NISOURCE INC/DE
Form 10-K
February 18, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K
þ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2013
OR
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission file number 001-16189
NiSource Inc.
(Exact name of registrant as specified in its charter)

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

(877) 647-5990
(Registrant's telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock	New York

Securities registered pursuant to Section 12(g) of the Act: None
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes þ No ¨
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ¨ No þ
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes þ No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes þ No ¨
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in of this Form 10-K or any amendment to this Form 10-K. þ
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definition of "large accelerated filer," "accelerated filer" and "smaller reporting

company” in Rule 12-b-2 of the Exchange Act.

Large accelerated filer þ Accelerated filer ¨

Non-accelerated filer ¨ Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ¨ No þ

The aggregate market value of Common Stock (based upon the Jun. 28, 2013, closing price of $28.64 on the New York Stock Exchange) held by non-affiliates was approximately $8,906,811,018.74.

There were 313,991,406 shares of Common Stock, $0.01 Par Value outstanding as of February 13, 2014.

Documents Incorporated by Reference

Part III of this report incorporates by reference specific portions of the Registrant’s Notice of Annual Meeting and Proxy Statement relating to the Annual Meeting of Stockholders to be held on May 13, 2014.

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DEFINED TERMS

The following is a list of abbreviations or acronyms that are used in this report:

NiSource Subsidiaries and Affiliates	
Capital Markets	NiSource Capital Markets, Inc.
CER	Columbia Energy Resources, Inc.
CGORC	Columbia Gas of Ohio Receivables Corporation
Columbia	Columbia Energy Group
Columbia Gulf	Columbia Gulf Transmission, L.L.C.
Columbia of Kentucky	Columbia Gas of Kentucky, Inc.
Columbia of Maryland	Columbia Gas of Maryland, Inc.
Columbia of Massachusetts	Bay State Gas Company
Columbia of Ohio	Columbia Gas of Ohio, Inc.
Columbia of Pennsylvania	Columbia Gas of Pennsylvania, Inc.
Columbia of Virginia	Columbia Gas of Virginia, Inc.
Columbia Transmission	Columbia Gas Transmission L.L.C.
CPRC	Columbia Gas of Pennsylvania Receivables Corporation
Crossroads Pipeline	Crossroads Pipeline Company
Hardy Storage	Hardy Storage Company, L.L.C.
Kokomo Gas	Kokomo Gas and Fuel Company
Millennium	Millennium Pipeline Company, L.L.C.
NARC	NIPSCO Accounts Receivable Corporation
NDC Douglas Properties	NDC Douglas Properties, Inc.
NEVCO	NiSource Energy Ventures, L.L.C.
NIPSCO	Northern Indiana Public Service Company
NiSource	NiSource Inc.
NiSource Corporate Services	NiSource Corporate Services Company
NiSource Development Company	NiSource Development Company, Inc.
NiSource Finance	NiSource Finance Corporation
NiSource Midstream	NiSource Midstream Services, L.L.C.
Northern Indiana Fuel and Light	Northern Indiana Fuel and Light Company Inc.
Pennant	Pennant Midstream, L.L.C.
Abbreviations	
AFUDC	Allowance for funds used during construction
AICPA	American Institute of Certified Public Accountants
AMI	Area of Mutual Interest
AMRP	Accelerated Main Replacement Program
AOC	Administrative Order by Consent
AOCI	Accumulated Other Comprehensive Income
ARP	Alternative Regulatory Plan
ARRs	Auction Revenue Rights
ASC	Accounting Standards Codification
BBA	British Banker Association
Bcf	Billion cubic feet
BNS	Bank of Nova Scotia

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DEFINED TERMS

Board	Board of Directors
BTMU	The Bank of Tokyo-Mitsubishi UFJ, LTD.
BTU	British Thermal Unit
CAA	Clean Air Act
CAIR	Clean Air Interstate Rule
Ccf	Hundred cubic feet
CCGT	Combined Cycle Gas Turbine
CCRM	Capital Cost Recovery Mechanism
CCRs	Coal Combustion Residuals
CERCLA	Comprehensive Environmental Response Compensation and Liability Act (also known as Superfund)
CO2	Carbon Dioxide
CSAPR	Cross-State Air Pollution Rule
Day 2	Began April 1, 2005 and refers to the operational control of the energy markets by MISO, including the dispatching of wholesale electricity and generation, managing transmission constraints, and managing the day-ahead, real-time and financial transmission rights markets
DSIC	Distribution System Improvement Charge
DPU	Department of Public Utilities
DSM	Demand Side Management
Dth	Dekatherm
ECR	Environmental Cost Recovery
ECRM	Environmental Cost Recovery Mechanism
ECT	Environmental Cost Tracker
EERM	Environmental Expense Recovery Mechanism
EPA	United States Environmental Protection Agency
EPS	Earnings per share
FAC	Fuel adjustment clause
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
FGD	Flue Gas Desulfurization
FTRs	Financial Transmission Rights
GAAP	Generally Accepted Accounting Principles
GCR	Gas cost recovery
GHG	Greenhouse gases
gwh	Gigawatt hours
Hilcorp	Hilcorp Energy Company
hp	Horsepower
IBM	International Business Machines Corp.
IDEM	Indiana Department of Environmental Management
INDIEC	Indiana Industrial Energy Consumers, Inc.
IRP	Infrastructure Replacement Program
IRS	Internal Revenue Service
IURC	Indiana Utility Regulatory Commission
kV	Kilovolt

LDAF	Local Distribution Adjustment Factor

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DEFINED TERMS

LDCs	Local distribution companies
LIBOR	London InterBank Offered Rate
LIFO	Last-in, first-out
LNG	Liquefied Natural Gas
MACT	Maximum Achievable Control Technology
MATS	Mercury and Air Toxics Standards
Mcf	Thousand cubic feet
MGP	Manufactured Gas Plant
MISO	Midwest Independent Transmission System Operator
Mitchell	Dean H. Mitchell Coal Fired Generating Station
Mizuho	Mizuho Corporate Bank Ltd.
MMDth	Million dekatherms
mw	Megawatts
mwh	Megawatt hours
NAAQS	National Ambient Air Quality Standards
NGL	Natural Gas Liquids
NLMK	Novolipetsk Steel
NOV	Notice of Violation
NO2	Nitrogen dioxide
NOx	Nitrogen oxides
NYMEX	New York Mercantile Exchange
OCI	Other Comprehensive Income (Loss)
OPEB	Other Postretirement and Postemployment Benefits
OUCC	Indiana Office of Utility Consumer Counselor
PCB	Polychlorinated biphenyls
Piedmont	Piedmont Natural Gas Company, Inc.
PIPP	Percentage of Income Plan
PM	Particulate matter
PNC	PNC Bank N.A.
PSC	Public Service Commission
PUC	Public Utility Commission
PUCO	Public Utilities Commission of Ohio
RA	Resource Adequacy
RBS	Royal Bank of Scotland PLC
RDAF	Revenue decoupling adjustment factor
RTO	Regional Transmission Organization
SEC	Securities and Exchange Commission
SIP	State Implementation Plan
SO2	Sulfur dioxide
Sugar Creek	Sugar Creek electric generating plant
TDSIC	Transmission, Distribution and Storage System Improvement Charge
TIRF	Targeted Infrastructure Reinvestment Factor
VIE	Variable Interest Entity
VSCC	Virginia State Corporation Commission
WACOG	Weighted Average Cost of Gas

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ITEM 1. BUSINESS
NISOURCE INC.

NiSource (the "Company") is an energy holding company whose subsidiaries provide natural gas, electricity and other products and services to approximately 3.8 million customers located within a corridor that runs from the Gulf Coast through the Midwest to New England. NiSource is the successor to an Indiana corporation organized in 1987 under the name of NIPSCO Industries, Inc., which changed its name to NiSource on April 14, 1999.
NiSource is one of the nation's largest natural gas distribution companies, as measured by number of customers. NiSource's principal subsidiaries include NiSource Gas Distribution Group, Inc., a natural gas distribution holding company, and Columbia, a transmission and storage holding company, whose subsidiaries provide service to customers in the Midwest, the Mid-Atlantic and the Northeast; NIPSCO, a gas and electric company providing service to customers in northern Indiana. NiSource derives substantially all of its revenues and earnings from the operating results of its thirteen direct subsidiaries.
NiSource's business segments are: Gas Distribution Operations; Columbia Pipeline Group Operations; and Electric Operations. Following is a summary of the business for each reporting segment. Refer to Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," for additional information for each segment.

Gas Distribution Operations
NiSource's natural gas distribution operations serve approximately 3.4 million customers in seven states and operate approximately 58,000 miles of pipeline. Through its wholly-owned subsidiary NiSource Gas Distribution Group, Inc., NiSource owns six distribution subsidiaries that provide natural gas to approximately 2.6 million residential, commercial and industrial customers in Ohio, Pennsylvania, Virginia, Kentucky, Maryland and Massachusetts. Additionally, NiSource also distributes natural gas to approximately 803,000 customers in northern Indiana through its wholly-owned subsidiary NIPSCO.
Columbia Pipeline Group Operations
NiSource's Columbia Pipeline Group Operations subsidiaries own and operate approximately 15,000 miles of interstate pipelines and operate one of the nation's largest underground natural gas storage systems, capable of storing approximately 642 Bcf of natural gas. Through its subsidiaries, Columbia Transmission, Columbia Gulf, NiSource Midstream and Crossroads Pipeline, NiSource owns and operates an interstate pipeline network extending from the Gulf of Mexico to New York and the eastern seaboard. Together, these companies serve customers in 16 northeastern, mid-Atlantic, midwestern and southern states and the District of Columbia.
NiSource's Columbia Pipeline Group Operations continue to develop a range of growth initiatives, including mineral leasing and optimization, midstream projects and traditional pipeline expansion opportunities that leverage NiSource's strategically positioned pipeline and storage assets. A number of Columbia Pipeline Group Operations' new growth projects are designed to support increasing Marcellus and Utica shale production, while the segment also has continued to grow and adapt its system to provide critical transportation and storage services to markets across its high-demand service territory.
NiSource Midstream is an unregulated business that is a provider of midstream services including gathering, treating, conditioning, processing, compression and liquids handling. NiSource Midstream supports the growing production in the Utica and Marcellus resource plays. NiSource Midstream constructed 57 miles of gathering pipeline capable of delivering 425 MMcf of gas per day produced from the Marcellus shale formation. NiSource Midstream, through a wholly owned subsidiary, has a joint venture with 50 miles of wet gas gathering pipeline capable of gathering 600 MMcf per day, a gas processing plant with a capacity of 200 MMcf per day, and a NGL pipeline from the processing plant in development with an initial capacity of 45,000 barrels per day that can be expanded to 90,000 barrels per day. The gathering pipeline and processing plant are anchored by volumetric and acreage dedications from an experienced resource play production company.
NEVCO is an unregulated business that manages the company's mineral rights positions in the Marcellus and Utica shale areas. NEVCO has entered into multiple transactions to develop its minerals position including a joint venture

with an established resource play producer to form an AMI in which NEVCO combined its production rights from a certain acreage position in northeast Ohio with the producer's much larger acreage position in the same area. The transaction resulted in NEVCO participating in the development of the entire acreage position through a non-operating working interest and an overriding royalty interest.

NEVCO has also retained the right to participate as a non-operating working interest owner in one of the fields it has subleased. NEVCO may participate up to a 12.5% interest in any unit that includes acres that have been subleased to a producer. This option was exercised in 2013 with positive results and NEVCO plans to continue to participate in additional drilling opportunities.

The Columbia Pipeline Group Operations subsidiaries are also involved in the other joint ventures, Millennium and Hardy Storage, which effectively expand their facilities and throughput. Millennium, which includes 253 miles of 30-inch-diameter pipe across New York’s Southern Tier and lower Hudson Valley, has the capability to transport natural gas to markets along its route, as well

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as to the New York City markets through its pipeline interconnections. Millennium is jointly owned by affiliates of NiSource, DTE Energy and National Grid. Hardy Storage, which consists of underground natural gas storage facilities in West Virginia, has a working storage capacity of 12 Bcf and the ability to deliver 176,000 Dth of natural gas per day. Hardy Storage is jointly owned by affiliates of Columbia Transmission and Piedmont.

Electric Operations

NiSource generates, transmits and distributes electricity through its subsidiary NIPSCO to approximately 460,000 customers in 20 counties in the northern part of Indiana and engages in wholesale and transmission transactions. NIPSCO owns and operates three coal-fired electric generating stations. The three operating facilities have a net capability of 2,540 mw. NIPSCO also owns and operates Sugar Creek, a CCGT plant with net capacity of 535 mw, four gas-fired generating units located at NIPSCO's coal-fired electric generating stations with a net capability of 206 mw and two hydroelectric generating plants with a net capability of 10 mw. These facilities provide for a total system operating net capability of 3,291 mw. NIPSCO's transmission system, with voltages from 69,000 to 345,000 volts, consists of 2,802 circuit miles. NIPSCO is interconnected with five neighboring electric utilities. During the year ended December 31, 2013, NIPSCO generated 77.3% and purchased 22.7% of its electric requirements.

NIPSCO participates in the MISO transmission service and wholesale energy market. The MISO is a nonprofit organization created in compliance with FERC regulations to improve the flow of electricity in the regional marketplace and to enhance electric reliability. Additionally, the MISO is responsible for managing the energy markets, managing transmission constraints, managing the day-ahead, real-time and FTR markets and managing the ancillary market. NIPSCO transferred functional control of its electric transmission assets to the MISO and transmission service for NIPSCO occurs under the MISO Open Access Transmission Tariff.

Corporate and Other Operations

During the first quarter of 2010, NiSource made the decision to wind down its unregulated natural gas marketing activities as a part of the Company's long-term strategy of focusing on its core regulated business. On September 1, 2013, NiSource sold the commercial and industrial natural gas portfolio of its unregulated natural gas marketing business. The sale included the physical contracts and associated financial hedges that comprise the portfolio, as well as the gas inventory and customer deposits of the business.

Divestiture of Non-Core Assets

In recent years, NiSource sold certain businesses judged to be non-core to NiSource's strategy. Lake Erie Land, a wholly-owned subsidiary of NiSource, is pursuing the sale of the real estate assets it owns. NDC Douglas Properties, a subsidiary of NiSource Development Company, is in the process of exiting its low income housing investments. NiSource began marketing to sell the service plan and leasing business lines of its Retail Services business in 2012. The sale of these business lines closed in January 2013. NiSource also sold the commercial and industrial natural gas portfolio of its unregulated natural gas marketing business in September 2013.

Business Strategy

NiSource focuses its business strategy on its core, rate-regulated asset-based businesses with most of its operating income generated from the rate-regulated businesses. With one of the nation's largest natural gas pipelines, one of the largest natural gas distribution networks east of the Rocky Mountains and one of the nation's largest natural gas storage networks, NiSource operates throughout the energy-intensive corridor that extends from the supply areas in the Gulf Coast through the consumption centers in the Midwest, Mid-Atlantic, New England and Northeast. This corridor includes over 40% of the nation's population and close to 50% of its natural gas consumption. NiSource continues to position its assets to meet the corridor's growing energy needs.

Competition and Changes in the Regulatory Environment

The regulatory frameworks applicable to NiSource's operations, at both the state and federal levels, continue to evolve. These changes have had and will continue to have an impact on NiSource's operations, structure and profitability. Management continually seeks new ways to be more competitive and profitable in this changing environment, including providing gas customers with increased choices for products and services.

Natural Gas Competition. Open access to natural gas supplies over interstate pipelines and the deregulation of the commodity price of gas has led to tremendous change in the energy markets. LDC customers and marketers purchase gas directly from producers and marketers as an open, competitive market for gas supplies has emerged. This separation or “unbundling” of the transportation and other services offered by pipelines and LDCs allows customers to purchase the commodity independent of services provided by the pipelines and LDCs. The LDCs continue to purchase gas and recover the associated costs from their customers. NiSource’s Gas Distribution Operations’ subsidiaries are involved in programs that provide customers the opportunity to purchase their natural gas requirements from third parties and use the NiSource Gas Distribution Operations’ subsidiaries for

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transportation services. The Columbia Pipeline Group Operations compete for transportation customers based on the type of service a customer needs, operating flexibility, available capacity and price under tariff provisions.
Electric Competition. Indiana electric utilities generally enjoy exclusive service areas under Indiana regulations and retail electric customers in Indiana do not have the ability to choose their electric supplier. NIPSCO faces non-utility competition from other energy sources, such as self-generation by large industrial customers and other distributed energy sources.

Financing Subsidiary

NiSource Finance is a 100% owned, consolidated finance subsidiary of NiSource that engages in financing activities to raise funds for the business operations of NiSource and its subsidiaries. NiSource Finance was incorporated in March 2000 under the laws of the state of Indiana. Prior to 2000, the function of NiSource Finance was performed by Capital Markets. NiSource Finance obligations are fully and unconditionally guaranteed by NiSource.

Other Relevant Business Information

NiSource's customer base is broadly diversified, with no single customer accounting for a significant portion of revenues.

As of December 31, 2013, NiSource had 8,477 employees of whom 3,318 were subject to collective bargaining agreements.

For a listing of certain subsidiaries of NiSource refer to Exhibit 21.

NiSource files various reports with the SEC. The reports include the annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934. NiSource makes all SEC filings available without charge to the public on its web site at http://www.nisource.com.

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ITEM 1A. RISK FACTORS
NISOURCE INC.

There are many factors that could have a material adverse effect on NiSource’s operating results, financial condition and cash flows. New risks may emerge at any time, and NiSource cannot predict those risks or estimate the extent to which they may affect financial performance. Each of the risks described below could adversely impact the value of NiSource’s securities.
NiSource has substantial indebtedness which could adversely affect its financial condition.
NiSource had total consolidated indebtedness of $8,834.0 million outstanding as of December 31, 2013. The substantial indebtedness could have important consequences to investors. For example, it could:

- limit the ability to borrow additional funds or increase the cost of borrowing additional funds;
- reduce the availability of cash flow from operations to fund working capital, capital expenditures and other general corporate purposes;
- limit the flexibility in planning for, or reacting to, changes in the business and the industries in which the Company operates;
- lead parties with whom NiSource does business to require additional credit support, such as letters of credit, in order for NiSource to transact such business;
- place NiSource at a competitive disadvantage compared to competitors that are less leveraged;
- increase vulnerability to general adverse economic and industry conditions; and
- limit the ability of the Company to execute on its growth strategy, which is dependent upon access to capital to fund its substantial investment program.

Some of NiSource’s debt obligations contain financial covenants related to debt-to-capital ratios and cross-default provisions. NiSource’s failure to comply with any of these covenants could result in an event of default, which, if not cured or waived, could result in the acceleration of outstanding debt obligations. Additionally, a drop in NiSource’s credit rating could adversely impact the cost for NiSource to issue new debt securities.
A drop in NiSource’s credit rating could adversely impact NiSource’s liquidity.
On January 31, 2014, Moody's Investors Service upgraded the senior unsecured rating for NiSource to Baa2 from Baa3 and NiSource’s commercial paper rating to P-2 from P-3. Additionally, the rating for NIPSCO was upgraded to Baa1 from Baa2 and the rating for Columbia of Massachusetts was affirmed at Baa2. Moody's outlook for NiSource and all of its subsidiaries is stable. On December 9, 2013, Fitch affirmed the senior unsecured ratings for NiSource at BBB-, and the existing ratings of all other subsidiaries. Fitch's outlook for NiSource and all of its subsidiaries is stable. On February 25, 2013, Standard & Poor's affirmed the senior unsecured ratings for NiSource and its subsidiaries at BBB-. Standard & Poor's outlook for NiSource and all of its subsidiaries is stable. Although all ratings continue to be investment grade, a downgrade by Standard & Poor's or Fitch would result in a rating that is below investment grade.
Certain NiSource affiliates have agreements that contain “ratings triggers” that require increased collateral if the credit ratings of NiSource or certain of its subsidiaries are rated below BBB- by Standard & Poor's or Baa3 by Moody's. These agreements are primarily for insurance purposes and for the physical purchase or sale of power. The collateral requirement that would be required in the event of a downgrade below the ratings trigger levels would amount to approximately $35.4 million. In addition to agreements with ratings triggers, there are other agreements that contain “adequate assurance” or “material adverse change” provisions that could necessitate additional credit support such as letters of credit and cash collateral to transact business.
These requirements, combined with other potential negative effects on NiSource’s liquidity in the event of a credit downgrade below an investment grade rating, could have a material adverse effect on earnings potential and cash flows. Lastly, a credit downgrade could adversely affect the availability and cost of capital needed to fund the growth investments which are a central element of the Company’s long-term business strategy.

NiSource may not be able to execute its growth strategy as planned.

Because of changes in the business or regulatory environment, NiSource may not be able to execute its four-part business plan as intended. NiSource's commercial and regulatory initiatives may not achieve planned results; levels of commercial growth and expansion of the gas transmission and storage business may be less than its plan has anticipated; natural gas production activity, including production facilitated by hydraulic fracturing and horizontal drilling, could be less than anticipated, which could adversely affect NiSource's gas transmission, storage and midstream business expansion opportunities; and, therefore, the actual results of NiSource's financial management of the balance sheet, and process and expense management, could deviate materially from planned outcomes. In addition, NiSource's growth plan relies on the continued view of natural gas as an economically and

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ecologically attractive fuel. Any developments that cause natural gas no longer to be seen as a favored fuel could adversely affect our results of operations and growth prospects.

Adverse economic and market conditions or increases in interest rates could reduce net revenue growth, increase costs, decrease future net income and cash flows and impact capital resources and liquidity needs.

While the national economy is experiencing some recovery from the recent downturn, NiSource cannot predict how robust the recovery will be or whether or not it will be sustained.

Continued sluggishness in the economy impacting NiSource’s operating jurisdictions could adversely impact NiSource’s ability to grow its customer base and collect revenues from customers, which could reduce net revenue growth and increase operating costs. An increase in the interest rates NiSource pays would adversely affect future net income and cash flows. In addition, NiSource depends on debt to finance its operations, including both working capital and capital expenditures, and would be adversely affected by increases in interest rates. If the current economic recovery remains slow or credit markets again tighten, NiSource’s ability to raise additional capital or refinance debt at a reasonable cost could be negatively impacted. Refer to Note 16, “Long-Term Debt,” in the Notes to Consolidated Financial Statements for information related to outstanding long-term debt and maturities of that debt.

Capital market performance and other factors may decrease the value of benefit plan assets, which then could require significant additional funding and impact earnings.

The performance of the capital markets affects the value of the assets that are held in trust to satisfy future obligations under defined benefit pension and other postretirement benefit plans. NiSource has significant obligations in these areas and holds significant assets in these trusts. These assets are subject to market fluctuations and may yield uncertain returns, which fall below NiSource’s projected rates of return. A decline in the market value of assets may increase the funding requirements of the obligations under the defined benefit pension and other postretirement benefit plans. Additionally, changes in interest rates affect the liabilities under these benefit plans; as interest rates decrease, the liabilities increase, which could potentially increase funding requirements. Further, the funding requirements of the obligations related to these benefits plans may increase due to changes in governmental regulations and participant demographics, including increased numbers of retirements or changes in life expectancy assumptions. Ultimately, significant funding requirements and increased pension expense could negatively impact NiSource’s results of operations and financial position.

The majority of NiSource’s net revenues are subject to economic regulation and are exposed to the impact of regulatory rate reviews and proceedings.

Most of NiSource’s net revenues are subject to economic regulation at either the federal or state level. As such, the net revenues generated by those regulated companies are subject to regulatory review by the applicable federal or state authority. These rate reviews determine the rates charged to customers and directly impact revenues. NiSource’s financial results are dependent on frequent regulatory proceedings in order to ensure timely recovery of costs. Additionally, the costs of complying with future changes in environmental laws and regulations are expected to be significant, and their recovery through rates will be contingent on regulatory approval.

As a result of efforts to introduce market-based competition in certain markets where the regulated businesses conduct operations, NiSource may compete with independent marketers for customers. This competition exposes NiSource to the risk that certain stranded costs may not be recoverable and may affect results of NiSource’s growth strategy and cash flows.

NiSource’s costs of compliance with environmental laws are significant. The costs of compliance with future environmental laws and the recognition of environmental liabilities could impact cash flow and profitability.

NiSource’s subsidiaries are subject to extensive federal, state and local environmental requirements that, among other things, regulate air emissions, water usage and discharges, remediation and the management of chemicals, hazardous waste, solid waste, and coal combustion residuals. Compliance with these legal obligations requires NiSource to make expenditures for installation of pollution control equipment, remediation, environmental monitoring, emissions fees and permits at many of NiSource’s facilities. These expenditures are significant, and NiSource expects that they will continue to be significant in the future. Furthermore, if NiSource’s subsidiaries fail to comply with environmental laws and regulations or cause harm to the environment or persons, even if caused by factors beyond NiSource’s control, that failure or harm may result in the assessment of civil or criminal penalties and damages against NiSource and its subsidiaries.

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ITEM 1A. RISK FACTORS
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Existing environmental laws and regulations may be revised and new laws and regulations seeking to protect the environment may be adopted or become applicable to NiSource's subsidiaries. Revised or additional laws and regulations could result in significant additional expense and operating restrictions on NiSource's facilities or increased compliance costs, which may not be fully recoverable from customers and would, therefore, reduce net income. Moreover, such costs could materially affect the continued economic viability of one or more of NiSource's facilities. Because NiSource's operations deal with natural gas and coal fossil fuels, emissions of GHGs are an expected aspect of the business. While NiSource attempts to reduce GHG emissions through efficiency programs, leak detection, and other programs, GHG emissions cannot be entirely eliminated. The current administration has made it clear that it is focused on reducing GHG emissions, through legislation and/or regulation. Imposing statutory or regulatory restrictions and/or costs on GHG emissions could increase NiSource's cost of producing energy, which could impact customer demand or NiSource's profitability. Compliance costs associated with these requirements could also affect NiSource's cash flow. The cost impact of any new or amended GHG legislation or regulations would depend upon the specific requirements enacted and cannot be determined at this time.
Even in instances where legal and regulatory requirements are already known, the original estimates for cleanup and environmental capital projects can differ materially from the amount ultimately expended. The actual future expenditures depend on many factors, including the nature and extent of contamination, the method of cleanup, the cost of raw materials, contractor costs, and the availability of cost recovery from customers. Changes in costs and the ability to recover under regulatory mechanisms could affect NiSource's financial position, operating results and cash flows.
A significant portion of the gas and electricity NiSource sells is used by residential and commercial customers for heating and air conditioning. Accordingly, the operating results fluctuate depending on the weather and, to a certain extent, usage of gas or electricity.
Energy sales are sensitive to variations in weather. Forecasts of energy sales are based on normal weather, which represents a long-term historical average. Significant variations from normal weather could have, and have had, a material impact on energy sales. Additionally, residential usage, and to some degree commercial usage, have shown to be sensitive to fluctuations in commodity costs for gas and electricity, whereby usage declines with increased costs, thus affecting NiSource's financial results. Lastly, residential and commercial customers' usage has shown to be sensitive to economic conditions and the impact of macro-economic drivers such as unemployment, consumption and consumer confidence, which could also affect NiSource's financial results.
NiSource's business operations are subject to economic conditions in certain industries.
Business operations throughout NiSource's service territories have been and may continue to be adversely affected by economic events at the national and local level where it operates. In particular, sales to large industrial customers may be impacted by economic downturns. The U.S. manufacturing industry continues to adjust to changing market conditions including international competition, increasing costs, and fluctuating demand for its products.

Fluctuations in the price of energy commodities or their related transportation costs may have a negative impact on NiSource's financial results.
NiSource's electric generating fleet is dependent on coal and natural gas for fuel, and its gas distribution operations purchase and resell much of the natural gas they deliver. These energy commodities are vulnerable to price fluctuations and fluctuations in associated transportation costs. Hedging activities have been deployed in order to offset fluctuations in commodity supply prices and NiSource relies on regulatory recovery mechanisms in the various jurisdictions in order to fully recover the costs incurred in operations. However, while NiSource has historically been successful in recovery of costs related to such commodity prices, there can be no assurance that such costs will be fully recovered through rates in a timely manner. Additionally, increased gas and electricity costs could result in reduced demand from customers as a result of increased conservation activities.

NiSource is exposed to risk that customers will not remit payment for delivered energy or services, and that suppliers or counterparties will not perform under various financial or operating agreements.

NiSource’s extension of credit is governed by a Corporate Credit Risk Policy, involves considerable judgment and is based on an evaluation of a customer or counterparty’s financial condition, credit history and other factors. Credit risk exposure is monitored by obtaining credit reports and updated financial information for customers and suppliers, and by evaluating the financial status of its banking partners and other counterparties through the use of market-based metrics such as credit default swap pricing levels, and also through traditional credit ratings provided by the major credit rating agencies. Continued adverse economic conditions could increase credit risk and could result in a material adverse effect on NiSource.

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ITEM 1A. RISK FACTORS
NISOURCE INC.

NiSource has significant goodwill and definite-lived intangible assets. An impairment of goodwill or definite-lived intangible assets could result in a significant charge to earnings.
In accordance with GAAP, NiSource tests goodwill for impairment at least annually and reviews its definite-lived intangible assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Goodwill also is tested for impairment when factors, examples of which include reduced cash flow estimates, a sustained decline in stock price or market capitalization below book value, indicate that the carrying value may not be recoverable. NiSource would be required to record a charge in the financial statements during the period in which any impairment of the goodwill or definite-lived intangible assets is determined, negatively impacting the results of operations. A significant charge could impact the capitalization ratio covenant under certain financing agreements. NiSource is subject to a financial covenant under its five-year revolving credit facility and its three year term loan, which requires NiSource to maintain a debt to capitalization ratio that does not exceed 70%. A similar covenant in a 2005 private placement note purchase agreement requires NiSource to maintain a debt to capitalization ratio that does not exceed 75%. As of December 31, 2013, the ratio was 60.0%.
Changes in taxation and the ability to quantify such changes could adversely affect NiSource’s financial results.
NiSource is subject to taxation by the various taxing authorities at the federal, state and local levels where it does business. Legislation or regulation which could affect NiSource’s tax burden could be enacted by any of these governmental authorities. NiSource cannot predict the timing or extent of such tax-related developments which could have a negative impact on the financial results. Additionally, NiSource uses its best judgment in attempting to quantify and reserve for these tax obligations. However, a challenge by a taxing authority, NiSource’s ability to utilize tax benefits such as carryforwards or tax credits, or a deviation from other tax-related assumptions may cause actual financial results to deviate from previous estimates.
Changes in accounting principles may adversely affect NiSource’s financial results.
Future changes in accounting rules and associated changes in regulatory accounting may negatively impact the way NiSource records revenues, expenses, assets and liabilities. These changes in accounting standards may adversely affect its financial condition and results of operations.

Transportation and storage of natural gas, as well as generation, transmission and distribution of electricity involve numerous risks that may result in accidents and other operating risks and costs.
NiSource's gas distribution and gas transmission and storage activities, as well as generation, transmission, and distribution of electricity, involve a variety of inherent hazards and operating risks, such as gas leaks, downed power lines, accidents, including third party damages, large scale outages, and mechanical problems, which could cause substantial financial losses. In addition, these risks could result in serious injury or loss of life to employees and the general public, significant damage to property, environmental pollution, impairment of its operations, adverse regulatory rulings and reputational harm, which in turn could lead to substantial losses to NiSource. In accordance with customary industry practice, NiSource maintains insurance against some, but not all, of these risks and losses. The location of pipelines and storage facilities, or generation, transmission, substations and distribution facilities near populated areas, including residential areas, commercial business centers and industrial sites, could increase the level of damages resulting from these risks. The occurrence of any of these events could adversely affect NiSource's financial position and results of operations.
Aging infrastructure may lead to increased costs and disruptions in operations that could negatively impact NiSource’s financial results.
NiSource has risks associated with aging infrastructure assets. The age of these assets may result in a need for replacement, a higher level of maintenance costs and unscheduled outages despite diligent efforts by NiSource to properly maintain these assets through inspection, scheduled maintenance and capital investment. The failure to operate these assets as desired could result in NiSource’s inability to meet firm service obligations, adversely impact revenues, and could result in increased capital expenditures and expenses, which may not be fully recoverable from

customers.

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ITEM 1A. RISK FACTORS
NISOURCE INC.

Climate change, natural disasters, acts of terrorism or other catastrophic events may disrupt operations and reduce the ability to service customers.
A disruption or failure of natural gas transmission, storage or distribution systems or within electric generation, transmission or distribution systems in the event of a major hurricane, tornado, terrorist attack or other catastrophic event could cause delays in completing sales, providing services, or performing other critical functions. NiSource has experienced disruptions in the past from hurricanes and tornadoes and other events of this nature. The cost, availability and sufficiency of insurance for these risks could adversely affect NiSource’s results of operations, financial position and cash flows.
There is also a concern that climate change may exacerbate the risks to physical infrastructure associated with heat and extreme weather conditions. Climate change and the costs that may be associated with its impacts have the potential to affect NiSource’s business in many ways, including increasing the cost NiSource incurs in providing its products and services, impacting the demand for and consumption of its products and services (due to change in both costs and weather patterns), and affecting the economic health of the regions in which NiSource operates.
A cyber-attack on any of NiSource's or certain third party computer systems upon which NiSource relies may adversely affect its ability to operate.
NiSource is reliant on technology to run its businesses, which are dependent upon financial and operational computer systems to process critical information necessary to conduct various elements of its business, including the generation, transmission and distribution of electricity, operation of its gas pipelines and storage facilities and the recording and reporting of commercial and financial transactions to regulators, investors and other stakeholders. Any failure of NiSource’s computer systems, or those of its customers, suppliers or others with whom it does business, could materially disrupt NiSource’s ability to operate its business and could result in a financial loss and possibly do harm to NiSource’s reputation.
Additionally, NiSource's information systems experience ongoing, often sophisticated, cyber-attacks by a variety of sources with the apparent aim to breach NiSource's cyber-defenses. Although NiSource attempts to maintain adequate defenses to these attacks and works through industry groups and trade associations to identify common threats and assess NiSource's countermeasures, a security breach of NiSource's information systems could (i) impact the reliability of NiSource's generation, transmission, storage and distribution systems and potentially negatively impact NiSource's compliance with certain mandatory reliability standards, (ii) subject NiSource to harm associated with theft or inappropriate release of certain types of information such as system operating information or information, personal or otherwise, relating to NiSource's customers or employees, or (iii) impact NiSource's ability to manage NiSource's businesses.
NiSource's capital projects subject it to construction risks and natural gas costs and supply risks.
NiSource’s Columbia Pipeline Group Operations continues to complete and advance customer-driven expansion projects across its system and develop its midstream business through gathering and processing activities, primarily surrounding the Marcellus and Utica shale production area in the states of Pennsylvania, Ohio and West Virginia. Additionally, NiSource is executing on its comprehensive interstate natural gas pipeline modernization program. These modernization projects include constructing or replacing pipelines and other facilities, which subjects NiSource to construction risks and risks that gas supplies may not be available. Some expansion projects may also be subject to risks related to fluctuation in construction and gas costs. Both modernization and expansion projects are reliant on the contractual performance of vendors and suppliers of materials and supplies and services. Nonperformance or underperformance could subject NiSource to increased costs. Further, NiSource is subject to regulatory approval of various projects. Delays in this process could increase costs of the projects.
NiSource competes for these projects with companies of varying size and financial capabilities, including some that may have advantages competing for natural gas and liquid gas supplies, as well as acquisitions and other business opportunities. Similarly, NiSource Gas Distribution Operations is engaged in an intrastate natural gas pipeline modernization program to maintain system integrity and enhance service reliability and flexibility. NIPSCO also is

currently engaged in a number of capital projects, including air-quality related improvements to its electric generating stations, as well as the construction of new transmission facilities. As NiSource undertakes these projects, it may not be able to complete them on schedule or at the anticipated costs. Additionally, NiSource may construct or purchase some of these projects to capture anticipated future growth in natural gas production, which may not materialize, and may cause the construction to occur over an extended period of time. NiSource also may not receive material increases in revenue and cash flows until after the completion of the projects.

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ITEM 1A. RISK FACTORS
NISOURCE INC.

Sustained extreme weather conditions may negatively impact NiSource's operations.
NiSource conducts its operations across a wide geographic area subject to varied and potentially extreme weather conditions, which may from time to time persist for sustained periods of time. Despite preventative maintenance efforts, persistent weather related stress on NiSource's infrastructure may reveal weaknesses in its systems not previously known to the Company or otherwise present various operational challenges across all business segments. Although NiSource makes every effort to plan for weather related contingencies, adverse weather may affect its ability to conduct operations in a manner that satisfies customer expectations or contractual obligations. The Company endeavors to minimize such service disruptions, but may not be able to avoid them altogether.
Growing competition in the gas transportation and storage industries could result in the failure by customers to renew existing contracts.
As a consequence of the increase in competition and the shift in natural gas production areas, customers such as LDCs and other end users, may be reluctant to enter into long-term service contracts. The renewal or replacement of existing contracts with NiSource's customers at rates sufficient to maintain current or projected revenues and cash flows depends on a number of factors beyond its control, including competition from other pipelines, gatherers, the proximity of supplies to the markets, and the price of, and demand for, natural gas. The inability of NiSource to renew, or replace its current contracts as they expire and respond appropriately to changing market conditions could materially impact its financial results and cash flows.
NiSource is a holding company and is dependent on cash generated by subsidiaries to meet its debt obligations and pay dividends on its common stock.
NiSource is a holding company and conducts its operations primarily through its subsidiaries. Substantially all of NiSource's consolidated assets are held by its subsidiaries. Accordingly, NiSource's ability to meet its debt obligations or pay dividends on its common stock is largely dependent upon cash generated by these subsidiaries. In the event a major subsidiary is not able to pay dividends or transfer cash flows to NiSource, NiSource's ability to service its debt obligations or pay dividends could be negatively affected.

ITEM 1B. UNRESOLVED STAFF COMMENTS
None.

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ITEM 2. PROPERTIES
NISOURCE INC.

Discussed below are the principal properties held by NiSource and its subsidiaries as of December 31, 2013.
Gas Distribution Operations. NiSource's Gas Distribution Operations subsidiaries own and operate a total of 58,146 miles of pipelines and certain related facilities. This includes: (i) for the six distribution companies of its Columbia system, 40,588 miles of pipelines, 1,350 reservoir acres of underground storage, eight storage wells, liquid propane facilities with a capacity of 2.6 million gallons, an LNG facility with a total capacity of 22.3 million gallons and one compressor station with 800 hp of installed capacity, and (ii) for its NIPSCO system, 17,558 miles of pipelines, 27,129 reservoir acres of underground storage, 55 storage wells, one compressor station with a total of 4,000 hp of installed capacity and two LNG facilities with a storage capacity of 53.6 million gallons. The physical properties of the NiSource gas utilities are located throughout Ohio, Indiana, Pennsylvania, Virginia, Kentucky, Maryland, and Massachusetts.
Columbia Pipeline Group Operations. Columbia Pipeline Group subsidiaries own and operate 14,780 miles of natural gas transmission pipeline. Columbia Transmission owns and leases approximately 769,000 acres of underground storage, 3,446 storage wells, 11,161 miles of pipeline and 89 compressor stations with 617,185 hp of installed capacity. Columbia Transmission's operations are located in Delaware, Kentucky, Maryland, New Jersey, New York, North Carolina, Ohio, Pennsylvania, Virginia, and West Virginia. Columbia Gulf has 3,370 miles of transmission pipeline and 11 compressor stations with 470,238 hp of installed capacity. Columbia Gulf's operations are located in Kentucky, Louisiana, Mississippi, Tennessee, Texas and Wyoming. Crossroads Pipeline has 203 miles of transmission pipeline and one compressor station with 3,000 hp of installed capacity. Crossroads Pipeline's operations are located in Indiana and Ohio. NiSource Midstream owns 119 miles of gathering pipeline and one compressor station with 7,100 hp of installed capacity. NEVCO owns production rights associated with Columbia Transmission's storage fields located in Ohio, Pennsylvania, and West Virginia. Columbia Pipeline Group Operations' offices are headquartered in Houston, Texas.
Electric Operations. NiSource generates, transmits and distributes electricity through its subsidiary NIPSCO to approximately 460,000 customers in 20 counties in the northern part of Indiana and engages in wholesale and transmission transactions. NIPSCO operates three coal-fired electric generating stations. The three operating facilities have a net capability of 2,540 mw. NIPSCO also owns and operates Sugar Creek, a CCGT plant with a 535 mw capacity rating, four gas-fired generating units located at NIPSCO's coal-fired electric generating stations with a net capability of 206 mw and two hydroelectric generating plants with a net capability of 10 mw. These facilities provide for a total system operating net capability of 3,291 mw. NIPSCO's transmission system, with voltages from 69,000 to 345,000 volts, consists of 2,802 circuit miles. NIPSCO is interconnected with five neighboring electric utilities. During the year ended December 31, 2013, NIPSCO generated 77.3% and purchased 22.7% of its electric requirements.
Corporate and Other Operations. NiSource owns the Southlake Complex, its 325,000 square foot headquarters building located in Merrillville, Indiana, and other residential and development property.
Character of Ownership. The principal offices and properties of NiSource and its subsidiaries are owned free from encumbrances, subject to minor exceptions, none of which are of such a nature as to impair substantially the usefulness of such properties. Many of the offices in various communities served are occupied by subsidiaries of NiSource under leases. All properties are subject to routine liens for taxes, assessments and undetermined charges (if any) incidental to construction. It is NiSource's practice regularly to pay such amounts, as and when due, unless contested in good faith. In general, the electric lines, gas pipelines and related facilities are located on land not owned by NiSource and its subsidiaries, but are covered by necessary consents of various governmental authorities or by appropriate rights obtained from owners of private property. NiSource does not, however, generally have specific easements from the owners of the property adjacent to public highways over, upon or under which its electric lines and gas distribution pipelines are located. At the time each of the principal properties was purchased a title search was made. In general, no examination of titles as to rights-of-way for electric lines, gas pipelines or related facilities was made, other than examination, in certain cases, to verify the grantors' ownership and the lien status thereof.

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ITEM 3. LEGAL PROCEEDINGS

NISOURCE INC.

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

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SUPPLEMENTAL ITEM. EXECUTIVE OFFICERS OF THE REGISTRANT
NISOURCE INC.

The following is a list of the Executive Officers of the Registrant, including their names, ages and offices held, as of February 1, 2014.

Name	Age	Office(s) Held in Past 5 Years
Robert C. Skaggs, Jr.	59	Chief Executive Officer of NiSource since July 2005.
		President of NiSource since October 2004.
Carrie J. Hightman	56	Executive Vice President and Chief Legal Officer of NiSource since December 2007.
Stephen P. Smith	52	Executive Vice President and Chief Financial Officer of NiSource since August 2008.
Jim L. Stanley	58	Executive Vice President and Group Chief Executive Officer of NiSource since October 2012.
		Senior Vice President, Duke Energy from June 2010 to September 2012.
		President, Duke Energy Indiana from November 2006 to May 2010.
Joseph Hamrock	50	Executive Vice President and Group Chief Executive Officer of NiSource since May 2012.
		President and Chief Operating Officer, American Electric Power Company - Ohio from 2008 to May 2012.
Robert D. Campbell	54	Senior Vice President, Human Resources, of NiSource since May 2006.
Glen L. Kettering	59	Senior Vice President, Corporate Affairs, since March 2006, and interim Group Chief Executive Officer of NiSource since January 1, 2014.
Jon D. Veurink	49	Vice President, Controller and Chief Accounting Officer of NiSource since February 2010.
		Vice President at NiSource Corporate Services from October 2009 to February 2010.
		Vice President, Controller and Chief Accounting Officer, Exelon Generation L.L.C. from January 2004 until September 2009.

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PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

NISOURCE INC.

NiSource's common stock is listed and traded on the New York Stock Exchange under the symbol "NI." The table below indicates the high and low sales prices of NiSource's common stock, on the composite tape, during the periods indicated.

	2013		2012	
	High	Low	High	Low
First Quarter	29.38	24.85	24.55	22.32
Second Quarter	31.39	27.11	25.79	23.59
Third Quarter	31.48	28.27	26.15	23.93
Fourth Quarter	33.48	30.09	25.97	23.14

As of December 31, 2013, NiSource had 26,965 common stockholders of record and 313,675,911 shares outstanding.

Holders of shares of NiSource's common stock are entitled to receive dividends when, as and if declared by NiSource's Board out of funds legally available. The policy of the Board has been to declare cash dividends on a quarterly basis payable on or about the 20th day of February, May, August and November. NiSource paid quarterly common dividends totaling $0.98, $0.94 and $0.92 per share for the years ended December 31, 2013, 2012 and 2011, respectively. At its January 31, 2014 meeting, the Board declared a quarterly common dividend of $0.25 per share, payable on February 20, 2014 to holders of record on February 10, 2014.

Although the Board currently intends to continue the payment of regular quarterly cash dividends on common shares, the timing and amount of future dividends will depend on the earnings of NiSource's subsidiaries, their financial condition, cash requirements, regulatory restrictions, any restrictions in financing agreements and other factors deemed relevant by the Board.

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ITEM 6. SELECTED FINANCIAL DATA
NISOURCE INC.

The selected data presented below as of and for the years ended December 31, 2013, 2012, 2011, 2010 and 2009 are derived from the Consolidated Financial Statements of NiSource. The data should be read in connection with the Consolidated Financial Statements including the related notes included in Item 8 of this Form 10-K.

Year Ended December 31, (dollars in millions except per share data)	2013	2012	2011	2010	2009
Statement of Income Data:					
Gross Revenues					
Gas Distribution	$2,226.3	$1,959.8	$2,917.9	$3,094.0	$3,296.2
Gas Transportation and Storage	1,643.2	1,462.4	1,354.6	1,261.4	1,239.5
Electric	1,563.4	1,507.7	1,427.7	1,379.3	1,214.2
Other	224.4	101.0	50.8	51.2	41.2
Total Gross Revenues	5,657.3	5,030.9	5,751.0	5,785.9	5,791.1
Net Revenues (Gross Revenues less Cost of Sales, excluding depreciation and amortization)	3,841.8	3,514.0	3,447.5	3,406.2	3,288.9
Operating Income	1,143.4	1,040.1	914.4	899.0	782.8
Income from Continuing Operations	490.9	408.8	309.6	281.0	219.5
Results from Discontinued Operations - net of taxes	41.2	7.3	(10.5)	1.6	(2.5)
Net Income	532.1	416.1	299.1	282.6	217.0
Balance Sheet Data:					
Total Assets	22,653.9	21,844.7	20,708.3	19,913.4	19,262.5
Capitalization					
Common stockholders' equity	5,886.6	5,554.3	4,997.3	4,897.5	4,837.8
Long-term debt, excluding amounts due within one year	7,593.2	6,819.1	6,267.1	5,936.1	5,969.1
Total Capitalization	$13,479.8	$12,373.4	$11,264.4	$10,833.6	$10,806.9
Per Share Data:					
Basic Earnings (Loss) Per Share ($)					
Continuing operations	$1.57	$1.40	$1.10	$1.01	$0.80
Discontinued operations	0.13	0.03	(0.04)	0.01	(0.01)
Basic Earnings Per Share	$1.70	$1.43	$1.06	$1.02	$0.79
Diluted Earnings (Loss) Per Share ($)					
Continuing operations	$1.57	$1.36	$1.07	$1.00	$0.80
Discontinued operations	0.13	0.03	(0.04)	0.01	(0.02)
Diluted Earnings Per Share	$1.70	$1.39	$1.03	$1.01	$0.78
Other Data:					
Dividends paid per share ($)	$0.98	$0.94	$0.92	$0.92	$0.92
Shares outstanding at the end of the year (in thousands)	313,676	310,281	281,854	278,855	276,638
Number of common shareholders	26,965	28,823	30,663	32,313	34,299
Capital expenditures ($ in millions)	$2,046.0	$1,585.1	$1,125.2	$803.8	$777.2
Number of employees	8,477	8,286	7,957	7,604	7,616

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During 2012, NiSource began marketing to sell the service plan and leasing business lines of its Retail Services business. As of December 31, 2012, the assets and liabilities of the business lines met the criteria to be classified as held for sale in accordance with GAAP. Additionally, the results of operations and cash flows are classified as discontinued operations for all periods presented. The sale of the business lines closed in January 2013 resulting in an after tax gain on disposition of $36.4 million for the year ended December 31, 2013.

• Effective June 1, 2012, NiSource received approval from the FERC to implement a new surcharge to recover the costs of certain operational purchases and sales required to ensure a sufficient amount of flowing supply into Columbia Transmission's system in northern Ohio in order to both meet its firm service obligations to customers and its storage operational requirements. Net revenues associated with this service, recorded in other revenue and offset in expense, were $170.5 million and $53.6 million for 2013 and 2012, respectively.

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ITEM 6. SELECTED FINANCIAL DATA
NISOURCE INC.

- On September 4, 2012, Columbia Transmission filed a customer settlement with the FERC in support of its comprehensive pipeline modernization program, which was approved on January 24, 2013. As a result of this settlement, Columbia Transmission's 2012 gross revenues decreased $81.7 million, partially offset by a decrease in depreciation costs of $33.4 million.

- On February 14, 2012, Columbia of Ohio held its first standard choice offer auction which resulted in a retail price adjustment of $1.53 per Mcf. On February 14, 2012, the PUCO issued an entry that approved the results of the auction with the new retail price adjustment level effective April 1, 2012. As a result of the implementation of the standard choice offer, Columbia of Ohio reports lower gross revenues and lower cost of sales. There is no impact on net revenues.

- On November 14, 2011, NiSource Finance commenced a cash tender offer for up to $250.0 million aggregate principal amount of its outstanding 10.75% notes due 2016 and 6.15% notes due 2013. A condition of the offering was that all validly tendered 2016 notes would be accepted for purchase before any 2013 notes were accepted. On December 13, 2011, NiSource Finance announced that approximately $125.3 million aggregate principal amount of its outstanding 10.75% notes due 2016 were validly tendered and accepted for purchase. In addition, approximately $228.7 million aggregate principal amount of outstanding 6.15% notes due 2013 were validly tendered, of which $124.7 million were accepted for purchase. NiSource Finance recorded a $53.9 million loss on early extinguishment of long-term debt, primarily attributable to early redemption premiums and unamortized discounts and fees.

- On December 30, 2010, NiSource Finance finalized a cash tender offer for $273.1 million aggregate principal amount of its outstanding 10.75% notes due in 2016. As a result of this tender offer, NiSource Finance incurred $96.7 million in early redemption fees, primarily attributable to early redemption premiums and unamortized discounts and fees, which is recorded as a loss on the early extinguishment of long-term debt reducing income from continuing operations.

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
NISOURCE INC.

Note regarding forward-looking statements

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

Realization of NiSource's objectives and expected performance is subject to a wide range of risks and can be adversely affected by, among other things, weather, fluctuations in supply and demand for energy commodities, growth opportunities for NiSource's businesses, increased competition in deregulated energy markets, the success of regulatory and commercial initiatives, dealings with third parties over whom NiSource has no control, actual operating experience of NiSource's assets, the regulatory process, regulatory and legislative changes, the impact of potential new environmental laws or regulations, the results of material litigation, changes in pension funding requirements, changes in general economic, capital and commodity market conditions, and counter-party credit risk, and the matters set forth in Item 1A, "Risk Factors" of this report, many of which risks are beyond the control of NiSource. In addition, the relative contributions to profitability by each segment, and the assumptions underlying the forward-looking statements relating thereto, may change over time.

CONSOLIDATED REVIEW

Executive Summary

NiSource is an energy holding company whose subsidiaries are engaged in the transmission, storage and distribution of natural gas in the high-demand energy corridor stretching from the Gulf Coast through the Midwest to New England and the generation, transmission and distribution of electricity in Indiana. NiSource generates most of its operating income through these rate-regulated businesses. A significant portion of NiSource's operations is subject to seasonal fluctuations in sales. During the heating season, which is primarily from November through March, net revenues from gas sales are more significant, and during the cooling season, which is primarily from June through

September, net revenues from electric sales and transportation services are more significant than in other months.
For the twelve months ended December 31, 2013, NiSource reported income from continuing operations of $490.9 million, or $1.57 per basic share, compared to $408.8 million, or $1.40 per basic share for the same period in 2012.

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
NISOURCE INC.

Increases in income from continuing operations were due primarily to the following items:

- Regulatory and service programs at Gas Distribution Operations increased net revenues by $53.8 million primarily due to the rate cases at Columbia of Massachusetts and Columbia of Pennsylvania and the impacts from the implementation of rates under Columbia of Ohio's approved infrastructure replacement program. Refer to Note 8, "Regulatory Matters," in the Notes to Consolidated Financial Statements for more information.

- Net revenues at Columbia Pipeline Group Operations increased by $50.3 million due to the current period impacts of the 2012 customer settlement at Columbia Transmission. Refer to Note 8, "Regulatory Matters," in the Notes to Consolidated Financial Statements for more information.

- Colder weather in 2013 resulted in an increase in income from continuing operations of $37.6 million compared to the prior year. Weather statistics are provided in the Gas Distribution and Electric Operations' segment discussions.

- Net revenues increased by $28.9 million as a result of the return on environmental capital investment recovery at Electric Operations due to an increased plant balance eligible for recovery. Refer to Note 8, "Regulatory Matters," in the Notes to Consolidated Financial Statements for more information.

Increases in income from continuing operations were partially offset due to the following items:

- Employee and administrative expense increased by $60.5 million due primarily to greater labor expense due to a growing workforce, timing of outages and maintenance and IT support and enhancement projects.

- Depreciation and amortization increased $15.4 million primarily as a result of higher capital expenditures related to projects placed in service. NiSource's capital expenditures were approximately $2.0 billion in 2013 and are projected to be approximately $2.2 billion in 2014.

These factors and other impacts to the financial results are discussed in more detail within the following discussions of "Results of Operations" and "Results and Discussion of Segment Operations."

Platform for Growth

NiSource's business plan will continue to center on commercial and regulatory initiatives, commercial growth and expansion of the gas transmission and storage business, and financial management of the balance sheet.

Commercial and Regulatory Initiatives

Rate Development and Other Regulatory Matters. NiSource is moving forward with regulatory initiatives across several gas distribution company markets. Whether through full rate case filings or other approaches, NiSource's goal is to develop strategies that benefit all stakeholders as it addresses changing customer conservation patterns, develops more contemporary pricing structures, and embarks on long-term investment programs to enhance its infrastructure.

On January 24, 2013, the FERC approved the Columbia Transmission Customer Settlement (the "Settlement"). In March 2013, Columbia Transmission paid $88.1 million in refunds to customers pursuant to the Settlement with its customers in conjunction with its comprehensive interstate natural gas pipeline modernization program. The refunds included $50.0 million to max rate contract customers and a base rate reduction retroactive to January 1, 2012. Columbia Transmission expects to invest approximately $1.5 billion over a five-year period to modernize its system to improve system integrity and enhance service reliability and flexibility. The Settlement with firm customers includes an initial five-year term with provisions for potential extensions thereafter.

The Settlement also provided for a depreciation rate reduction to 1.5% and elimination of negative salvage rate effective January 1, 2012 and for a second base rate reduction, which began January 1, 2014, which equates to approximately $25 million in revenues annually.

The Settlement includes a CCRM, a tracker mechanism that will allow Columbia Transmission to recover, through an additive capital demand rate, its revenue requirement for capital investments made under Columbia Transmission's long-term plan to modernize its interstate transmission system. The CCRM provides for a 14% revenue requirement with a portion designated as a recovery of increased taxes other than income taxes. The additive demand rate is earned on costs associated with projects placed

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
NISOURCE INC.

into service by October 31 each year. The initial additive demand rate was effective on February 1, 2014. The CCRM will give Columbia Transmission the opportunity to recover its revenue requirement associated with $1.5 billion investment in the modernization program, while maintaining competitive rates for its shippers. The CCRM recovers the revenue requirement associated with qualifying modernization costs that Columbia Transmission incurs after satisfying the requirement associated with $100 million in annual capital maintenance expenditures. The CCRM applies to Columbia Transmission's transportation shippers. The CCRM will not exceed $300 million per year in investment in eligible facilities, subject to a 15% annual tolerance and a total cap of $1.5 billion for the entire five-year initial term. On December 31, 2013, Columbia Transmission made its first annual CCRM filing, with billing rates effective February 1, 2014. Through this filing, Columbia Transmission will begin collecting its revenue requirements for the $299.2 million spent on eligible modernization facilities in 2013. For the first CCRM period, these revenue requirements will total approximately $38.9 million. On January 30, 2014, the FERC approved Columbia Transmission's first year CCRM filing.

On November 25, 2013, Columbia of Ohio filed a Notice of Intent to file an application to adjust rates associated with its IRP and DSM Riders. Columbia of Ohio will file its Application by February 28, 2014. Columbia of Ohio will be seeking to increase revenues by approximately $30.5 million.

On November 19, 2013, NIPSCO placed the first of two FGD units in service at its Schahfer generating station. The first unit is part of approximately $860 million in environmental investments planned at NIPSCO's electric generating facilities. A second unit at Schahfer is scheduled to be placed in service by the end of 2014. Construction continues on the FGD project at NIPSCO's Michigan City generating station, with anticipated completion by the end of 2015.

On October 30, 2013, the IURC issued an order on ECR-22 approving NIPSCO's request to begin earning a return on $478.8 million of net capital expenditures. On January 31, 2014, NIPSCO filed ECR-23 which included $583.5 million of net capital expenditures for the period ending December 31, 2013.

On October 10, 2013, the IURC issued an order approving NIPSCO's MATS Compliance Projects. Refer to Note 20-D, "Environmental Matters," in the Notes to Consolidated Financial Statements for more information on the MATS rule. The Order approved estimated capital costs of $59.3 million and granted the requested ratemaking relief and accounting treatment associated with these projects through the annual EERM and semi-annual ECRM tracker filings.

On September 28, 2012, Columbia of Pennsylvania filed a base rate case with the Pennsylvania PUC, seeking a revenue increase of approximately $77.3 million annually and providing three options for residential rate design in order to mitigate revenue volatility associated with usage based rates. Columbia of Pennsylvania is the first utility in Pennsylvania to seek Pennsylvania PUC approval to design rates to recover costs that are projected to be incurred after the implementation of those new rates, as authorized by the Pennsylvania General Assembly with the passage of Act 11 of 2012. Accordingly, Columbia of Pennsylvania's filing sought to implement rates in July 2013 under which Columbia of Pennsylvania would immediately begin to recover costs that are projected for the twelve-month period ending June 30, 2014. On March 15, 2013, the parties to the rate case filed a joint petition formally seeking Pennsylvania PUC approval of a settlement featuring a revenue increase of $55.3 million annually and the implementation of a Weather Normalization Adjustment, whereby residential charges are adjusted in the event of winter temperatures that deviate from historic norms by plus or minus five percent. The Pennsylvania PUC issued an order approving the settlement on May 23, 2013, and new rates went into effect July 1, 2013.

On April 30, 2013, Indiana Governor Pence signed Senate Enrolled Act 560 into law. Among other provisions, this legislation provides for cost recovery outside of a base rate proceeding for new or replacement electric and gas transmission, distribution, and storage projects that a public utility undertakes for the purposes of safety, reliability, system modernization, or economic development. The cost recovery mechanism is referred to as a TDSIC. Provisions of the TDSIC require that, among other things, requests for recovery include a seven year plan of eligible investments. Once the plan is approved by the IURC, 80 percent of eligible costs can be recovered using a periodic rate adjustment mechanism. Recoverable costs include a return on, and of, the investment, including AFUDC, post in service carrying charges, operation and maintenance expenses, depreciation, and property taxes. The remaining 20 percent of recoverable costs are to be deferred for future recovery in the public utility's next general rate case. The periodic rate adjustment mechanism is capped at an annual increase of no more than two percent of total retail revenues.

On July 19, 2013, NIPSCO filed its electric TDSIC with the IURC. The filing included the seven year plan of eligible investments for a total of approximately $1.1 billion with the majority of the spend occurring in years 2016 through 2020. On February 17, 2014, the IURC issued an order approving NIPSCO's seven year plan of eligible investments. The Order also granted NIPSCO ratemaking relief associated with the eligible investments through a rate adjustment mechanism, described above. NIPSCO anticipates filing its first semi-annual tracker petition in the third quarter of 2014.

On October 3, 2013, NIPSCO filed its gas TDSIC seven year plan of eligible investments for a total of approximately $710 million with the IURC. An order is expected by the second quarter of 2014.
On June 18, 2013, NIPSCO, the OUCC and other customer stakeholder groups filed a unanimous agreement with the IURC to extend NIPSCO's 2010 natural gas customer rate settlement through 2020. The Settlement Agreement was approved by order issued on August 28, 2013 with the stipulation that, on or before November 2020, NIPSCO must file a general rate case.

On May 29, 2013, Columbia of Kentucky filed an application with the Kentucky PSC requesting an increase of approximately $16.6 million in base rate revenues, the use of a forecasted test period and a revenue normalization adjustment to recognize changes in customer usage not included in Columbia of Kentucky's current weather normalization adjustment. A stipulation, signed by all parties and resolving all issues, was filed on November 5, 2013. On December 13, 2013, the Kentucky PSC issued an order approving the stipulation providing for, among other terms, an increase of $7.7 million in revenues using a forecasted test year a recovery of Columbia of Kentucky’s investment in its pipeline replacement program on a forecasted basis, and continuation of Columbia of Kentucky's CHOICE program for three years. New rates were effective December 29, 2013.
On April 16, 2013, Columbia of Massachusetts submitted a filing with the Massachusetts DPU requesting an annual revenue requirement increase of $30.1 million. An order is expected by February 28, 2014, with new rates going into effect on March 1, 2014. Pursuant to the procedural schedule for this case, on September 3, 2013, Columbia of Massachusetts filed its updated revenue requirement of $29.5 million and on October 16, 2013, filed an updated cost of service for $30 million. Evidentiary hearings and the briefing schedule for the case have concluded. In compliance with the procedural schedule, a final revenue requirements update of $29.9 million was filed on December 16, 2013.

As part of a multi-state effort to strengthen the electric transmission system serving the Midwest, NIPSCO anticipates making investments in two projects that were authorized by the MISO and are scheduled to be in service during the latter part of the decade. On July 19, 2012 and December 19, 2012, the FERC issued orders approving construction work in progress in rate base and abandoned plant cost recovery requested by NIPSCO for the 100-mile, 345 kV transmission project and its right to develop 50 percent of the 66-mile, 765 kV project. On December 19, 2012, the FERC issued an order authorizing NIPSCO's request to transition to forward looking rates, allowing more timely recovery of NIPSCO's investment in transmission assets. On August 22, 2012, the IURC issued an order authorizing NIPSCO to retain certain revenues under MISO Schedule 26-A. NIPSCO began recording revenue in the first quarter of 2013 using a forward looking rate, based on an average construction work in progress balance of $19.8 million. For the twelve months ended December 31, 2013 revenue of $2.4 million was recorded.

Refer to Note 8, “Regulatory Matters,” in the Notes to Consolidated Financial Statements for a complete discussion of regulatory matters.

Commercial Growth and Expansion of the Gas Transmission and Storage Business
During 2013, Columbia Pipeline Group Operations placed into service strategic growth projects, primarily serving the Utica and Marcellus Shale production area. Below is a discussion of these projects as well as projects that are currently on-going.

Big Pine Gathering System Project. The Columbia Pipeline Group Operations segment made an investment of approximately $165 million, which included right-of-way acquisitions and installation, refurbishment and operation of approximately 57 miles of pipeline facilities in the hydrocarbon-rich Western Pennsylvania shale production region. The newly constructed pipeline has an initial combined capacity of 425,000 Mcf per day. Natural gas production is being sourced from XTO Energy Inc., a subsidiary of ExxonMobil, in Butler County, Pennsylvania, and delivered to Columbia Transmission and two other third-party pipelines in Pennsylvania. The project was placed into service in April 2013.

West Side Expansion. The Columbia Pipeline Group Operations segment is investing approximately $200 million in new pipeline and compression to increase supply origination from the Smithfield and Waynesburg areas on the Columbia Transmission system and provide a backhaul transportation path to Gulf Coast markets on the Columbia Gulf system. This investment will increase capacity up to 444,000 Dth per day from the Smithfield and Waynesburg areas and up to 540,000 Dth per day from Leach to Rayne transporting Marcellus production under long-term, firm contracts. Limited interim service is expected to be provided throughout 2014 with the project fully in service by the fourth quarter of 2014.

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East Side Expansion. The Columbia Pipeline Group Operations segment is developing its East Side Expansion project, which will provide access for Marcellus supplies to the northeastern and mid-Atlantic markets. Backed by binding precedent agreements, the project will add up to 312,000 Dth per day of capacity and is expected to be placed in service by the end of the third quarter 2015. Columbia Transmission plans to invest up to approximately $275 million in this project.

Power Plant Generation Project. The Columbia Pipeline Group Operations segment is spending approximately $37 million on an expansion project, which includes new pipeline and modifications to existing compression assets, with Virginia Power Services Energy Corporation, Inc., the energy manager for Virginia Electric and Power Company. This project will expand the Columbia Transmission system in order to provide up to nearly 250,000 Dth per day of transportation capacity under a long-term, firm contract. The project is expected to be ready for commercial operations by mid-2014.

In addition to the growth projects discussed above, NiSource Midstream continued to capitalize on NiSource's strategic position in the Marcellus and Utica shale production regions. Pennant is investing in the construction of 20-24 inch wet gas gathering pipeline facilities with a capacity of approximately 600 MMcf per day. In addition, Pennant is installing a gas processing facility in New Middletown, Ohio that will have an initial capacity of 200 MMcf per day and an NGL pipeline with an initial capacity of 45,000 barrels per day that can be expanded to 90,000 barrels per day. Consistent with the terms of the joint venture, NiSource Midstream will operate the gas processing facility, NGL pipeline and associated wet gas gathering system. The joint venture is designed and anticipated to serve other producers with significant acreage development in the area with an interest in obtaining capacity on the system. The construction of the facilities will allow Pennant to become a full-service solution for providers in the northern Utica shale region, offering access to wet gas gathering and processing as well as residue gas and NGL takeaway to attractive market destinations. NiSource Midstream's initial investment in this area, including the gathering pipeline, related laterals, NGL pipeline and the processing plant, will be approximately $185 million. A portion of the facilities were placed in service in the fourth quarter of 2013 and the remainder will be in service in the second and third quarters of 2014.

Financial Management of the Balance Sheet

NiSource remains committed to maintaining its liquidity position through management of capital spending, working capital and operational requirements, and its financing needs. NiSource has executed on its plan by taking the following actions:

- As of December 31, 2013, NiSource maintained approximately $1.6 billion in net available liquidity.
- On October 10, 2013, NiSource Finance issued $500.0 million of 5.65% senior unsecured notes that mature on February 1, 2045.
- On September 30, 2013, NiSource Finance amended its existing revolving credit facility with a syndicate of banks led by Barclays Capital to expand its borrowing capacity to $2.0 billion and extend the termination date to September 28, 2018. The purpose of the facility is to fund ongoing working capital requirements including the provision of liquidity support for NiSource’s $1.5 billion commercial paper program, provide for issuance of letters of credit, and also for general corporate purposes. At December 31, 2013, NiSource had no outstanding borrowings under this facility.
- On August 19, 2013, NIPSCO redeemed $30.0 million of 7.16% medium term notes.
- On July 22, 2013, NIPSCO redeemed $5.0 million of 7.21% medium term notes.

- On July 8, 2013, NIPSCO redeemed $15.0 million of 7.35% medium term notes.

- On June 3, 2013, NIPSCO redeemed $18.0 million of 5.20% pollution control bonds.

- On April 15, 2013, NiSource Finance amended the term loan to add an additional lender to the syndicate of banks, increase borrowings under the term loan by $75.0 million to a total of $325.0 million and extend the maturity date to April 15, 2016. Borrowings under the term loan carried an interest rate of BBA LIBOR plus 125 basis points during 2013. Effective with Moody's credit rating upgrade on January 31, 2014, NiSource's credit spread on the term loan is 100 basis points.

- On April 12, 2013, NiSource Finance issued $750.0 million of 4.80% senior unsecured notes that mature on February 15, 2044.

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- On March 1, 2013, NiSource Finance redeemed $420.3 million of 6.15% senior unsecured notes.

Credit Ratings. On January 31, 2014, Moody's Investors Service upgraded the senior unsecured rating for NiSource to Baa2 from Baa3 and NiSource's commercial paper rating to P-2 from P-3. Additionally, the rating for NIPSCO was upgraded to Baa1 from Baa2 and the rating for Columbia of Massachusetts was affirmed at Baa2. Moody's outlook for NiSource and all of its subsidiaries is stable. On December 9, 2013, Fitch affirmed the senior unsecured ratings for NiSource at BBB-, and the existing ratings of all other subsidiaries. Fitch's outlook for NiSource and all of its subsidiaries is stable. On February 25, 2013, Standard & Poor's affirmed the senior unsecured ratings for NiSource and its subsidiaries at BBB-. Standard & Poor's outlook for NiSource and all of its subsidiaries is stable. Although all ratings continue to be investment grade, a downgrade by Standard & Poor's or Fitch would result in a rating that is below investment grade.

Ethics and Controls

NiSource has had a long term commitment to providing accurate and complete financial reporting as well as high standards for ethical behavior by its employees. NiSource's senior management takes an active role in the development of this Form 10-K and the monitoring of the Company's internal control structure and performance. In addition, NiSource will continue its mandatory ethics training program in which employees at every level throughout the organization participate.

Refer to "Management's Report on Internal Control over Financial Reporting" included in Item 9A.

Results of Operations

The following information should be read taking into account the critical accounting policies applied by NiSource as discussed in "Other Information" of this Item 7.

Income from Continuing Operations and Net Income

For the year ended December 31, 2013, NiSource reported income from continuing operations of $490.9 million, or $1.57 per basic share, compared to $408.8 million, or $1.40 per basic share in 2012. Income from continuing operations for the year ended December 31, 2011 was $309.6 million, or $1.10 per basic share.

Including results from discontinued operations, NiSource reported 2013 net income of $532.1 million, or $1.70 per basic share, 2012 net income of $416.1 million, or $1.43 per basic share, and 2011 net income of $299.1 million, or $1.06 per basic share.

Comparability of line item operating results was impacted by regulatory and tax trackers that allow for the recovery in rates of certain costs such as bad debt expenses. Therefore, increases in these tracked operating expenses were offset by increases in net revenues and had essentially no impact on income from continuing operations. An increase in operating expenses of $118.7 million for the 2013 year was offset by a corresponding decrease to net revenues reflecting these tracked costs. In the 2012 period, a decrease in operating expenses of $3.4 million for trackers was offset by a corresponding decrease to net revenues reflecting recovery of these costs.

Net Revenues

NiSource analyzes the operating results using net revenues. Net revenues are calculated as revenues less the associated cost of sales (excluding depreciation and amortization). NiSource believes net revenues is a better measure to analyze profitability than gross operating revenues since the majority of the cost of sales are tracked costs that are passed through directly to the customer resulting in an equal and offsetting amount reflected in gross operating revenues.

Total consolidated net revenues for the year ended December 31, 2013, were $3,841.8 million, a $327.8 million increase compared with 2012. Net revenues increased primarily due to increased Columbia Pipeline Group Operations' net revenues of $179.0 million, higher Gas Distribution Operations' net revenues of $140.3 million and increased Electric Operations' net revenues of $8.6 million.

- Columbia Pipeline Group Operations’ net revenues increased primarily due to higher regulatory trackers, which are offset in expense, of $119.5 million, the current period impacts of the 2012 customer settlement at Columbia Transmission, which resulted in an increase in net revenues of $50.3 million, higher demand and commodity revenue of $11.9 million from new growth projects placed into service and increased mineral rights royalty revenue of $7.0 million. These increases were partially offset by lower shorter term transportation services of $7.6 million.

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- Gas Distribution Operations' net revenues increased primarily due to an increase of $53.8 million for regulatory and service programs, including the impact from the rate cases at Columbia of Pennsylvania and Columbia of Massachusetts and the implementation of rates under Columbia of Ohio's approved infrastructure replacement program, the effects of colder weather of $47.6 million, increased trackers, which are offset in expense, of $18.7 million, an increase in residential, commercial and industrial usage of $10.8 million, and higher revenue of $5.3 million due to an increase in residential and commercial customers.
- Electric Operations' net revenues increased primarily due to an increase in the return on environmental capital investment recovery of $28.9 million due to an increased plant balance eligible for recovery, higher industrial, commercial and residential margins of $17.5 million, transmission upgrade revenue of $6.2 million, increased off-system sales of $4.9 million, higher revenue of $2.2 million due to an increase in commercial and residential customers and an increase in a RTO recovery mechanism of $2.1 million, which is offset in expense. These increases were partially offset by lower environmental cost trackers, which are offset in expense, of $19.5 million, decreased revenue related to emission allowances of $11.9 million, the effects of colder weather of $10.0 million, a decrease of $6.6 million related to the final reconciliation of the revenue credit recorded in 2012 and higher fuel handling costs of $4.3 million.

Total consolidated net revenues for the twelve months ended December 31, 2012 were $3,514.0 million, a $66.5 million increase compared with 2011. Net revenues increased primarily due to increased Electric Operations' net revenues of $130.0 million partially offset by lower Gas Distribution Operations' net revenues of $53.9 million and decreased Columbia Pipeline Group Operations' net revenues of $5.2 million.

- Electric Operations' net revenues increased primarily due to increased industrial, commercial and residential margins of $66.5 million mainly due to the implementation of the electric rate case. Additionally, there were lower revenue credits of $57.6 million as the electric rate case discontinued these credits. Net revenues also increased as a result of an increase in a RTO recovery mechanism of $10.6 million and the recognition of emission allowances that were deferred in previous periods of $6.2 million. These increases were partially offset by a decrease in environmental cost recovery of $21.3 million due to the plant balance eligible for recovery being reset to zero as a result of the electric rate case.
- Gas Distribution Operations' net revenues decreased primarily due to lower regulatory and tax trackers, which are offset in expense, of $53.7 million, and the effects of warmer weather of $36.9 million. These decreases in net revenues were partially offset by an increase of $34.9 million for regulatory and service programs, including the impact of new rates under Columbia of Ohio's approved infrastructure replacement program and the 2011 rate case at Columbia of Pennsylvania.
- Columbia Pipeline Group Operations' net revenues decreased primarily due to the customer settlement at Columbia Transmission which decreased net revenues by $81.7 million. These decreases were partially offset by increased regulatory trackers, which are offset in expense, of $48.6 million, higher demand margin revenue of $21.9 million primarily as a result of growth projects placed into service and an increase of $8.3 million from the impact of higher rates at Columbia Gulf.

Expenses

Operating expenses were $2,734.3 million in 2013, an increase of $228.2 million from the comparable 2012 period. This increase was primarily due to an increase in operation and maintenance expenses of $213.6 million, higher depreciation and amortization of $15.4 million and increased other taxes of $12.9 million, partially offset by an increase in the gain on sale of assets of $13.7 million. The increase in operation and maintenance is due primarily to increased regulatory trackers, which are offset in revenue, of $130.0 million, higher employee and administrative costs of $60.5 million due primarily to greater labor expense due to a growing workforce, timing of outages and maintenance and IT support and enhancement projects, increased outside services of $10.2 million, software data conversion costs of $8.9 million and a mark-to-market adjustment of corporate owned life insurance assets primarily in the prior year of $5.7 million. These increases were partially offset by lower electric generation costs of $13.1 million as a result of the timing of planned and unplanned outages. The increase in depreciation and amortization is primarily due to increased capital expenditures related to projects placed in service. The increase in gain on the sale of assets is primarily from the sale of storage base gas of $11.1 million and conveyances of mineral rights of $7.3 million, both at Columbia Pipeline Group Operations.

Operating expenses were $2,506.1 million in 2012, a decrease of $41.6 million from the comparable 2011 period. This decrease was primarily due to a decrease in operation and maintenance expenses of $41.8 million, lower impairment charges of $20.6

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million and decreased other taxes of $5.4 million, partially offset by an increase in depreciation and amortization of $26.2 million. The decrease in operation and maintenance is due primarily to decreased environmental costs attributable to the 2011 MGP remediation refresh and a decrease in employee and administrative costs driven largely by a decrease in pension contributions at Columbia Pipeline Group Operations. These decreases in operation and maintenance expenses were partially offset by increased MISO fees which were previously deferred until the 2011 electric rate case which resulted in the expiration of the deferral, higher outside services, and increased regulatory trackers, which are offset in revenue. Lower impairment costs are primarily due to the $14.7 million impairment related to Lake Erie Land recorded in the fourth quarter of 2011. These decreases were partially offset by an increase in depreciation and amortization primarily as a result of the expiration of deferrals of depreciation expense for Sugar Creek as a result of the 2011 electric rate case and higher depreciation due to increased capital expenditures. These increases were partially offset by lower depreciation and amortization as a result of the Columbia Transmission customer settlement.

Equity Earnings in Unconsolidated Affiliates

Equity Earnings in Unconsolidated Affiliates were $35.9 million in 2013, an increase of $3.7 million compared with 2012. Equity Earnings in Unconsolidated Affiliates primarily includes investments in Millennium and Hardy Storage which are integral to the Columbia Pipeline Group Operations business. Equity earnings increased primarily from increased earnings at Millennium.

Equity Earnings in Unconsolidated Affiliates were $32.2 million in 2012, an increase of $17.6 million compared with 2011. Equity Earnings in Unconsolidated Affiliates includes investments in Millennium and Hardy Storage which are integral to the Columbia Pipeline Group Operations business. Equity earnings increased primarily from increased earnings at Millennium due to higher demand and commodity revenues.

Other Income (Deductions)

Other Income (Deductions) in 2013 reduced income $390.6 million compared to a reduction of $416.6 million in 2012. The decrease in deductions is primarily due to an increase in Other, net of $22.5 million in 2013 compared to 2012. This increase is primarily attributable to a gain from insurance proceeds and AFUDC earnings. Interest expense of $414.8 million was recorded in 2013, a decrease of $3.5 million compared to the prior year. The decrease resulted from the maturity of $420.3 million of long-term debt in March 2013 and $315.0 million of long-term debt in November 2012, increased AFUDC rates and lower average short-term borrowings partially offset by higher interest expense from the issuance of $500 million of long-term debt in October 2013, $750.0 million of long-term debt in April 2013 and $750.0 million of long-term debt in June 2012.

Other Income (Deductions) in 2012 reduced income $416.6 million compared to a reduction of $438.1 million in 2011. The decrease in other deductions is due to a loss on early extinguishment of debt of $53.9 million in the prior year. Also, there was an increase in other, net due primarily to an increase in AFUDC at NIPSCO. These increases to Other Income were partially offset by increased interest expense of $41.5 million. Interest expense increased primarily due to the issuances of long-term debt of $400.0 million in June 2011, $500.0 million in November 2011, $250.0 million in April 2012, $750.0 million in June 2012, and the expiration of the Sugar Creek deferral. These increases were partially offset by the repurchase of $125.3 million of the 2016 and $124.7 million of the 2013 notes in November 2011 and lower short-term borrowings and rates.

Income Taxes

The effective income tax rates were 34.8%, 34.4% and 35.0% in 2013, 2012 and 2011, respectively. The change in the overall effective tax rate in 2013 versus 2012 and 2012 versus 2011 were minimal. Refer to Note 11, "Income Taxes," in the Notes to Consolidated Financial Statements for further discussion of income taxes.

Discontinued Operations

Discontinued operations reflected net income of $6.3 million in 2013 compared to net income of $7.3 million in 2012 and a loss of $10.5 million in 2011. The income in 2013, 2012 and loss in 2011 relates primarily to activities associated with NiSource's Retail Services business, a settlement at NiSource's former exploration and production subsidiary, CER, NiSource's unregulated natural gas marketing business and Columbia Propane. Income in 2013 is comparable to 2012. Income in 2012 was $17.8 million higher than 2011 due primarily to a reserve at NiSource's unregulated marketing business partially offset by income at NiSource's Retail Services business. A gain on the disposition of discontinued operations of $34.9 million was recorded in 2013 as a result of a gain on the sale of the service plan and leasing business lines of NiSource's Retail Services business partially offset by a loss on the sale of NiSource's unregulated marketing business. Discontinued operations activity resulted in $0.13 earnings per basic share, $0.03 earnings per basic share and $0.04 loss per basic share for 2013, 2012 and 2011, respectively.

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Liquidity and Capital Resources
A significant portion of NiSource's operations, most notably in the gas distribution, gas transportation and electric businesses, are subject to seasonal fluctuations in cash flow. During the heating season, which is primarily from November through March, cash receipts from gas sales and transportation services typically exceed cash requirements. During the summer months, cash on hand, together with the seasonal increase in cash flows from the electric business during the summer cooling season and external short-term and long-term financing, is used to purchase gas to place in storage for heating season deliveries and perform necessary maintenance of facilities. NiSource believes that through income generated from operating activities, amounts available under its short-term revolver, commercial paper program, long-term debt agreements and NiSource's ability to access the capital markets there is adequate capital available to fund its operating activities and capital expenditures in 2014.
Operating Activities
Net cash from operating activities for the year ended December 31, 2013 was $1,436.8 million, an increase of $161.3 million from a year ago. The increase in net cash from operating activities was primarily due to an increase in working capital from income tax receivables of $255.9 million primarily due to a refund from the IRS received in 2013.

Net cash from operating activities for the year ended December 31, 2012 was $1,275.5 million, an increase of $405.3 million from the prior year. The increase in net cash from operating activities was primarily due to the decrease in pension and postretirement contributions of $51.0 million in 2012 compared to $447.1 million in 2011.
Pension and Other Postretirement Plan Funding. In 2013, NiSource contributed $49.3 million to its pension plans and $54.3 million to its postretirement medical and life plans. In 2014, NiSource expects to make contributions of approximately $38.3 million to its pension plans and approximately $39.1 million to its postretirement medical and life plans. At December 31, 2013, NiSource's pension and other post-retirement benefit plans were underfunded by $260.9 million and $260.0 million, respectively.

Investing Activities
The tables below reflect actual capital expenditures and certain other investing activities by segment for 2011, 2012 and 2013, and estimates for 2014.

(in millions)	2014E	2013	2012	2011
Gas Distribution Operations	$817.3	$790.8	$649.4	$539.4
Columbia Pipeline Group Operations	807.3	797.5	489.6	301.5
Electric Operations	456.1	426.3	422.8	267.7
Corporate and Other Operations				