NISOURCE INC/DE
Form DEF 14A
April 05, 2012
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant x Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

x Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material under Rule 14a-12

NISOURCE INC.

(Name of registrant as specified in its charter)

(Name of person(s) filing proxy statement, if other than the registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

¨ Fee paid previously with preliminary materials.

¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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(3) Filing Party:

(4) Date Filed:

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NiSource Inc.

801 E. 86th Avenue Merrillville, IN 46410 (877) 647-5990

NOTICE OF ANNUAL MEETING

April 5, 2012

To the Holders of Common Stock of NiSource Inc.:

The annual meeting of the stockholders (the Annual Meeting) of NiSource Inc. (the Company) will be held at the InterContinental Chicago O Hare, 5300 N. River Road, Rosemont, IL 60018 on Tuesday, May 15, 2012, at 10:00 a.m., local time, for the following purposes:

(1) To elect twelve directors to hold office until the next annual stockholders meeting and until their respective successors have been elected or appointed;

(2) To ratify the appointment of Deloitte & Touche LLP as the Company s independent registered public accountants for the year 2012;

(3) To consider advisory approval of executive compensation;

(4) To consider an amendment to the Company s Employee Stock Purchase Plan; and

(5) To consider a stockholder proposal regarding cumulative voting.

All persons who were stockholders of record at the close of business on March 19, 2012 will be entitled to vote at the Annual Meeting.

Please act promptly to vote your shares with respect to the proposals described above. You may vote your shares by marking, signing, dating and mailing the enclosed proxy card. You may also vote by telephone or through the Internet by following the instructions set forth on the proxy card. If you attend the Annual Meeting, you may be able to vote your shares in person, even if you have previously submitted a proxy. See the section Voting in Person for specific instructions on voting your shares.

If you plan to attend the Annual Meeting, please so indicate in the space provided on the proxy card or respond when prompted on the telephone or through the Internet.

PLEASE VOTE YOUR SHARES BY TELEPHONE, THROUGH THE INTERNET OR BY PROMPTLY

MARKING, DATING, SIGNING AND RETURNING THE ENCLOSED PROXY CARD.

Gary W. Pottorff

Corporate Secretary

Important Notice Regarding the Availability of Proxy Materials

For the Annual Meeting of Stockholders to be Held on May 15, 2012

The Proxy Statement and 2011 Annual Report to Stockholders

are available at *http://ir.nisource.com/annuals.cfm*

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PROXY STATEMENT

The accompanying proxy is solicited on behalf of the Board of Directors of NiSource Inc. (the Board). The common stock, $.01 par value per share, of the Company represented by the proxy will be voted as directed. If you return a signed proxy card without indicating how you want to vote your shares, the shares represented by the accompanying proxy will be voted as recommended by the Board FOR all of the nominees for director; FOR the ratification of the appointment of Deloitte & Touche LLP as the Company s independent registered public accountants for 2012; FOR advisory approval of the executive compensation of the Company s Named Executive Officers; FOR the proposed amendment to the Company s Employee Stock Purchase Plan and AGAINST the stockholder proposal regarding cumulative voting.

This Proxy Statement and proxy card are first being sent to stockholders on April 5, 2012. The Company will bear the expense of this mail solicitation which may be supplemented by telephone, facsimile, e-mail and personal solicitation by officers, employees, and our agents. To aid in the solicitation of proxies, we have retained Phoenix Advisory Partners for a fee of $9,500 plus reimbursement of expenses. We will also request brokerage houses and other nominees and fiduciaries to forward proxy materials, at our expense, to the beneficial owners of stock held on the record date.

We use the terms NiSource, the Company, we, our and us in this proxy statement to refer to NiSource Inc.

Who May Vote

Holders of shares of common stock as of the close of business on March 19, 2012 are entitled to notice of and to vote at the Annual Meeting. As of March 19, 2012, 283,785,609 shares of common stock were issued and outstanding. Each share of common stock outstanding on that date is entitled to one vote on each matter presented at the Annual Meeting.

Voting Your Proxy

If you are a stockholder of record (that is, if your shares of common stock are registered directly in your name on the Company s records), you may vote your shares by proxy using any of the following methods:

- Telephoning the toll-free number listed on the proxy card;
- Using the Internet site listed on the proxy card; or
- Marking, dating, signing and returning the enclosed proxy card.

All votes must be received by the proxy tabulator by 11:59 p.m. Eastern Time on May 14, 2012.

If your shares are held in a brokerage account or by a bank or other stockholder of record (herein referred to as a Broker), you are considered a beneficial owner of shares held in street name. As a beneficial owner, you will receive proxy materials and voting instructions from the stockholder of record that holds your shares. You must follow the voting instructions in order to have your shares of common stock voted.

Discretionary Voting by Brokers, Banks and Other Stockholders of Record

If your shares are held in street name and you do not provide the Broker with instructions as to how to vote such shares, your Broker will only be able to vote your shares at their discretion on certain routine matters as permitted by New York Stock Exchange (NYSE) rules. At this meeting, Brokers will have discretionary authority to vote your shares only with regard to the ratification of the appointment of Deloitte & Touche LLP as the Company s independent registered public accountants for 2012. We do not believe that Brokers will have discretionary authority to vote your shares with respect to the election of directors, the advisory approval of executive compensation, the amendment to the Employee Stock Purchase Plan or the stockholder proposal on cumulative voting. Therefore, it is important that you instruct your Broker or other nominee how to vote your shares.

If you hold your shares in the Company s 401(k) Plan (401(k) Plan) administered by Fidelity Management Trust Company (Fidelity), you should vote your shares by one of the methods discussed in this Proxy Statement. If you do not instruct the 401(k) Plan how to vote your shares by completing and returning the

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proxy card, or by using the telephone or Internet, or if you sign the proxy card with no further instructions as to how to vote your shares, the 401(k) Plan provides for Fidelity to vote your shares in the same proportion as the shares for which it receives instructions from all other participants, to the extent permitted under applicable law.

Voting in Person

You also may come to the Annual Meeting and vote your shares in person by obtaining and submitting a ballot that will be provided at the meeting. However, if your shares are held in street name by a Broker, then, in order to be able to vote at the meeting, you must obtain an executed proxy from the Broker, indicating that you were the beneficial owner of the shares on March 19, 2012, the record date for voting, and that the Broker is giving you the proxy to vote the shares.

If your shares are held in the 401(k) Plan, you will not be able to vote your shares at the meeting. In order to vote your shares you must provide instructions to Fidelity either by returning your proxy card or by voting via the telephone or internet.

Votes cast in person or represented by proxy at the meeting will be tabulated by the inspectors of election.

If you plan to attend the Annual Meeting, please so indicate when you vote so we may send you an admission ticket and make the necessary arrangements. Stockholders who plan to attend the meeting must present picture identification along with an admission ticket or evidence of beneficial ownership.

Revoking Your Proxy

You may revoke your proxy at any time before a vote is taken or the authority granted is otherwise exercised. To revoke a proxy, you may send to the Company s Corporate Secretary a letter indicating that you want to revoke your proxy or you can supersede your initial proxy by delivering to the Corporate Secretary a duly executed proxy bearing a later date, voting by telephone or through the Internet on a later date, or attending the meeting and voting in person. Attending the Annual Meeting will not in and of itself revoke a proxy.

Quorum for the Meeting

A quorum of stockholders is necessary to take action at the Annual Meeting. A majority of the outstanding shares of common stock, present in person or represented by proxy, will constitute a quorum at the Annual Meeting. The inspectors of election appointed for the Annual Meeting will determine whether or not a quorum is present. The inspectors of election will treat abstentions and broker non-votes as present and entitled to vote for purposes of determining the presence of a quorum. A broker non-vote occurs when a broker holding shares for a beneficial owner does not have authority to vote the shares and has not received instructions from the beneficial owner as to how the beneficial owner would like the shares to be voted.

PROPOSAL I ELECTION OF DIRECTORS

At the recommendation of the Corporate Governance Committee, the Board has nominated the persons listed below to serve as directors, each for a one-year term, beginning at the Annual Meeting on May 15, 2012 and running until the 2013 Annual Meeting. The nominees include eleven independent directors, as defined in the applicable rules of the NYSE, and the President and Chief Executive Officer of the Company. The nominees do not include Steven C. Beering, who is currently serving as Director and will retire from the Board at the conclusion of his current term. The Board does not anticipate that any of the nominees will be unable to serve, but if any nominee is unable to serve, the proxies will be voted in accordance with the judgment of the person or persons voting the proxies.

All of the nominees currently serve on the Board except for Aristides S. Candris and Teresa A. Taylor.

The following chart gives information about all nominees (each of whom has consented to being named in the proxy statement and to serving if elected). The dates shown for service as a director include service as a director of the Company and its corporate predecessors.

Vote Required

In order to be elected, each nominee must receive more votes cast in favor of his or her election than against election. Abstentions and broker non-votes will not be voted with respect to the election of directors and therefore will have no effect on the vote.

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THE BOARD RECOMMENDS THAT YOU VOTE FOR THE ELECTION OF EACH OF THE NOMINEES LISTED BELOW.

Name, Age and Principal Occupations for Past Five Years and Present Directorships Held	Has Been a Director Since
Richard A. Abdoo, 68	2008
Since May 2004, Mr. Abdoo has been President of R.A. Abdoo & Co. LLC, Milwaukee, Wisconsin, an environmental and energy consulting firm. Prior thereto, Mr. Abdoo was Chairman and Chief Executive Officer of Wisconsin Energy Corporation from 1991 until his retirement in April 2004. He also served as President of Wisconsin Energy Corporation from 1991 to April 2003. Mr. Abdoo is also a director of A.K. Steel Corporation and ZBB Energy Corp. By virtue of his former positions as Chairman and Chief Executive Officer of a large electric and gas utility holding company, as well as his current positions as director of one other energy-related company and a steel maker that is a major user of energy, Mr. Abdoo has extraordinary expertise and experience with the issues facing the energy industry in general and public utilities in particular. As a former chief executive officer, Mr. Abdoo understands well the issues facing executive management of a major corporation. Mr. Abdoo s credentials as a registered professional engineer in several states allow him to offer a unique technical perspective on certain issues under consideration by the Board. As a long-time champion of humanitarian and social causes, including on behalf of the Lebanese-American community, Mr. Abdoo brings expertise and understanding with respect to social issues confronting the Company. His commitment to and work on behalf of social causes earned him the Ellis Island Medal of Honor, presented to Americans of diverse origins for their outstanding contributions to their own ethnic groups and to American society.	
Aristides S. Candris, 60	
Since April 1, 2012, Dr. Candris has been Senior Advisor at Westinghouse Electric Company (Westinghouse), Pittsburgh, Pennsylvania, a unit of Tokyo-based Toshiba Corp. Prior thereto, Dr. Candris was President and Chief Executive Officer of Westinghouse from July 2008 until his retirement on March 31, 2012. During his 36 years of service at Westinghouse, Dr. Candris served in various positions, including Senior Vice President, Nuclear Fuel from September 2006 to July 2008. Dr. Candris is a nuclear scientist and engineer and has significant experience gained through leading a global nuclear power company. His knowledge of the electric industry gives him significant insight on the issues impacting the electric utility industry. His experience managing highly technical engineering operations will be valuable as we build and maintain facilities to address increasing environmental regulations and make long-term strategic decisions on electric power generation. His technical and management skills will be helpful as we build and modernize both our transmission and distribution systems. Dr. Candris experience developing customer focused programs and attaining excellence in business processes and behaviors will be insightful as we better meet the increasing expectations of customers and regulators. He serves on the Boards of Carnegie Mellon University and Transylvania University. He also serves on the Board of Directors for Pittsburgh s Allegheny Conference on Community Development, the Nuclear Energy Institute and the World Nuclear Association.	

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Name, Age and Principal Occupations for Past Five Years and Present Directorships Held	Has Been a Director Since
Sigmund L. Cornelius, 57	2011
From October 2008 until his retirement in January 2011, Mr. Cornelius served as Senior Vice President, Finance and Chief Financial Officer of ConocoPhillips, Houston, Texas, an integrated energy company. During his 30-year tenure at ConocoPhillips, Mr. Cornelius served in various positions, including Senior Vice President, Planning, Strategy and Corporate Affairs from September 2007 to October 2008; Regional President, Exploration & Production-Lower 48 from 2006 to September 2007; and President, Global Gas from 2004 to 2006. Mr. Cornelius served on the board of DCP Midstream L.P. from 2007 to 2008 and is also a director of USEC, Inc., Carbo Ceramics Inc., Western Refining, Inc. and Parallel Energy Trust.	
Mr. Cornelius has significant experience in the oil and natural gas industry, which enables him to provide significant insight on issues impacting our pipeline business. He also has significant experience in exploration, production and midstream, which should prove valuable to us as we expand our presence in the Utica and Marcellus Shale gas plays. In addition, as the former Chief Financial Officer of a public company, he has extensive experience and skills in the areas of corporate finance, accounting, strategic planning and risk oversight.	
Michael E. Jesanis, 55	2008
Since November 2007, Mr. Jesanis has been a principal with Serrafix, Boston, Massachusetts, a firm providing energy efficiency consulting and implementation services, principally to municipalities. From July 2004 through December 2006, Mr. Jesanis was President and Chief Executive Officer of National Grid USA, a natural gas and electric utility, and a subsidiary of National Grid plc, of which Mr. Jesanis was also an Executive Director. Prior to that, Mr. Jesanis was Chief Operating Officer of National Grid USA from January 2001 to July 2004. Mr. Jesanis also is a director of Ameresco, Inc.	
By virtue of his former positions as President and Chief Executive Officer, Chief Operating Officer and, prior thereto, Chief Financial Officer of a major electric and gas utility holding company, as well as his current role with an energy efficiency consulting firm, Mr. Jesanis has extraordinarily broad and deep experience with regulated utilities. He has strong financial acumen and extensive managerial experience, having led modernization efforts in the areas of operating infrastructure improvements, customer service enhancements and management-team development. Mr. Jesanis also demonstrates a commitment to education as the former chair of the board of a college and a current trustee (and chair of the audit committee) of a university. As a result of his former senior managerial roles and his non-profit board service, Mr. Jesanis also has particular expertise with board governance issues.	

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Name, Age and Principal Occupations for Past Five Years and Present Directorships Held	Has Been a Director Since
Marty R. Kittrell, 55	2007

In February 2011, Mr. Kittrell retired as Executive Vice President & Chief Financial Officer of Dresser, Inc., (Dresser) Addison, Texas, after serving in that capacity since December 2007. Dresser, a worldwide leader in providing highly engineered products for the global energy industry, was acquired by General Electric in February 2011. Prior to joining Dresser, Mr. Kittrell was Executive Vice President and Chief Financial Officer of Andrew Corporation from October 2003 to December 2007.

Mr. Kittrell brings to the Board over 25 years of experience as a Chief Financial Officer. He has served in the role of Chief Financial Officer at several public companies. As a result of this experience, he has significant expertise with financial reporting issues facing the Company, including Securities and Exchange Commission reporting, and Sarbanes-Oxley internal control design and implementation. His recent position with a company that supplies infrastructure products to the energy industry gives Mr. Kittrell a particular familiarity with the issues facing the Company s gas transmission and storage and gas distribution businesses. Mr. Kittrell also has extensive experience with mergers and acquisitions and capital markets transactions. He formerly practiced accounting with a national accounting firm and is an active member of the American Institute of CPAs, the National Association of Corporate Directors, and Financial Executives International. Mr. Kittrell also shows a commitment to education through his service on the board of trustees of a university.

W. Lee Nutter, 68	2007

Prior to his retirement in 2007, Mr. Nutter was Chairman, President and Chief Executive Officer of Rayonier, Inc., Jacksonville, Florida, a leading supplier of high performance specialty cellulose fibers and owner of timberlands and other higher value land holdings. Mr. Nutter was a director of Rayonier, Inc. from 1996 to 2009. He is also a director of Republic Services Inc. and the non-executive Chairman of J.M. Huber Corporation. He is also a member of the Advisory Board at the University of Washington Foster School of Business.

Mr. Nutter s former positions as Chairman and Chief Executive Officer of a forest products company, and his current positions as director of one company engaged in waste management and another involved in the forest products and energy industries, give him a particular familiarity with the issues involved in managing natural resources. These issues include compliance with environmental laws and exercising responsible environmental stewardship. Mr. Nutter also has an extensive background and familiarity in human resource and compensation issues, which complements well his service as chair of the Company s Officer Nomination and Compensation Committee. In addition, as a former Chief Executive Officer, Mr. Nutter understands how to address the complex issues facing major corporations.

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Name, Age and Principal Occupations for Past Five Years and Present Directorships Held	Has Been a Director Since
Deborah S. Parker, 59	2007
Ms. Parker joined Alstom Power, a business segment of Alstom, in April 2011 and is currently serving as Senior Vice President, Quality and Environmental, Health and Safety. Alstom Power is a global leader in power generation located in Zurich, Switzerland. From April 2008 until April 2011, Ms. Parker was President and Chief Executive Officer of International Business Solutions, Inc. (IBS), Washington, D.C., a provider of strategic planning and consulting services to profit and not-for-profit organizations. Before joining IBS, Ms. Parker was Executive Vice President and Chief Operations Officer of the National Urban League from July 2007 through April 2008. Prior thereto, Ms. Parker served in numerous operating positions, including Vice President of Global Quality at Ford Motor Company. During her tenure at Ford, Ms. Parker also served as Chief Executive Officer and Group Managing Director at Ford Motor Company of Southern Africa (Pty) Ltd. from September 2001 to December 2004. Ms. Parker brings a unique combination of community development and industrial management experience to the Board. As Chief Executive Officer of a consulting firm and Chief Operating Officer of a national civil rights organization dedicated to economic empowerment of historically underserved urban communities, Ms. Parker brings expertise and understanding with respect to the social and economic issues confronting the Company and the communities it serves. As a result of her 23-year career at a global manufacturing company, Ms. Parker has extensive experience managing industrial operations, including turning around several struggling business units, finding innovative solutions to management and union issues, implementing quality control initiatives and rationalizing manufacturing and inventory. This experience positions her well to provide valuable insights on the Company s operations and processes, as well as on social issues confronting the Company.	
Ian M. Rolland, 78	1978
Chairman of the Board since November 2006. Prior to his retirement in 1998, Mr. Rolland served as Chairman and Chief Executive Officer of Lincoln National Corporation, Ft. Wayne, Indiana, a provider of financial products and services. Mr. Rolland s 21 years of experience as Chief Executive Officer of a diversified financial services company, together with his past service on other boards of directors, including a major financial institution, a petroleum equipment company and a national corporate child care solution provider, provide him with a deep understanding of the challenges facing a major corporation and particularly those involving finances and financial reporting. Mr. Rolland s distinguished career, including his service as chair of a national insurance council and a national insurance association, as well as president of a national actuarial society, gives him a deep understanding of governance issues, organizational leadership, risk management and insurance matters. His tenure on the board further gives him a unique understanding of the Company and its evolution and growth, and allows him to provide a perspective that brings balance and stability to the board. His dedication and commitment to charitable and social causes is demonstrated through his past and present service on numerous non-profit boards which gives him an understanding of many of the social issues facing the Company. His services as a lifetime trustee and former chair of the Indiana chapter of The Nature Conservancy, a global conservation organization, provide him a deep understanding of the environmental issues affecting the Company.	

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Name, Age and Principal Occupations for Past Five Years and Present Directorships Held	Has Been a Director Since
Robert C. Skaggs, Jr., 57	2005

Chief Executive Officer (CEO) of the Company since July 2005. President of the Company since October 2004. Prior thereto, Mr. Skaggs served as Executive Vice President, Regulated Revenue from October 2003 to October 2004; President of Columbia Gas of Ohio, Inc. from February 1997 to October 2003; President of Columbia Gas of Kentucky, Inc. from January 1997 to October 2003; President of Bay State Gas Company and Northern Utilities from November 2000 to October 2003; and President of Columbia Gas of Virginia, Inc., Columbia Gas of Maryland, Inc. and Columbia Gas of Pennsylvania, Inc. from December 2001 to October 2003.

The Board believes it is important that the Company s Chief Executive Officer serve on the Board. Mr. Skaggs has a unique understanding of the challenges and issues facing the Company. During his nearly 31 years with the Company, he has served in a variety of positions across the organization, including the legal and finance departments, President of a number of our gas distribution subsidiaries, Executive Vice President, Regulated Revenue, where he was responsible for developing regulatory strategies and leading external relations across all of our energy distribution markets, as well as our interstate pipeline system. He also led regulated commercial activities, including large customer and marketer relations, energy supply services, as well as federal governmental relations. This wide and deep experience provides an incomparable knowledge of the Company s operations, our markets and our people. Over the course of his career, Mr. Skaggs has been involved in a wide array of community-based organizations as well as a number of industry organizations, further providing him with a valuable perspective on the communities the Company serves and the issues facing our industry. He served as Chairman of the American Gas Association in 2010.

Teresa A. Taylor, 48

Ms. Taylor served as Chief Operating Officer of Qwest Communications, Inc., (Qwest) Denver, Colorado, from August 2009 to April 2011. Prior thereto, she was Executive Vice President, Business Markets Group from January 2008 to April 2009 and served as Executive Vice President and Chief Administrative Officer from December 2005 to January 2008. Ms. Taylor served in various positions with Qwest and the former US West since 1987. Ms. Taylor also is a director of First Interstate BancSystem, Inc.

In her position as Chief Operating Officer, Ms. Taylor was responsible for the daily operations of a publicly traded telecommunications company. In this role, she led a senior management team responsible for field support, technical development, sales, marketing, customer support and information technology systems. During her 24-year tenure with Qwest and US West, she held various leadership positions responsible for strategic planning and execution, sales, marketing, product development, human resources, corporate communications and social responsibility. Ms. Taylor is keenly aware of the technical and managerial skills necessary to operate a customer service company in a complex regulatory and competitive business environment. This experience will provide valuable insights to the Company as it operates in multiple regulatory environments and develops products and customer service programs to meet the expectations of our customers.

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Name, Age and Principal Occupations for Past Five Years and Present Directorships Held	Has Been a Director Since
Richard L. Thompson, 72	2004
Prior to his retirement in 2004, Mr. Thompson was Group President, Caterpillar Inc., Peoria, Illinois, a leading manufacturer of construction and mining equipment, diesel and natural gas engines and industrial gas turbines. Mr. Thompson also is a director of Gardner Denver, Inc. and Chairman of the Board of Lennox International, Inc. Effective May 10, 2012, Mr. Thompson will transition from Chairman to Lennox s Lead Director.	
In his prior role as Group President of a large, publicly traded manufacturing company, Mr. Thompson had responsibility for its gas turbine and reciprocating engine business, as well as research and development activities. By virtue of this and prior positions, and his current directorships at two other companies serving the energy and utility industries, Mr. Thompson possesses significant experience in energy issues generally and gas turbine electric power generation and natural gas pipeline compression in particular. He is a graduate electrical engineer with experience in electrical transmission system design and generation system planning. This experience provides Mr. Thompson a valuable understanding of technical issues faced by the Company.	
Carolyn Y. Woo, 57	1998
Since January 2012, Dr. Woo has been President and Chief Executive Officer of Catholic Relief Services, the international humanitarian agency of the Catholic community in the United States. Prior thereto, Dr. Woo was Martin J. Gillen Dean and Ray and Milann Siegfried Professor of Entrepreneurial Studies, Mendoza College of Business, University of Notre Dame, Notre Dame, Indiana. Dr. Woo is also a director of AON Corporation and was a director of Circuit City, Inc. until 2009.	
Dr. Woo s current position as President and Chief Executive Officer of an international organization provides her with knowledge and experience in managing a large organization. Her experience as the dean of a major business school and her experience as a professor of entrepreneurship provided her a deep understanding of business principles and extensive expertise with management and strategic planning issues. Through her current and previous service on the boards of directors, audit committees and compensation committees of a number of public companies, including a global reinsurance and risk management consulting company, a pharmaceutical distribution company, an international automotive manufacturer, a financial institution and a major electronics retailer, Dr. Woo has developed an excellent understanding of corporate governance, internal control, financial and strategic analysis and risk management issues. Dr. Woo is a leader in the areas of corporate social responsibility and sustainability, which adds an important perspective to the Company. She is also a current and past board member of several non-profit organizations, including an international relief organization, a global business school accreditation organization, leadership development organizations and an educational organization. This commitment to social and educational organizations provides Dr. Woo with an additional important perspective on the various community and social issues confronting the Company in the various communities that the Company serves.	

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CORPORATE GOVERNANCE

Director Independence

Under the NiSource Corporate Governance Guidelines, a substantial majority of our Board must be comprised of independent directors. In order to assist the Board in making its determination of director independence, the Board has adopted categorical standards of independence consistent with the standards contained in Section 303A.02(b) of the NYSE Corporate Governance Listing Standards. These categorical standards of independence are listed in the Company s Corporate Governance Guidelines, a copy of which can be found on our website at *http://ir.nisource.com/governance.cfm.*

The Board has affirmatively determined that all of the members of the Board (except Mr. Skaggs) and all nominees (except Mr. Skaggs) are independent directors as defined in Section 303A.02(b) of the NYSE Listing Standards and meet the standards for independence set by the Board.

Certain Relationships and Related Transactions

During January 2011, Mr. Kittrell was employed as Executive Vice President and Chief Financial Officer of Dresser, a worldwide leader in providing highly engineered products for the global energy industry. In February 2011, General Electric purchased Dresser and Mr. Kittrell retired. The Company and its affiliates use certain of the products manufactured by Dresser in its regular business operations and purchase such products from Dresser in the ordinary course of business on standard terms and conditions. In January 2011, the Company s total purchases of products from Dresser were approximately $155,000, which represented less than .01% of the consolidated gross revenues of Dresser.

Policies and Procedures with Respect to Transactions with Related Persons

We have established policies and procedures with respect to the review, approval and ratification of any transactions with related persons as set forth in the Audit Committee Charter and the Code of Business Conduct.

Under its Charter, the Audit Committee is charged with the review of reports and disclosures of insider and affiliated party transactions. Under the Code of Business Conduct, the following situations must be reviewed if they involve a direct or indirect interest of any director, executive officer or employee (including immediate family members):

- owning more than a 10% equity interest or a general partner interest in any entity that transacts business with the Company (including lending or leasing transactions, but excluding the receipt of utility service from the Company at tariff rates), if the total amount involved in such transactions may exceed $120,000;
- selling anything to the Company or buying anything from the Company (including lending or leasing transactions, but excluding the receipt of utility service from the Company at tariff rates), if the total amount involved in such transactions may exceed $120,000;
- consulting for or being employed by a competitor; and
- being in the position of supervising, reviewing or having any influence on the job evaluation, pay or benefit of any immediate family member.

Related party transactions requiring review under the Code of Business Conduct are annually reviewed and ratified by the Audit Committee. Directors, individuals subject to Section 16 of the Securities Exchange Act of 1934 (Section 16 Officers) and senior executive officers are expected to raise any potential transactions involving a conflict of interest that relates to them with the Audit Committee so that they may be reviewed in a prompt manner. The related party transaction with Dresser disclosed above under the heading Certain Relationships and Related Transactions was reviewed and ratified in accordance with these procedures.

Executive Sessions of Non-Management Directors

To promote open discussion among the non-management directors, the Board schedules regular executive sessions at meetings of the Board and each of its Committees. All non-management directors are also members of the Corporate Governance Committee. The non-management members met separately from management five times in 2011. Mr. Ian M. Rolland, the Chairman of the Board, serves as lead, or presiding, director at the executive sessions of the non-management directors. All of the non-management members are independent directors.

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Communications with the Board and Non-Management Directors

Stockholders and other interested persons may communicate any concerns they may have regarding the Company as follows:

Communications to the Board may be made to the Board generally, any director individually, the non-management directors as a group or the lead director of the non-management group in the event one is chosen, by writing to the following address:

NiSource Inc.

Attention: [Board of Directors]/[Board Member]/[Non-management Directors]/[Lead Director]

c/o Corporate Secretary

801 East 86th Avenue

Merrillville, Indiana 46410

The Audit Committee has approved procedures with respect to the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or audit matters. Communications regarding such matters may be made by contacting the Company s Ethics and Compliance Officer at *ethics@nisource.com*, calling the business ethics hotline at 1-800-457-2814, or writing to:

NiSource Inc.

Vice President, Ethics and Compliance

801 East 86th Avenue

Merrillville, Indiana 46410

Code of Business Conduct

The Company has adopted a Code of Business Conduct (the Code) to promote (i) ethical behavior including the ethical handling of conflicts of interest, (ii) full, fair, accurate, timely and understandable financial disclosure, (iii) compliance with applicable laws, rules and regulations, (iv) accountability for adherence to the Code and (v) prompt internal reporting of violations of the Code. The Code satisfies applicable Securities and Exchange Commission (SEC) and NYSE requirements and applies to all directors, officers (including our principal executive officer, principal financial officer, principal accounting officer and controller) as well as employees of the Company and its affiliates. A copy of the Code is available on our website at *http://ir.nisource.com/governance.cfm* and will be provided to any stockholder who requests it in writing from the Company s Corporate Secretary.

Any waiver of the Code for any director, Section 16 Officer or senior executive may be made only by the Audit Committee of the Board and must be promptly disclosed to the extent and in the manner required by the SEC or the NYSE and posted on the Company s website. No waivers have been granted under the Code.

Corporate Governance Guidelines

The Corporate Governance Committee is responsible for annually reviewing and reassessing the Corporate Governance Guidelines and will submit any recommended changes to the Board for its approval. A copy of the Corporate Governance Guidelines can be found on our website at *http://ir.nisource.com/governance.cfm* and will be provided to any stockholder who requests it in writing from the Company s Corporate Secretary.

Board Leadership Structure and Risk Oversight

The Company s Corporate Governance Guidelines state that the Company should remain free to configure leadership of the Board in the way that best serves the Company s interests at the time and, accordingly, the Board has no fixed policy with respect to combining or separating the offices of Chairman and Chief Executive Officer. If the Chairman is not an independent director, the Board will choose a lead director to serve as chair of the Corporate Governance Committee and as the presiding director for purposes of the NYSE rules.

Since late 2006, the offices of Chairman and Chief Executive Officer of the Company have been held by different individuals, with the Chairman being an independent director. In deciding to separate the offices, the Board believed that having a director with a long tenure serve as Chairman would help ensure continuity and stability during a transition period between Chief Executive Officers. The Board believes that the independent Chairman arrangement continues to serve the Company well.

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The Board takes an active role in monitoring and assessing the Company s risks, which include risks associated with operations, credit, energy supply, financing and capital investments. The Board administers its oversight function through utilization of its various committees, as well as through a Risk Management Committee, consisting of members of the Company s senior management, which is responsible for the risk management process. Senior management provides an annual report on our risks to the Board. The Audit Committee discusses with management and the independent auditor the effect of regulatory and accounting initiatives on the Company s financial statements and is responsible for overseeing the risk management program generally. In addition, the Finance Committee, Officer Nomination and Compensation (ONC) Committee and the Environmental, Safety and Sustainability (ESS) Committee are each charged with overseeing the risks associated with their respective areas of responsibility. The Audit Committee receives regular updates on the activities of the Risk Management Committee and any significant policy breach.

Meetings and Committees of the Board

The Board met five times during 2011. Each director attended at least 84% of the total number of the Company s Board meetings and the meetings of the committees of which he or she was a member. Pursuant to the Company s Corporate Governance Guidelines, all directors are expected to attend the Annual Meeting. All incumbent directors attended the 2011 Annual Meeting of Stockholders with the exception of Mr. Cornelius who was not appointed to the Board until July 2011.

The Board has established five standing committees to assist the Board in carrying out its duties: the Audit Committee; the Corporate Governance Committee; the ESS Committee; the Finance Committee; and the ONC Committee. The Board also appointed a special committee, the Pricing Committee, in carrying out its duties in 2011. The Board evaluates the structure and membership of its committees on an annual basis and appoints the independent members of the Board to serve on the committees and elects committee chairs following the Annual Meeting of Stockholders. The following tables show the composition of each Board committee before and after the 2011 Annual Meeting. Mr. Skaggs does not serve on any committee but is invited to attend the various committee meetings.

Board Committee Composition May 11, 2010 through May 10, 2011

Director	**Audit**	**Corporate Governance**	**ESS**	**Finance**	**ONC**
Richard A. Abdoo		X	X	X	X
Steven C. Beering	X	X	X		X
Dennis E. Foster(1)	X*	X		X	
Michael E. Jesanis	X	X	X	X	
Marty R. Kittrell	X	X		X	
W. Lee Nutter		X	X	X	X*
Deborah S. Parker		X	X	X	X
Ian M. Rolland	X	X*			
Richard L. Thompson	X	X		X*	
Carolyn Y. Woo	X	X	X*		X

* Chairperson

(1) Mr. Foster served on the Board and its committees until he retired on May 11, 2011.

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Board Committee Composition Beginning May 10, 2011

Director	**Audit**	**Corporate Governance**	**ESS**	**Finance**	**ONC**
Richard A. Abdoo		X		X	X
Steven C. Beering		X	X		X
Sigmund L. Cornelius(1)	X	X		X	
Michael E. Jesanis	X	X	X		
Marty R. Kittrell	X*	X		X	
W. Lee Nutter		X		X	X*
Deborah S. Parker	X	X	X		
Ian M. Rolland	X	X*		X	
Richard L. Thompson		X		X*	X
Carolyn Y. Woo		X	X*		X

* Chairperson

(1) Mr. Cornelius was appointed to the Board on July 24, 2011 to fill the vacancy created by the retirement of Mr. Foster and appointed to serve on committees beginning in August 2011.

Audit Committee

The Audit Committee met ten times in 2011. Among other things, the Audit Committee is responsible for monitoring:

- integrity of the Company s financial statements;
- the independent auditors qualifications and independence;
- performance of the Company s internal audit function and the independent auditors; and
- compliance by the Company with legal and regulatory requirements.

The charter for the Audit Committee can be found on our website at *http://ir.nisource.com/governance.cfm* and will be provided to any stockholder who requests it in writing from the Company s Corporate Secretary.

The Board has determined that all of the members of the Audit Committee are independent as defined under the applicable NYSE and SEC rules and meet the additional independence standard set forth in the Corporate Governance Guidelines. The Audit Committee has reviewed and approved the independent registered public accountants, both for 2011 and 2012, and the fees relating to audit services and other services performed by them.

For more information regarding the Audit Committee, please see Audit Committee Report below.

Corporate Governance Committee

The Corporate Governance Committee met five times in 2011. The Committee is responsible for:

recommending to the Board the compensation of directors;

identifying individuals qualified to become Board members, consistent with criteria approved by the Board;

recommending to the Board director nominees for election at the next Annual Meeting of the stockholders;

developing and recommending to the Board a set of corporate governance principles applicable to the Company; and

overseeing the evaluation of the performance of the Board, the CEO and the CEO s executive direct reports.

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Pursuant to the Corporate Governance Guidelines, the Committee, with the assistance of the ONC Committee and its independent compensation consultant, reviews the amount and composition of director compensation from time to time and makes recommendations to the Board when it concludes changes are needed. The Committee is also responsible for evaluating the performance of the CEO and his executive direct reports. The Committee reviews and approves the Company s goals and objectives relevant to the CEO and his executive direct reports and evaluates their performance in light of those goals and objectives and after receiving input from the Board. The Chair of the Committee reports the Committee s findings to the ONC Committee, which uses these findings to set the compensation of the CEO and his executive direct reports.

The Committee identifies and screens candidates for director and makes its recommendations for director to the Board as a whole. The Committee has the authority to retain a search firm to help it identify each director candidate to the extent it deems necessary or appropriate. Sigmund L. Cornelius was appointed to the Board on July 24, 2011 to fill the vacancy created by the retirement of Mr. Foster, and Aristides S. Candris and Teresa A. Taylor were each nominated as candidates for director for the first time at the 2012 Annual Meeting. Each of these individuals was initially identified by Russell Reynolds Associates, Inc., a third party search firm engaged by the Committee for the specific purpose of identifying highly qualified candidates for potential nomination to the Board. The Committee appointed a sub-committee of directors (the Search Committee) to assist with the evaluation of the candidates identified by Russell Reynolds Associates Inc. During 2011, Messrs. Jesanis, Kittrell and Rolland and Ms. Parker served for a portion of the year on the Search Committee which met four times during 2011. Based on the Search Committee s evaluation, candidates were recommended to the Committee, and ultimately to the Board, for selection as nominees for director.

In considering candidates for director, the Committee considers the nature of the expertise and experience required for the performance of the duties of a director of a company engaged in our businesses, as well as each candidate s relevant business, academic and industry experience, professional background, age, current employment, community service and other board service. Pursuant to the Corporate Governance Guidelines, the Committee also considers the racial, ethnic and gender diversity of the Board. The Committee seeks to identify and recommend candidates with a reputation for and record of integrity and good business judgment who: have experience in positions with a high degree of responsibility and are leaders in the organizations with which they are affiliated, are effective in working in complex collegial settings, are free from conflicts of interest that could interfere with a director s duties to the Company and its stockholders and are willing and able to make the necessary commitment of time and attention required for effective service on the Board. The Committee also takes into account the candidate s level of financial literacy. The Committee monitors the mix of skills and experience of the directors in order to assess whether the Board has the necessary tools to perform its oversight function effectively. The Committee also assesses the diversity of the Board as part of its annual self-assessment process. The Committee will consider nominees for directors recommended by stockholders and will use the same criteria to evaluate candidates proposed by stockholders.

The Board has determined that all of the members of the Committee are independent as defined under the applicable NYSE rules and meet the additional independence standard set forth in the Corporate Governance Guidelines by the Board.

The charter for the Committee can be found on our website at *http://ir.nisource.com/governance.cfm* and will be provided by the Company to any stockholder who requests it in writing from the Company s Corporate Secretary.

For information on how to nominate a person for election as a director at the 2013 Annual Meeting, please see the discussion under the heading Stockholder Proposals and Nominations for 2013 Annual Meeting.

Environmental, Safety and Sustainability Committee

The ESS Committee met four times during 2011. This Committee reviews the results of environmental compliance of the Company and considers environmental public policy issues as well as health and safety issues affecting the Company. The charter for the Committee can be found on our website at *http://ir.nisource.com/governance.cfm* and will be provided to any stockholder who requests it in writing from the Company s Corporate Secretary.

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Finance Committee

The Finance Committee met five times during 2011. This Committee is responsible for overseeing and monitoring the financial plans of the Company, capital structure and financial risk. The charter for the Committee can be found on our website at *http://ir.nisource.com/governance.cfm* and will be provided to any stockholder who requests it in writing from the Company s Corporate Secretary.

Officer Nomination and Compensation Committee

The ONC Committee met six times in 2011. The charter for the Committee can be found on our website at *http://ir.nisource.com/governance.cfm* and will be provided to any stockholder who requests it in writing from the Company s Corporate Secretary. Pursuant to the charter, this Committee advises the Board with respect to nomination, evaluation, compensation and benefits of the Company s executives. In that regard, the Committee:

- approves the CEO s compensation based on the Corporate Governance Committee s report on its evaluation of the CEO s performance;
- approves the compensation of the CEO s executive direct reports;
- makes recommendations to the Board with respect to incentive-compensation plans and equity-based plans;
- reviews and approves periodically a general compensation policy for other officers of the Company and officers of its principal affiliates;
- recommends Company officer candidates for election by the Board;
- oversees the evaluation of management; and
- produces the ONC Committee Report on Executive Compensation included in this proxy statement.

The ONC Committee reviews the compensation of our CEO and his executive direct reports each year. In determining the compensation of the CEO and his executive direct reports, the Committee takes into consideration the Corporate Governance Committee s evaluation of each of their individual performance. When considering changes in compensation for the Named Executive Officers, the Committee also carefully considers input from the Senior Vice President, Human Resources and Exequity LLP, an executive compensation consulting firm that the Committee engaged, to advise it with respect to executive compensation design, comparative compensation practices and compensation matters relating to the Board. Exequity LLP provides no other services to the Company.

All of the directors serving on the Committee are (i) independent as defined under the applicable NYSE rules and meet the additional independence standard set forth in the Corporate Governance Guidelines, (ii) non-employee directors as defined under Rule 16b-3 of the Securities Exchange Act of 1934 (Exchange Act), and (iii) outside directors as defined by Section 162(m) of the Internal Revenue Code.

Pricing Committee

The Pricing Committee was appointed as a special committee in 2011 to review and approve the issuance of debt in 2011. Messrs. Kittrell, Rolland and Thompson served on this Committee which met two times in 2011.

Compensation Committee Interlocks and Insider Participation

There are no compensation committee interlocks.

DIRECTOR COMPENSATION

Director Compensation. We use a combination of cash and stock-based awards to attract and retain highly qualified candidates to serve on the Board. Only non-employee directors receive director compensation, therefore, since Mr. Skaggs is an employee of the Company, he does not receive compensation for his service as a Board member.

We currently pay each director who is not an employee of the Company an annual retainer of $165,000, consisting of $82,500 in cash and an award of restricted stock units valued at $82,500 at the time of the award. The cash retainer is paid in arrears in four equal installments on the last business day of each calendar quarter.

The restricted stock units were paid in arrears on a quarterly basis until June 1, 2011, when the frequency of the award was changed to an annual award. In 2011, the directors received the annual award of restricted stock units on June 1, 2011. As a result of this change, the value of restricted stock units awarded in 2011 is greater than $82,500 since it includes a portion of the award for the term ended at the 2011 Annual Meeting as well as the full award for the term ending at the 2012 Annual Meeting. The number of restricted stock units is determined by dividing the value of the grant by the closing price of the Company s common stock on the date of grant. Restricted stock units are granted to directors under the NiSource Inc. 2010 Omnibus Incentive Plan (Omnibus Plan) which was approved by the stockholders in May 2010.

The Board also provides additional compensation to those directors who take on additional responsibilities and serve as the chair of a Board committee. The annual committee chair fees are: Audit Committee $20,000; ONC Committee $20,000; Finance Committee $20,000 and ESS Committee $15,000. The Chairman of the Board, who also serves as the chair of the Corporate Governance Committee, receives additional annual compensation of $135,000 per year. Fees paid to the Chairman of the Board and the committee chairs are paid in cash in four equal installments in arrears. Fees are prorated based on when Board and committee service begins or ends.

Omnibus Plan. The Omnibus Plan permits equity awards to be made to non-employee directors in the form of incentive and non-qualified stock options, stock appreciation rights, restricted stock and restricted stock units, performance shares, performance units, cash-based awards and other stock-based awards. Terms and conditions of awards to non-employee directors are determined by the Board prior to grant. Since May 10, 2010, awards to directors have been made from the Omnibus Plan. Awards of restricted stock units associated with periods prior to June 1, 2011, vested immediately but are not distributed in shares of common stock until after the director terminates or retires from the Board. As of June 1, 2011 the awards of restricted stock units vest and are payable in shares of common stock on the earlier of (a) the last day of the director s annual term for which the restricted stock units are awarded or (b) the date that the director separates from service due to a Change in Control (as defined in the Omnibus Plan); provided, however, that in the event that director separates from service prior to such time as a result of Retirement (defined as the cessation of services after providing a minimum of five continuous years of service as a member of the Board), death or Disability (as defined in the Omnibus Plan), the director s awards shall pro-rata vest in an amount of restricted stock units determined by using a fraction, where the numerator shall be the number of full or partial calendar months elapsed between the grant date and the date of the director s Retirement, death or Disability, and the denominator of which shall be the number of full or partial calendar months elapsed between the grant date and the last day of the director s annual term for which the director is elected that corresponds to the year in which the restricted stock units are awarded. The vested restricted stock units awarded as of June 1, 2011 are payable as soon as practicable following vesting except as otherwise provided pursuant to the non-employee director s prior election to defer distribution.

With respect to restricted stock units that have not been distributed, additional restricted stock units are credited to each non-employee director to reflect dividends paid to stockholders on common stock. The restricted stock units have no voting or other stock ownership rights and are payable in shares of the Company s common stock upon distribution.

Director Stock Ownership. The Board maintains stock ownership requirements for its directors that are included in the Corporate Governance Guidelines. Within five years of becoming a non-employee director or adoption of these ownership requirements in 2008, whichever is later, each non-employee director is required to hold an amount of Company stock equal to five times the annual cash retainer paid to directors by the Company. Company stock that counts towards satisfaction of this requirement includes shares purchased on the open market, awards of restricted stock or restricted stock units through the prior Non-Employee Director Stock Incentive Plan or Omnibus Plan, and shares beneficially owned in a trust or by a spouse or other immediate family member residing in the same household.

Each director has a significant portion of his or her compensation directly aligned with long-term stockholder value. Fifty percent (50%) of the Board s annual retainer is awarded in restricted stock units, which are converted into common stock when distributed to the director. The directors are also required to accumulate and hold five times their annual cash retainer in our common stock which is designed to align their compensation with long-term shareholder value.

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The table below shows the number of shares of common stock beneficially owned by each non-employee director, the number of non-voting restricted stock units that have been awarded, and the combined total as of March 1, 2012.

Name	**Shares of Common Stock(1)**	**Non-Voting Restricted Stock Units(2)**	**Total Number of Shares of Common Stock and Non-Voting Restricted Stock Units(1)(2)**
Richard A. Abdoo	15,000	23,798	38,798
Steven C. Beering	7,760	62,834	70,594
Aristides S. Candris	2,000		2,000
Sigmund L. Cornelius		3,205	3,205
Michael E. Jesanis		23,798	23,798
Marty R. Kittrell(3)	8,000	29,423	37,423
W. Lee Nutter(4)	110,000	29,423	139,423
Deborah S. Parker	9,637	28,589	38,226
Ian M. Rolland(5)	26,777	60,064	86,841
Teresa A. Taylor			
Richard L. Thompson	5,000	42,777	47,777
Carolyn Y. Woo	4,000	54,397	58,397

(1) The number of shares owned includes shares held in the Company s Dividend Reinvestment and Stock Purchase Plan.

(2) The number includes non-voting restricted stock units provided in accordance with the Non-Employee Director Stock Incentive Plan and Omnibus Plan.

(3) The number of shares owned by Mr. Kittrell includes 2,000 shares that have been pledged as security in a margin account with a broker.

(4) The number of shares owned by Mr. Nutter includes 2,605 shares owned by the W. Lee Nutter Grantor Retained Annuity Trust VII.

(5) The number of shares owned by Mr. Rolland includes 9,277 shares owned by the Ian and Miriam Rolland Foundation over which Mr. Rolland maintains investment control, but of which Mr. Rolland disclaims beneficial ownership.

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Director Compensation

The table below sets forth all compensation earned by our non-employee directors in 2011. Mr. Skaggs is the Company s only employee director and does not receive any separate compensation for his service on the Board.

Name	Fees Earned or Paid in Cash ($)(1)	Stock Awards ($)(2)	Total ($)
Richard A. Abdoo	82,500	112,221	194,721
Steven C. Beering	82,500	112,221	194,721
Sigmund L. Cornelius(3)	35,484	64,756	100,240
Dennis E. Foster(4)	36,922	29,718	66,640
Michael E. Jesanis	82,500	112,221	194,721
Marty R. Kittrell	95,295	112,221	207,516
W. Lee Nutter	102,500	112,221	214,721
Deborah S. Parker	82,500	112,221	194,721
Ian M. Rolland	217,500	112,221	329,721
Richard L. Thompson	102,500	112,221	214,721
Carolyn Y. Woo	97,500	112,221	209,721

(1) The fees shown include the annual cash retainer fee paid throughout the year to each director and Board and committee chair fees.

(2) This column shows the aggregate grant date fair value, computed in accordance with FASB ASC Topic 718, of the restricted stock units granted in 2011 based on the closing market price of the Company s common stock on the NYSE at the date of grant. Each incumbent director, except for Mr. Cornelius, received a grant of restricted stock units on March 31, 2011 valued at $20,625, which was equal to approximately 1,075 stock units valued at $19.18 per share. Each non-employee director who was elected in May 2011 received a grant of restricted stock units valued at $13,750 (of which $9,093 related to the term ended May 10, 2011 and $4,657 related to the term ending at the 2012 Annual Meeting), which was equal to approximately 679 stock units valued at $20.25 per share. Each of these directors, except Mr. Foster, also received their annual retainer award of restricted stock units on June 1, 2011 valued at $77,846, which was equal to approximately 3,900 stock units valued at $19.96 per share.

(3) Mr. Cornelius was appointed to the Board on July 26, 2011 and received a pro-rata cash and restricted stock unit retainer in 2011. His retainer of restricted stock units was valued at $64,755.63 which was equal to approximately 3,106 shares valued at $20.85 per share based on the closing price of NiSource common stock on the grant date of July 26, 2011.

(4) Mr. Foster retired from the Board on May 10, 2011. He received restricted stock units for the portion of his service from April 1, 2011 through May 10, 2011. This grant of restricted stock units was valued at $9,092.74, which was equal to approximately 448 stock units valued at $20.31 per share based on the closing price of the Company s common stock on the NYSE at the date of grant.

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SECURITY OWNERSHIP OF CERTAIN

BENEFICIAL OWNERS AND MANAGEMENT

The following table contains information about those persons or groups that are known to the Company to be the beneficial owners of more than five percent of the outstanding common stock.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class Outstanding
T. Rowe Price Associates, Inc.(1) 100 East Pratt Street Baltimore, MD 21202	21,662,693	7.7%
BlackRock, Inc.(2) 40 East 52nd Street New York, NY 10022	17,257,687	6.14%
The Vanguard Group, Inc.(3) 100 Vanguard Blvd. Malvern, PA 19355	16,289,306	5.79%
State Street Corporation(4) One Lincoln Street Boston, MA 02111	15,276,786	5.40%

(1) As reported on an amendment to statement on Schedule 13G filed with the SEC on behalf of T. Rowe Price Associates, Inc. on February 14, 2012. These securities are owned by various individual investors to which T. Rowe Price Associates, Inc. serves as investment advisor. T. Rowe Price Associates, Inc. has sole voting power with respect to 5,518,957 shares and sole dispositive power with respect to 21,641,993 of the shares reported as beneficially owned. T. Rowe Price Associates, Inc. expressly disclaims that it is the beneficial owner of these securities.

(2) As reported on an amendment to statement on Schedule 13G filed with the SEC on behalf of BlackRock, Inc. on January 20, 2012. These securities are owned by various individual investors to which BlackRock, Inc. serves as investment advisor. BlackRock has sole voting and sole dispositive power with respect to all the shares reported as beneficially owned.

(3) As reported on a statement on Schedule 13G filed with the SEC on behalf of The Vanguard Group, Inc., on February 6, 2012. These securities are owned by various individual investors to which The Vanguard Group serves as investment advisor. The Vanguard Group, Inc. has sole voting power with respect to 388,335 shares and sole dispositive power with respect to 15,900,971 shares reported as beneficially owned.

(4) As reported on a statement on Schedule 13G filed with the SEC on behalf of State Street Corporation on February 9, 2012. State Street Corporation has shared voting power and shared dispositive power with respect to all of the shares reported as beneficially owned.

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The following table contains information about the beneficial ownership of the Company s common stock as of March 1, 2012 for each of the directors, nominees and Named Executive Officers, and for all directors and executive officers as a group. Beneficial ownership reflects sole voting and sole investment power, unless otherwise noted.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership(1)
Richard A. Abdoo	15,000
Steven C. Beering	7,760
Aristides S. Candris	2,000
Sigmund L. Cornelius	
Christopher A. Helms	
Carrie J. Hightman	74,812
Michael E. Jesanis	
Glen L. Kettering	74,196
Marty R. Kittrell(2)	8,000
W. Lee Nutter(3)	110,000
Deborah S. Parker	9,637
Ian M. Rolland(4)	26,777
Robert C. Skaggs, Jr.(5)	655,557
Stephen P. Smith	79,935
Jimmy D. Staton	92,696
Teresa A. Taylor	
Richard L. Thompson	5,000
Carolyn Y. Woo	4,000
All directors and executive officers as a group (20 persons)	1,234,611

(1) The number of shares owned includes shares held in the Company s Dividend Reinvestment and Stock Purchase Plan, shares held in the 401(k) Plan, shares held in our Employee Stock Purchase Plan, and restricted shares awarded under the 1994 Long-Term Incentive Plan, Non-Employee Director Stock Incentive Plan and Omnibus Plan. The percentages of common stock owned by any director or Named Executive Officer, or all directors and executive officers as a group, does not exceed one percent of the common stock outstanding as of March 1, 2012.

(2) The number of shares owned by Mr. Kittrell includes 2,000 shares that have been pledged as security in a margin account with a broker.

(3) The number of shares owned by Mr. Nutter includes 2,605 shares owned by the W. Lee Nutter Grantor Retained Annuity Trust VII.

(4) The number of shares owned by Mr. Rolland includes 9,277 shares owned by the Ian and Miriam Rolland Foundation over which Mr. Rolland maintains investment control, but for which Mr. Rolland disclaims beneficial ownership.

(5) The totals include 247,599 shares for which Mr. Skaggs has a right to acquire beneficial ownership within 60 days after March 1, 2012.

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EXECUTIVE COMPENSATION

COMPENSATION DISCUSSION AND ANALYSIS (CD&A)

Highlights of our 2011 Executive Compensation Program

Compensation Practices

The primary objectives of our compensation program are to attract, retain and motivate highly qualified executives.

The principal elements of compensation we provide to our executives are: base salary, annual short-term performance-based cash incentives and long-term performance-based equity incentive awards (taken together these three elements are referred to as total compensation).

We generally target total compensation to be competitive with the compensation of executives at companies within our peer group of companies (the Comparative Group) having similar roles and responsibilities.

We use short and long-term performance-based compensation to incent our executives to meet and exceed the short and long-term business objectives of the Company.

We use 100% performance-based equity compensation as a means to align the interests of our executives with those of our stockholders.

We employ leading governance practices, such as clawback policies and mandated stock ownership expectations, and we conduct an annual risk assessment of the Company s compensation practices.

In addition, our executive officers are permitted to trade shares only within limited quarterly trading windows and they are prohibited from engaging in hedging or short sales of the Company s equity securities.

Finally, when making decisions about our executive compensation program, we take into account the stockholders view of such matters. 96% of our investors voted in favor of our Say on Pay Proposal at our 2011 Annual Meeting.

Company Performance

2011 was another year of significant achievement for the Company. We experienced groundbreaking performance and industry leading growth in stockholder value. We delivered total shareholder return of approximately 40% in 2011, significantly outperforming the major utility indices for the third consecutive year.

Our net operating earnings (non-GAAP) increased for 2011 to $377.8 million, or $1.35 per share, from $338.2 million, or $1.22 per share, in 2010. Additionally, we generated earnings growth in line with our guidance range for the fifth consecutive year.

Our solid financial profile was further strengthened as a result of key initiatives taken to reduce financing costs, extend the Company s debt maturities and manage liabilities, including a $250 million accelerated

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contribution to our pension plans, completion of a $250 million tender offer to repurchase high-interest long-term debt, launch of a $500 million commercial paper program and renewal of the Company s $1.5 billion revolving credit facility.

2011 Compensation Actions

The Company s Named Executive Officers in 2011 were: Robert C. Skaggs, Jr., President and Chief Executive Officer (CEO); Stephen P. Smith, Executive Vice President and Chief Financial Officer; Jimmy D. Staton, Executive Vice President and Group Chief Executive Officer, Gas Transmission and Storage and Northern Indiana Public Service Company; Carrie J. Hightman, Executive Vice President and Chief Legal Officer; Glen L. Kettering, Senior Vice President, Corporate Affairs; and Christopher A. Helms, former Executive Vice President and Group Chief Executive Officer, Gas Transmission and Storage. Mr. Helms left the Company on October 31, 2011 and received a lump sum payment in exchange for a general release and non-competition agreement.

The ONC Committee made several decisions that affected compensation practices in 2011, including the following:

- The 2011 annual equity awards to our Named Executive Officers were delivered solely in the form of performance shares that vest only upon the achievement of performance goals and continuous employment over the course of the multi-year performance period;

- Named Executive Officer base salaries in 2011 remained unchanged from the previous year, except in the instance of Ms. Hightman who was awarded a salary increase of approximately 5.6% for reasons explained in the section entitled 2011 Base Salaries;

- The ONC Committee increased Mr. Skaggs incentive opportunities after determining they were below market norms;

- Beginning in 2011, we added safety as an additional performance measure for purposes of establishing annual short-term performance-based cash incentive payouts for our Named Executive Officers;

- Annual performance-based cash incentive payouts were paid to each of the Named Executive Officers employed at year-end based on actual performance compared to pre-determined performance goals and individual contributions. Mr. Helms did not receive an annual cash incentive as a result of his separation from the Company in October 2011;

- In addition to the annual performance-based cash incentive payouts, the ONC Committee determined to award a discretionary cash bonus to the CEO based on the Company s performance over the last three years with particular consideration given to the three-year performance of the Company s share price growth and total shareholder return, each of which was at least double that of the averages of companies in both the S&P Utilities Index and the Dow Jones Utility Average for each of the last three years; and

- The ONC Committee also approved discretionary cash bonuses for Mr. Staton and Mr. Smith in recognition of their strong leadership, individual performance and significant contributions to the Company s success.

Our Executive Compensation Philosophy

The ONC Committee oversees the design, implementation and operation of the Company s executive compensation programs. It is composed entirely of independent directors to ensure that it can perform its oversight activities effectively and in compliance with prevailing governance standards. For a description of the ONC Committee s composition and responsibilities, see the section entitled Corporate Governance-Meetings and Committees of the Board and for a description of the role of its independent consultant, see the section entitled Corporate Governance - Officer Nomination and Compensation Committee.

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The ONC Committee and management believe that compensation is an important tool to recruit, retain and motivate employees. The key design priorities of the Company s executive compensation program are to:

(1) Provide a total compensation package that is appropriately competitive within our industry and supports our short-term and long-term business objectives to build stockholder value and sustainable earnings growth by:

- attracting and retaining executives through meaningful compensation opportunities;
- motivating and rewarding key executives for achieving and exceeding our business objectives;
- providing substantial portions of pay at risk for failure to achieve our business objectives;

(2) Maintain a financially responsible program aligned with the Company s strategic plan to build stockholder value and long-term, sustainable earnings growth;

(3) Align the interests of stockholders, the Company and executives by placing particular emphasis on performance-based equity compensation. We believe that the total target compensation of the Named Executive Officers should be largely performance-based and the proportion of at-risk, performance-based compensation should increase as the executive s level of responsibility within the Company increases; and

(4) Establish and maintain our program in accordance with all applicable laws and regulations.

The ONC Committee believes that our executive compensation program has been, and will continue to be, successful in providing competitive compensation opportunities appropriate to attract and retain highly qualified executives, while at the same time encouraging our senior executives to strive toward the creation of additional stockholder value.

Principal Elements of Our Compensation Program

We have designed our program to meet our objectives using various executive compensation elements that drive both short-term and long-term performance. The principal elements of our executive compensation program are: base salary, an annual performance-based cash incentive, and long-term performance-based equity incentive opportunities (taken together these are referred to as total compensation).

We believe that total compensation for our Named Executive Officers should be largely performance-based and the proportion of at-risk, performance-based compensation should increase as the executive s level of responsibility within the Company increases. The ONC Committee ensures the mix of the elements of compensation is appropriate by taking into account the Company s business objectives, the competitive environment, Company performance, individual performance and responsibilities, and evolving governance practices.

For 2011, the approximate percentage of our Named Executive Officers 2011 total compensation (including base salary, the annual performance-based incentive payable at the target level and the grant date face value of the long-term equity incentive award payable at the target level) that was fixed (base salary) was as follows:

* This average does not include Mr. Helms 2011 compensation since he separated from the Company in October 2011.

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The principal elements of total compensation, as more fully described below, help us achieve the objectives of our compensation program as follows:

Element of Total Compensation	Form of Compensation	Attraction	Time Horizon Short-Term	Long-Term	Alignment with Stockholder Interest	Retention
Base Salary	Cash	ü				ü
Annual Performance-Based Cash Incentive	Cash	ü	ü		ü	ü
Long-Term Performance-Based Equity Incentive	Performance Shares	ü		ü	ü	ü

Base Salary. Base salary provides our employees with a competitive, fixed pay component. We believe that competitive base salaries allow us to attract, retain and motivate our executives. The ONC Committee annually reviews the base salaries of the Company s senior executives, including the Named Executive Officers, to ensure they are competitive within our industry. In so doing, the ONC Committee considers the base salaries paid to similarly situated executives by the companies in the Comparative Group. See the section entitled Our Executive Compensation Process listing the companies in our Comparative Group. The ONC Committee determines any base salary changes for the Company s senior executives based on a combination of factors that includes competitive pay standards, level of responsibility, experience, internal equity considerations, historical compensation, and individual performance and contribution to business objectives, as well as recommendations from the CEO. The CEO is evaluated separately, taking into account those factors reviewed for all other senior executives, as well as the Corporate Governance Committee s evaluation of the CEO s performance. See the section below entitled 2011 ONC Committee Compensation Actions for more information regarding a 2011 base salary change for one of the Named Executive Officers.

Annual Performance-Based Cash Incentive Plan. This component of total compensation provides employees with the opportunity to earn a cash award tied to the annual performance of the Company and individual contribution to the organization s success. Annual cash incentives are authorized by the Omnibus Plan which was approved by stockholders in May 2010. The target financial goals for the annual performance-based cash incentive plan (the Incentive Plan) are based on the financial plan approved by the Board. The financial plan is designed to achieve the Company s goal of creating sustainable stockholder value by growing earnings, effectively managing the Company s cash and providing a strong dividend.

We believe that annual performance-based cash incentives align our employees, including the Named Executive Officers, with our short-term business objectives and reward them based upon achievement of those objectives. Eligibility for participation in the Incentive Plan extends to nearly all Company employees. Every eligible employee has an incentive opportunity at trigger, target and stretch levels of performance and the ONC Committee identifies expectations for all senior executives, including the Named Executive Officers. See the section below entitled 2011 ONC Committee Compensation Actions for more information regarding the 2011 Incentive Plan, including incentive opportunities, performance measures, goals and payouts for each of the Named Executive Officers, with the exception of Mr. Helms, who separated from the Company in October 2011.

Long-Term Equity Incentive Plan (LTIP). The Company s compensation program also includes a long-term equity incentive component. The ONC Committee believes it important that each executive, in particular our senior executives, has personal financial exposure to the performance of the Company s stock and, therefore, is aligned with the financial interests of stockholders. The ONC Committee also believes that long-term equity incentives promote decision making that is consistent with the Company s long-range operating goals.

To ensure that our executives interests are aligned with those of our stockholders and the Company s long-term business objectives, the ONC Committee determined that, beginning in 2011, the annual long-term equity incentive awards should be delivered solely in the form of performance shares. Performance shares provide the opportunity to earn shares of the Company s common stock contingent on the achievement of multi-year performance goals that we believe drive stockholder value. The number of performance shares that can be earned ranges from 50% of target when performance reaches the trigger level to 150% of target when performance reaches the maximum creditable level of results.

To promote management continuity and encourage executive retention, the ONC Committee typically provides for a three-year vesting period for equity-based awards subject to special vesting rules that apply in the event of Retirement, Disability, Change-in-Control (each as defined in the Omnibus Plan) or death.

When establishing award levels for each Named Executive Officer, the ONC Committee considers, among other things, the incumbent base salaries, the appropriate mix of cash and equity, prior awards under the LTIP and the compensation practices for similarly situated executives at other companies in our Comparative Group. However, the actual value of each award, if any, depends on Company performance against pre-established performance measures as well as stock price at the time the award is earned.

See the section below entitled 2011 ONC Committee Compensation Actions for more information regarding the 2011 LTIP awards for each of the Named Executive Officers, including performance measures and goals and vesting requirements.

Other Compensation and Benefits

We also provide other forms of compensation to our executives, including the Named Executive Officers, consisting of a limited number of perquisites, severance and change-in-control arrangements and a number of other employee benefits that commonly are extended to our entire employee population. These other forms of compensation are generally comparable to those that are provided to similarly situated executives at other companies of our size.

Perquisites. Perquisites are not a principal element of the Company s executive compensation program. The perquisites available to our executives, including our Named Executive Officers, are limited in number and modest in value when compared to the principal elements of compensation. They are intended to assist executive officers in the performance of their duties on behalf of the Company or otherwise to provide benefits that have a combined personal and business purpose.

The ONC Committee regularly reviews the types and costs of perquisites provided to its Named Executive Officers to be sure that they are in line with the Company s compensation philosophy. The Company does not reimburse the Named Executive Officers for the payment of personal income taxes incurred by the executives in connection with their receipt of these benefits. For more information on these perquisites, see the Summary Compensation Table and footnote 6.

Severance and Change-In-Control Benefits. The Company maintains an executive severance policy, Change-in-Control Agreements with the Named Executive Officers and a letter agreement with Mr. Smith regarding payments to be made in the event of termination of his employment.

The Company entered into the Change-in-Control Agreements in the belief that these agreements are in the best interests of the stockholders. Change-in-Control Agreements ensure that thoroughly objective judgments are made in relation to any potential change in corporate ownership so that stockholder value is appropriately safeguarded and returns to investors are maximized.

Since January 2010, no new Change-in-Control Agreements entered into between the Company and employees include gross-up payments that otherwise would reimburse such employees for individual excise or income taxes incurred with respect to benefits received on a Change-in-Control of the Company.

For further discussion of these agreements see the Potential Payments upon Termination of Employment or a Change-in-Control of the Company table.

Pension Programs. During 2011, the Company maintained a tax-qualified defined benefit pension plan for essentially all salaried exempt employees hired before January 1, 2010 and all union non-exempt employees and a non-qualified defined benefit pension plan (the Pension Restoration Plan) for all eligible employees with annual compensation or pension benefits in excess of the limits imposed by the IRS, including the Named Executive Officers. The Pension Restoration Plan provides for a pension benefit under the same formula provided under the tax-qualified plan but without regard to the IRS limits reduced by amounts paid under the tax-qualified plan. The material terms of the pension programs are described in the narrative to the Pension Benefits table.

Savings Programs. Our Named Executive Officers are eligible to participate in the same tax-qualified 401(k) savings plan as most employees and in a non-qualified defined contribution plan (the Savings

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Restoration Plan) maintained for eligible employees with annual compensation in excess of the limits imposed by the IRS. The savings programs include a Company match that varies depending on the pension plan in which the employee participates and a profit sharing contribution for most employees of between 0.5% and 1.5% of the employee s eligible earnings based on the overall corporate net operating earnings per share measure. In addition, for salaried employees hired after January 1, 2010, the savings programs include a 3% Company contribution to the employee accounts in lieu of pension benefits. The material terms of the Savings Restoration Plan are described in the narrative to the Non-qualified Deferred Compensation table.

Deferred Compensation Plan. The Company also maintains the Deferred Compensation Plan (the Deferred Compensation Plan) through which Company executives, including the Named Executive Officers, may elect to defer a portion of their base salary and annual cash bonus. The Company makes the Deferred Compensation Plan available to eligible executives so they have the opportunity to defer their cash compensation without regard to the limits imposed by the IRS for amounts that may be deferred under the 401(k) plan. The material terms of the Deferred Compensation Plan are described in the narrative to the Non-qualified Deferred Compensation table.

Health and Welfare Benefits. The Company also provides other broad-based benefits such as medical, dental, life insurance, and long-term disability coverage, on the same terms and conditions, to all employees including the Named Executive Officers. We believe that these broad-based benefits enhance the Company s reputation as an employer of choice and thereby serve the objectives of our compensation program to attract, retain and motivate our employees.

Our Executive Compensation Process

The ONC Committee has the responsibility for determining salaries, performance-based incentives and other matters related to the compensation of our executives and for overseeing the administration of our equity plans, including equity award grants to our executive officers. The ONC Committee takes into account various factors when making compensation decisions, including:

- the attainment of established business and financial goals for the Company;
- the competitiveness of the Company s compensation program based upon competitive market data; and
- an executive s position, level of responsibility and performance, as measured by the individual s contribution to the Company s achievement of its business objectives.

The ONC Committee reviews the compensation of our CEO and his executive direct reports each year. In determining the compensation of the CEO and his executive direct reports, the Committee takes into consideration the Corporate Governance Committee s evaluation of each of their individual performance. When considering changes in compensation for the Named Executive Officers, the ONC Committee also carefully considers input from the Senior Vice President, Human Resources and the ONC Committee s independent executive compensation consultant, Exequity LLP.

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Benchmarking. In connection with its compensation decision-making, the ONC Committee reviews the executive compensation practices in effect at other companies in the Comparative Group. These companies comprise leading gas, electric, combination utility and natural gas transmission companies that have been selected by the ONC Committee for their operational comparability to the Company and because we generally compete with these companies for the same executive talent. During 2011, the ONC Committee removed Duke Energy Corporation from the Comparative Group because Duke s unique compensation structure was determined not to be representative of those ordinarily at Comparative Group companies. For purposes of supporting 2011 compensation decisions, the Comparative Group included the following companies:

AGL Resources Inc.	Pepco Holdings, Inc.
Ameren Corporation	PG&E Corporation
American Electric Power Company, Inc.	PNM Resources, Inc.
CenterPoint Energy, Inc.	PPL Corporation
CMS Energy Corporation	Public Service Enterprise Group Incorporated
Dominion Resources, Inc.	Questar Corporation
DTE Energy Company	SCANA Corporation
El Paso Corporation	Sempra Energy
EQT Corporation	Southern Company
FirstEnergy Corp.	WGL Holdings, Inc.
	Williams Companies Inc.

Policies and Guidelines. We have implemented various guidelines and policies to help us meet our compensation objectives, including stock ownership guidelines, recoupment policies for acts of misconduct and consideration of favorable tax treatment, each as more fully described below.

Executive Stock Ownership and Retention Guidelines. We established stock ownership guidelines for our senior executives in 2007 and revised the guidelines in January 2009. Senior executives, including the Named Executive Officers, are generally expected to satisfy their applicable ownership guidelines within five years of becoming subject to the guidelines. The stock ownership requirement for the CEO is shares of the Company s common stock having a value equal to five times his annual base salary. The other senior executives have a stock ownership guideline of three times their respective annual base salaries. At the end of 2011, the Named Executive Officers (other than Messrs. Skaggs and Kettering, who have exceeded the guidelines) were determined to be progressing toward their ownership guidelines. Since the revised ownership guidelines have been in effect for less than five years, executives have additional time to comply. Once the senior executive satisfies the guidelines, he/she must continue to own a sufficient number of shares to remain in compliance with the guidelines. Until such time as the senior executives satisfy the stock ownership guidelines, they are required to hold at least 50% of the shares of common stock received upon the lapse of the restrictions on restricted stock units and the vesting of performance shares.

Trading Windows/Trading Plans/Hedging. We restrict the ability of certain employees to freely trade in the Company s common stock because of their periodic access to material non-public information regarding the Company. Under our Insider Trading Policy, our key executives are permitted to purchase and sell Company common stock and exercise Company stock options only during limited quarterly trading windows. In addition, under our Securities Transaction Compliance Policy for Certain Employees and our Securities Transaction Compliance Policy for Directors and Executive Officers, all directors and all senior executives, including our Named Executive Officers, are prohibited from engaging in short sales of the Company s equity securities or in buying or selling puts, calls or other options on the Company s securities or otherwise hedging against or speculating in the potential changes in the value of the Company s common stock.

Compensation Recovery for Misconduct. While we believe our executives conduct business with the highest integrity and in full compliance with the Company s Code of Business Conduct, the Committee believes it is appropriate to ensure that the Company s compensation plans and agreements provide for financial penalties to an executive who engages in certain fraudulent or other inappropriate conduct. Consequently, our Incentive Plan, the Omnibus Plan and its predecessor, the 1994 Long-Term Incentive Plan, contain provisions that require reimbursement of amounts received under the plans in the event of certain acts of misconduct with respect to both the annual short-term cash incentive and long-term equity awards.

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***Tax Treatment of Executive Compensation*.** Section 162(m) of the Internal Revenue Code provides that annual compensation in excess of $1,000,000 paid to the CEO or certain of the other Named Executive Officers, other than compensation meeting the definition of performance-based compensation, will not be deductible by a corporation for federal income tax purposes. In January 2011, the ONC Committee established a threshold performance target based on the Company s operating income for purposes of compliance with Section 162(m). The ONC Committee does not anticipate that the limits of Section 162(m) will materially affect the deductibility of compensation paid by the Company in 2011. However, the ONC Committee will continue to review the deductibility of compensation under Section 162(m) and related regulations published by the IRS. The ONC Committee retains the discretion to amend any compensation arrangement to comply with Section 162(m) s requirements for deductibility in accordance with the terms of such arrangements and what it believes is in the best interest of the Company.

The ONC Committee considers the anticipated tax treatment to the Company when determining executive compensation and routinely seeks to structure its executive compensation program in a way which preserves the deductibility of compensation payments and benefits. It should be noted, however, that there are many factors which are considered by the ONC Committee in determining executive compensation and, similarly, there are many factors which may affect the deductibility of executive compensation. To maintain the flexibility to compensate the Named Executive Officers in a manner designed to promote varying corporate goals, the ONC Committee has not adopted a strict policy that all executive compensation must be deductible under Section 162(m).

In addition, Sections 280G and 4999 of the Internal Revenue Code impose excise taxes on Named Executive Officers, directors who own significant stockholder interests in the Company, and other service providers who receive payments in excess of a threshold level upon a Change-in-Control. Additionally, the Company or its successor could lose a deduction for amounts subject to the additional tax. As discussed under Potential Payments upon Termination of Employment or a Change-in-Control of the Company below, it is possible that payments to the Named Executive Officers could be subject to these taxes.

Finally, Section 409A of the Internal Revenue Code imposes additional taxes on Named Executive Officers, directors and other service providers who defer compensation in a manner that does not comply with Section 409A. The Company has reviewed its compensation arrangements to ensure they comply with applicable Section 409A requirements.

2011 ONC Committee Compensation Actions

During 2011, the ONC Committee reviewed and, as appropriate, took action with respect to each element of total compensation (annual base salary, annual performance-based cash incentive and long-term performance-based equity incentive) for each Named Executive Officer following the principles, practices, and processes described above. In doing so, the ONC Committee concluded that the total compensation provided for each of the Company s senior executives in 2011, including the Named Executive Officers, was consistent with the Company s compensation philosophy and was reasonable, competitive and appropriate.

The ONC Committee s determinations, though based in part on subjective factors, were based primarily upon the ONC Committee s recognition of the performance of each senior executive, including each Named Executive Officer, and the ONC Committee s determination that the total compensation awarded to each senior executive, including each Named Executive Officer, provided well-balanced incentives to each person to continue their employment and to focus on serving the best interests of the Company and its stockholders.

In addition, the ONC Committee considered the stockholders approval of the 2010 compensation of our Named Executive Officers at the 2011Annual Meeting and determined that no changes were necessary or advisable in connection with our senior executive compensation program as a result of the stockholders vote.

2011 Base Salaries. In 2011, the ONC Committee reviewed the base salaries of the Company s senior executives, including the Named Executive Officers. Historically, the ONC Committee has not adjusted base salaries of the Named Executive Officers on an annual basis. For 2011, the ONC Committee determined that a base salary increase for Ms. Hightman was appropriate based on a combination of factors that included the recommendation by the CEO, competitive pay standards, level of responsibility, experience, internal equity considerations, historical compensation, and her contribution to business objectives that included her strong

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support of the Board s ESS Committee and Corporate Governance Committee, the resolution of legacy litigation and the strengthening of the Company s sustainability efforts as well as her leadership team. Other than the adjustment for Ms. Hightman, the ONC Committee made no other base salary adjustments for the Named Executive Officers in 2011.

Annual Performance-Based Cash Incentives. In January 2011, the ONC Committee established performance measures to be used by the ONC Committee to determine the 2011 incentive payouts to the Named Executive Officers. In determining incentive compensation ranges for the Named Executive Officers, the ONC Committee considered benchmark information, input from the independent compensation consultant, historical payouts and individual performance. The ONC Committee determined that some of the existing incentive opportunities were below market norms for the Chief Executive Officer and, accordingly, the ONC Committee increased the target incentive opportunity for Mr. Skaggs. Consistent with the ONC Committee s pay-for-performance philosophy, the ONC Committee further determined to reduce the incentive opportunities at the trigger level for each of the Named Executive Officers, with the exception of Mr. Skaggs, and increase the stretch level incentive opportunities for each of the Named Executive Officers. For more information on the 2011 trigger, target and stretch incentive opportunities, see below under the section entitled 2011 Incentive Plan Payouts to the Named Executive Officers.

For senior executives, including all of the Named Executive Officers, Incentive Plan awards were based upon achievement with respect to three corporate financial goals: net operating earnings per share, corporate funds from operations and total debt as of December 31, 2011; as well as an additional operational measure relating to safety. The ONC Committee approved these measures because they were deemed to be important to the Company s success in increasing stockholder value.

Earnings, cash flow and safety were measured as follows:

The measure of earnings was net operating earnings per share (after accounting for the cost of any incentive payout). Net operating earnings was defined as income from continuing operations determined in accordance with Generally Accepted Accounting Principles (GAAP) adjusted for certain items, such as weather, gains and losses on the sale of assets, certain out-of-period items and reserve adjustments. The ONC Committee uses net operating earnings, a non-GAAP financial measure, for determining financial performance for incentive compensation plans because the Board and management believe this measure better represents the fundamental earnings strength and performance of the Company. The Company uses net operating earnings internally for budgeting and for reporting to the Board.

The cash flow measure, corporate funds from operations, was calculated by taking net income from operations and adding back non-cash items such as depreciation. The ONC Committee uses corporate funds from operations as an Incentive Plan measure because the ONC Committee and management believe this measure fairly represents the amount of cash produced by the Company s operations.

Safety was measured by the number of employee work days missed or restricted or the number of days an employee was transferred, known as the DART metric, which was developed by the Occupational Health and Safety Administration (OSHA). Each business unit of the Company had its own safety goal. The safety goal for Corporate staff was based upon the respective business unit goals, weighted by employee hours for each business unit.

These performance measures, together with total debt, and their weighting are set forth in the tables below. The incentive opportunities for the senior executives, including the Named Executive Officers, were contingent on achievement of these four measures as applicable, subject to the ONC Committee s final discretion.

The 2011 Incentive Plan awards for the leaders of our business units also reflected achievement with respect to business unit earnings and cash flow goals for each of the business units. The ONC Committee believes the inclusion of business unit goals in the annual Incentive Plan improves the line of sight between employees and the incentive measures, thereby enhancing Company performance. The ONC Committee extended to Mr. Skaggs the authority to establish the annual business unit targets for the year. He assigned goals that, if accomplished, were expected to ensure the Company s attainment of its overall corporate objectives.

Consequently, Mr. Staton s incentive opportunity was based upon achievement with respect to the three corporate financial measures (net operating earnings per share, corporate funds from operations and total debt),

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and upon achievement with respect to performance measures tied to the business unit earnings, cash flow, and business unit safety measures. As such, each of Mr. Staton s measures is weighted differently than the other Named Executive Officers, as shown in the tables below.

The applicable performance measures, their associated weightings and results, as approved by the ONC Committee for Messrs. Skaggs, Smith, and Kettering and Ms. Hightman, are:

						Robert C. Skaggs, Jr.		Stephen P. Smith		Carrie J. Hightman		Glen L. Kettering	
Corporate Measures(1)	**Weight**	**Trigger**	**Target**	**Stretch**	**Result**	**Payout as a % of Target**	**Weighted Adjusted Payout as a % of Target**	**Payout as a % of Target**	**Weighted Adjusted Payout as a % of Target**	**Payout as a % of Target**	**Weighted Adjusted Payout as a % of Target**	**Payout as a % of Target**	**Weighted Adjusted Payout as a % of Target**
NiSource Net Operating Earnings Per Share	50%	$1.25	$1.30	$1.35	$1.35	160%	80%	162%	80.75%	158%	79.17%	158%	