

NISOURCE INC/DE  
Form 424B5  
September 08, 2005

Prospectus Supplement  
(To Prospectus Dated August 7, 2003)

**\$1,000,000,000**

**NiSource Finance Corp.**

**\$450,000,000 5.25% Notes due 2017**

**\$550,000,000 5.45% Notes due 2020**

**Unconditionally Guaranteed by NiSource Inc.**

*Interest payable March 15 and September 15*

Issue price of Notes due 2017: 99.636%

Issue price of Notes due 2020: 99.581%

The Notes due 2017 will mature on September 15, 2017. The Notes due 2020 will mature on September 15, 2020. We may redeem the Notes in whole or in part at any time at the redemption prices for that series described on page S-11.

We will pay interest on the Notes on March 15 and September 15 of each year, beginning on March 15, 2006.

**Investing in the Notes involves risks. See Risk Factors on page S-6.**

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the Notes or determined that this prospectus supplement or the accompanying prospectus is accurate or complete. Any representation to the contrary is a criminal offense.

	<u>Price to Public(1)</u>	<u>Underwriting Discount</u>	<u>Proceeds to Us (before expenses)</u>
Per Note due 2017	99.636%	0.675%	98.961%
Total for Notes due 2017	\$448,362,000	\$3,037,500	\$445,324,500
Per Note due 2020	99.581%	0.750%	98.831%
Total for Notes due 2020	\$547,695,500	\$4,125,000	\$543,570,500
Total	\$996,057,500	\$7,162,500	\$988,895,000

(1) Plus accrued interest, if any, from September 16, 2005.

The Notes will not be listed on any securities exchange. Currently, there is no public market for the Notes.

We expect that delivery of the Notes will be made to investors through the book-entry delivery system of The Depository Trust Company on or about September 16, 2005.

*Joint Bookrunning Managers*

**Barclays Capital**

**Citigroup**

**Credit Suisse First Boston**

*Co-Managers*

**Commerzbank Corporates & Markets**

**Dresdner Kleinwort Wasserstein Securities LLC**

**Harris Nesbitt**

**RBS Greenwich Capital**

September 7, 2005

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**ABOUT THIS PROSPECTUS SUPPLEMENT**

This document is in two parts. The first is this prospectus supplement, which describes the specific terms of this offering. The second part, the accompanying prospectus, gives more general information, some of which may not apply to this offering.

If the description of the offering varies between this prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement.

**You should rely only on the information contained in this document or to which we have referred you. We have not authorized anyone to provide you with information that is different. This document may only be used where it is legal to sell these securities. The information in this document may only be accurate on the date of this document.**

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## SUMMARY

*This summary highlights certain information appearing elsewhere in this document. This summary is not complete and does not contain all of the information that you should consider before purchasing the Notes. You should carefully read the Risk Factors section beginning on page S-6 of this prospectus supplement to determine whether an investment in our Notes is appropriate for you. Unless the context requires otherwise, references to we, us or our refer collectively to NiSource and its subsidiaries.*

### NiSource Inc.

*Overview.* NiSource is a super-regional energy holding company that provides natural gas, electricity and other products and services to over 3.7 million customers located within the energy corridor that runs from the Gulf Coast through the Midwest to New England.

We are the largest regulated natural gas distribution company, as measured by number of customers, operating east of the Rocky Mountains. Our principal subsidiaries include Columbia Energy Group, a vertically-integrated natural gas distribution, transmission and storage holding company whose subsidiaries provide service to customers in the Midwest, the Mid-Atlantic and the Northeast; Northern Indiana Public Service Company, a vertically-integrated natural gas and electric company providing service to customers in northern Indiana; and Bay State Gas Company, a natural gas distribution company serving customers in New England. NiSource derives substantially all its revenues and earnings from the operating results of its subsidiaries. Our primary business segments are:

gas distribution;

gas transmission and storage; and

electric operations.

*Strategy.* We have focused our business strategy on our core, rate-regulated asset-based businesses, with virtually 100% of our operating income generated from the rate-regulated businesses. With the nation's fourth largest natural gas pipeline, the largest natural gas distribution network east of the Rocky Mountains and one of the nation's largest natural gas storage networks, we operate throughout the energy-intensive corridor that extends from the supply areas in the Gulf Coast through the consumption centers in the Midwest, Mid-Atlantic, New England and Northeast. This corridor includes 30% of the nation's population and 40% of its energy consumption. We continue to position our assets to meet the corridor's growing energy needs.

*Gas Distribution.* We are the nation's third largest regulated gas distribution company based on volume of gas sales, with an average volume of over 2.3 billion cubic feet per day. Through our wholly-owned subsidiary, Columbia Energy Group, we own five distribution subsidiaries that provide natural gas under the Columbia Gas name to approximately 2.2 million residential, commercial and industrial customers in Ohio, Pennsylvania, Virginia, Kentucky and Maryland. We also distribute natural gas to approximately 784,000 customers in northern Indiana through three subsidiaries: Northern Indiana Public Service Company, Kokomo Gas and Fuel Company and Northern Indiana Fuel and Light Company, Inc. Additionally, our subsidiaries Bay State Gas Company and Northern Utilities, Inc. distribute natural gas to more than 335,000 customers in the areas of Brockton, Lawrence and Springfield, Massachusetts, Lewiston and Portland, Maine, and Portsmouth, New Hampshire.

*Gas Transmission and Storage.* Our gas transmission and storage subsidiaries own and operate an interstate pipeline network of approximately 16,000 miles extending from offshore in the Gulf of Mexico to Lake Erie, New York and the eastern seaboard. Together, the companies serve customers in 19 northeastern, mid-Atlantic, midwestern and southern states, as well as the District of Columbia. In addition, Columbia Gas Transmission Corporation operates one of the nation's largest underground natural gas storage systems, capable of storing approximately 646 billion cubic feet of natural gas.

*Electric Operations.* We generate and distribute electricity through our subsidiary Northern Indiana Public Service Company. Northern Indiana provides electric service to approximately 446,000 customers in 21

counties in the northern part of Indiana. Northern Indiana owns and operates three coal-fired electric generating stations with a net capacity of 2,574 megawatts, five gas-fired combustion turbine generating units with a net capacity of 306 megawatts and two hydroelectric generating plants with a net capacity of 10 megawatts, for a total system net capacity of 2,890 megawatts. Northern Indiana is interconnected with five neighboring electric utilities. During the year ended December 31, 2004, Northern Indiana generated 84.1% and purchased 15.9% of its electric requirements.

*Other Operations.* We provide energy-related services including gas marketing, power trading and ventures focused on distributed power generation technologies, including a cogeneration facility, fuel cells and storage systems. We own and operate the Whiting Clean Energy project, located at BP's Whiting, Indiana refinery. We participate in real estate and other businesses.

**NiSource Finance Corp.**

NiSource Finance is a wholly-owned special purpose finance subsidiary of NiSource that engages in financing activities to raise funds for the business operations of NiSource and its subsidiaries. NiSource Finance's obligations under the Notes will be fully and unconditionally guaranteed by NiSource. NiSource Finance was incorporated in March 2000 under the laws of the State of Indiana.

Our executive offices are located at 801 East 86th Avenue, Merrillville, Indiana 46410, telephone: (877) 647-5990.

**The Offering**

Issuer	NiSource Finance Corp.
Securities Offered	<p>\$450,000,000 aggregate principal amount of 5.25% Notes due 2017.</p> <p>\$550,000,000 aggregate principal amount of 5.45% Notes due 2020.</p>
Guarantee	NiSource Inc. will fully and unconditionally guarantee all the obligations of NiSource Finance under the Notes.
Maturity Date	<p>The Notes due 2017 will mature on September 15, 2017.</p> <p>The Notes due 2020 will mature on September 15, 2020.</p>
Interest Rate	<p>The interest rate on the Notes due 2017 will be 5.25% per annum.</p> <p>The interest rate on the Notes due 2020 will be 5.45% per annum.</p>
Interest Payment Dates	Each March 15 and September 15, commencing March 15, 2006.
Optional Redemption	We may redeem all or part of the Notes at any time at our option at a redemption price equal to the greater of (1) the principal amount of the notes being redeemed plus accrued interest to the redemption date and (2) a make-whole amount based on the yield of a comparable U.S. Treasury security plus 0.25% in the case of the Notes due 2017 and 0.30% in the case of the Notes due 2020.
Ranking	<p>The Notes will be senior, unsecured obligations of NiSource Finance ranking equally in right of payment with other senior indebtedness of NiSource Finance.</p> <p>The guarantee will be a senior, unsecured obligation of NiSource, ranking equally in right of payment with other senior indebtedness of NiSource. Because NiSource is a holding company that derives substantially all of its income from operating subsidiaries, the guarantee will effectively be subordinated to debt and preferred stock at the subsidiary level.</p> <p>The Indenture does not limit the amount of debt that NiSource Finance, NiSource or any of its subsidiaries may incur.</p>
Limitation on Liens	Subject to certain exceptions, neither NiSource Finance, NiSource nor any subsidiary of NiSource other than a utility may issue, assume or guarantee any secured debt, except intercompany indebtedness, without also securing the Notes, unless the total amount of all of the secured debt would not exceed 10% of our consolidated net tangible assets.
Use of Proceeds	The net proceeds, after estimated expenses, to us from the sale of the Notes offered hereby will be approximately \$988,745,000, which we will use to pay off \$900,000,000 aggregate principal amount of our 7 5/8% notes due November 15, 2005 at maturity, and for general corporate purposes. Pending such application, the proceeds will be invested in cash equivalents.

For additional information regarding the Notes, see Supplemental Description of the Notes.

## RISK FACTORS

*In deciding whether to invest in the Notes, you should consider carefully the following factors that could materially adversely affect our operating results and financial condition. Although we have tried to discuss key factors, please be aware that other risks may prove to be important in the future. New risks may emerge at any time, and we cannot predict those risks or estimate the extent to which they may affect our financial performance. You should also consider the information included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2004 and our subsequent reports on Form 10-Q and Form 8-K. Each of the risks described below could result in a decrease in the value of the Notes and your investment therein.*

### **We have substantial indebtedness, which could adversely affect our financial condition.**

We have a significant amount of indebtedness outstanding as a result of our acquisition of Columbia Energy Group. We had total consolidated indebtedness of approximately \$6,067 million outstanding as of June 30, 2005.

Our substantial indebtedness could have important consequences to you. For example, it could:

limit our ability to borrow additional funds or increase the cost of borrowing additional funds;

reduce the availability of cash flow from operations to fund working capital, capital expenditures and other general corporate purposes;

limit our flexibility in planning for, or reacting to, changes in our business and the industries in which we operate;

lead parties with whom we do business to require additional credit support, such as letters of credit, in order for us to transact such business;

place us at a competitive disadvantage compared to our competitors that are less leveraged; and

increase our vulnerability to general adverse economic and industry conditions.

Some of our debt obligations contain financial covenants related to debt-to-capital ratios and cross-default provisions. Our failure to comply with any of these covenants could result in an event of default which, if not cured or waived, could result in the acceleration of our outstanding debt obligations. Any such acceleration would cause a material adverse change in our financial condition.

### **Our costs of compliance with environmental laws are significant. The costs of compliance with future environmental laws and the incurrence of environmental liabilities could harm our cash flow and profitability.**

NiSource's subsidiaries are subject to extensive federal, state and local environmental requirements that, among other things, regulate air emissions, water usage and discharges, remediation and the management of chemicals, hazardous and solid waste. Compliance with these legal requirements requires us to commit significant expenditures for installation of pollution control equipment, remediation, environmental monitoring, emissions fees and permits at all of our facilities. These expenditures are significant, and we expect that they will continue to be significant in the future.

If we fail to comply with environmental laws and regulations, even if caused by factors beyond our control, that failure may result in the assessment of civil or criminal penalties and fines against NiSource and its subsidiaries. In September 2004, the Environmental Protection Agency issued a notice of violation to Northern Indiana Public Service Company alleging violations of the new source review provisions of the Clean Air Act. An adverse outcome in this matter could require capital expenditures beyond Environmental Protection Agency requirements that cannot be determined at this time and could require payment of substantial penalties.

Existing environmental laws and regulations may be revised, and new laws and regulations seeking to protect the environment may be adopted or become applicable to us. Revised or additional laws and



regulations could result in significant additional expense and operating restrictions on our facilities or increased compliance costs, which may not be fully recoverable from our customers and would therefore reduce our net income. The cost impact of any new or amended legislation would depend upon the specific requirements enacted and cannot be determined at this time.

**A significant portion of the gas and electricity we sell is used for heating and air conditioning. Accordingly, our operating results fluctuate depending on the weather.**

Our energy sales are sensitive to variations in weather conditions. We forecast energy sales on the basis of normal weather, which represents a long-term historical average. Significant variations from normal weather could have, and have had, a material impact on energy sales.

**Our electric operations are subject to economic conditions in certain industries.**

Our electric operations in northern Indiana have been and may continue to be adversely affected by events in the steel and steel related industries. In particular, sales to large industrial customers in these industries have been impacted by economic downturns generally, and may be affected by consolidation and globalization within such industries.

**Certain events that are beyond our control have increased the level of public and regulatory scrutiny of our industry. Governmental and market reactions to these events may have negative impacts on our business, financial condition and access to capital.**

As a result of the energy crisis in California during the summer of 2001, the recent volatility of natural gas prices in North America, the bankruptcy filing by Enron Corporation, the blackout in the Northeast in 2003, accounting irregularities at public companies in general and energy companies in particular, and investigations by governmental authorities into energy trading activities, companies in the regulated and unregulated utility business have been under a generally increased amount of public and regulatory scrutiny and suspicion. Accounting irregularities have caused regulators and legislators to review current accounting practices, financial disclosures and companies' relationships with their independent auditors. The capital markets and ratings agencies also have increased their level of scrutiny. We believe that we are complying with all applicable laws and accounting standards, but it is difficult or impossible to predict or control what effect these types of events may have on our business, financial condition or access to the capital markets.

**Our Whiting merchant energy project is operating at a loss.**

We own and operate a merchant energy facility at BP's Whiting, Indiana refinery. This facility uses natural gas to generate electricity for sale in the wholesale markets and to generate steam for industrial use by BP's refinery. Recent developments in the wholesale power market have resulted in depressed wholesale power prices, which have substantially reduced revenues for participants in the market. We expect that the facility will operate at a loss in the near term based on the current market view of forward pricing for gas and electricity. The after-tax loss for 2004 was approximately \$32.8 million. For the first half of 2005, the after tax loss was approximately \$17.9 million.

Results in future periods will be dependent on a number of factors, including approval by the Indiana Utility Regulatory Commission, or IURC, of an electric sales agreement permitting our Whiting project to sell power to our subsidiary Northern Indiana Public Service Company in order to meet system reliability standards. The IURC has yet to approve this electric sales agreement. We have reached a settlement agreement with the Indiana Office of Utility Consumer Counselor. The settlement agreement outlines parameters surrounding the amount of power Northern Indiana purchases from our Whiting project, including how the costs for that purchased power are to be recovered by Northern Indiana from residential, commercial and industrial customer segments and provides for conditions when the purchases could be made. Northern Indiana will make purchases from our Whiting project through November 30, 2005 and will continue to evaluate other reliability options. Under the settlement agreement, Northern Indiana also agreed to file a rate case with the IURC on or before July 1, 2008. Future results of our Whiting project are also dependent on

prevailing prices in the energy markets, regional load dispatch patterns and the steam requirements of BP's refinery.

**The Notes and guarantees are obligations of NiSource Finance and NiSource, respectively, and not of our operating subsidiaries and will be effectively subordinated to the claims of the operating subsidiaries' creditors.**

The Notes and guarantees are obligations of NiSource Finance and NiSource, respectively, and not of our other subsidiaries. NiSource is a holding company and, accordingly, substantially all of our operations are conducted through our operating subsidiaries. NiSource Finance is a special purpose finance subsidiary, which has no independent operations other than its financing activities. As a result, our cash flow and our ability to service our debt, including the Notes, depends upon the earnings of our operating subsidiaries and on the distribution of earnings, loans or other payments by such subsidiaries to NiSource and NiSource Finance.

Our operating subsidiaries are separate and distinct legal entities and have no obligation to pay any amounts due on the Notes or to provide us with funds for our payment obligations, whether by dividends, distributions, loans or other payments. In addition, any payment of dividends, distributions, loans or advances by our subsidiaries to us could be subject to statutory or contractual restrictions. Payments to us by our operating subsidiaries will also be contingent upon such subsidiaries' earnings and business considerations. As of June 30, 2005, our operating subsidiaries had approximately \$2.3 billion of indebtedness.

Our right to receive any assets of any of our subsidiaries upon their liquidation or reorganization, and therefore the rights of the holders of the Notes to participate in those assets, will be effectively subordinated to the claims of that subsidiary's creditors. In addition, even if we were a creditor of any of our subsidiaries, our rights as a creditor would be subordinate to any security interest in the assets of our subsidiaries and any indebtedness of our subsidiaries senior to that held by us.

### INCORPORATION BY REFERENCE

The SEC allows us to incorporate by reference information into this prospectus and prospectus supplement. This means that we can disclose important information to you by referring you to another document that NiSource has filed separately with the SEC. The information incorporated by reference is considered to be part of this prospectus and prospectus supplement. Information that NiSource files with the SEC after the date of this prospectus supplement will automatically modify and supersede the information included or incorporated by reference in this prospectus and prospectus supplement to the extent that the subsequently filed information modifies or supersedes the existing information. We incorporate by reference:

our Annual Report on Form 10-K for the fiscal year ended December 31, 2004;

our Quarterly Reports on Form 10-Q for the fiscal quarters ended March 31, 2005 and June 30, 2005;

our Current Reports on Form 8-K filed on January 3, 2005, February 3, 2005, February 9, 2005, March 17, 2005, March 17, 2005, April 5, 2005, May 16, 2005, June 24, 2005, August 26, 2005 and August 26, 2005; and

any future filings we make with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 until we sell all of the securities offered by the prospectus supplement.

You may request a copy of any of these filings at no cost by writing to or telephoning us at the following address and telephone number: Gary W. Pottorff, NiSource Inc., 801 East 86th Avenue, Merrillville, Indiana 46410, telephone: (877) 647-5990.

### USE OF PROCEEDS

The net proceeds, after estimated expenses, to us from the sale of the Notes offered hereby will be approximately \$988,745,000. We will use the funds to pay off \$900,000,000 aggregate principal amount of our 7 5/8% notes due November 15, 2005 at maturity, and for general corporate purposes. Pending such application, the proceeds will be invested in cash equivalents.

**CAPITALIZATION**

The following table shows our capitalization and short-term indebtedness at June 30, 2005 (1) on an actual consolidated basis and (2) on a consolidated basis as adjusted to reflect the issuance and sale of the Notes and the use of the net proceeds as set forth under Use of Proceeds. This table should be read in conjunction with our consolidated financial statements and related notes for the six months ended June 30, 2005, incorporated by reference in this prospectus supplement and accompanying prospectus. See Incorporation by Reference.

	June 30, 2005	
	Actual	As Adjusted
	(in millions)	
Long-term debt (excluding amounts due within one year)	\$4,807.3	\$ 5,796.2
Cumulative preferred stock (without mandatory redemption provisions)	81.1	81.1
Common stockholders' equity	4,894.9	4,894.9
	<u>          </u>	<u>          </u>
Total capitalization	\$9,783.3	\$10,772.2
	<u>          </u>	<u>          </u>
Short-term borrowings (including current portion of long-term debt)	\$1,260.1	\$ 360.1
	<u>          </u>	<u>          </u>
Cash and cash equivalents	\$ 258.2	\$ 346.9
	<u>          </u>	<u>          </u>

**RATIOS OF EARNINGS TO FIXED CHARGES**

The following are ratios of our earnings to fixed charges for each of the periods indicated:

Six Months Ended June 30, 2005	Fiscal Year Ended December 31				
	2004	2003	2002	2001	2000
2.61	2.56	2.33	2.06	1.51	1.66

For purposes of calculating the ratio of earnings to fixed charges, earnings consist of income from continuing operations before income taxes plus fixed charges. Fixed charges consist of interest on all indebtedness, amortization of debt expense, the portion of rental expenses on operating leases deemed to be representative of the interest factor and preferred stock dividend requirements of consolidated subsidiaries.

## SUPPLEMENTAL DESCRIPTION OF THE NOTES

Please read the following information concerning the Notes in conjunction with the statements under Description of the Debt Securities in the accompanying prospectus, which the following information supplements and, if there are any inconsistencies, supersedes. The following description is not complete. The Notes will be issued under the Indenture, dated November 14, 2000, that we have entered into with JPMorgan Chase Bank, N.A. (as successor to The Chase Manhattan Bank), as trustee. The Indenture is described in the accompanying prospectus and is filed as an exhibit to the registration statement under which the Notes are being offered and sold.

### **Maturity, Interest and Payment**

The Notes due 2017 will mature on September 15, 2017 and the Notes due 2020 will mature on September 15, 2020. The Notes will bear interest from and including September 16, 2005, payable semi annually in arrears on March 15 and September 15 of each year, commencing March 15, 2006. Interest payable on each interest payment date will be paid to the persons in whose names the Notes are registered at the close of business on each March 1 and September 1. If an interest payment date falls on a day that is not a business day, interest will be payable on the next succeeding business day with the same force and effect as if made on such interest payment date. Interest on the Notes will be calculated on the basis of a 360-day year, consisting of twelve 30-day months, and will accrue from September 16, 2005 or from the most recent interest payment date to which interest has been paid.

### **Optional Redemption**

We may redeem all or part of the Notes of each series at any time at our option at a redemption price equal to the greater of (1) the principal amount of the Notes being redeemed plus accrued interest to the redemption date or (2) the Make-Whole Amount for the Notes being redeemed.

The following definitions apply to the Notes:

**Make-Whole Amount** means the sum, as determined by a Quotation Agent, of the present values of the principal amount of the Notes to be redeemed, together with scheduled payments of interest (exclusive of interest to the redemption date) from the redemption date to the maturity date of the Notes, in each case discounted to the redemption date on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Adjusted Treasury Rate, plus accrued interest on the principal amount of the Notes being redeemed to the redemption date.

**Adjusted Treasury Rate** means, with respect to any redemption date, (i) the yield, under the heading which represents the average for the immediately preceding week, appearing in the most recently published statistical release designated H.15 (519) or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and which establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption Treasury Constant Maturities, for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three months before or after the remaining term of the Notes, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue shall be determined and the Adjusted Treasury Rate shall be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month) or (ii) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per year equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue (expressed as a percentage of its principal amount) assuming a price for the Comparable Treasury Issue equal to the Comparable Treasury Price for such redemption date, in each case calculated on the third business day preceding the redemption date, plus 0.25% in the case of the Notes due 2017 and 0.30% in the case of the Notes due 2020.

**Comparable Treasury Issue** means the United States Treasury security selected by the Quotation Agent as having a maturity comparable to the remaining term from the redemption date to the maturity date

of the Notes that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the Notes.

**Quotation Agent** means the Reference Treasury Dealer selected by the trustee after consultation with us.

**Reference Treasury Dealer** means a primary U.S. Government securities dealer selected by us.

**Comparable Treasury Price** means, with respect to any redemption date, if clause (ii) of the definition of Adjusted Treasury Rate is applicable, the average of three, or such lesser number as is obtained by the trustee, Reference Treasury Dealer Quotations for such redemption date.

**Reference Treasury Dealer Quotations** means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by a Reference Treasury Dealer, of the bid and asked prices for the Comparable Treasury Issue, expressed in each case as a percentage of its principal amount, quoted in writing to the trustee by such Reference Treasury Dealer at 5:00 p.m., New York City time, on the third business day preceding such redemption date.

### **Selection and Notice of Redemption**

If we are redeeming less than all the Notes of a series at any time, the trustee will select the Notes of such series to be redeemed using a method it considers fair and appropriate.

We will redeem Notes in increments of \$1,000. We will cause notices of redemption to be mailed by first-class mail at least 30 but not more than 60 days before the redemption date to each holder of Notes to be redeemed at its registered address.

If any Note is to be redeemed in part only, the notice of redemption that relates to that Note will state the portion of the principal amount thereof to be redeemed. We will issue a Note in principal amount equal to the unredeemed portion of the original Note in the name of the holder thereof upon cancellation of the original Note. Notes called for redemption will become due on the date fixed for redemption. On or after the redemption date, interest will cease to accrue on Notes or portions of them called for redemption.

### **Forms and Denominations**

The Notes of each series will be issued as one or more global securities in the name of a nominee of The Depository Trust Company and will be available only in book-entry form. See **Description of the Debt Securities Book-Entry Issuance** in the accompanying prospectus. The Notes are available for purchase in multiples of \$1,000.

### **Additional Notes**

We may, without the consent of the holders of the Notes, create and issue additional Notes of a series ranking equally with the Notes of such series in all respects, including having the same CUSIP number, so that such additional Notes would be consolidated and form a single series with the Notes of such series and would have the same terms as to status, redemption or otherwise as the Notes of such series. No additional Notes may be issued if an Event of Default has occurred and is continuing with respect to the Notes.

## CERTAIN ERISA CONSIDERATIONS

The following is a summary of certain considerations associated with the purchase of Notes by employee benefit plans that are subject to Title I of the Employee Retirement Income Security Act of 1974, as amended ( ERISA ), plans, individual retirement accounts and other arrangements that are subject to Section 4975 of the Internal Revenue Code of 1986, as amended (the Code ), or provisions under any federal, state, local non-U.S. or other laws or regulations that are similar to such provisions of ERISA or the Code, and entities whose underlying assets are considered to include plan assets of such plans, accounts and arrangements (each, a Plan ).

### General Fiduciary Matters

ERISA and the Code impose certain duties on persons who are fiduciaries of a Plan subject to Title I of ERISA or Section 4975 of the Code (an ERISA Plan ) and prohibit certain transactions involving the assets of an ERISA Plan and its fiduciaries or other interested parties. Under ERISA and the Code, any person who exercises any discretionary authority or control over the management or administration of such an ERISA Plan or the management or disposition of the assets of such an ERISA Plan, or who renders investment advice for a fee or other compensation to such an ERISA Plan, is generally considered to be a fiduciary of the ERISA Plan.

In considering an investment in the Notes of a portion of the assets of any Plan, a fiduciary should determine whether the investment is in accordance with the documents and instruments governing the Plan and the applicable provisions of ERISA, the Code or any similar law relating to a fiduciary's duties to the Plan including, without limitation, the prudence, diversification, delegation of control and prohibited transaction provisions of ERISA, the Code and any other applicable similar laws.

### Prohibited Transaction Issues

Section 406 of ERISA and Section 4975 of the Code prohibit ERISA Plans from engaging in specified transactions involving plan assets with persons or entities who are parties in interest, within the meaning of ERISA, or disqualified persons, within the meaning of Section 4975 of the Code, unless an exemption is available. A party in interest or disqualified person who engages in a non-exempt prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code. In addition, the fiduciary of the ERISA Plan that engages in such a non-exempt prohibited transaction may be subject to penalties and liabilities under ERISA and the Code. The acquisition or holding of Notes by an ERISA Plan with respect to which NiSource, NiSource Finance or an underwriter is considered a party in interest or a disqualified person may constitute or result in a direct or indirect prohibited transaction under Section 406 of ERISA or Section 4975 of the Code, unless the investment is acquired and is held in accordance with an applicable statutory, class or individual prohibited transaction exemption. In this regard, the U.S. Department of Labor has issued prohibited transaction class exemptions, or PTCES, that may apply to the acquisition and holding of the Notes. These class exemptions include PTCE 84-14 respecting transactions determined by independent qualified professional asset managers, PTCE 90-1 respecting insurance company pooled separate accounts, PTCE 91-38 respecting bank collective investment funds, PTCE 95-60 respecting life insurance company general accounts and PTCE 96-23 respecting transactions determined by in-house asset managers. There can be no assurance that a particular purchase of Notes will satisfy all of the conditions of any such exemptions.

Because of the foregoing, the Notes should not be purchased or held by any person investing plan assets of any Plan, unless such purchase and holding will not constitute a non-exempt prohibited transaction under ERISA and the Code or a violation of any applicable similar laws.

### Representation

By acceptance of a Note, each purchaser and subsequent transferee of a Note will be deemed to have represented and warranted that (i) no portion of the assets used by such purchaser or transferee to acquire and hold the Note constitutes assets of any Plan, (ii) the Plan is a governmental plan as defined in Section 3 of

ERISA which is not subject to the provisions of Title I of ERISA or Section 401 of the Code or (iii) the purchase and holding of the Note by such purchaser or transferee will not constitute a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or violation under any applicable similar laws because such purchase and holding satisfies the conditions of a class exemption, including PTCE 91-38, 90-1, 84-14, 95-60 or 96-23.

The foregoing discussion is general in nature and is not intended to be all-inclusive. Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is particularly important that fiduciaries, or other persons considering purchasing the Notes on behalf of, or with the assets of, any Plan consult with their counsel regarding the potential applicability of ERISA, Section 4975 of the Code and any similar laws to such investment and whether an exemption would be applicable to the purchase and holding of the Notes.



### UNDERWRITING

Under the terms and subject to the conditions contained in the underwriting agreement, we have agreed to sell to the underwriters named below, for whom Barclays Capital Inc., Citigroup Global Markets Inc. and Credit Suisse First Boston LLC are acting as representatives, the following respective principal amounts of the Notes:

Underwriter	Principal Amount of Notes due 2017	Principal Amount of Notes due 2020
Barclays Capital Inc.	\$ 120,000,000	\$ 146,668,000
Citigroup Global Markets Inc.	120,000,000	146,666,000
Credit Suisse First Boston LLC	120,000,000	146,666,000
Commerzbank Capital Markets Corp.	22,500,000	27,500,000
Dresdner Kleinwort Wasserstein Securities LLC	22,500,000	27,500,000
Harris Nesbitt Corp.	22,500,000	27,500,000
Greenwich Capital Markets, Inc.	22,500,000	27,500,000
Total	<u>\$ 450,000,000</u>	<u>\$ 550,000,000</u>

The underwriting agreement provides that the underwriters are obligated to purchase all of the Notes if any are purchased. The underwriting agreement also provides that if an underwriter defaults the purchase commitments of non-defaulting underwriters may be increased or the offering of Notes may be terminated.

The underwriters propose to offer the Notes due 2017 initially at the public offering price on the cover page of this prospectus supplement and to selling group members at that price less a selling concession of 0.40% of the principal amount per Note due 2017. The underwriters and selling group members may allow a discount of 0.25% of the principal amount per Note due 2017 on sales to other broker/ dealers. After the initial public offering, the underwriters may change the public offering price, selling concession and discount to broker/ dealers.

The underwriters propose to offer the Notes due 2020 initially at the public offering price on the cover page of this prospectus supplement and to selling group members at that price less a selling concession of 0.45% of the principal amount per Note due 2020. The underwriters and selling group members may allow a discount of 0.25% of the principal amount per Note due 2020 on sales to other broker/dealers. After the initial public offering, the underwriters may change the public offering price, selling concession and discount to broker/dealers.

We estimate that our out of pocket expenses for this offering will be approximately \$150,000.

It is expected that delivery of the Notes will be made on or about the date specified on the cover page of this prospectus supplement, which will be the seventh business day following the date of this prospectus supplement. Under Rule 15c6-1 of the SEC under the Securities Exchange Act, trades in the secondary market generally are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, the purchasers who wish to trade the Notes on the date of this prospectus supplement or the three succeeding business days will be required to specify an alternate settlement cycle at the time of any such trade to prevent failed settlement. Purchasers of the Notes who wish to trade the Notes on the date of this prospectus supplement or the three succeeding business days should consult their own advisors.

The Notes are a new issue of securities with no established trading market. One or more of the underwriters intends to make a secondary market for the Notes. However, they are not obligated to do so and may discontinue making a secondary market for the Notes at any time without notice. No assurance can be given as to how liquid the trading market for the Notes will be.

We have agreed to indemnify the underwriters against liabilities under the Securities Act, or contribute to payments which the underwriters may be required to make in that respect.

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In connection with the offering, the underwriters may engage in stabilizing transactions, over-allotment transactions, syndicate covering transactions and penalty bids in accordance with Regulation M under the Securities Exchange Act.

Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specific maximum.

Over-allotment involves sales by the underwriters of Notes in excess of the principal amount of Notes the underwriters are obligated to purchase, which creates a syndicate short position.

Syndicate covering transactions involve purchases of the Notes in the open market after the distribution has been completed in order to cover syndicate short positions. A short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the Notes in the open market after pricing that could adversely affect investors who purchase in the offering.

Penalty bids permit the representatives to reclaim a selling concession from a syndicate member when the Notes originally sold by the syndicate member are purchased in a stabilizing transaction or a syndicate covering transaction to cover syndicate short positions. These stabilizing transactions, syndicate covering transactions and penalty bids may have the effect of raising or maintaining the market price of the Notes or preventing or retarding a decline in the market price of the Notes. As a result the price of the Notes may be higher than the price that might otherwise exist in the open market. These transactions, if commenced, may be discontinued at any time.

The underwriters and their affiliates have provided certain investment banking, commercial banking and other financial services to us and our affiliates, for which they have received customary fees. Under our five-year revolving credit agreement, Barclays Capital Inc. serves as lead arranger and sole book runner, and Credit Suisse First Boston LLC serves as syndication agent, lead arranger and a lender. In addition, Barclays Bank PLC, an affiliate of Barclays Capital Inc., serves as administrative agent, LC bank, a lender and swingline lender, Citicorp USA, Inc., an affiliate of Citigroup Global Markets Inc., serves as co-documentation agent and a lender, and Commerzbank AG, an affiliate of Commerzbank Capital Markets Corp., Dresdner Bank AG, an affiliate of Dresdner Kleinwort Wasserstein Securities LLC, Harris Nesbitt Financing, Inc., an affiliate of Harris Nesbitt Corp., and The Royal Bank of Scotland plc, an affiliate of Greenwich Capital Markets, Inc., each serves as a lender. The underwriters and their affiliates may from time to time engage in future transactions with us and our affiliates and provide services to us and our affiliates in the ordinary course of their business.

Certain of the underwriters will make the securities available for distribution on the Internet through a proprietary Web site and/or a third-party system operated by MarketAxess Corporation, an Internet-based communications technology provider. MarketAxess Corporation is providing the system as a conduit for communications between certain of the underwriters and their customers and is not a party to any transactions. MarketAxess Corporation, a registered broker-dealer, will receive compensation from certain of the underwriters based on transactions such underwriters conduct through the system. Certain of the underwriters will make the securities available to their customers through the Internet distributions, whether made through a proprietary or third-party system, on the same terms as distributions made through other channels.

**LEGAL MATTERS**

The validity of the Notes will be passed upon for us by Schiff Hardin LLP, Chicago, Illinois. Peter V. Fazio, Jr., a partner of the firm who also serves as executive vice president and general counsel of NiSource, holds approximately 11,400 shares of NiSource's common stock. The underwriters have been represented by Dewey Ballantine LLP, New York, New York.

**EXPERTS**

The consolidated financial statements, the related financial statement schedules and management's report on the effectiveness of internal control over financial reporting incorporated in this prospectus by reference from NiSource's Annual Report on Form 10-K for the year ended December 31, 2004 have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report, which is incorporated herein by reference (which report (1) expresses an unqualified opinion on the financial statements and financial statement schedules and includes an explanatory paragraph related to the adoption of FASB Statement No. 143, Accounting for Retirement Obligations, (2) expresses an unqualified opinion on management's assessment regarding the effectiveness of internal control over financial reporting and (3) expresses an unqualified opinion on the effectiveness of internal control over financial reporting), and has been so incorporated in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

PROSPECTUS

\$2,807,005,000

**NiSource Inc.**

Common Stock

Preferred Stock

Guarantees of Debt Securities

Warrants

Stock Purchase Contracts

Stock Purchase Units

**NiSource Finance Corp.**

Debt Securities

Guaranteed as Set Forth in this Prospectus by NiSource Inc.

Warrants

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NiSource Inc. may offer, from time to time, in amounts, at prices and on terms that it will determine at the time of offering, any or all of the following:

shares of common stock, including preferred stock purchase rights;

shares of preferred stock, in one or more series;

warrants to purchase common stock or preferred stock; and

stock purchase contracts to purchase common stock, either separately or in units with the debt securities described below or U.S. Treasury securities.

NiSource Finance Corp., a wholly owned subsidiary of NiSource, may offer from time to time in amounts, at prices and on terms to be determined at the time of the offering:

one or more series of its debt securities; and

warrants to purchase debt securities.

NiSource will fully and unconditionally guarantee the obligations of NiSource Finance under any debt securities issued under this prospectus or any prospectus supplement.

We will provide specific terms of these securities, including their offering prices, in prospectus supplements to this prospectus. The prospectus supplements may also add, update or change information contained in this prospectus. You should read this prospectus and any prospectus supplement carefully before you invest.

We may offer these securities to or through underwriters, through dealers or agents, directly to you or through a combination of these methods. You can find additional information about our plan of distribution for the securities under the heading **Plan of Distribution** beginning on page 20

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of this prospectus. We will also describe the plan of distribution for any particular offering of these securities in the applicable prospectus supplement. This prospectus may not be used to sell our securities unless it is accompanied by a prospectus supplement.

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**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities or determined if this Prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

The date of this prospectus is August 7, 2003.

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## ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that we have filed with the Securities and Exchange Commission, or SEC, utilizing a shelf registration or continuous offering process. Under this process, we may from time to time sell any combination of the securities described in this prospectus in one or more offerings up to a total dollar amount of \$2,807,005,000.

This prospectus provides you with a general description of the common stock, preferred stock, debt securities, guarantees of debt securities, warrants, stock purchase contracts and stock purchase units we may offer. Each time we offer securities, we will provide a prospectus supplement that will contain specific information about the terms of that offering. That prospectus supplement may include a description of any risk factors or other special considerations applicable to those securities. The prospectus supplement may also add, update or change information contained in this prospectus. If there is any inconsistency between the information in the prospectus and the prospectus supplement, you should rely on the information in the prospectus supplement. You should read both this prospectus and the applicable prospectus supplement together with the additional information described under the heading **Where You Can Find More Information**.

The registration statement containing this prospectus, including the exhibits to the registration statement, provides additional information about us and the securities offered under this prospectus. The registration statement, including the exhibits, can be read at the SEC website or at the SEC offices mentioned under the heading **Where You Can Find More Information**.

You should rely only on the information incorporated by reference or provided in this prospectus and the accompanying prospectus supplement. We have not authorized anyone to provide you with different information. We are not making an offer to sell or soliciting an offer to buy these securities in any jurisdiction in which the offer or solicitation is not authorized or in which the person making the offer or solicitation is not qualified to do so or to anyone to whom it is unlawful to make the offer or solicitation. You should not assume that the information in this prospectus or the accompanying prospectus supplement is accurate as of any date other than the date on the front of the document.

References to **NiSource** refer to NiSource Inc. and references to **NiSource Finance** refer to NiSource Finance Corp. Unless the context requires otherwise, references to **we**, **us** or **our** refer collectively to NiSource and its subsidiaries, including NiSource Finance. References to **securities** refer collectively to the common stock, preferred stock, debt securities, guarantees of debt securities, warrants, stock purchase contracts and stock purchase units registered hereunder.

## WHERE YOU CAN FIND MORE INFORMATION

NiSource files annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any document NiSource files at the SEC's public reference room at 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549. You may obtain additional information about the public reference room by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains a site on the Internet (<http://www.sec.gov>) that contains reports, proxy statements and other information regarding issuers that file electronically with the SEC, including NiSource.

The SEC allows us to incorporate by reference information into this prospectus. This means that we can disclose important information to you by referring you to another document that NiSource has filed separately with the SEC. The information incorporated by reference is considered to be part of this prospectus. Information that NiSource files with the SEC after the date of this prospectus will automatically modify and supersede the information included or incorporated by reference in this prospectus to the extent that the subsequently filed information modifies or supersedes the existing information. We incorporate by reference the following documents filed with the SEC:

our Annual Report on Form 10-K, as amended by our Annual Report on Form 10-K/A, for the fiscal year ended December 31, 2002;

our Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2003;

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our Current Reports on Form 8-K dated May 13, 2003 and July 15, 2003; and

the description of our common stock contained in our definitive joint proxy statement/ prospectus dated April 24, 2000.

We also incorporate by reference any future filings we make with the SEC under sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 until we sell all of the securities.

You may request a copy of any of these filings at no cost by writing to or telephoning us at the following address and telephone number: Gary W. Pottorff, NiSource Inc., 801 East 86th Avenue, Merrillville, Indiana 46410, telephone: (877) 647-5990.

We maintain an Internet site at <http://www.nisource.com> which contains information concerning NiSource and its subsidiaries. The information contained at our Internet site is not incorporated by reference in this prospectus, and you should not consider it a part of this prospectus.

We have filed this prospectus with the SEC as part of a registration statement on Form S-3 under the Securities Act of 1933. This prospectus does not contain all of the information included in the registration statement. Any statement made in this prospectus concerning the contents of any contract, agreement or other document is only a summary of the actual document. If we have filed any contract, agreement or other document as an exhibit to the registration statement, you should read the exhibit for a more complete understanding of the document or matter involved. Each statement regarding a contract, agreement or other document is qualified in its entirety by reference to the actual document.

### FORWARD-LOOKING STATEMENTS

Some of the information included in this prospectus, in any prospectus supplement and in the documents incorporated by reference are forward-looking statements within the meaning of the securities laws. These statements concern our plans, expectations and objectives for future operations. Any statement that is not a historical fact is a forward-looking statement. We use the words estimate, intend, expect, believe, anticipate and similar expressions to identify forward-looking statements, but some of these statements may use other phrasing. We undertake no obligation to release any revisions to these forward-looking statements publicly to reflect events or circumstances after the date of this prospectus or accompanying prospectus supplement or to reflect the occurrence of unanticipated events. While we make the forward-looking statements in good faith and believe they are based on reasonable assumptions, these statements are subject to risks and uncertainties. Important factors that could cause actual results to differ materially from those suggested by the forward-looking statements include:

increased competition in deregulated energy markets;

the weather;

fluctuations in supply and demand for energy commodities;

successful consummation of proposed dispositions;

growth opportunities for NiSource's businesses;

dealings with third parties over whom NiSource has no control;

actual operating experience of acquired assets;

NiSource's ability to integrate acquired operations into its operations;

the regulatory process;

regulatory and legislative changes;

changes in general economic, capital and commodity market conditions;



counter-party credit risk, many of which risks are beyond the control of NiSource; and

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other uncertainties, all of which are difficult to predict, and many of which are beyond our control, includ