3 MMDth for the first quarter 2005, compared to 468.7 MMDth for the same period in 2004. The decrease of 25.4 MMDth is due to the continued decline of offshore natural gas production and slightly warmer weather in the first quarter of 2005 than for the comparable period in 2004.

NiSource Inc.
Gas Transmission and Storage Operations (continued)

Net Revenues
Net revenues were $224.2 million for the first quarter 2005, a decrease of $8.7 million from the same period in 2004, primarily due to a $6.8 million impact from the restructuring of firm transportation and storage contracts that expired October 31, 2004, net of remarketing activities.

Operating Income
Operating income was $109.5 million for the first quarter 2005 compared to $111.4 million in the first quarter 2004. Operating income decreased as a result of the change in net revenues mentioned above, partially offset by lower operating expenses of $6.8 million, including lower employee and administrative expense of $2.7 million and outside services of $1.0 million.

NiSource Inc.
Electric Operations

Three Months Ended March 31, *(in millions)*	**2005**	2004
Net Revenues		
Sales revenues	**$ 282.4**	$ 260.9
Less: Cost of sales	**95.7**	81.4
Net Revenues	**186.7**	179.5
Operating Expenses		
Operation and maintenance	**61.1**	60.3
Depreciation and amortization	**45.5**	44.1
Other taxes	**14.7**	16.3
Total Operating Expenses	**121.3**	120.7
Operating Income	**$ 65.4**	$ 58.8
Revenues ($ in millions)		
Residential	**73.4**	71.2
Commercial	**73.2**	70.4
Industrial	**112.4**	101.3
Wholesale	**7.5**	11.4
Other	**15.9**	6.6
Total	**282.4**	260.9
Sales (Gigawatt Hours)		
Residential	**767.0**	754.5
Commercial	**894.2**	860.2
Industrial	**2,328.3**	2,338.1
Wholesale	**161.2**	269.9
Other	**32.6**	32.4
Total	**4,183.3**	4,255.1
Electric Customers		
Residential	**392,527**	388,520
Commercial	**50,485**	49,394
Industrial	**2,531**	2,531
Wholesale	**28**	24
Other	**766**	787
Total	**446,337**	441,256

NiSource generates and distributes electricity, through its subsidiary Northern Indiana, to approximately 446 thousand customers in 21 counties in the northern part of Indiana. The operating results reflect the temperature-sensitive nature of customer demand with annual sales affected by temperatures in the northern part of Indiana. As a result, segment operating income is generally higher in the second and third quarters, reflecting cooling demand during the summer season.

Market Conditions

The regulatory frameworks applicable to Electric Operations continue to be affected by fundamental changes that will impact Electric Operations' structure and profitability. Notwithstanding those changes, competition within the industry will create opportunities to compete for new customers and revenues. Management has taken steps to improve operating efficiencies in this changing environment.

NiSource Inc.
Electric Operations (continued)

Regulatory Matters

During 2002, Northern Indiana settled certain regulatory matters related to an electric rate review. On September 23, 2002, the IURC issued an order adopting most aspects of the settlement. The order approving the settlement provides that electric customers of Northern Indiana will receive bill credits of approximately $55.1 million each year, for a cumulative total of $225 million, for the minimum 49-month period, beginning on July 1, 2002. The order also provides that 60% of any future earnings beyond a specified earnings level will be retained by Northern Indiana. Credits amounting to $14.4 million and $13.1 million were recognized for electric customers for the first quarter of 2005 and 2004, respectively.

On June 20, 2002, Northern Indiana, Ameren Corporation and First Energy Corporation established terms for joining the MISO through participation in an ITC. Northern Indiana transferred functional control of its electric transmission assets to the ITC and MISO on October 1, 2003. In April 2005, Northern Indiana, as well as the other two participants of the ITC, announced their withdrawal from the ITC and the ITC will cease operations effective November 1, 2005. As part of Northern Indiana's use of MISO's transmission service, Northern Indiana will incur new categories of transmission charges based upon MISO's FERC-approved tariff. One of the new categories of charges, Schedule 10, relates to the payment of administrative charges to MISO for its continuing management and operations of the transmission system. Northern Indiana filed a petition on September 30, 2003, with the IURC seeking approval to establish accounting treatment for the deferral of the Schedule 10 charges from MISO. On July 21, 2004, the IURC issued an order which denied Northern Indiana's request for deferred accounting treatment for the MISO Schedule 10 administrative fees. Northern Indiana appealed this decision to the Indiana Appellate Court, but on April 27, 2005, the Court affirmed the IURC's original decision. Northern Indiana recorded a charge during the second quarter 2004 in the amount of $2.1 million related to the MISO administrative charges deferred through June 30, 2004, and recognized $1.6 million in MISO fees for the second half of 2004. The MISO Schedule 10 administrative fees are currently estimated to be approximately $3.1 million annually.

The MISO has launched the MMI, implementing structures and processes of an electricity market for the MISO region. The MMI provides non-discriminatory transmission service, reliable grid operation, and the purchase and sale of electric energy in a competitive, efficient and non-discriminatory manner. MISO's MMI tariffs have been approved by FERC. Financially binding activities began with the opening of the market for bids and offers on March 25, 2005, and the Real-Time Market on April 1, 2005. Northern Indiana and TPC are actively participating in the MMI. Management is assessing the impact of MMI, and, based on the first month of market operation, expects a financial impact of $3.5 to $4.0 million annually in operating expenses for MMI administrative costs. These are in addition to the MISO Schedule 10 administrative costs for which Northern Indiana was denied deferral treatment in 2004. MMI energy costs are being accounted for in the same manner that energy costs were recorded prior to the implementation of the MMI, and are recovered through the FAC, pending approval by the IURC of MISO Day 2 costs. The detailed MMI tariff manages system reliability through the use of a market-based congestion management system. The FERC approved tariff includes a centralized dispatch platform, which dispatches the most economic resources to meet load requirements efficiently and reliably in the MISO region. The tariff uses Locational Marginal Pricing (i.e. the energy price for the next lowest priced megawatt available at each location within the MISO footprint). The tariff also allows for the allocation, auction or sale of FTRs, which are instruments that hedge against congestion costs occurring in the day-ahead market. Northern Indiana has not yet been a participant in the auction market for FTRs, but has been allocated, at zero cost, a number of FTRs for use through the summer season. The MISO performs a day-ahead unit commitment and dispatch forecast for all resources in its market. The MISO also performs the real time resource dispatch for resources under its control on a five-minute basis.

Northern Indiana has been recovering the costs of electric power purchased for sale to its customers through the FAC. The FAC provides for costs to be collected if they are below a negotiated cap. If costs exceed this cap, Northern Indiana must demonstrate that the costs were prudently incurred to achieve approval for recovery. Northern Indiana is in discussions with the OUCC on a new basis for establishing the cap. An agreement is anticipated to be filed with the IURC in the second quarter of 2005, and Northern Indiana anticipates that approval will also be received from the IURC in the second quarter of 2005. A group of industrial customers challenged the manner in which Northern Indiana applied such costs under a specific interruptible sales tariff. A settlement was reached with the customers and the industrial customers' challenge was withdrawn and dismissed in January 2004.

NiSource Inc.
Electric Operations (continued)

In addition, as a result of the settlement, Northern Indiana has sought and received approval by the IURC to reduce the charges applicable to the interruptible sales tariff. This reduction will remain in effect until the Mitchell Station returns to service.

In January 2002, Northern Indiana indefinitely shut down its Mitchell Station. In February 2004, the City of Gary announced an interest in acquiring the land on which the Mitchell Station is located for economic development, including a proposal to increase the length of the runways at the Gary International Airport. On May 7, 2004, the City of Gary filed a petition with the IURC seeking to have the IURC establish a value for the Mitchell Station and establish the terms and conditions under which the City of Gary would acquire the Mitchell Station. Northern Indiana has reached an agreement with the City of Gary that provides for a joint redevelopment process for the Mitchell Station where the City of Gary could ultimately receive ownership of the property provided that the City of Gary and Northern Indiana can find funding for the demolition and environmental cleanup cost associated with demolishing the facility. The agreement expressly provides that neither Northern Indiana nor its customers will be obligated to provide funds for these costs. The associated demolition and environmental cleanup costs are estimated to be between $38 million to $53 million.

On May 25, 2004, Northern Indiana filed a petition for approval of a Purchased Power and Transmission Tracker Mechanism to recover the cost of purchased power to meet Northern Indiana's retail electric load requirements and charges imposed on Northern Indiana by MISO and ITC. A hearing in this matter was held December 1st and 2nd of 2004. An IURC order is expected in the second quarter of 2005.

On March 31, 2005, Northern Indiana and the OUCC filed an MOU with the IURC that could result in settlements of the City of Gary petition and Purchased Power and Transmission Tracker petition. The settlement agreement that is contemplated by the MOU would provide, among other things, for the recovery of Northern Indiana's costs for intermediate dispatchable power purchased from TPC and would require Northern Indiana to file a base rate case in 2007. The MOU provides that a settlement is contingent upon: 1) acceptable results of a third party evaluation study to be performed by an independent consultant relating to the use of Whiting Clean Energy and the Mitchell Station to meet the control performance standards required by the National Electric Reliability Council and 2) affirmative consent to the other terms of the MOU by Northern Indiana's large industrial electric customers. The scope of the proposed settlement does not include MISO costs. The ability to recover or defer MISO costs will be determined in another proceeding before the IURC, filed by several of the investor-owned electric utilities in Indiana (see the following paragraph). Northern Indiana expects that it will be able to file a settlement with the OUCC, based upon the outcome of the independent consultant's study, with the IURC in the second quarter of 2005, and that it would be approved in the third quarter of 2005. Northern Indiana has also filed a separate petition with the IURC in which it, TPC and Whiting Clean Energy, have requested expedited approval for the sale of intermediate dispatchable power this summer from Whiting Clean Energy through TPC to Northern Indiana.

On July 9, 2004, a verified joint petition was filed by PSI Energy, Inc., Indianapolis Power & Light Company, Northern Indiana and Vectren Energy Delivery of Indiana, Inc., seeking approval of certain changes in operations that are likely to result from the MISO's implementation of energy markets, and for determination of the manner and timing of recovery of costs resulting from the MISO's implementation of standard market design mechanisms, such as the MISO's proposed real-time and day-ahead energy markets. The hearing in this matter was completed on February 11, 2005 and an IURC order is expected in the second quarter of 2005.

On November 26, 2002, Northern Indiana received approval for an ECT. Under the ECT Northern Indiana is permitted to recover (1) allowance for funds used during construction and a return on the capital investment expended by Northern Indiana to implement Indiana Department of Environmental Management's nitrogen oxide State Implementation Plan through an ECRM and (2) related operation and maintenance and depreciation expenses once the environmental facilities become operational through an EERM. Under the IURC's November 26, 2002 order, Northern Indiana is permitted to submit filings on a semi-annual basis for the ECRM and on an annual basis for the EERM. Northern Indiana currently anticipates a total capital investment amounting to approximately $305 million. This amount was filed in Northern Indiana's latest compliance plan, which was approved by the IURC on January 19, 2005. The ECRM revenues amounted to $6.3 million for the three months ended March 31, 2005, and $30.3 million from inception to date, while EERM revenues were $0.4 million for the first quarter of 2005. On

NiSource Inc.
Electric Operations (continued)

February 4, 2005, Northern Indiana filed ECR-5 simultaneously with EER-2 for capital expenditures of $235.6 million and depreciation and operating expenses of $10.5 million through December 31, 2004.

On April 13, 2005, Northern Indiana received an order from the IURC in a complaint filed by Jupiter. The complaint asserted that Northern Indiana's service quality was not reasonably adequate. While not concluding that Northern Indiana's service was not reasonably adequate, the IURC ruled that Northern Indiana must construct a backup line and pay Jupiter $2.5 million to install special fast switching equipment at the Jupiter plant. Further, Northern Indiana is precluded from recovering the $2.5 million in rates. Northern Indiana and Jupiter have both filed motions requesting the IURC to reconsider its order.

Environmental Matters
Currently, various environmental matters impact the Electric Operations segment. As of March 31, 2005, a reserve has been recorded to cover probable environmental response actions. Refer to Note 10-C, "Environmental Matters," in the Notes to Consolidated Financial Statements for additional information regarding environmental matters for Electric Operations.

Sales
Electric sales quantities for the first quarter of 2005 were 4,183.3 gwh, a decrease of 71.8 gwh compared to the 2004 period, as a result of decreased wholesale transaction sales. Residential and commercial sales quantities improved modestly due to increases in the number of customers and increased customer usage, while industrial sales quantities remained relatively stable.

Net Revenues
In the first quarter of 2005, electric net revenues of $186.7 million increased by $7.2 million from the comparable 2004 period. This improvement was primarily a result of increased environmental cost recovery trackers of $3.7 million and increased industrial net customer revenues of $3.0 million.

Operating Income
Operating income for the first quarter of 2005 was $65.4 million, an increase of $6.6 million from the same period in 2004. The increase was primarily due to the changes in net revenue mentioned above. While operating expenses were relatively flat as compared to the 2004 period, increases were seen in electric generation maintenance expense of $2.4 million and employee and administrative expense of $1.9 million, which were partially offset by a $3.3 million expense in the comparable 2004 period for Electric Operations' portion of a redemption premium paid for the early extinguishment of certain medium-term notes at Northern Indiana.

NiSource Inc.
Other Operations

Three Months Ended March 31, *(in millions)*	2005	2004
Net Revenues		
Products and services revenue	**$ 229.5**	$ 188.0
Less: Cost of products purchased	**224.1**	188.5
Net Revenues	**5.4**	(0.5)
Operating Expenses		
Operation and maintenance	**6.4**	12.1
Depreciation and amortization	**2.9**	3.0
Loss (gain) on sale or impairment of assets	**(0.5)**	0.7
Other taxes	**1.8**	1.7
Total Operating Expenses	**10.6**	17.5
Operating Loss	**$ (5.2)**	$ (18.0)

The Other Operations segment participates in energy-related services including gas marketing, power trading and ventures focused on distributed power generation technologies, fuel cells and storage systems. PEI operates the Whiting Clean Energy project, which is a 525 mw cogeneration facility that uses natural gas to produce electricity for sale in the wholesale markets and also provides steam for industrial use. Additionally, the Other Operations segment is involved in real estate and other businesses.

Lake Erie Land Company, Inc.
In March 2005, Lake Erie Land, wholly owned by NiSource, recognized a pre-tax impairment charge of $2.9 million related to the Sand Creek Golf Club property and began accounting for the operations of the golf club as discontinued operations. The assets of the Sand Creek Golf Club, valued at $12.1 million as of March 31, 2005, are reported as assets of discontinued operations. An additional $5.6 million of assets, representing an estimate of land to be sold during the next twelve-months, are reflected as assets held for sale.

PEI Holdings, Inc.
Whiting Clean Energy. PEI's Whiting Clean Energy project at BP's Whiting, Indiana refinery was placed in service in 2002. Initially, the facility was not able to deliver steam to BP to the extent originally contemplated without plant modifications. Whiting Clean Energy reached an agreement in October 2004 with the engineering, procurement and construction contractor, under which the contractor paid for a portion of the necessary plant modifications and other expenses. Whiting Clean Energy is also pursuing recovery from the insurance provider for construction delays and necessary plant modifications and repairs.

For the first quarter of 2005, the PEI holding companies' consolidated after-tax loss was approximately $8.1 million. The profitability of the Whiting Clean Energy project in future periods will be dependent on, among other things, approval of the electric sales agreement discussed in the following paragraph, prevailing prices in the energy markets and regional load dispatch patterns. Also impacting the profitability of Whiting Clean Energy is the steam requirements for BP's oil refinery. During the first quarter of 2005, Whiting Clean Energy completed renegotiation of the terms of its agreement with BP's oil refinery in Whiting, Indiana. Under the revised agreement, Whiting Clean Energy will continue to meet BP's need for steam, while reducing the power plant's required run time.

In the first quarter of 2005, Northern Indiana selected TPC from bidders responding to a Request for Proposals issued in October 2004 to provide 230 mw of intermediate dispatchable power, utilizing the generation facilities of Whiting Clean Energy, pending regulatory approval. Whiting Clean Energy has filed a petition with FERC seeking expedited approval of a tariff covering the sale of such intermediate dispatchable power. TPC has similarly filed with FERC a petition seeking approval by June 1 of its proposed contract with Northern Indiana. TPC and Whiting Clean Energy, along with Northern Indiana, have also filed a separate petition with the IURC in which they have

Bay State Gas Company
Witness Responsible: Stephen H. Bryant
D.T.E. 05-27
Attachment AG-1-3 (d)

NiSource Inc.
Other Operations (continued)

requested expedited approval for the sale of intermediate dispatchable power this summer from Whiting Clean Energy through TPC to Northern Indiana. Northern Indiana and the OUCC have signed an MOU that may result in a settlement agreement that would allow Northern Indiana to recover the costs of such purchases if certain conditions are met. Under the MOU, the proposed settlement agreement is subject to an independent, third-party review and would require the approval of the IURC, which Northern Indiana does not expect to receive until the third quarter of 2005.

Net Revenues

Net revenues of $5.4 million for the first quarter of 2005 increased by $5.9 million from the first quarter of 2004, due to increased net revenue from the Whiting Clean Energy facility of $2.4 million driven by reduced power generated related steam provided to BP and increased power trading revenues of $1.2 million.

Operating Income

Other Operations reported an operating loss of $5.2 million for the first quarter of 2005, versus an operating loss of $18.0 million for the comparable 2004 period. The decrease in the operating loss resulted primarily from the improved operation of Whiting Clean Energy, the reversal of a $2.1 million legal reserve and lower operation and maintenance expenses.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

NiSource Inc.

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

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

NiSource's chief executive officer and its principal financial officer, after evaluating the effectiveness of NiSource's disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)), have concluded based on the evaluation required by paragraph (b) of Exchange Act Rules 13a-15 and 15d-15 that, as of the end of the period covered by this report. NiSource's disclosure controls and procedures were adequate and effective to ensure that material information relating to NiSource and its consolidated subsidiaries would be made known to them by others within those entities.

Changes in Internal Controls

There was no change in NiSource's internal control over financial reporting during the fiscal quarter covered by this report that has materially affected, or is reasonably likely to materially affect, NiSource's internal control over financial reporting.

PART II

ITEM 1. LEGAL PROCEEDINGS

NiSource Inc.

1. United States of America ex rel. Jack J. Grynberg v. Columbia Gas Transmission Corporation, et al., U.S. District Court, E.D. Louisiana

The plaintiff filed a complaint in 1997, under the False Claims Act, on behalf of the United States of America, against approximately seventy pipelines, including Columbia Gulf and Columbia Transmission. The plaintiff claimed that the defendants had submitted false royalty reports to the government (or caused others to do so) by mis-measuring the volume and heating content of natural gas produced on Federal land and Indian lands. The Plaintiff's original complaint was dismissed without prejudice for misjoinder of parties and for failing to plead fraud with specificity. The plaintiff then filed over sixty-five new False Claims Act complaints against over 330 defendants in numerous Federal courts. One of those complaints was filed in the Federal District Court for the Eastern District of Louisiana against Columbia Energy Group and thirteen affiliated entities (collectively, the "Columbia defendants").

Plaintiff's second complaint, filed in 1997, repeats the mis-measurement claims previously made and adds valuation claims alleging that the defendants have undervalued natural gas for royalty purposes in various ways, including sales to affiliated entities at artificially low prices. Most of the Grynberg cases were transferred to Federal court in Wyoming in 1999.

The defendants, including the Columbia defendants, have filed motions to dismiss for lack of subject matter jurisdiction in this case. Oral argument on the motions to dismiss was held on March 17 and 18, 2005 before a Special Master. The Special Master is expected to submit a final report and recommendation to the Federal District Court.

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

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS

NiSource Inc.

(a) Exhibits

(10.1) First Amendment to the Savings Restoration Plan for NiSource Inc. and Affiliates (incorporated by reference to Exhibit 10.1 to the NiSource Inc. Current Report on Form 8-K dated January 3, 2005).**

(10.2) Form of Nonqualified Stock Option Agreement (incorporated by reference to Exhibit 10.2 to the NiSource Inc. Current Report on Form 8-K dated January 3, 2005).**

(10.3) Revolving Credit Agreement among NiSource Finance Corp., as Borrower, NiSource Inc., as Guarantor, Credit Suisse First Boston, as Syndication Agent, JPMorgan Chase Bank, N.A., The Bank Of Tokyo-Mitsubishi, Ltd., Chicago Branch and Citicorp USA, Inc., as Co-Documentation Agents, Barclays Bank Plc, as Administrative Agent and LC Bank, Barclays Capital and Credit Suisse First Boston, as Lead Arrangers and Barclays Capital, as Sole Book Runner, dated as of March 11, 2005 (incorporated by reference to Exhibit 99.1 to the NiSource Inc. Current Report on Form 8-K dated March 11, 2005).

(10.4) NiSource Inc. Executive Severance Policy, effective as of June 1, 2002 as amended effective January 1, 2005. * **

(10.5) Second Amendment to the NiSource Corporate Incentive Plan, effective as of January 1, 2004 as amended effective January 1, 2005. * **

(31.1) Certification of Gary L. Neale, Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. *

(31.2) Certification of Michael W. O'Donnell, Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. *

(32.1) Certification of Gary L. Neale, Chief Executive Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith). *

(32.2) Certification of Michael W. O'Donnell, Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith). *

* Exhibit filed herewith.

** Management contract or compensatory plan or arrangement of NiSource Inc.

Pursuant to Item 601(b)(4)(iii) of Regulation S-K, NiSource hereby agrees to furnish the SEC, upon request, any instrument defining the rights of holders of long-term debt of NiSource not filed as an exhibit herein. No such instrument authorizes long-term debt securities in excess of 10% of the total assets of NiSource and its subsidiaries on a consolidated basis.

SIGNATURE

NiSource Inc.

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

NiSource Inc.
(Registrant)

Date: May 5, 2005

By: /s/ Jeffrey W. Grossman
Jeffrey W. Grossman
Vice President and Controller
(Principal Accounting Officer
and Duly Authorized Officer)

Exhibit 10.4

NiSource

POLICY SUBJECT: **Executive Severance Policy**

EFFECTIVE DATE: **June 1, 2002**

REVISED: **January 1, 2005**

1. Purpose . The NiSource Executive Severance Policy ("Policy") was established, effective June 1, 2002, to provide Severance Pay and other benefits, to terminated executive-level employees of certain subsidiary and affiliate corporations of NiSource Inc. ("Company"), while they seek alternative employment. In consideration for such severance benefits, an employee will release the Company and its affiliated entities from any and all actions, suits, proceedings, claims and demands related to the termination. Benefits under the Policy shall be in lieu of any benefits available under the NiSource Severance Policy or any other severance plan or policy maintained by the Company or any Affiliate. The Policy is amended and restated effective January 1, 2005.

2. Administration . The Policy is administered by the Officer Nomination and Compensation Committee of the Board of Directors of the Company ("Committee"). The Committee has the complete discretion and authority with respect to the Policy and its application. The Committee reserves the right to interpret the Policy, prescribe, amend and rescind rules and regulations relating to it, determine the terms and provisions of severance benefits and make all other determinations it deems necessary or advisable for the administration of the Policy. The determination of the Committee in all matters regarding the Policy shall be conclusive and binding on all persons. The Committee may delegate any of its duties under the Policy to the Executive Vice President of Human Resources and Communications of the Company.

3. Scope . The Policy will apply to all full-time or part-time regular, non-union employees of the Company and each of its subsidiary corporations (collectively, "Affiliates" and each an "Affiliate") whose target bonus under the NiSource Inc. Management Incentive Plan for the calendar year in which he or she becomes entitled to receive Severance Pay equals or exceeds 25% ("Participants").

4. Eligibility for Severance Pay . A Participant becomes entitled to receive Severance Pay only if he or she is terminated by an Affiliate for any of the following reasons:

   (a) Reductions in force or other restructurings that eliminate the Participant's position.

   (b) The Participant's position must relocate and the Participant chooses not to relocate.

(c) The Participant's position is constructively terminated. Constructive termination means the scope of the Participant's position is changed materially or the Participant's base pay is reduced or the Participant's total participation in the short-term and long-term incentive compensation plans of the Affiliates is materially reduced or is eliminated and the Participant chooses not to remain in the position. The decision on constructive termination shall be made by the Committee, not the Participant. If the Participant disagrees, the Participant must follow the claims procedure, as set forth in Section 15.

5. Conditions to Receipt of Benefits .

(a) Severance Pay is not available to a Participant otherwise eligible for Severance Pay who transfers to another position within any Affiliate.

(b) Severance Pay is not available to a Participant whose position is eliminated due to (1) the sale of the Affiliate which employs the Participant on the date of termination or (2) the outsourcing of work, where in either such event the purchaser of the Affiliate or the outsourcing service provider makes an offer of employment to the Participant that, if it were an Affiliate, would not constitute "constructive termination" as described in Section 4(c).

(c) During the period in which a Participant is entitled to consider the execution of the release described in Section 6, he or she may be required to complete unfinished business projects and be available for discussions regarding matters relative to the Participant's duties.

(d) A Participant must return, or agree to return, all Affiliate property and information to the Affiliate.

(e) A Participant must agree to pay all outstanding amounts owed to any Affiliate and authorize the Affiliate to withhold any outstanding amounts from his or her final paycheck and/or Severance Pay.

6. Amount of Severance Pay . The amount of Severance Pay to which a Participant is entitled under the Policy is 52 weeks of base salary (at the rate in effect on the date of termination).

A Participant who is receiving benefits under a short term disability plan maintained by any Affiliate will be entitled to Severance Pay at the end of the period of payment of short term disability if, and only if, (1) he or she is not then eligible for benefits under a long term disability plan maintained by an Affiliate, and (2) he or she is not offered employment with an Affiliate that, in the discretion of the Committee, is comparable to that in effect at the time the applicable period of short term disability commenced.

Severance Pay will be paid to a Participant in one lump sum cash payment. Payment will be made as soon as practicable after the last to occur of (1) the date of the Participant's termination of employment, (2) the effective date of the Participant's valid executed

release of the Affiliates, and their respective officers, directors and employees, from any and all actions, suits, proceedings, claims and demands relating to the Participant's employment with the Affiliates and the termination thereof, (3) the effective date of the Participant's valid executed release and waiver of all rights and benefits required under the NiSource Severance Policy or any other severance policy or plan maintained by any Affiliate, and (4) the satisfaction of the conditions described in clauses (b), (c) and (d) of Section 5. Severance Pay shall be reduced by applicable amounts necessary to comply with federal, state and local income tax withholding requirements.

7. Benefits .

   (a) Welfare Benefits . A Participant entitled to Severance Pay shall receive, at the time of payment of Severance Pay, a lump sum payment equivalent to 130% of 52-weeks of COBRA (as defined in Section 4980B of the Internal Revenue Code of 1986, as amended, and Sections 601-609 of the Employee Retirement Income Security Act of 1974, as amended, or any successor sections) continuation coverage premiums in lieu of any continued medical, dental, vision, and other welfare benefits offered by the Company or any Affiliate. Such 52-week period of COBRA continuation coverage shall be included as part of the period during which the Participant may elect continued group health coverage under COBRA.

   (b) Outplacement Services . A Participant shall receive outplacement services, selected by the Company at its expense, for a period not to exceed 12 months.

   (c) Vacation . Accrual of vacation benefits will cease as of the date of termination of employment. Payment for earned and unused vacation time, based upon the vacation policy of the applicable Affiliate on the date of termination, will be included in the Participant's final regular pay check as an active employee.

   (d) Retirement Plans . Severance Pay shall not be considered for purposes of any retirement, pension, savings, profit sharing or pension plan maintained by any Affiliate. Participation by the Participant in each such plan as an active employee will cease as of the date of termination of employment, and the Participant will have only the rights of a terminated employee with respect to his or her benefits earned under such plan as of the date of termination of employment.

8. Unemployment Compensation . Applicable state law will determinate the eligibility of a Participant for unemployment compensation benefits.

9. Independent Contractor Status . A Participant who receives benefits pursuant to the Policy shall not be eligible at any time after termination of employment to enter into a consulting or independent contractor relationship with any Affiliate pursuant to which relationship he or she shall perform the same or similar services, upon the same or similar terms and conditions, as were applicable to such Participant on the date of termination of employment.

10. Death of Participant . If a Participant dies prior to receiving Severance Pay to which he or she is entitled under the Policy, payment will be made to the representative of his or her estate.

11. Term of Policy . The term of the Policy, as amended and restated herein, will commence on January 1, 2005 and will expire on December 31, 2005.

12. Amendment or Termination .

(a) The Policy may be amended or terminated by the Company at any time during its term when, in its judgment, such amendment or termination is necessary or desirable. No such termination or amendment will affect the rights of any Participant who is then entitled to receive Severance Pay or other benefits under the Policy at the time of such amendment or termination. The Policy can only be changed by written endorsement by an officer of the Company and only when the Company attaches the written amendment to the Policy. No agent or other employee, other than an officer of the Company, has the authority to change or waive any provision of the Policy.

(b) Severance benefits under the Policy are not intended to be a vested right.

13. Governing Law . The terms of the Policy shall, to the extent not preempted by federal law, be governed by, and construed and enforced in accordance with, the laws of the State of Indiana, including all matters of construction, validity and performance.

14. Miscellaneous Provisions .

(a) Severance Pay and other benefits pursuant to the Policy shall not be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge prior to actual receipt by a Participant, and any attempt to so anticipate, alienate, sell, transfer, assign, pledge, encumber or charge prior to such receipt shall be void and no Affiliate shall be liable in any manner for, or subject to, the debts, contracts, liabilities, engagements or torts of any person entitled to any Severance Pay or other benefits under the Policy.

(b) Nothing contained in the Policy shall confer upon any individual the right to be retained in the service of any Affiliate, nor limit the right of any Affiliate to discharge or otherwise deal with any individual without regard to the existence of the Policy.

(c) The Policy shall at all times be entirely unfunded. No provision shall at any time be made with respect to segregating assets of any Affiliate for payment of any Severance Pay or other benefits hereunder. No employee or any other person shall have any interest in any particular assets of any Affiliate by reason of the right to receive Severance Pay or other benefits under the Policy, and any such employee or any other person shall have only the rights of a general unsecured creditor of an Affiliate with respect to any rights under the Policy.

15. Claims Procedure . If a claim for benefits under the Policy by a Participant or his or her beneficiary is denied, either in whole or in part, the Committee will let the claimant know in writing within 90 days. If the claimant does not hear within 90 days, the claimant may treat the claim as if it had been denied. A notice of a denial of a claim will refer to a specific reason or reasons for the denial of the claim; will have specific references to the Policy provisions upon which the denial is based; will describe any additional material or information necessary for the claimant to perfect the claim and explain why such material information is necessary; and will have an explanation of the Policy's review procedure.

    The claimant will have 60 days after the date of the denial to ask for a review and a hearing. The claimant must file a written request with the Committee for a review. During this time the claimant may review pertinent documents and may submit issues and comments in writing. The Committee will have another 60 days in which to consider the claimant's request for review. If special circumstances require an extension of time for processing, the Committee may have an additional 60 days to answer the claimant. The claimant will receive a written notice if the extra days are needed. The claimant may submit in writing any document, issues and comments he or she may wish. The decision of the Committee will tell the claimant the specific reasons for its actions, and refer the claimant to the specific Policy provisions upon which its decision is based.

16. Rights Under ERISA . Each Participant in the Policy is entitled to certain rights and protection under the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). ERISA provides that all Policy Participants shall be entitled to:

    (a) Examine, without charge, at the Company's office all Policy documents, and copies of all documents filed for the Policy with the United States Department of Labor, such as detailed annual reports and descriptions.

    (b) Obtain copies of all Policy documents and other Policy information upon written request to the Committee. The Committee may make a reasonable charge for the copies.

    (c) Receive a summary of the Policy's annual report. The Committee is required by law to furnish each Participant with a copy of the summary annual report.

    In addition to creating rights for Policy Participants, ERISA imposes duties upon the people who are responsible for the operation of an employee benefit plan. The people who operate the Policy, called "fiduciaries" of the Policy, have a duty to do so prudently and in the interest of the Policy Participants and beneficiaries. No one, including the Company, any affiliate or any other person, may fire a Participant or otherwise discriminate against a Participant in any way to prevent him or her from obtaining a benefit or exercising his or her rights under ERISA. If a Participant's claim for a benefit is denied in whole or in part, he or she must receive a written explanation of the reason for the denial. A Participant has the right to have the Committee review and reconsider his or her claim. Under ERISA, there are steps a Participant can take to enforce the above rights. For instance, if a Participant requests materials from the Committee and

does not receive them within thirty (30) days, he or she may file suit in a federal court. In such a case the court may require the Committee to provide the materials and pay the Participant up to $110 a day until the Participant receives the materials, unless the materials were not sent because of reasons beyond the control of the Committee. If a Participant has a claim for benefits, which is denied or ignored, in whole or in part, he or she may file suit in a state or federal court. If it should happen that the Policy fiduciaries misuse the Policy's money, or if a Participant is discriminated against for asserting his or her rights, he or she may ask assistance from the United States Department of Labor, or he or she may file suit in a federal court. The court will decide who should pay the court costs and legal fees. If the Participant is successful, the court may order the person he or she has sued to pay these costs and fees. If the Participant loses, the court may order him or her to pay these costs and fees, for example, if it finds his or her claim to be frivolous. If a Participant has questions about the Policy, he or she should contact the Committee. If a Participant has any questions about this statement or about his or her rights under ERISA, he or she should contact the nearest Area Office of the United States Labor-Management Services Administration, Department of Labor.

17. Policy Facts :

Company: Address:	NiSource Inc. 801 E. 86th Avenue Merrillville, Indiana 46410
Plan Name:	NiSource Executive Severance Policy
Type of Plan:	Severance Policy-Welfare Benefits Plan
Policy Year:	Calendar year
Employer Identification Number (EIN):	35-1719974
Policy Number:	___
Policy Administrator:	Nominating and Compensation Committee of NiSource Inc.
Business Address:	801 E. 86th Avenue Merrillville, Indiana 46410
Business Telephone:	219-647-5200

Agent for Service of Legal Process:	Nominating and Compensation Committee of NiSource Inc.
(Address)	801 E. 86th Avenue Merrillville, Indiana 46410

IN WITNESS WHEREOF , the Company has caused this Policy to be executed in its name by its duly authorized officer this 2nd day of May, 2005, effective as of the 1st day of January, 2005.

NISOURCE INC.

By: /s/ S. LaNette Zimmerman

Its: EVP-HR & Communications

Exhibit 10.5

SECOND AMENDMENT TO THE
NISOURCE CORPORATE INCENTIVE PLAN

(EFFECTIVE JANUARY 1, 2004)

WHEREAS , NiSource Inc. (the "Company") maintains the NiSource Corporate Incentive Plan, effective January 1, 2004 and as further amended (the "Plan"); and

WHEREAS , the Company desires to amend the Plan to increase the period of suspension that causes an employee to be a "Limited Participant" as defined in the Plan.

NOW, THEREFORE , The first sentence of the second paragraph of Paragraph 3 is amended, effective January 1, 2005, to read as follows:

> "Notwithstanding the previous paragraph, an employee described above shall be a "Limited Participant" if he or she has received a suspension without pay of five or more consecutive days during the Plan year."

IN WITNESS WHEREOF, the Company has caused this Second Amendment to be executed on its behalf, by its officer duly authorized, this 2nd day of May, 2005.

NISOURCE INC.

By: /s/ S. LaNette Zimmerman

Exhibit 31.1

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

I, Gary L. Neale, certify that:

1. I have reviewed this Quarterly Report of NiSource Inc. on Form 10-Q for the quarter ended March 31, 2005;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 5, 2005

By: /s/ Gary L. Neale
Gary L. Neale
Chairman and Chief Executive Officer

Exhibit 31.2

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

I, Michael W. O'Donnell, certify that:

1. I have reviewed this Quarterly Report of NiSource Inc. on Form 10-Q for the quarter ended March 31, 2005;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 5, 2005

By: /s/ Michael W. O'Donnell
Michael W. O'Donnell
Executive Vice President and Chief Financial Officer

Exhibit 32.1

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

In connection with the Quarterly Report of NiSource Inc. (the "Company") on Form 10-Q for the quarter ending March 31, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Gary L. Neale, Chairman and Chief Executive Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Gary L. Neale
Gary L. Neale
Chairman and Chief Executive Officer

Date: May 5, 2005

Exhibit 32.2

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

In connection with the Quarterly Report of NiSource Inc. (the "Company") on Form 10-Q for the quarter ending March 31, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael W. O'Donnell, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Michael W. O'Donnell
Michael W. O'Donnell
Executive Vice President and Chief Financial Officer

Date: May 5, 2005

End of Filing

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COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
FIRST SET OF INFORMATION REQUESTS FROM THE ATTORNEY GENERAL
D. T. E. 05-27

Date: May 23, 2005

Responsible: Stephen H. Bryant, President

AG-1-4: Please provide the prospectus distributed in anticipation of the most recent sale of any equity or debt by the Company or NISOURCE.

Response: Attachment AG-1-4 – Prospectus Supplement Dated 11/18/04, represents NiSource Finance Corporation's prospectus distributed in anticipation of its most recent sale of equity or debt.

Bay State Gas Company's current equity and debt requirements are addressed through NiSource Finance Corporation.

Prospectus Supplement

(To Prospectus Dated August7, 2003)

$450,000,000

NiSource Finance Corp.

Floating Rate Notes due 2009

Unconditionally Guaranteed by NiSource Inc.

The per annum interest rate on the Notes for each quarterly interest period will be reset quarterly and will be equal to three-month LIBOR plus 0.57%. However, in certain circumstances described herein, the interest rate will be determined without reference to LIBOR. Interest is payable on the Notes on each February23, May23, August23 and November23, beginning February23, 2005. We may redeem all or part of the Notes at the principal amount of the Notes being redeemed, plus accrued interest, on and after November23, 2006.

Investing in the Notes involves risks. See "Risk Factors" on page S-6.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the Notes or determined that this prospectus supplement or the accompanying prospectus is accurate or complete. Any representation to the contrary is a criminal offense.

	Price to Public(1)	Underwriting Discount	Proceeds to Us (before expenses)
Per Note	100.00%	0.60%	99.40%
Total	$450,000,000	$2,700,000	$447,300,000

(1) Plus accrued interest, if any, from November23, 2004.

The Notes will not be listed on any securities exchange. Currently, there is no public market for the Notes.

We expect that delivery of the Notes will be made to investors through the book-entry delivery system of The Depository Trust Company on or about November 23, 2004.

Joint Bookrunning Managers

Citigroup **JPMorgan**

Co-Managers

BNP PARIBAS

KeyBanc Capital Markets

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PNC Capital Markets, Inc.

Scotia Capital

November18, 2004

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first is this prospectus supplement, which describes the specific terms of this offering. The second part, the accompanying prospectus, gives more general information, some of which may not apply to this offering.

If the description of the offering varies between this prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement.

You should rely only on the information contained in this document or to which we have referred you. We have not authorized anyone to provide you with information that is different. This document may only be used where it is legal to sell these securities. The information in this document may only be accurate on the date of this document.

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SUMMARY

This summary highlights certain information appearing elsewhere in this document. This summary is not complete and does not contain all of the information that you should consider before purchasing the Notes. You should carefully read the "Risk Factors" section beginning on pageS-6 of this prospectus supplement to determine whether an investment in our Notes is appropriate for you. Unless the context requires otherwise, references to "we," "us" or "our" refer collectively to NiSource and its subsidiaries.

NiSource Inc.

Overview. NiSource is a super-regional energy holding company that provides natural gas, electricity and other products and services to approximately 3.7million customers located within the energy corridor that runs from the Gulf Coast through the Midwest to New England.

We are the largest regulated natural gas distribution company, as measured by number of customers, operating east of the Rocky Mountains. Our principal subsidiaries include Columbia Energy Group, a vertically-integrated natural gas distribution, transmission and storage holding company whose subsidiaries provide service to customers in the Midwest, the Mid-Atlantic and the Northeast; Northern Indiana Public Service Company, a vertically-integrated natural gas and electric company providing service to customers in northern Indiana; and Bay State Gas Company, a natural gas distribution company serving customers in New England. NiSource derives substantially all its revenues and earnings from the operating results of its subsidiaries. Our primary business segments are:

- gas distribution;
- gas transmission and storage; and
- electric operations.

Strategy. We have focused our business strategy on our core, rate-regulated asset-based businesses, with virtually 100% of our operating income generated from the rate-regulated businesses. With the nation's fourth largest natural gas pipeline, the largest natural gas distribution network east of the Rocky Mountains and one of the nation's largest natural gas storage networks, we operate throughout the energy-intensive corridor that extends from the supply areas in the Gulf Coast through the consumption centers in the Midwest, Mid-Atlantic, New England and Northeast. This corridor includes 30% of the nation's population and 40% of its energy consumption. We believe natural gas will be the fuel preferred by customers to meet the corridor's growing energy needs.

Gas Distribution. We are the nation's third largest regulated gas distribution company based on volume of gas sales, with an average volume of over 2.3billion cubic feet per day. Through our wholly-owned subsidiary, Columbia Energy Group, we own five distribution subsidiaries that provide natural gas under the Columbia Gas name to approximately 2.2million residential, commercial and industrial customers in Ohio, Pennsylvania, Virginia, Kentucky and Maryland. We also distribute natural gas to approximately 770,000 customers in northern Indiana through three subsidiaries: Northern Indiana Public Service Company, Kokomo Gas and Fuel Company and Northern Indiana Fuel and Light Company, Inc. Additionally, our subsidiaries Bay State Gas Company and Northern Utilities, Inc. distribute natural gas to more than 329,000 customers in the areas of Brockton, Lawrence and Springfield, Massachusetts, Lewiston and Portland, Maine, and Portsmouth, New Hampshire.

Gas Transmission and Storage. Our gas transmission and storage subsidiaries own and operate an interstate pipeline network of approximately 16,000miles extending from offshore in the Gulf of Mexico to Lake Erie, New York and the eastern seaboard. Together, the companies serve customers in 19northeastern, mid-Atlantic, midwestern and southern states, as well as the District of Columbia. In addition, Columbia Gas Transmission Corporation operates one of the nation's largest underground natural gas storage systems, capable of storing approximately 646billion cubic feet of natural gas.

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Electric Operations. We generate and distribute electricity through our subsidiary Northern Indiana Public Service Company. Northern Indiana provides electric service to approximately 440,000 customers in 21counties in the northern part of Indiana. Northern Indiana owns and operates three coal-fired electric generating stations with a net capacity of 2,574megawatts, five gas-fired combustion turbine generating units with a net capacity of 306megawatts and two hydroelectric generating plants with a net capacity of 10megawatts, for a total system net capacity of 2,890megawatts. Northern Indiana is interconnected with five neighboring electric utilities. During the year ended December31, 2003, Northern Indiana generated 77.2% and purchased 22.8% of its electric requirements.

Other Operations. We provide energy-related services, including gas marketing and power trading. Through our subsidiary EnergyUSA-TPC Corp., we provide natural gas sales to industrial and commercial customers and engage in natural gas marketing activities. We operate the Whiting Clean Energy project, located at BP's Whiting, Indiana refinery. We participate in real estate and other businesses.

NiSource Finance Corp.

NiSource Finance is a wholly-owned special purpose finance subsidiary of NiSource that engages in financing activities to raise funds for the business operations of NiSource and its subsidiaries. NiSource Finance's obligations under the Notes will be fully and unconditionally guaranteed by NiSource. NiSource Finance was incorporated in February 2000 under the laws of the State of Indiana.

Our executive offices are located at 801 East 86thAvenue, Merrillville, Indiana 46410, telephone: (877)647-5990.

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The Offering

Issuer	NiSource Finance Corp.
Securities Offered	$450,000,000 aggregate principal amount of Floating Rate Notes due 2009.
Guarantee	NiSource Inc. will fully and unconditionally guarantee all the obligations of NiSource Finance under the Notes.
Maturity Date	The Notes will mature on November23, 2009.
Interest Rate	The interest rate on the Notes will be reset quarterly based on a three-month LIBOR rate plus a spread of 0.57%.
Interest Payment Dates	Each February23, May23, August23 and November23, commencing on February23, 2005.
Optional Redemption	We may redeem all or part of the Notes at the principal amount of Notes being redeemed, plus accrued interest to the redemption date, commencing November23, 2006.
Ranking	The Notes will be senior, unsecured obligations of NiSource Finance ranking equally in right of payment with other senior indebtedness of NiSource Finance. The guarantee will be a senior, unsecured obligation of NiSource, ranking equally in right of payment with other senior indebtedness of NiSource. Because NiSource is a holding company that derives substantially all of its income from operating subsidiaries, the guarantee will effectively be subordinated to debt and preferred stock at the subsidiary level. The Indenture does not limit the amount of debt that NiSource Finance, NiSource or any of its subsidiaries may incur.
Limitation on Liens	Subject to certain exceptions, neither NiSource Finance, NiSource nor any subsidiary of NiSource other than a utility may issue, assume or guarantee any secured debt, except intercompany indebtedness, without also securing the Notes, unless the total amount of all of the secured debt would not exceed 10% of our consolidated net tangible assets.
Use of Proceeds	The net proceeds, after estimated expenses, to us from the sale of the Notes offered hereby will be approximately $447,150,000, of which we will use $250,000,000 to redeem NiSource Finance's Floating Rate Notes due 2005 and the remaining amount to repay a portion of our short term indebtedness.

For additional information regarding the Notes, see "Supplemental Description of the Notes."

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RISK FACTORS

In deciding whether to invest in the Notes, you should consider carefully the following factors that could materially adversely affect our operating results and financial condition. Although we have tried to discuss key factors, please be aware that other risks may prove to be important in the future. New risks may emerge at any time, and we cannot predict those risks or estimate the extent to which they may affect our financial performance. You should also consider the information included in our Annual Report on Form10-K for the fiscal year ended December31, 2003 and our subsequent reports on Form10-Q and Form8-K. Each of the risks described below could result in a decrease in the value of the Notes and your investment therein.

We have substantial indebtedness, which could adversely affect our financial condition.

We have a significant amount of indebtedness outstanding as a result of our acquisition of Columbia Energy Group. We had total consolidated indebtedness of approximately $6.6billion outstanding as of September30, 2004.

Our substantial indebtedness could have important consequences to you. For example, it could:

- limit our ability to borrow additional funds or increase the cost of borrowing additional funds;
- reduce the availability of cash flow from operations to fund working capital, capital expenditures and other general corporate purposes;
- limit our flexibility in planning for, or reacting to, changes in our business and the industries in which we operate;
- lead parties with whom we do business to require additional credit support, such as letters of credit, in order for us to transact such business;
- place us at a competitive disadvantage compared to our competitors that are less leveraged;
- result in a downgrade in our credit ratings; and
- increase our vulnerability to general adverse economic and industry conditions.

Some of our debt obligations contain financial covenants related to debt-to-capital ratios and interest coverage ratios and cross-default provisions. Our failure to comply with any of these covenants could result in an event of default which, if not cured or waived, could result in the acceleration of our outstanding debt obligations. Any such acceleration would cause a material adverse change in our financial condition.

Our costs of compliance with environmental laws are significant. The costs of compliance with future environmental laws and the incurrence of environmental liabilities could harm our cash flow and profitability.

NiSource's subsidiaries are subject to extensive federal, state and local environmental requirements which, among other things, regulate air emissions, water discharges and the management of hazardous and solid waste. Compliance with these legal requirements requires us to commit significant expenditures for installation of pollution control equipment, environmental monitoring, emissions fees and permits at all of our facilities. These expenditures are significant, and we expect that they will increase in the future. For example, construction expenditures to comply with the nitrogen oxide emission reduction requirements are expected to range from $250 to $300million, of which approximately $246million has been spent as of September30, 2004.

If we fail to comply with environmental laws and regulations, even if caused by factors beyond our control, that failure may result in the assessment of civil or criminal penalties and fines against NiSource and its subsidiaries. In September 2004, the Environmental Protection Agency issued a notice of violation to Northern Indiana Public Service Company alleging violations of the new source review provisions of the

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Clean Air Act. An adverse outcome in this matter could require substantial capital expenditures that cannot be determined at this time and could require payment of substantial penalties.

Existing environmental laws and regulations may be revised, and new laws and regulations seeking to protect the environment may be adopted or become applicable to us. Revised or additional laws and regulations could result in significant additional expense and operating restrictions on our facilities or increased compliance costs, which may not be fully recoverable from our customers and would therefore reduce our net income. The cost impact of any new or amended legislation would depend upon the specific requirements enacted and cannot be determined at this time.

A significant portion of the gas and electricity we sell is used for heating and air conditioning. Accordingly, our operating results fluctuate depending on the weather.

Our energy sales are sensitive to variations in weather conditions. We forecast energy sales on the basis of normal weather, which represents a long-term historical average. Significant variations from normal weather could have, and have had, a material impact on energy sales.

Our electric operations are subject to economic conditions in certain industries.

Our electric operations in northern Indiana have been and may continue to be adversely affected by substantial declines in sales to industrial customers. In particular, the steel and steel related industries have been adversely impacted by recent events and market conditions, with two major customers declaring bankruptcy. There can be no assurances whether sales will return to historical levels.

Recent events that are beyond our control have increased the level of public and regulatory scrutiny of our industry. Governmental and market reactions to these events may have negative impacts on our business, financial condition and access to capital.

As a result of the energy crisis in California during the summer of 2001, the recent volatility of natural gas prices in North America, the bankruptcy filing by Enron Corporation, the blackout in the Northeast in 2003, accounting irregularities at public companies in general and energy companies in particular, and investigations by governmental authorities into energy trading activities, companies in the regulated and unregulated utility business have been under a generally increased amount of public and regulatory scrutiny and suspicion. Accounting irregularities have caused regulators and legislators to review current accounting practices, financial disclosures and companies' relationships with their independent auditors. The capital markets and ratings agencies also have increased their level of scrutiny. We believe that we are complying with all applicable laws and accounting standards, but it is difficult or impossible to predict or control what effect these types of events may have on our business, financial condition or access to the capital markets.

As a result of these events, Congress passed the Sarbanes-Oxley Act of 2002, and the SEC implemented numerous new regulations. It is unclear what additional laws or regulations may develop, and we cannot predict the ultimate impact of any future changes in accounting regulations or practices in general with respect to public companies, the energy industry or our operations specifically.

Our Whiting merchant energy project is operating at a loss.

We own and operate a merchant energy facility at BP's Whiting, Indiana refinery. This facility uses natural gas to generate electricity for sale in the wholesale markets and is expected, after plant modifications, to generate steam for industrial use. Recent developments in the wholesale power market have resulted in depressed wholesale power prices, which have substantially reduced revenues for participants in the market. We expect that the facility will operate at a loss in the near term based on the current market view of forward pricing for gas and electricity. The after-tax loss for 2003 was $30 million, and the 2004 after-tax loss is expected to be similar to 2003 based on a similar market for gas and electricity. The profitability of the project in future periods will depend on, among other things, prevailing prices in the energy markets and regional load dispatch patterns.

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The Notes and guarantees are obligations of NiSource Finance and NiSource, respectively, and not of our operating subsidiaries and will be effectively subordinated to the claims of the operating subsidiaries' creditors.

The Notes and guarantees are obligations of NiSource Finance and NiSource, respectively, and not of our other subsidiaries. NiSource is a holding company and, accordingly, substantially all of our operations are conducted through our operating subsidiaries. NiSource Finance is a special purpose finance subsidiary, which has no independent operations other than its financing activities. As a result, our cash flow and our ability to service our debt, including the Notes, depends upon the earnings of our operating subsidiaries and on the distribution of earnings, loans or other payments by such subsidiaries to NiSource and NiSource Finance.

Our operating subsidiaries are separate and distinct legal entities and have no obligation to pay any amounts due on the Notes or to provide us with funds for our payment obligations, whether by dividends, distributions, loans or other payments. In addition, any payment of dividends, distributions, loans or advances by our subsidiaries to us could be subject to statutory or contractual restrictions. Payments to us by our operating subsidiaries will also be contingent upon such subsidiaries' earnings and business considerations. As of September30, 2004, our operating subsidiaries had approximately $2,245million of indebtedness.

Our right to receive any assets of any of our subsidiaries upon their liquidation or reorganization, and therefore the rights of the holders of the Notes to participate in those assets, will be effectively subordinated to the claims of that subsidiary's creditors. In addition, even if we were a creditor of any of our subsidiaries, our rights as a creditor would be subordinate to any security interest in the assets of our subsidiaries and any indebtedness of our subsidiaries senior to that held by us.

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INCORPORATION BY REFERENCE

The SEC allows us to "incorporate by reference" information into this prospectus and prospectus supplement. This means that we can disclose important information to you by referring you to another document that NiSource has filed separately with the SEC. The information incorporated by reference is considered to be part of this prospectus and prospectus supplement. Information that NiSource files with the SEC after the date of this prospectus supplement will automatically modify and supersede the information included or incorporated by reference in this prospectus and prospectus supplement to the extent that the subsequently filed information modifies or supersedes the existing information. We incorporate by reference:

- our Annual Report on Form10-K for the fiscal year ended December31, 2003;
- our Quarterly Reports on Form10-Q for the fiscal quarters ended March31, 2004, June30, 2004 and September30, 2004;
- our Current Reports on Form8-K filed on July13, 2004 and October 27, 2004; and
- any future filings we make with the SEC under Sections13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 until we sell all of the securities offered by the prospectus supplement.

You may request a copy of any of these filings at no cost by writing to or telephoning us at the following address and telephone number: GaryW. Pottorff, NiSource Inc., 801East 86thAvenue, Merrillville, Indiana46410, telephone: (877)647-5990.

USE OF PROCEEDS

The net proceeds, after estimated expenses, to us from the sale of the Notes offered hereby will be approximately $447,150,000. We will use $250,000,000 of the net proceeds to redeem NiSource Finance's Floating Rate Notes due 2005, which we have called for redemption on December10, 2004, and the remaining amount to repay a portion of our short term bank borrowings. The Floating Rate Notes due 2005 currently bear interest at 2.94% per annum, and our short-term bank borrowings had a weighted average annual interest rate of 2.598% as of October31, 2004. Pending the redemption of the Floating Rate Notes due 2005 on December10, 2004, the funds to be used for such redemption will be used to pay down our short-term bank borrowings.

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CAPITALIZATION

The following table shows our capitalization and short-term indebtedness at September30, 2004 (1)on a consolidated basis, (2)on a consolidated basis as adjusted to reflect the settlement of the stock purchase contracts included in NiSource's Stock Appreciation Income Linked Securities (SAILS)* and the use of the payments received in connection with that settlement to reduce short-term indebtedness and (3)on a consolidated basis as further adjusted to reflect the issuance and sale of the Notes and the use of the net proceeds as set forth under "Use of Proceeds." This table should be read in conjunction with our consolidated financial statements and related notes for the year ended December31, 2003 and our Quarterly Report Form10-Q for the quarter ended September30, 2004, incorporated by reference in this prospectus supplement and accompanying prospectus. See "Where You Can Find More Information" in the accompanying prospectus.

		September30, 2004	
	Actual	As Adjusted to reflect the SAILS SM	As Adjusted to reflect the Notes
		(in millions)	
Long-term debt (excluding amounts due within one year)	5,589.2	$ 5,589.2	$ 6,039.2
Cumulative preferred stock	81.1	81.1	81.1
Common stockholders' equity	4,503.3	4,647.5	4,647.5
Total capitalization	10,173.6	$ 10,317.8	$ 10,767.8
Short-term borrowings (including current portion of long-termdebt)	1,046.4	$ 902.2	$ 455.1

* "SAILS SM" and "Stock Appreciation Income Linked Securities SM" are service marks of Credit Suisse First Boston LLC.

RATIOS OF EARNINGS TO FIXED CHARGES

The following are ratios of our earnings to fixed charges for each of the periods indicated:

	Fiscal Year Ended December31				
Nine Months Ended September30, 2004	2003	2002	2001	2000	1999
2.33	2.33	2.06	1.51	1.66	1.99

For purposes of calculating the ratio of earnings to fixed charges, "earnings" consist of income from continuing operations before income taxes plus fixed charges. "Fixed charges" consist of interest on all indebtedness, amortization of debt expense, the portion of rental expenses on operating leases deemed to be representative of the interest factor and preferred stock dividend requirements of consolidated subsidiaries.

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SUPPLEMENTAL DESCRIPTION OF THE NOTES

Please read the following information concerning the Notes in conjunction with the statements under "Description of the Debt Securities" in the accompanying prospectus, which the following information supplements and, if there are any inconsistencies, supersedes. The following description is not complete. The Notes will be issued under the Indenture, dated November14, 2000, that we have entered into with JPMorgan Chase Bank, N.A. (as successor to The Chase Manhattan Bank), as trustee. The Indenture is described in the accompanying prospectus and is filed as an exhibit to the registration statement under which the Notes are being offered and sold.

Maturity, Interest and Payment

The Notes will mature on November23, 2009. The Notes will bear interest from and including November23, 2004, payable quarterly in arrears on February 23, May23, August23 and November23 of each year, commencing February23, 2005. Interest payable on each interest payment date will be paid to the persons in whose names the Notes are registered at the close of business on the 15th calendar day prior to such interest payment date. If an interest payment date falls on a day that is not a business day, interest will be payable on the next succeeding business day with the same force and effect as it made on such interest payment date. Interest on the Notes will be calculated on the basis of the actual number of days elapsed over a 360-day year.

The Notes will bear interest for each quarterly Interest Period at a per annum rate determined by the Calculation Agent, subject to the maximum interest rate permitted by New York or other applicable law, as such law may be modified by United States law of general application. The interest rate applicable during each quarterly Interest Period will be equal to LIBOR on the Interest Determination Date for such Interest Period plus 0.57%; provided, however, that in certain circumstances described below, the interest rate will be determined without reference to LIBOR. Promptly upon each such determination, the Calculation Agent will notify us and the trustee, if the trustee is not then serving as the Calculation Agent, of the interest rate for the new Interest Period. The interest rate determined by the Calculation Agent, absent manifest error, will be binding and conclusive upon the beneficial owners and holders of the Notes, us and the trustee.

If the following circumstances exist on any Interest Determination Date, the Calculation Agent will determine the interest rate for the Notes as follows:

(1)In the event no Reported Rate appears on Telerate Page 3750 as of approximately 11:00a.m., London time, on an Interest Determination Date, the Calculation Agent will request the principal London offices of each of four major banks (which may include the underwriters or their affiliates) in the London interbank market selected by the Calculation Agent (after consultation with us) to provide a quotation of the rate (the "Rate Quotation") at which three-month deposits in amounts of not less than $1,000,000 are offered by it to prime banks in the London interbank market, as of approximately 11:00a.m., London time, on such Interest Determination Date, that is representative of single transactions at such time (the "Representative Amounts"). If at least two Rate Quotations are provided, the interest rate will be the arithmetic mean of the Rate Quotations obtained by the Calculation Agent, plus 0.57%.

(2)In the event no Reported Rate appears on Telerate Page 3750 as of approximately 11:00a.m., London time, on an Interest Determination Date and there are fewer than two Rate Quotations, the interest rate will be the arithmetic mean of the rates quoted at approximately 11:00a.m., New York City time, on such Interest Determination Date, by three major banks (which may include the underwriters or their affiliates) in New York City selected by the Calculation Agent (after consultation with us), for loans in Representative Amounts in U.S. dollars to leading European banks, having an index maturity of three months for a period commencing on the second London Business Day immediately following such Interest Determination Date, plus 0.57%; provided, however, that if fewer than three banks selected by the Calculation Agent are quoting such rates, the interest rate for the applicable Interest Period will be the same as the interest rate in effect for the immediately preceding Interest Period.

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All percentages resulting from any calculation on the Notes will be rounded to the nearest one hundred-thousandth of a percentage point with five one-millionths of a percentage point rounded upwards (e.g., 9.876545% (or .09876545) would be rounded to 9.87655% (or .0987655)), and all dollar amounts used in or resulting from such calculation on the Notes will be rounded to the nearest cent (with one-half cent being rounded upward). Upon the request of a holder of the Notes, the Calculation Agent will provide to such holder the interest rate in effect on the date of such request and, if determined, the interest rate for the next Interest Period.

The following definitions apply to the Notes:

"Business Day" means a day other than (i)a Saturday or Sunday, (ii)a day on which banks in New York City are authorized or obligated by law or executive order to remain closed, or (iii)a day on which the trustee's corporate trust office is closed for business.

"Calculation Agent" means JPMorgan Chase Bank, N.A., or its successor appointed by us, acting as calculation agent.

"Interest Determination Date" means the second London Business Day immediately preceding the first day of the relevant Interest Period.

"Interest Period" means the period commencing on an Interest Payment Date for the Notes (or, with respect to the initial Interest Period only, commencing on November23, 2004) and ending on the day before the next succeeding Interest Payment Date for the Notes.

"LIBOR," for any Interest Determination Date, will be the offered rate for deposits in U.S. dollars having an index maturity of three months for a period commencing on the second London Business Day immediately following the Interest Determination Date in amounts of not less than $1,000,000, as such rate appears on Telerate Page 3750 or a successor reporter of such rates selected by the Calculation Agent and acceptable to us, at approximately 11:00a.m., London time, on the Interest Determination Date (the "Reported Rate").

"London Business Day" means a day that is a Business Day and a day on which dealings in deposits in U.S. dollars are transacted, or with respect to any future date are expected to be transacted, in the London interbank market.

"Telerate Page 3750" means the display designated on page 3750 on Moneyline Telerate, Inc. (or such other page as may replace the 3750 page on that service or such other service as may be nominated by the British Bankers' Association for the purpose of displaying London interbank offered rates for U.S.dollar deposits).

Optional Redemption

We may redeem all or part of the Notes at the principal amount of the Notes being redeemed, plus accrued interest to the redemption date, at any time or from time to time commencing November23, 2006.

Selection and Notice of Redemption

If we are redeeming less than all the Notes at any time, the trustee will select the Notes to be redeemed using a method it considers fair and appropriate.

We will redeem Notes in increments of $1,000. We will cause notices of redemption to be mailed by first-class mail at least 30 but not more than 60 days before the redemption date to each holder of Notes to be redeemed at its registered address.

If any Note is to be redeemed in part only, the notice of redemption that relates to that Note will state the portion of the principal amount thereof to be redeemed. We will issue a Note in principal amount equal to the unredeemed portion of the original Note in the name of the holder thereof upon cancellation of the original Note. Notes called for redemption will become due on the date fixed for

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redemption. On or after the redemption date, interest will cease to accrue on Notes or portions of them called for redemption.

Forms and Denominations

The Notes will be issued as one or more global securities in the name of a nominee of The Depository Trust Company and will be available only in book-entry form. See "Description of the Debt Securities — Book-Entry Issuance" in the accompanying prospectus. The Notes are available for purchase in multiples of $1,000.

Additional Notes

We may, without the consent of the holders of the Notes, create and issue additional Notes ranking equally with the Notes in all respects, including having the same CUSIP number, so that such additional Notes would be consolidated and form a single series with the Notes and would have the same terms as to status, redemption or otherwise as the Notes. No additional Notes may be issued if an Event of Default has occurred and is continuing with respect to the Notes.

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CERTAIN ERISA CONSIDERATIONS

The following is a summary of certain considerations associated with the purchase of Notes by employee benefit plans that are subject to Title I of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), plans, individual retirement accounts and other arrangements that are subject to Section4975 of the Internal Revenue Code of 1986, as amended (the "Code"), or provisions under any federal, state, local non-U.S. or other laws or regulations that are similar to such provisions of ERISA or the Code, and entities whose underlying assets are considered to include "plan assets" of such plans, accounts and arrangements (each, a "Plan").

General Fiduciary Matters

ERISA and the Code impose certain duties on persons who are fiduciaries of a Plan subject to Title I of ERISA or Section4975 of the Code (an "ERISA Plan") and prohibit certain transactions involving the assets of an ERISA Plan and its fiduciaries or other interested parties. Under ERISA and the Code, any person who exercises any discretionary authority or control over the management or administration of such an ERISA Plan or the management or disposition of the assets of such an ERISA Plan, or who renders investment advice for a fee or other compensation to such an ERISA Plan, is generally considered to be a fiduciary of the ERISA Plan.

In considering an investment in the Notes of a portion of the assets of any Plan, a fiduciary should determine whether the investment is in accordance with the documents and instruments governing the Plan and the applicable provisions of ERISA, the Code or any similar law relating to a fiduciary's duties to the Plan including, without limitation, the prudence, diversification, delegation of control and prohibited transaction provisions of ERISA, the Code and any other applicable similar laws.

Prohibited Transaction Issues

Section406 of ERISA and Section4975 of the Code prohibit ERISA Plans from engaging in specified transactions involving plan assets with persons or entities who are "parties in interest," within the meaning of ERISA, or "disqualified persons," within the meaning of Section4975 of the Code, unless an exemption is available. A party in interest or disqualified person who engages in a non-exempt prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code. In addition, the fiduciary of the ERISA Plan that engages in such a non-exempt prohibited transaction may be subject to penalties and liabilities under ERISA and the Code. The acquisition or holding of Notes by an ERISA Plan with respect to which NiSource, NiSource Finance or the underwriter is considered a party in interest or a disqualified person may constitute or result in a direct or indirect prohibited transaction under Section406 of ERISA or Section4975 of the Code, unless the investment is acquired and is held in accordance with an applicable statutory, class or individual prohibited transaction exemption. In this regard, the U.S. Department of Labor has issued prohibited transaction class exemptions, or "PTCEs," that may apply to the acquisition and holding of the Notes. These class exemptions include PTCE84-14 respecting transactions determined by independent qualified professional asset managers, PTCE90-1 respecting insurance company pooled separate accounts, PTCE91-38 respecting bank collective investment funds, PTCE95-60 respecting life insurance company general accounts and PTCE96-23 respecting transactions determined by in-house asset managers. There can be no assurance that a particular purchase of Notes will satisfy all of the conditions of any such exemptions.

Because of the foregoing, the Notes should not be purchased or held by any person investing "plan assets" of any Plan, unless such purchase and holding will not constitute a non-exempt prohibited transaction under ERISA and the Code or a violation of any applicable similar laws.

Representation

By acceptance of a Note, each purchaser and subsequent transferee of a Note will be deemed to have represented and warranted that (i)no portion of the assets used by such purchaser or transferee to acquire and hold the Note constitutes assets of any Plan, (ii)the Plan is a governmental plan as defined in

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Section3 of ERISA which is not subject to the provisions of TitleI of ERISA or Section401 of the Code or (iii)the purchase and holding of the Note by such purchaser or transferee will not constitute a non-exempt prohibited transaction under Section406 of ERISA or Section4975 of the Code or violation under any applicable similar laws because such purchase and holding satisfies the conditions of a class exemption, including PTCE91-38, 90-1, 84-14, 95-60 or 96-23.

The foregoing discussion is general in nature and is not intended to be all-inclusive. Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is particularly important that fiduciaries, or other persons considering purchasing the Notes on behalf of, or with the assets of, any Plan consult with their counsel regarding the potential applicability of ERISA, Section4975 of the Code and any similar laws to such investment and whether an exemption would be applicable to the purchase and holding of the Notes.

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UNDERWRITING

Under the terms and subject to the conditions contained in the underwriting agreement, we have agreed to sell to the underwriters named below, for whom Citigroup Global Markets Inc. and J.P. Morgan Securities Inc. are acting as representatives, the following respective principal amounts of the Notes:

Underwriter		Principal Amount of Notes
Citigroup Global Markets Inc.	$	157,500,000
J.P. Morgan Securities Inc.		157,500,000
BNP Paribas Securities Corp.		33,750,000
KeyBanc Capital Markets, a Division of McDonald Investments Inc.		33,750,000
PNC Capital Markets, Inc.		33,750,000
Scotia Capital (USA)Inc.		33,750,000
Total	$	450,000,000

The underwriting agreement provides that the underwriters are obligated to purchase all of the Notes if any are purchased. The underwriting agreement also provides that if an underwriter defaults the purchase commitments of non-defaulting underwriters may be increased or the offering of Notes may be terminated.

The underwriters propose to offer the Notes initially at the public offering price on the cover page of this prospectus supplement and to selling group members at that price less a selling concession of 0.350% of the principal amount per Note. The underwriters and selling group members may allow a discount of 0.225% of the principal amount per Note on sales to other broker/dealers. After the initial public offering, the underwriters may change the public offering price, selling concession and discount to broker/dealers.

We estimate that our out of pocket expenses for this offering will be approximately $150,000.

The Notes are a new issue of securities with no established trading market. One or more of the underwriters intends to make a secondary market for the Notes. However, they are not obligated to do so and may discontinue making a secondary market for the Notes at any time without notice. No assurance can be given as to how liquid the trading market for the Notes will be.

We have agreed to indemnify the underwriters against liabilities under the Securities Act, or contribute to payments which the underwriters may be required to make in that respect.

In connection with the offering, the underwriters may engage in stabilizing transactions, over-allotment transactions, syndicate covering transactions and penalty bids in accordance with RegulationM under the Securities Exchange Act.

- Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specific maximum.
- Over-allotment involves sales by the underwriters of Notes in excess of the principal amount of Notes the underwriters are obligated to purchase, which creates a syndicate short position.
- Syndicate covering transactions involve purchases of the Notes in the open market after the distribution has been completed in order to cover syndicate short positions. A short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the Notes in the open market after pricing that could adversely affect investors who purchase in the offering.
- Penalty bids permit the representatives to reclaim a selling concession from a syndicate member when the Notes originally sold by the syndicate member are purchased in a stabilizing transaction or a syndicate covering transaction to cover syndicate short positions.

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These stabilizing transactions, syndicate covering transactions and penalty bids may have the effect of raising or maintaining the market price of the Notes or preventing or retarding a decline in the market price of the Notes. As a result the price of the Notes may be higher than the price that might otherwise exist in the open market. These transactions, if commenced, may be discontinued at any time.

The underwriters and their affiliates have provided certain investment banking, commercial banking and other financial services to us and our affiliates, for which they have received customary fees. Citicorp USA, Inc., an affiliate of Citigroup Global Markets Inc., and JPMorgan Chase Bank, N.A., formerly known as Bank One, NA, an affiliate of J.P.Morgan Securities Inc. ("JPMorgan"), are co-documentation agents under our three-year revolving credit agreement and our 364-day revolving credit agreement. In addition, JPMorgan Chase Bank, N.A., Citigroup USA, Inc., BNP Paribas, an affiliate of BNP Paribas Securities Corp., KeyBank National Association, an affiliate of KeyBanc Capital Markets, a Division of McDonald Investments Inc., PNC Bank, National Association, an affiliate of PNC Capital Markets, Inc., and The Bank of Nova Scotia, an affiliate of Scotia Capital (USA) Inc., are lenders under such facilities. The underwriters and their affiliates may from time to time engage in future transactions with us and our affiliates and provide services to us and our affiliates in the ordinary course of their business.

JPMorgan will make the securities available for distribution on the Internet through a proprietary Web site and/or a third-party system operated by MarketAxess Corporation, an Internet-based communications technology provider. MarketAxess Corporation is providing the system as a conduit for communications between JPMorgan and its customers and is not a party to any transactions. MarketAxess Corporation, a registered broker-dealer, will receive compensation from JPMorgan based on transactions JPMorgan conducts through the system. JPMorgan will make the securities available to its customers through the Internet distributions, whether made through a proprietary or third-party system, on the same terms as distributions made through other channels.

Because more than 10% of the net offering proceeds of the offering may be paid to the underwriters or their respective affiliates or associated persons, this offering is being made pursuant to the provisions of Rule2710(h)(1) of the Conduct Rules of the National Association of Securities Dealers.

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LEGAL MATTERS

The validity of the Notes will be passed upon for us by Schiff Hardin LLP, Chicago, Illinois. PeterV. Fazio,Jr., a partner of the firm who also serves as executive vice president and general counsel of NiSource, holds approximately 11,400shares of NiSource's common stock. The underwriters have been represented by Dewey Ballantine LLP, New York, New York.

EXPERTS

The consolidated financial statements and the related consolidated financial statement schedules incorporated in this prospectus by reference from NiSource's Annual Report on Form10-K for the year ended December31, 2003 have been audited by Deloitte Touche LLP, an independent registered public accounting firm, as stated in their report which is incorporated herein by reference (which report expresses an unqualified opinion and includes an explanatory paragraph relating to the changes in the method of accounting for derivative and hedging activities as described in Note1P, goodwill as described in Notes1H and 5, revenues and related costs associated with trading activities as described in Notes1I and 5, and asset retirement obligations as described in Note5), and have been so incorporated in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

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PROSPECTUS

$2,807,005,000

NiSourceInc.

Common Stock
Preferred Stock

Guarantees of Debt Securities

Warrants

Stock Purchase Contracts

Stock Purchase Units

NiSource Finance Corp.

Debt Securities
Guaranteed as Set Forth in this Prospectus by NiSourceInc.

Warrants

NiSourceInc. may offer, from time to time, in amounts, at prices and on terms that it will determine at the time of offering, any or all of the following:

- shares of common stock, including preferred stock purchase rights;
- shares of preferred stock, in one or more series;
- warrants to purchase common stock or preferred stock; and
- stock purchase contracts to purchase common stock, either separately or in units with the debt securities described below or U.S. Treasury securities.

NiSource Finance Corp., a wholly owned subsidiary of NiSource, may offer from time to time in amounts, at prices and on terms to be determined at the time of the offering:

- one or more series of its debt securities; and
- warrants to purchase debt securities.

NiSource will fully and unconditionally guarantee the obligations of NiSource Finance under any debt securities issued under this prospectus or any prospectus supplement.

We will provide specific terms of these securities, including their offering prices, in prospectus supplements to this prospectus. The prospectus supplements may also add, update or change information contained in this prospectus. You should read this prospectus and any prospectus supplement carefully before you invest.

We may offer these securities to or through underwriters, through dealers or agents, directly to you or through a combination of these methods. You can find additional information about our plan of distribution for the securities under the heading "Plan of Distribution"

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beginning on page20 of this prospectus. We will also describe the plan of distribution for any particular offering of these securities in the applicable prospectus supplement. This prospectus may not be used to sell our securities unless it is accompanied by a prospectus supplement.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities or determined if this Prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is August7, 2003.

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ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that we have filed with the Securities and Exchange Commission, or SEC, utilizing a "shelf" registration or continuous offering process. Under this process, we may from time to time sell any combination of the securities described in this prospectus in one or more offerings up to a total dollar amount of $2,807,005,000.

This prospectus provides you with a general description of the common stock, preferred stock, debt securities, guarantees of debt securities, warrants, stock purchase contracts and stock purchase units we may offer. Each time we offer securities, we will provide a prospectus supplement that will contain specific information about the terms of that offering. That prospectus supplement may include a description of any risk factors or other special considerations applicable to those securities. The prospectus supplement may also add, update or change information contained in this prospectus. If there is any inconsistency between the information in the prospectus and the prospectus supplement, you should rely on the information in the prospectus supplement. You should read both this prospectus and the applicable prospectus supplement together with the additional information described under the heading "Where You Can Find More Information."

The registration statement containing this prospectus, including the exhibits to the registration statement, provides additional information about us and the securities offered under this prospectus. The registration statement, including the exhibits, can be read at the SEC website or at the SEC offices mentioned under the heading "Where You Can Find More Information."

You should rely only on the information incorporated by reference or provided in this prospectus and the accompanying prospectus supplement. We have not authorized anyone to provide you with different information. We are not making an offer to sell or soliciting an offer to buy these securities in any jurisdiction in which the offer or solicitation is not authorized or in which the person making the offer or solicitation is not qualified to do so or to anyone to whom it is unlawful to make the offer or solicitation. You should not assume that the information in this prospectus or the accompanying prospectus supplement is accurate as of any date other than the date on the front of the document.

References to "NiSource" refer to NiSourceInc. and references to "NiSource Finance" refer to NiSource Finance Corp. Unless the context requires otherwise, references to "we," "us" or "our" refer collectively to NiSource and its subsidiaries, including NiSource Finance. References to "securities" refer collectively to the common stock, preferred stock, debt securities, guarantees of debt securities, warrants, stock purchase contracts and stock purchase units registered hereunder.

WHERE YOU CAN FIND MORE INFORMATION

NiSource files annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any document NiSource files at the SEC's public reference room at 450Fifth Street, N.W., Room1024, Washington,D.C. 20549. You may obtain additional information about the public reference room by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains a site on the Internet (http://www.sec.gov) that contains reports, proxy statements and other information regarding issuers that file electronically with the SEC, including NiSource.

The SEC allows us to "incorporate by reference" information into this prospectus. This means that we can disclose important information to you by referring you to another document that NiSource has filed separately with the SEC. The information incorporated by reference is considered to be part of this prospectus. Information that NiSource files with the SEC after the date of this prospectus will automatically modify and supersede the information included or incorporated by reference in this prospectus to the extent that the subsequently filed information modifies or supersedes the existing information. We incorporate by reference the following documents filed with the SEC:

- our Annual Report on Form10-K, as amended by our Annual Report on Form10-K/A, for the fiscal year ended December31, 2002;
- our Quarterly Report on Form10-Q for the fiscal quarter ended March31, 2003;

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- our Current Reports on Form8-K dated May13, 2003 and July15, 2003;and
- the description of our common stock contained in our definitive joint proxy statement/ prospectus dated April24, 2000.

We also incorporate by reference any future filings we make with the SEC under sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 until we sell all of the securities.

You may request a copy of any of these filings at no cost by writing to or telephoning us at the following address and telephone number: GaryW. Pottorff, NiSourceInc., 801 East 86th Avenue, Merrillville, Indiana 46410, telephone: (877)647-5990.

We maintain an Internet site at http://www.nisource.com which contains information concerning NiSource and its subsidiaries. The information contained at our Internet site is not incorporated by reference in this prospectus, and you should not consider it a part of this prospectus.

We have filed this prospectus with the SEC as part of a registration statement on FormS-3 under the Securities Act of 1933. This prospectus does not contain all of the information included in the registration statement. Any statement made in this prospectus concerning the contents of any contract, agreement or other document is only a summary of the actual document. If we have filed any contract, agreement or other document as an exhibit to the registration statement, you should read the exhibit for a more complete understanding of the document or matter involved. Each statement regarding a contract, agreement or other document is qualified in its entirety by reference to the actual document.

FORWARD-LOOKING STATEMENTS

Some of the information included in this prospectus, in any prospectus supplement and in the documents incorporated by reference are forward-looking statements within the meaning of the securities laws. These statements concern our plans, expectations and objectives for future operations. Any statement that is not a historical fact is a forward-looking statement. We use the words "estimate," "intend," "expect," "believe," "anticipate" and similar expressions to identify forward-looking statements, but some of these statements may use other phrasing. We undertake no obligation to release any revisions to these forward-looking statements publicly to reflect events or circumstances after the date of this prospectus or accompanying prospectus supplement or to reflect the occurrence of unanticipated events. While we make the forward-looking statements in good faith and believe they are based on reasonable assumptions, these statements are subject to risks and uncertainties. Important factors that could cause actual results to differ materially from those suggested by the forward-looking statements include:

- increased competition in deregulated energy markets;
- the weather;
- fluctuations in supply and demand for energy commodities;
- successful consummation of proposed dispositions;
- growth opportunities for NiSource's businesses;
- dealings with third parties over whom NiSource has no control;
- actual operating experience of acquired assets;
- NiSource's ability to integrate acquired operations into its operations;
- the regulatory process;
- regulatory and legislative changes;
- changes in general economic, capital and commodity market conditions;

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•counter-party credit risk, many of which risks are beyond the control of NiSource; and

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- other uncertainties, all of which are difficult to predict, and many of which are beyond our control, including factors we discuss in this prospectus and any prospectus supplement and our filings with the SEC.

Accordingly, you should not rely on the accuracy of predictions contained in forward-looking statements. These statements speak only as of the date of this prospectus, the date of the accompanying prospectus supplement or, in the case of documents incorporated by reference, the date of those documents.

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NISOURCE INC.

Overview. NiSource is a super-regional energy holding company that provides natural gas, electricity and other products and services to approximately 3.7million customers located within the energy corridor that runs from the Gulf Coast through the Midwest to New England.

We are the largest regulated natural gas distribution company, as measured by number of customers, operating east of the Rocky Mountains. Our principal subsidiaries include Columbia Energy Group, a vertically-integrated natural gas distribution, transmission and storage holding company whose subsidiaries provide service to customers in the Midwest, the Mid-Atlantic and the Northeast; Northern Indiana Public Service Company, a vertically-integrated natural gas and electric company providing service to customers in northern Indiana; and Bay State Gas Company, a natural gas distribution company serving customers in New England. We derive substantially all our revenues and earnings from the operating results of our subsidiaries. Our primary business segments are:

- gas distribution;
- gas transmission and storage; and
- electric operations.

Strategy. We are focused on using our core regulated gas and electric businesses to serve customers throughout the energy-intensive corridor that extends from the supply areas in the Gulf Coast through the consumption centers in the Midwest, Mid-Atlantic, New England and Northeast. This corridor is home to 30% of the nation's population and 40% of its energy consumption. The acquisition of Columbia Energy Group in November 2000 furthered this strategy by combining NiSource's natural gas distribution assets in Indiana and New England with Columbia's natural gas distribution and storage assets in Ohio and the Mid-Atlantic and Columbia's interstate transmission assets. We are committed to maximizing our efficiency in our core regulated operations without compromising customer service and safety.

Gas Distribution. We are the nation's third largest regulated gas distribution company based on volume of gas sales, with an average volume of over 2.3billion cubic feet per day. Through our wholly-owned subsidiary, Columbia Energy Group, we own five distribution subsidiaries that provide natural gas under the Columbia Gas name to approximately 2.1million residential, commercial and industrial customers in Ohio, Pennsylvania, Virginia, Kentucky and Maryland. We also distribute natural gas to approximately 770,000 customers in northern Indiana through three subsidiaries: Northern Indiana Public Service Company, Kokomo Gas and Fuel Company and Northern Indiana Fuel and Light Company, Inc. Additionally, our subsidiaries Bay State Gas Company and Northern Utilities, Inc. distribute natural gas to more than 329,000 customers in the areas of Brockton, Lawrence and Springfield, Massachusetts, Lewiston and Portland, Maine, and Portsmouth, New Hampshire.

Gas Transmission and Storage. Our gas transmission and storage subsidiaries own and operate an interstate pipeline network of approximately 16,062 miles extending from offshore in the Gulf of Mexico to Lake Erie, New York and the eastern seaboard. Together, the companies serve customers in 19 northeastern, mid-Atlantic, midwestern and southern states, as well as the District of Columbia. In addition, Columbia Gas Transmission Corporation operates one of the nation's largest underground natural gas storage systems, capable of storing approximately 670billion cubic feet of natural gas.

Electric Operations. We generate and distribute electricity through our subsidiary Northern Indiana Public Service Company. Northern Indiana provides electric service to approximately 437,000 customers in 21counties in the northern part of Indiana. Northern Indiana owns and operates three coal-fired electric generating stations with a net capacity of 2,694 megawatts, three gas-fired combustion turbine generating units with a net capacity of 186megawatts and two hydroelectric generating plants with a net capacity of 10megawatts, for a total system net capacity of 2,890 megawatts. Northern Indiana is interconnected with five neighboring electric utilities. During the year ended December31, 2002, Northern Indiana generated 72.6% and purchased 27.4% of its electric requirements.

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Other Operations. We provide energy-related services, including gas marketing and power trading. Through our subsidiary EnergyUSA-TPC Corp., we provide natural gas sales to industrial and commercial customers and engage in natural gas marketing activities. We operate the Whiting Clean Energy project, located at BP's Whiting, Indiana refinery. We participate in real estate and other businesses.

Non-Core Divestitures. On January28, 2003, our subsidiary Columbia Natural Resources, Inc., a subsidiary of Columbia Energy Resources, Inc., sold its interest in a natural gas exploration and production joint venture in New York state for $95.0million. The interests sold represented approximately 39billion cubic feet equivalent of natural gas reserves, or approximately 3.5percent of Columbia Natural Resources' total reserves. The 2002 production from the joint venture assets was approximately 6billion cubic feet equivalent, or approximately 11percent of our total 2002 production.

On July3, 2003, we agreed to sell our exploration and production subsidiary, Columbia Energy Resources, for $330million to Triana Energy Holdings, Inc., an affiliate of Morgan Stanley Capital Partners. The sale will result in approximately $220 million in after-tax cash proceeds, which we will use to pay down debt. We will recognize an after-tax book loss of approximately $335 million on the sale, largely reflecting the taxes incurred from the sale and the difference between the current carrying value of Columbia Energy Resources' stock and the purchase price. Our exploration and production business will be accounted for as discontinued operations as of June30, 2003. We expect to complete the sale in the third quarter of 2003. NiSource and Columbia Energy Group will remain guarantors of certain obligations of Columbia Natural Resources with respect to gas deliveries through February 2006 under forward sale contracts. Columbia Energy Group will also remain an indemnitor with respect to certain surety bonds supporting those obligations. Triana Energy Holdings has agreed to indemnify us for any payments made as a result of Columbia Natural Resources' failure to make deliveries.

Also on July3, 2003, we agreed to sell six of Primary Energy's operating subsidiaries and the Primary Energy name for approximately $335 million to Private Power, LLC, a privately held power development firm backed by American Securities Capital Partners, LLC, a NewYork private equity investment firm. Proceeds from the sale will be used to reduce our debt by approximately $296million, of which approximately $71million is off balance sheet. The assets of Primary Energy that are being sold in the transaction will be accounted for as discontinued operations as of June30, 2003. We expect to complete the sale in the third quarter of 2003. We will recognize an after-tax book loss of approximately $29 million on the sale. NiSource will remain a guarantor with respect to certain obligations of the operating subsidiaries being sold. Private Power has agreed to indemnify NiSource for any payments made under its guarantees.

NISOURCE FINANCE CORP.

NiSource Finance is a wholly-owned special purpose finance subsidiary of NiSource that engages in financing activities to raise funds for the business operations of NiSource and its subsidiaries. NiSource Finance's obligations under the debt securities will be fully and unconditionally guaranteed by NiSource. NiSource Finance was incorporated in February 2000 under the laws of the State of Indiana.

USE OF PROCEEDS

Unless otherwise described in the applicable prospectus supplement, we will use the net proceeds from the sale of securities offered by this prospectus and any applicable prospectus supplement for general corporate purposes, including additions to working capital and repayment of existing indebtedness.

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RATIOS OF EARNINGS TO FIXED CHARGES

The following are ratios of our earnings to fixed charges for each of the periods indicated:

	Fiscal Year Ended December 31				
ThreeMonthsEnded March31, 2003	2002	2001	2000	1999	1998
3.75	2.16	1.64	1.84	2.14	2.87

For purposes of calculating the ratio of earnings to fixed charges, "earnings" consist of income from continuing operations before income taxes plus fixed charges. "Fixed charges" consist of interest on all indebtedness, amortization of debt expense, the portion of rental expenses on operating leases deemed to be representative of the interest factor and preferred stock dividend requirements of consolidated subsidiaries.

DESCRIPTION OF CAPITAL STOCK

General

The authorized capital stock of NiSource consists of 420,000,000shares, $0.01par value, of which 400,000,000 are common stock and 20,000,000 are preferred stock. The board of directors has designated 4,000,000shares of the preferred stock as SeriesA Junior Participating Preferred Shares. These shares are reserved for issuance under NiSource's Shareholder Rights Plan.

Shareholder Rights Plan

Each share of NiSource common stock includes one preferred share purchase right. Each preferred share purchase right entitles its holder to purchase one-hundredth (1/100) of a SeriesA Junior Participating Preferred Share at a price of $60per one-hundredth of a share, subject to adjustment. The preferred share purchase rights will become exercisable if a person or group acquires 25% or more of the voting power of NiSource or announces a tender or exchange offer following which the person or group would hold 25% or more of NiSource's voting power. If such an acquisition were consummated, then each preferred share purchase right would be exercisable for that number of shares of NiSource common stock having a market value of two times the exercise price of the preferred share purchase right. The preferred share purchase rights will not be exercisable, however, if the person who acquired sufficient shares of stock to reach the 25% threshold acquired its stock under an offer (a "qualified offer") for all shares at a price and on terms which the NiSource board of directors determines is fair to stockholders and is otherwise in the best interests of NiSource and its stockholders. The preferred share purchase rights will also become exercisable on or after the date on which the 25% threshold has been triggered, if NiSource is acquired in a merger or other business combination in which NiSource is not the survivor or in which NiSource is the survivor but its common stock is changed into or exchanged for securities of another entity, cash or other property, or 50% or more of the assets or earning power of NiSource and its subsidiaries is sold. At that time, each preferred share purchase right will become exercisable for that number of shares of common stock of the acquiring company having a market value of two times the exercise price of the preferred share purchase right. The preferred share purchase rights will not be exercisable in the event of a merger or other business combination following a qualified offer, provided that the per share price offered in the merger or other business combination is not less than the price paid in the qualified offer and the form of consideration offered in the merger or other business combination is the same as that paid in the offer. NiSource may redeem the preferred share purchase rights at a price of $.01per right prior to the occurrence of an event that causes the preferred share purchase rights to be exercisable for shares of common stock. The preferred share purchase rights will expire on March12, 2010.

Anti-Takeover Provisions

The certificate of incorporation of NiSource includes provisions that may have the effect of deterring hostile takeovers or delaying or preventing changes in control of management of NiSource. NiSource's board of directors is classified into three classes of directors with staggered three-year terms. The directors may be removed only for cause by the affirmative vote of 80% of the combined voting power of all of the then-

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outstanding shares of stock of NiSource voting together as a single class. Unless the board of directors determines otherwise or except as otherwise required by law, vacancies on the board or newly-created directorships may be filled only by the affirmative vote of directors then in office, even though less than a quorum. If the board of directors or applicable Delaware law confers power on stockholders of NiSource to fill such a vacancy or newly-created directorship, it may be filled only by affirmative vote of 80% of the combined voting power of the outstanding shares of stock of NiSource entitled to vote. Stockholders may not cumulate their votes, and stockholder action may be taken only at a duly called meeting and not by written consent. The certificate of incorporation also provides that special meetings of stockholders may be called only by a majority of the total number of authorized directors. In addition, NiSource's bylaws contain requirements for advance notice of stockholder proposals and director nominations. These and other provisions of the certificate of incorporation and bylaws and Delaware law could discourage potential acquisition proposals and could delay or prevent a change in control of management of NiSource.

NiSource is currently subject to the provisions of Section203 of the Delaware General Corporation Law regulating corporate takeovers. Section203 prevents certain Delaware corporations, including those whose securities are listed on a national securities exchange, such as the NewYork Stock Exchange, from engaging, under certain circumstances, in a "business combination," which includes a merger or sale of more than 10% of the corporation's assets, with any interested stockholder for three years following the date that the stockholder became an interested stockholder. An interested stockholder is a stockholder who acquired 15% or more of the corporation's outstanding voting stock without the prior approval of the corporation's board of directors.

The following summaries of provisions of our common stock and preferred stock are not necessarily complete. You are urged to read carefully NiSource's certificate of incorporation and bylaws which are incorporated by reference as exhibits to the registration statement of which this prospectus is a part.

Common Stock

NiSource common stock is listed on the NewYork Stock Exchange, the Chicago Stock Exchange and the Pacific Exchange, under the symbol "NI." Common stockholders may receive dividends if and when declared by the board of directors. Dividends may be paid in cash, stock or other form. In certain cases, common stockholders may not receive dividends until obligations to any preferred stockholders have been satisfied. All common stock will be fully paid and non-assessable. Each share of common stock is entitled to one vote in the election of directors and other matters. Common stockholders are not entitled to preemptive rights or cumulative voting rights. Common stockholders will be notified of any stockholders' meeting according to applicable law. If NiSource liquidates, dissolves or winds-up its business, either voluntarily or involuntarily, common stockholders will share equally in the assets remaining after creditors and preferred stockholders are paid.

Preferred Stock

The board of directors can, without approval of stockholders, issue one or more series of preferred stock. The board can also determine the number of shares of each series and the rights, preferences and limitations of each series, including any dividend rights, voting rights, conversion rights, redemption rights and liquidation preferences, the number of shares constituting each series and the terms and conditions of issue. In some cases, the issuance of preferred stock could delay a change in control of NiSource and make it harder to remove incumbent management. Under certain circumstances, preferred stock could also restrict dividend payments to holders of common stock. All preferred stock will be fully paid and non-assessable.

The terms of the preferred stock that NiSource may offer will be established by or pursuant to a resolution of the board of directors of NiSource and will be issued under certificates of designations or through amendments to NiSource's certificate of incorporation. If NiSource uses this prospectus to offer preferred stock, an accompanying prospectus supplement will describe the specific terms of the preferred stock. NiSource will also indicate in the supplement whether the general terms and provisions described in this prospectus apply to the preferred stock that NiSource may offer.

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The following terms of the preferred stock, as applicable, will be set forth in a prospectus supplement relating to the preferred stock:

- the title and stated value;
- the number of shares NiSource is offering;
- the liquidation preference per share;
- the purchase price;
- the dividend rate, period and payment date, and method of calculation of dividends;
- whether dividends will be cumulative or non-cumulative and, if cumulative, the date from which dividends will accumulate;
- the procedures for any auction and remarketing, ifany;
- the provisions for a sinking fund, ifany;
- the provisions for redemption or repurchase, if applicable, and any restrictions on NiSource's ability to exercise those redemption and repurchase rights;
- any listing of the preferred stock on any securities exchange or market;
- voting rights, if any;
- preemptive rights, if any;
- restrictions on transfer, sale or other assignment, if any;
- whether interests in the preferred stock will be represented by depositary shares;
- a discussion of any material or special United States federal income tax considerations applicable to the preferred stock;
- the relative ranking and preferences of the preferred stock as to dividend or liquidation rights;
- any limitations on issuance of any class or series of preferred stock ranking senior to or on a parity with the series of preferred stock as to dividend or liquidation rights;and
- any other material specific terms, preferences, rights or limitations of, or restrictions on, the preferred stock.

The terms, if any, on which the preferred stock may be exchanged for or converted into shares of common stock or any other security and, if applicable, the conversion or exchange price, or how it will be calculated, and the conversion or exchange period will be set forth in the applicable prospectus supplement.

The preferred stock or any series of preferred stock may be represented, in whole or in part, by one or more global certificates, which will have an aggregate liquidation preference equal to that of the preferred stock represented by the global certificate.

Each global certificate will:

- be registered in the name of a depositary or a nominee of the depositary identified in the prospectus supplement;
- be deposited with such depositary or nominee or a custodian for the depositary;and
- bear a legend regarding the restrictions on exchanges and registration of transfer and any other matters as may be provided for under the certificate of designations.

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DESCRIPTION OF THE DEBT SECURITIES

NiSource Finance may issue the debt securities, in one or more series, from time to time under an Indenture, dated as of November 14, 2000, among NiSource Finance, NiSource, as guarantor, and JPMorgan Chase Bank (formerly The Chase Manhattan Bank), as trustee. JPMorgan Chase Bank, as trustee under the Indenture, will act as indenture trustee for the purposes of the Trust Indenture Act. We have filed the Indenture as an exhibit to the registration statement of which this prospectus is a part.

This section briefly summarizes some of the terms of the debt securities and the Indenture. This section does not contain a complete description of the debt securities or the Indenture. The description of the debt securities is qualified in its entirety by the provisions of the Indenture. References to section numbers in this description of the debt securities, unless otherwise indicated, are references to section numbers of the Indenture.

General

The Indenture does not limit the amount of debt securities that may be issued. The Indenture provides for the issuance of debt securities from time to time in one or more series. The terms of each series of debt securities may be established in a supplemental indenture or in resolutions of NiSource Finance's Board of Directors or a committee of the board.

The debt securities:

- are direct senior unsecured obligations of NiSource Finance;
- are equal in right of payment to any other senior unsecured obligations of NiSource Finance;and
- are guaranteed on a senior unsecured basis by NiSource.

NiSource Finance is a special purpose financing subsidiary formed solely as a financing vehicle for NiSource and its subsidiaries. Therefore, the ability of NiSource Finance to pay its obligations under the debt securities is dependent upon the receipt by it of payments from NiSource. If NiSource were not to make such payments for any reason, the holders of the debt securities would have to rely on the enforcement of NiSource's guarantee described below.

If NiSource Finance uses this prospectus to offer debt securities, an accompanying prospectus supplement will describe the following terms of the debt securities being offered, to the extent applicable:

- the title;
- any limit on the aggregate principal amount;
- the date or dates on which NiSource Finance will pay principal;
- the right, if any, to extend the date or dates on which NiSource Finance will pay principal;
- the interest rates or the method of determining them and the date interest begins to accrue;
- the interest payment dates and the regular record dates for any interest payment dates;
- the right, if any, to extend the interest payment periods and the duration of any extension;
- the place or places where NiSource Finance will pay principal and interest;
- the terms and conditions of any optional redemption, including the date after which, and the price or prices at which, NiSource Finance may redeem securities;
- the terms and conditions of any optional purchase or repayment, including the date after which, and the price or prices at which, holders may require NiSource Finance to purchase, or a third party may require holders to sell, securities;

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- the terms and conditions of any mandatory or optional sinking fund redemption, including the date after which, and the price or prices at which, NiSource Finance may redeem securities;
- whether bearer securities will be issued;

- the denominations in which NiSource Finance will issue securities;

- the currency or currencies in which NiSource Finance will pay principal and interest;

- any index or indices used to determine the amount of payments;

- the portion of principal payable on declaration of acceleration of maturity;

- any additional events of default or covenants of NiSource Finance or NiSource applicable to the debt securities;

- whether NiSource Finance will pay additional amounts in respect of taxes and similar charges on debt securities held by a United States alien and whether NiSource Finance may redeem those debt securities rather than pay additional amounts;
- whether NiSource Finance will issue the debt securities in whole or in part in global form and, in such case, the depositary for such global securities and the circumstances under which beneficial owners of interests in the global security may exchange such interest for securities;
- the date or dates after which holders may convert the securities into shares of NiSource common stock or preferred stock and the terms for that conversion;and
- any other terms of the securities.

The Indenture does not give holders of debt securities protection in the event of a highly leveraged transaction or other transaction involving NiSource Finance or NiSource. The Indenture also does not limit the ability of NiSource Finance or NiSource to incur indebtedness or to declare or pay dividends on its capital stock.

Guarantee of NiSource

NiSource will fully and unconditionally guarantee to each holder of debt securities and to the indenture trustee and its successors all the obligations of NiSource Finance under the debt securities, including the due and punctual payment of the principal of, and premium, if any, and interest, if any, on the debt securities. The guarantee applies whether the payment is due at maturity, on an interest payment date or as a result of acceleration, redemption or otherwise. The guarantee includes payment of interest on the overdue principal of and interest, if any, on the debt securities (if lawful) and all other obligations of NiSource Finance under the Indenture. The guarantee will remain valid even if the Indenture is found to be invalid. NiSource is obligated under the guarantee to pay any guaranteed amount immediately after NiSource Finance's failure to doso.

NiSource is a holding company with no independent business operations or source of income of its own. It conducts substantially all of its operations through its subsidiaries and, as a result, NiSource depends on the earnings and cash flow of, and dividends or distributions from, its subsidiaries to provide the funds necessary to meet its debt and contractual obligations. A substantial portion of NiSource's consolidated assets, earnings and cash flow is derived from the operation of its regulated utility subsidiaries, whose legal authority to pay dividends or make other distributions to NiSource is subject to regulation. Northern Indiana Public Service Company's debt indenture also provides that Northern Indiana will not declare or pay any dividends on its common stock owned by NiSource except out of earned surplus or net profits. Furthermore, as long as any shares of Northern Indiana's cumulative preferred stock are outstanding, Northern Indiana may not declare or pay cash dividends on its common shares in excess of 75% of its net income, provided that Northern Indiana may declare and pay cash dividends if the sum of (1)Northern Indiana's capital applicable to stock junior to the cumulative preferred stock plus (2)the surplus, after giving effect to such dividends, is at least 25% of the sum of (a)all of Northern Indiana's obligations under any outstanding bonds, notes, debentures or other securities plus (b)Northern Indiana's total capital and surplus. Future dividends will depend upon adequate

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retained earnings, adequate future earnings and the absence of adverse developments. In addition, NiSource is registered as a holding company under the Public Utility Holding Company Act of 1935. As a result, the corporate and financial activities of NiSource and each of its subsidiaries (including their ability to pay dividends to NiSource) are subject to regulation by theSEC.

NiSource's holding company status also means that its right to participate in any distribution of the assets of any of its subsidiaries upon liquidation, reorganization or otherwise is subject to the prior claims of the creditors of each of the subsidiaries (except to the extent that the claims of NiSource itself as a creditor of a subsidiary may be recognized). Since this is true for NiSource, it is also true for the creditors of NiSource (including the holders of the debt securities).

Conversion Rights

The terms, if any, on which a series of debt securities may be exchanged for or converted into shares of common stock or preferred stock of NiSource will be set forth in the applicable prospectus supplement.

Denomination, Registration and Transfer

NiSource Finance may issue the debt securities as registered securities in certificated form or as global securities as described under the heading "Book-Entry Issuance." Unless otherwise specified in the applicable prospectus supplement, NiSource Finance will issue registered debt securities in denominations of $1,000 or integral multiples of $1,000. (See Section302.)

If NiSource Finance issues the debt securities as registered securities, NiSource Finance will keep at one of its offices or agencies a register in which it will provide for the registration and transfer of the debt securities. NiSource Finance will appoint that office or agency the security registrar for the purpose of registering and transferring the debt securities.

The holder of any registered debt security may exchange the debt security for registered debt securities of the same series having the same stated maturity date and original issue date, in any authorized denominations, in like tenor and in the same aggregate principal amount. The holder may exchange those debt securities by surrendering them in a place of payment maintained for this purpose at the office or agency NiSource Finance has appointed securities registrar. Holders may present the debt securities for exchange or registration of transfer, duly endorsed or accompanied by a duly executed written instrument of transfer satisfactory to NiSource Finance and the securities registrar. No service charge will apply to any exchange or registration of transfer, but NiSource Finance may require payment of any taxes and other governmental charges as described in the Indenture. (See Section305.)

If debt securities of any series are redeemed, NiSource Finance will not be required to issue, register transfer of or exchange any debt securities of that series during the 15business day period immediately preceding the day the relevant notice of redemption is given. That notice will identify the serial numbers of the debt securities being redeemed. After notice is given, NiSource Finance will not be required to issue, register the transfer of or exchange any debt securities that have been selected to be either partially or fully redeemed, except the unredeemed portion of any debt security being partially redeemed. (See Section305.)

Payment and Paying Agents

Unless otherwise indicated in the applicable prospectus supplement, on each interest payment date, NiSource Finance will pay interest on each debt security to the person in whose name that debt security is registered as of the close of business on the record date relating to that interest payment date. If NiSource Finance defaults in the payment of interest on any debt security, it may pay that defaulted interest to the registered owner of that debt security:

- as of the close of business on a date that the indenture trustee selects, which may not be more than 15days or less than 10days before the date NiSource Finance proposes to pay the defaulted interest,or

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- in any other lawful manner that does not violate the requirements of any securities exchange on which that debt security is listed and that the indenture trustee believes is acceptable.

(See Section307.)

Unless otherwise indicated in the applicable prospectus supplement, NiSource Finance will pay the principal of and any premium or interest on the debt securities when they are presented at the office of the indenture trustee, as paying agent. NiSource Finance may change the place of payment of the debt securities, appoint one or more additional paying agents, and remove any paying agent.

Redemption

The applicable prospectus supplement will contain the specific terms on which NiSource Finance may redeem a series of debt securities prior to its stated maturity. NiSource Finance will send a notice of redemption to holders at least 30days but not more than 60days prior to the redemption date. The notice will state:

- the redemption date;
- the redemption price;
- if less than all of the debt securities of the series are being redeemed, the particular debt securities to be redeemed (and the principal amounts, in the case of a partial redemption);
- that on the redemption date, the redemption price will become due and payable and any applicable interest will cease to accrue on and after that date;
- the place or places of payment;and
- whether the redemption is for a sinking fund.

(See Section1104.)

On or before any redemption date, NiSource Finance will deposit an amount of money with the indenture trustee or with a paying agent sufficient to pay the redemption price. (See Section1105.)

If NiSource Finance is redeeming less than all the debt securities, the indenture trustee will select the debt securities to be redeemed using a method it considers fair and appropriate. After the redemption date, holders of redeemed debt securities will have no rights with respect to the debt securities except the right to receive the redemption price and any unpaid interest to the redemption date. (See Section1103.)

Consolidation, Merger, Conveyance, Transfer or Lease

Neither NiSource Finance nor NiSource shall consolidate or merge with any other corporation or convey, transfer or lease substantially all of its assets or properties to any entity unless:

- that corporation or entity is organized under the laws of the United States or any state thereof;
- that corporation or entity assumes NiSource Finance's or NiSource's obligations, as applicable, under the Indenture;
- after giving effect to the transaction, NiSource Finance and NiSource are not in default under the Indenture;and
- NiSource Finance or NiSource, as applicable, delivers to the indenture trustee an officer's certificate and an opinion of counsel to the effect that the transaction complies with the Indenture.

(See Section801.)

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The Indenture does not give holders of the debt securities protection in the event of a highly leveraged transaction or other transaction involving NiSource Finance or NiSource. The Indenture also does not limit the ability of NiSource Finance to incur indebtedness or to declare or pay dividends on its capital stock.

Limitation on Liens

As long as any debt securities remain outstanding, neither NiSource Finance, NiSource nor any subsidiary of NiSource other than a utility may issue, assume or guarantee any debt secured by any mortgage, security interest, pledge, lien or other encumbrance on any property owned by NiSource Finance, NiSource or that subsidiary, except intercompany indebtedness, without also securing the debt securities equally and ratably with (or prior to) the new debt, unless the total amount of all of the secured debt would not exceed 10% of the consolidated net tangible assets of NiSource and its subsidiaries (other than utilities).

In addition, the lien limitations do not apply to NiSource Finance's, NiSource's and any subsidiary's ability to do the following:

- create mortgages on any property and on certain improvements and accessions on such property acquired, constructed or improved after the date of the Indenture;
- assume existing mortgages on any property or indebtedness of an entity which is merged with or into, or consolidated with NiSource Finance, NiSource and any subsidiary;
- assume existing mortgages on any property or indebtedness of an entity existing at the time it becomes a subsidiary;

- create mortgages to secure debt of a subsidiary to NiSource or to another subsidiary;

- create mortgages in favor of governmental entities to secure payment under a contract or statute or mortgages to secure the financing of constructing or improving property, including mortgages for pollution control or industrial revenue bonds;
- create mortgages to secure debt of NiSource or its subsidiaries maturing within 12months and created in the ordinary course of business;
- create mortgages to secure the cost of exploration, drilling or development of natural gas, oil or other mineral property;

- to continue mortgages existing on the date of the Indenture;and

- create mortgages to extend, renew or replace indebtedness secured by any mortgage referred to above provided that the principal amount of indebtedness and the property securing the indebtedness shall not exceed the amount secured by the mortgage being extended, renewed or replaced.

(See Section1008.)

Events of Default

The Indenture provides, with respect to any outstanding series of debt securities, that any of the following events constitutes an "Event of Default":

- NiSource Finance defaults in the payment of any interest upon any debt security of that series that becomes due and payable and the default continues for 60days;
- NiSource Finance defaults in the payment of principal of or any premium on any debt security of that series when due at its maturity, on redemption, by declaration or otherwise and the default continues for three business days;
- NiSource Finance defaults in the deposit of any sinking fund payment when due and the default continues for three business days;

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- NiSource Finance or NiSource defaults in the performance of or breaches any covenant or warranty in the Indenture for 90days after written notice to NiSource Finance and NiSource from the indenture trustee or to NiSource Finance, NiSource and the indenture trustee from the holders of at least 33% of the outstanding debt securities of that series;
- NiSource Finance or NiSource Capital Markets defaults under any bond, debenture, note or other evidence of indebtedness for money borrowed by NiSource Finance or NiSource Capital Markets, or NiSource Finance or NiSource Capital Markets defaults under any mortgage, indenture or instrument under which there may be issued, secured or evidenced indebtedness constituting a failure to pay in excess of $50,000,000 of the principal or interest when due and payable, and in the event such debt has become due as the result of an acceleration, such acceleration is not rescinded or annulled or such debt is not paid within 60days after written notice to NiSource Finance and NiSource from the indenture trustee or to NiSource Finance, NiSource and the indenture trustee from the holders of at least 33% of the outstanding debt securities of that series;
- the NiSource guarantee ceases to be in full force and effect in any material respect or is disaffirmed or denied (other than according to its terms), or is found to be unenforceable or invalid;or
- certain events of bankruptcy, insolvency or reorganization of NiSource Finance, NiSource Capital Markets or NiSource.

(See Section501.)

If an Event of Default occurs with respect to debt securities of a particular series, the indenture trustee or the holders of 33% in principal amount of the outstanding debt securities of that series may declare the debt securities of that series due and payable immediately. (See Section502.)

The holders of a majority in principal amount of the outstanding debt securities of a particular series will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the indenture trustee under the Indenture, or exercising any trust or power conferred on the indenture trustee with respect to the debt securities of that series. The indenture trustee may refuse to follow directions that are in conflict with law or the Indenture, that expose the indenture trustee to personal liability or that are unduly prejudicial to other holders. The indenture trustee may take any other action it deems proper that is not inconsistent with those directions. (See Section512.)

The holders of a majority in principal amount of the outstanding debt securities of any series may waive any past default under the Indenture and its consequences, except a default:

- in respect of a payment of principal of, or premium, if any, or interest on any debt security;or
- in respect of a covenant or provision that cannot be modified or amended without the consent of the holder of each affected debt security.

(See Section513.)

At any time after the holders of the debt securities of a series declare that the debt securities of that series are due and immediately payable, a majority in principal amount of the outstanding holders of debt securities of that series may rescind and cancel the declaration and its consequences: (1)before the indenture trustee has obtained a judgment or decree for money, (2)if all defaults (other than the non-payment of principal which has become due solely by the declaration) have been waived or cured, and (3)NiSource or NiSource Finance has paid or deposited with the indenture trustee an amount sufficient to pay:

- all overdue interest on the debt securities of that series;
- the principal of, and premium, if any, or interest on any debt securities of that series which are due other than by the declaration;

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- interest on overdue interest (if lawful);and

- sums paid or advanced by and amounts due to the indenture trustee under the Indenture.

(See Section502.)

Modification of Indenture

NiSource Finance, NiSource and the indenture trustee may modify or amend the Indenture, without the consent of the holders of any debt securities, for any of the following purposes:

- to evidence the succession of another person as obligor under the Indenture;

- to add to NiSource Finance's or NiSource's covenants or to surrender any right or power conferred on NiSource Finance or NiSource under the Indenture;
- to add events of default;

- to add or change any provisions of the Indenture to provide that bearer securities may be registrable as to principal, to change or eliminate any restrictions on the payment of principal or premium on registered securities or of principal or premium or any interest on bearer securities, to permit registered securities to be exchanged for bearer securities or to permit the issuance of securities in uncertificated form (so long as the modification or amendment does not materially adversely affect the interest of the holders of debt securities of any series);
- to change or eliminate any provisions of the Indenture (so long as there are no outstanding debt securities entitled to the benefit of the provision);
- to secure the debt securities;

- to establish the form or terms of debt securities of any series;

- to evidence or provide for the acceptance or appointment by a successor indenture trustee or facilitate the administration of the trusts under the Indenture by more than one indenture trustee;
- to cure any ambiguity, defect or inconsistency in the Indenture (so long as the cure or modification does not materially adversely affect the interest of the holders of debt securities of any series);
- to effect assumption by NiSource or one of its subsidiaries of NiSource Finance's obligations under the Indenture;or

- to conform the Indenture to any amendment of the Trust Indenture Act.

(See Section901.)

The Indenture provides that we and the indenture trustee may amend the Indenture or the debt securities with the consent of the holders of a majority in principal amount of the then outstanding debt securities of each series affected by the amendment voting as one class. However, without the consent of each holder of any outstanding debt securities affected, an amendment or modification may not, among other things:

- change the stated maturity of the principal or interest on any debt security;

- reduce the principal amount of, rate of interest on, or premium payable upon the redemption of, any debt security;

- change the method of calculating the rate of interest on any debt security;

- change any obligation of NiSource Finance to pay additional amounts in respect of any debt security;

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- reduce the principal amount of a discount security that would be payable upon acceleration of its maturity;

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- change the place or currency of payment of principal of, or any premium or interest on, any debt security;

- impair a holder's right to institute suit for the enforcement of any payment after the stated maturity or after any redemption date or repayment date;
- reduce the percentage of holders of debt securities necessary to modify or amend the Indenture or to consent to any waiver under the Indenture;
- change any obligation of NiSource Finance to maintain an office or agency in each place of payment or to maintain an office or agency outside the United States;
- modify the obligations of NiSource under its guarantee in any way adverse to the interests of the holders of the debt securities; and
- modify these requirements or reduce the percentage of holders of debt securities necessary to waive any past default of certain covenants.

(See Section902.)

Satisfaction and Discharge

Under the Indenture, NiSource Finance can terminate its obligations with respect to debt securities of any series not previously delivered to the indenture trustee for cancellation when those debt securities:

- have become due and payable;

- will become due and payable at their stated maturity within one year;or

- are to be called for redemption within one year under arrangements satisfactory to the indenture trustee for giving notice of redemption.

NiSource Finance may terminate its obligations with respect to the debt securities of that series by depositing with the indenture trustee, as trust funds dedicated solely for that purpose, an amount sufficient to pay and discharge the entire indebtedness on the debt securities of that series. In that case, the Indenture will cease to be of further effect and NiSource Finance's obligations will be satisfied and discharged with respect to that series (except as to NiSource Finance's obligations to pay all other amounts due under the Indenture and to provide certain officers' certificates and opinions of counsel to the indenture trustee). At the expense of NiSource Finance, the indenture trustee will execute proper instruments acknowledging the satisfaction and discharge. (See Section401.)

Book-Entry Issuance

Unless otherwise specified in the applicable prospectus supplement, NiSource Finance will issue any debt securities offered under this prospectus as "global securities." We will describe the specific terms for issuing any debt security as a global security in the prospectus supplement relating to that debt security.

Unless otherwise specified in the applicable prospectus supplement, The Depository Trust Company, or DTC, will act as the depositary for any global securities. NiSource Finance will issue global securities as fully registered securities registered in the name of DTC's nominee, CedeCo. NiSource Finance will issue one or more fully registered global securities for each issue of debt securities, each in the aggregate principal or stated amount of such issue, and will deposit the global securities withDTC.

DTC is a limited-purpose trust company organized under the NewYork Banking Law, a "banking organization" within the meaning of the NewYork Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the NewYork Uniform Commercial Code, and a "clearing agency" registered under the provisions of Section17A of the Securities Exchange Act. DTC holds securities that its participants deposit with DTC. DTC also facilitates the settlement among participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry

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changes in participants' accounts, thereby eliminating the need for physical movement of securities certificates. DTC's direct participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is owned by a number of its direct participants and by the NewYork Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to DTC's book-entry system is also available to others, such as securities brokers and dealers, banks and trust companies, that clear through or maintain a custodial relationship with a direct participant. The rules applicable to DTC and its participants are on file with theSEC.

Purchases of securities under DTC's system must be made by or through a direct participant, which will receive a credit for such securities on DTC's records. The ownership interest of each actual purchaser of each security— the beneficial owner— is in turn recorded on the records of direct and indirect participants. Beneficial owners will not receive written confirmation from DTC of their purchases, but they should receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from the participants through which they entered into the transactions. Transfers of ownership interest in the securities are accomplished by entries made on the books of participants acting on behalf of beneficial owners. Beneficial owners will not receive certificates representing their securities, except in the event that use of the book-entry system for the securities is discontinued.

To facilitate subsequent transfers, all global securities that are deposited with, or on behalf of, DTC are registered in the name of DTC's nominee, CedeCo. The deposit of global securities with, or on behalf of, DTC and their registration in the name of CedeCo. effect no change in beneficial ownership. DTC has no knowledge of the actual beneficial owners of the securities; DTC's records reflect only the identity of the direct participants to whose accounts such securities are credited, which may or may not be the beneficial owners. The participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to direct participants, by direct participants to indirect participants and by direct and indirect participants to beneficial owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Neither DTC nor CedeCo. will consent or vote with respect to the global securities. Under its usual procedures, DTC will mail an omnibus proxy to NiSource Finance as soon as possible after the applicable record date. The omnibus proxy assigns CedeCo.'s consenting or voting rights to those direct participants to whose accounts the securities are credited on the applicable record date (identified in a listing attached to the omnibus proxy).

Redemption proceeds, principal payments and any premium, interest or other payments on the global securities will be made to CedeCo., as nominee of DTC. DTC's practice is to credit direct participants' accounts on the applicable payment date in accordance with their respective holdings shown on DTC's records, unless DTC has reason to believe that it will not receive payment on that date. Payments by participants to beneficial owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of the participant and not of DTC, NiSource Finance, NiSource or the indenture trustee, subject to any statutory or regulatory requirements in effect at the time. Payment of redemption payments, principal and any premium, interest or other payments to DTC is the responsibility of NiSource Finance and the applicable paying agent, disbursement of payments to direct participants will be the responsibility of DTC, and disbursement of payments to the beneficial owners will be the responsibility of direct and indirect participants.

If applicable, redemption notices will be sent to CedeCo. If less than all of the debt securities of like tenor and terms are being redeemed, DTC's practice is to determine by lot the amount of the interest of each direct participant in such issue to be redeemed.

A beneficial owner electing to have its interest in a global security repaid by NiSource Finance will give any required notice through its participant and will effect delivery of its interest by causing the direct participant to transfer the participant's interest in the global securities on DTC's records to the appropriate

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party. The requirement for physical delivery in connection with a demand for repayment will be deemed satisfied when the ownership rights in the global securities are transferred on DTC's records.

DTC may discontinue providing its services as securities depositary with respect to the global securities at any time by giving reasonable notice to NiSource Finance or the indenture trustee. Under such circumstances, in the event that a successor securities depositary is not obtained, certificates for the securities are required to be printed and delivered.

NiSource Finance may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depositary). In that event, certificates for the securities will be printed and delivered.

We have provided the foregoing information with respect to DTC to the financial community for information purposes only. We do not intend the information to serve as a representation, warranty or contract modification of any kind. We have received the information in this section concerning DTC and DTC's system from sources that we believe to be reliable, but we take no responsibility for the accuracy of this information.

Governing Law

The Indenture and the debt securities are governed by the internal laws of the State of NewYork.

Information Concerning the Indenture Trustee

Prior to default, the indenture trustee will perform only those duties specifically set forth in the Indenture. After default, the indenture trustee will exercise the same degree of care as a prudent individual would exercise in the conduct of his or her own affairs. The indenture trustee is under no obligation to exercise any of the powers vested in it by the Indenture at the request of any holder of debt securities unless the holder offers the indenture trustee reasonable indemnity against the costs, expenses and liability that the indenture trustee might incur in exercising those powers. The indenture trustee is not required to expend or risk its own funds or otherwise incur personal financial liability in the performance of its duties if it reasonably believes that it may not receive repayment or adequate indemnity. (See Section601.)

The indenture trustee, JPMorgan Chase Bank, is also the indenture trustee for NiSource Capital Markets' senior and subordinated debt indentures and the indenture governing the debenture portion of NiSource's Stock Appreciation Income Linked Securities ("SAILS"). JPMorgan Chase Bank is the purchase contract agent and collateral agent for the SAILS.

DESCRIPTION OF WARRANTS

NiSource and NiSource Finance may issue warrants to purchase equity or debt securities, respectively. NiSource and NiSource Finance may issue warrants independently or together with any offered securities. The warrants may be attached to or separate from those offered securities. NiSource and NiSource Finance will issue the warrants under warrant agreements to be entered into between NiSource or NiSource Finance, as the case may be, and a bank or trust company, as warrant agent, all as described in the applicable prospectus supplement. The warrant agent will act solely as agent in connection with the warrants and will not assume any obligation or relationship of agency or trust for or with any holders or beneficial owners of warrants.

The prospectus supplement relating to any warrants that we may offer will contain the specific terms of the warrants. These terms may include the following:

- the title of the warrants;
- the designation, amount and terms of the securities for which the warrants are exercisable;
- the designation and terms of the other securities, if any, with which the warrants are to be issued and the number of warrants issued with each other security;
- the price or prices at which the warrants will be issued;

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- the aggregate number of warrants;

- any provisions for adjustment of the number or amount of securities receivable upon exercise of the warrants or the exercise price of the warrants;
- the price or prices at which the securities purchasable upon exercise of the warrants may be purchased;

- if applicable, the date on and after which the warrants and the securities purchasable upon exercise of the warrants will be separately transferable;
- if applicable, a discussion of the material U.S. federal income tax considerations applicable to the exercise of the warrants;

- any other terms of the warrants, including terms, procedures and limitations relating to the exchange and exercise of the warrants;
- the date on which the right to exercise the warrants will commence, and the date on which the right will expire;

- the maximum or minimum number of warrants that may be exercised at any time; and

- information with respect to book-entry procedures, if any.

Exercise of Warrants

Each warrant will entitle the holder of warrants to purchase for cash the amount of equity or debt securities at the exercise price stated or determinable in the prospectus supplement for the warrants. Warrants may be exercised at any time up to the close of business on the expiration date shown in the applicable prospectus supplement, unless otherwise specified in such prospectus supplement. After the close of business on the expiration date, unexercised warrants will become void. Warrants may be exercised as described in the applicable prospectus supplement. When the warrant holder makes the payment and properly completes and signs the warrant certificate at the corporate trust office of the warrant agent or any other office indicated in the prospectus supplement, NiSource or NiSource Finance, as the case may be, will, as soon as possible, forward the equity or debt securities that the warrant holder has purchased. If the warrant holder exercises the warrant for less than all of the warrants represented by the warrant certificate, NiSource or NiSource Finance, as the case may be, will issue a new warrant certificate for the remaining warrants.

DESCRIPTION OF STOCK PURCHASE CONTRACTS AND STOCK PURCHASE UNITS

NiSource may issue stock purchase contracts, including contracts obligating holders to purchase from NiSource, and for NiSource to sell to the holders, a specified number of shares of common stock at a future date or dates. The price per share of common stock and the number of shares of common stock may be fixed at the time the stock purchase contracts are issued or may be determined by reference to a specific formula stated in the stock purchase contracts.

The stock purchase contracts may be issued separately or as part of units that we call "stock purchase units." Stock purchase units consist of a stock purchase contract and either NiSource Finance's debt securities or U.S. treasury securities securing the holders' obligations to purchase the common stock under the stock purchase contracts.

The stock purchase contracts may require us to make periodic payments to the holders of the stock purchase units or vice versa, and these payments may be unsecured or prefunded on some basis. The stock purchase contracts may require holders to secure their obligations in a specified manner.

The applicable prospectus supplement will describe the terms of the stock purchase contracts or stock purchase units. The description in the prospectus supplement will only be a summary, and you should read the stock purchase contracts, and, if applicable, collateral or depositary arrangements, relating to the stock purchase contracts or stock purchase units. Material U.S. federal income tax considerations applicable to the

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stock purchase units and the stock purchase contracts will also be discussed in the applicable prospectus supplement.

PLAN OF DISTRIBUTION

We may sell the securities to or through underwriters, through dealers or agents, directly to you or through a combination of these methods. The prospectus supplement with respect to any offering of securities will describe the specific terms of the securities being offered, including:

- the name or names of any underwriters, dealers or agents;
- the purchase price of the securities and the proceeds to NiSource or NiSource Finance from the sale;
- any underwriting discounts and commissions or agency fees and other items constituting underwriters' or agents' compensation;
- any initial public offering price;
- any discounts or concessions allowed or reallowed or paid to dealers;and
- any securities exchange on which the offered securities may be listed.

Through Underwriters. If we use underwriters in the sale of the securities, the underwriters will acquire the offered securities for their own account. We will execute an underwriting agreement with an underwriter or underwriters once an agreement for sale of the securities is reached. The underwriters may resell the offered securities in one or more transactions, including negotiated transactions, at a fixed public offering price or at varying prices determined at the time of sale. The underwriters may sell the offered securities directly or through underwriting syndicates represented by managing underwriters. Unless otherwise stated in the prospectus supplement relating to offered securities, the obligations of the underwriters to purchase those offered securities will be subject to certain conditions, and the underwriters will be obligated to purchase all of those offered securities if they purchase any of them.

Through Dealers. If we use a dealer to sell the securities, we will sell the offered securities to the dealer as principal. The dealer may then resell those offered securities at varying prices determined at the time of resale. Any initial public offering price and any discounts or concessions allowed or reallowed or paid to dealers may be changed from time to time.

Through Agents. If we use agents in the sale of securities, we may designate one or more agents to sell offered securities. Unless otherwise stated in a prospectus supplement, the agents will agree to use their best efforts to solicit purchases for the period of their appointment.

Directly to Purchasers. We may sell the offered securities directly to one or more purchasers. In this case, no underwriters, dealers or agents would be involved. We will describe the terms of our direct sales in our prospectus supplement.

General Information. A prospectus supplement will state the name of any underwriter, dealer or agent and the amount of any compensation, underwriting discounts or concessions paid, allowed or reallowed to them. A prospectus supplement will also state the proceeds to us from the sale of offered securities, any initial public offering price and other terms of the offering of those offered securities.

Our agents, underwriters and dealers, or their affiliates, may be customers of, engage in transactions with or perform services for us in the ordinary course of business.

We may authorize agents, underwriters or dealers to solicit offers by certain institutions to purchase offered securities from us at the public offering price and on terms described in the related prospectus supplement pursuant to delayed delivery contracts providing for payment and delivery on a specified date in the future. If we use delayed delivery contracts, we will disclose that we are using them in our prospectus supplement and will tell you when we will demand payment and delivery of the securities. The delayed delivery contracts will be subject only to the conditions we set forth in our prospectus supplement.

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We may enter into agreements to indemnify agents, underwriters and dealers against certain civil liabilities, including liabilities under the Securities Act of 1933.

LEGAL OPINIONS

Schiff Hardin Waite, Chicago, Illinois, will pass upon the validity of the securities offered by this prospectus for us. The opinions with respect to the securities may be subject to assumptions regarding future action to be taken by us and the trustee, if applicable, in connection with the issuance and sale of the securities, the specific terms of the securities and other matters that may affect the validity of securities but that cannot be ascertained on the date of those opinions. PeterV. Fazio, Jr., a partner of the firm who also serves as Executive Vice President and General Counsel of NiSource, holds approximately 11,400shares of NiSource common stock.

EXPERTS

The consolidated financial statements and the related consolidated financial statement schedules incorporated in this prospectus by reference from NiSource's Current Report on Form8-K dated July15, 2003 have been audited by Deloitte Touche LLP, independent auditors, as stated in their report which is incorporated herein by reference (which report expresses an unqualified opinion and includes an explanatory paragraph related to the adoption of Financial Accounting Standards No.133, "Accounting for Derivatives Instruments and Hedging Activities," as amended, on January1, 2001 and Financial Accounting Standards No.142, "Goodwill and Other Intangible Assets," on January1, 2002 and the adoption of the October 2002 consensus of EITF Issue No.02-03, "Issues Involved in Accounting for Derivative Contracts Held for Trading Purposes and Contracts Involved in Energy Trading and Risk Management Activities"), and have been so incorporated in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

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$450,000,000

NiSource Finance Corp.

Floating Rate Notes due 2009

Unconditionally Guaranteed by NiSource Inc.

PROSPECTUS SUPPLEMENT

CitigroupJPMorgan

BNP PARIBAS
KeyBanc Capital Markets

PNC Capital Markets, Inc.

Scotia Capital

November18, 2004

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End of Filing

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COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
FIRST SET OF INFORMATION REQUESTS FROM THE ATTORNEY GENERAL
D. T. E. 05-27

Date: May 23, 2005

Responsible: John E. Skirtich, Consultant (Revenue Requirements)

AG-1-17: Please provide the following items for the Company for each of the most recent five years:

(1) the plant in service by account and the additions, retirements, transfers, and adjustments to each of those accounts;

(2) the year-end construction work in progress balances; and

(3) the land and rights-of-way by account.

Response: All of the requested information is set forth on pages 17 and 18 of Bay State Gas Company's Annual Return to the Department. Attachments AG-1-17 (2000 – 2004) are copies of pages 17 and 18 for the years 2000 through 2004.

Annual report of .....BAY STATE GAS COMPANY.....Year ended December 31, 2000

UTILITY PLANT-GAS

1. Report below the cost of utility plant in service according to prescribed accounts.
2. Do not include as adjustments, corrections of additions and retirements for the current or the preceding year. Such items should be included in column (c) or (d) as appropriate.
3. Credit adjustments of plant accounts should be enclosed in parentheses to indicate the negative effect of such amounts.
4. Reclassifications or transfers within utility plant accounts should be shown in column (f).

Line No.	Account (a)	Balance Beginning of Year (b)	Additions (c)	Retirements (d)	Adjustments (e)	Transfers (f)	Balance End of Year (g)
1	1. INTANGIBLE PLANT	$	$	$	$	$	$
2	301 Organization.....	689,188.65					689,188.65
3	303 Miscellaneous Intangible Plant..	481,917,203.85	6,200,414.30	5,192,854.69			482,924,763.46
4	Total Intangible Plant.....	482,606,392.50	6,200,414.30	5,192,854.69			483,613,952.11
5	2. PRODUCTION PLANT						
6	Manufactured Gas Production Plant...						
7	304 Land and Land Rights	511,416.26		30,885.49			480,530.77
8	305 Structures and Improvements.....	2,652,228.41	41,084.96	91,947.59			2,601,365.78
9	306 Boiler Plant Equipment.....						
10	307 Other Power Equipment.....						
11	310 Water Gas Generating Equipment.						
12	311 Liquefied Petroleum Gas..... Equipment.....	6,687,994.17		932,055.57			5,755,938.60
13	312 Oil Gas Generating Equipment...						
14	313 Generating Equipment-Other..... Processes.....						
15	315 Catalytic Cracking Equipment...						
16	316 Other Reforming Equipment.....						
17	317 Purification Equipment.....						
18	321 LNG Equipment.....	16,037,197.28	50,169.00	4,117.38	4,117.38		16,087,366.28
19	319 Gas Mixing Equipment.....						
20	320 Other Equipment.....…	1,033,365.02		132,007.91			901,357.11
21	Total Manufactured Gas Production Plant.....	26,922,201.14	91,253.96	1,191,013.94	4,117.38		25,826,558.54
22	3. STORAGE PLANT						
23	360 Land and Land Rights.....						
24	361 Structures and Improvements.....						
25	362 Gas Holders.....						
26	363 Other Equipment.....						
27	Total Storage Plant.....						

Annual report of .....BAY STATE GAS COMPANY.....Year ended December 31, 2000

UTILITY PLANT - GAS (Continued)

Line No.	Account (a)	Balance Beginning of Year (b)	Additions (c)	Retirements (d)	Adjustments (e)	Transfers (f)	Balance End of Year (g)
1	4. TRANSMISSION AND DISTRIBUTION PLANT	$					
2	365.1 Land and Land Rights.....	227,239.75					227,239.75
3	365.2 Rights of Way.....	79,051.37					79,051.37
4	366 Structures and Improvements.....	2,177,460.64	8,225.69				2,185,686.33
5	367 Mains.....	257,592,945.60	10,927,535.21	1,782,060.22	(11,177.95)		266,727,242.64
6	368 Compressor Station Equipment...	327,265.05					327,265.05
7	369 Measuring and Regulating Station Equipment.....	9,081,534.11	986,112.91				10,067,647.02
	379 Other Equipment	510,251.60					510,251.60
8	380 Services.....	176,763,199.13	10,237,465.24	418,942.16	3,559.12		186,585,281.33
9	381 Meters.....	23,720,841.06	273,046.96	358,396.18			23,635,491.84
10	382 Meter Installations.....	34,449,908.42	2,412,880.65	34,180.59			36,828,608.48
11	383 House Regulators.....	13,453,523.46	115,742.72	59,894.39			13,509,371.79
12	386 Other Property on Cust's Prem.....	7,332,936.27	3,534,958.75	1,317,793.04			9,550,101.98
13	387 Other Equipment.....	1,901,405.43	107,633.52	204,423.96			1,804,614.99
14	Total Transmission and Distribution Plant.....	527,617,561.89	28,603,601.65	4,175,690.54	(7,618.83)		552,037,854.17
15	5. GENERAL PLANT						
16	389 Land and Land Rights.....	172,320.91					172,320.91
17	390 Structures and Improvements.....	6,629,481.76	159,290.75				6,788,772.51
18	391 Office Furniture and Equipment.....	14,249,675.01	659,833.53	3,258,251.66			11,651,256.88
19	392 Transportation Equipment.....	4,668,564.94	50,469.35	915,299.66			3,803,734.63
20	393 Stores Equipment.....	98,006.70		42,393.98			55,612.72
21	394 Tools, Shop, and Garage Eqpt.....	1,638,826.76	275.48				1,639,102.24
22	395 Laboratory Equipment.....						
23	396 Power Operated Equipment.....	980,192.48		323,792.80			656,399.68
24	397 Communication Equipment.....	29,519,584.81	459,296.63	8,048,885.79			21,929,995.65
25	398 Miscellaneous Equipment.....	25,220.35					25,220.35
26	399 Other Tangible Property.....						
27	Total General Plant.....	57,981,873.72	1,329,165.74	12,588,623.89		0.00	46,722,415.57
28	Total Gas Plant in Service.....	1,095,128,029.25	36,224,435.65	23,148,183.06	(3,501.45)	0.00	1,108,200,780.39
29	101.1 Utility Plant Leased From Others.....						
	105 Held for Future Use	411,131.00					411,131.00
30	107 Construction Work in Progress.....	11,026,911.57	(3,105,029.81)				7,921,881.76
31	Total Utility Plant - Gas.....	1,106,566,071.82	33,119,405.84	23,148,183.06	(3,501.45)		1,116,533,793.15

Note: Completed Construction Not Classified, Account 106, shall be classified in this schedule according to prescribed accounts, on an estimated basis if necessary, and the entries included in column (c). Also to be included in column (c) are entries for reversals of tentative distribution of prior year reported in column (c). Likewise, if the respondent has a significant amount of plant retirements which have not been classified to primary accounts at the end of the year, a tentative distribution of such retirements on an estimated basis with appropriate contra entry to the Depreciation Reserve Account, shall be included in column (d). Include also in column (d) reversals of tentative distributions of prior year of unclassified retirements. Attach an insert page showing the account distributions of these tentative classifications in columns (c) and (d) including the reversals of the prior years tentative account distributions of these amounts. Careful observance of the above instructions and the texts of Accounts 101 and 106 will avoid serious omissions of the reported amount of respondent's plant actually in service at end of year.

Annual report of .....BAY STATE GAS COMPANY.....Year ended December 31, 2001

UTILITY PLANT-GAS

1. Report below the cost of utility plant in service according to prescribed accounts.
2. Do not include as adjustments, corrections of additions and retirements for the current or the preceding year. Such items should be included in column (c) or (d) as appropriate.
3. Credit adjustments of plant accounts should be enclosed in parentheses to indicate the negative effect of such amounts.
4. Reclassifications or transfers within utility plant accounts should be shown in column (f).

Line No.	Account (a)	Balance Beginning of Year (b)	Additions (c)	Retirements (d)	Adjustments (e)	Transfers (f)	Balance End of Year (g)
1	1. INTANGIBLE PLANT	$	$	$	$	$	$
2	301 Organization.....	689,188.65					689,188.65
3	303 Miscellaneous Intangible Plant..	482,924,763.46	954,877.28	632,506.08	(3,000,000.00)		480,247,134.66
4	Total Intangible Plant.....	483,613,952.11	954,877.28	632,506.08	(3,000,000.00)		480,936,323.31
5	2. PRODUCTION PLANT						
6	Manufactured Gas Production Plant...						
7	304 Land and Land Rights	480,530.77		93,438.67			387,092.10
8	305 Structures and Improvements.....	2,601,365.78	52,625.28	312,945.92			2,341,045.14
9	306 Boiler Plant Equipment.....						
10	307 Other Power Equipment.....						
11	310 Water Gas Generating Equipment.						
12	311 Liquefied Petroleum Gas..... Equipment.....	5,755,938.60		1,410,149.79			4,345,788.81
13	312 Oil Gas Generating Equipment...						
14	313 Generating Equipment-Other..... Processes.....						
15	315 Catalytic Cracking Equipment...						
16	316 Other Reforming Equipment.....						
17	317 Purification Equipment.....						
18	321 LNG Equipment.....	16,087,366.28					16,087,366.28
19	319 Gas Mixing Equipment.....						
20	320 Other Equipment.....	901,357.11		92,740.77			808,616.34
21	Total Manufactured Gas Production Plant.....	25,826,558.54	52,625.28	1,909,275.15	0.00		23,969,908.67
22	3. STORAGE PLANT						
23	360 Land and Land Rights.....						
24	361 Structures and Improvements.....						
25	362 Gas Holders.....						
26	363 Other Equipment.....						
27	Total Storage Plant.....						

Annual report of .....BAY STATE GAS COMPANY.....Year ended December 31, 2001

UTILITY PLANT - GAS (Continued)

Line No.	Account (a)	Balance Beginning of Year (b)	Additions (c)	Retirements (d)	Adjustments (e)	Transfers (f)	Balance End of Year (g)
1	4. TRANSMISSION AND DISTRIBUTION PLANT	$					
2	365.1 Land and Land Rights.....	227,239.75		8,199.06			219,040.69
3	365.2 Rights of Way.....	79,051.37					79,051.37
4	366 Structures and Improvements.....	2,185,686.33		35,985.10			2,149,701.23
5	367 Mains.....	266,727,242.64	11,868,636.05	1,398,094.66			277,197,784.03
6	368 Compressor Station Equipment...	327,265.05					327,265.05
7	369 Measuring and Regulating Station Equipment.....	10,067,647.02	15,773.86	97,224.92			9,986,195.96
	379 Other Equipment	510,251.60					510,251.60
8	380 Services.....	186,585,281.33	10,800,906.36	653,619.45			196,732,568.24
9	381 Meters.....	23,635,491.84	969,936.08	351,165.05			24,254,262.87
10	382 Meter Installations.....	36,828,608.48	2,247,337.95	62,565.37			39,013,381.06
11	383 House Regulators.....	13,509,371.79	102,203.21	17,135.49			13,594,439.51
12	386 Other Property on Cust's Prem.....	9,550,101.98	2,168,098.05	3,255,276.40			8,462,923.63
13	387 Other Equipment.....	1,804,614.99	159,567.06	93,591.44			1,870,590.61
14	Total Transmission and Distribution Plant.....	552,037,854.17	28,332,458.62	5,972,856.94	0.00		574,397,455.85
15	5. GENERAL PLANT						
16	389 Land and Land Rights.....	172,320.91					172,320.91
17	390 Structures and Improvements.....	6,788,772.51	46,563.10				6,835,335.61
18	391 Office Furniture and Equipment.....	11,651,256.88	909,759.57	1,803,718.01			10,757,298.44
19	392 Transportation Equipment.....	3,803,734.63	4,929.13	336,966.88			3,471,696.88
20	393 Stores Equipment.....	55,612.72	16,024.97				71,637.69
21	394 Tools, Shop, and Garage Eqpt.....	1,639,102.24	49,378.51				1,688,480.75
22	395 Laboratory Equipment.....						
23	396 Power Operated Equipment.....	656,399.68		83,632.43			572,767.25
24	397 Communication Equipment.....	21,929,995.65	379,617.15	178,443.35			22,131,169.45
25	398 Miscellaneous Equipment.....	25,220.35					25,220.35
26	399 Other Tangible Property.....						
27	Total General Plant.....	46,722,415.57	1,406,272.43	2,402,760.67		0.00	45,725,927.33
28	Total Gas Plant in Service.....	1,108,200,780.39	30,746,233.61	10,917,398.84	(3,000,000.00)	0.00	1,125,029,615.16
29	101.1 Utility Plant Leased From Others.....						
	105 Held for Future Use	411,131.00					411,131.00
30	107 Construction Work in Progress.....	7,921,881.76	(487,149.47)				7,434,732.29
31	Total Utility Plant - Gas.....	1,116,533,793.15	30,259,084.14	10,917,398.84	(3,000,000.00)		1,132,875,478.45

Note: Completed Construction Not Classified, Account 106, shall be classified in this schedule according to prescribed accounts, on an estimated basis if necessary, and the entries included in column (c). Also to be included in column (c) are entries for reversals of tentative distribution of prior year reported in column (c). Likewise, if the respondent has a significant amount of plant retirements which have not been classified to primary accounts at the end of the year, a tentative distribution of such retirements on an estimated basis with appropriate contra entry to the Depreciation Reserve Account, shall be included in column (d). Include also in column (d) reversals of tentative distributions of prior year of unclassified retirements. Attach an insert page showing the account distributions of these tentative classifications in columns (c) and (d) including the reversals of the prior years tentative account distributions of these amounts. Careful observance of the above instructions and the texts of Accounts 101 and 106 will avoid serious omissions of the reported amount of respondent's plant actually in service at end of year.

Annual report of .....BAY STATE GAS COMPANY.....Year ended December 31, 2002

UTILITY PLANT-GAS

1. Report below the cost of utility plant in service according to prescribed accounts.
2. Do not include as adjustments, corrections of additions and retirements for the current or the preceding year. Such items should be included in column (c) or (d) as appropriate.
3. Credit adjustments of plant accounts should be enclosed in parentheses to indicate the negative effect of such amounts.
4. Reclassifications or transfers within utility plant accounts should be shown in column (f).

Line No.	Account (a)	Balance Beginning of Year (b)	Additions (c)	Retirements (d)	Adjustments (e)	Transfers (f)	Balance End of Year (g)
1	1. INTANGIBLE PLANT	$	$	$	$	$	$
2	301 Organization.....	689,188.65			3,743,729.91		4,432,918.56
3	303 Miscellaneous Intangible Plant..	480,247,134.66	281,377.24		(1,743,729.91)		478,784,781.99
4	Total Intangible Plant.....	480,936,323.31	281,377.24	0.00	2,000,000.00		483,217,700.55
5	2. PRODUCTION PLANT						
6	Manufactured Gas Production Plant...						
7	304 Land and Land Rights	387,092.10	25,499.67				412,591.77
8	305 Structures and Improvements.....	2,341,045.14	1,625.21				2,342,670.35
9	306 Boiler Plant Equipment.....						
10	307 Other Power Equipment.....						
11	310 Water Gas Generating Equipment.						
12	311 Liquefied Petroleum Gas..... Equipment.....	4,345,788.81	43,107.52				4,388,896.33
13	312 Oil Gas Generating Equipment...						
14	313 Generating Equipment-Other..... Processes.....						
15	315 Catalytic Cracking Equipment...						
16	316 Other Reforming Equipment.....						
17	317 Purification Equipment.....						
18	321 LNG Equipment.....	16,087,366.28	344,133.86				16,431,500.14
19	319 Gas Mixing Equipment.....						
20	320 Other Equipment.....	808,616.34	118,271.79				926,888.13
21	Total Manufactured Gas Production Plant.....	23,969,908.67	532,638.05	0.00	0.00		24,502,546.72
22	3. STORAGE PLANT						
23	360 Land and Land Rights.....						
24	361 Structures and Improvements.....						
25	362 Gas Holders.....						
26	363 Other Equipment.....						
27	Total Storage Plant.....						

UTILITY PLANT - GAS (Continued)

Line No.	Account (a)	Balance End of Year (g)	Additions (c)	Retirements (d)	Adjustments (e)	Transfers (f)	Balance End of Year (g)
1	4. TRANSMISSION AND DISTRIBUTION PLANT						
2	365.1 Land and Land Rights.....	219,040.69					219,040.69
3	365.2 Rights of Way.....	79,051.37					79,051.37
4	366 Structures and Improvements.....	2,149,701.23					2,149,701.23
5	367 Mains.....	277,197,784.03	10,883,023.43	289,391.84	(24,385.34)		287,767,030.28
6	368 Compressor Station Equipment...	327,265.05					327,265.05
7	369 Measuring and Regulating Station Equipment.....	9,986,195.96	813,369.57	19,926.72			10,779,638.81
	379 Other Equipment	510,251.60					510,251.60
8	380 Services.....	196,732,568.24	10,976,705.44	345,146.23	1,377.93		207,365,505.38
9	381 Meters.....	24,254,262.87	816,671.56	249,146.01	(13,713.76)		24,808,074.66
10	382 Meter Installations.....	39,013,381.06	1,719,775.84	12,850.15			40,720,306.75
11	383 House Regulators.....	13,594,439.51	18,615.33	33,619.62			13,579,435.22
12	386 Other Property on Cust's Prem.....	8,462,923.63	2,069,037.50	1,223,230.74			9,308,730.39
13	387 Other Equipment.....	1,870,590.61	109,228.87	124,257.41			1,855,562.07
14	Total Transmission and Distribution Plant.....	574,397,455.85	27,406,427.54	2,297,568.72	(36,721.17)		599,469,593.50
15	5. GENERAL PLANT						
16	389 Land and Land Rights.....	172,320.91					172,320.91
17	390 Structures and Improvements.....	6,835,335.61	54,491.11	0.00			6,889,826.72
18	391 Office Furniture and Equipment.....	10,757,298.44	170,141.54	249,392.24			10,678,047.74
19	392 Transportation Equipment.....	3,471,696.88		179,080.27			3,292,616.61
20	393 Stores Equipment.....	71,637.69		21,165.14			50,472.55
21	394 Tools, Shop, and Garage Eqpt.....	1,688,480.75	20,897.34				1,709,378.09
22	395 Laboratory Equipment.....						
23	396 Power Operated Equipment.....	572,767.25	7,690.00	10,733.89			569,723.36
24	397 Communication Equipment.....	22,131,169.45	4,135.00	29,336.81			22,105,967.64
25	398 Miscellaneous Equipment.....	25,220.35					25,220.35
26	399 Other Tangible Property.....						
27	Total General Plant.....	45,725,927.33	257,354.99	489,708.35		0.00	45,493,573.97
28	Total Gas Plant in Service.....	1,125,029,615.16	28,477,797.82	2,787,277.07	1,963,278.83	0.00	1,152,683,414.74
29	101.1 Utility Plant Leased From Others.....						
	105 Held for Future Use	411,131.00			(411,131.00)		0.00
30	107 Construction Work in Progress.....	7,434,732.29	2,365,659.14				9,800,391.43
31	Total Utility Plant - Gas.....	1,132,875,478.45	30,843,456.96	2,787,277.07	1,552,147.83		1,162,483,806.17

Note: Completed Construction Not Classified, Account 106, shall be classified in this schedule according to prescribed accounts, on an estimated basis if necessary, and the entries included in column (c). Also to be included in column (c) are entries for reversals of tentative distribution of prior year reported in column (c). Likewise, if the respondent has a significant amount of plant retirements which have not been classified to primary accounts at the end of the year, a tentative distribution of such retirements on an estimated basis with appropriate contra entry to the Depreciation Reserve Account, shall be included in column (d). Include also in column (d) reversals of tentative distributions of prior year of unclassified retirements. Attach an insert page showing the account distributions of these tentative classifications in columns (c) and (d) including the reversals of the prior years tentative account distributions of these amounts. Careful observance of the above instructions and the texts of Accounts 101 and 106 will avoid serious omissions of the reported amount of respondent's plant actually in service at end of year.

Annual report of .....BAY STATE GAS COMPANY.....Year ended December 31, 2003

UTILITY PLANT-GAS

1. Report below the cost of utility plant in service according to prescribed accounts.
2. Do not include as adjustments, corrections of additions and retirements for the current or the preceding year. Such items should be included in column (c) or (d) as appropriate.
3. Credit adjustments of plant accounts should be enclosed in parentheses to indicate the negative effect of such amounts.
4. Reclassifications or transfers within utility plant accounts should be shown in column (f).

Line No.	Account (a)	Balance Beginning of Year (b)	Additions (c)	Retirements (d)	Adjustments (e)	Transfers (f)	Balance End of Year (g)
1	1. INTANGIBLE PLANT	$	$	$	$	$	$
2	301 Organization.....	4,432,918.56					4,432,918.56
3	303 Miscellaneous Intangible Plant..	478,784,781.99	1,647,646.52	484,333.19	(1,909,856.43)		478,038,238.89
4	Total Intangible Plant.....	483,217,700.55	1,647,646.52	484,333.19	(1,909,856.43)		482,471,157.45
5	2. PRODUCTION PLANT						
6	Manufactured Gas Production Plant...						
7	304 Land and Land Rights	412,591.77					412,591.77
8	305 Structures and Improvements.....	2,342,670.35	11,250.00	55,013.46			2,298,906.89
9	306 Boiler Plant Equipment.....						
10	307 Other Power Equipment.....						
11	310 Water Gas Generating Equipment.						
12	311 Liquefied Petroleum Gas..... Equipment.....	4,388,896.33		195,744.53			4,193,151.80
13	312 Oil Gas Generating Equipment...						
14	313 Generating Equipment-Other..... Processes.....						
15	315 Catalytic Cracking Equipment...						
16	316 Other Reforming Equipment.....						
17	317 Purification Equipment.....						
18	321 LNG Equipment.....	16,431,500.14	104,513.93				16,536,014.07
19	319 Gas Mixing Equipment.....						
20	320 Other Equipment.....	926,888.13	372.75	92,223.39			835,037.49
21	Total Manufactured Gas Production Plant.....	24,502,546.72	116,136.68	342,981.38	0.00		24,275,702.02
22	3. STORAGE PLANT						
23	360 Land and Land Rights.....						
24	361 Structures and Improvements.....						
25	362 Gas Holders.....						
26	363 Other Equipment.....						
27	Total Storage Plant.....						

UTILITY PLANT - GAS (Continued)

Line No.	Account (a)	Balance End of Year (g)	Additions (c)	Retirements (d)	Adjustments (e)	Transfers (f)	Balance End of Year (g)
1	4. TRANSMISSION AND DISTRIBUTION PLANT						
2	365.1 Land and Land Rights.....	219,041					219,041
3	365.2 Rights of Way.....	79,051					79,051
4	366 Structures and Improvements.....	2,149,701		41,089			2,108,612
5	367 Mains.....	287,767,030	8,984,404	1,027,727	12,633		295,736,340
6	368 Compressor Station Equipment...	327,265					327,265
7	369 Measuring and Regulating Station Equipment.....	10,779,639	567,910		-71,629		11,275,919
	379 Other Equipment	510,252					510,252
8	380 Services.....	207,365,505	10,025,573	355,851	-1,933		217,033,295
9	381 Meters.....	24,808,075	330,299	611,308			24,527,066
10	382 Meter Installations.....	40,720,307	1,660,097				42,380,403
11	383 House Regulators.....	13,579,435		17,415			13,562,020
12	386 Other Property on Cust's Prem.....	9,308,730	5,085,259		5,400,587		19,794,577
13	387 Other Equipment.....	1,855,562	64,821	105,586			1,814,797
14	Total Transmission and Distribution Plant.....	599,469,594	26,718,363	2,158,977	5,339,658		629,368,638
15	5. GENERAL PLANT						
16	389 Land and Land Rights.....	172,321					172,321
17	390 Structures and Improvements.....	6,889,827	49,804				6,939,631
18	391 Office Furniture and Equipment.....	10,678,048	553,234				11,231,282
19	392 Transportation Equipment.....	3,292,617		653,781			2,638,836
20	393 Stores Equipment.....	50,473					50,473
21	394 Tools, Shop, and Garage Eqpt.....	1,709,378					1,709,378
22	395 Laboratory Equipment.....						
23	396 Power Operated Equipment.....	569,723		80,220			489,503
24	397 Communication Equipment.....	22,105,968	177,597	183,540			22,100,025
25	398 Miscellaneous Equipment.....	25,220					25,220
26	399 Other Tangible Property.....						
27	Total General Plant.....	45,493,574	780,636	917,541		0	45,356,669
28	Total Gas Plant in Service.....	1,152,683,415	29,262,782	3,903,832	3,429,802	0	1,181,472,167
29	101.1 Utility Plant Leased From Others.....						
	105 Held for Future Use						0
30	107 Construction Work in Progress.....	9,800,391	-1,020,495				8,779,897
31	Total Utility Plant - Gas.....	1,162,483,806	28,242,288	3,903,832	3,429,802		1,190,252,064

Note: Completed Construction Not Classified, Account 106, shall be classified in this schedule according to prescribed accounts, on an estimated basis if necessary, and the entries included in column (c). Also to be included in column (c) are entries for reversals of tentative distribution of prior year reported in column (c). Likewise, if the respondent has a significant amount of plant retirements which have not been classified to primary accounts at the end of the year, a tentative distribution of such retirements on an estimated basis with appropriate contra entry to the Depreciation Reserve Account, shall be included in column (d). Include also in column (d) reversals of tentative distributions of prior year of unclassified retirements. Attach an insert page showing the account distributions of these tentative classifications in columns (c) and (d) including the reversals of the prior years tentative account distributions of these amounts. Careful observance of the above instructions and the texts of Accounts 101 and 106 will avoid serious omissions of the reported amount of respondent's plant actually in service at end of year.

Annual report of .....BAY STATE GAS COMPANY.....Year ended December 31, 2004

UTILITY PLANT-GAS

1. Report below the cost of utility plant in service according to prescribed accounts.
2. Do not include as adjustments, corrections of additions and retirements for the current or the preceding year. Such items should be included in column (c) or (d) as appropriate.
3. Credit adjustments of plant accounts should be enclosed in parentheses to indicate the negative effect of such amounts.
4. Reclassifications or transfers within utility plant accounts should be shown in column (f).

Line No.	Account (a)	Balance Beginning of Year (b)	Additions (c)	Retirements (d)	Adjustments (e)	Transfers (f)	Balance End of Year (g)
1	1. INTANGIBLE PLANT	$	$	$	$	$	$
2	301 Organization.....	4,432,919					4,432,919
3	303 Miscellaneous Intangible Plant..	478,038,239	408,244	422,055	-1,287,460		476,736,967
4	Total Intangible Plant.....	482,471,157	408,244	422,055	-1,287,460		481,169,886
5	2. PRODUCTION PLANT						
6	Manufactured Gas Production Plant...						
7	304 Land and Land Rights	412,592					412,592
8	305 Structures and Improvements.....	2,298,907	70,044				2,368,951
9	306 Boiler Plant Equipment.....						
10	307 Other Power Equipment.....						
11	310 Water Gas Generating Equipment.						
12	311 Liquefied Petroleum Gas..... Equipment.....	4,193,152	146,263				4,339,415
13	312 Oil Gas Generating Equipment...						
14	313 Generating Equipment-Other..... Processes.....						
15	315 Catalytic Cracking Equipment...						
16	316 Other Reforming Equipment.....						
17	317 Purification Equipment.....						
18	321 LNG Equipment.....	16,536,014	386,196	1,494,143			15,428,067
19	319 Gas Mixing Equipment.....						
20	320 Other Equipment.....	835,037	14,941	30,733			819,245
21	Total Manufactured Gas Production Plant.....	24,275,702	617,444	1,524,876	0		23,368,270
22	3. STORAGE PLANT						
23	360 Land and Land Rights.....						
24	361 Structures and Improvements.....						
25	362 Gas Holders.....						
26	363 Other Equipment.....						
27	Total Storage Plant.....						

Annual report of .....BAY STATE GAS COMPANY.....Year ended December 31, 2004

UTILITY PLANT - GAS (Continued)

Line No.	Account (a)	Balance End of Year (g)	Additions (c)	Retirements (d)	Adjustments (e)	Transfers (f)	Balance End of Year (g)
1	4. TRANSMISSION AND DISTRIBUTION PLANT						
2	365.1 Land and Land Rights.....	219,041					219,041
3	365.2 Rights of Way.....	79,051					79,051
4	366 Structures and Improvements.....	2,108,612					2,108,612
5	367 Mains.....	295,736,340	14,454,515	1,457,655			308,733,201
6	368 Compressor Station Equipment...	327,265					327,265
7	369 Measuring and Regulating Station Equipment.....	11,275,919	1,079,291		-55		12,355,156
	379 Other Equipment	510,252					510,252
8	380 Services.....	217,033,295	11,674,250	661,118	699,936		228,746,364
9	381 Meters.....	24,527,066	666,262	277,354			24,915,974
10	382 Meter Installations.....	42,380,403	2,881,952	63,945			45,198,411
11	383 House Regulators.....	13,562,020	56,896	6,869			13,612,047
12	386 Other Property on Cust's Prem.....	19,794,577	2,663,711				22,458,288
13	387 Other Equipment.....	1,814,797	199,959	295,197			1,719,559
14	Total Transmission and Distribution Plant.....	629,368,638	33,676,836	2,762,137	699,881		660,983,218
15	5. GENERAL PLANT						
16	389 Land and Land Rights.....	172,321					172,321
17	390 Structures and Improvements.....	6,939,631	364,845		-653		7,303,824
18	391 Office Furniture and Equipment.....	11,231,282	413,634	224,557			11,420,359
19	392 Transportation Equipment.....	2,638,836	5,061	280,303			2,363,594
20	393 Stores Equipment.....	50,473					50,473
21	394 Tools, Shop, and Garage Eqpt.....	1,709,378	138,560				1,847,938
22	395 Laboratory Equipment.....						
23	396 Power Operated Equipment.....	489,503	1,440	84,518			406,425
24	397 Communication Equipment.....	22,100,025	4,968,512	11,509,020			15,559,518
25	398 Miscellaneous Equipment.....	25,220					25,220
26	399 Other Tangible Property.....						
27	Total General Plant.....	45,356,669	5,892,051	12,098,398	-653	0	39,149,670
28	Total Gas Plant in Service.....	1,181,472,167	40,594,575	16,807,466	-588,232	0	1,204,671,044
29	101.1 Utility Plant Leased From Others.....						
	105 Held for Future Use						0
30	107 Construction Work in Progress.....	8,779,897	-686,945		-707,218		7,385,734
31	Total Utility Plant - Gas.....	1,190,252,064	39,907,630	16,807,466	-1,295,450		1,212,056,778

Note: Completed Construction Not Classified, Account 106, shall be classified in this schedule according to prescribed accounts, on an estimated basis if necessary, and the entries included in column (c). Also to be included in column (c) are entries for reversals of tentative distribution of prior year reported in column (c). Likewise, if the respondent has a significant amount of plant retirements which have not been classified to primary accounts at the end of the year, a tentative distribution of such retirements on an estimated basis with appropriate contra entry to the Depreciation Reserve Account, shall be included in column (d). Include also in column (d) reversals of tentative distributions of prior year of unclassified retirements. Attach an insert page showing the account distributions of these tentative classifications in columns (c) and (d) including the reversals of the prior years tentative account distributions of these amounts. Careful observance of the above instructions and the texts of Accounts 101 and 106 will avoid serious omissions of the reported amount of respondent's plant actually in service at end of year.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
FOURTH SET OF INFORMATION REQUESTS FROM THE ATTORNEY GENERAL
D. T. E. 05-27

Date: May 23, 2005

Responsible: John E. Skirtich, Consultant (Revenue Requirement)

AG-4-21 Please provide the total amount of wages and salaries costs recorded on the Company's books for each of the last five years along with the dollar amount capitalized and the percent capitalized for each of those years.

Response: Please see the Company's response to AG-1-40.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
SIXTH SET OF INFORMATION REQUESTS FROM THE ATTORNEY GENERAL
D. T. E. 05-27

Date: May 23, 2005

Responsible: Danny G. Cote, General Manager

AG-6-14 By year from 1995 to 2005, please list the number of new residential and business customers signed-up by the sales department.

Response: The number of residential and business customers added from 1995 through 1998 is not available, because the electronic sales system used during that period is no longer in use. However, the 1999 through 2005 numbers are listed in Table AG-6-14, below.

Table AG-6-14

Year	Residential	Business
1999	4018	570
2000	4043	707
2001	2757	639
2002	2115	477
2003	2014	424
2004	2860	457
2005 YTD April	607	166