

NiSource Inc.

Automatic Dividend Reinvestment and Stock Purchase Plan

Introduction

As a registered stockholder of NiSource Inc. (“NiSource”), you are eligible to participate in the NiSource Automatic Dividend Reinvestment and Share Purchase Plan (the “Plan”). Through the Plan, your cash dividends can be automatically invested, and cash investments can be made to purchase additional shares of NiSource common stock. The Plan is administered by Mellon Bank, N. A. (the “Administrator”). Certain administrative support will be provided to the Administrator by Mellon Shareholder Services, L.L.C., a registered Transfer Agent. The Administrator is the custodian of the NiSource common stock in the Plan and the agent for the purchase and sale of NiSource common stock.

Benefits of the Plan

As a participant in the Plan, you:

- may systematically increase your holdings of NiSource common stock through dividend reinvestment
- may purchase additional shares of NiSource common stock for cash
- may purchase shares through the Plan without paying any trading fees
- have the advantage of long-term dollar cost averaging of your stock purchased through systematic investments
- receive statements showing your Plan account transactions and balance
- may deposit your certificated shares of NiSource common stock into your Plan account
- may request termination of your Plan account at any time.

Purpose of the Plan

The Plan offers a convenient and economical way for common stockholders to increase their ownership of NiSource common stock. Once a participant is enrolled in the Plan, the participant’s cash dividends, plus any voluntary cash payments, will be used by the Administrator to purchase common stock (both full and fractional) for the participant. The participant pays no trading fees or service charges for purchases made under the Plan.

Participation in the Plan

Any holder of record of shares of the Company’s common stock may participate. If you wish to participate in the Plan but own NiSource stock in “street name” through a brokerage house or bank, you will need to contact your broker to have the registration

changed in order to become a holder of record. If you do not presently own NiSource common stock, you may contact any qualified stockbroker for assistance in purchasing at least one share in order to become a holder of record and establish your eligibility for participation.

How the Plan Works

To join the Plan, you must sign and return the enrollment authorization form enclosed with this brochure. Be sure to sign exactly as your name appears on the form. In the case of jointly owned stock, each of the joint owners must sign.

The form authorizes Mellon Bank, N.A., as your agent, to receive your cash dividends and to use them, together with any voluntary cash payments you may choose to make, to purchase shares of NiSource common stock for you.

When enrolling in the Plan, you may elect to participate in either Option #1, Dividend and Voluntary Cash Investment, or Option #2, Voluntary Cash Investment Only.

Option #1 – Dividend and Voluntary Cash Investment

All cash dividends on NiSource common stock registered in your name and all cash dividends on shares credited to your Plan account will be used to purchase additional NiSource common stock. You may also make voluntary cash investments of at least \$25, but not more than a total of \$5,000 per quarter.

You will not receive dividend checks on NiSource shares held by you while a participant in the Dividend and Voluntary Cash Investment option.

Option #2 – Voluntary Cash Investment Only

You may invest in additional NiSource common stock by sending a check or money order for U.S. dollars payable to Mellon Bank, N.A. Please do not send cash. Each investment must be a minimum of \$25, but not more than a total of \$5,000 per quarter.

You will continue to receive dividend checks from NiSource on certificated shares held by you while you are a participant in the Voluntary Cash Investment Only option; however, dividend checks will not be issued on shares in your Plan account, as these dividends will be automatically reinvested.

Making Cash Investments Under Option #1 or Option #2

Cash Investments may be made by using the detachable form at the bottom of each statement of account or by submitting a note that includes The Company name (NiSource), your full account name, number and address, along with your check to:

Mellon Investor Services, L.L.C.
P. O. Box 3338
South Hackensack, NJ 07606-1938

There is no obligation to make regular cash investments nor does each cash investment need to be the same amount, regardless of which investment option you select.

Purchase of Shares

Quarterly cash dividends will be used to purchase NiSource common stock on the dividend payment date or as close to the dividend payment date as is reasonably practicable.

Dividends are customarily paid on or about the 20th of February, May, August and November.

Voluntary payments received by the Administrator will be invested beginning on the 20th day of each month. Since no interest will be paid on funds held by the Administrator, you may wish to send payments so as to reach the Administrator shortly before the 20th day of each month. Payments received on or after the 20th day of the month will be held until the 20th day of the following month. In no event will the Administrator purchase shares later than 30 days after the date such payments are received unless governmental or stock exchange regulations require the temporary suspension of the purchase of shares under the Plan.

You may obtain a refund of any optional cash payments if a written notice is received by the Administrator no later than 48 hours before the next investment date.

Price Per Share

The funds of all participants are pooled for the purpose of purchasing NiSource common stock. The price per share paid by each participant will be the average price of all shares purchased during an investment period.

Your Plan account will be credited with the number of shares purchased for you, both in full and any fractional share equivalents calculated to four decimal places. A fractional share participates proportionately in all subsequent dividends.

Cost of the Plan to You

There are no trading fees or service charges connected with stock purchases. These costs are paid by NiSource; however, you will pay all costs incurred in the sale of shares. This would include a \$15 service fee and any associated trading fees.

Statement of Account

A statement of account will be mailed to you approximately two weeks after the completion of the reinvestment of quarterly cash dividends, voluntary cash investments or any other transaction involving your Plan account.

These statements contain information that is helpful for tax reporting and cost basis purposes; therefore, you should keep the statements until Plan shares have been disposed of and all tax obligations have been met.

Issuance of Stock Certificates

For your convenience, all shares purchased for you by the Administrator are held in your Plan account. Certificates for full shares credited to your account will be issued and sent to you only upon your written or telephonic request to the Administrator.

Deposit of Stock Certificates

As a participant in the Plan, you may, if you wish, deposit any stock certificates now or hereafter registered in your name for credit to your account under the Plan. There is no charge for this service and such deposits will relieve you of the responsibility for loss, theft or destruction of the certificates. Because you bear the risk of loss in sending stock certificates to the Administrator, it is recommended that certificates be sent by registered mail, return receipt requested, and properly insured. Certificates need not be endorsed. Whenever certificates are issued to you, either upon request or upon termination of your participation, new, differently numbered certificates will be issued. Dividends will be reinvested on shares represented by certificates deposited with the Administrator.

Federal Income Tax Considerations

Even though your dividends are automatically reinvested, they are subject to income taxes as if they were paid to you in cash.

Additionally, the Internal Revenue Service (the "IRS") has ruled that the trading fees paid by the Company on your behalf are to be treated as dividend income to you. The IRS has also ruled that the amount paid on your behalf for trading fees is includable in your cost basis of shares purchased. The information return (1099-DIV) sent to you and the IRS at year-end will show the amount paid on your behalf. If you sell shares

through the Plan, the Administrator will send a year-end form 1099-B to you and to the IRS showing the total proceeds from those transactions.

If you are uncertain of the tax effects of the Plan as they apply to you, consult your personal lawyer or tax advisor.

Voting

You are able to vote all shares held by the Administrator in your account under the Plan. Proxy solicitation material will be sent to you and will include a proxy card showing the total number of shares you have in the Plan plus any additional shares held directly by you.

Account Withdrawal or Termination

Withdrawal

By notifying the Administrator, either by telephone or written request, you may withdraw full shares from your Plan account and have a certificate issued, direct the sale of all or a portion of shares held in your Plan account or terminate your participation in the Plan. You may make your selection on the back of the detachable portion of the statement of account or you can contact the Administrator through the NiSource toll-free customer service number to communicate your instructions the Administrator.

Your withdrawal notice requesting issuance of a stock certificate for shares from your Plan account should specify the number of full shares to be issued to you. After Plan shares are certificated, they cannot be sold through the Plan.

Your withdrawal notice to sell shares from your Plan account should specify whether:

1. a certificate should be issued to you for all full shares in your Plan account along with a check for any fractional share, or
2. all shares held in your Plan account should be sold and a check sent to you for proceeds.

If neither option is specified, your request will be returned to you for clarification. Stock certificates for fractional shares will not be issued under any circumstances.

Requests for withdrawals or terminations are generally processed daily.

The proceeds from the sale of your shares held in the Plan are determined by the average price of all shares sold from the Plan on the day of sale. Any fractional share equivalent will be converted to cash at the same average sale price.

If you sell or otherwise dispose of all certificated shares held by you, NiSource will continue to reinvest the dividends on any shares held in your Plan account and to accept voluntary cash investments to your Plan account.

Pledge or Assignment of Shares

Shares held in the Plan may not be pledged or assigned, and any such purported pledge or assignment shall be void. If you wish to pledge or assign shares, you must request that a stock certificate for such shares be issued in your name.

Stock Dividend or Stock Split

Any shares representing a stock dividend or stock split on shares held in your Plan account will be credited to your account. Any shares representing a stock dividend or stock split on NiSource common stock held by you in certificate form will be issued and mailed directly to you.

Changing Investment Option

You may change your investment Option (detailed on page 3) at any time by submitting a written notice to the Administrator. Notices received on or before a dividend record date will be effective for that dividend payment. Notices received after a record date will not be effective until after that dividend has been paid. Record dates are customarily the last business day of January, April, July and October.

Changes in the Plan

The Company and the Administrator reserve the right to amend, modify, change or terminate the Plan but no such action may have any retroactive effect that would prejudice the interest of a participant in shares held under the Plan.

Limited Responsibility

Neither NiSource nor Mellon Bank, N.A. will be liable for any acts done in good faith or for any good faith omissions to act including, without limitation, any claim for liability:

1. arising out of the failure to terminate a participant's account on the death of the participant, prior to NiSource receiving written notice of the death,
2. with respect to the price at which Plan shares are purchased or sold for an account,
3. with respect to the times at which purchases or sales are made, or
4. with respect to fluctuations in the market value of Plan shares in a participant's account.

Inquiries

All inquiries concerning the Plan should be directed to:

Mellon Investor Services, L. L. P.
P. O. Box 3338
South Hackensack, NJ 07606-1938
1-888-884-7790

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