

9. For NiSource and the Subsidiaries to change the terms of the authorized capitalization of any Subsidiary;

10. For NiSource and Columbia to acquire the equity securities of one or more additional Financing Subsidiaries, to guarantee securities issued by Financing Subsidiaries and to issue unsecured subordinated notes to any Financing Subsidiary;

11. For NiSource to acquire equity securities of intermediate subsidiaries organized to acquire, finance and hold securities of existing or future Nonutility Subsidiaries, including, but not limited to, EWGs, foreign utility holding companies ("FUCOs"), exempt telecommunications companies ("ETCs") and subsidiaries exempt under rule 58 ("Rule 58 Subsidiaries") (all "Intermediate Subsidiaries"), also to authorize Intermediate Subsidiaries to provide management, administrative, project development and operating services to one another, and to exempt Intermediate Subsidiaries from section 13(b) of the Act, permitting them to charge fair market rates in certain circumstances;

12. For NiSource to reorganize its Nonutility Subsidiaries and their activities and functions;

13. For Nonutility Subsidiaries (including Intermediate Subsidiaries) to expend up to \$250 million on preliminary development activities relating to potential nonutility investments;

14. For Nonutility Subsidiaries to perform services and sell goods to each other at fair market prices, determined without regard to "cost";

15. For NiSource, on behalf of any current and future Rule 58 Subsidiaries, to engage in certain rule 58 categories of activities outside the United States and reserving jurisdiction with respect to certain jurisdictions, pending completion of the record;

16. For Columbia, and for Nonutility Subsidiaries, to pay dividends out of capital and unearned surplus and/or to reacquire shares of its common stock held by NiSource, and by any associate company, respectively; and

17. For Applicants to continue to allocate consolidated income tax liabilities in accordance with the Tax Allocation Agreement previously approved by the Commission for tax years ending during the Authorization Period.

II. The Proposed External Financings

A. General Terms and Conditions

Financing transactions with third parties will be subject to the following general terms and conditions (including,

without limitation, securities issued for the purpose of refinancing or refunding outstanding securities of the issuer) ("Financing Parameters");

Effective Cost of Money. The effective cost of capital on Long-term Debt, Preferred Securities, Equity-linked Securities, and Short-term Debt will not exceed competitive market rates available at the time of issuance for securities having the same or reasonably similar terms and conditions issued by similar companies of reasonably comparable credit quality. Applicants state that in no event will the effective cost of capital (i) on any series of Long-term Debt exceed 500 basis points over a U.S. Treasury security having a remaining term equal to the term of such series, (ii) on any series of Preferred Securities or Equity-linked Securities exceed 600 basis points over a U.S. Treasury security having a remaining term equal to the term of such series, and (iii) on Short-term Debt exceed 500 basis points over the London Interbank Offered Rate for maturities of less than one year.

Maturity. The maturity of Long-term Debt will be between one and 50 years after the issuance. Preferred Securities and Equity-linked Securities will be redeemed no later than 50 years after the issuance, unless converted into common stock, except that Preferred Stock issued directly by NiSource may be perpetual in duration.

Issuance Expenses. The underwriting fees, commissions or other similar remuneration paid in connection with the non-competitive issue, sale or distribution of securities will not exceed the greater of (i) 5% of the principal or total amount of the securities being issued, or (ii) issuance expenses that are generally paid at the time of the pricing for sales of the particular issuance, having the same or reasonably similar terms and conditions issued by similar companies of reasonably comparable credit quality.

Common Equity Ratio. At all times during the Authorization Period, NiSource, Columbia and each Utility Subsidiary will maintain common equity of at least 30% of its consolidated capitalization (common equity, preferred stock, long-term debt and short-term debt); nevertheless, NiSource and Columbia will be authorized to issue common stock (including common stock issued pursuant to stock-based plans maintained for shareholders, employees and management) to the extent authorized.

Investment Grade Ratings. Applicants further represent that, except for securities issued for the purpose of funding Money Pool operations, no

guarantees or other securities, other than common stock, may be issued in reliance upon the authorization to be granted by the Commission, unless (i) the security to be issued, if rated, is rated investment grade; (ii) all outstanding securities of the issuer, that are rated, are rated investment grade; and (iii) all outstanding securities of the top level registered holding company, that are rated, are rated investment grade. For purposes of this provision, a security will be deemed to be rated "investment grade" if it is rated investment grade by at least one nationally recognized statistical rating organization, as that term is used in paragraphs (c)(2)(vi)(E), (F) and (H) of rule 15c3-1 under the Securities Exchange Act of 1934, as amended. Applicants request that the Commission reserve jurisdiction over the issuance of any such securities that are rated below investment grade. Applicants further request that the Commission reserve jurisdiction over the issuance of any guarantee or other securities at any time that the conditions set forth in clauses (i) through (iii) above are not satisfied.

B. NiSource External Financing

NiSource requests authorization, through the Authorization Period, to increase its capitalization through the issuance and sale of common stock, Preferred Securities, Equity-linked Securities and/or unsecured Long-term Debt.¹² The aggregate amount of new long-term financing obtained by NiSource, during the Authorization Period, from the issuance and sale of common stock, when combined with the amount of new financing obtained from the issuance and sale of Preferred Securities, Equity-linked Securities and/or Long-term Debt, shall not exceed \$6 billion. Applicant states, however, that (a) securities issued for purposes of

¹² NiSource contemplates that securities will be issued and sold directly to one or more purchasers in privately negotiated transactions or to one or more investment banking or underwriting firms or other entities who would resell such securities without registration under the Securities Act of 1933, as amended ("1933 Act") in reliance upon one or more applicable exemptions from registration, or to the public, either (i) through underwriters selected by negotiation or competitive bidding or (ii) through selling agents acting either as agent or as principal for resale to the public, or (iii) through dealers.

NiSource and NiSource Finance have filed under the 1933 Act utilizing the "shelf" registration process, under which NiSource, directly or through NiSource Finance, may offer for sale, in one or more transactions, any combination of common stock, Preferred Stock, warrants to purchase common stock or Preferred Stock, Long-term Debt of NiSource Finance and Equity-Linked Securities in an aggregate amount up to \$2,807,500,000. The prospectus contained in the Registration Statement provides a general description of the securities NiSource may offer.