

NISOURCE INC/DE
Form PRE 14A
March 21, 2008

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)

Filed by the Registrant
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))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

NiSource, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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

NOTICE OF ANNUAL MEETING

April 1, 2008

To the Holders of Common Stock of NiSource Inc.:

The annual meeting (the Annual Meeting) of the stockholders of NiSource Inc. (the Company) will be held at the Grand Wayne Convention Center, 120 West Jefferson Boulevard, Fort Wayne, Indiana 46802 on Tuesday, May 13, 2008, at 10:00 a.m., local time, for the following purposes:

- (1) To elect eleven 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 2008;
- (3) To consider the board of director s proposal to amend the Company s Certificate of Incorporation to eliminate all supermajority voting requirements; and
- (4) To transact any other business that may properly come before the meeting.

All persons who are stockholders of record at the close of business on March 17, 2008 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 vote in person, even if you have previously submitted a proxy.

In order to help us arrange for the Annual Meeting, 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
Vice President, Administration & Corporate Secretary

**Important Notice Regarding the Availability of Proxy Materials
For the Annual Meeting of Stockholders to be Held on May 13, 2008**

**The Proxy Statement and 2007 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 the Company. 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 of directors FOR all of the nominees for director, FOR the ratification of Deloitte & Touche LLP as the Company's independent registered public accountants for 2008 and FOR management's proposal to amend the Company's Certificate of Incorporation to eliminate all supermajority vote requirements (the Charter Amendment Proposal). If any other matters properly come before the Annual Meeting, the persons named in the accompanying proxy will vote the shares represented by such proxy on such matters in accordance with their best judgment.

This proxy statement and form of proxy are first being sent to stockholders on April 1, 2008. The Company will bear the expense of this solicitation. The original solicitation of proxies by mail and a reminder letter may be supplemented by telephone, facsimile, e-mail and personal solicitation by officers, employees, and agents of the Company or its subsidiaries. To aid in the solicitation of proxies, the Company has retained BNY Mellon Shareowner Services for a fee of \$8,500 plus reimbursement of expenses. The Company also will request brokerage houses and other nominees and fiduciaries to forward proxy materials, at the Company's expense, to the beneficial owners of stock held of record by such persons.

Who May Vote

The close of business on March 17, 2008 is the date for determining stockholders entitled to notice of and to vote at the Annual Meeting. As of March 17, 2008, 274,177,301 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 you hold shares of common stock of the Company in your own name), 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.

If your shares are held by a broker, bank or other nominee in street name, you will receive voting instructions from that entity, the record holder, that you must follow in order to have your shares of common stock voted at the Annual Meeting. If your shares are held by a broker or other nominee and you or any other person entitled to vote those shares does not provide the broker or other nominee with instructions as to how to vote such shares, that broker or nominee will only be able to vote your shares on the matters for which the broker or other nominee has discretionary authority. Brokers and most other nominees will have discretionary authority to vote your shares of common stock with regard to (i) the election of directors, and (ii) the ratification of the appointment of Deloitte & Touche LLP as the Company's independent registered public accountants for 2008. We do not believe that brokers and most other nominees will have discretionary authority to vote your shares with respect to the Charter Amendment Proposal.

If you hold your shares in the Company's 401(k) plan administered by Fidelity Investments, you will need to vote your shares by one of the methods discussed in this Proxy Statement in order to have your vote counted. Fidelity will not exercise any voting discretion over the shares held in its accounts. If you fail to vote by returning a completed proxy card, or by telephone or through the Internet, your shares held through Fidelity will not be voted.

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

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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 by a broker, bank or other nominee in street name, including Fidelity Investments as administrator of the Company's 401(k) plan, then in order to be able to vote at the meeting, you must obtain a proxy, executed in your favor, from the institution that is the holder of record for your shares, indicating that you were the beneficial owner of the shares on March 17, 2008, the record date for voting, and that the record holder is giving you the proxy to vote the shares.

Revoking Your Proxy

A proxy may be revoked by the stockholder 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 Vice President, Administration and Corporate Secretary a letter indicating that you want to revoke your proxy or you can supersede your initial proxy by (i) delivering to the Vice President, Administration and Corporate Secretary a duly executed proxy bearing a later date, (ii) voting by telephone or through the Internet on a later date, or (iii) 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.

Votes Required

In order for a director to be elected, he or she must receive more votes in favor of his or her election than against his or her election. Ratification of Deloitte & Touche LLP as the Company's independent registered public accountants for 2008 requires the affirmative vote of the majority of the shares present in person or represented by proxy at the meeting and entitled to vote. Approval of the Charter Amendment Proposal requires the affirmative vote of eighty percent (80%) of the outstanding shares of common stock of the Company.

Votes cast in person or represented by proxy at the meeting will be tabulated by the inspectors of election. Abstentions will be counted as a vote against the ratification of Deloitte & Touche LLP as the Company's independent registered public accountants for 2008, and against the Charter Amendment Proposal.

Stockholders holding shares of stock through the Company's 401(k) Plan with Fidelity will need to vote their shares by one of the methods discussed in this proxy statement in order to have their votes counted.

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PROPOSAL I ELECTION OF DIRECTORS

The Company's board of directors consists of eleven directors. However, on February 7, 2008, Steven McCracken passed away creating a vacancy on the board. Eleven directors will be elected at this year's Annual Stockholder's meeting and each will serve until the 2009 Annual Meeting.

On July 23, 2007, Peter McCausland resigned from the board of directors. At the recommendation of the Corporate Governance Committee, the board of directors elected Deborah S. Coleman to fill the vacancy of Mr. McCausland on August 28, 2007. Ms. Coleman was identified by Russell Reynolds Associates, Inc., a third-party search firm engaged by the board for the specific purpose of identifying highly qualified candidates for potential nomination to the board.

At the recommendation of the Corporate Governance Committee, the board of directors has nominated the persons listed below to serve as directors for the term beginning at the annual meeting on May 13, 2008 and each will serve until the 2009 Annual Meeting. The nominees for election of directors at the annual meeting include ten independent directors, as defined in the applicable rules for companies that trade on the New York Stock Exchange (NYSE), and the President and Chief Executive Officer of the Company. The board of directors 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 acting thereunder.

All of the nominees other than Messrs. Abdo and Jesanis currently serve on the board of directors. Messrs Abdo and Jesanis were also initially identified by Russell Reynolds Associates, Inc.

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 our corporate predecessors NiSource Inc. (incorporated in Indiana) and Northern Indiana Public Service Company.

Votes Required

In order to be elected, all nominees must receive more votes cast in favor of such nominee than votes cast against such nominee.

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| Name, Age and Principal Occupations for Past Five Years and Present Directorships Held | Has Been a Director Since |
|---|--------------------------------------|
| Richard A. Abdo, 64 Since May, 2004, Mr. Abdo has been President of R.A. Abdo & Co. LLC, an environmental and energy consulting firm. Prior thereto Mr. Abdo was Chairman and Chief Executive Officer of Wisconsin Energy Corporation from 1991 until his retirement in April, 2004. He also served as President from 1991 to April 2003. Mr. Abdo is a director of A.K. Steel Corporation and Renergy Holdings, Inc. | |
| Steven C. Beering, 75 Chairman of the National Science Board, the governing board of the National Science Foundation, an independent Federal agency that promotes the progress of science. President Emeritus of Purdue University, West Lafayette, Indiana | 1986 |
| Deborah S. Coleman, 54 Since July 2007, Ms. Coleman has been Executive Vice President and Chief Operating Officer of the National Urban League. Before joining the National Urban League, Ms. Coleman served as Vice President of Global Quality for the Americas Region at Ford Motor Company from December 2004 until her retirement in January 2007. Prior thereto, Ms. Coleman was Chief Executive Officer and Group Managing Director at Ford Motor Company of Southern Africa (Pty) Ltd. from September 2001 to December 2004. | 2007 |
| Dennis E. Foster, 67 Principal, Foster Thoroughbred Investments, Lexington, Kentucky. Prior to his retirement in 2000, Mr. Foster was Vice Chairman of ALLTEL Corporation, Little Rock, Arkansas, a full service telecom and information service provider. Mr. Foster also is a director of Windstream Corporation and YRC Worldwide Inc. (formerly Yellow Roadway Corporation) | 1999 |
| Michael E. Jesanis, 51 Since November 2007, Mr. Jesanis has been a principal with Serrafix, a firm providing energy efficiency consulting and implementation services, principally to municipalities. He also serves as an advisor to Hy-Syence, a start up technology company focused on extracting electricity from waste water. 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. | |
| Marty R. Kittrell, 51 Since December 2007, Mr. Kittrell has been Executive Vice President and Chief Financial Officer of Dresser, Inc., Dallas, Texas, a worldwide leader in providing highly-engineered products for the global energy. Prior thereto, Mr. Kittrell was Executive Vice President and Chief Financial Officer of Andrew Corporation from October 2003 to December 2007, and Vice President, Strategic Planning from June 2002 to September 2003. | 2007 |
| W. Lee Nutter, 64 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 as well as timberlands and other higher value land holdings. Mr. Nutter was elected director of Rayonier, Inc. in 1996. He is also director of Republic Services Inc., J.M. Huber Corporation and the North Florida Regional Board of SunTrust | 2007 |

Ian M. Rolland, 74

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 also is a director of Bright Horizons Family Solutions and is on the board of advisors of CID Partners

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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., 53 Chief Executive Officer 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. | 2005 |
| Richard L. Thompson, 68 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. | 2004 |
| Carolyn Y. Woo, 53 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 also is a director of AON Corporation and Circuit City, Inc. | 1998 |

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CORPORATE GOVERNANCE

Director Independence

For many years, a substantial majority of the Company's board of directors has been 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. The Company's categorical standards of independence are set forth on Exhibit A to this proxy statement and are listed in the Company's Corporate Governance Guidelines, a copy of which can be found on the Company's website at <http://ir.nisource.com>.

The board of directors has affirmatively determined that all of the members of the board (except Mr. Skaggs) and all nominees (except for 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.

Executive Sessions of Non-Management Directors

The non-management members of the board met separately from management two times in 2007. Mr. Ian M. Rolland serves as lead, or presiding director at the executive sessions of the non-management directors. All of the non-management members are independent directors.

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 of directors may be made to the board of directors generally, any director individually, the non-management directors as a group or the lead director of the non-management group by writing to the following address:

NiSource Inc.
Attention: [Board of Directors]/[Board Member]/[Non-management Directors]/[Lead Director]
c/o Gary W. Pottorff, Vice President, Administration & 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 Officer at ethics@nisource.com, calling the business ethics program hotline at 1-800-457-2814, or writing to:

NiSource Inc.
Ethics Officer
801 East 86th Avenue
Merrillville, Indiana 46410

Code of Ethics

The board of directors of the Company has adopted a Code of Ethics (the Code) to promote (i) ethical behavior including the ethical handling of conflicts of interest, (ii) full, fair, accurate, timely and understandable 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 and NYSE requirements and applies to all directors, officers (including the Company's principal executive officer, principal financial officer, and principal accounting officer and controller) and employees of the Company and its subsidiaries. Employees who are not executive officers satisfy their compliance

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obligations under the Code by complying with the Company's Business Ethics Program, including its Code of Integrity and accompanying booklet. The Business Ethics Program is not considered a part of the Code for any other purpose. A copy of the Code and the Company's Business Ethics Program is available on the Company's website at <http://ir.nisource.com> and will be provided by the Company to any stockholder who requests it in writing from the Company's Vice President, Administration and Corporate Secretary. The Company intends to disclose any amendments to the Code, and all waivers from the Code for directors and executive officers, by posting such information on its website.

Corporate Governance Guidelines

The board of directors adopted Corporate Governance Guidelines on March 23, 2004, which were amended and restated on November 28, 2006. The Corporate Governance Committee is responsible for reviewing and reassessing the Corporate Governance Guidelines periodically and will submit any recommended changes to the board of directors for its approval. A copy of the Corporate Governance Guidelines can be found on the Company's website at <http://ir.nisource.com> and will be provided by the Company to any stockholder who requests it in writing from the Company's Vice President, Administration and Corporate Secretary.

Meetings and Committees of the Company's Board of Directors

The board of directors of the Company met seven times during 2007. In May 2007, the Corporate Governance Committee recommended to the board the restructuring of its standing committees. The board approved the creation of the Finance Committee to assist the board in the review of the Company's financial plans and recommended the elimination of the Executive Committee and the Public Affairs and Career Development and Executive Committee. The responsibilities of the Public Affairs and Career Development Committee were divided between the Corporate Governance Committee and the Officer Nomination and Compensation Committee. The board now has the following five standing committees:

Audit,

Corporate Governance,

Environmental, Health and Safety,

Finance, and

Officer Nomination and Compensation.

During 2007, each director attended at least 77% of the combined total number of the Company's board meetings and the meetings of the committees on which he or she was a member except for Mr. McCracken who passed away on February 7, 2008. Pursuant to the Company's Corporate Governance Guidelines, all directors are expected to attend the annual meeting of the Company's stockholders. All incumbent directors (except Messrs. McCausland and McCracken) who were on the board in May 2007, attended the 2007 Annual Meeting of Stockholders.

Audit Committee

The Audit Committee met eight times in 2007. The Audit Committee is responsible for monitoring:

the integrity of the Company's financial statements,

the independent auditors' qualifications and independence,

the performance of the Company's internal audit function and the independent auditors, and

the compliance by the Company with legal and regulatory requirements.

The board of directors adopted a charter for the Audit Committee on January 23, 2004, a copy of which can be found on the Company's website at <http://ir.nisource.com> and will be provided by the Company to any stockholder who requests it in writing from the Company's Vice President, Administration and Corporate Secretary.

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Mr. Foster was Chair of the Audit Committee throughout 2007. Dr. Woo and Messrs. Rolland, Thompson and Young were members of the Audit Committee throughout 2007. Mr. Kittrell was elected to the committee upon his election to the board on May 8, 2007. Mr. McCausland served on the Audit Committee until his resignation on July 23, 2007. The board of directors has determined that all of the members of the Audit Committee are independent as defined under the applicable NYSE 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 2007 and 2008, and the fees relating to audit services and other services performed by them.

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

Corporate Governance Committee

The Corporate Governance Committee met six times in 2007. The Corporate Governance Committee is responsible for:

nomination and 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 of directors and CEO.

Pursuant to the Corporate Governance Guidelines, the Committee, with the assistance of the Company's staff, reviews the amount and composition of director compensation from time to time and makes recommendations to the board of directors when it concludes changes are needed. The Committee is also responsible for the evaluation of the CEO's performance. The Committee reviews and approves the Company's goals and objectives relevant to CEO compensation and evaluates the CEO's performance in light of those goals and objectives and after receiving input from the board of directors. The Chair of the Committee reports the committee's findings to the Officer Nomination and Compensation Committee, which uses these findings to set CEO compensation.

The Committee screens candidates for director and makes its recommendations for director to the board as a whole. Based on the committee's recommendations, the board as a whole selects the candidates 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 the Company's business, as well as each candidate's relevant business, academic and industry experience, professional background, age, current employment, community service and other board service. 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 (1) have experience in positions with a high degree of responsibility and are leaders in the organizations with which they are affiliated, (2) are effective in working in complex collegial settings, (3) are free from conflicts of interest that could interfere with a director's duties to the Company and its stockholders and (4) are willing and able to make the necessary commitment of time and attention required for effective board service. The Committee also takes into account the candidate's level of financial literacy. The Corporate Governance 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 will consider nominees for directors recommended by stockholders and will use the same criteria to evaluate candidates proposed by stockholders.

For information on how to nominate a person for election as a director at the 2009 Annual Meeting, please see the discussion under the heading Stockholder Proposals and Nominations for 2009 Annual Meeting.

The board of directors adopted the written charter for the Committee on January 23, 2004, which was amended on February 17, 2006, November 28, 2006, and May 8, 2007. A copy of the Charter can be found on the Company's website at <http://ir.nisource.com> and will be provided by the Company to any stockholder who requests it in writing

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from the Company's Vice President, Administration and Corporate Secretary. Mr. Rolland was Chair and Drs. Beering and Woo and Messrs. Foster, McCracken, Thompson and Young were members of the Corporate Governance Committee throughout 2007. Ms. Coleman has served on the committee since her appointment to the Board on August 28, 2007 and Messrs. Kittrell and Nutter have served on the committee since being elected to the board on May 8, 2007. The board of directors has determined that all of the members of the Corporate Governance 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.

Environmental, Health and Safety Committee

The Environmental, Health and Safety Committee met twice during 2007. This Committee reviews the status of environmental compliance of the Company and considers environmental public policy issues as well as health and safety issues affecting the Company. The Company adopted a charter for this Committee in 2001, a copy of which can be found on the Company's website at <http://ir.nisource.com> and will be provided by the Company to any stockholder who requests it in writing from the Company's Vice President, Administration and Corporate Secretary. Dr. Woo was elected as Chair of the Committee on May 8, 2007 replacing Mr. Welsh who retired from the board on May 8, 2007. Messrs. McCracken and Young were members of the Environmental, Health and Safety Committee throughout 2007. Ms. Coleman has served on the Committee since her appointment to the board on August 28, 2007, and Dr. Beering and Mr. Nutter have served on the Committee since being elected to the Committee on May 8, 2007.

Finance Committee

The board of directors created the Finance Committee on May 8, 2007. The Committee met three times during 2007. This committee is responsible for monitoring the financial plans of the company, capital structure and financial risk. The board of directors adopted a written charter for the Committee on May 8, 2007, a copy of which can be found on the Company's website at <http://ir.nisource.com> and will be provided by the Company to any stockholder who requests it in writing from the Company's Vice President, Administration and Corporate Secretary. Mr. Thompson was elected as Chair of the committee on May 8, 2007 and Messrs. Foster, Kittrell, McCracken, and Nutter have served on the committee since it was created.

Officer Nomination and Compensation Committee

The Officer Nomination and Compensation Committee met four times in 2007. The board of directors adopted the current charter for the Officer Nomination and Compensation Committee on January 23, 2004, which was amended on May 8, 2007, a copy of which can be found on the Company's website at <http://ir.nisource.com> and will be provided by the Company to any stockholder who requests it in writing from the Company's Vice President, Administration and 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;

considers (1) the Company's performance and relative stockholder return, (2) the value of similar incentive awards to CEOs at comparable companies, and (3) the awards given to the Company's CEO in past years when determining the long-term component of the CEO's compensation;

makes recommendations to the board with respect to (1) compensation of executive officers of the Company and (2) 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 subsidiaries;

recommends Company officer candidates for election by the board;

oversees the evaluation of management; and

produces the Officer Nomination and Compensation Committee Report on Executive Compensation included in this proxy statement.

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The Officer Nomination and Compensation Committee was increased from four directors to five in 2007. 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 the Rule 16b-3 of the Securities Exchange Act of 1934, and (iii) outside directors as defined by Section 162(m) of the Internal Revenue Code. Dr. Beering was Chair and Mr. McCracken was a member of the Committee throughout 2007. Dr. Woo and Mr. Nutter were elected to the Committee on May 8, 2007 and Ms. Coleman has served on the Committee since her appointment to the board of directors on August 28, 2007.

Compensation Committee Interlocks and Insider Participation

There are no compensation committee interlocks.

DIRECTORS COMPENSATION

Director Compensation. The Company annually pays each director who is not receiving a salary from the Company (other than Mr. Neale and Mr. Rolland as they served as Chairman) the following fees:

\$78,000 retainer, consisting of \$44,000 in cash and a \$34,000 annual award of restricted shares of common stock or restricted stock units, or a combination thereof, under the Company's Nonemployee Director Stock Incentive Plan,

\$3,000 for each standing committee on which the director sits,

\$15,000 annually for each chairmanship of the Audit and the Officer Nomination and Compensation Committees,

\$10,000 for each chairmanship of the Environmental, Health and Safety, and the Finance Committees,

\$1,200 for each board meeting attended and

\$750 per committee meeting attended.

Mr. Rolland served as Chairman of the Board and Chairman of the Corporate Governance Committee of the Company for all of 2007. The board determined that he would be compensated at the rate of \$50,000 per calendar quarter, or part thereof, payable in arrears on the last day of each such quarter, in lieu of any other cash compensation to which he would be entitled as a non-employee director, but in addition to any awards or grants to which he may be entitled under the Nonemployee Director Stock Incentive Plan or by virtue of his re-election to the Board.

The restricted shares of common stock or restricted stock units that are granted as part of a director's annual retainer are granted in four equal installments on the last business day of each calendar quarter. The number of restricted shares of common stock or restricted stock units, as applicable, constituting such quarterly grant is determined by dividing \$8,500 by the closing price of the Company's common stock on the last business day of the relevant quarter.

Election Grants. Upon election, re-election or appointment to the board, each nonemployee director receives an award of restricted shares of common stock or restricted stock units equal to \$30,000 per year of the director's term. The number of restricted shares of common stock or restricted stock units, or a combination thereof, as applicable, is determined by dividing the amount of the grant by the closing price of the Company's common stock on the date of such election, re-election or appointment. Each member of the board of directors elected on May 8, 2007 received an

election grant with a value of \$30,000, except for Mr. McCausland. In February 2006, at which time the board of directors was still a classified board, Mr. McCausland was appointed to the board of directors to fill the vacancy of a director whose term would expire at the annual meeting of stockholders in 2008. As a result of this appointment, Mr. McCausland received a grant of restricted stock units with a value of \$62,500, representing \$30,000 per year for two-years and one full month of pro rata service. Because of the two year and one-month grant made to Mr. McCausland in 2006, Mr. McCausland did not receive an additional election grant in 2007 on his election to the board. Ms. Coleman was appointed to the board of directors to fill the vacancy of Peter McCausland on August 28, 2007. As a result of this appointment, Ms. Coleman received a grant of restricted stock units with a value of \$20,000 representing eight months of the annual election grant.

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The grants of both the restricted shares of common stock and the restricted stock units under the Company's Nonemployee Director Stock Incentive Plan vest in 20% annual increments, with all of a director's stock and units vesting five years after the date of award. However, the grants vest immediately upon the director's death, disability or retirement after attaining age 70, or the effective date of a change in control of the Company. With respect to restricted stock, dividends are paid to holders in cash on the date dividends are actually paid to stockholders of the Company. With respect to restricted stock units, additional restricted stock units are credited to each nonemployee director to reflect dividends paid to stockholders of the Company with respect to 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 the director's termination of service from the board.

The board may designate that a scheduled award will consist of nonqualified stock options to purchase shares of the Company's common stock rather than shares of restricted stock or restricted stock units. In such event, in lieu of such shares of restricted stock or restricted stock units, each nonemployee director would be granted a nonqualified stock option with a market value on the date of any such grant equal to the dollar value of the grant otherwise scheduled to be made to such nonemployee director on such date. Grants of nonqualified stock options vest in 20% annual increments and become fully vested on the fifth anniversary of the date of the grant. The grants will vest immediately upon the director's death, disability or retirement after attaining age 70, or the effective date of a change in control of the Company. The Nonemployee Director Stock Incentive Plan was amended and restated effective January 1, 2005 in order to comply with Section 409A of the Internal Revenue Code.

Director Retirement Plans. The Company's Nonemployee Director Retirement Plan provides a retirement benefit for each nonemployee director currently serving on the board who was originally elected or appointed to the board on or before December 31, 2001, who has completed at least five years of service on the board and who did not elect to opt out of the plan during 2002. The benefit under the Retirement Plan is a monthly amount equal to one-twelfth of the annual retainer for board service in effect at the time of the director's retirement from the board and is paid for 120 months, or the number of full months of service the individual served as a nonemployee director of the Company, whichever is less. Directors first elected prior to 2001 who elected to opt out of the Retirement Plan in 2002 received, under the Company's Nonemployee Director Stock Incentive Plan, restricted stock units comparable to the value of the retirement benefit such director had earned under the Retirement Plan through June 30, 2002. The Nonemployee Director Retirement Plan was amended and restated effective January 1, 2005 in order to comply with Section 409A of the Internal Revenue Code.

Directors who elected to opt out of the Retirement Plan in 2002 and directors first elected after 2001 do not receive a retirement benefit under the Retirement Plan. Instead, such directors may receive, at the discretion of the Corporate Governance Committee, restricted shares of common stock and/or restricted stock unit grants under the Company's Nonemployee Director Stock Incentive Plan to ensure that the nonemployee director receives a competitive compensation package. In May 2007, Messrs. Foster, Kittrell, McCracken, Nutter, Rolland, and Thompson were elected to the board of directors at the annual meeting of stockholders. As a result of their election, each received, as an alternate retirement benefit, a grant of restricted stock units with a value of \$18,825. In February 2006, at which time the board of directors was still a classified board, Mr. McCausland was appointed to the board of directors to fill the vacancy of a director whose term would expire at the annual meeting of stockholders in 2008. As a result of this appointment, Mr. McCausland received a grant of restricted stock units as an alternative retirement benefit with a value of \$26,214, representing \$12,583 per year for two-years and one full month of pro rata service. Because of the two year and one-month grant made to Mr. McCausland in 2006, Mr. McCausland did not receive an alternative retirement grant in 2007 on his election to the board, except that he received additional restricted stock units with a value of \$6,242 representing the increased value of the alternate benefit when the value was changed by the board in April 2007. In August 2007, Ms. Coleman was appointed to the board of directors to fill the vacancy of a director who resigned. As a result of this appointment, Ms. Coleman received, as an alternative retirement benefit, a grant of restricted stock units with a value of \$12,550. Drs. Beering and Woo and Mr. Young did not receive an alternative

retirement benefit because they have chosen to continue to participate in the Nonemployee Director Retirement Plan.

Directors Charitable Gift Program. The Company has a Directors Charitable Gift Program for nonemployee directors who were serving on the board on or before February 16, 2006, and who were not previously employees of the Company. Under the program, the Company makes a donation to one or more eligible tax-exempt

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organizations as designated by each eligible director. The Company contributes up to an aggregate of \$125,000 for each nonemployee director who has served as a director of the Company for at least five years and up to an additional \$125,000 (for an overall \$250,000) for each nonemployee director who has served ten years or more. Organizations eligible to receive a gift under the program include charitable organizations and accredited United States institutions of higher learning. Individual directors derive no financial benefit from the program, as all deductions relating to the charitable donations accrue solely to the Company. A director's private foundation is not eligible to receive donations under the program. The following directors served on the board prior to February 16, 2006 and are still eligible to recommend contributions by the Company: Dr. Woo, and Messrs. Foster and Thompson. No donations or promises of donations were made in 2007.

The table below sets forth all compensation earned by NiSource's non-employee directors in 2007. Mr. Skaggs is the Company's only employee director and does not receive any separate compensation for his service on the board. Messrs. Neale and Welsh did not stand for election to the board in May 2007, Mr. McCausland resigned from the board on July 23, 2007, and Ms. Coleman was appointed to the board on August 28, 2007.

| Name | Fees Earned or | | Change in Pension Value and Nonqualified Deferred | All Other | | Total (\$) |
|--------------------|-----------------------|--------------------------------|--|-----------------------|--|---------------|
| | Paid in Cash \$(1) | Stock Awards \$(2)(3)(4) | Compensation Earnings \$(5) | Compensation \$(8) | | |
| Steven C. Beering | 80,975 | 42,597 | 200,430 | 125 | | 324,127 |
| Deborah S. Coleman | | | | | | |